

DailySocial  DSResearch 

Fintech Report 2020

Maintaining Growth during Pandemic



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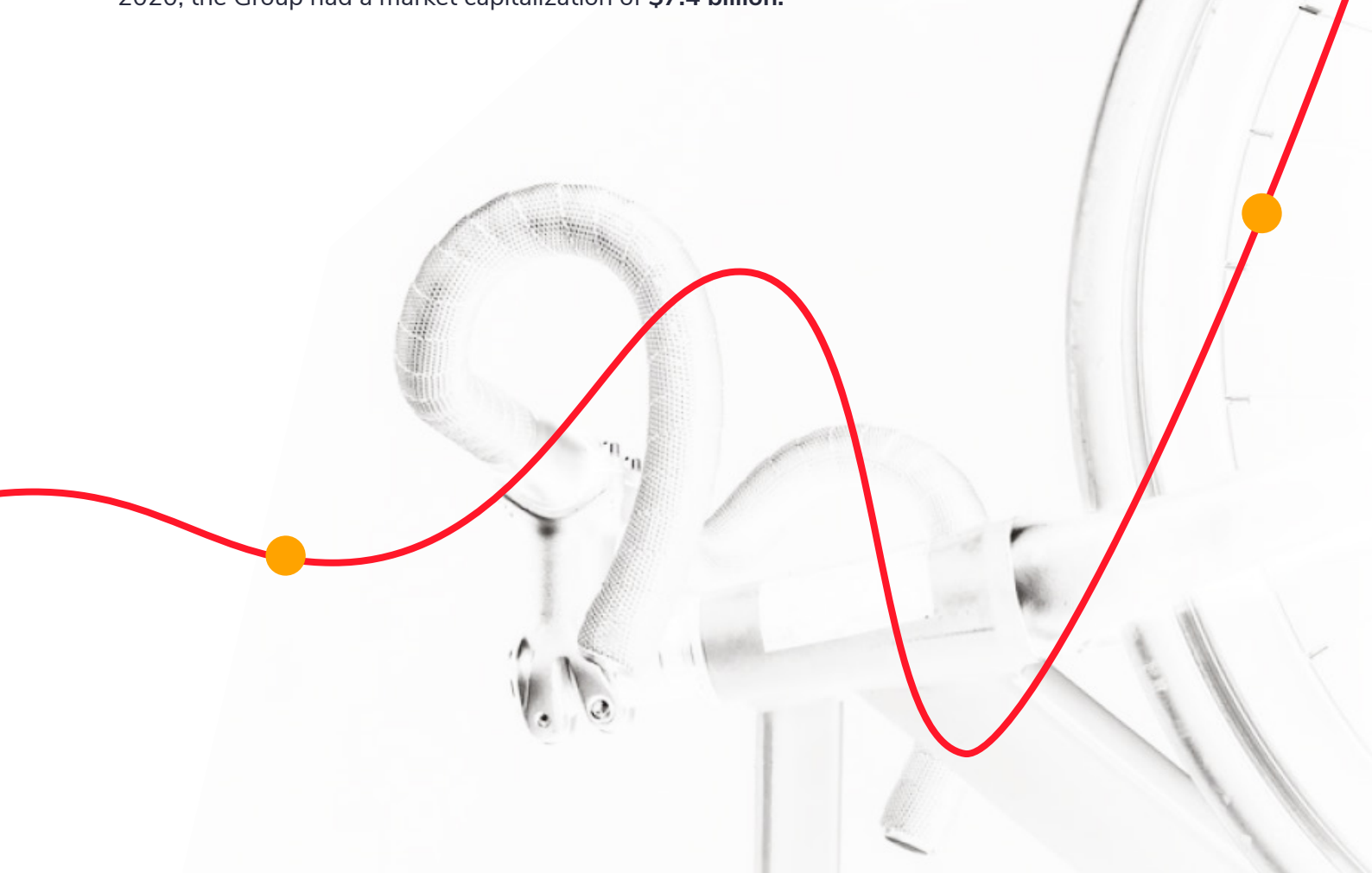
Forewords



CIMB NIAGA

CIMB Niaga was established as Bank Niaga in 1955. CIMB Group holds around 92.5% of the stakes in CIMB Niaga (including PT Commerce Kapital 1.02%). The Bank offers a comprehensive suite of both conventional and Islamic banking products and services, through an expanding delivery channel network of **446** network channels all over Indonesia as at 30 September 2020, including **385** branches, **34** Digital Lounges and **27** mobile branches. CIMB Niaga has **13,042** employees (consolidated) as at 30 September 2020.

CIMB Group is **Malaysia's second largest** financial services provider and one of ASEAN's leading universal banking groups. It offers consumer banking, investment banking, Islamic banking, asset management and insurance products and services. Headquartered in Kuala Lumpur, the Group is now present in all **ASEAN** nations (Malaysia, Indonesia, Thailand, Singapore, Cambodia, Brunei, Vietnam, Myanmar, Laos and Philippines). Beyond ASEAN, the Group has market presence in **China, Hong Kong, India, Sri Lanka, the US, UK and Korea.** CIMB Group is listed on the Malaysian stock exchange via CIMB Group Holdings Berhad. As at 30 September 2020, the Group had a market capitalization of **\$7.4 billion.**





Ayoconnect is Indonesia's first open bill network offering over 3,000 bill products from 23 categories . The network links Bill Providers such as Utilities, Telcos, Aggregators or Publishers with Consumer Facing Platforms and Financial Institutions. Prominent bill categories include phone credits, electricity payments and game vouchers. The company recently entered into recurring property and tuition payments.

Ayoconnect enables channel partners to offer and monetize bill payments to their customers. Bill providers on the other hand use the network to collect recurring consumer payments faster and cheaper. Ayoconnect operates, maintains and extends the network and provides relevant backend infrastructure technology for companies.

Ayoconnect has processed more than **51 million** successful transactions to date across all 34 Indonesian provinces.

For more information, please visit <https://ayoconnect.id>



Investree is a B2B financial technology lending company in Indonesia with a mission to use data and technology to make financing more accessible and affordable to SMEs while also connect them with lenders who want to support them and gain an attractive return. Through collaborations with strategic partners in the digital and financial ecosystem as well as the creation of innovative financing products, Investree commits to continuously provide various digital solutions for SMEs. Investree is based in Indonesia but has grown its regional footprint in Thailand and soon to be in the Philippines.

We are the only fintech lending company that has obtained Business License for Information Technology-Based Lending and Borrowing Services from the Financial Services Authority in Indonesia (OJK) for two types of businesses, namely conventional and sharia. Closing the 3rd quarter of 2020, Investree recorded a total loan facility of IDR 7 trillion and loan value disbursed of Rp5 trillion with an average yield of 16.9% pa and TKB90 of 99%. Investree was also named “**Best Fintech of the Year**” by The Asset Magazine and “Best P2P Lending Platform for SMEs” by The Asian Banker.



01.

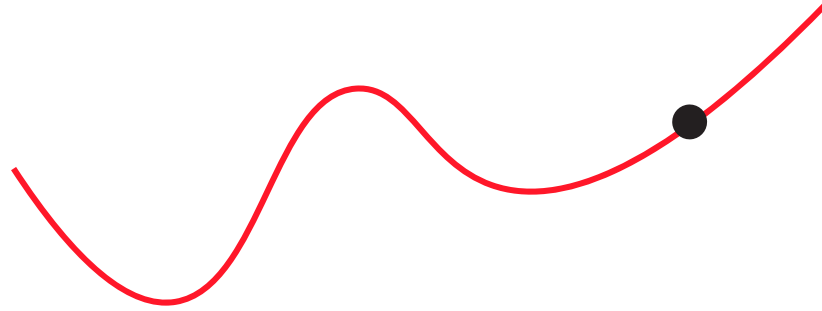


Fintech
Overview



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Fintech Overview



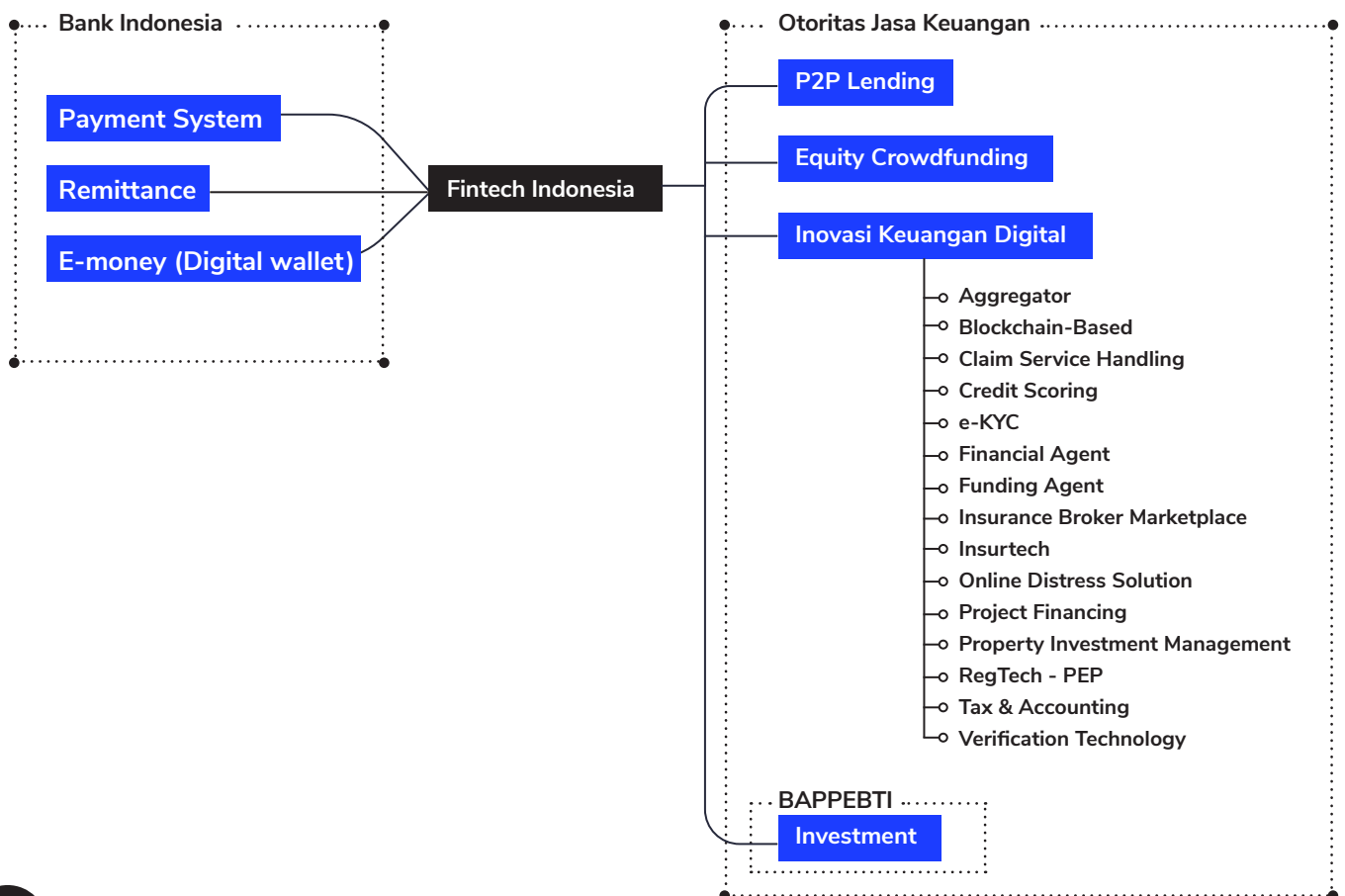
Financial technology (fintech) is one of the drivers of the digital economy in Indonesia. According to the e-Economy SEA 2020¹ report, Indonesia managed to record \$44 billion in Gross Merchandise Value (GMV) contributed by the e-commerce, on-demand, online travel, and fintech sectors. According to analysts, the Covid-19 pandemic has accelerated fintech growth in the region. The sub-sectors that experienced growth included investment (116%), remittance (43%), insurance (30%), digital payments (3%), and lending (<1%).

This achievement is inseparable from internet penetration in Indonesia. According to APJII's latest data from a survey conducted until Q2 2020², the number of internet users has reached 196.7 million, or the equivalent of 73.7 percent of the total population in Indonesia. The increase is around 8.9% from 2019. Java Island is still the largest contributor to internet users in Indonesia with 55.7%.

Business Model

The huge market share has implications for variants of business models. In the last decade, financial services have begun to be democratized with technology. Based on the existing regulatory structure at the Bank Indonesia, Financial Services Authority, and Commodity Futures Trading Supervisory Agency; the fintech business model can be mapped into seven main categories.

Figure 01. Mapping of Regulated Fintech Business Models in Indonesia/DSResearch



The P2P Lending is regulated by POJK No.77/POJK.01/2016. The equity crowdfunding service is regulated by POJK No.37/POJK.04/2018. The IKD players are regulated by POJK No.13/POJK.02/2018. Meanwhile, the investment platforms (mutual funds and stocks) also have several accompanying regulations, such as POJK No.31/POJK.04/2018, POJK No.30/POJK.04/2017, and others. E-money or digital wallet services are regulated in PBI No.20/6/PBI/2018. Then the payment system rules are described in PBI No.19/12/PBI/2017. Meanwhile, remittances are regulated through PBI No.14/23/PBI/2012.



“Fintech innovation can be a complement to serving the public in using financial service products. Thoughts of developing on their own and fear of losing the competition must be far left behind. In fact, cooperation in the ecosystem will make the industry grow together. We hope that all stakeholders have the same thoughts and take an active role following their fields in improving the fintech ecosystem. OJK continues to encourage innovation and cooperation in the ecosystem to continue to exist. Fintech and existing financial service industries, such as banking, financing, and capital markets can also collaborate.”

OJK Fintech Supervision and Licensing Director, Tris Yulianta

◆ **The following is an explanation for each category:**

P2P (Peer-to-Peer) Lending

Financial service providers in charge of bringing together lenders and borrowers, both from individuals and institutions. The loan is provided for consumptive or productive needs. Some platforms are standalone, while others are integrated with the third party of digital services ex. e-commerce, OTA, until edtech.

Equity Crowdfunding

Intermediary digital platforms for business owners to get capital from the community. The payoff is in the form of shares, with profits based on business growth; so there is a risk factor in it. The criteria for the platform, investors, and the number of funds collected are specified in the OJK regulations (POJK).

Investment

A digital application that helps people to invest. It includes information services, buying, and selling of information assets. The most popular instruments today are gold, mutual funds, and stocks.

Digital Financial Innovation (Inovasi Keuangan Digital; IKD)

Fintech platform testing mechanisms related to business processes, business models, and financial instruments. The purpose is to provide new added value to the financial services sector by involving the digital ecosystem. In this phase, each business model does not yet have specific regulations.

E-money

Server-based digital wallet service to accommodate a certain amount of non-cash money from users. Allows users to save, send, and pay directly through the application.

Remittance

Digital service for sending and receiving money from other countries. Convert currencies according to the origin or destination of delivery.

Payment System

Digital financial services to help other platforms manage transactions. One of the most popular models is a payment gateway.

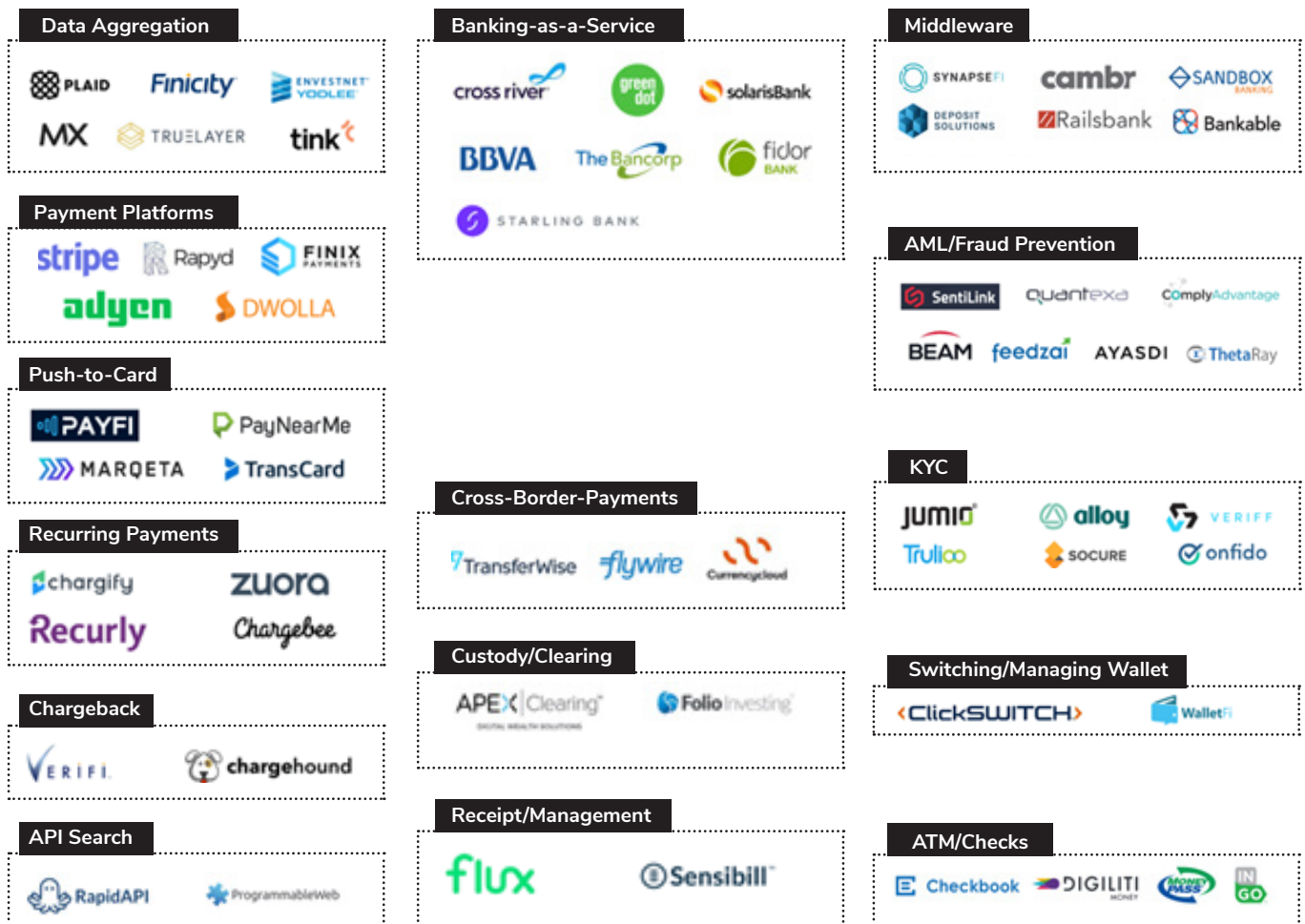
Indonesian authorities also have a Regulatory Sandbox for the fintech business. It is a feasibility testing tool for a new business model. It can accommodate product innovations that flow rapidly. The mechanism is carried out by the Financial Services Authority and Bank Indonesia according to their business domain.

Technology in Fintech

Observed from the types of fintech services that exist today, several fundamental technologies are used to support business processes. Based on the Fintech Infrastructure Market Map released by CBInsights³, 15 technology infrastructures are widely used by players in the world. The following is an explanation for each technology:

- ◆ Data Aggregation is a platform that provides data collection capabilities from multiple sources for analysis and reporting needs.
- ◆ Payments Platform is a payment service provider supervised by local authorities. In Indonesia, the player must hold a license from Bank Indonesia.
- ◆ Push-to-Card is a payment service provider that operates via existing card networks such as VisaNet.
- ◆ Recurring Payment is a technological mechanism that allows service providers to charge recurring or subscription payments.
- ◆ Chargeback is a technological mechanism that allows service providers to make automatic refunds for certain issues.

Figure 02. Fintech Infrastructure Market Map/CBInsights



- ◆ API Search platform allows developers to find financial service APIs to integrate into their systems.
- ◆ Banking-as-a-Service is enabling fintech players to develop services on top of existing bank infrastructure.
- ◆ Cross-border payments facilitate transfers of money between countries. Some call it a remittance service.
- ◆ Custody/clearing is a platform that facilitates the exchange of electronic financial documents/data between banks or financial institutions.
- ◆ Receipt Management is a platform to make it easier for businesses to organize, archive, and view profits by tracking complete and accurate receipts.
- ◆ Middleware is an intermediary service provider between platforms, whether fintech with fintech or fintech with non-fintech. Generally using an API connection
- ◆ AML/Fraud Prevention helps financial businesses prevent fraud that results in losses, undermines credibility, and undermines business innovation.
- ◆ KYC (Know Your Customer) helps businesses to verify identity, conformity, and quantify user risk. Used to determine creditworthiness or other considerations in financial services.
- ◆ Switching/Managing Wallet helps fintech players to provide account transfer services from one institution/wallet manager to another.
- ◆ ATM/Check is a service that provides an interbank network to facilitate user transactions.

02.

**Fintech
Ecosystem**

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Fintech Ecosystem

Covid-19 doesn't hinder fintech innovation and growth in Indonesia. Based on data released by the Financial Services Authority⁴, the accumulated loan from P2Plending as of September 2020 reached Rp128.7 trillion. There was a significant increase of 113.05% year-on-year. Not only fintech lending, but another financial business is also experiencing growth along with physical restrictions. For example, in the digital wallet; LinkAja succeeded in increasing user growth by 23%. In November 2020, they're having more than 58 million registered users.

These statistics are an interesting starting point for further exploring the development of fintech in Indonesia during the pandemic.

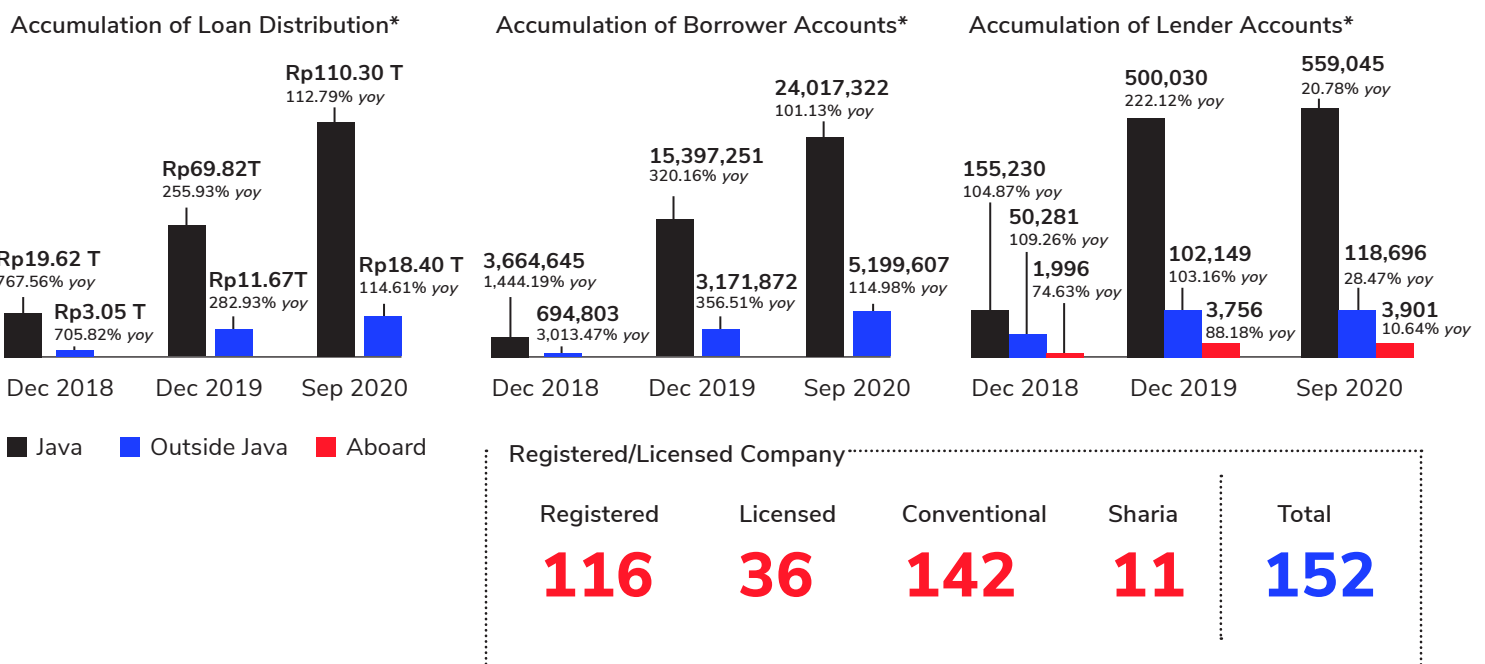
Business Growth

Fintech Lending

Fintech lending is still on a fast growth path from year to year. As of September 2020, there were Rp128.7 trillion in loan distribution, involving 29.2 million borrower accounts and 681 thousand investor accounts. Users from Java still dominate the majority of transactions. The rate of growth outside Java is much smaller, indicating inequality in the distribution of services. Several factors contributed to this, including the need for business owners to have representatives or partners in their operational areas; also related to digital and financial literacy in Indonesia.

According to data quoted by President Joko Widodo⁵, financial literacy in Indonesia still reaches 35.5%. Meanwhile, digital literacy is only 31.26%. This percentage makes the financial inclusion index in Indonesia only reached 76%, lower than Singapore 86%, Malaysia 85%, and Thailand 82%. Non-bank financial institutions are expected to encourage an increase in these aspects.

Figure 03. Fintech Lending Statistic/OJK

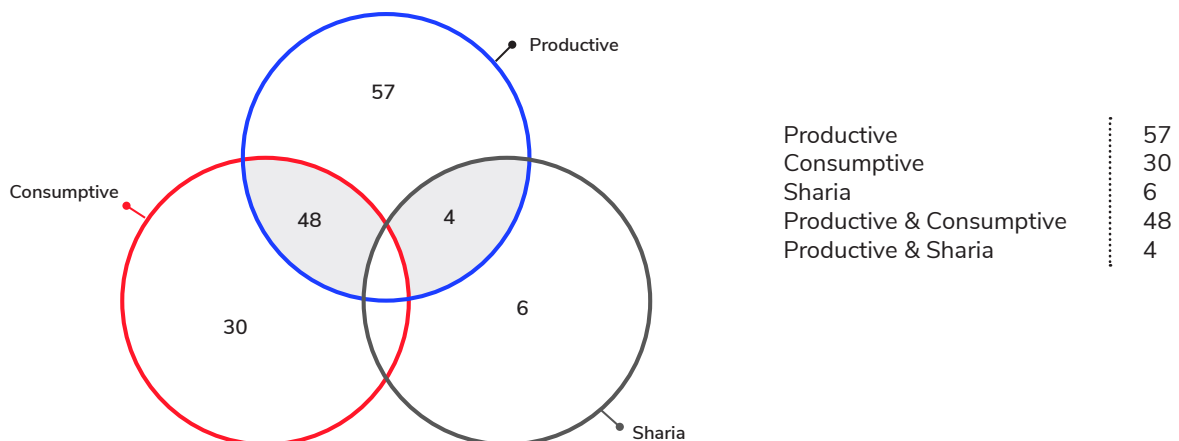


Until now, fintech lending is still accommodated by POJK No.77/POJK.01/2016. As of December 2020, there are 152 fintech lenders registered in OJK, while 36 players have obtained licensed status. The following is a list of P2P lending companies that have obtained registered and licensed status:



According to the latest study by DSRResearch and AFPI⁶, for now, the majority of fintech lending business is targeting the productive segment. Commonly, they provide capital loans to help MSMEs. There are also many players who are targeting two segments at once, both productive and consumptive.

