

Peer2Peer Lending – Addressing the Financing Gap

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Agenda

1 Key Demographics

2 P2P – Game changer in financial industry

3 Key Highlights

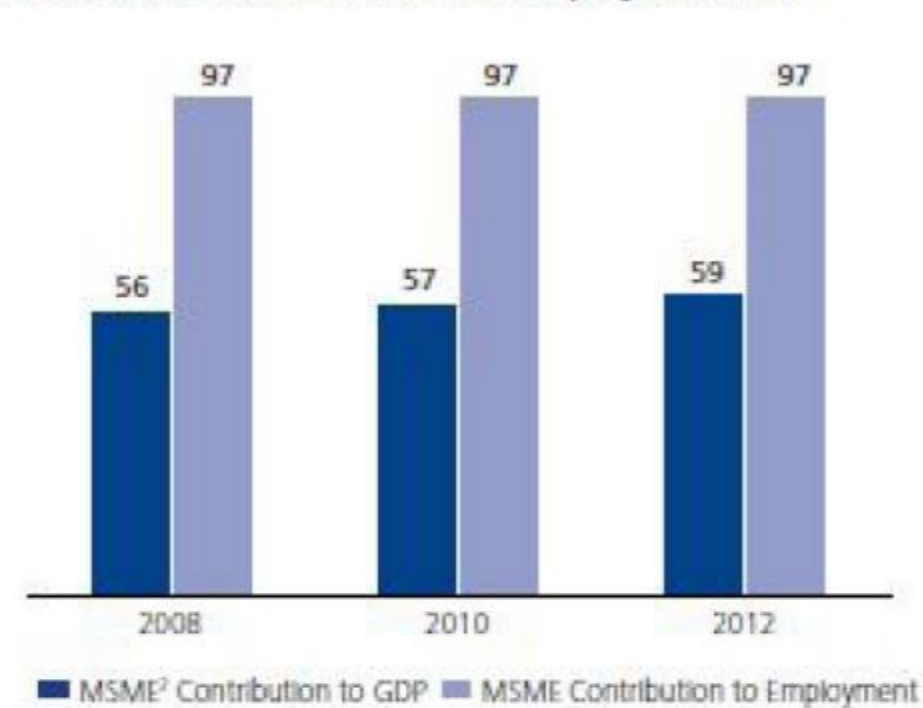
Micro Small Medium Enterprises (MSME)

is key contributor for the Indonesian economy.

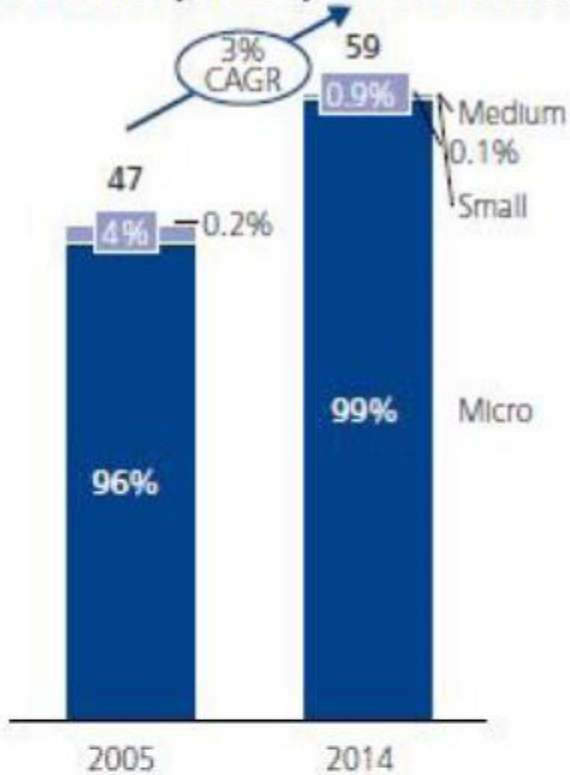
- SMEs are firms whose financial requirements are too large for microfinance, but are too small to be effectively served by corporate banking models. SMEs represent a large and economically important sector.
- MSME contributes 59% of the country's GDP and employ's 97% of the country's total workforce.
- Registered total number of MSME is 59 million companies mostly considered Micro.
- Medium sized MSME totals 531k companies which on average contributes around IDR 7.965 T turnover.
- More than 50% of the business are still concentrated in dense populated Java.

Sources: Bank Indonesia, Indonesia Ministry of Cooperatives
Data 2015

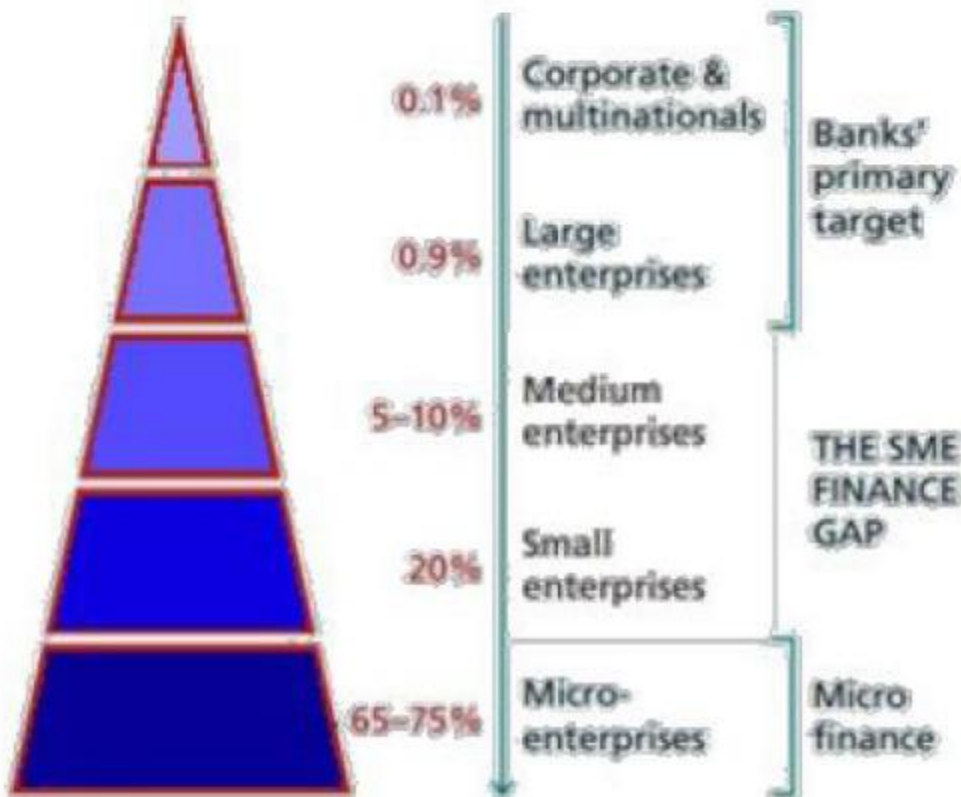
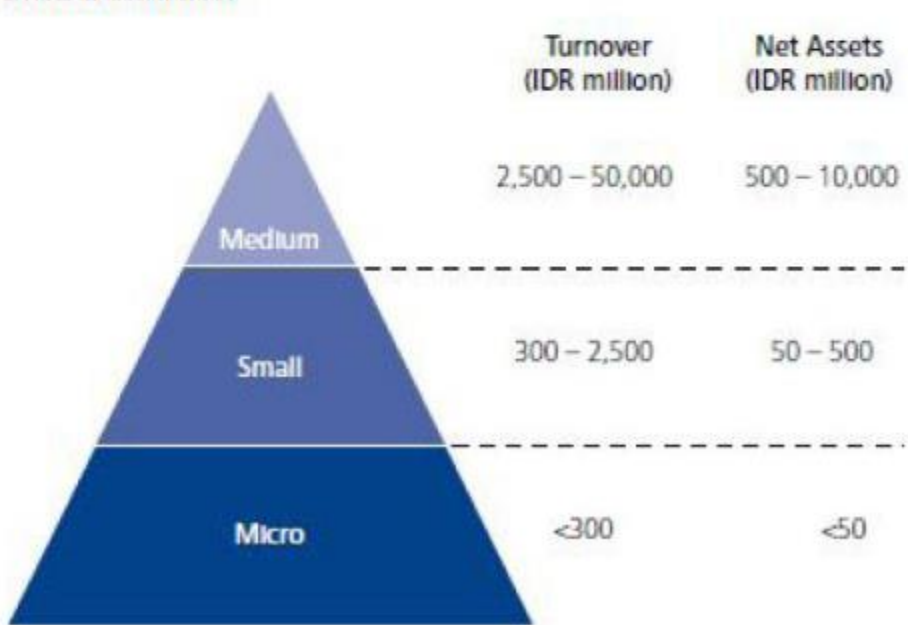
SME Contribution to GDP and Employment (%)



