

# Marketplace Lending - Addressing the Financing Gap

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Co-Founder & CEO Investree  
Vice Chairman Indonesian Fintech Association

OJK International Seminar - July 2017



# Agenda

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1 Fintech Industry

2 Investree Story

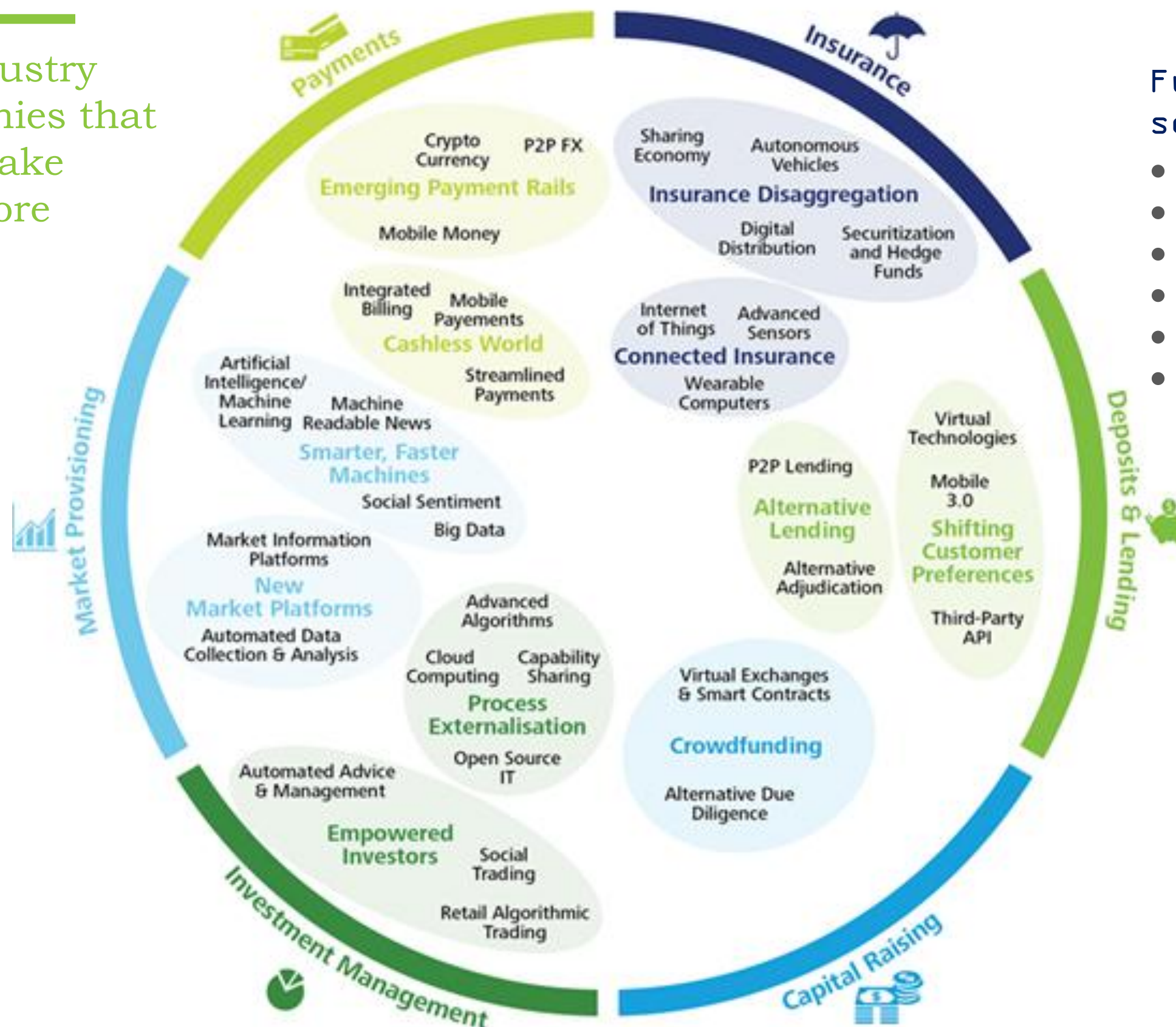
3 Fintech Risk Framework

4 Sample Demographics

5 Collaboration

# What is FinTech

It's an economic industry composed of companies that use technology to make financial services more efficient



## Function of financial services

- Payments
- Market Provisioning
- Investment Management
- Insurance
- Deposits & Lending
- Capital Raising

# Who are the players?

Traditional financial institutions are actually part of the industry – but start-ups take it up a notch

Financial Institutions	Traditional FinTech Players	Innovative FinTech Start-Ups
<ul style="list-style-type: none"> <li>■ Include banks, insurance companies and capital markets.</li> <li>■ Many of these organisations use old fashioned mainframe systems that are a significant barrier in today's fast moving digital world.</li> <li>■ Despite making significant investments in their IT systems and infrastructure in recent years, most financial institutions have merely patched-up their existing systems to compete with other banks.</li> <li>■ Many financial institutions have recently started innovation labs and venture capital funds to make strategic investments in FinTech businesses.</li> </ul>	<ul style="list-style-type: none"> <li>■ FinTech vendors provide a variety of incumbent technology and services to financial institutions, including banking and payments services, consulting solutions, outsourcing and risk management solutions.</li> <li>■ They are investing in and acquiring innovative FinTech start-ups.</li> <li>■ Providers include Fidelity National Information Services (FIS), Fiserv, SunGard, Infosys and FirstData.</li> </ul>	<ul style="list-style-type: none"> <li>■ New market entrants are leveraging technology advancements to offer innovative and disruptive solutions for specific subsectors.</li> <li>■ In doing so, they are providing new products to service existing needs and disintermediate incumbent firms.</li> <li>■ This is especially true in the payments and P2P lending segments.</li> </ul>