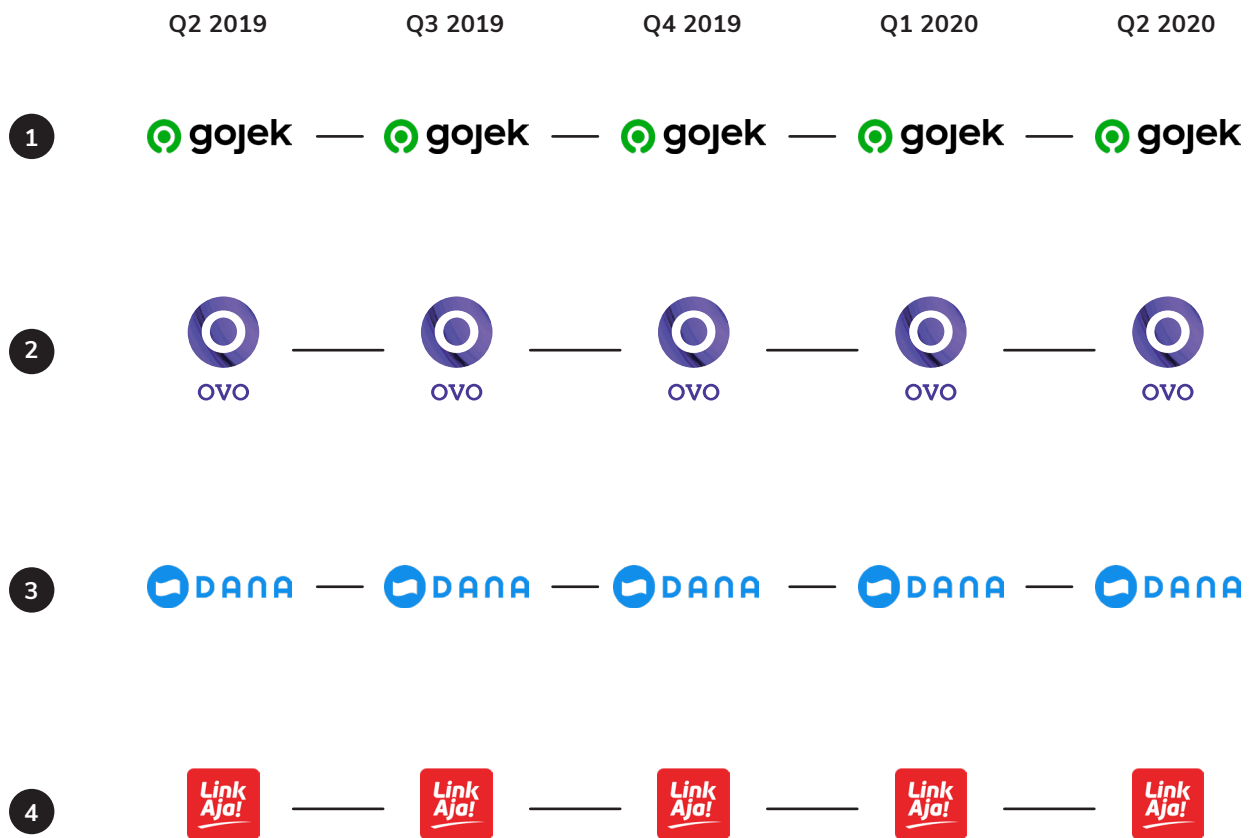
Figure 04. Type of Fintech Lending Companies/DSRResearch



● Digital Wallet

Digital wallets or e-wallets are an essential component in the growth of digital business in Indonesia. Almost all transactional platforms today integrate their services into digital wallets. The purpose is to provide a seamless user experience on payment. App Annie and iPrice's research (per Q2 2020⁷) shows statistics on the use of digital wallet apps in Indonesia. The ranking is not much changed from the results of the Fintech Report 2019 survey. GoPay, which supports the Gojek ecosystem, still tops the standings, followed by Ovo, which is integrated with its competitor, Grab.

Figure 05. E-money Platform Growth per Q2 2020/iPrice



Integration is one of the main strategies applied by each player. When the platform is integrated into an application that has a huge user base, it will significantly impact the value of transactions. The Markplus⁸ and Ipsos surveys even put ShopeePay in the top position of digital wallet popularity this year. The service is owned by Shopee, the e-commerce giant from Sea Group, and is the most widely used in Indonesia⁹.

QRIS (Quick Response Code Indonesian Standard) has also started operating, it is supposed to be a catalyst for the growth of digital wallets. The QRIS mechanism allows various registered digital wallet apps to be used to pay merchants via a single QR code. As is well known, digital payments are an option that many offline businesses are offering to their customers.

Figure 06. An Overview of the QRIS Mechanism in Payment/Bank Indonesia



In 2020, Bank Indonesia¹⁰ issued digital wallet licenses to six companies. Most of the companies that focus on working on this platform are banking and technology companies.

Company	License	Date	Platform
PT Paprika Multi Media	No. 22/7/DKSP/Srt/B tanggal 8 Januari 2020	6 Februari 2020	Paprika
PT Astra Digital Arta	No. 22/59/DKSP/Srt/B tanggal 28 Januari 2020	18 Februari 2020	AstraPay
PT Bank OCBC NISP	No. 21/582/DKSP/Srt/B tanggal 19 Desember 2019	2 Maret 2020	One Wallet
PT Rpay Finansial Digital Indonesia	No. 21/586/DKSP/Srt/B tanggal 19 Desember 2019	18 Maret 2020	Yourpay
PT Visi Jaya Indonesia	No. 22/174/DKSP/Srt/B tanggal 9 Maret 2020	6 April 2020	Eidupay
PT Bank Jabar dan Banten	No. 22/156/DKSP/Srt/B tanggal 16 Maret 2020	5 Maret 2020	DigiCash

● Investment

Digital applications for investment have appeared since the beginning of the decade in Indonesia. Stockbit became one of the pioneers, launched in 2013. Low financial literacy and less popular stock instruments at that time made the platform only able to target specific user segments. In 2017, some applications presented investment apps with gold instruments such as e-mas, Indogold, Tamasia, etc. They see the habits of people in Indonesia to buy and sell gold. Digital platforms are trying to democratize the old way of investing in gold.

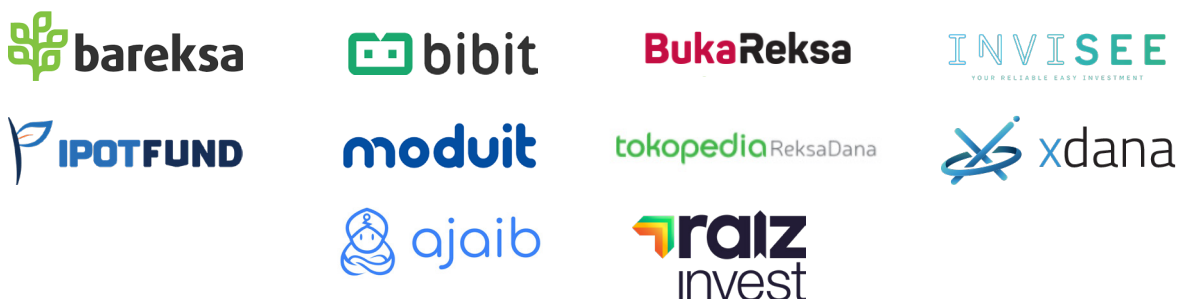
The traction obtained by the digital gold platform is quite good because it can accommodate a wider segment of users. Some companies integrate their investment services with popular sites such as online marketplaces or ride-hailing. Currently, several applications process gold transactions digitally, as follows:



The rise in the gold investment platform has led the Jakarta Futures Exchange to inaugurate a special committee to handle digital gold players through a decree SK/193/DIR/BBJ/VI/20 concerning the formation of a digital gold physical market committee. The formation of this committee is mandatory as stated by the legislation of the Commodity Futures Trading Supervisory Agency, as well as to oversee digital gold players.

Mutual funds¹¹ are also a popular choice these days because the risk tends to be lower than stocks. Several startups launched special services to accommodate the instrument. Some players integrate their services into popular online marketplaces. Seeing market conditions in Indonesia, they also provide educational services to help users identify their respective investment profiles. This includes using artificial intelligence to release Robo Advisors that are integrated into the investment platform.

Here are some popular mutual fund investment applications in Indonesia:



● Insurtech

The report entitled Insurtech Strategic Innovation¹² launched by DSResearch and Mandiri Capital Indonesia outlines insurance technology (insurtech) based on the scope of its platform. There are five sections, namely insurtech services, insurance company applications, bancassurance, aggregator sites, and technology enablers to help conventional insurance go digital.

Figure 07. Insurtech ecosystem in Indonesia/DSResearch



According to the OJK¹³, as of July 2020, the penetration rate of life insurance is still at 1.1%. There was a decrease in the level of penetration in line with economic pressure due to the pandemic. Insurance penetration is the ratio level of the number of funds in the insurance industry to gross domestic product.

Fintech Funding

This year (until the report was published), we recorded 16 funding transactions for fintech startups in Indonesia. From 10 funding with an announced amount, it raised \$360 million. For the transaction, this year decreased compared to the previous year, but the value was larger. In 2019, there were 23 fintech funding transactions. Of the 12 declared amounts, \$217 million was raised.

There were no fintech funding publications throughout the first quarter of this year, all new funding was announced starting April 2020. Here's the full list:

Date	Company	Stage	Disclosed Amount	Disclosed Investors
March	Digiasia Bios	Series B	-	Mastercard
April	Investree	Series C	\$23.500.000,00	Mitsubishi UFJ Financial Group, BRI Ventures, SBI Holdings, 9F Fintech Holdings Group
April	KoinWorks	Debt Funding	\$20.000.000,00	Quona Capital, EV Growth, Saison Capital
April	Qoala	Series A	\$13.500.000,00	Centauri Fund, Sequoia India, Flourish Ventures, Kookmin Bank Investments, Mirae Asset Venture Investment, Mirae Asset Sekuritas. Investor terdahulu antara lain Central Capital Ventura dari Bank Central Asia, MDI Ventures, Surge, MassMutual Ventures Southeast Asia, SeedPlus.
April	Modalku	Series C	-	BRI Ventures
May	KoinWorks	Debt Funding	\$10.000.000,00	Lendable
May	Pintek	Pre-Series A	-	Accion Venture Lab, Global Founders Capital
June	Wallex Technologies	Series A	-	BAce Capital, SMDV, Skystar Capital
July	Payfazz	Series B	\$53.000.000,00	B Capital Group, Insignia Ventures, Tiger Global Management, Y Combinator, ACE & Company, Quiet Capita, BRI Ventures
July	AwanTunai	Debt Funding	\$20.000.000,00	Accial Capital
August	Ayoconnect	Pre-Series B	\$5.000.000,00	BRI Ventures, Kakaku.com, Brama One Ventures, Finch Capital, Amand Ventures, Strive, AC Ventures
November	Kredivo	Debt Funding	\$100.000.000,00	Victory Park Capital Advisors
November	LinkAja	Corporate Round	\$100.000.000,00	Grab, Telkomsel, BRI Ventures, Mandiri Capital Indonesia
November	Investree	Debt Funding	\$15.000.000,00	Accial Capital
November	Finantier	Seed Funding	-	East Ventures, AC Ventures, Genesis Ventures
December	Pintek	Series A	-	Finch Capital, Accion Venture Lab

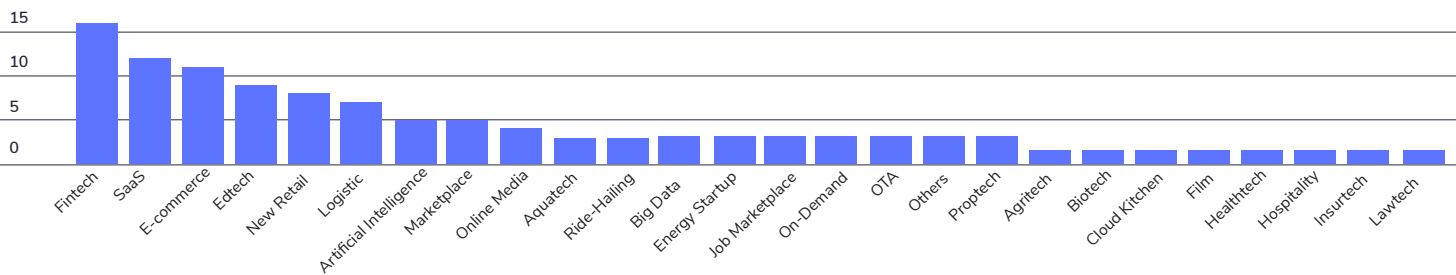
If last year most of the funding was in the early stages, this year more funding was disbursed for late stages funding. Some analysts¹⁴ have predicted that the crisis caused by this pandemic will make investors more selective in disbursing their funds. Most chose to increase the spin in established businesses and get good traction, also in this Covid-19 period.

Besides, earlier this year Cashlez successfully conducted an IPO on the Indonesia Stock Exchange. The company released 250 million new shares for Rp350 per share. This total capital comprises approximately 17.5 percent of the paid-up and issued capital. Managed to book Rp87.5 billion from the celebration.

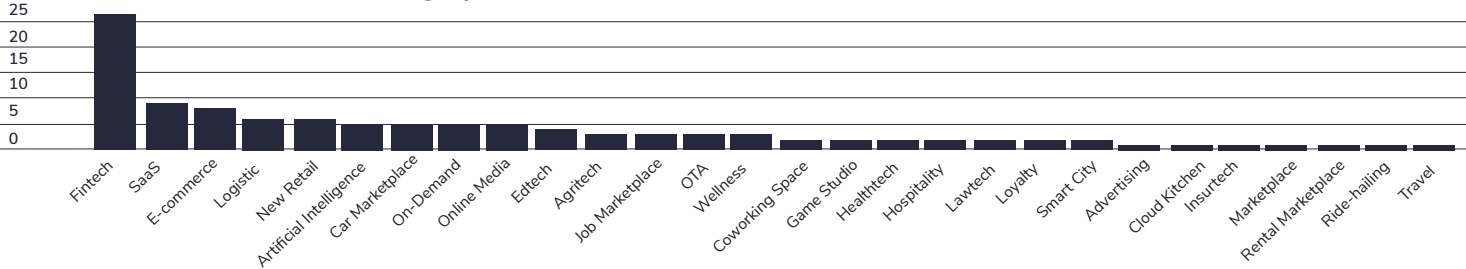
This year's funding gains have maintained a record over the past four years. Fintech startups continue to dominate the amount of funding in Indonesia's digital landscape.

Figure 08. Fintech has Dominated Indonesian Startup Funding in Recent Years/DSResearch

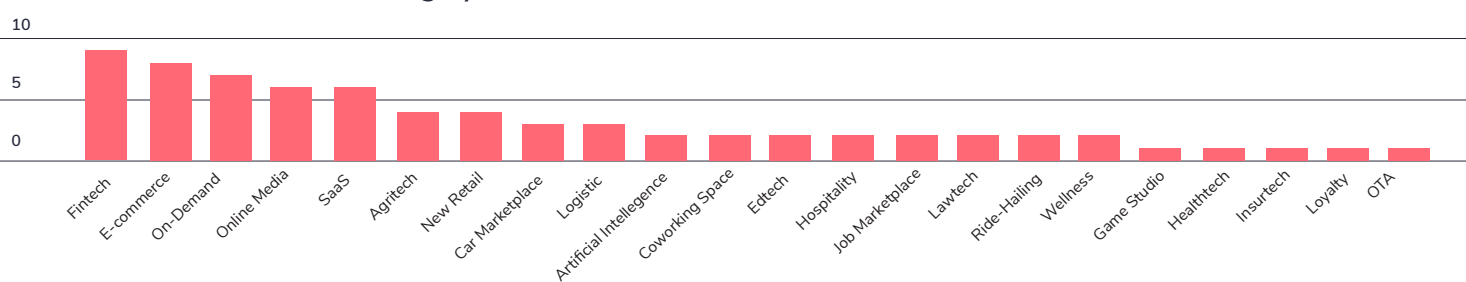
Business vertical Funding by 2020



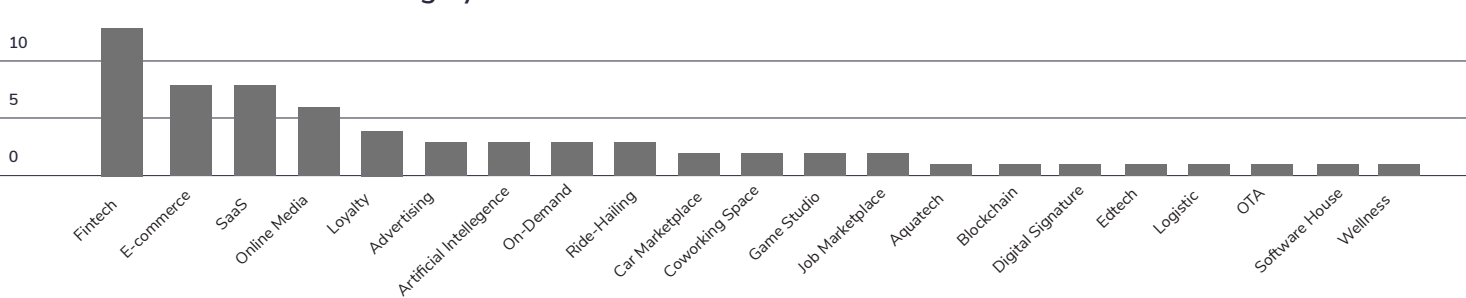
Business Vertical Funding by 2019



Business Vertical Funding by 2018



Business Vertical Funding by 2017

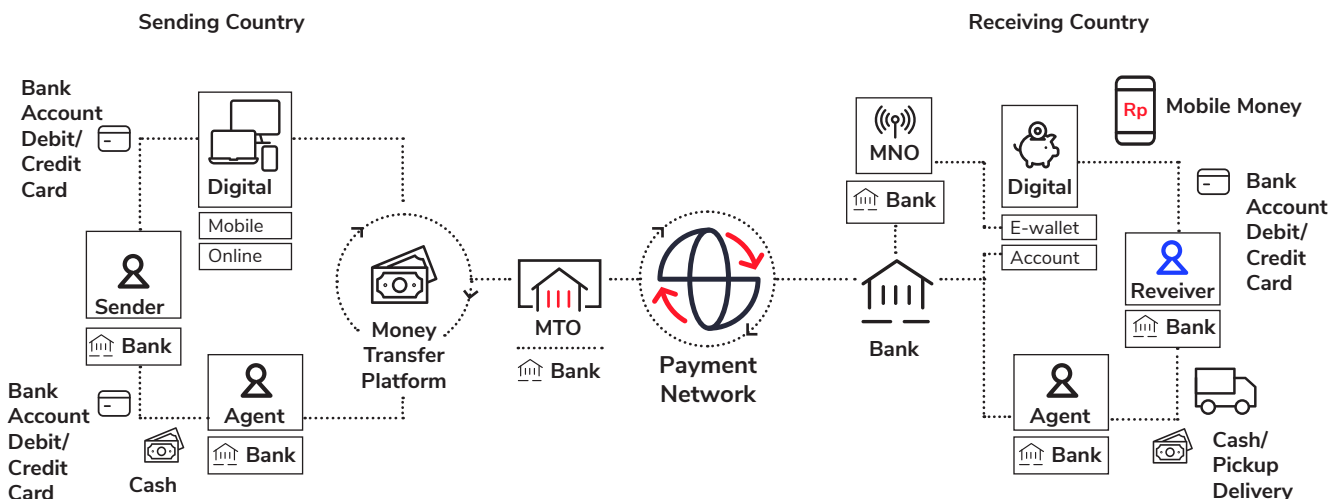


Opportunity

● Remittance

This service allows for foreign exchange financial transactions; some call it a cross-border money transfer. Usually used by users to receive or send money to users abroad. The platforms are under Bank Indonesia regulation No.21/8/PBI/2019 concerning the Implementation of Fund Transfers and Scheduled Clearing. Currently, several registered players run their business digitally.

Figure 09. Remittance Process and Ecosystem/Alie Group¹⁵



One of the market segments of remittance services is migrant workers. According to data from Bank Indonesia and BNP2TKI¹⁶, as of 2018, there are 3.6 million Indonesian workers who work abroad. They're spread across various continents, from Asia, Australia, America, Africa, and Europe. Remittance services help them to send money to families in Indonesia.

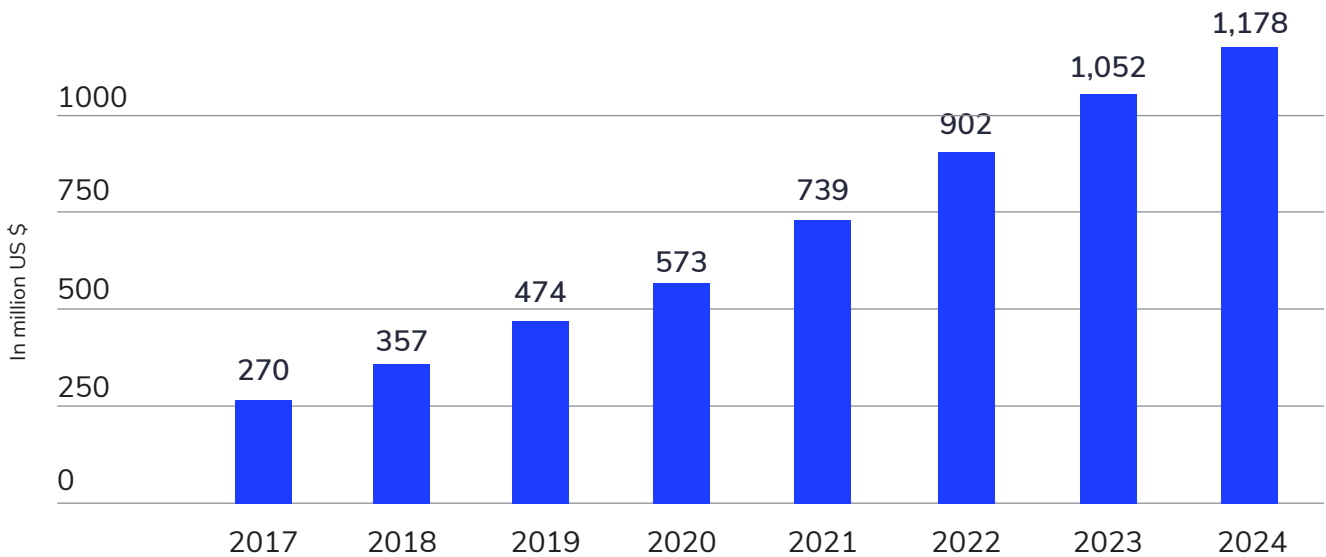
Legacy players in this segment include banking, post offices, and money transfer companies such as Western Union. One of the pain points of existing services is high administrative costs. Some digital remittance startups offer reduced transfer fees. It possibly due to the optimization of the use of technology and internet infrastructure, thereby simplifying business processes.

Digital remittance players in Indonesia:



According to data compiled by Statista in the “Personal Finance Report 2020”, the value of digital remittance transactions in Indonesia is projected to reach \$573 million in 2020. And will continue to increase until 2024 to reach \$1.1 billion.

Figure 10. Remittance Service Growth Trend in Indonesia/Statista



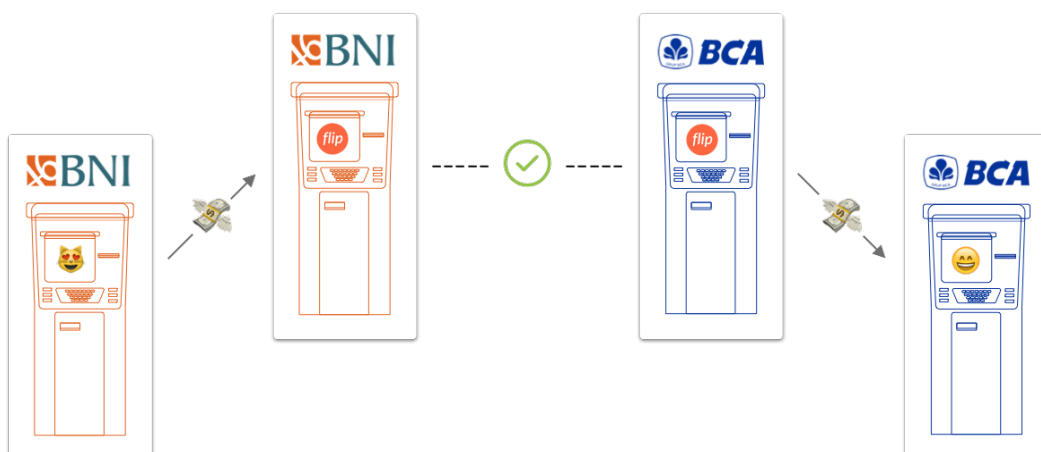
● Bank Transfer App

Domestic transfer services also have the opportunity to be worked on by fintech players. Again, the issue was raised to minimize transaction costs. Especially for bank transfers, users are charged a fee for each transaction. Meanwhile, for SMEs, the amount of these costs is quite calculated, especially when the intensity of sending funds is high.

According to Bank Indonesia data, in 2019 the volume of domestic transactions recorded at more than 218.89 million with a nominal value of Rp84.47 trillion. The remittance business itself recorded 37.7 million transactions with a value of Rp90.67 trillion. This nearly balanced figure is surprising considering that in 2018 the remittance business dominated with a nominal value of Rp177.1 trillion compared to domestic Rp32.71 trillion.

Flip and OY! Indonesia is the two biggest players playing in this segment. They accommodate bank transfer services for a low fee. Apart from consumers (B2C), they also provide services for businesses (B2B).

Figure 11. Bank Transfer App Mechanism/Flip



- **Fintech API-Based Services**

API-based business models are also being implemented by fintech. They exist as “fintech enablers”, enabling financial or non-financial companies to provide various services, for example payments, loans, investment, etc. In Indonesia, currently, there are several startups in this segment. Here’s a list of these startups, each with a different specialty:



3000 Digital Products
25 Bill Categories
1 API

Earn more revenue with Ayoconnect's Bill API
and get \$2,000 AWS credits*

www.ayoconnect.id



*= Terms and conditions apply

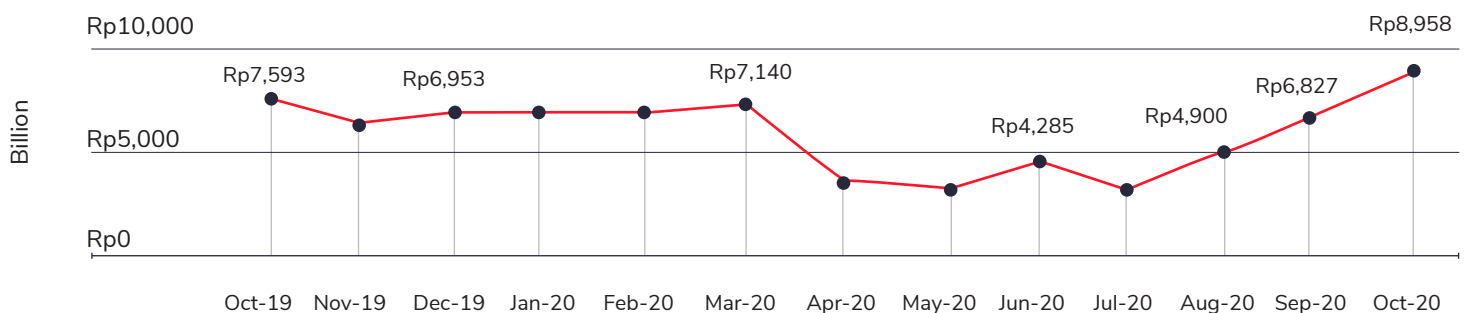
● Regulator Perspective

OJK is one of the regulators with an essential role in the fintech industry. In this report, DSRResearch interviewed the OJK Fintech Supervision and Licensing Director, Tris Yulianta. According to him, the fintech ecosystem has begun to grow well, as evidenced by the synergy between fintech lending, payment, e-commerce, digital signature, e-KYC, insurtech, digital banking, and/or other digital financial innovators; as well as the conventional financial services industry has been done a lot.

“We hope that this ecosystem can be utilized properly by all people in Indonesia, especially for unbanked and underserved business actors. In the future, we also want various types of collaboration in the fintech ecosystem to continue to increase and bring more useful innovations while remaining in the correct regulatory corridors.”

The fintech sector was also considered relatively stable during the pandemic. Based on data on loan disbursement, its performance declined in April 2020 when social and physical restrictions began. However, since August 2020, recovery has been seen with a fairly exponential increase. OJK predicts that the growth of fintech lending will continue to increase in line with the interest in digital transactions by the public during the pandemic.

Figure 12. Fintech loan distribution statistics in the pandemic period / OJK



● Financial Inclusion

Further improvements that need to be prepared are regarding community literacy and inclusion. In 2019, the literacy index was 38.03% and the inclusion index was 76.19%. This indicates that there are still many people who have accessed financial services but do not yet have a good understanding. This indicates that there is still a gap of 38% for those who use financial service products, but they do not fully understand financial products or services including the risks and benefits.

Besides, according to data from the 2019 National Financial Literacy Survey, only about 31.26% of people have accessed digital-based financial services. The number still needs to be increased with massive and on target educational activities.

“For fintech lending, we have a policy that has been implemented so that all players can carry out at least 12 socialization/educational activities, most of which must be held outside Java. We know that people outside Java are relatively left behind in terms of access to financial services.”