Growth of SMEs (million, no. of entities)

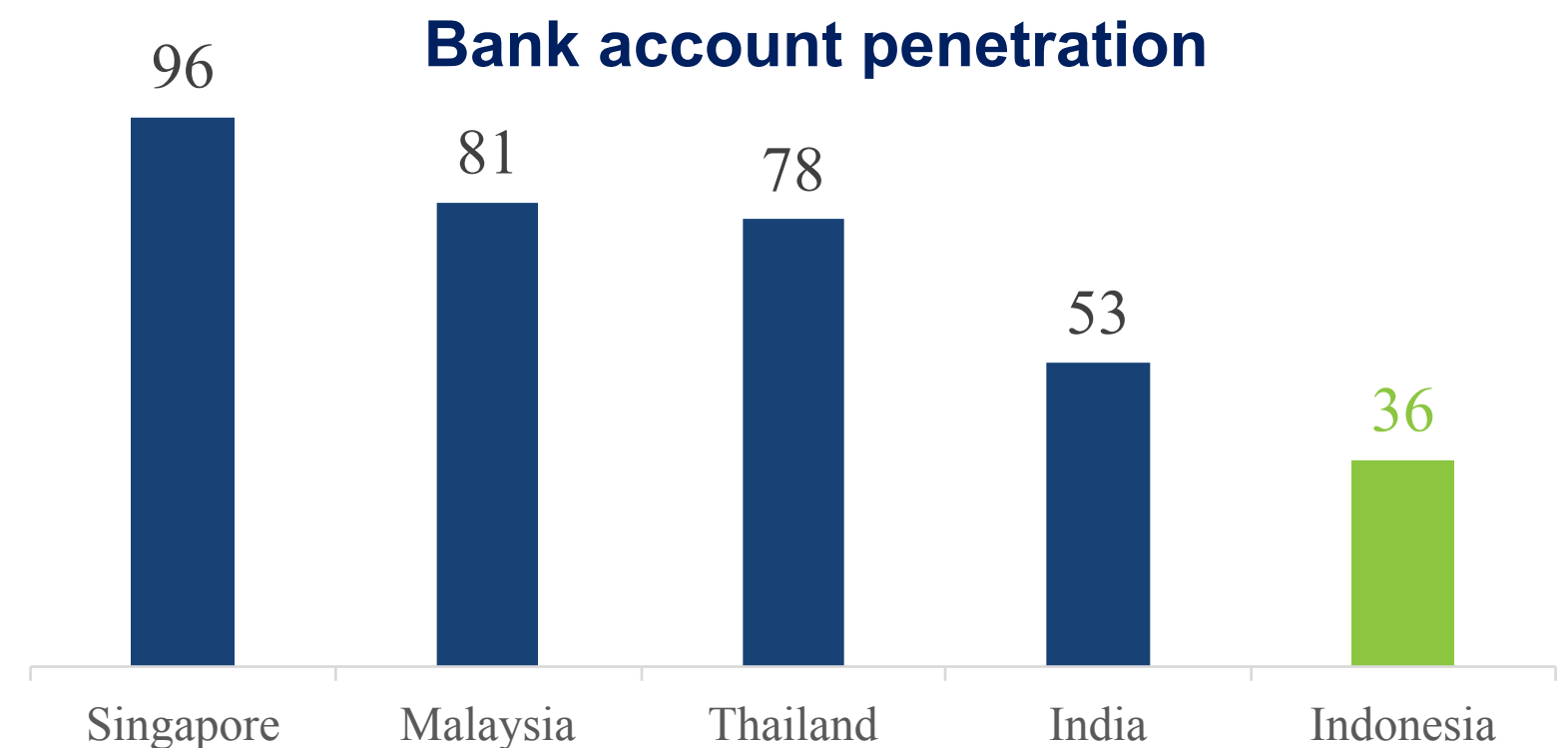
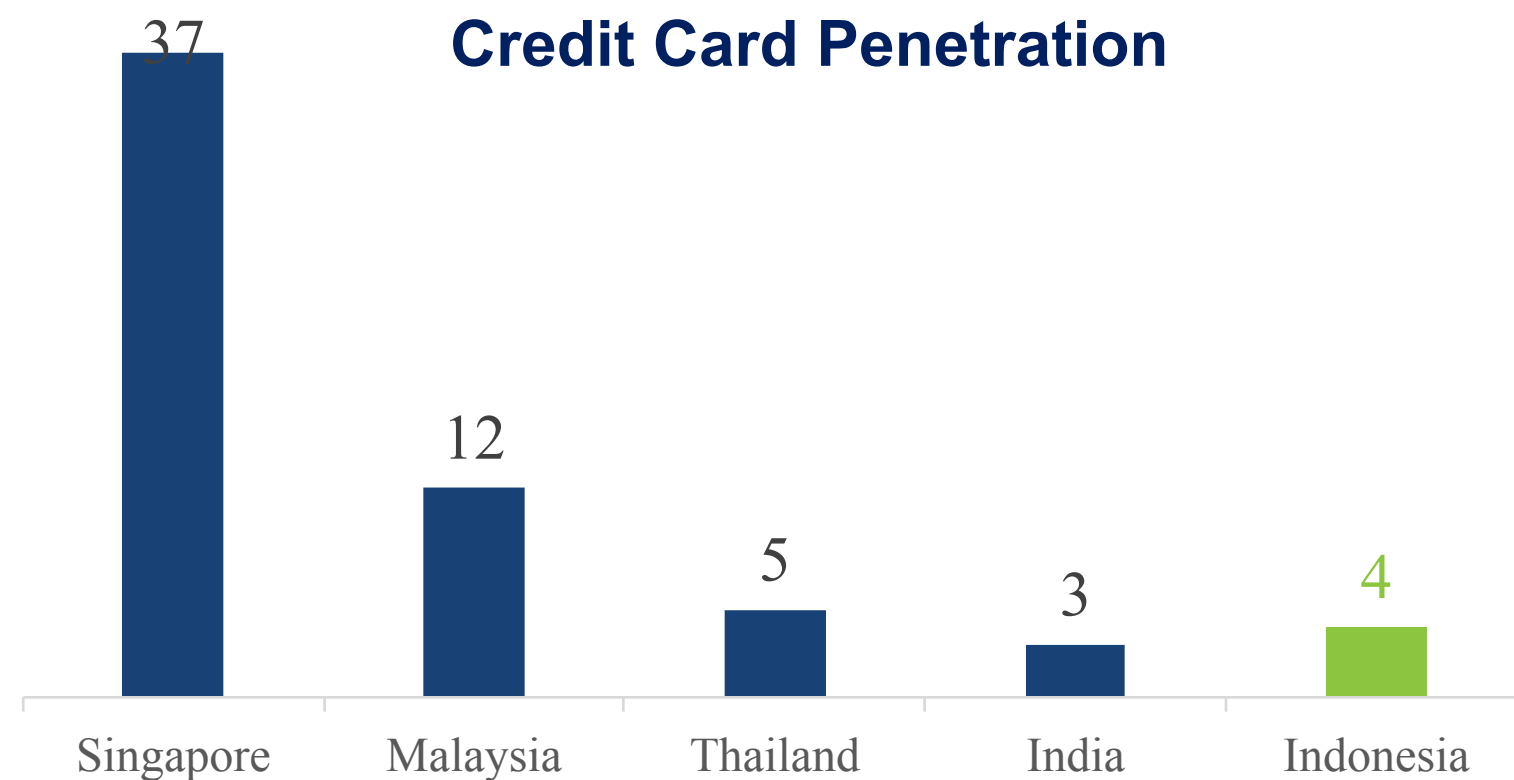
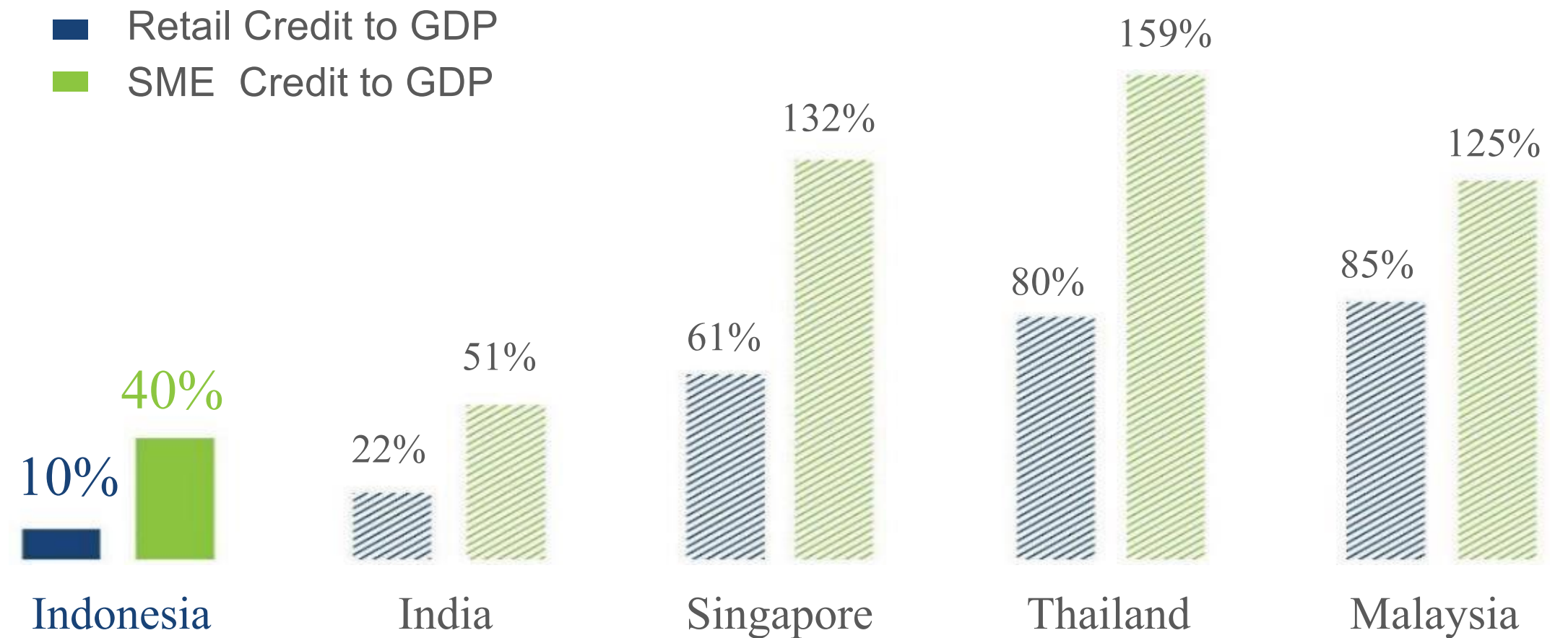


SME Definition



Limited access to finance

Low financial penetration causes difficulty in getting a loan in Indonesia.



Lending Facts

Based on sample there are 57% of Indonesian people who borrowed money for any reason and from any source in the past 12 months.