# Unbundling of financial services

Fintech start-ups are unbundling basic financial services using technology

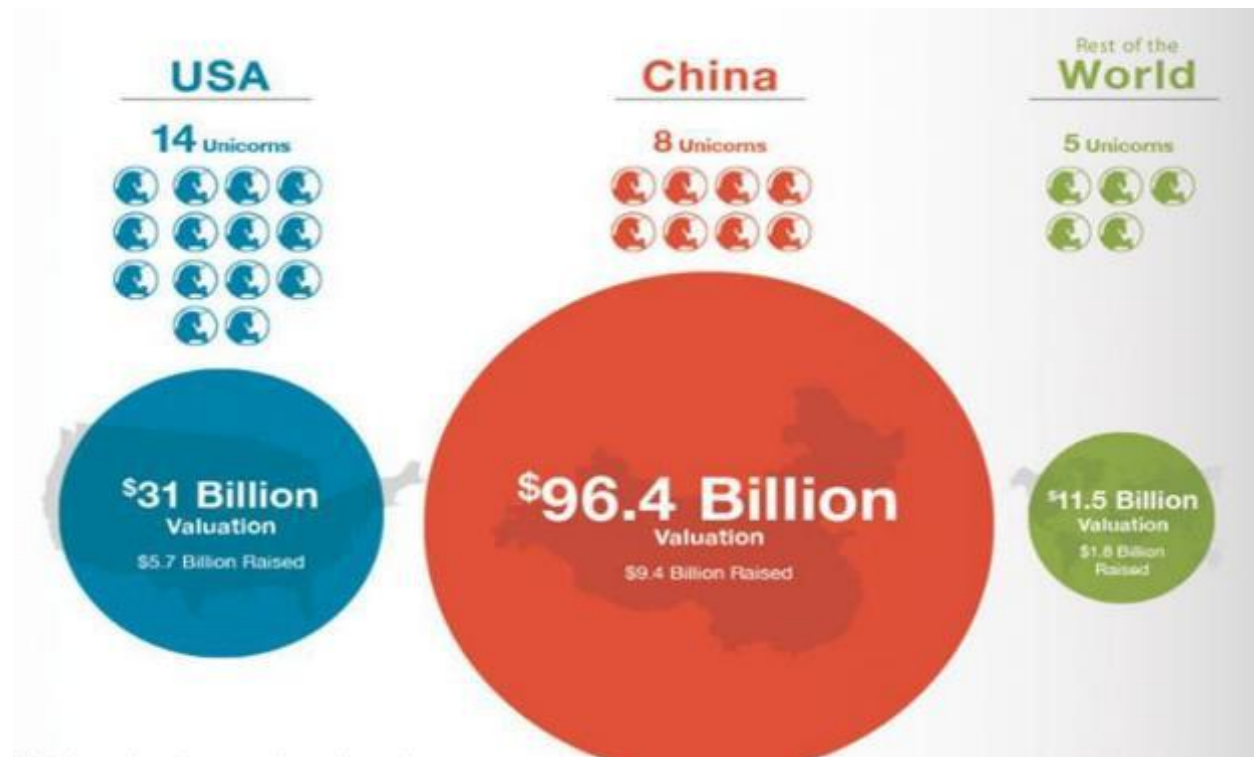


# Fintech Unicorns in the World

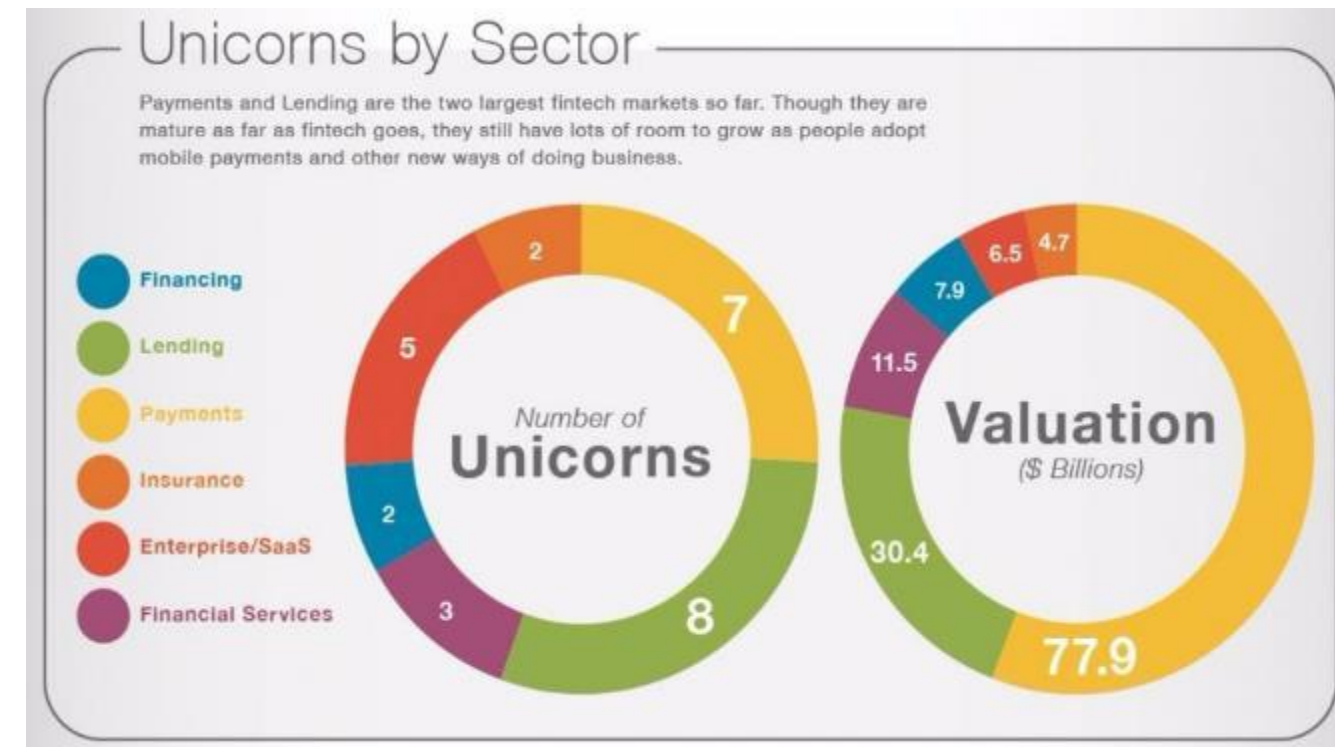
In 2015 fintech companies attracted over USD 13.8 bio in venture capital funding through 653 deals. Payments and Lending have attracted the most

The four biggest FinTech unicorns in the world are Chinese: Ant Financial (\$60 B), Lufax (\$18.5 B), JD Finance (\$7 B), & Qufenqi (\$5.9 B)

By Sector:  
Payment (\$77.9 B) and Lending (\$30.4 B) are the highest valued fintech market



Source: [www.visualcapitalist.com](http://www.visualcapitalist.com)



Source: [www.visualcapitalist.com](http://www.visualcapitalist.com) - 27 Fintech Unicorns, and Where They Were Born

# Asian Fintech Investment - USD 5.4 Bio in 2016

Percentage of Banking/Financial Service Customers using FinTech Services

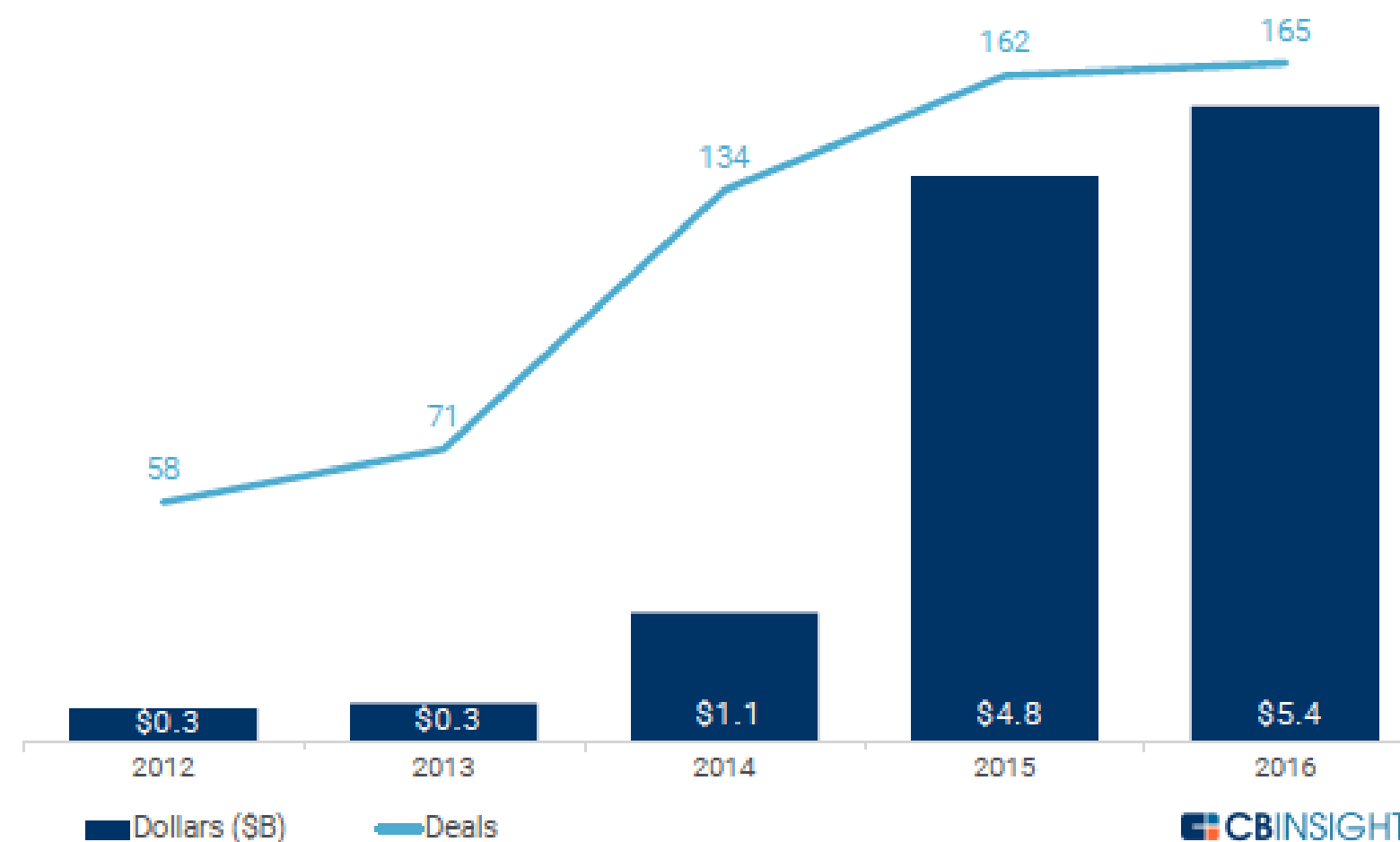


Source: DBS Bank 2016 – The rise of FinTech in China

Rising Fintech Investments in Asia

## ASIAN ANNUAL FINANCING TREND TO VC-BACKED FINTECH COMPANIES

2012 - 2016



Source: CBInsights Feb 2017

# Fintech Industry - Indonesia Story

## Regulators:

Peer-to-peer lending



Payment system



## Fintech Startup Funding

Total

IDR 486 billion (USD 40 mio)

VC Investors

19VCs

## Fintech Potency:

Credit market gap

IDR 800 trillion (USD 70 bio)

Bank account ownership

40% (2016)

E-commerce Growth

60% Y-O-Y

Mobile penetration

130%

Demography bonus (<30yrs)