03.

**Business
Perspectives of
Fintech**

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Business Perspective of Fintech

The rise of a pandemic unexpectedly affects almost every aspect of the business. This condition causes firms on the verge of bankruptcy, layoffs, and cuts in wages in several companies.

The fintech report this year sets aside a scope to specifically present the dynamics faced by fintech and ecosystems during the pandemic. This section is divided into three sub-chapters: challenges, strategies, and plans after the pandemic hits.

Challenges on Pandemic

Cessation of physical activity puts many businesses closed. The PSBB has led to a significant drop in revenue for small, large companies and retail customers. When consumption and purchasing power decrease, it increases the risk of the market. Changes in consumer behavior will lead to a higher risk for the business.

The Covid-19 pandemic has affected millions of workers in Indonesia. The Central Statistics Agency (BPS) noted that 29.12 million working-age people were affected by the pandemic. The details:

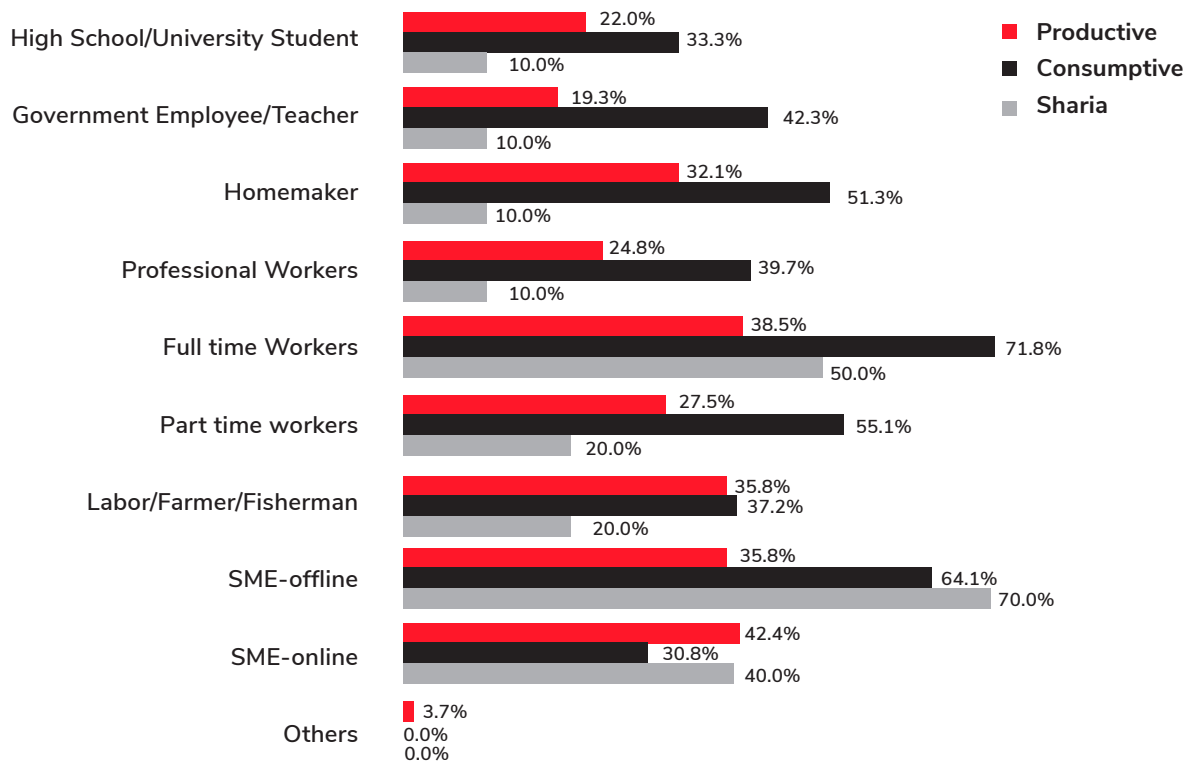
1. Unemployment not absorbed by the employment opportunities affected by Covid-19 reached 2.56 million people
2. Not a workforce of 0.76 million people
3. Not working because of being affected by Covid-19 by 1.77 million people
4. Working with reduced working hours, reaching 24.03 million people, as of November

Meanwhile, a survey conducted by the Ministry of Manpower (Kemnaker) and the Institute for Development of Economics and Finance (INDEF) stated that 88% of companies were affected by the pandemic in the last six months November 2020. Nine out of 10 companies in Indonesia were directly affected by the pandemic.

The survey was conducted online, including telephone and email, to 1,105 companies in 32 Indonesian provinces. The method used is 95% probability sampling and a margin of error (MoE) of 3.1%. Based on the survey, Micro, Small, and Medium Enterprises (MSMEs) decrease in demand, production, and profits by up to more than 90%¹⁷.

While the number of SMEs impacted is high, market risks have increased, and operations are affected by adjusted business procedures and delayed expansion and investment plans. The AFTECH survey on the impact of COVID-19 shows 70% of respondents said their income was affected by the pandemic.

Figure 13. Fintech Lending Borrower Profile/Dailysocial.id 2020



Based on the AFPI and Dailysocial survey, the report stated that SME is one of the largest fintech lending services users. The fintech sector has adopted various mitigation measures: (1) reducing employees' number, (2) implementing unpaid leave and salary cuts, better cash management, (3) postponing business expansion plans, and (4) changing the business model to survive the economic downturn. Niki Santo Luhur, Chairman of Indonesian FinTech Association (AFTECH), has conceived it.

Since increasing the number of COVID-19 cases in Jakarta, the government has started implementing large-scale social restrictions (PSBB). This condition causes the economy to experience quite drastic changes, given that people's behavior is slowly changing.

The pandemic has also brought about significant changes in the fintech industry, such as adaptation to the workforce, market risk, and technology projections to tackle the friction.



“One of the business problems faced by fintech lending during the pandemic was managing risk. When the economic situation is down, the level of risk will increase. The current situation is the first time for fintech lending to experience this condition. There will be challenges for the industry. All industry players must be more observant in managing strategies to survive.”



Adrian Gunadi, CEO of Investree

Therefore, this report is provided with additional data to identify the impact of COVID-19 and mitigation measures taken by players in the fintech industry. The following are some of the strategies faced by players during the pandemic.

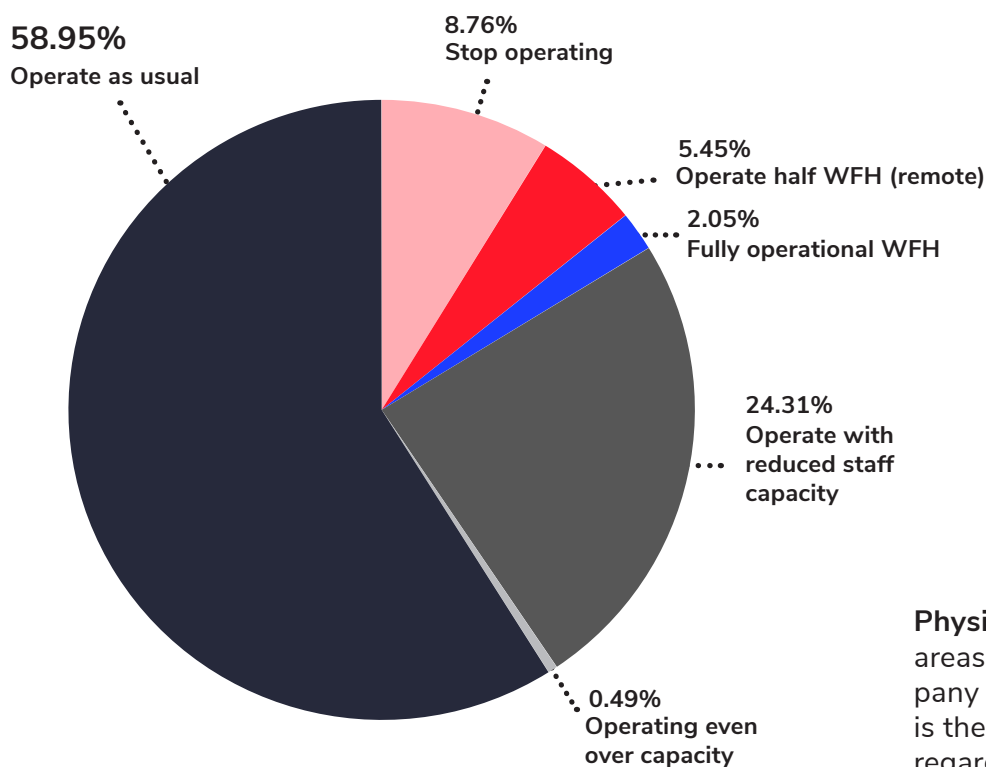
Strategy & Innovation on Pandemic

● New working styles

Since Covid-19 became a global pandemic (March 11, 2020), and governments in various countries implemented isolation measures to prevent it, the working culture of workers in multiple companies has changed dramatically, from 'working together' in an office environment to 'work individually' remotely or from home.

Almost all respondents in the interviews also admitted to running Working from Home (WFH) during this pandemic. One of them is as stated by Daniel Armanto as Chief Technology Officer of Investree. Given that their primary business has been online or digital-based since the beginning, they are not constrained by this shift. WFH reduces the commuting time for employees who live far from the office. In the future, policymakers in the company will also consider combining the WFH and WFO (Working from Office) working models.

Figure 14. Companies Operational During the Pandemic/BPS, 2020



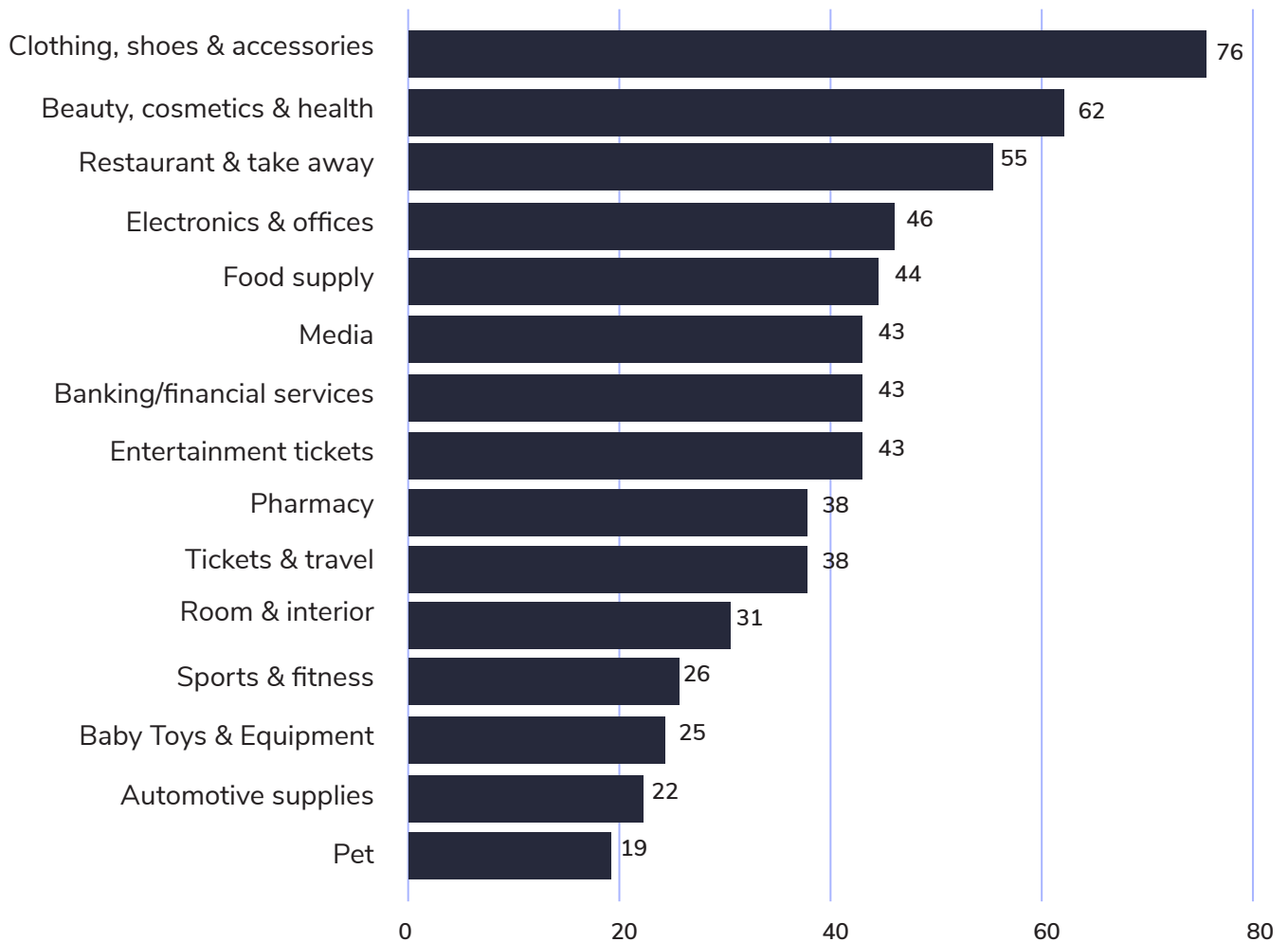
Since the pandemic, many companies have implemented work from home. Surprisingly during this pandemic, productivity has increased and is much more effective. Since the team is spread across Bogor, Depok, and surrounding areas, they don't need to spend time commuting. Remote work makes it more effective.

● Product Diversification

Limitation in activities causes consumers to look for other alternatives to still meet their needs. This behavior triggers a change in trends in the form of consumer behavior during the pandemic.

Based on a survey conducted by PwC, after the COVID-19 outbreak, there were five significant increases in Indonesian consumer spending, health products (77%), foodstuffs (67%), entertainment & media (54%), food collection/delivery (47%), and independent skills activities (DIY)/home improvement/gardening (32%).

Figure 15. Best Selling Products Online Shopping During Pandemic (Feb-Apr 2020)/Katadata 2020¹⁸



Fintech lending as a financial service provider for SMEs was also indirectly affected. The latest trend is driving new business insights for business owners. Although some businesses have experienced a decline in demand, other sectors such as health and care have increased.

Fintech lending players can adapt to this trend by issuing various loan products to optimize the serving SME. Koinworks has done this. Several partners who have offline businesses have experienced much decline in turnover. They overcome this by appointing a dedicated team to help with innovation.

Since 2016, Koinworks has projected to fund digital SMEs, which is currently the most extensive portfolio. Jonathan Bryan conveyed this as Chief Marketing Officer of Koinworks. The online business owner can be relied on today. Several requests for products in the market from partners also showed an increase. For example, health and body care products. The new trend is an insight that can be utilized by serving partners in these areas.

In this case, Koinworks does not only consider each SME's business sector to diversify its loan products. They also consider the types of loans based on the media used by each SME, both online or offline.

● Adjustments to new trends

Changes in business trends are inevitable during the pandemic. In addition to a decline and an increase in several product and service sectors, consumers have also drastically switched shopping online.

Reporting from Tirto, the number of e-commerce subscribers has increased by 38.3 percent during the Corona COVID-19 Pandemic period, which began from January to July 2020. The daily transactions also increased to 4.8 million, and the percentage of new consumers up to 51 percent during the pandemic period. According to Exabytes, the rapidly growing e-commerce growth is caused by consumer behavior changes that meet their daily needs by shopping online, especially during the Large-Scale Social Restrictions (PSBB) period.

The changes that have occurred have not only harmed the fintech sector. The transition of economic activity online is an opportunity for each company. These opportunities could be released if it is not appropriately addressed. The following are some examples of fintech companies facing changing business trends.

The pandemic has become a catalyst for digital transformation. Chiragh, as COO of Ayoconnect, conveyed the user-based enhancements of their partners. The increase in user-based is none other than the billing providers' awareness to start shifting to digital. Ayoconnect noticed this digital shifting process as an opportunity to help their transaction process. From January to the end of September, Ayoconnect's transactions are increasing by at least 35% every month. Especially during the pandemic, transactions increase in the system.

Based on this changing trend, Ayoconnect is more actively communicating with their channel partners to prepare products of interest in the future. Along with changing market conditions, channel partners are also starting to understand their users' needs. The change in trend helped Ayoconnect to discover specific points where the fever was rising and could become opportunities.

From the investment aspect, the public also shows an interest in investing. During the pandemic, Pluang had a reasonably large increase in users. The product that has experienced a significant increase in demand is gold. Claudia, CEO of Pluang, estimates that people are increasingly thinking about ways to store assets because of this pandemic, one of which is by buying gold.

As an investment platform, Bizhare has made innovations during this pandemic, especially from the investor side. Heinrich Vincent conveyed the statement as CEO of Bizhare. If previously the minimum purchase of shares was 5 million per user, now it has been converted to Rp50,000 per share. Each user can invest, starting from IDR 100,000. It aims to maintain and expand the market as an investor. The decline in share price is also considered to increase the inclusiveness of the investment ecosystem in Bizhare.

● Technology as a solution: Diminish the market risk

As already mentioned, market risk also increases with changes in the business system due to the pandemic. In the lending sector, players are starting to think of various strategies to minimize risk. Strengthening technology is one of the options.

The pandemic has made fintech P2P lending a role in increasing financing distribution to specific sectors. Koinworks noted that since the easing of Large-Scale Social Restrictions (PSBB), the demand for loans has increased up to 67%. The raise is due to the high enthusiasm of the community in applying for loans to expand businesses. The instability condition produces new risks that need to be anticipated.

OJK noted that the level of non-performing loans or default on 90 days loan repayments (TWP90) of fintech lending has continued to skyrocket since the Covid-19 pandemic. In February 2020, the figure was still around 3.92 percent. As of last August, the TWP90 rate of 157 fintech lending providers on average had reached 8.88 percent. Chairman of the Indonesian Joint Funding Fintech Association (AFPI) and Investree Co-Founder & CEO Adrian Gunadi revealed this in a virtual discussion with Pefindo Credit Bureau, Thursday 15th October 2020.

Adrian explained that fintech lending platforms are not enough to face the pandemic even already have excellent internal credit scoring. According to him, the urge to expand lending from P2P lending must balance maintaining quality to avoid the potential risk of subpar returns under current conditions.

Pandemic is arguably the most effective accelerator of digital transformation in a business. The statement is in line with what was conveyed by Bernardi Susastyo as Chief Commercial Officer of Advance.ai. As the c-level of a technology provider company, he admitted that the company had experienced a declining demand in APIs (SaaS) since the first time of the pandemic outbreak. After two months, demand returned to normal and even exceeded expectations. Because all financial institutions were considering digitizing business processes, especially from the KYC aspect, one that is quite popular is digital id verification for opening an account without coming to a branch.

● Helping small business: Boost up digitalization

Covid-19 tested SMEs' resilience to survive and thrive in a pandemic situation. Digital transformation will be an essential part of their stability. One option that can be done is to adopt digital services for every funding and business transaction. When these SMEs digitally facilitated, access to capital can also be through alternative facilities online.

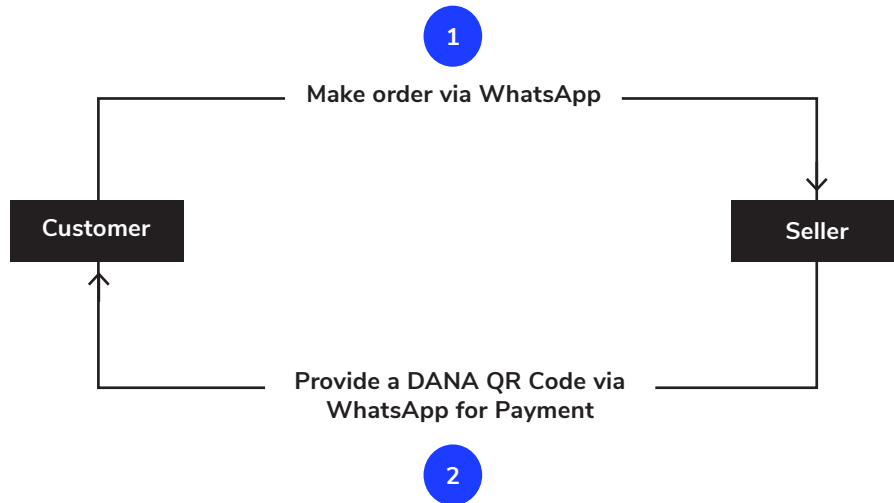
Since the number of E-commerce subscribers has increased by 38.3 percent during the Corona COVID-19 Pandemic period, millions of SMEs in Indonesia have to expand their reach digitization. However, to support the acceleration of the digital transformation of SME players, participation from various parties is needed, not only the government itself but also the private sector's support.

Several fintech players have admitted to releasing products to help process their merchant business from the payment aspect. DANA Indonesia, represented by Rangga Wiseno as the Head of Product, noticed a massive movement from offline to online transactions.

DANA tries to map the business pillars with the growth potential when the pandemic hits and which ones will be affected. Through this, DANA developed a particular strategy to support stores or merchants accustomed to being offline to understand online.

During the pandemic, DANA launched several products to support merchants, said Rangga Wiseno, DANA Senior VP Product. First, DANA merchants can accept orders via WhatsApp. Merchants will forward the QR to consumers to be scanned via DANA or other wallets.

Figure 16. DANA QR Code through WhatsApp



Second, shifting to different products such as peer to peer, transfers, and payments to other platforms. Like cash withdrawals at Alfamart. Third, supporting the customer. Apart from a business perspective, DANA also has a program to support the government, the support for the Shopping at Warung Tetangga. The public can register their neighboring stalls to collect. The Ministry of Cooperatives will use the data to deliver donations.

Midtrans also takes an active role in encouraging the digitization of payments with various payment innovations, especially for MSMEs, through the following designs:



Exemption of transaction fees through the Zero Fee Program, Midtrans waives online transaction fees (Merchant Discount Rate) specifically for new merchants. More than 11,000 new businesses have signed up for Midtrans since July 2020.



Instant payment link via Payment Link allows merchants to directly share payment links with customers via SMS, chat applications, email, and social media. Currently, Payment Link accepts payments via credit cards, debit cards, and various electronic money via QRIS codes. Through Payment Link, small businesses can accept online payments without the need to build their website. Since the pandemic, tens of thousands of payment links have been shared via Payment Link every month via chat, email, and social media applications.

Future Projection

The OJK is preparing six strategic policy initiatives in 2021 to face various developments and challenges in the financial services sector, including accelerating national economic recovery. Those strategies were conveyed by the Chairman of the OJK Board of Commissioners, Wimboh Santoso, when opening the 2021 OJK Strategic Work Meeting, which was held virtually during his visit to Labuan Bajo, East Nusa Tenggara. The six strategic 2021 initiatives are:

1. Development Direction and Supervision of the Financial Services Sector (SJK);
2. Sharpening Information Technology-Based Integrated SJK Supervision;
3. Acceleration of digitalization and optimization of digital ecosystems and digital literacy to support National Economic Recovery;
4. Expanding Access to Finance in the Framework of Supporting MSME Growth and National Economic Recovery;
5. Strengthening the resilience and competitiveness of the FSS; and
6. Sustainable Finance Development.

These six strategic 2021 initiatives will serve as a reference for OJK in implementing various OJK 2021 policies, focusing on encouraging the OJK to become a catalyst for accelerating national economic recovery.

It is undeniable that today's rapid development is beneficial for people to carry out their daily activities. But on the other hand, the ease of service is also accompanied by gaps in security threats, mainly because these technologies' development goes beyond existing regulations.

At this point, the Financial Services Authority (OJK), as a regulatory, supervisory, examining, and investigating agency for the financial services industry in Indonesia, requires much innovation in regulatory development. The supervisory function mandated by the OJK must reach technological aspects that have now become an integral part of the financial industry itself.

One of the external support needed is from the legislative body, for example, by accelerating the Personal Data Protection Act and the Cyber Security and Resilience Law. The two laws can improve regulations based on the principles of Same Business-Same Risks-Same Rules and strengthen technology-based supervision for all financial service institutions (LJK) and fintech companies in Indonesia.

The Cyber Security and Resilience Law is also expected to increase the regulatory sandbox and optimize the role of the SRO (Self-Regulatory Organization). The SROs collaborate with the OJK to oversee market conduct Aftech (Indonesian Fintech Association or Digital Financial Innovation Organizers Association) and AFPI (Indonesian Joint Funding Fintech Association).

Meanwhile, in terms of development, fintech in Indonesia still has enormous potential, according to the OJK. According to World Bank data (2018), funding needs are always extensive and cannot be fully met by existing institutions. Data in Indonesia shows that the funding gap reaches around IDR 2,300 trillion. Therefore, innovation in the fintech ecosystem can be the main alternative in meeting these funding needs.

OJK, through Tris Yulianta OJK, as Fintech Supervision and Licensing Director, hopes that fintech can develop together with the existing financial services industry and complement other digital initiatives that are also growing in Indonesia. Service quality and industrial quality need to be improved with a shared commitment to collaborate so that they are expected to contribute more optimally to the Indonesian economy.

● Enhancing current technology

The implementation of new technology is one of the hallmarks of a startup or fintech company. Aside from providing benefits in efficiency, technology offers some alternative approaches to solving problems. Given the increased market risk, some of the anticipations that have been conducted by regulators. The fintech players are also not standing still.

Several interviewees admitted the fintech players were very aware of the potential for transformation in the future. They have prepared several plans, especially developments in technology.



“Investree will focus on developing machine learning technology from the credit scoring that is currently developing. We plan to facilitate interaction with users, both borrowers, and lenders. We also aim to reduce friction, so the registration and interaction process will become seamless.”



— Daniel Armanto as Chief Technology Officer of Investree.

They have also projected to develop chatbots. Next up is managing risk. Given that the pandemic situation has changed many economic and business landscapes, some risks will change. The stakes here include non-performing loans, as well as the possibility of fraud.

Asetku plans to improve legal infrastructure and compliance. They intend to grow higher and sustain longer. Because it will affect the Asetku business model to comply with regulations that will emerge in the next year (2021), some legal aspects need adjustments in terms of business processes in various lines of Asetku. They also collaborated with other financial service institutions and undertook a borrower diversification program to have more diverse profiles.

In the next 3 or 4 years, P2P, payments, and even e-commerce will be widely using AI technology. Technology companies still have a vast opportunity to grow and innovate. Most of the access or transactions made in digital banking or digital apps will use facial recognition. Bernardi Susastyo, as Chief Commercial Officer of Advance.ai, stated it.

The potential of Indonesia’s market is still broad, realizing two-thirds of the population is still unbankable. The possibility of this unbankable population is mostly from SMEs. The conditions are an opportunity to boost the economy according to a macroeconomic perspective. Both fintech and banking focus on allocating funding for micro SMEs.

Those sectors will also compete to use several technology services to improve their business processes. The OJK or BI is also discussing this private data. Because fraud is still high, technology providers exist in this ecosystem. This company is helping the industry to tackle it.

● Helping SMEs to boost the economic

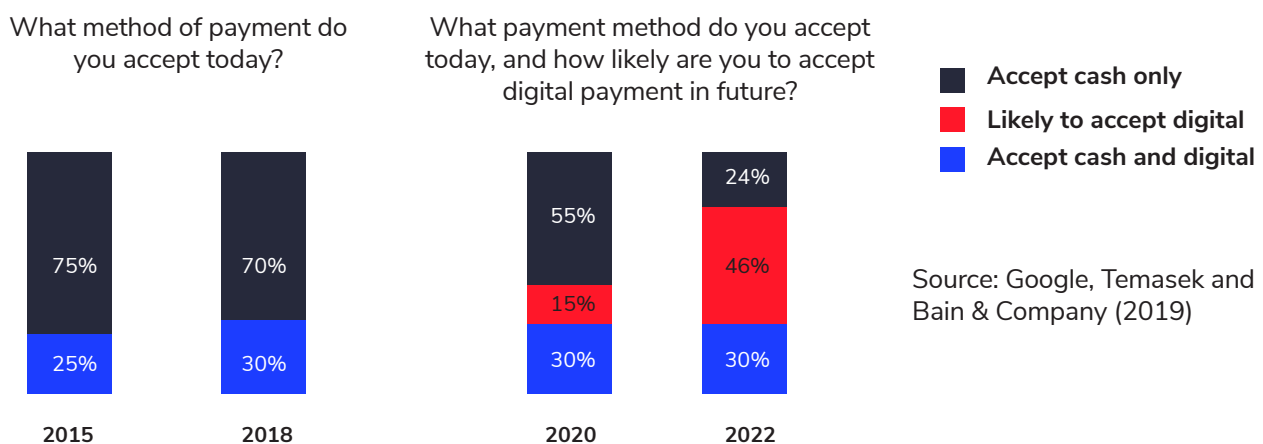
SMEs are still an essential part of fintech in the future. Even before the pandemic hit, SME was always one of the main segments served by fintech. Given that SMEs play a large role in future economic growth, some fintech players admit that they will still develop SME products.