57%



42%
Families and Friends
is the most dependable source of
financing



12%
Financial Institutions



3%
Informal Lender

The Financing Gap – SME & Consumer

Loan purposes

- Working capital
- Investment

Means of financing

- Internal funds (86%)
- Bank loans (6%)
- Supplier credit (1%)
- Others (7%)

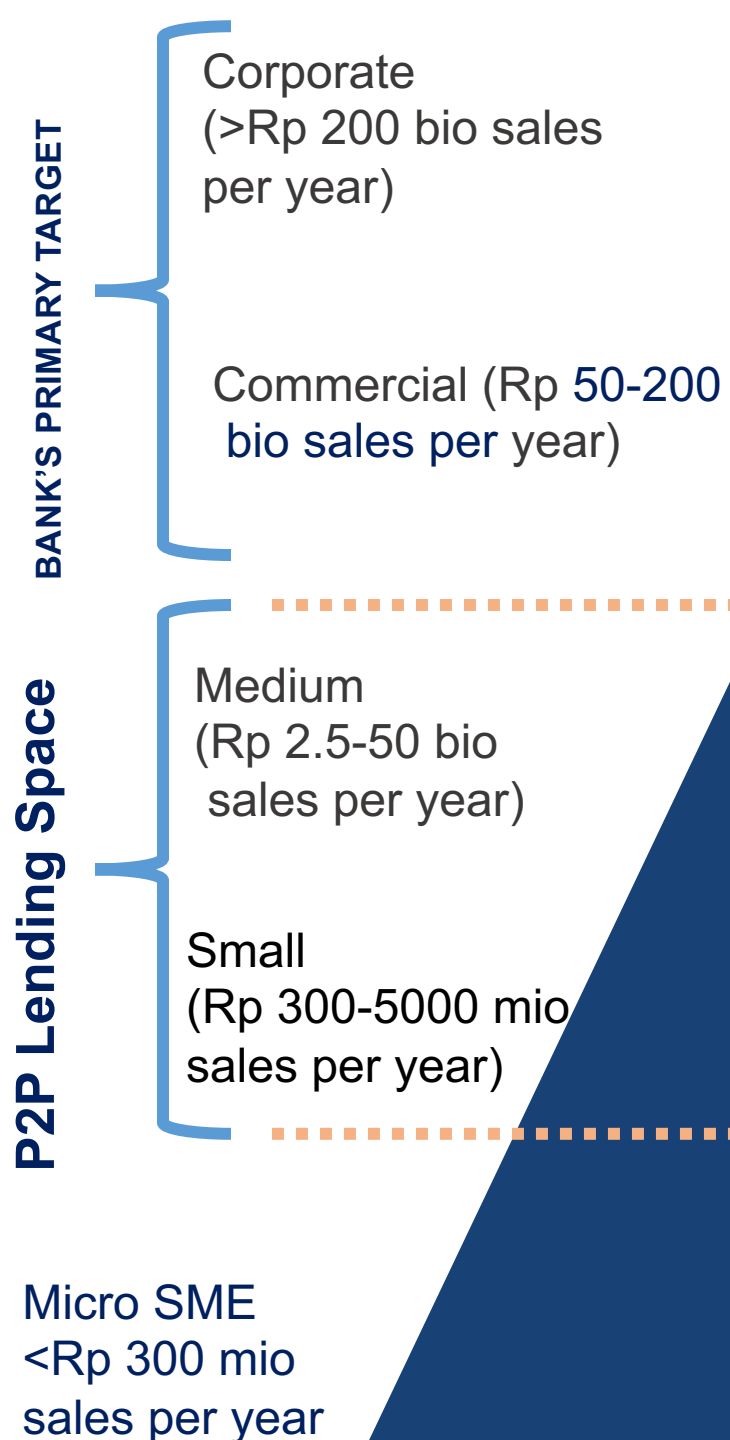
Key hurdles

- No Collateral
- No credit history
- Long credit application processing time

Solution

- Invoice Financing
- No fixed asset collateral
- Escrow account
- 100% online

Business Segment



Consumer Segment

Upper income
(>Rp 60 mio per year)

Mass affluent income
(Rp 36-60 mio per year)

Mass income
(Rp 18-36 mio per year)

Lower income
(<Rp 18 mio per year)

BANK'S PRIMARY TARGET

P2P Lending Space

Loan purposes

- Housing loans
- Home Renovation
- Vehicle loans
- Education
- Umroh
- Marriage
- Medical

Target market

- Employee – First jobber
- Millennials
- Contract employee

Solution

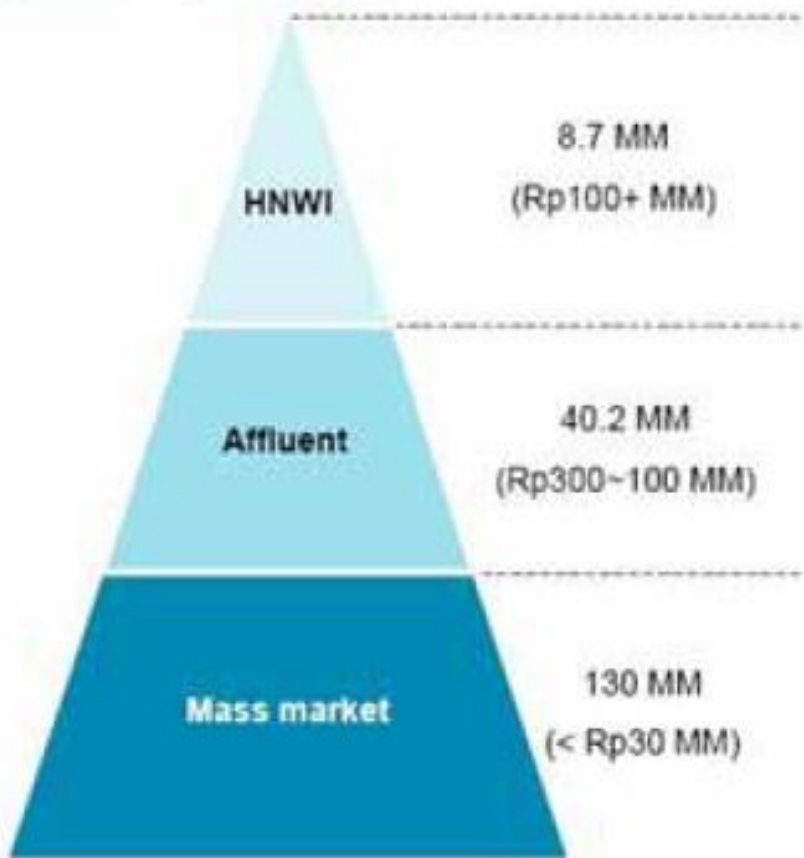
- Company partnership
- Streamlined process
- Unsecured, but salary deduction
- 100% online
- Big data analytics

Investor Problem

high barrier to entry for individuals to invest

Lack of investment alternatives that allows retail & institutional investors to invest small amounts of monies in short term + well structured/ secured + high yields.