50%

## Registered Fintech:

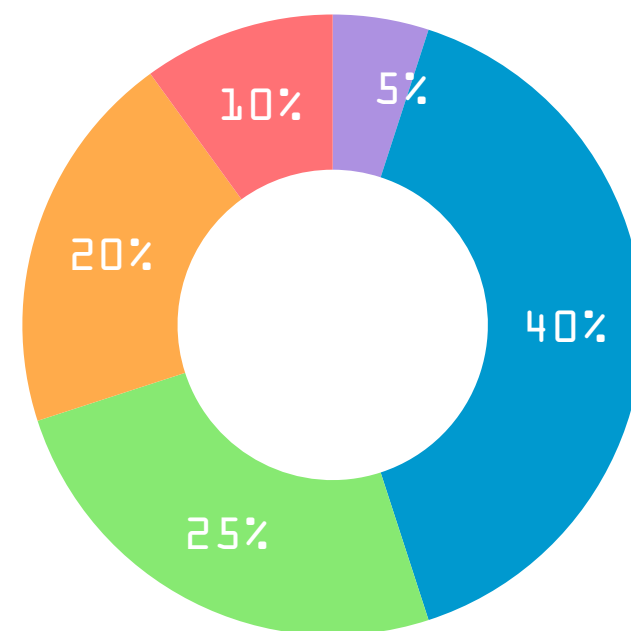
Registered

Member of Indonesia Fintech Association

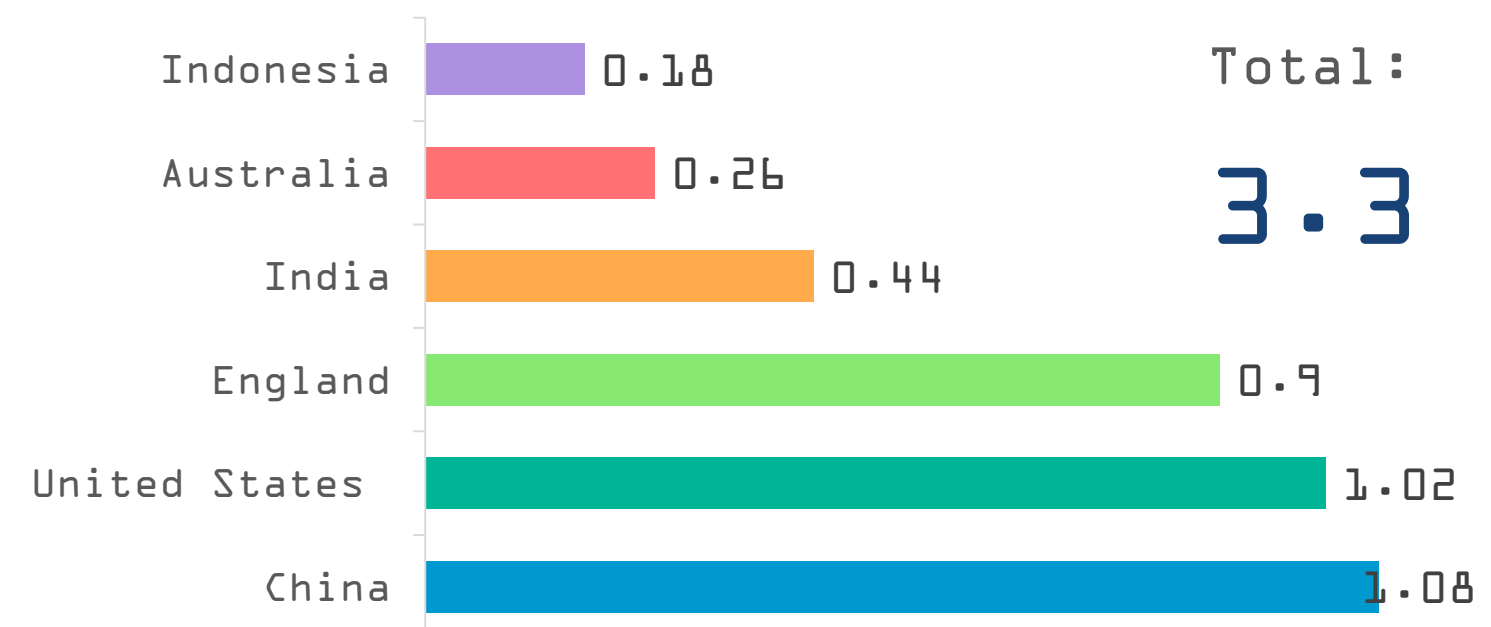


## Type of Fintech:

- Cryptocurrency
- Payment system
- Crowdfunding
- Peer-to-peer lending
- Aggregator & investment management



## Global Fintech Transaction: Estimation in 2017, USD trillion





# Indonesia's Fintech Landscape



## Lending Board of Management

**Aida Sutanto**  
Chairwoman &  
Co-Founder



**Adrian Gunadi**  
CEO &  
Co-Founder



**Dickie Widjaja**  
Chief of Information  
Officer



## Advisors & Management Team

**Andi Andries**  
Risk Advisor



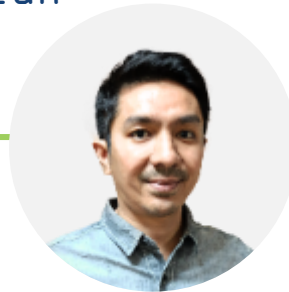
**Salman Baharuddin**  
Chief of Sales



**Adria Sudarma**  
Head of  
Institutionals Sales



**Fery Bastian**  
Head of Sales  
Jakarta 1



**Danang Kusuma**  
Head of Sales  
Jakarta 2



**Achmad Fauzi**  
Head of Sales  
Central Java



**Astranivari**  
Head of Marketing &  
Communications



**Anupama Hoon**  
Head of Product &  
Innovations



## Our Background



- Launched in May 2016
- Registered OJK in May 2017
- Senior team's average 12 yrs banking know-how combined with innovative tech
- 40 employees

## Our Traction



- > IDR 200 bio loans originated
- NPL 0%
- Business + Personal Loan
- Geographic footprint : Jabodetabek, Semarang , Surabaya, Vietnam (Jan'18)
- 90% retail investors - 6,000 registered
- 700 unique borrowers

## Our Series A - Round KEJORA

- Closed Series – A round in Sept 2016 growth capital to support expansion plans

# Our Busy Marketplace

Home Pinjaman Personal Pinjaman Bisnis Pendanaan Cara Kerja Tentang Kami [Masuk](#)

## Buat hari ini lebih bermakna

Lender menginginkan return menarik. Borrower menginginkan bunga bersahabat. Kami merevolusi cara pinjam meminjam, membuatnya lebih menguntungkan bagi kedua pihak.

Dapatkan return hingga

# 20%

p.a.  
dari pokok pinjaman.

Asumsi pendanaan selama 1 tahun pada pinjaman grade C3, sebelum pajak.

[Berikan Pinjaman](#)

Pinjam dengan

# 0,9%

per bulan  
atas nilai pinjaman

Perhitungan berdasarkan analisis credit-scoring.

[Ajukan Pinjaman](#)

Atau

[Chat with Us](#)

Home Pinjaman Personal Pinjaman Bisnis Pendanaan Cara Kerja Tentang Kami [Masuk](#)