The payment sector previously stated that during this pandemic serving SME merchants was still a priority. DANA and Midtrans launched features to facilitate digitization in their business processes.

The lending sector also shows an increase in loan demand. One example comes from Investree, as stated by Adrian as CEO of Investree. In terms of market demand, Investree has experienced an increase in demand. SMEs to become one of the users needs to be supported. Indirectly, they are immensely affected by social distancing, less contact, and various other restrictive policies.

In the future, Bizhare will continue to develop its business. They are developing an integrated investment ecosystem; one of the targets is SMEs. Because the OJK is currently working on an ongoing security crowdfunding, in the future, this will allow Bizhare to provide space for SMEs to issue not only shares but also bonds or bills. "Bizhare Syariah" will be realized later.

Figure 17. Small and Midsize Enterprises are at an Inflection Point on Digital Adoption



● Expanding Business Abroad

The idea of expanding their business overseas has emerged from some of the fintech players interviewed. For example, Investree is awaiting operational permits in the Philippines and Thailand. They started through joint ventures with local partners. The local partners play a role in assisting operations related to regulations, markets, and other business aspects.

Payfazz is also preparing the same thing. They had received an invitation from the Vietnamese government to present their products, as stated by Hendra Kwik, CEO of Payfazz. Even though Vietnam has a similar business landscape to Indonesia, there are still considerations for budget allocation, talent, and the pandemic's challenges. These challenges are one of the concerns for not expanding shortly, but rather a long-term plan.

Xendit, PasarPolis, Dana Cita, are a list of Indonesian fintech that have expanded overseas. Even though the expansion sounds promising, some fintech players admit that they still want to explore the domestic potential.

● Strategic Collaboration

Collaboration between financial services is still a trend in the future. The role of fintech is still huge to be a solution for accelerating financial inclusion from now on. Collaboration with fellow financial institutions also still has opportunities for mutual benefit.

An example is fintech collaboration with banks. In lending, the partnership is expected to form strong synergies and provide economic benefits for MSME players. Both fintech and banks have their market scope within different approaches.

Although fintech can do many things out of the bank, some financial services can only be done by banks, and vice versa. Both of them need collaboration to complement each other.

One example is the allocation and mechanism of bank loans. Anton Hermawan, as EVP, Head of Digital Business Development CIMB Niaga said, before CIMB Niaga collaborated with fintech, it had not reached all SME segments. However, since collaborating with CIMB Niaga, at least they have done:

1. E-money top up, serving the transactional aspect.
2. Provides credit to customers whose products cannot be converted, such as loans without collateral and customers who do not have a credit history. CIMB Niaga performs loan channeling through the fintech lending.
3. CIMB Niaga collaborates with aggregator to serve payment fintech integration. For example, CIMB Niaga collaborates with e-commerce to provide a direct debit payment feature in e-commerce platform.”



“Fintech lending has a different underwriting process from banks. They did it efficiently and a bolder risk appetite. These methods are different from what conventional banks do. The method used by conventional banks cannot reach certain customers. So, we collaborate with them to attain those unreached costumers.”



Anton Hermawan, EVP, Head of Digital Business Development CIMB Niaga

Fintech will get a loan channel, and banking is going to implement new technology. Both parties will get the opportunity to acquire less-risk users. Andrisyah Tauladan as CEO of Asetku, said that there would be partnerships with more financial service institutions in the next three years. The projection is part of a diversified borrower program or has borrowers with a more diverse profile.

Through fintech integration, it also accelerates digital transformation in financial services. Eddi Danusaputro, as Chief Executive Officer of MCI, has already conveyed it. As a player in Venture Capital who is still part of a bank, MCI often brings potential startup/fintech players with Bank Mandiri business units. MCI will play an accelerator’s role to meet the fintech/startup vision with the bank Mandiri.

MCI will be measured based on the KPI of each potential startup/fintech. They will also be making sure how inline their vision and mission is to support the business unit of Bank Mandiri. Collaboration carried out by VCs from banks is not only in the form of investment but also in the synergy between businesses.

● Market consolidation

The fintech business model in Indonesia is very diverse. The number will continue to grow in line with the enormous potential market in Indonesia. Currently, the repayment and loan sector has started to show its top player. Meanwhile, other fintech segments still have the potential to consolidate the market.

In the future, the number of players will continue to increase, but the competition will be more stringent. For example, e-wallets, which used to have many players, now have the highest market share. Market consolidation will still be one of the directions for the growth of the fintech ecosystem.

The latest POJK plans some articles related to consolidation and mergers. The statement was conveyed by the Deputy Director of Fintech Regulation, Research, and Development of OJK Munawar Kasan in a virtual discussion with the Indonesian Joint Funding Fintech Association (AFPI) in November 2020.

According to him, the potential for merger and acquisition actions in every company is always there, including fintech. The presence of this regulation in the future is expected to strengthen the industry's quality in capital adequacy, business processes, and the ecosystem.

Continuing his statement, Munawar added that the regulator also plans to increase the minimum capital limit to establish a fintech company from Rp2.5 billion to Rp15 billion. In 2019, OJK recorded 164 fintech but reduced by 10 to 154 players as of November 2020.

Summary

There are two points behind the changes in the financial sector in Indonesia during the pandemic. First, a change in behavior and digital causes customer needs changes—an increasingly online shopping trend. On-demand services become everyday. This demand requires industry players to create new products following customer attractions.

Second, there is the digital acceleration caused by the pandemic. The pandemic accelerated unrealized plans. Industry agriculture, education, and healthcare are experiencing an increase. There is an industry that goes down, but market behavior will change. The market strength will eventually recover. Some industries need a shorter time to recover, and some sectors need a longer time.

The role of finance becomes a blur because all industries eventually need financial services. At least three things will not change in financial services, as conveyed by Markus Liman Rahardja VP of Investor Relation & Strategy of BRI Ventures :

1. Value saving, in the form of savings or investment.
2. Value transfer and there is the payment, transfer of money, and remittance.
3. Access to credit, formerly known as credit card and today known as pay later.

Regulator

1	OJK	Tris Yulianta, OJK Fintech Supervision and Licensing Director
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Fintech Players

2	Investree	Adrian A. Gunadi as Chief Executive Officer Daniel Armanto as Chief Technology Officer Andi Andries as Chief Product and Innovation Officer Dickie Widjaja as Chief Information Officer
3	Koinworks	Jonathan Bryan as Chief Marketing Officer
4	Asetku	Andrisyah Tauladan as Chief Executive Officer
5	Ayoconnect	Chiragh Kirpalani as Founder and Chief Operational Officer
6	DANA	Rangga Wiseno as the Head of Product
7	ShopeePay	Eka Nilam Dari as Head of Strategic Merchant Acquisition ShopeePay
8	Pluang	Marcellina Claudia Kolonas as Founder
9	Midtrans	Erwin Tanudjaja as Chief Executive Officer
10	Payfazz	Hendra Kwik as Chief Executive Officer
11	Bizhare	Heinrich Vinvcent as Chief Executive Officer
12	Advance.ai	Bernardi Susastyo as Chief Commercial Officer

Bank and CVC

13	CIMB Niaga	Anton Hermawan as EVP Head of Digital Business Development
14	BRI Ventures	Markus Liman Rahardja as VP of Investor Relation & Strategy
15	Mandiri Capital Indonesia	Eddi Danusaputro as Chief Executive Officer



04.

**Consumer
Perspective of
Fintech**

— **int**

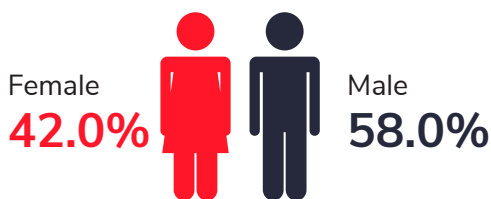
Consumer Perspective of Fintech

Demography

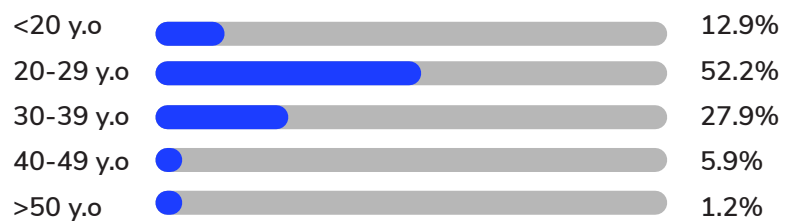
To understand more about the consumer perspective on fintech and its products, DSRResearch conducted an online survey involving 1434 respondents nationwide. Those consumers can be defined with demographic profile as below:

Figure 18. Demography of Fintech Users (n=1434)

Gender

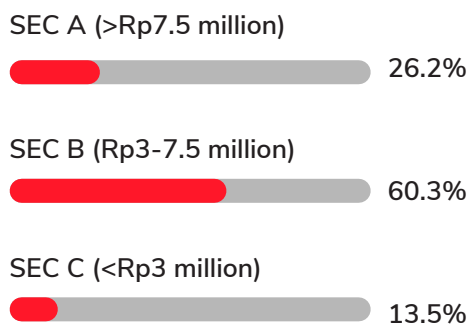


Age Group

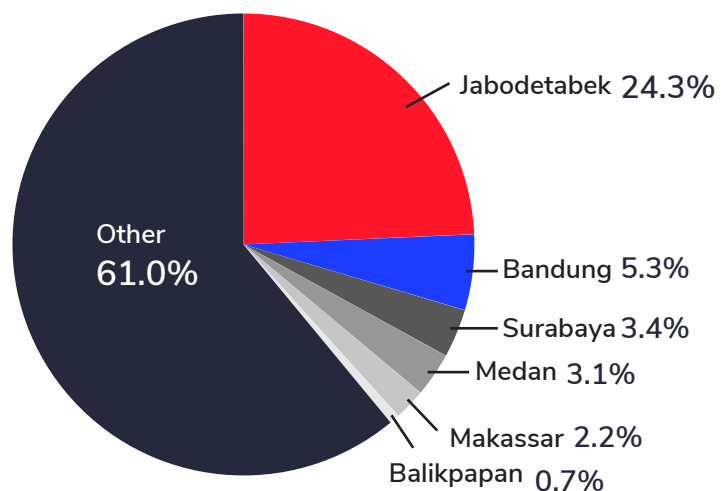


SEC

(Monthly Household Expenditure)



Cities



Banked & Unbanked Society

Figure 19. Bank Account Users (n=1434)

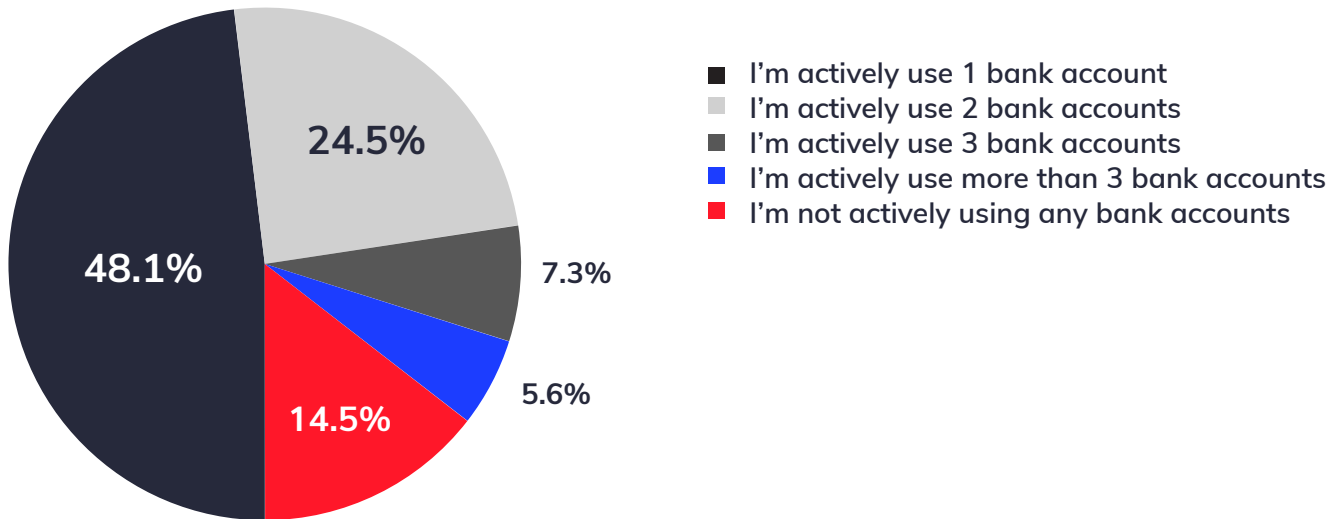
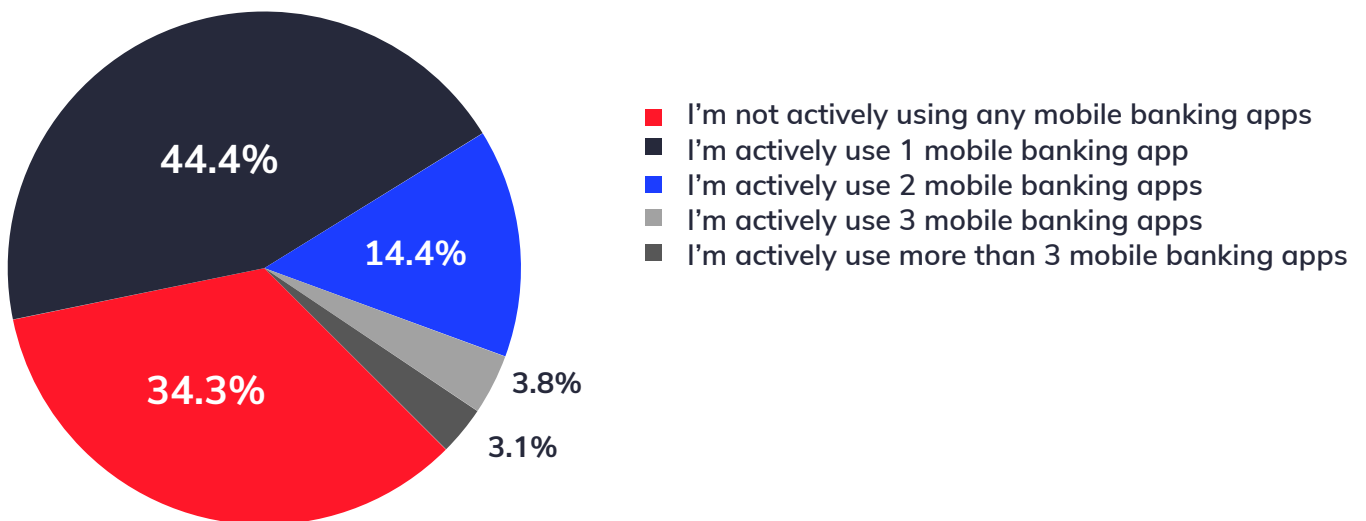


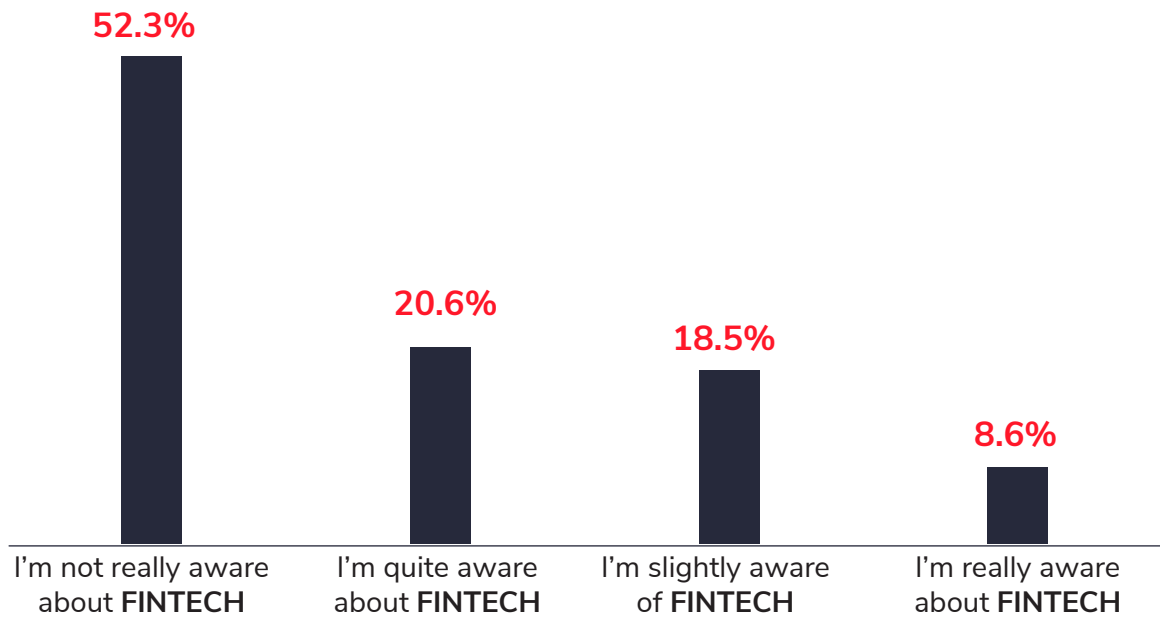
Figure 20. Mobile Banking App Users (n=1434)



Almost 90% of people have been using bank accounts nowadays. While the usage of mobile banking apps has reached 65.7%. Compared with the data in 2019 (60.8%), it shows a bit increase in usage of mobile banking apps. It can be caused by the increase in cashless payment usage in this pandemic period.

Fintech's Public Perception

Figure 21. Awareness of Fintech (n=1434)



Based on the survey result, more than 50% of people aren't really aware of FINTECH at a first impression. The gaps in understanding between age groups can be seen by age group breakdown, 70.8% of people below 20 years old aren't really aware of FINTECH. Moreover, those who belong to the SEC group, SEC of A & B class consider being more aware of FINTECH perception.

Figure 22. Awareness of Fintech by Age Group Breakdown (n=1434)

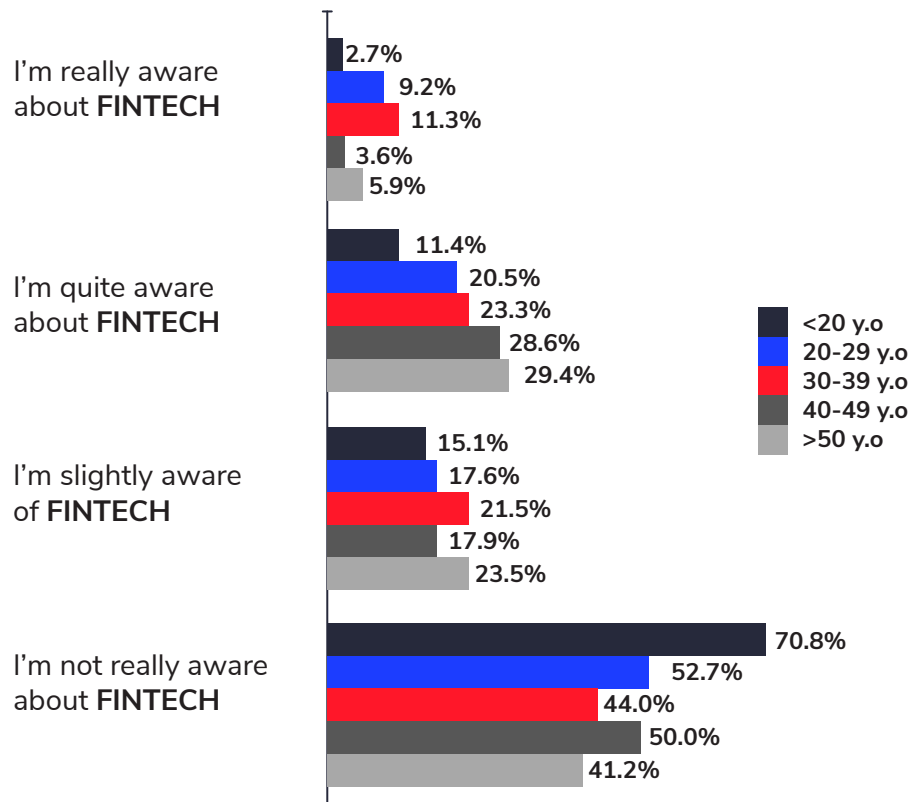
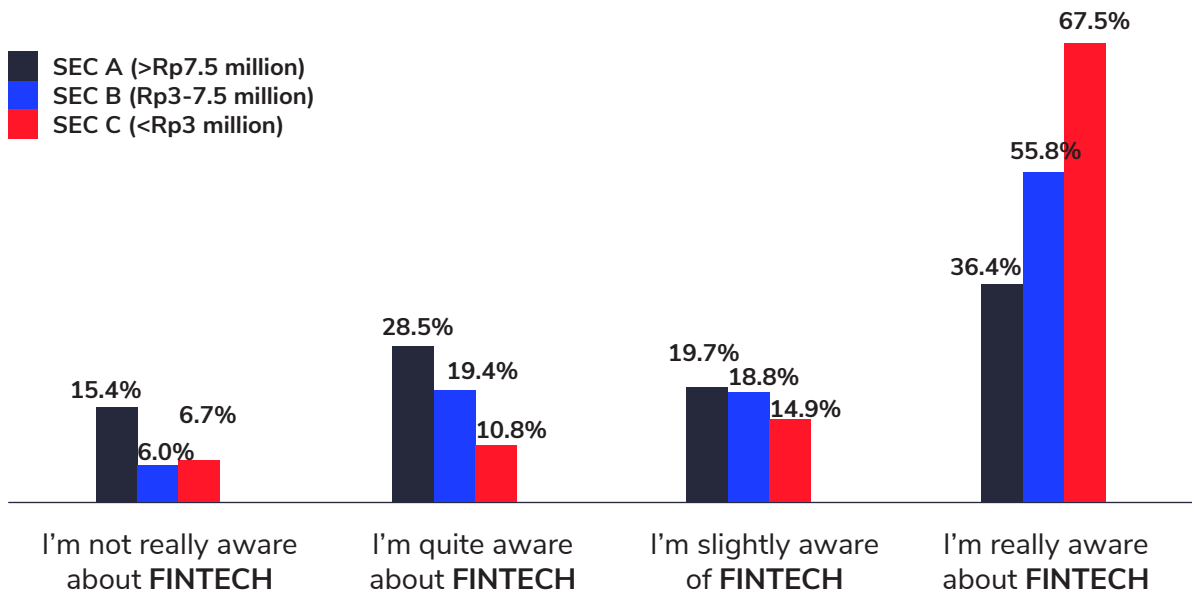


Figure 23. Awareness of Fintech by SEC Group Breakdown (n=1434)



a. Consumer behavior on pandemic

DSResearch conducted online public surveys to figure out how the usage and attitude of the current market in understanding more about fintech products. Here are some results:

Figure 24. Total Awareness of Fintech Products (n=684)



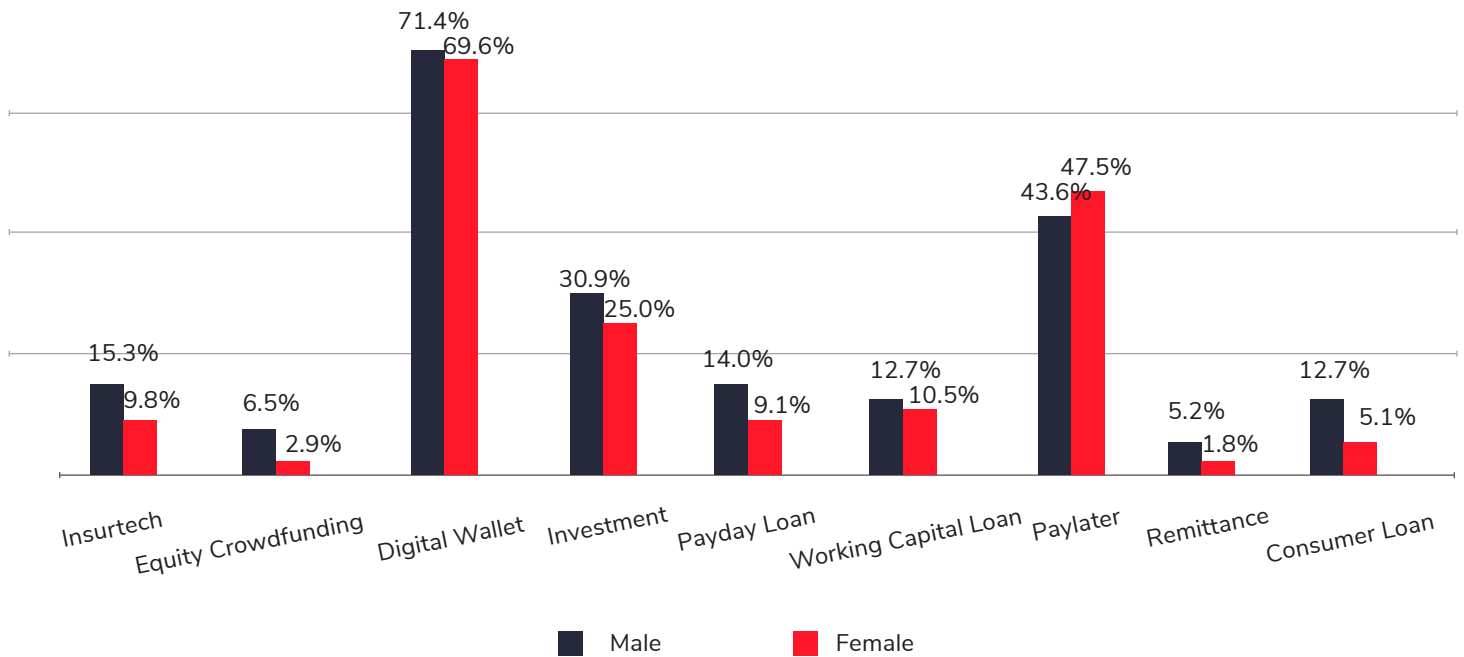
More than 80% people aware about Digital wallet, Paylater, and Investment as fintech products. It accounts for 82.2% of people who are aware of digital wallet, 72.5% who are aware of paylater, and 57.3% who are aware of investment. Meanwhile the awareness of remittance only 10.2%.

Figure 25. Used Fintech Products (n=661)



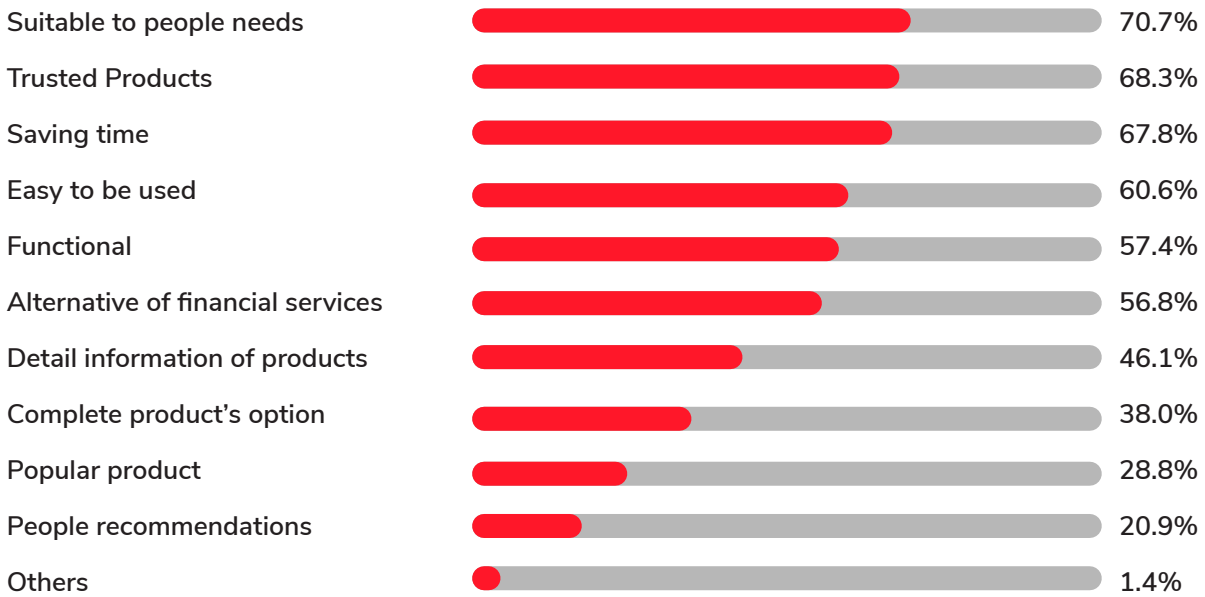
Digital wallet is the lead of ever used fintech products by users nationwide. Then insurtech and payday loan got the fourth & fifth rank for ever used fintech products.