Pyramid of Indonesia retail wealth
Population >15 years of age



Individual participation in Indonesian capital markets

Category	Number	Penetration
Bank accounts	70 MM	39%
Individual IDX accounts	450 K	0.3%
Individual life insurance policies	10 MM	5.6%
Individuals who invest in mutual funds	<2 MM	<1%

Key Issues

- Low retail investor base given risk averse nature of majority of Indonesian
- High barrier to entry for retail investors in terms of nominal and fees
- Limited and too complex product range for “man on the street” segment
- Deposit interest rates + inflation = low/negative real interest rates

Key Proposition

- Small minimum investment size with short tenor
- High yield with clear underlying transaction (ie invoice , payroll)
- No initial investment fee thru online platform
- Many investors to one loan = risk diversification

Going forward - Concerted effort to promote digital financial inclusion

Financial Inclusion

36%

Bank account penetration

4%

Credit card penetration

90%

Loan deposit ratio

Opportunities

>100%

mobile phone penetration

50%

annual growth of
eCommerce transaction

>100 mio

internet users in 2016

Regulatory Support



Strategic Initiatives

- E-Wallet
- National Payment Gateway
- Fintech Office



Strategic Initiatives

- Branchless Banking – Laku Pandai
- P2P Lending Regulation

Key Player

Telco



Bank



Startup



Solution: Peer-to-peer Lending Marketplace

P2P Lending is lending and borrowing activities that is done online in a place called marketplace

Platform role is to run the Marketplace. Our Marketplace matches people who want to lend money with people who want to borrow money. We enhance yield for investors while making loans more affordable accessible for borrowers.

Borrower



Where borrowers get
their loans funded

Pinjaman Personal

NEW ingin meminjam sebesar IDR 10.000.000

100% Terdanai

5 Hari Masa Penawaran

Dana ini akan digunakan untuk memperbaiki atap rumah orang tua saya yang sering bocor ketika hujan.

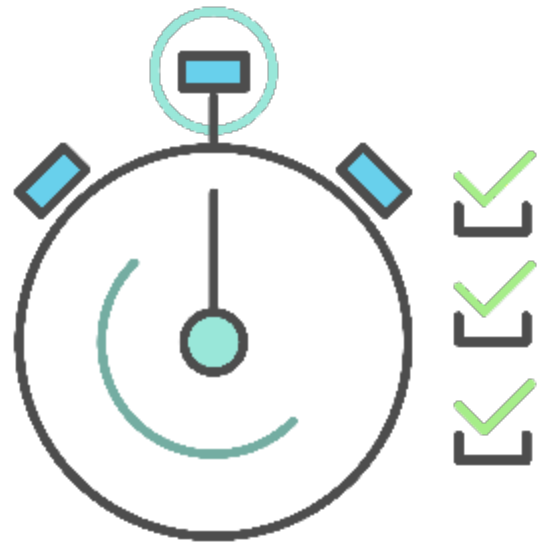
Informasi Borrower	Informasi Pinjaman
Residential Status : Milik orang tua	Loan Purpose : Renovasi rumah
Income Type : Permanent	Monthly Repayment : IDR 953.333
Individual Gross Income : < Rp. 5 Jt / month	Payment Scheme : Pemotongan Gaji
Masa Kerja : 2 Tahun	Loan Grade : A1 1.2% flat per month atau effective 21.38% p.a.
Rentang Usia : 25-30	Periode Pendanaan : 12 Bulan

Lender



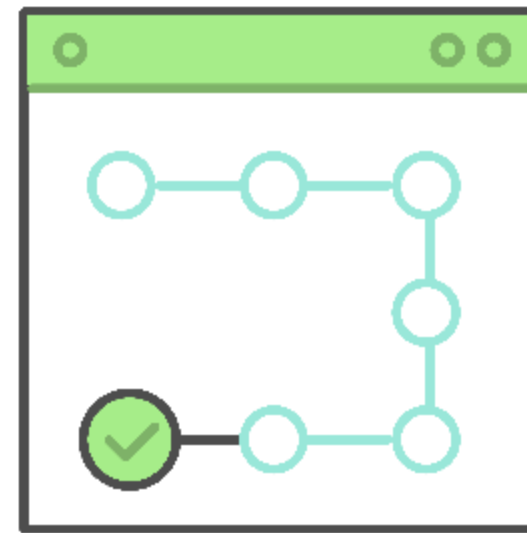
Where lenders lend
their money

P2P Proposition For Borrower



Speed

Borrowers can now enjoy a streamlined loan application process and get funded within a week.



Simplicity

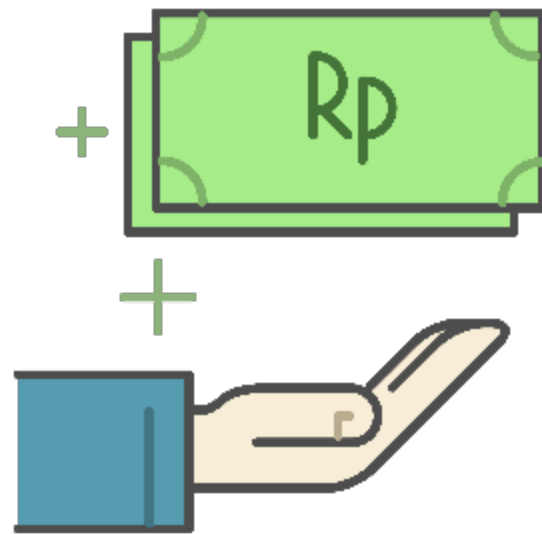
100% online, signing up and applying for loan is quick and easy.



Competitive Rates

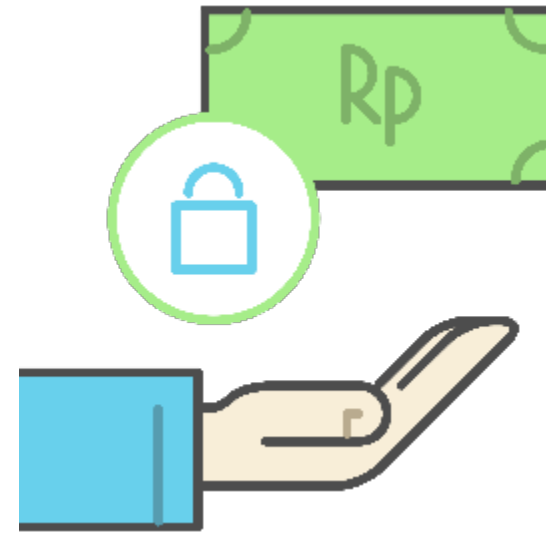
Attractive rates by matching borrowers directly with their respective lenders.

P2P Proposition For Lender



Better Returns

By connecting you directly with borrowers, you earn full amount of interest paid by borrowers.



Secured Transaction

Every fund movement is handled by our reputable bank partner to ensure peace of mind in transacting through us.