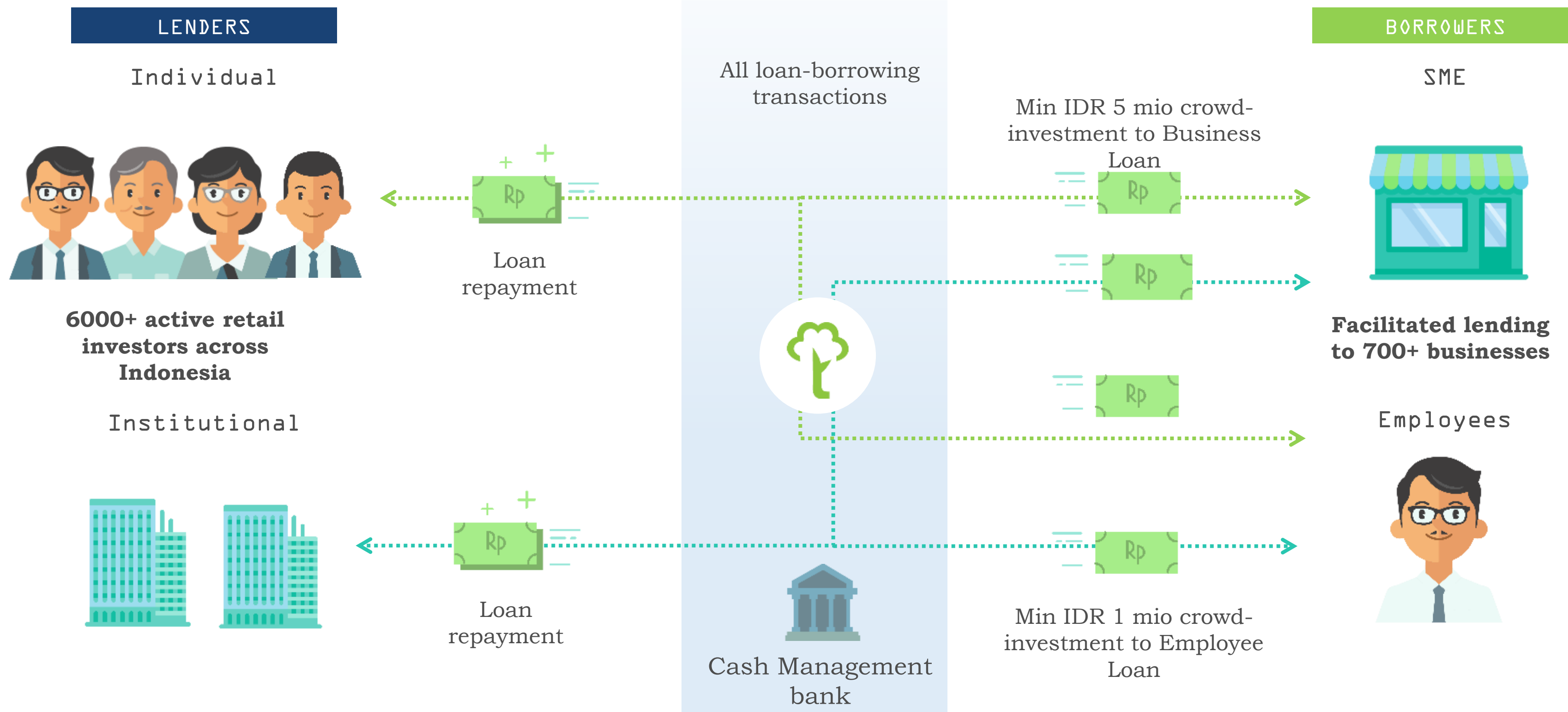
YEG Jasa Penunjang Jasa Keuangan Lainnya YtdI Pinjaman Personal	Pinjaman: IDR 10.000.000	Grade & Rate: C3 2,20%	Term: 12 Bulan	Disbursed 100% 1 Hours funding	Batas Funding Pendanaan Selesai
SAU Jasa Sistem Komunikasi Pinjaman Personal	Pinjaman: IDR 50.000.000	Grade & Rate: A3 1,00%	Term: 12 Bulan	Disbursed 100% 24 Minutes funding	Batas Funding Pendanaan Selesai
PT ETT FOOD AND BEVERAGES Pinjaman Bisnis	Pinjaman: IDR 658.000.000	Grade & Rate: A1 14%	Term: 41 Hari	Funded 100% 1 Days funding	Batas Funding 13 Hari Lagi
PT BTSB TOBACCO MANUFACTURERS Pinjaman Bisnis	Pinjaman: IDR 683.000.000	Grade & Rate: A2 16%	Term: 75 Hari	Funded 100% 1 Days funding	Batas Funding 10 Hari Lagi
PT IJS ELECTRONICS Pinjaman Bisnis	Pinjaman: IDR 223.000.000	Grade & Rate: B1 16%	Term: 90 Hari	Funded 100% 8 Minutes funding	Batas Funding 10 Hari Lagi
PT NSI KEMENTERIAN Pinjaman Bisnis	Pinjaman: IDR 712.000.000	Grade & Rate: A1++ 12%	Term: 83 Hari	Funded 100% 3 Days funding	Batas Funding 10 Hari Lagi

[Chat with Us!](#)

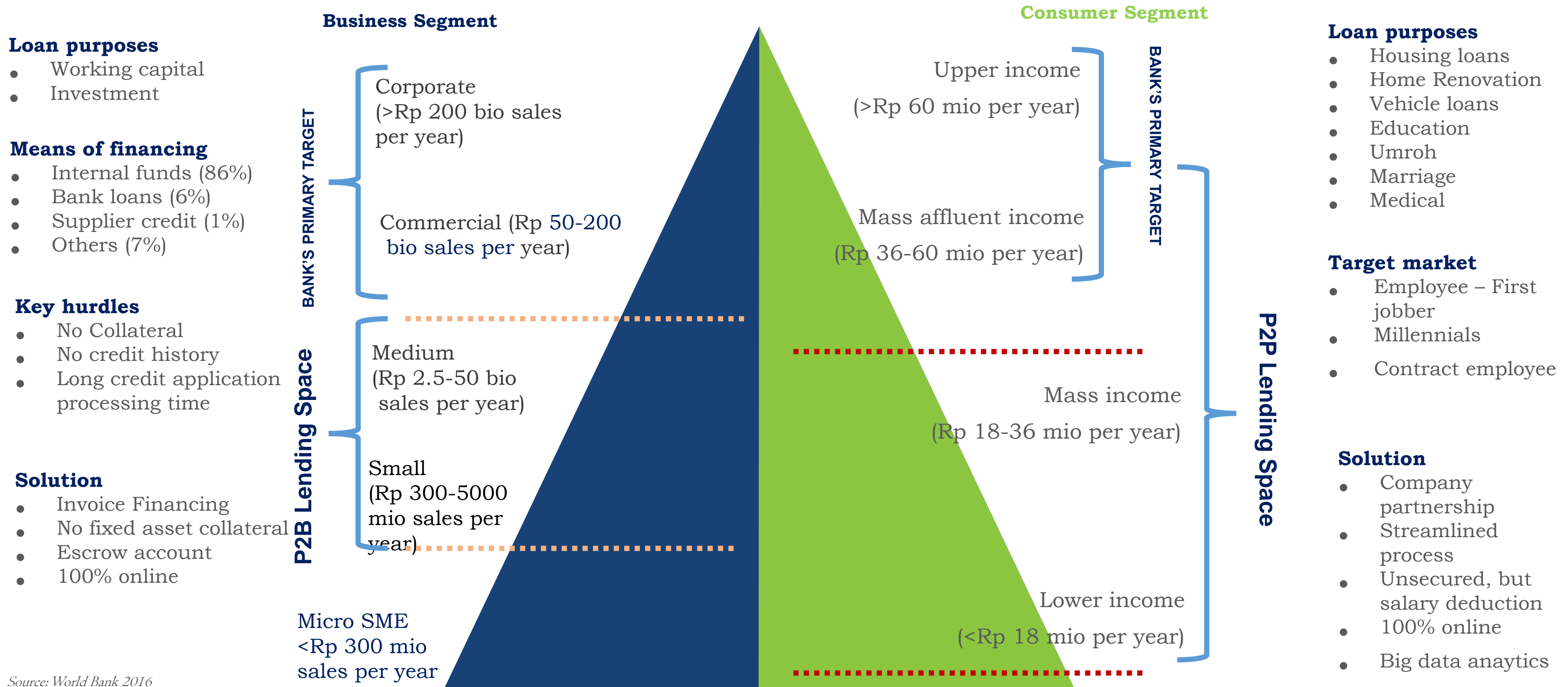
# INVESTREE

As marketplace lending

Investree is a Peer-to-Peer Lending Business & Employee Marketplace that connects both Lenders and Borrowers, we provide a secure way for both party to lend and borrow to each other. We select, analyze, and approve loan application to offer creditworthy loan to Lenders



# Our Target Market - Bridge the Financing Gap



Source: World Bank 2016

# Our Products Suite - Business & Personal Loan

## Employee Loans

- Individual employee loans through partners companies
- Loan size from IDR 5 Mn to 50 Mn
- 3-12 months tenor
- Interest rate -0.9-2.2% p.m
- Salary deduction by partner companies

## Invoice Financing

- Short term invoice financing of reputable payors upto IDR 2 Bn
- 80% of Invoice value
- Interest rate-14%-20% annual
- Flexible tenor of 30-180 days
- Safe repayment through escrow a/c

## Distributor Financing

- Revolving credit for purchase transactions based on Anchor recommendation
- Loan size from IDR 50 Mn to 2 Bn
- Bullet payment of 30-90 days
- Multiple drawdowns for repeat purchases
- Interest rate -14%-20% annual

## E-Merchant Cash Advance

- Short term working capital to reputed payment gateway vintage users
- Loan size upto IDR 2 Bn ,tenor upto 12 months
- Fixed monthly repayment routed by partner payment gateway
- Interest rate of 14-10% annual

## E-Seller Financing

- Historical data based working capital loan to sellers on E-commerce marketplaces.
- Loan size upto IDR 2 Bn
- Tenor 6 months, Interest rate 14%-20%
- Direct repayment from Ecommerce marketplace from B2C receivables