Figure 26. Used Fintech Products by Gender Group Breakdown (n=661)



Followed by gender breakdown's rank, it can be found that there is a little gap which female mostly used paylater than male. And for other fintech products still dominated by male users.

Figure 27. Consideration Factors of Using Fintech Products (n=584)



The top 3 considering factors of using fintech products are suitable with people needs (70.7%), trusted products (68.3%), and saving time (67.8%). Only 20.9% consider using fintech products because of recommendation from other people.

1. Insurtech

Figure 28. Total Awareness & TOM Insurtech (n=280)

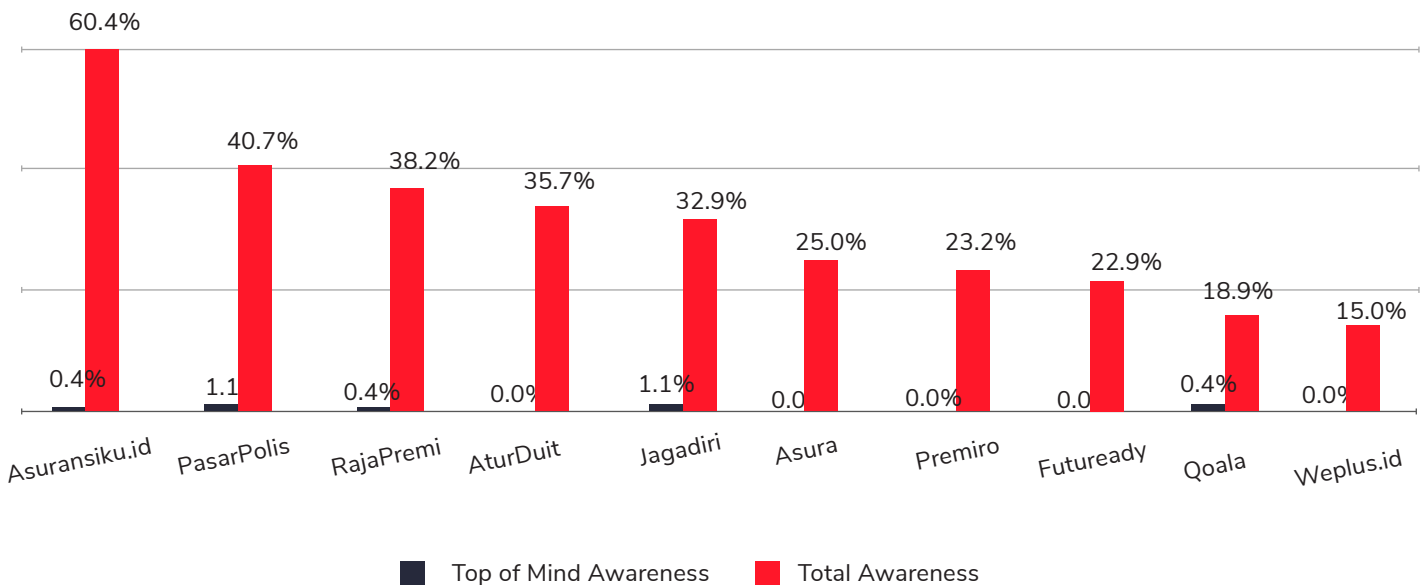
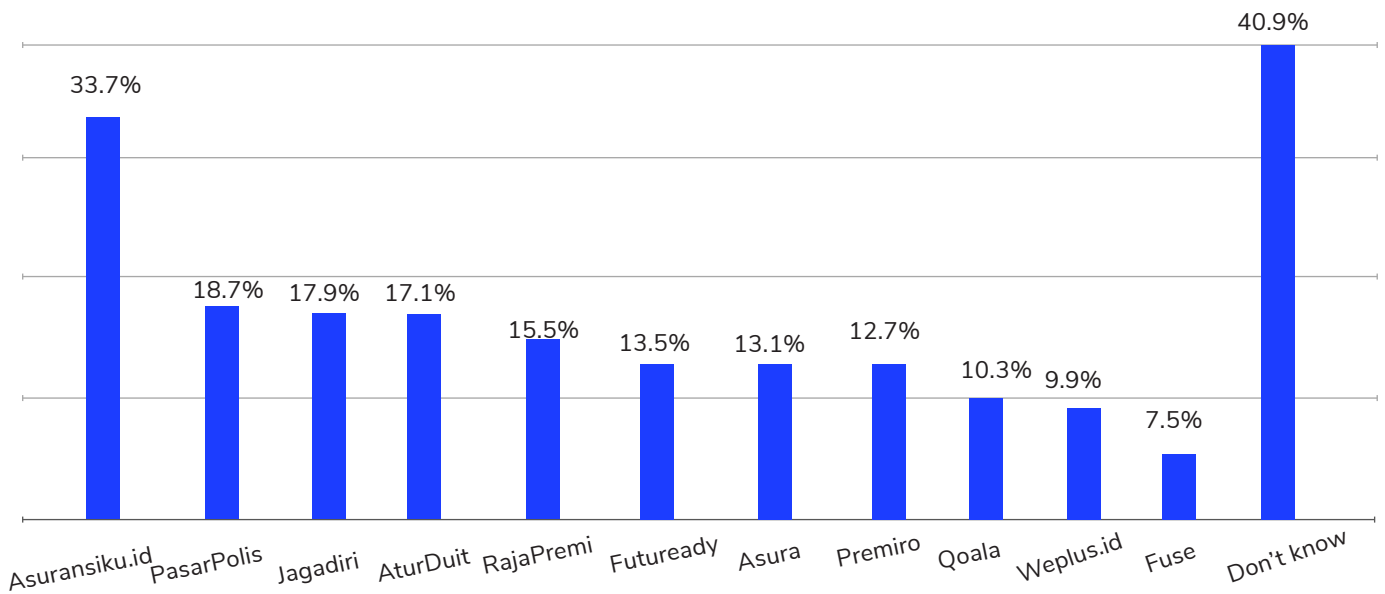
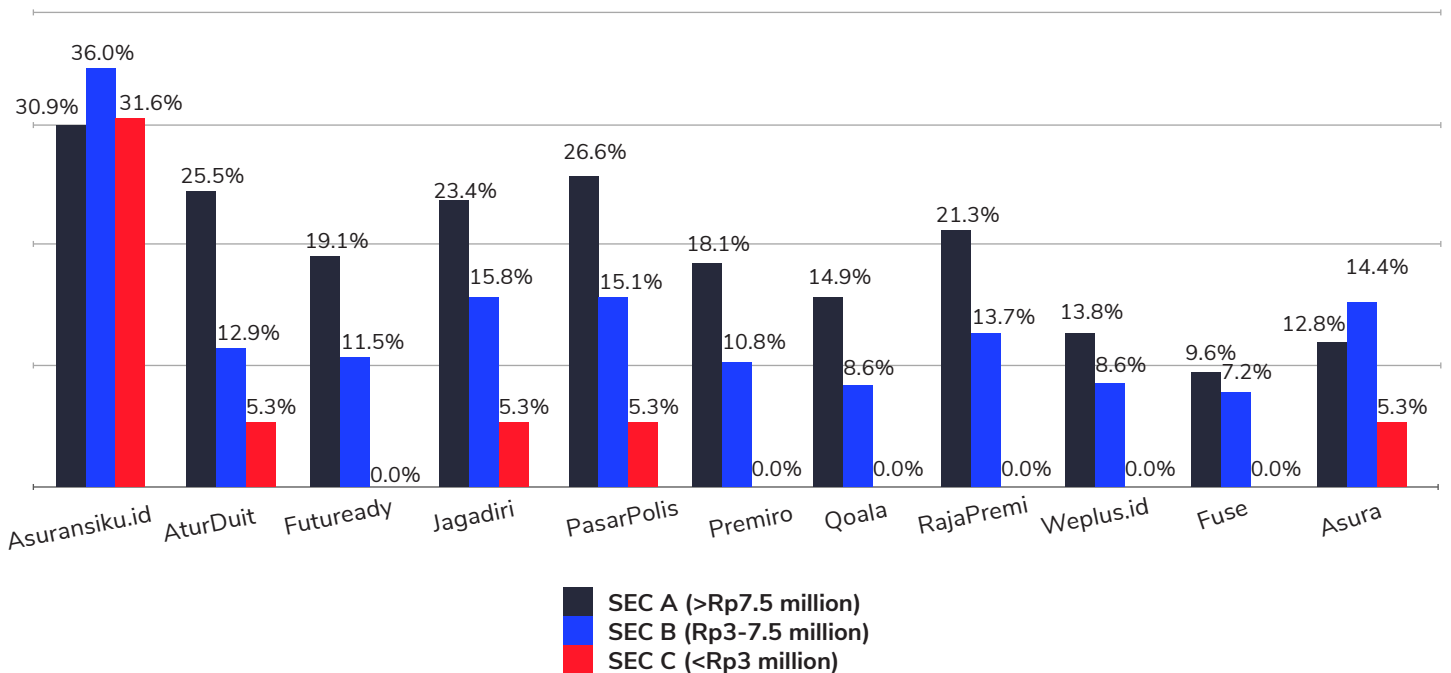


Figure 29. Used Insurtech Platforms (n=252)



RajaPremi got the third rank of insurtech awareness, and Asuransiku.id leads the awareness with a percentage of 60.4%. According to fintech users who use insurtech this year, more than 30% of users used Asuransiku.id, then followed PasarPolis (18.7%), and Jagadiri (17.9%).

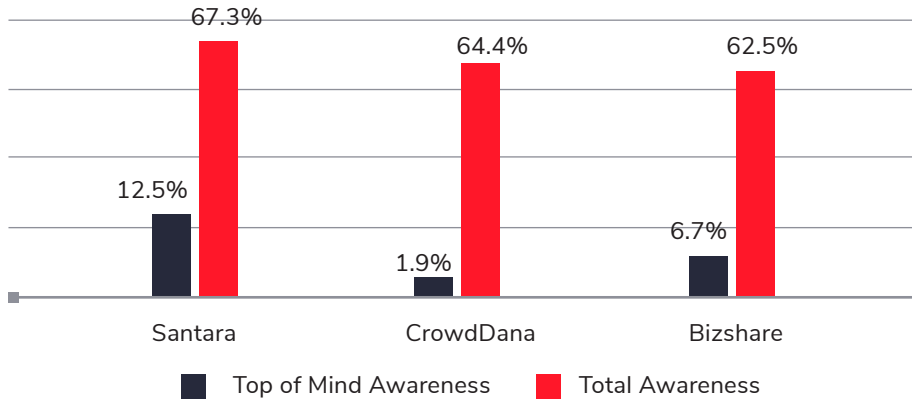
Figure 30. Used Insurtech Platforms by SEC Group Breakdown (n=252)



By comparing between SEC group, Asuransiku.id used by people from all SEC group (A until C). Meanwhile PasarPolis users used by people with SEC A.

2. Equity Crowdfunding

Figure 31. Total Awareness & TOM Equity Crowdfunding (n=104)



For top of mind Equity Crowdfunding startups, Santara leads with a percentage of 12.5%. And for total awareness, there is a bit difference between 3 startups, Santara got 67.3%, CrowdDana got 64.4%, and Bizshare got 62.5%.

Figure 32. Used Equity Crowdfunding Platforms (n=94)

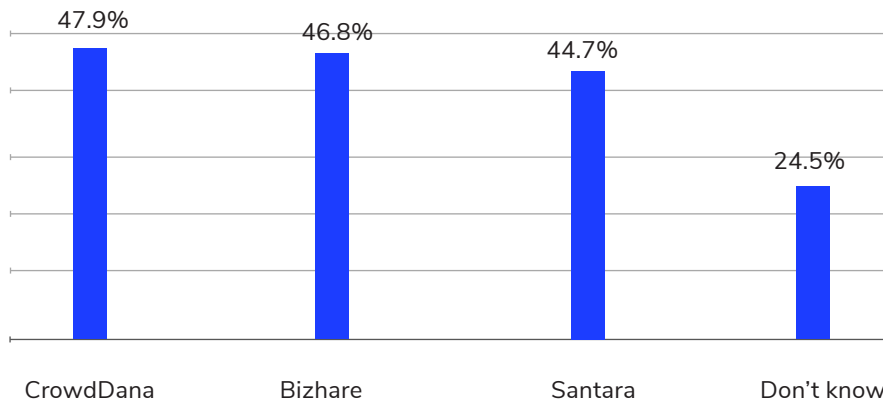
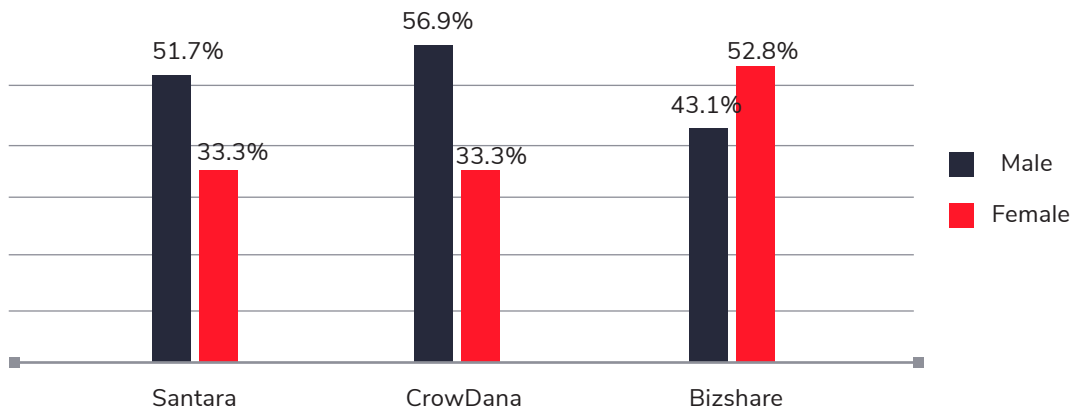


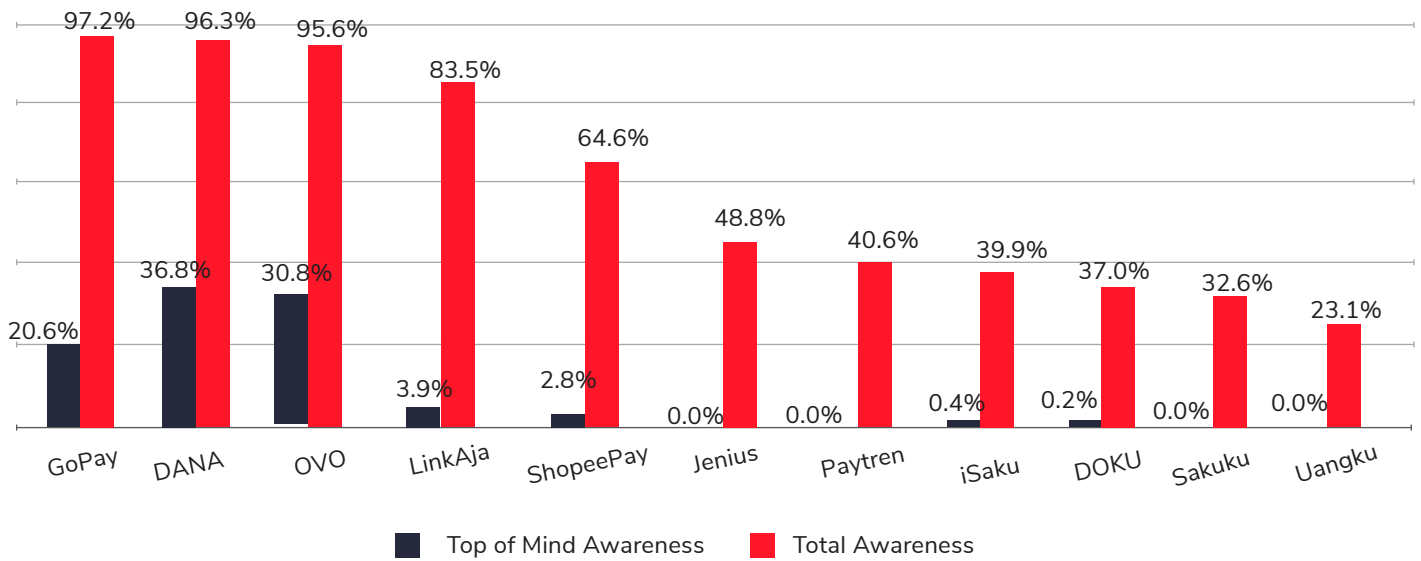
Figure 33. Used Equity Crowdfunding Platforms By Gender Breakdown (n=94)



CrowdDana gets the highest percentage of ever used equity crowdfunding (47.9%). There is a slight difference in preference of equity crowdfunding platforms used by gender groups. The Female used Bizshare, while the male used CrowdDana and Santara.

3. Digital Wallet

Figure 34. Total Awareness & TOM Digital Wallet (n=562)



DANA and GoPay compete for the top 2 positions in total awareness of digital wallet startups. But DANA leads the top of mind awareness (36.8%).

Figure 35 Used Digital Wallet Platforms (n=562)

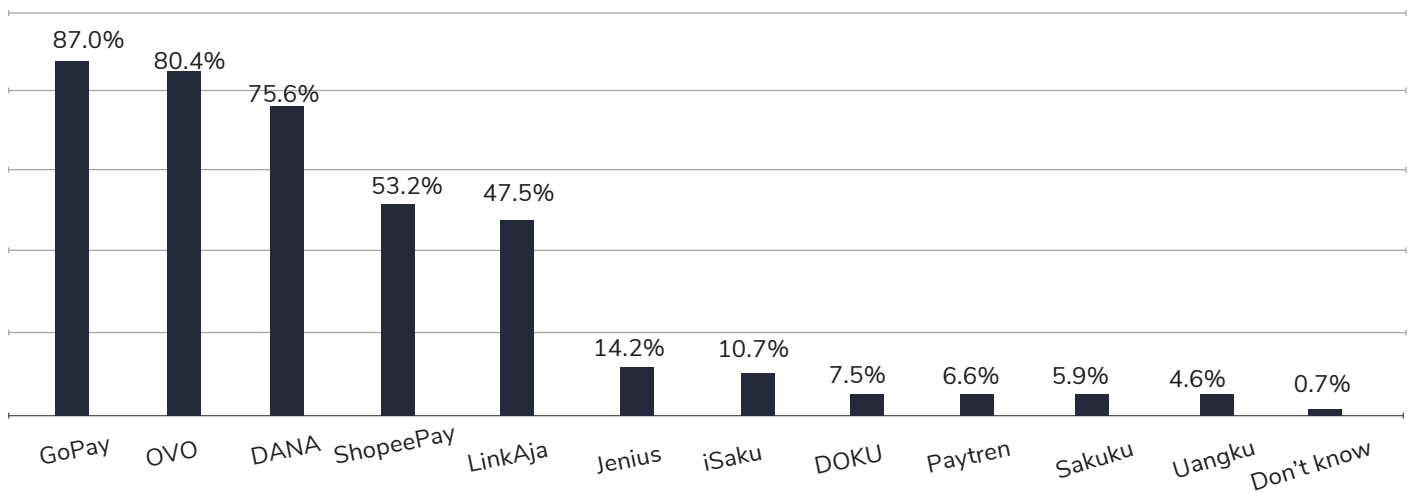
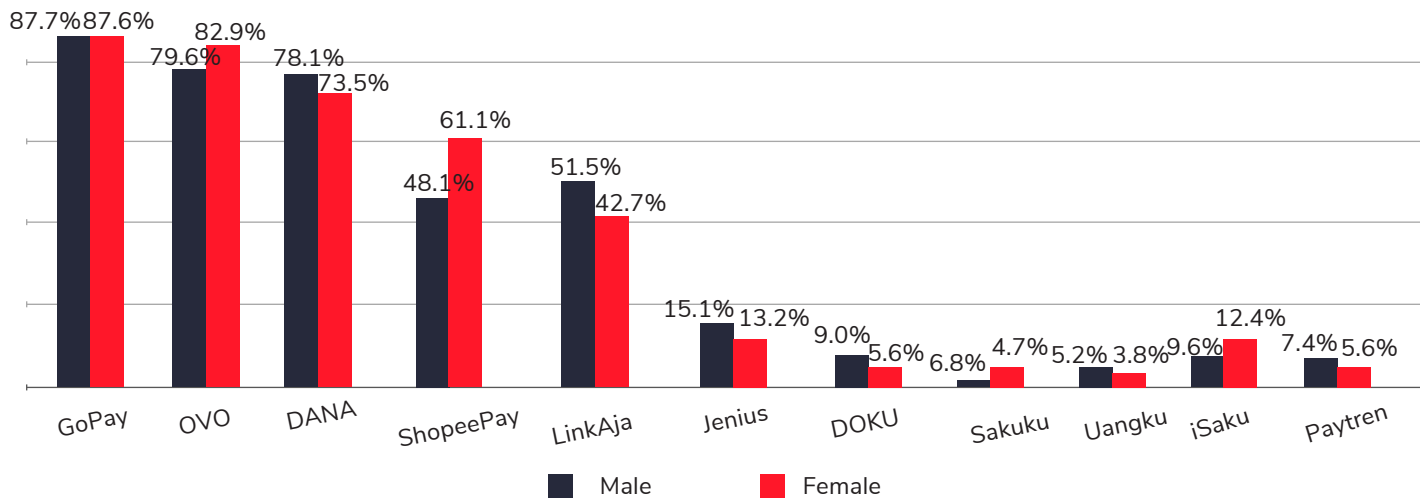
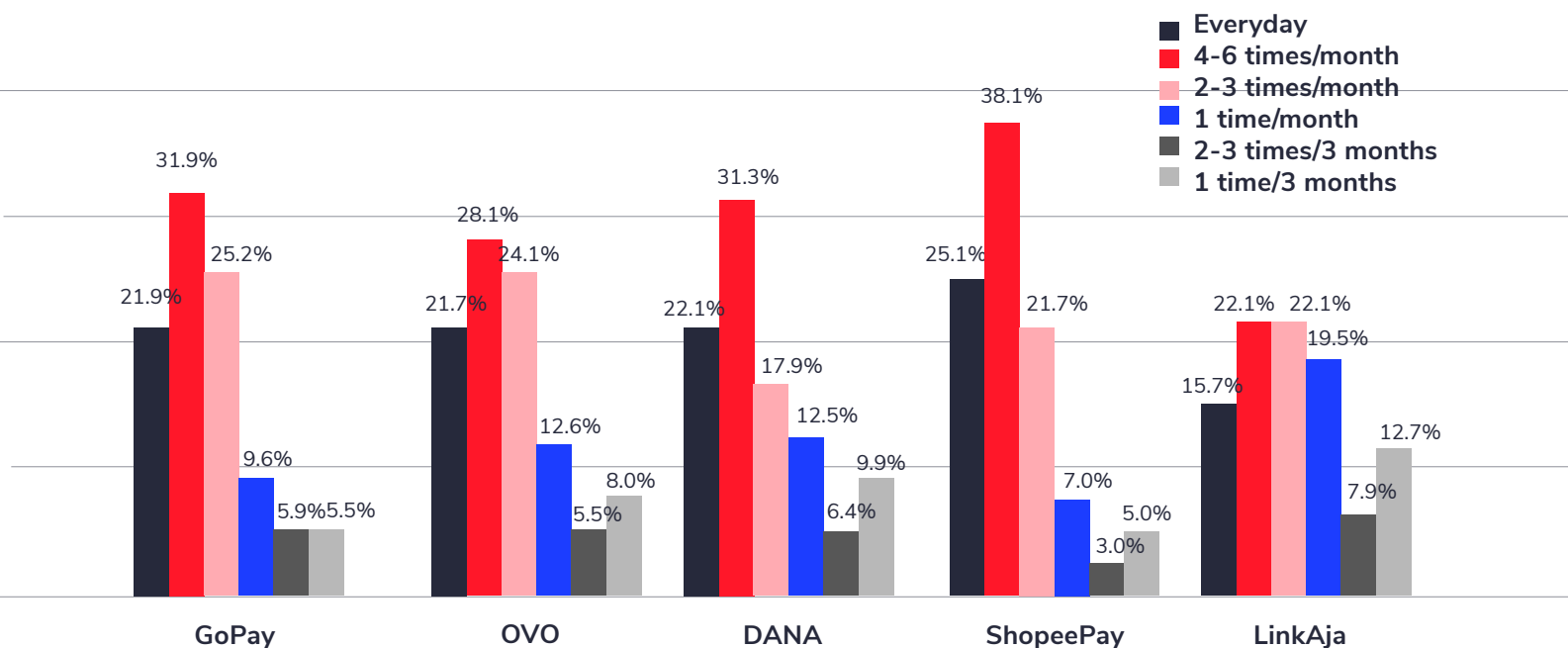


Figure 36. Used Digital Wallet Platforms by Gender Group Breakdown (n=562)



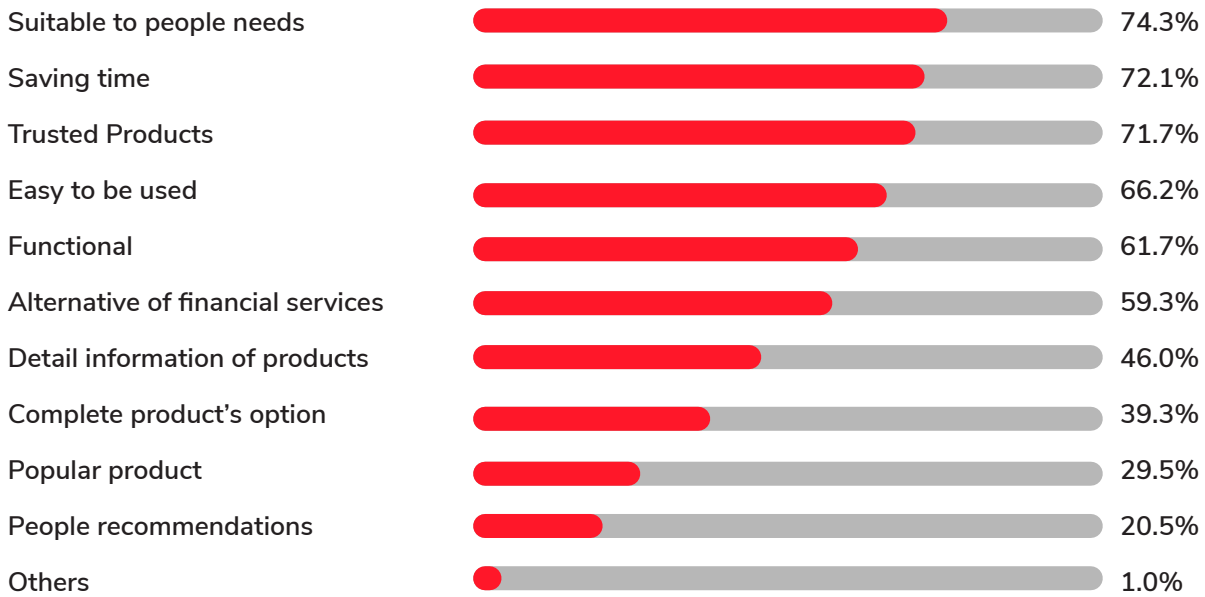
GoPay dominates the usage of digital wallets in 2020 (87%). While LinkAja got fifth place with a percentage of less than 50%. According to gender group, GoPay users mostly male, but OVO is mostly used by female.