Transparency

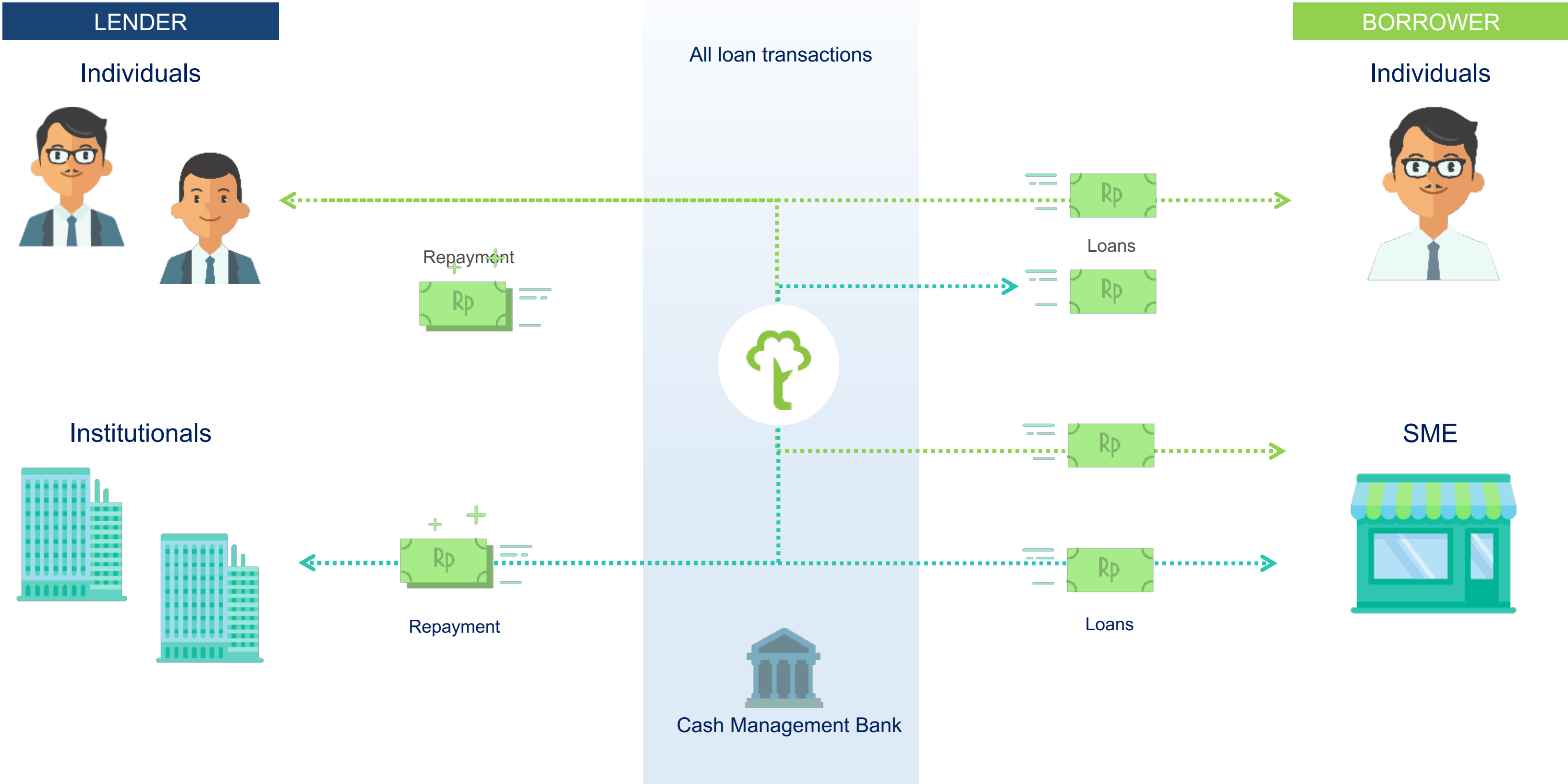
Disclosure of borrower's credit information to allows lenders to make informed lending decision.

Investree

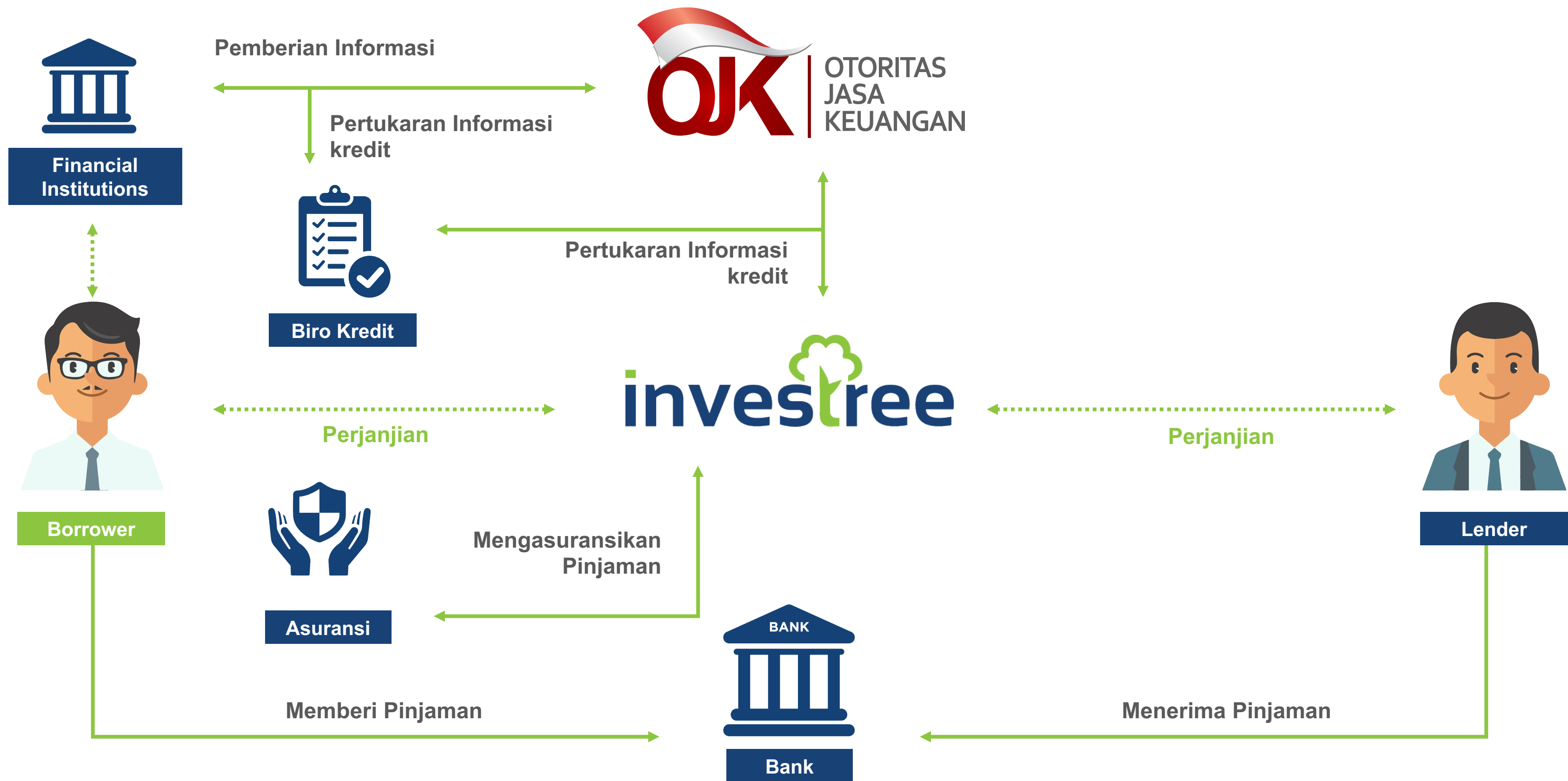
as Marketplace

Borrowers request loans online, get approved, and offered to investors as loan requests in the marketplace.