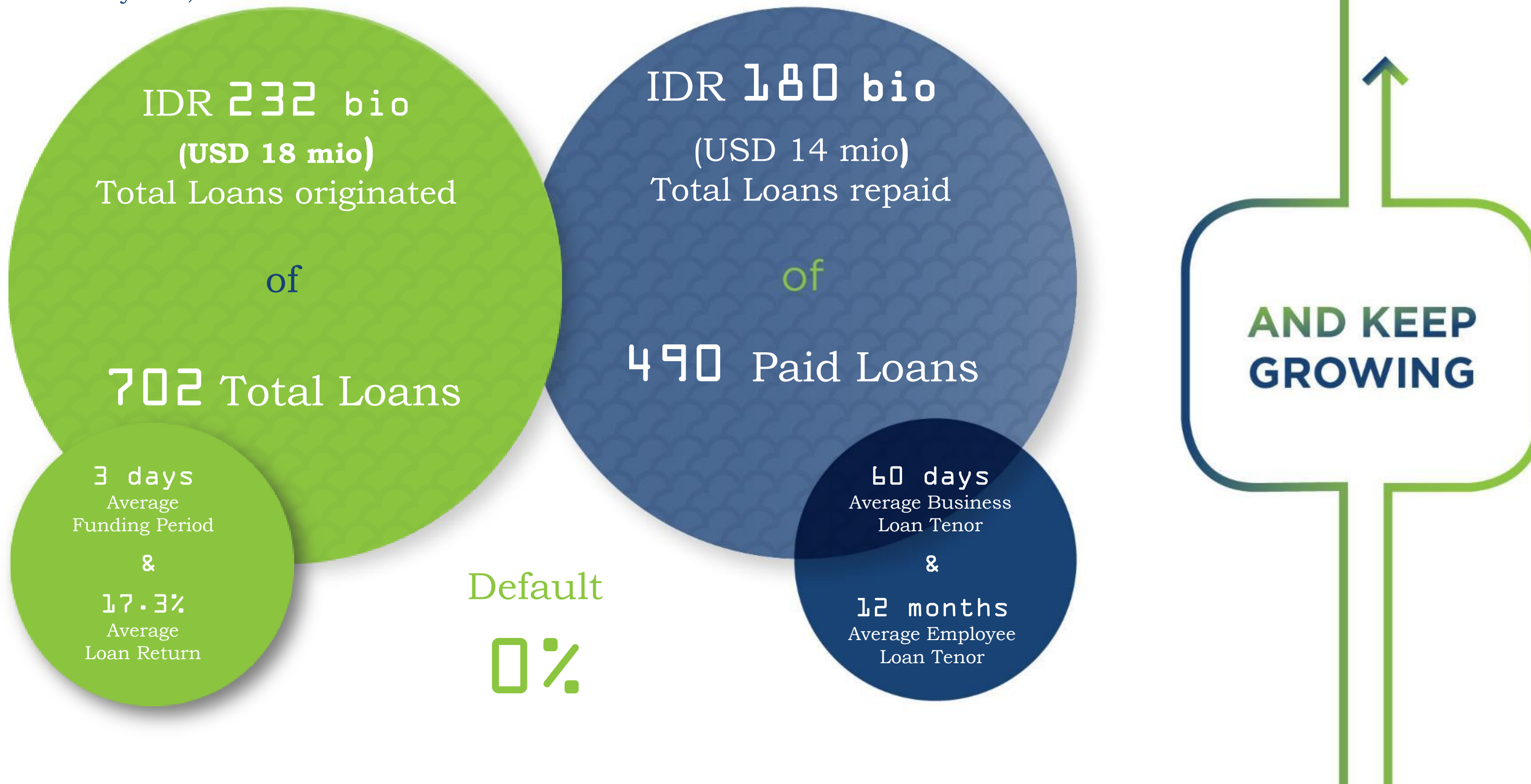
## Pre -Invoice Financing

- Short term loans in pre invoice stage recommended by anchors
- Maximum 50% of purchase order
- Loan size upto IDR 2 Bn
- Interest rate of 16%-22% annual
- Repayment through strong escrow of the payor/anchor

## E-Commerce Financing

# Our Achievements So Far

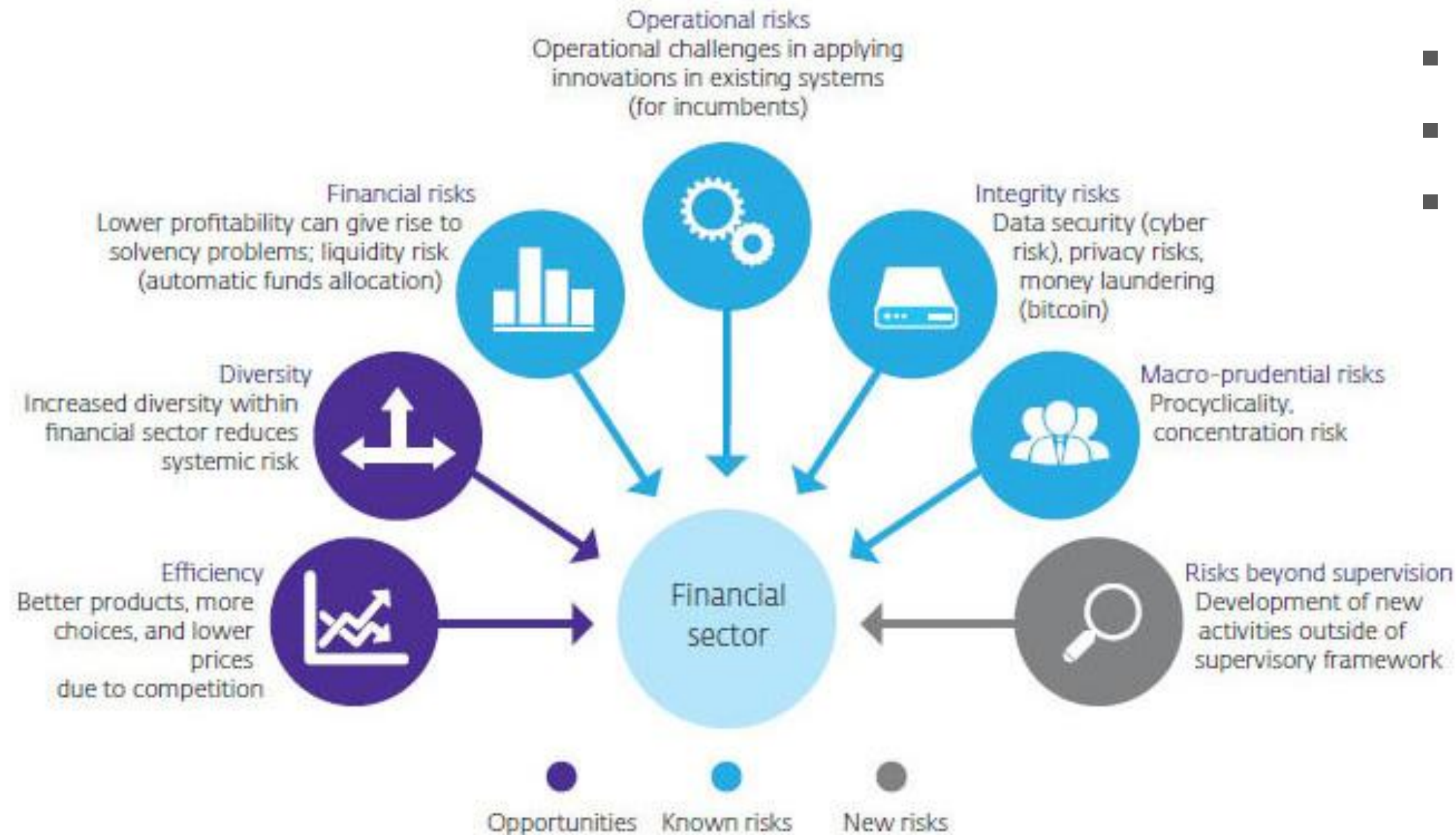
as of July 13<sup>th</sup>, 2017



# Navigating risks in Fintech

FinTech comes with positive and negative effects – and risks beyond the reach of supervision

## Risk Management Approach



- Self regulating controls
- Managing risks and innovation
- Collaborate with other fintech to mitigate potential risks



# Investree Risk Management Framework - Self Regulatory Monitoring



Investree Risk Management manages controls and mitigations of all risk aspects from Investors, borrowers, and reputations of Investree

## Operational and IT Risk

- Internal and external Process Control
- Internal and external fraud practices
- System infrastructure and architecture
- System vulnerabilities
- Operations downtime and production supports
- Database security, controls, privacy, and integrity
- Third party data privacy confidentiality and security
- System backups and Replications
- Force Majeure and Disaster Recovery Programs
- Employment practices and safety standards
- Self Assessment
- Audit trail

## Reputational + Legal Risk

- Investor and borrower relations
- Weak Legal Clauses
- Breach of agreements
- Privacy and confidentiality liabilities
- Investors Relations
- External communications, media releases and monitoring
- Collection effort impacts
- Customer services
- End to end system failure impact
- Other P2P competitors failure or fraud incidents

## Credit Risk

- Undesirable target market
- Repayment capacity
- Credit character and delinquent intentions
- Delayed payor
- Failure in salary direct debit
- Portfolio Concentration
- Aggressive risk appetite
- Error in credit scoring model
- Failure to use 4 risk layers: external and internal checks
- Over leverage / exposures
- Tenor risks
- Collection effort and recovery failures
- Insurance claim failures
- Disbursement Failures

## Regulatory Risks

- Incoming regulatory BI and OJK
- Good Corporate Governance Standards
- Investor Relations
- Regional Expansion: regulatory challenges
- Increasing P2P market competition

# Marketplace Risk Model

*We use a robust & alternative approach to measure borrower's creditworthiness.*

The interest rate is determined by numbers of factors:

- Monthly cashflow
- Annual sales
- Client's industry
- Historical business relationship.