Figure 37. Frequency Used Digital Wallet Platforms (n=558)



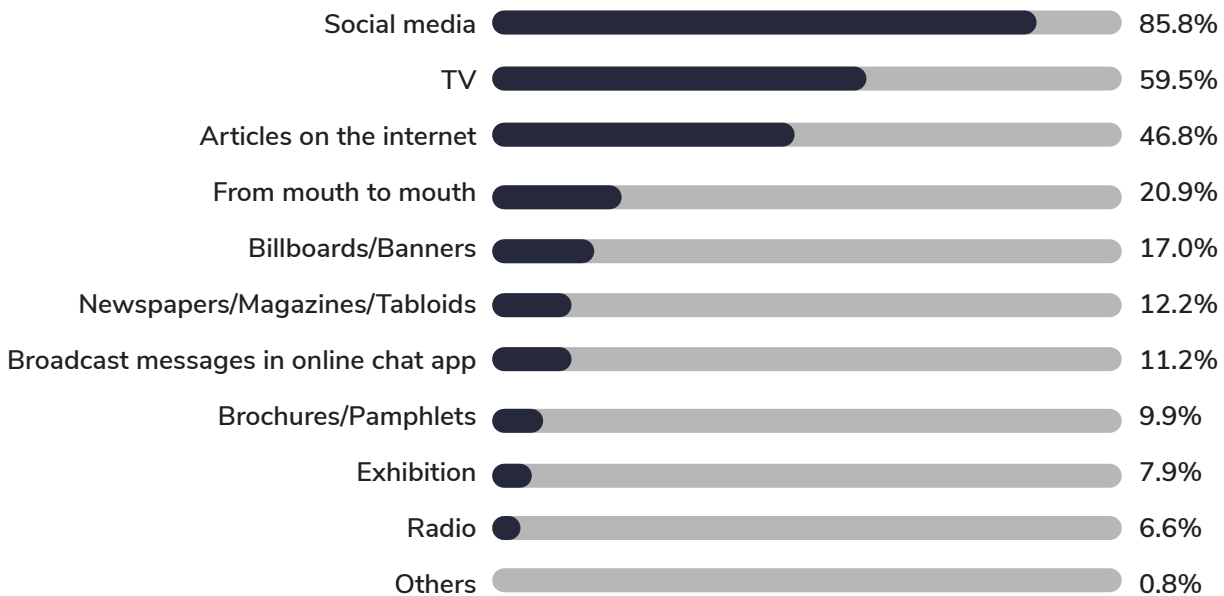
According to the frequency of digital wallet usage, there is no difference between the top 5 ever used digital wallets. Which ShopeePay users leads with percentage 38.1% which used for 4-6 times/month.

Figure 38. Consideration Factors Mostly Use Digital Wallet (n=420)



Besides trusted products, people said a digital wallet is a fintech product that also saves time and is suitable for people's needs. Only 20.5% used it because of other people's recommendations.

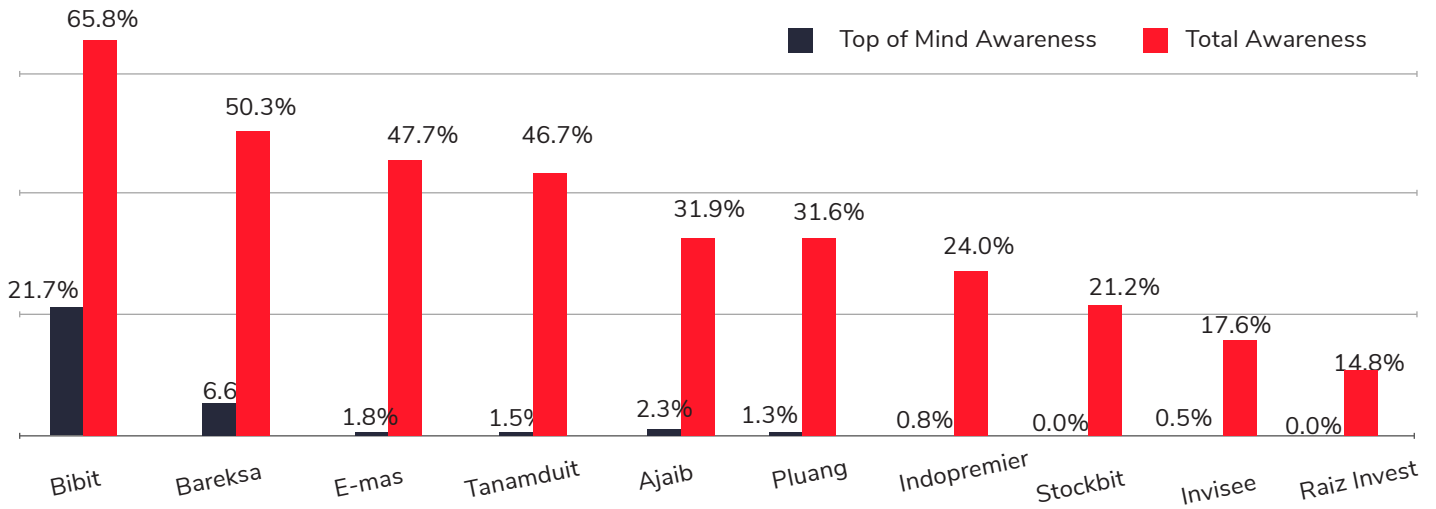
Figure 39. The Most Used Media to See the Ads of Digital Wallet (n=393)



According to people who mostly seen digital wallet ads, there are 85.8% of people who mostly see ads of digital wallet products from social media. And only 11.2% get broadcast messages in online chat app about digital wallet ads.

4. Investment

Figure 40. Total Awareness & TOM Investment (n=392)



Compared to the Fintech Report 2019 data, Bibit gets increasing awareness from third place (49.9%) to be the first place (65.8%) this year.

Figure 41. Used Investment Platforms (n=382)

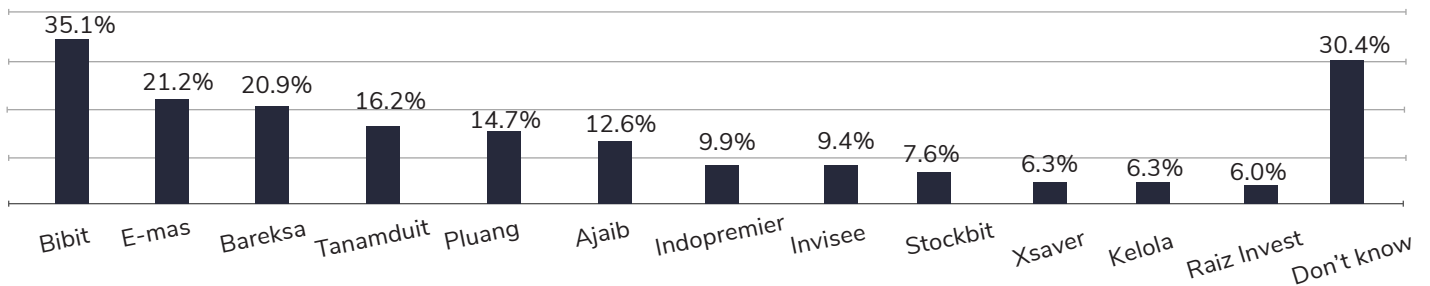
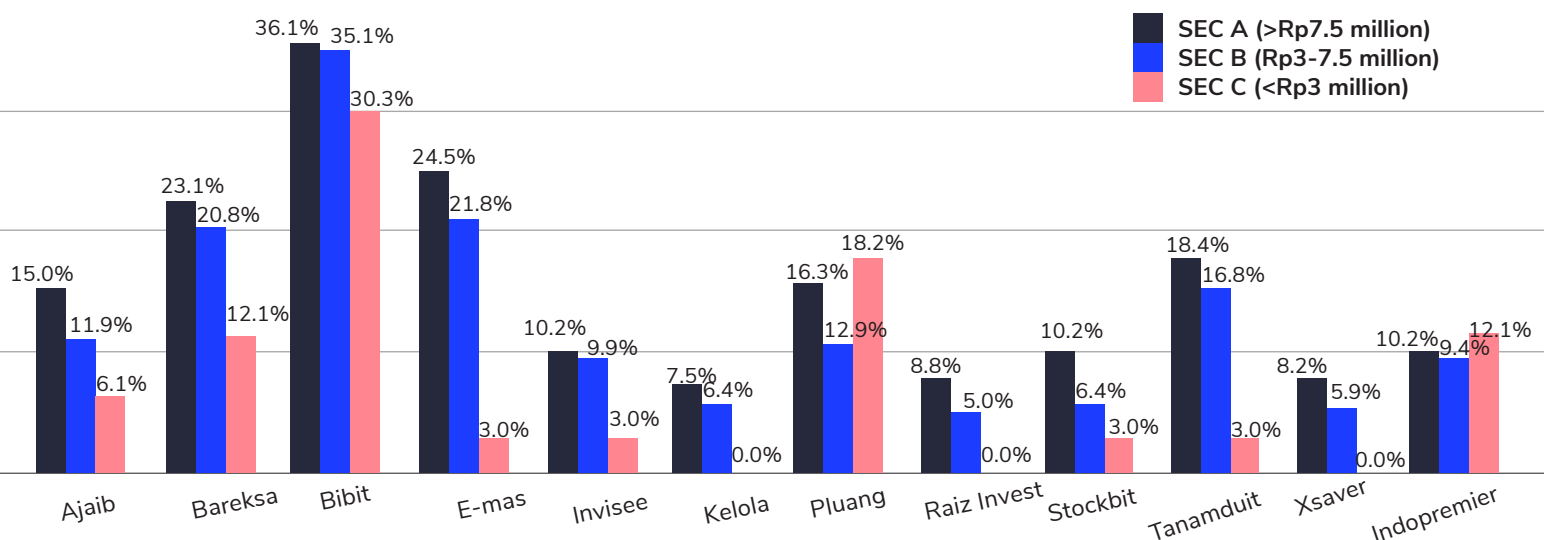
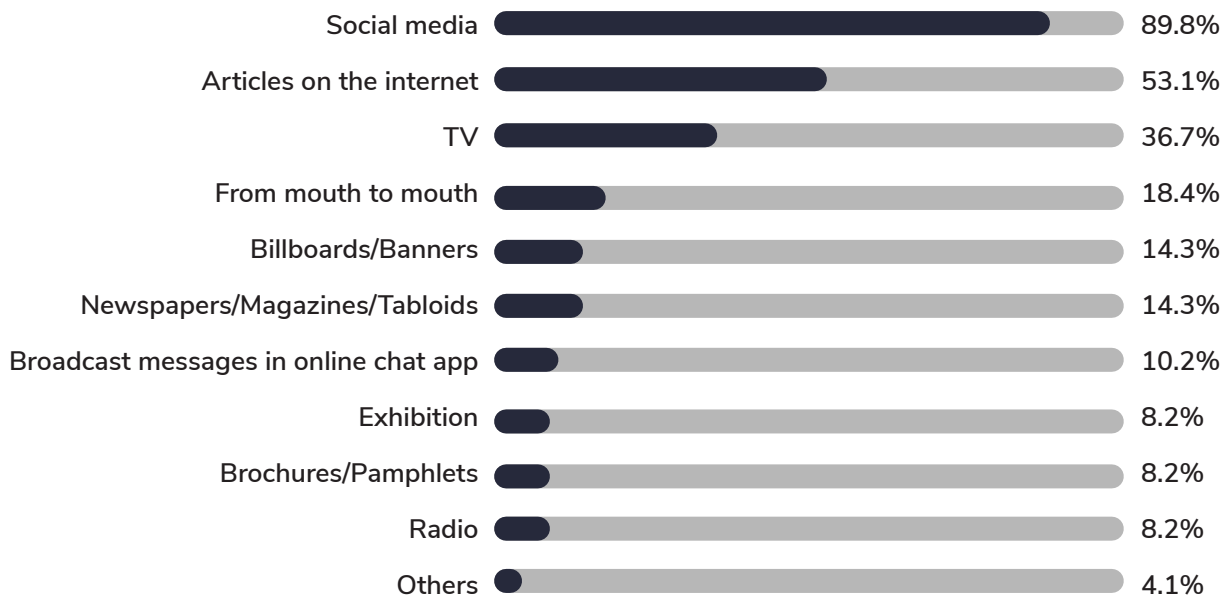


Figure 42. Used Investment Platforms by SEC Breakdown (n=382)



35.1% of people ever used Bibit as an investment platform. Then followed by E-mas and Bareksa with a percentage of more than 20%. According to the SEC group, Bibit users are people with SEC A and Pluang users are people with SEC C.

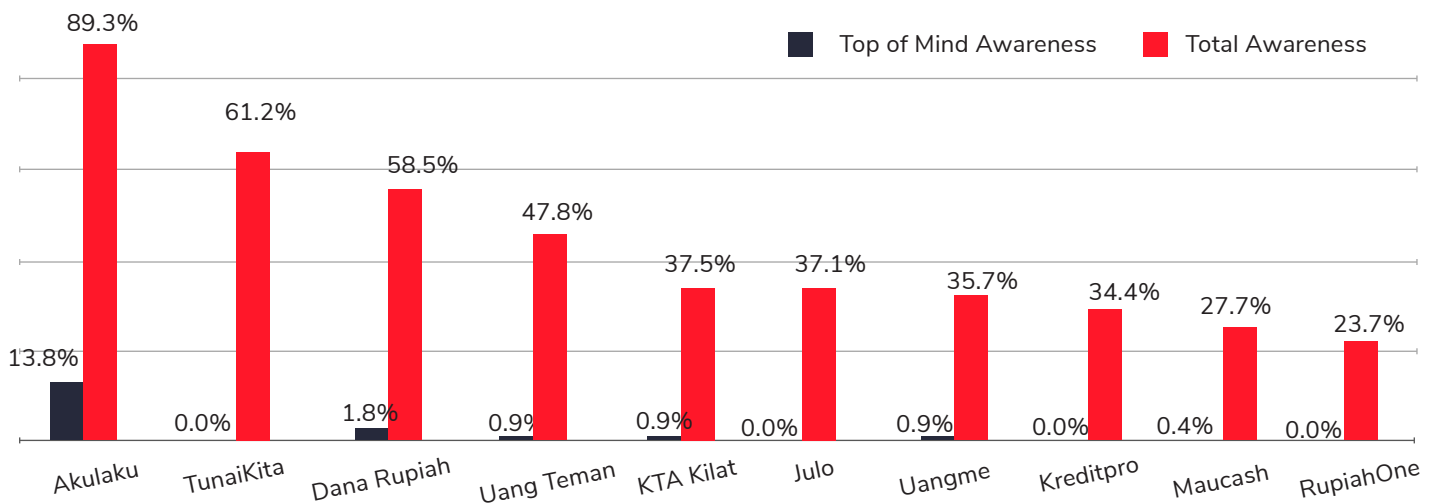
Figure 43. The Most Used Media to See the Ads of Investment (n=49)



According to people who mostly seen the ads of investment, almost 90% of people have seen ads of investment via social media. Then through articles on the internet (53.1%) and TV (36.7%).

5. Payday Loan

Figure 44. Total Awareness & TOM Payday Loan (n=224)



Almost 90% of users mostly aware with Akulaku, also has popular third-party paylater product, as a payday loan platform, then followed by TunaiKita and Dana Rupiah.

Figure 45. Used Payday Loan Platforms (n=223)

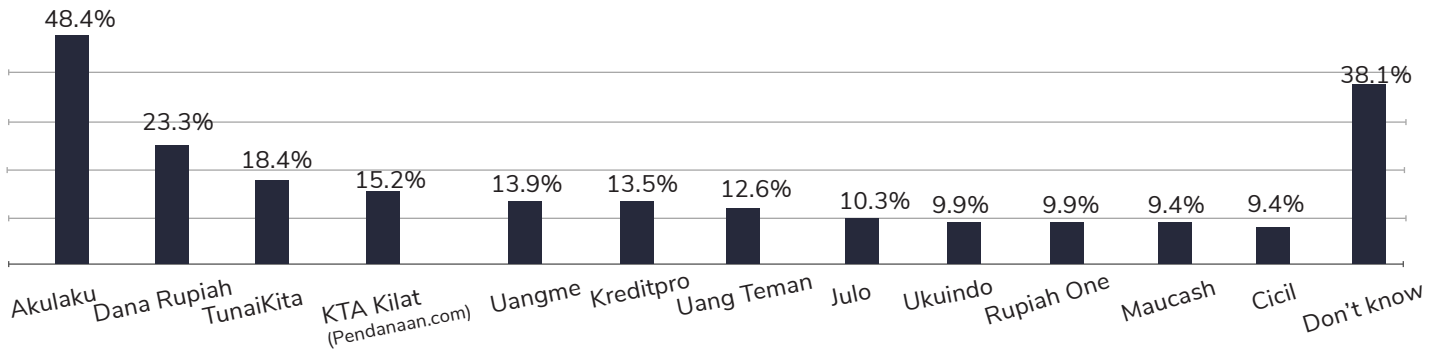
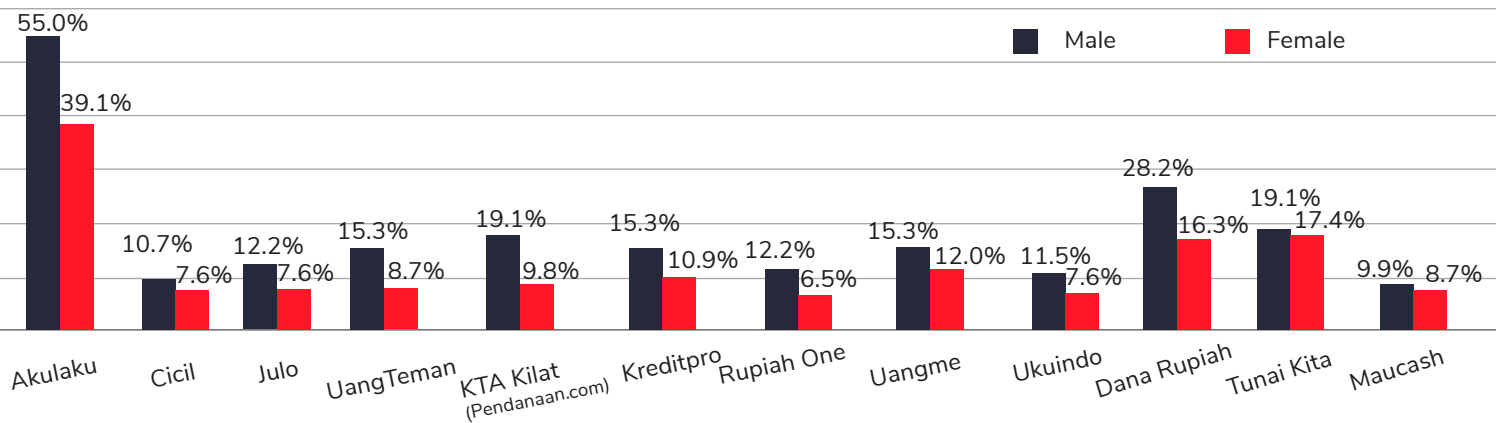
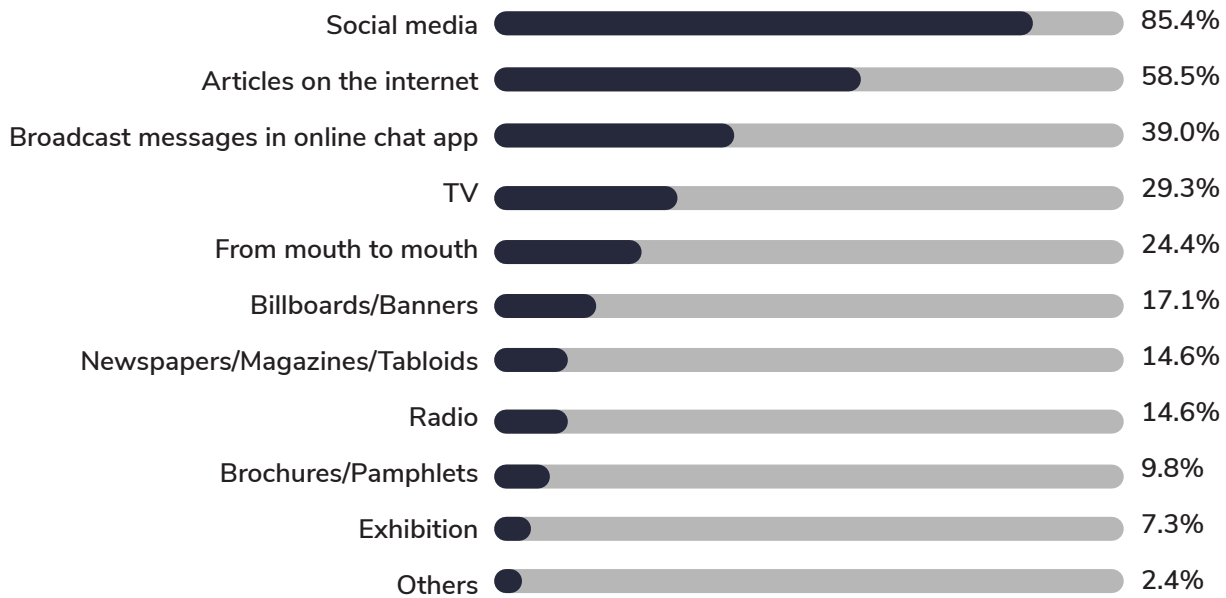


Figure 46. Used Payday Loan Platforms by Gender Group Breakdown (n=223)



Akulaku, Dana Rupiah, and TunaiKita are the top 3 payday loan platforms that are ever used by fintech users. Among the gender groups, all payday loan platforms dominated by male users.

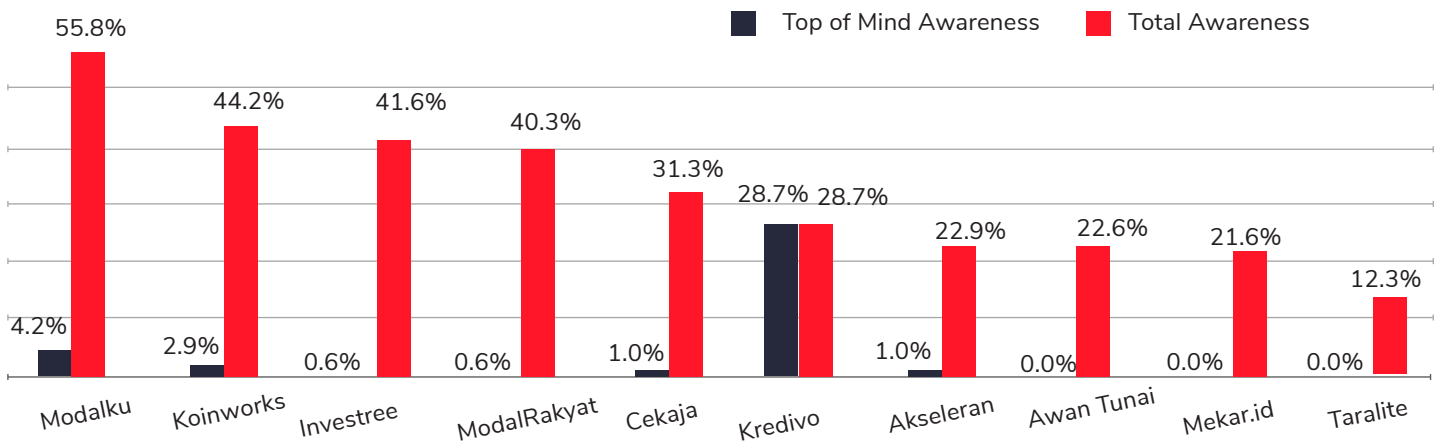
Figure 47. The Most Used Media to See the Ads of Payday Loan (n=41)



Besides via social media and articles on the internet, people also have seen ads of a payday loan product through broadcast messages in the online chat app, based on the people who mostly seen ads of payday loan.

6. Working Capital Loan

Figure 48. Total Awareness & TOM Working Capital Loan (n=310)



More than 50% of users aware of Modalku as a working capital loan, and Investree got the third rank of awareness, with a percentage of 41.6%. Besides that, Kredivo becomes top of mind because it also has popular third-party paylater product.

Figure 49. Used Working Capital Loan Platforms (n=291)

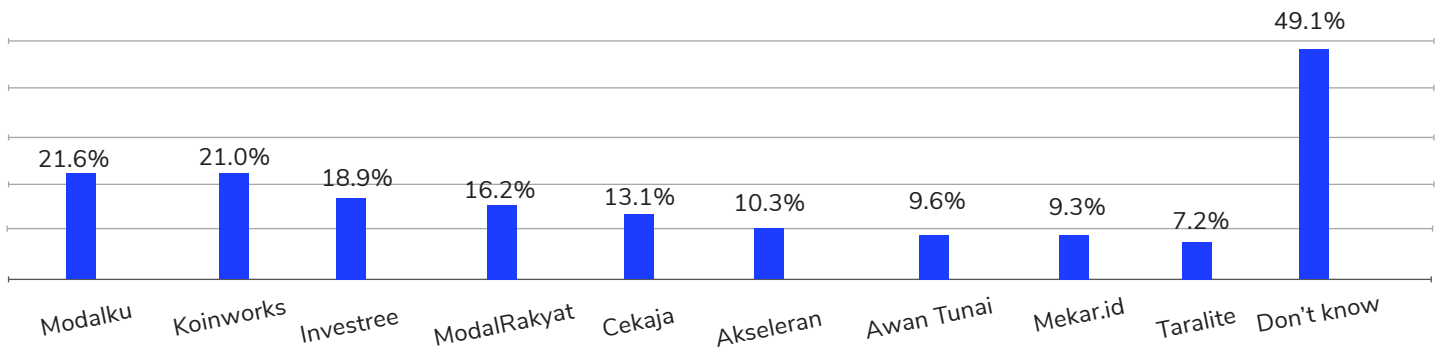
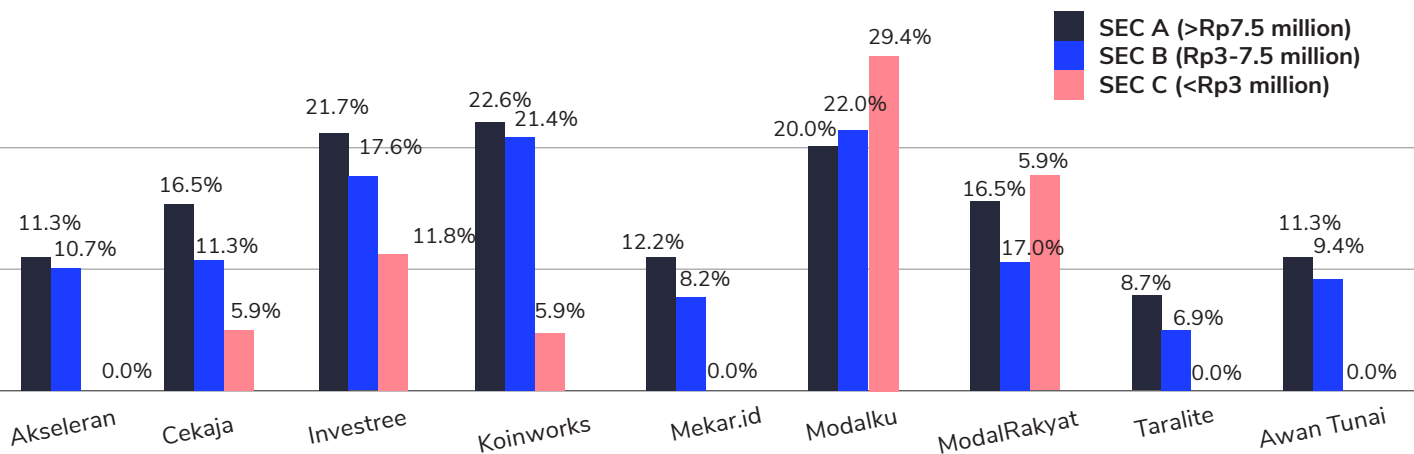
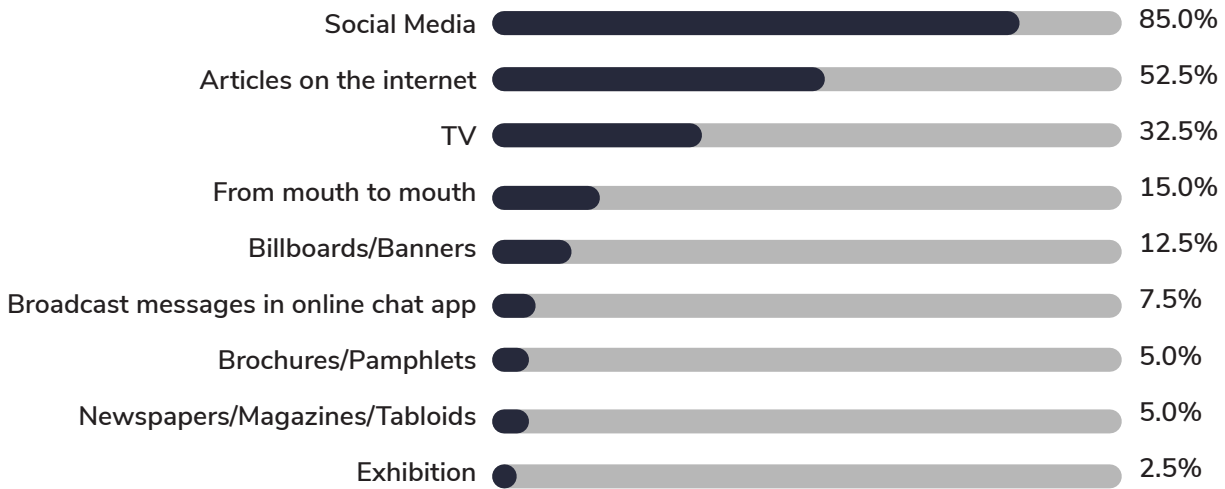


Figure 50. Used Working Capital Loan Platforms by SEC Group Breakdown (n=291)



The top 3 working capital loan platforms used by people are Modalku (21.6%), Koinworks (21.0%), and Investree (18.9%). By comparing the SEC group, Modalku used people with SEC C, while Investree used SEC A.