pieces of these loans (i.e crowdfund), much like how consumers buy products and goods online in e-commerce website. Individuals and businesses can then “buy” or invest in



P2P Lending Future Risk Ecosystem



Sample Demographics – P2P Users

BORROWER

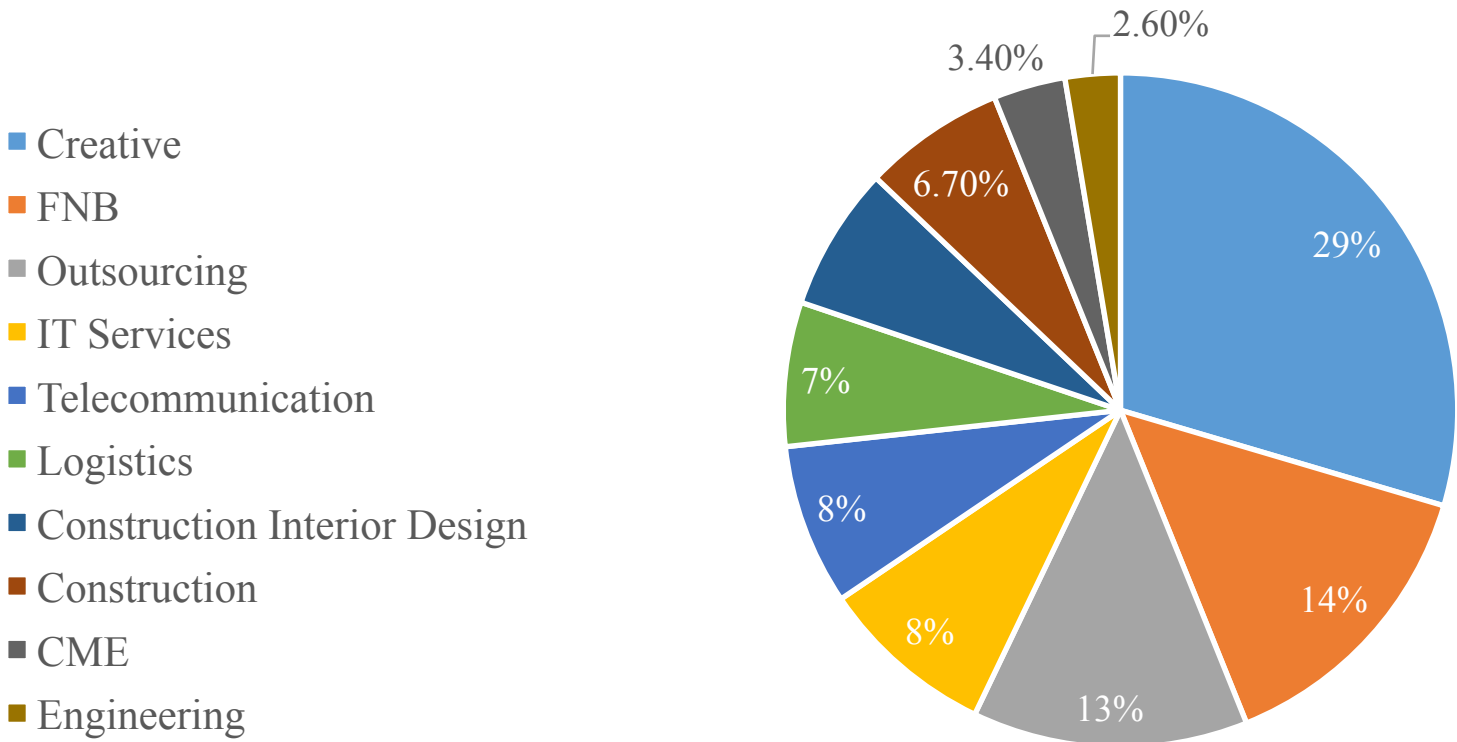
SME

- Avg Sales IDR 15 bio per year
- Avg 3 yrs established
- Avg # employees 25
- Services based industry