To assess business borrower's risk.

We also use certain factors :

- demographics
- Employment history
- salary
- Employer's industry

To assess employee borrower's risk.

Our underwriting process filters loan applications to ensure loans with good creditworthiness are offered on the marketplace.

Grade	Business Loan	Consumer Loan
A1++	12%	
A1	14%	0.9%
A2	16%	0.95%
A3	18%	1.00%
B1	16%	1.10%
B2	18%	1.20%
B3	19%	1.45%
C1	18%	1.70%
C2	19%	1.95%
C3	20%	2.20%

# Borrower Demographics- Unserved Markets

## BORROWER

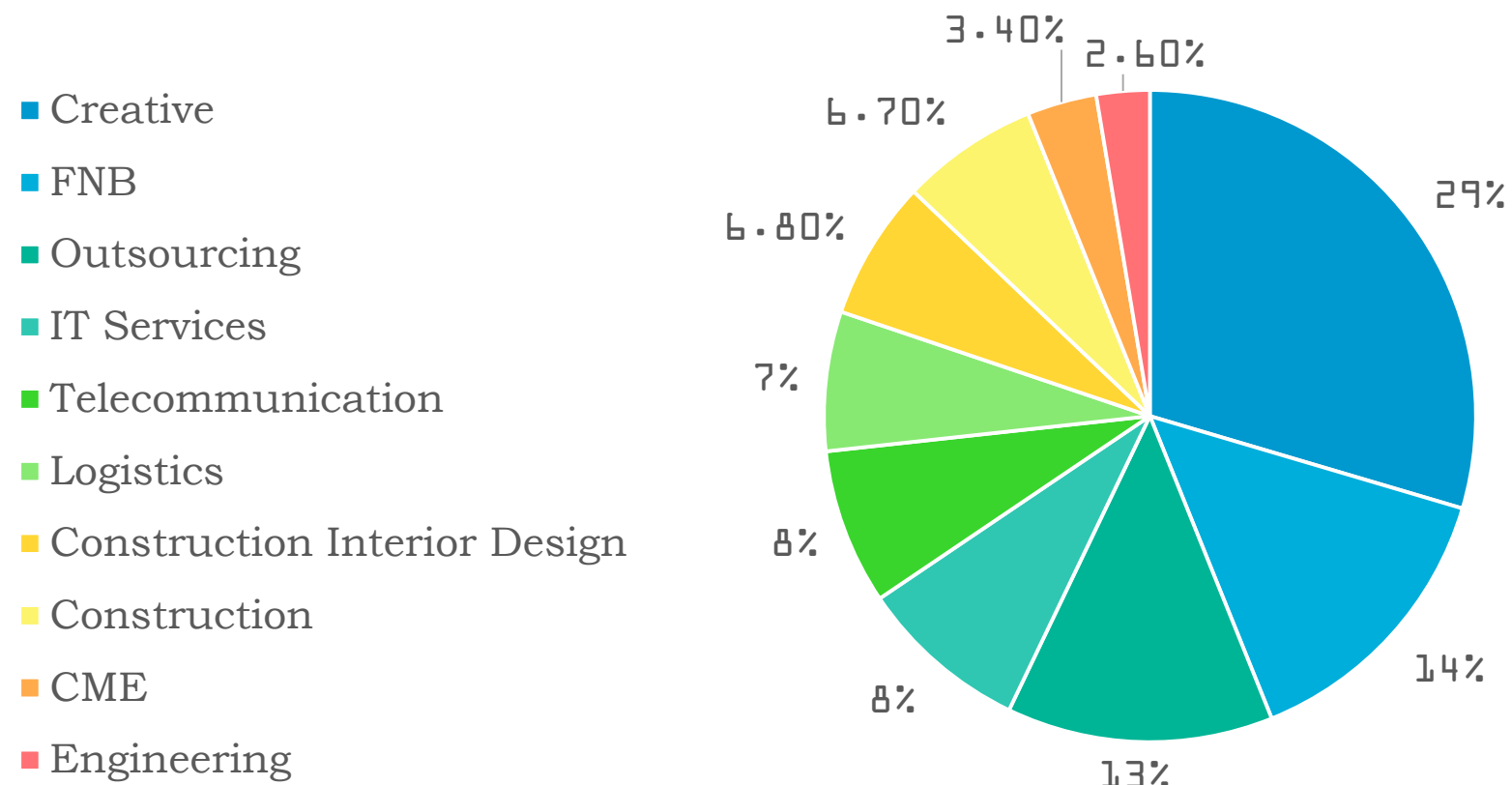
### SME

- Avg Sales IDR 15 bio per year
- Avg 3 yrs established
- Avg # employees 25
- Services based industry – No collateral