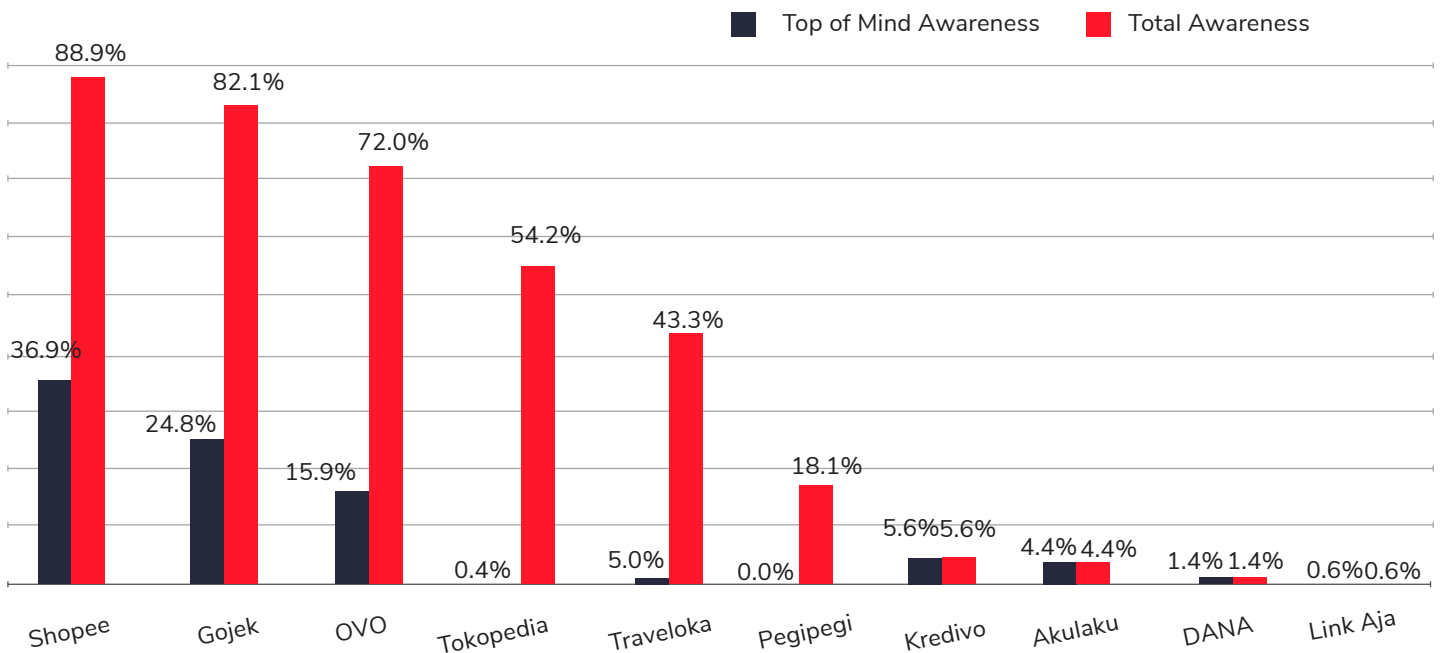
Figure 51. The Most Used Media to See the Ads of Working Capital Loan (n=40)



Based on people who mostly seen ads for working capital loans, social media is the media that most people choose when they see a working capital loan advertisement. Only 7.5% of people have seen the ads from broadcast messages in the online chat app.

7. Paylater

Figure 52. Total Awareness & TOM Paylater (n=496)



The awareness has put ShopeePayLater to first place among apps that provide paylater features. Then followed by Gojek and OVO.

Figure 53. Used Paylater Platforms (n=495)

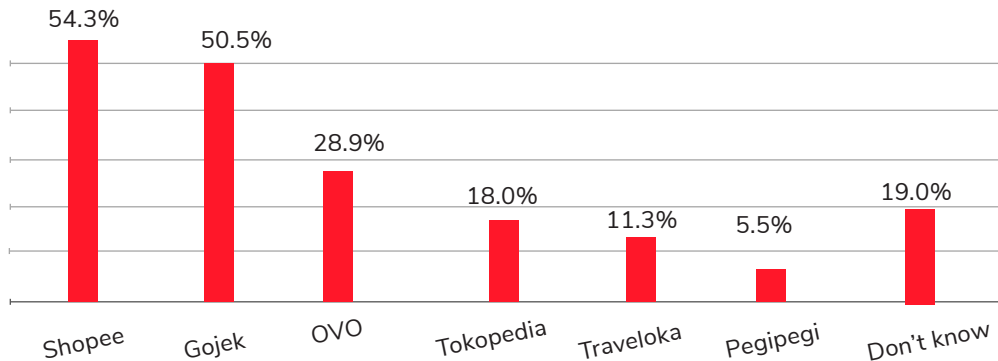
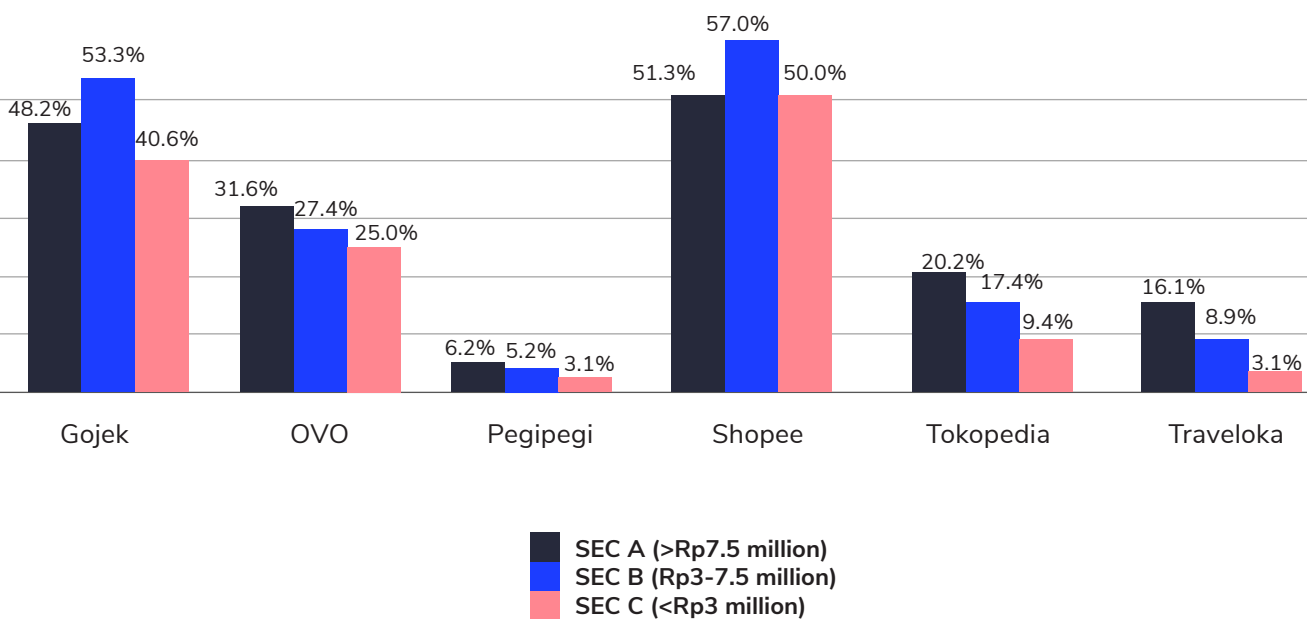
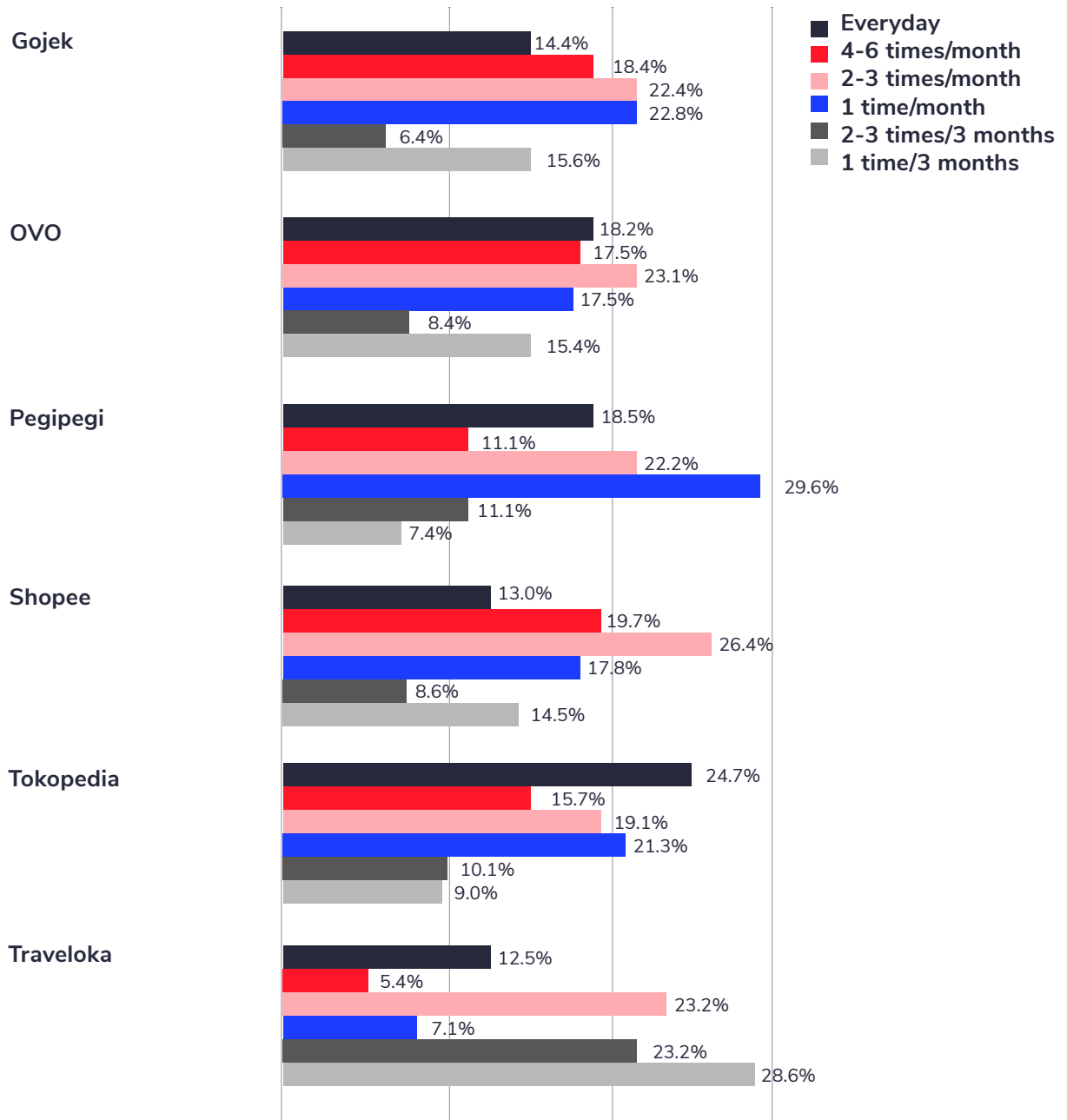


Figure 54 Used Paylater Platforms by SEC Group Breakdown (n=495)



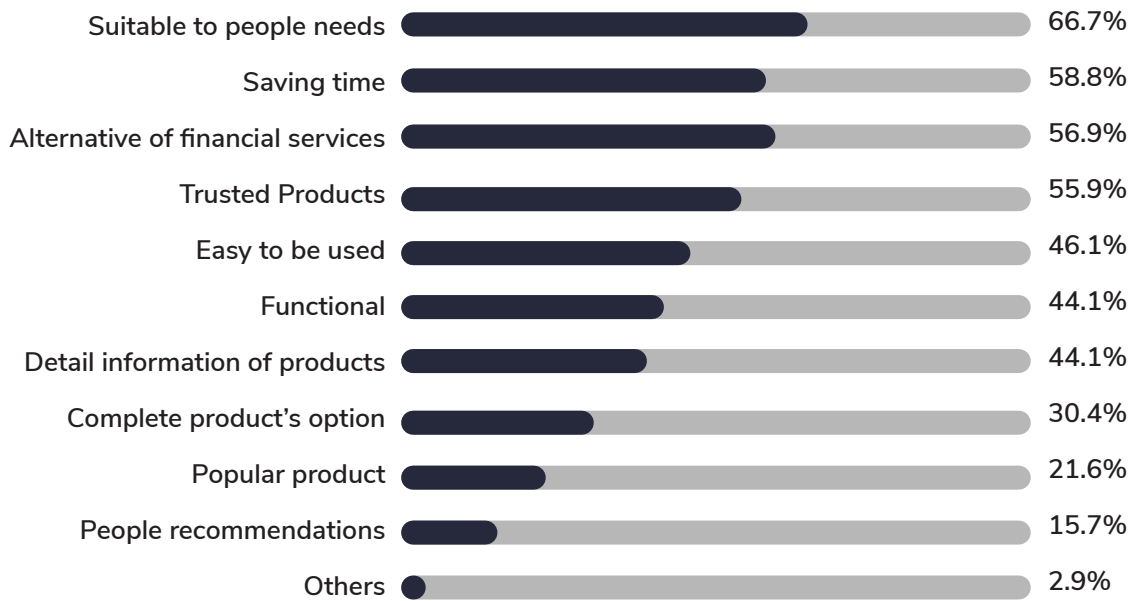
ShopeePayLater dominated paylater used by people (54.3%). Meanwhile, only 11.3% ever used Traveloka Paylater. Based on the SEC group, there is a different preference for using the paylater platform, e.g., Gojek Paylater & ShopeePayLater mostly used by SEC B, then OVO Paylater used by SEC A.

Figure 55. Frequency Used Paylater Platforms (n=401)



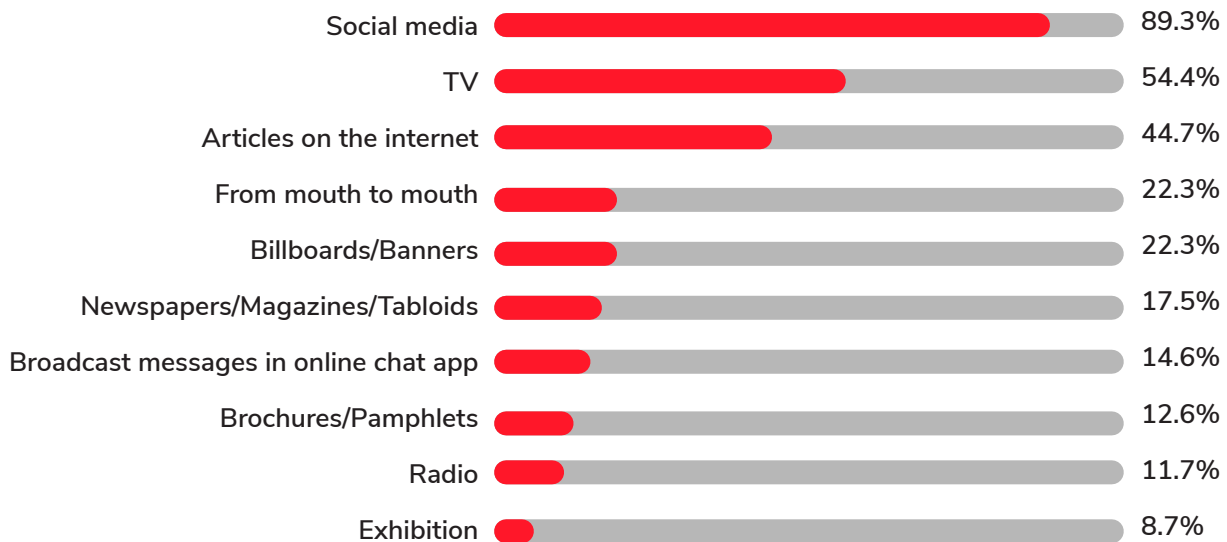
According to the frequency of paylater usage, Pegipegi paylater users usually used it for 1 time/month, while ShopeePayLater used 2-3 times/month.

Figure 56. Consideration Factors Mostly Using Paylater (n=102)



More than 60% of people consider to mostly use paylater because it is suitable for people's needs. Besides that, it also saves time and paylater is also an alternative of financial services.

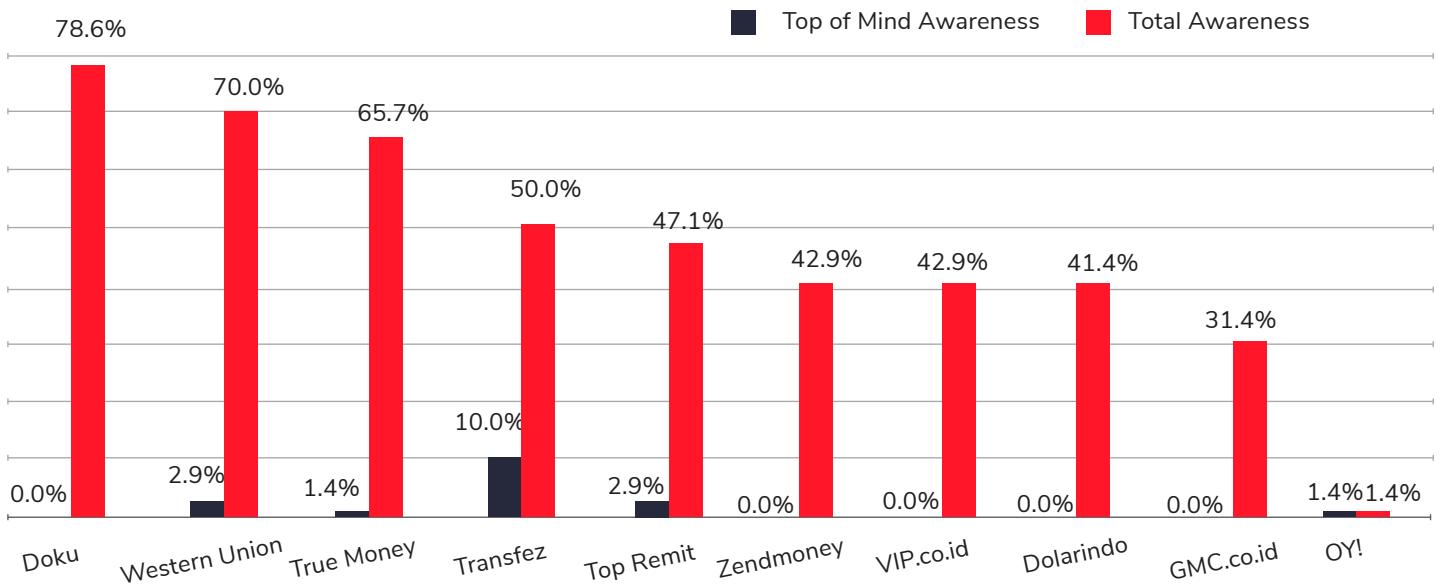
Figure 57. The Most Used Media to See Ads of Paylater (n=103)



According to people who mostly seen paylater ads, almost 90% of people see paylater ads via social media, followed by TV and articles on the internet.

8. Remittance

Figure 58. Total Awareness & TOM Remittance (n=70)



Doku gets the highest percentage of awareness of remittance startups (78.6%), then Top Remit gets fifth place with a percentage of 47.1%.

Figure 59. Used Remittance Platforms (n=68)

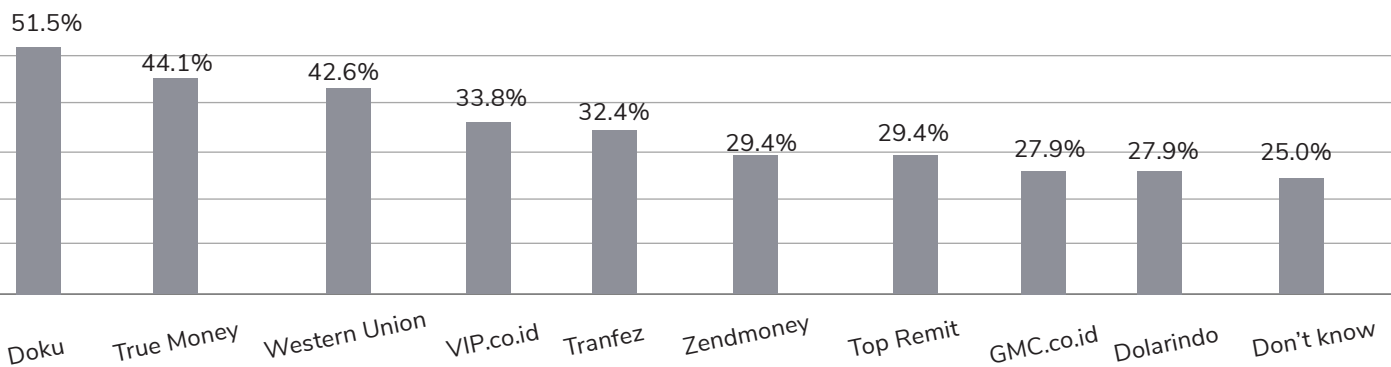
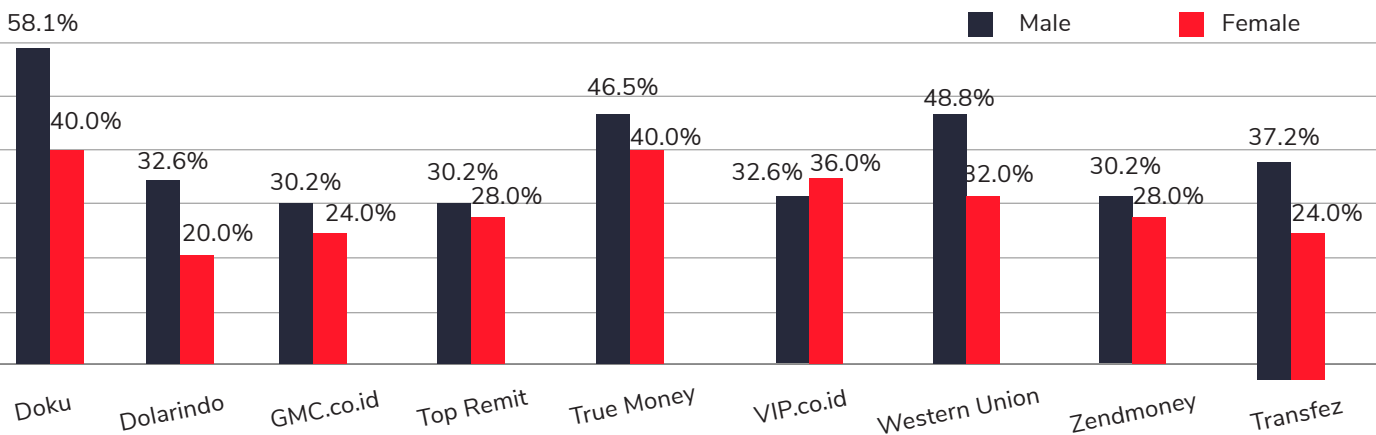


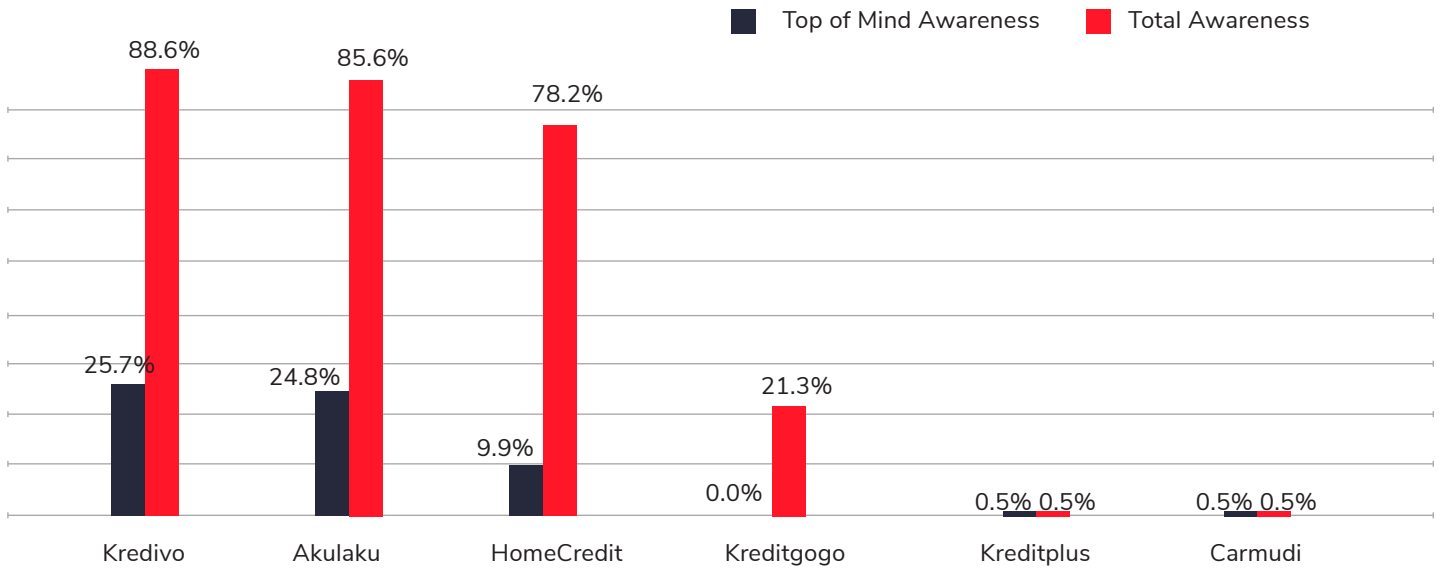
Figure 60. Used Remittance Platforms by Gender Platforms (n=68)



The usage of Doku as a remittance platform has reached more than 50%, then following by True Money and Western Union. VIP.co.id users mostly used by females, while other remittance platforms dominated by male users.

9. Consumer Loans

Figure 61. Total Awareness & TOM Consumer Loan (n=202)



The top 3 consumer loan platforms that aware by users are Kredivo (88.6%), Akulaku (85.6%), and HomeCredit (78.2%).