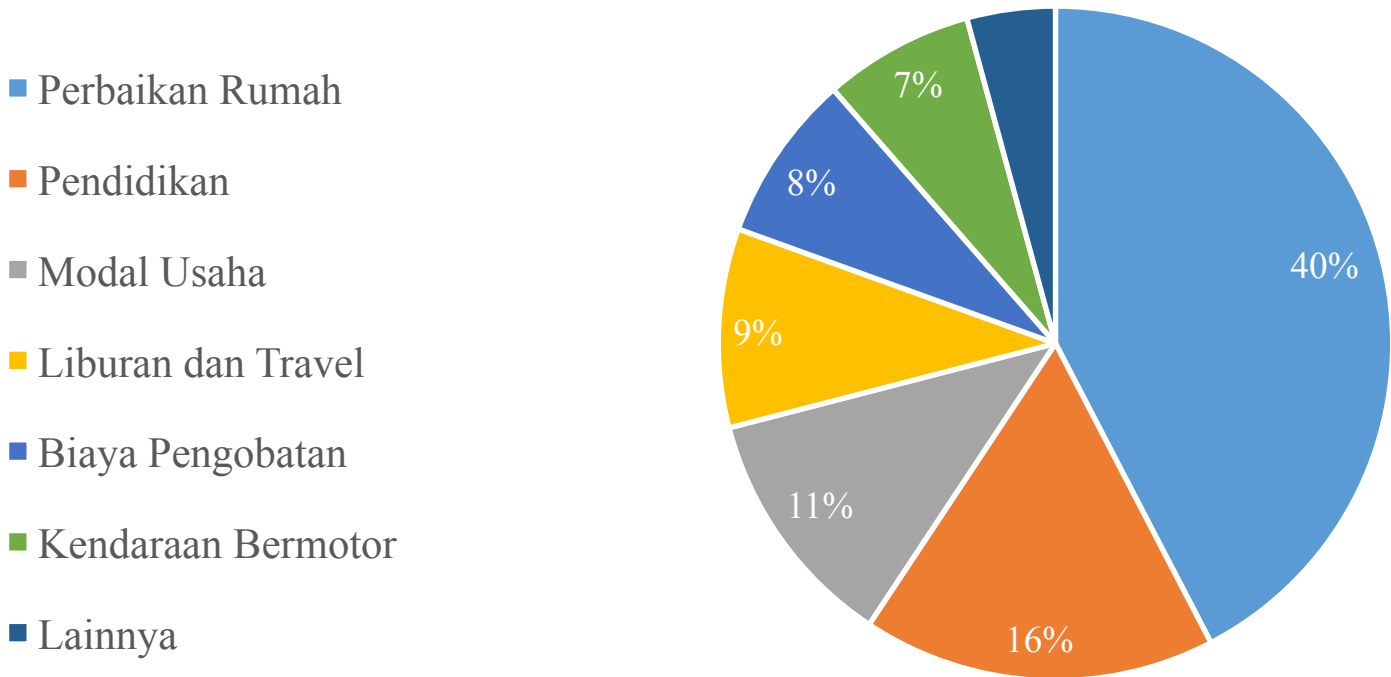
Consumer

- Avg age 25 years old
- Avg 2 years employment
- Avg salary IDR 7 mio
- Avg loan IDR 10 mio

Overall Portfolio by Industry



Loan Purpose



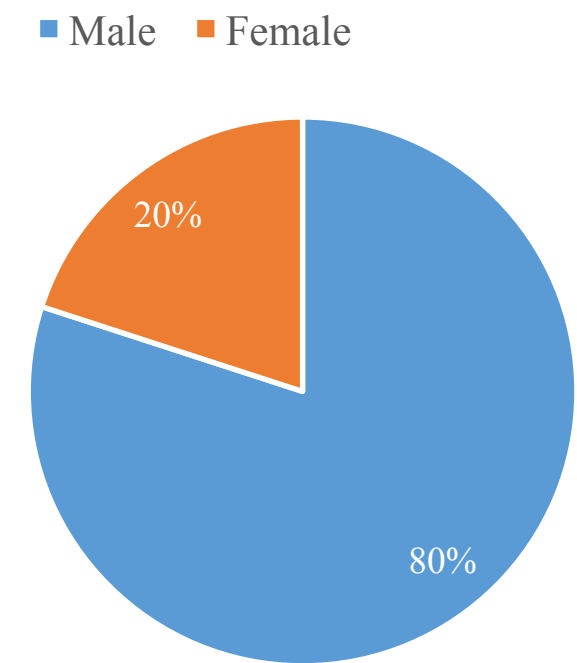
Sample Demographics – P2P Users

LENDER

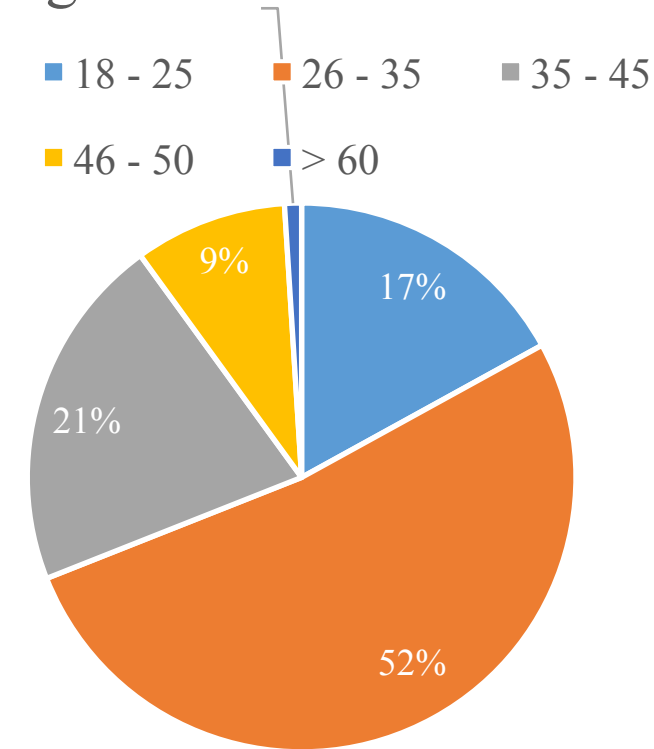
Nationwide

- Age 21-74
- Avg age 33 years old
- 80% : 20%, Male : Female

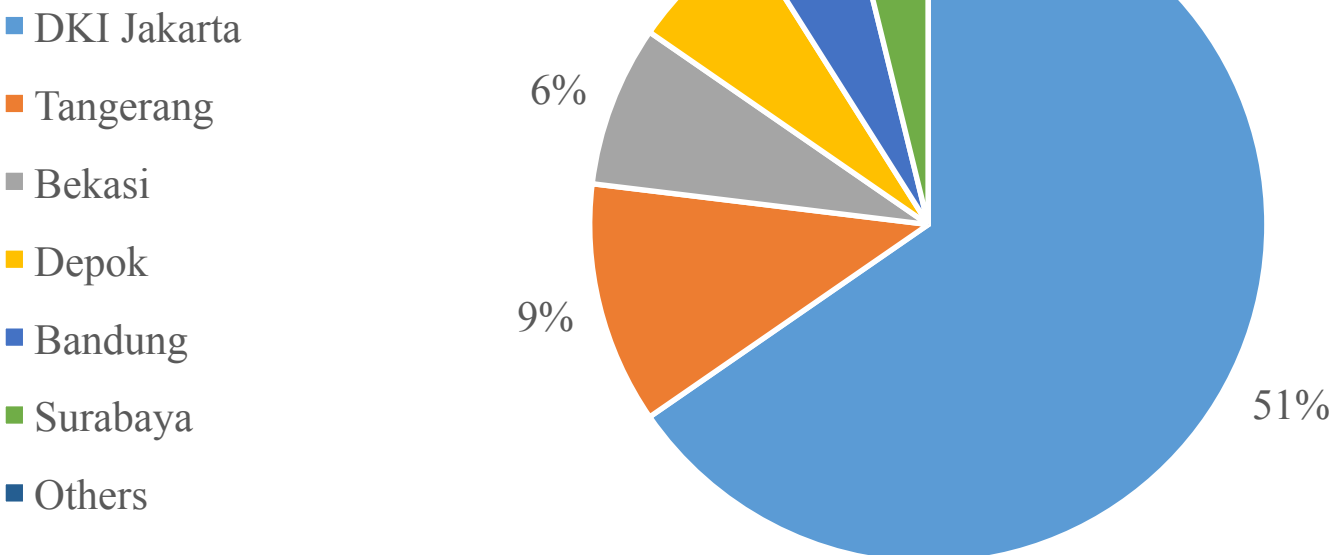
Gender



Age



Lender Distribution





“

P2P has become a simple and quick funding solution with competitive return. Really a good alternative investment

”

LENDER

Head of Retail Product Development
Middle East Bank in Indonesia

“

P2P is our cash flow savior. Quick and easy, only need 2 days for disbursement.

”

BORROWER

Domestic logistic company