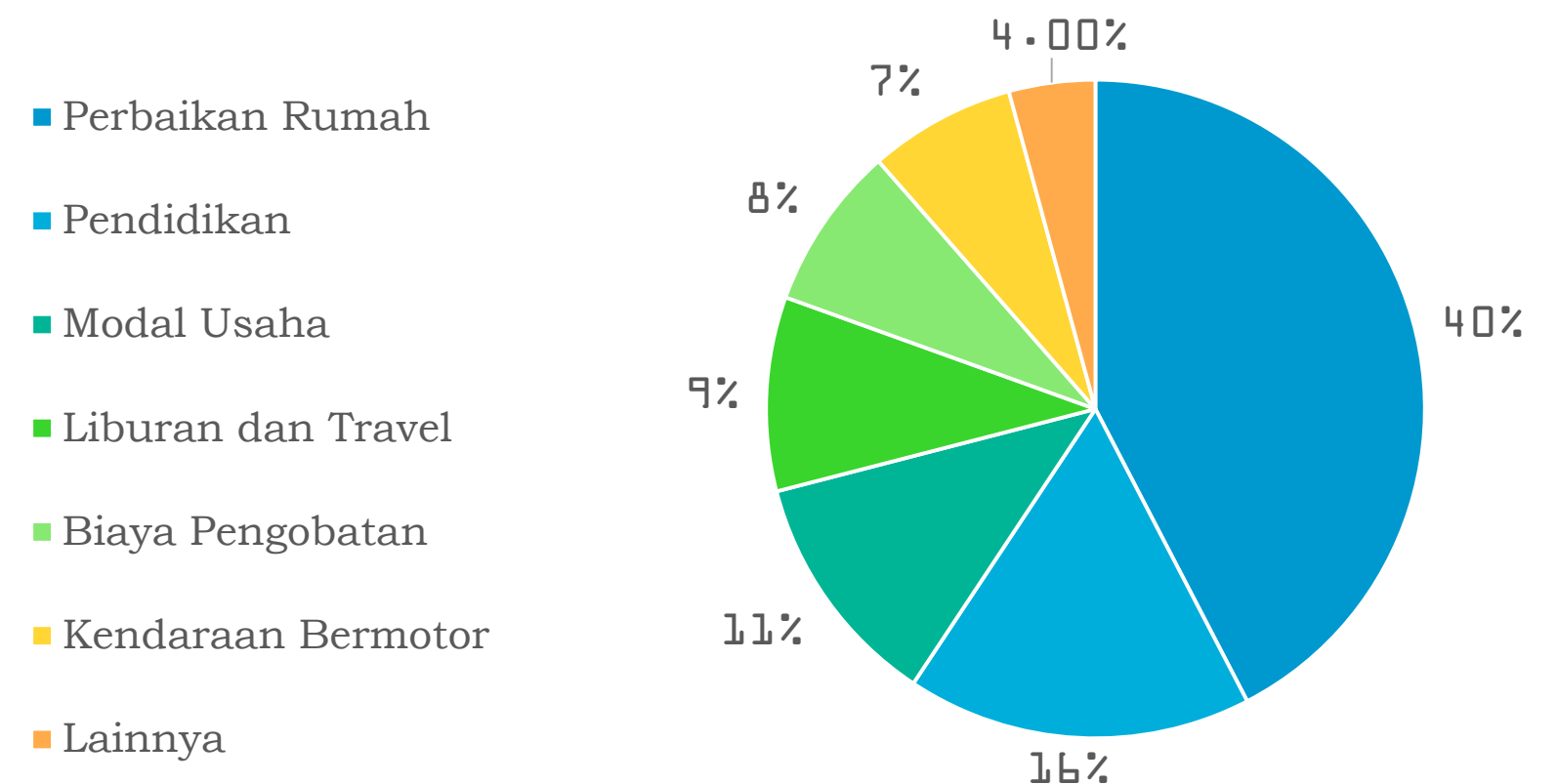
### Consumer

- 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



# Lenders Demographics - Millennial Investors

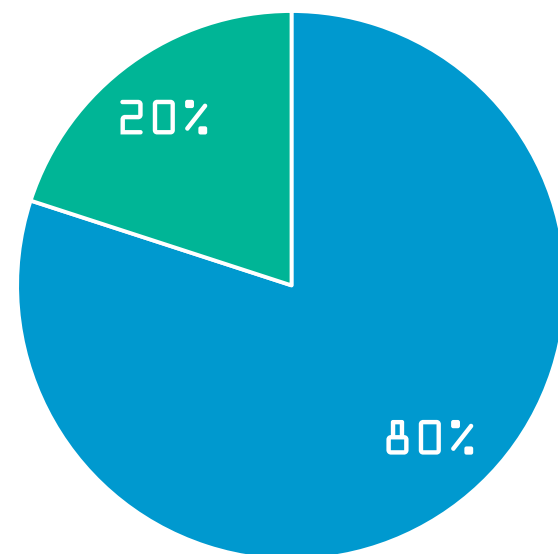
## LENDER

### Nationwide

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

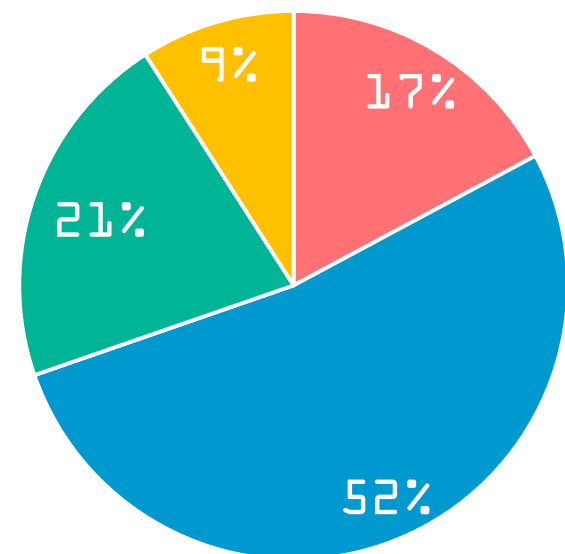
### Gender

■ Male ■ Female



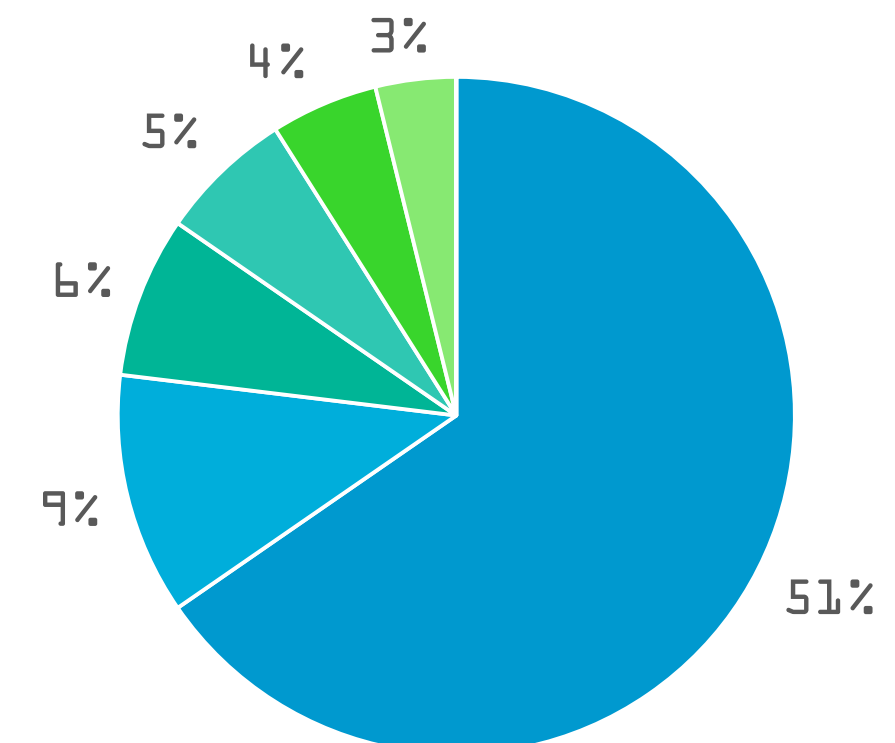
### Age

■ 18 - 25 ■ 26 - 35  
■ 35 - 45 ■ 46 - 50

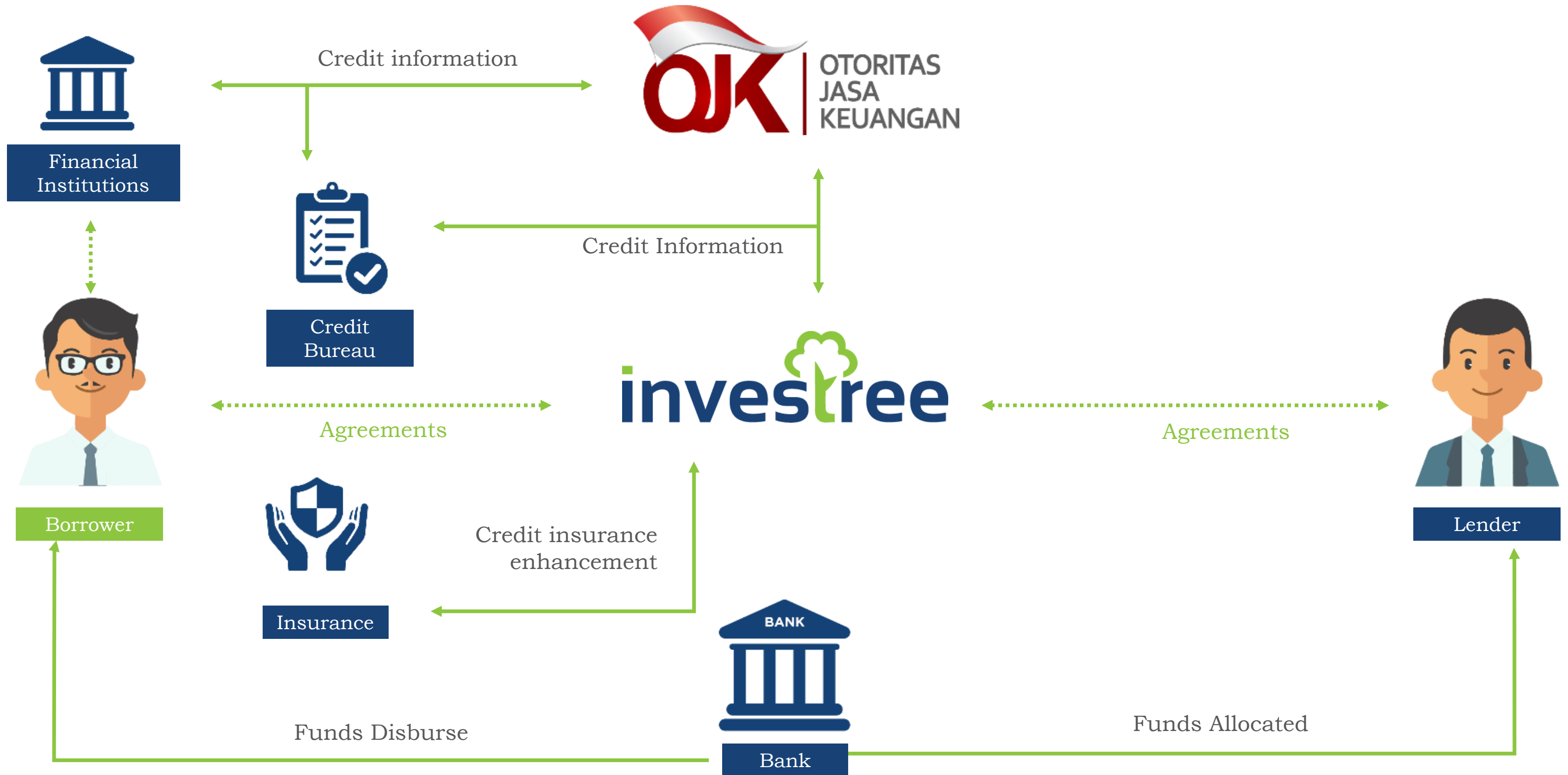


### Lender Distribution

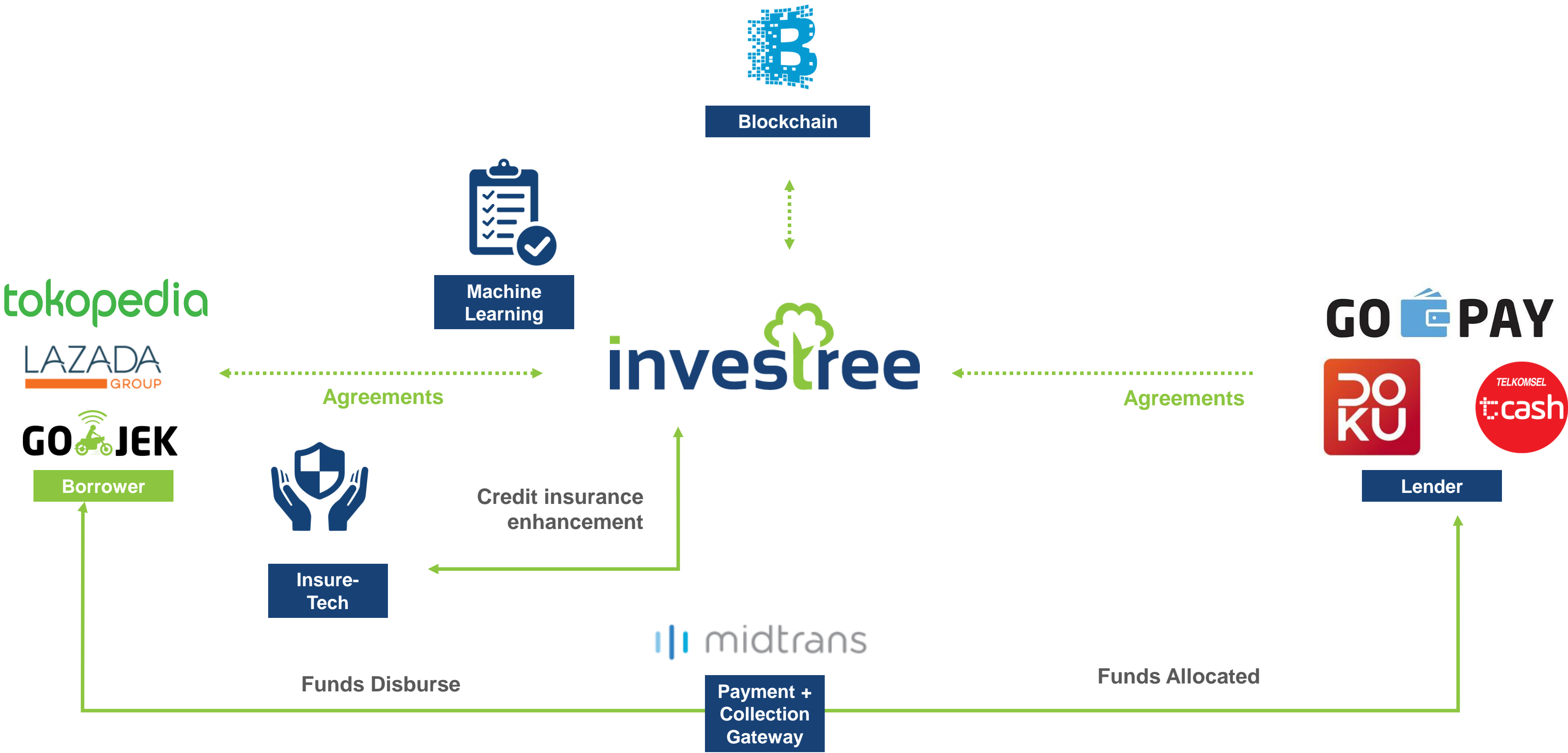
■ DKI Jakarta  
■ Tangerang  
■ Bekasi  
■ Depok  
■ Bandung  
■ Surabaya  
■ Others