Figure 62. Used Consumer Loan Platforms (n=200)

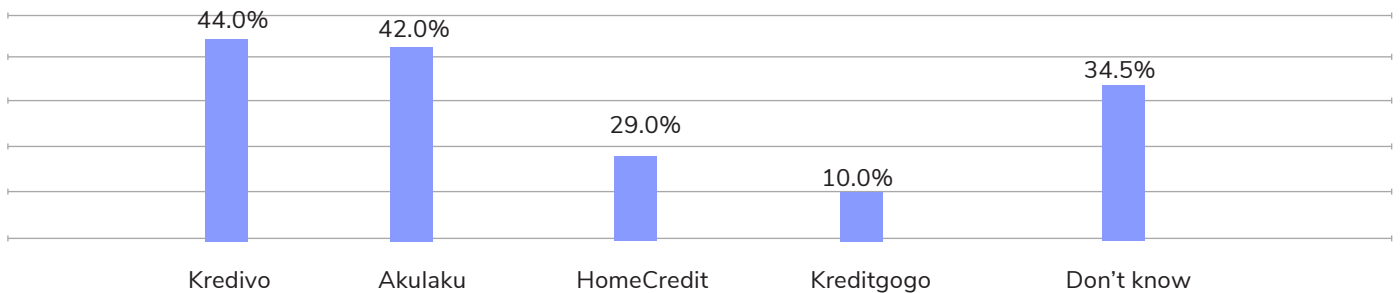
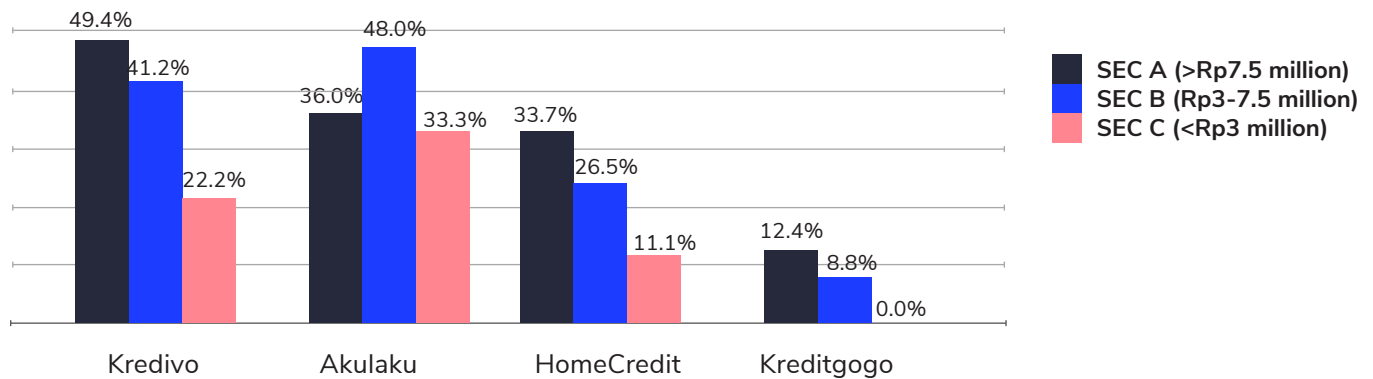


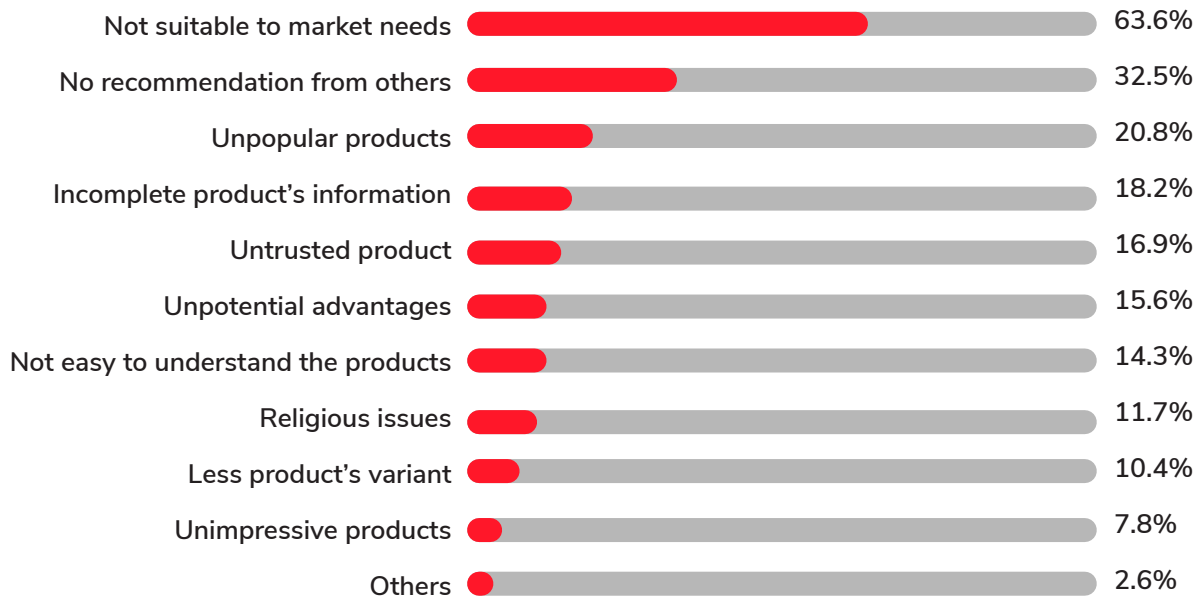
Figure 63. Used Consumer Loan Platforms by SEC Group Breakdown (n=200)



Kredivo leads the usage of a consumer loan platform which accounts for 44.9%. Meanwhile, Kreditgogo only reached 10.0%. Among SEC group breakdown, Akulaku users are people with SEC B, while others used by people with SEC A.

b. Challenges

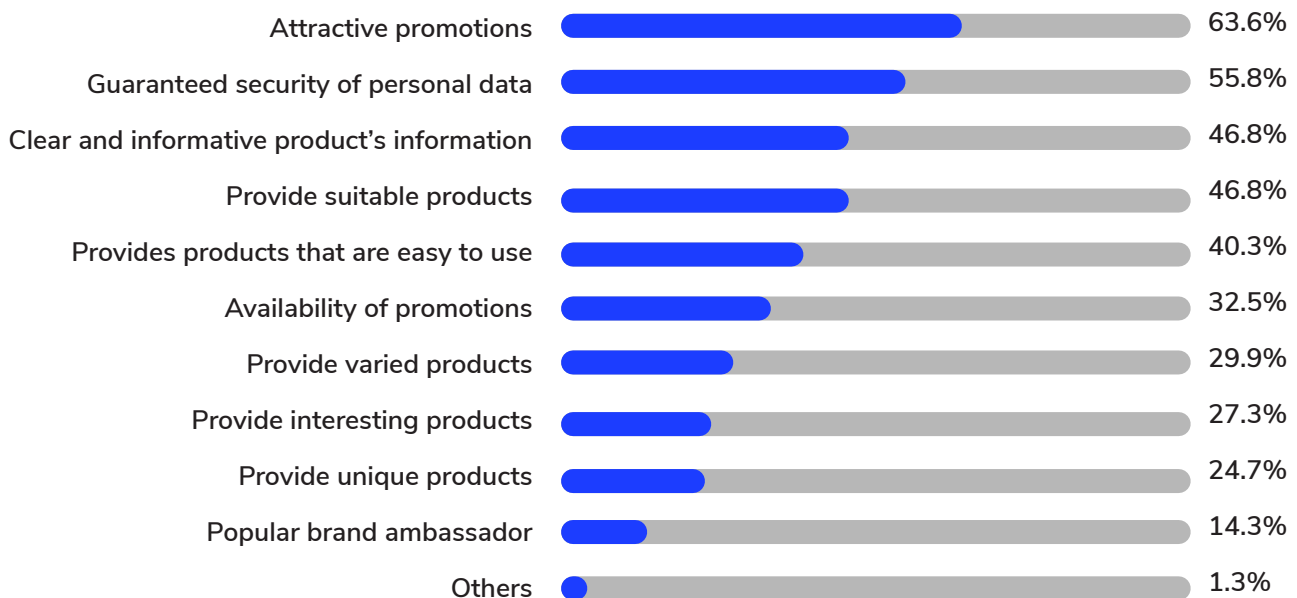
Figure 64. Consideration Factors Not Using Fintech Products (n=77)



According to people who have not yet used fintech products said, it is not suitable for market needs (63.6%) is the main factor. Then followed by there is no recommendation from others (32.5%).

c. Expectation

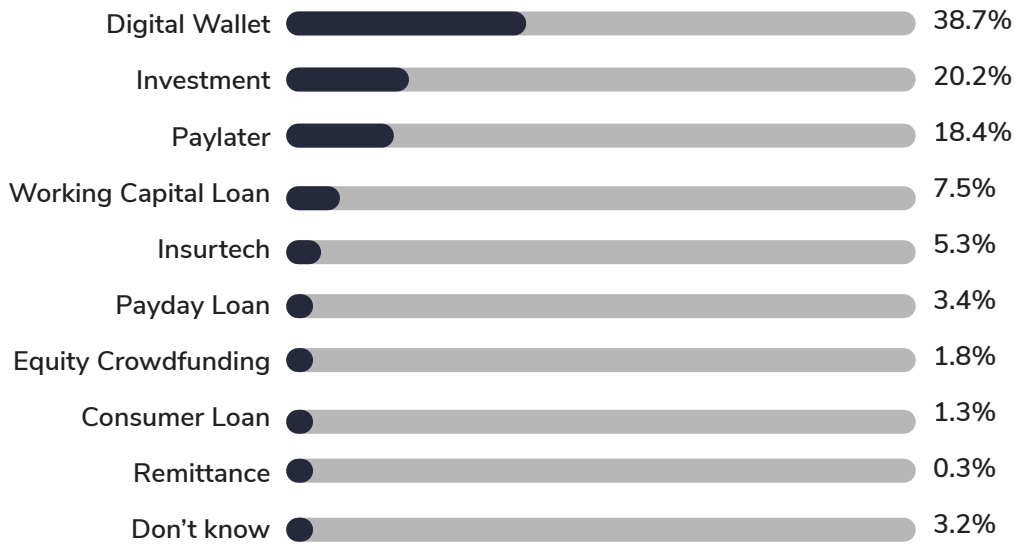
Figure 65. Things to Attract Non-Fintech Users (n=77)



To attract people who have not yet used a fintech product, they expect besides there is attractive pro-mos and the guaranteed security of personal data. While less than 15% concerned with popular brand ambassadors of fintech products.

d. Future Intention

Figure 66. Fintech Product that Consider to Use In The Future (n=684)



In terms of intention to use fintech products next year, Digital Wallet lead the rank with a percentage of 38.7%. Then followed by investment (20.2%) and paylater (18.4%). Based on the SEC group there is a different future intention, for paylater intention dominated with people with SEC A, while investment dominated by SEC C.

Figure 67. Fintech Products Will be Used by SEC Group Breakdown (n=684)

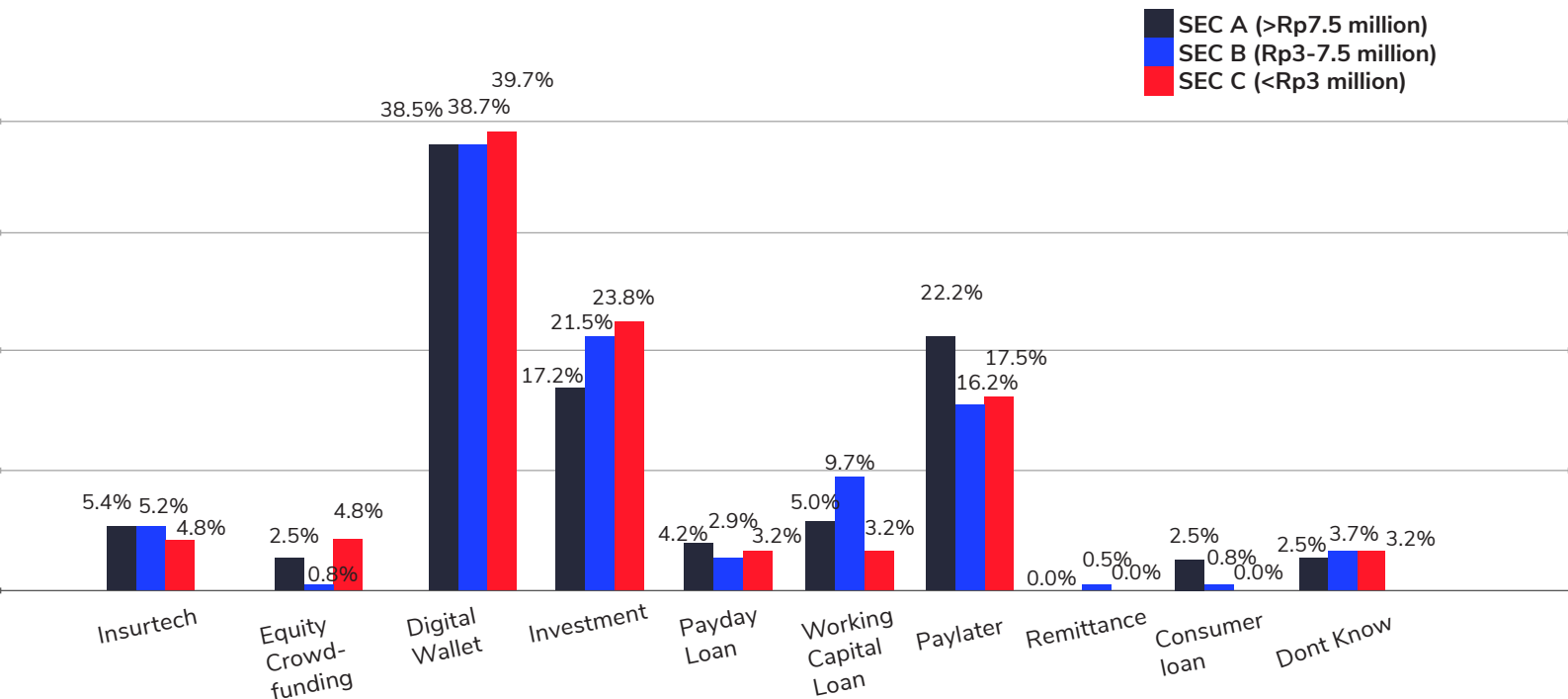
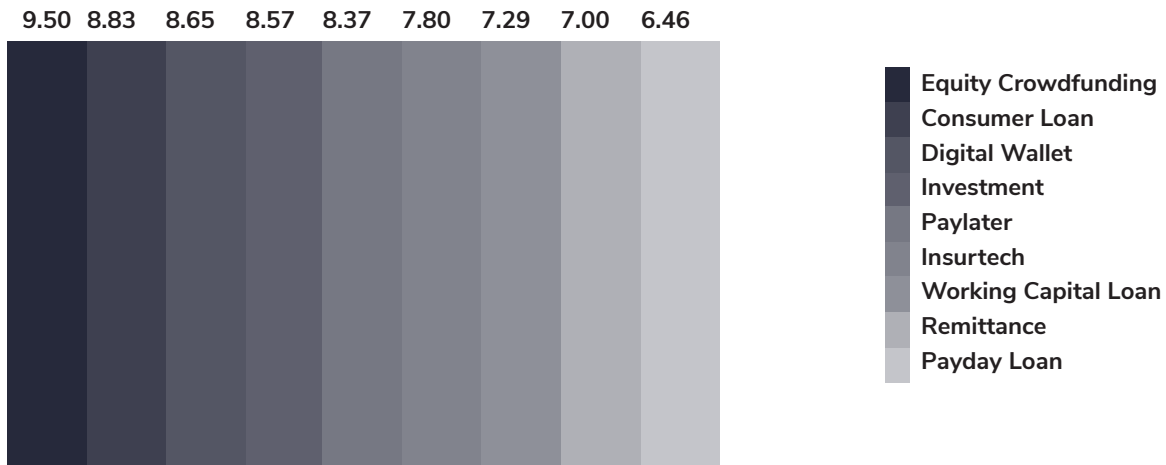


Figure 68. Desire Level to recommend The Most Used Fintech Products (n=584)



Based on a scale of 1-10, it can be concluded that a digital wallet gets the third place of the highest rate desire level to recommend to other people (8.65), while payday loan only gets 6.46.

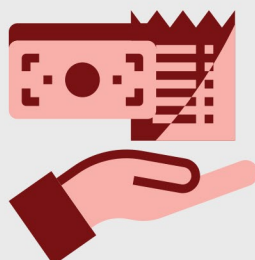


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Connect your business and grow with us

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**Bill
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Info lebih lengkap kunjungi website CIMB Niaga API

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05.

**Strategic
Collaboration**

int



Strategic Collaboration

The growth of fintech in Indonesia cannot be separated from synergy and collaboration between stakeholders. In the local ecosystem, apart from platform developers, regulators and financial institutions have a crucial role. Regulators harmonize the relationship between businesses and consumers with the policies released. It also provides various boundaries so that competition can be maintained. Meanwhile, financial institutions, such as banks, also play a major role in facilitating fintech with various services, such as presenting an API for integrated payments and providing institutional loans.

Regulation Update from OJK

This year, OJK has yet to release new regulations for the fintech ecosystem in Indonesia. If we look at the impact, the regulations on fintech lending released since 2016 are the most significant. A total of 152 players were successfully registered as P2P lenders under the supervision of the OJK. Market acceptance, evidenced by the increase in the number and value of loans, also serves to legitimize the urgency of the policy.

The regulation update plan has begun to be socialized by the authorities, which will be inaugurated in 2021. From the draft released, several points deserve to be highlighted:

- Status simplification. There will only be a licensed status at the OJK. Previously P2P lending companies had registered and licensed status.
- Increase authorized capital. Previously, the P2P lending provider had enough paid-up capital of at least Rp2.5 billion. The new regulation will increase to Rp15 billion.
- Equity provisions. There will be an equity requirement of 0.5% of the total outstanding or at least Rp10 billion.
- Tighter selection. Each player who registers must pass a fit & proper test by the management and Controlling Shareholders (Pemegang Saham Pengendali - PSP).
- OJK will also encourage P2P lending to provide loans to productive sectors outside Java.
- Sharia elements are also strengthened. Previously, there was no strong rule in P2P lending.

OJK adopted this new policy to sort and maximize the P2P lending industry so that it can provide the maximum economic contribution. In fact, according to OJK, from all platforms, only the top 10 players contributed up to 61.68% of the industry's outstanding share. While waiting for regulatory refinement, the authorities have also implemented a moratorium on new P2P lending registrations this year¹⁹.

The requirements that tend to be tighter are also expected to encourage consolidation between players, both fellow fintech and with conventional financial institutions. For example, when they want to reach consumers outside Java, they can work with a rural bank or multi-finance companies in the areas; they are more aware of credit risk related to the characteristics of the surrounding community.

“We realize that the maturity of information technology in Indonesia is very fast, the existing regulations must also be updated to bridge this development, especially in p2p lending. We have compiled these regulatory reforms with the main principle of emphasizing increased consumer protection,”

OJK's representative.

Regulatory reform from a consumer perspective:

1. Transparency of the number of transactions, users, TKB90, and administrators on the website and application.
2. Risk mitigation is clearly regulated, including risk mitigation for funders through insurance/underwriting.
3. Clear protection of personal data.
4. The level of funding quality must be maintained by the operator.

Last year the OJK released circular No. 21/2019 to accommodate fintech innovations (outside of lending). It regulates digital financial innovation (Inovasi Keuangan Digital - IKD) and regulatory sandbox. The regulatory sandbox is a testing mechanism conducted by the OJK to assess the reliability of business processes, business models, financial instruments, and governance. Meanwhile, IKD is an activity of updating business processes, business models, and financial instruments that provide new added value in the financial services sector by involving the digital ecosystem.

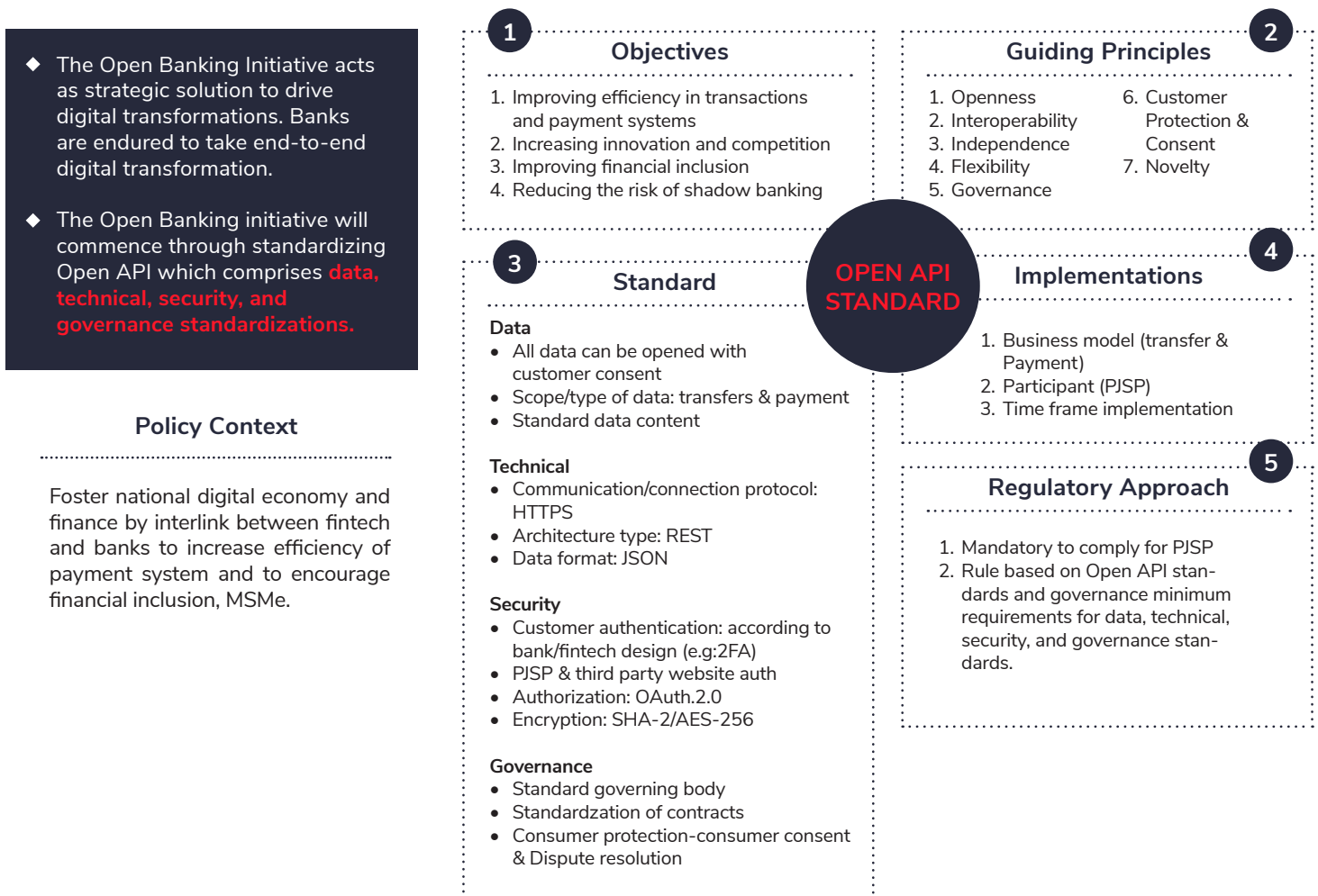
This regulation continues to be intensified, in June 2020 the OJK through the Digital Financial Innovation Group (Grup Inovasi Keuangan Digital - GIKD) has determined that 86 IKD operators are registered with the OJK²⁰. So far the regulation has succeeded in embracing digital financial innovation in various clusters, including: aggregator (36 players), blockchain (1), claim service handling (1), credit scoring (13), e-KYC (4), financial planner (7), financing agent (7), funding agent (1), insurance broker marketplace (1), insurtech (2), online distress solution (1), project financing (5), property investment management (2), regtech (1), tax & accounting (3), and non-CDD verification (4).

BI Drives Open API Standard

For fintech, BI regulations accommodate payment services and systems. This year no new rules have been released. However, some initiatives will be intensified, which will encourage consolidation between players in the financial industry. The realization is by encouraging the industry to develop the direction of open banking development within the framework of the payment system in Indonesia through the involvement of the preparation of Open API Standards and the interlink between banks and fintech²¹.

The Open API standard enables banks and fintech to disclose financial data and information related to payment transactions from their customers on a reciprocal basis (the principle of equality). It is based on contractual collaboration openly using API technology. This standard is included in the five principal initiatives of the central bank in the blueprint for the Indonesian payment system until 2025. At present, the stage is being refined by BI.

Figure 69. Open API Standard plan by Bank Indonesia/BI



According to BI, from a business aspect, Open API will increase efficiency in transaction and payment systems. It can increase innovation and competition, financial inclusion, and mitigate risks²². In fact, on the banking side, many have released APIs that can be used by digital players. Among them are BCA, Bank Mandiri, BRI, Bank Danamon, Bank Permata, Bank CIMB Niaga, Jenius, Digibank, and many more.



“To provide API services to startups, fintechs, or anyone who wants to work together, CIMB Niaga has provided an integrated portal. Users can log in and perform tests in our sandbox. All processes have been made seamless through the portal, they can even do business with us. Of course, if there is a transactional relationship, there must be formal documentation and a formal procedure that must be mutually agreed upon. We understand that the solutions needed by partners always need customization. For that, we try to always be accommodating by prioritizing regulatory and security aspects.”



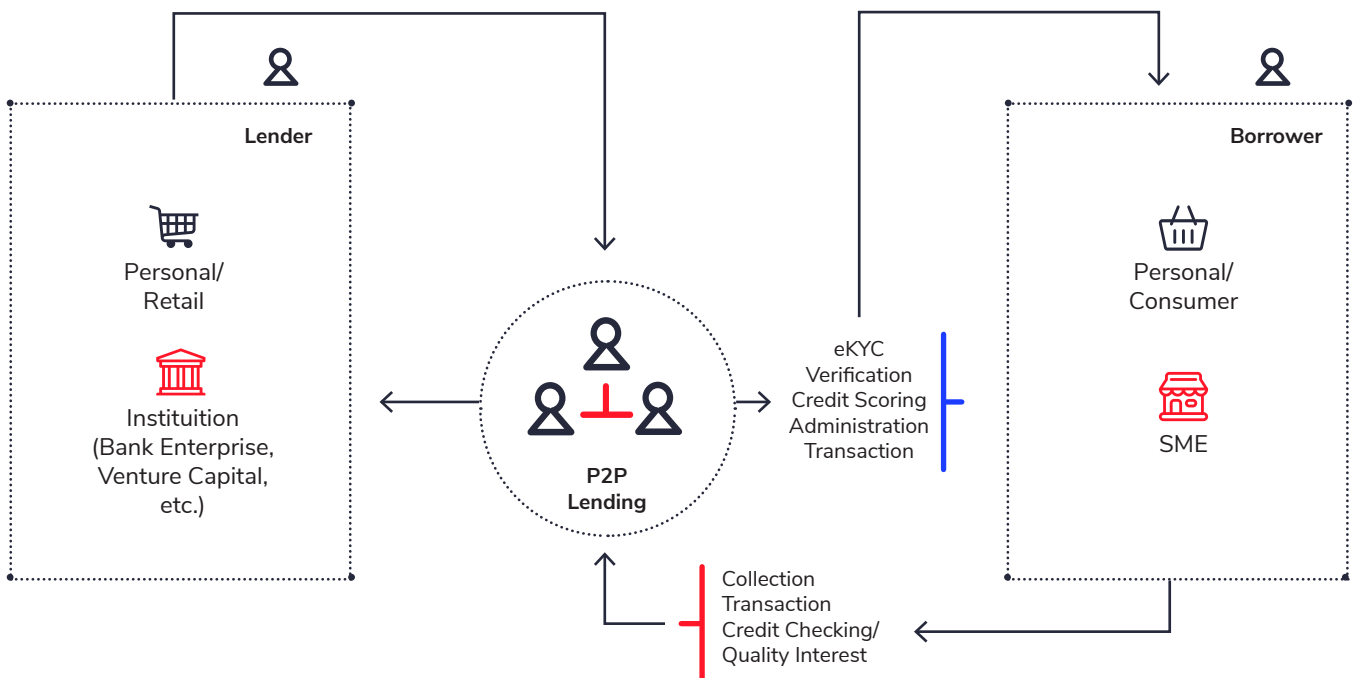
Anton Hermawan, EVP, Head of Digital Business Development CIMB Niaga

Institutional Lender Becomes a New Popular

Initially, P2P lending was designed to help people to lend and borrow funds for multiple purposes. However, the technology-based loan business model is increasingly broad in scope. Not only for consumers and SMEs, but several specific mechanisms are also starting to be implemented. For example, there are players in supply chain financing, in-service financing, e-commerce financing, education financing, etc.

To accommodate the increasing loan value, the platform opens opportunities for institutions to become lenders. In the OJK regulation on P2P lending, the subject lender is defined as a person and a business entity. These institutional lenders also come from local and foreign companies.

Figure 70. Fintech Lending Process Map/DSResearch



Several fintech companies have made strategic partnerships with institutional lenders. Here are some of them:

Fintech	Institutional Lender
KoinWorks	Bank CIMB Niaga, Sampoerna
UangTeman	Bank Sahabat Sampoerna
Modal Rakyat	BRI, BRI Agro
Investree	Accial Capital, GMP Payment Gateway, Pegadaian, BRI
Akseleran	BCA, Bank Mandiri, Pegadaian
AwanTunai	Accial Capital
Modalku	Triodos Investment Management
Kredivo	Bank Permata

Based on survey data, out of a total of 146 fintech companies, as many as 36.4% of fintech lending companies only have 1 institutional lender. Fintech lending which has 2-5 institutional lenders are 33.6%. Only 9.1% of companies have 5-10 institutional lenders. The last category, fintech with more than 10 institutions is only 3.5%.

Figure 71. Number of Institutional Lenders



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