# Traditional P2P Lending Integrated Supervisory



# Open API (Application Programming Interface) Fintech Architecture

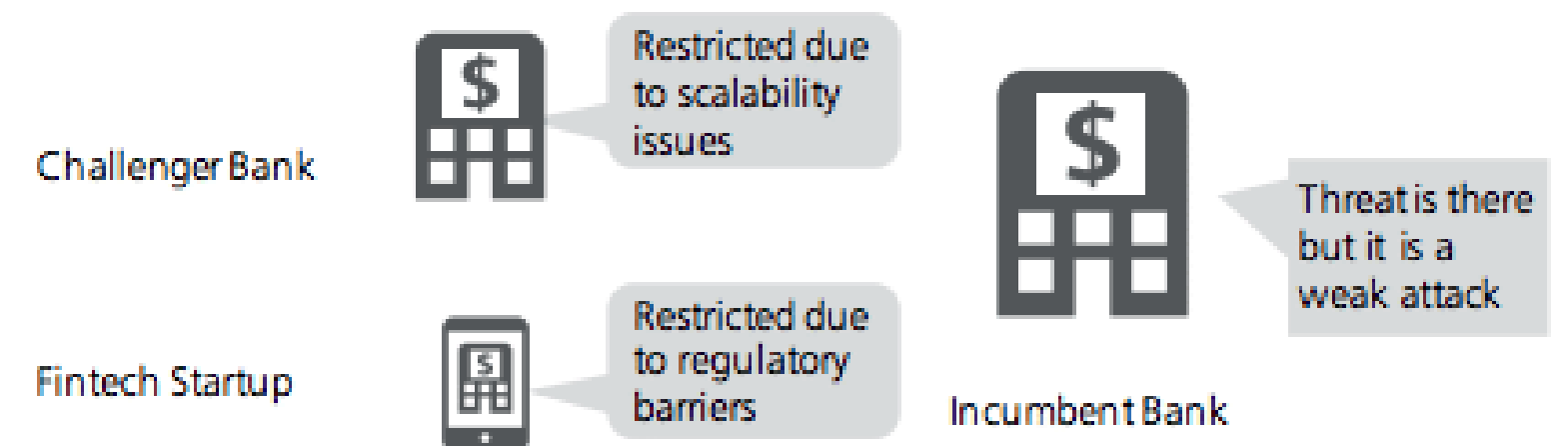


# Unique proposition Banks vs Fintech

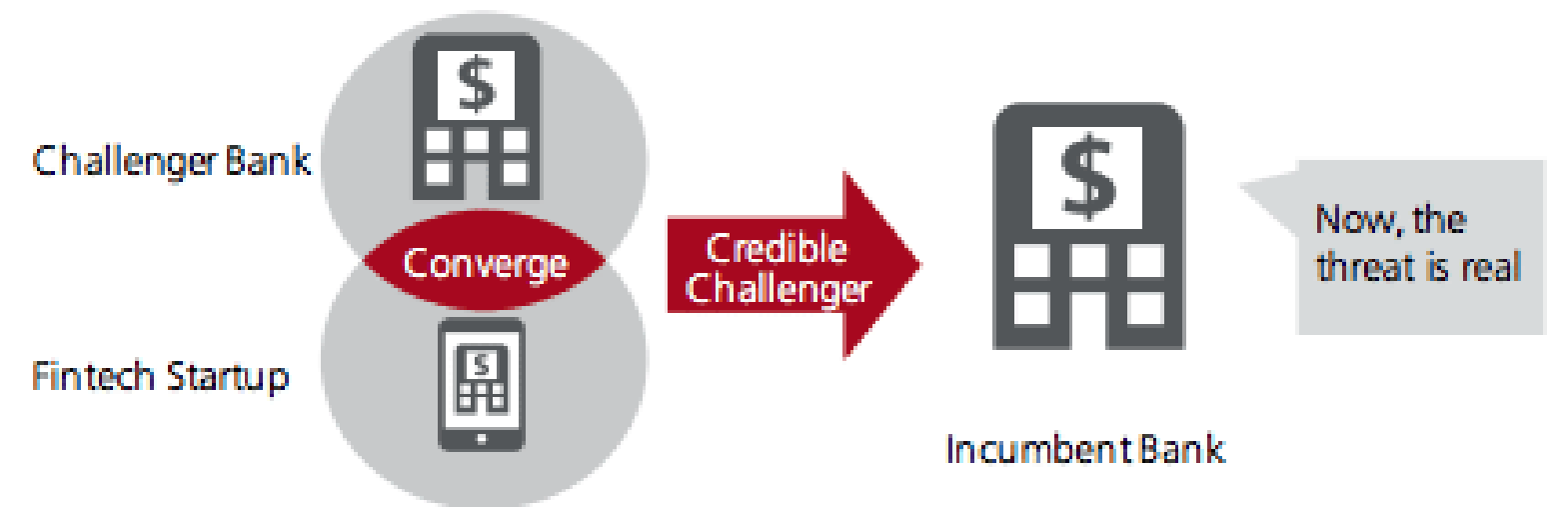
	Banks	P2P Lending
Type of Products	Traditional working capital & investment loan products	Innovative products (e.g. MCA, POS Financing)
Duration of Loan Products	Long (2+ years)	Short (<2 years)
Target Customers	Prime Borrowers with strong credit rating	Credit-worthy borrowers outside or within the banking system
Operational strengths	Offline distribution channel, transactions via banking system & operational scale	Technology, innovative credit assessment & electronic transactions

Diagram 1. New world brings real threat to incumbent banks

Old World ...

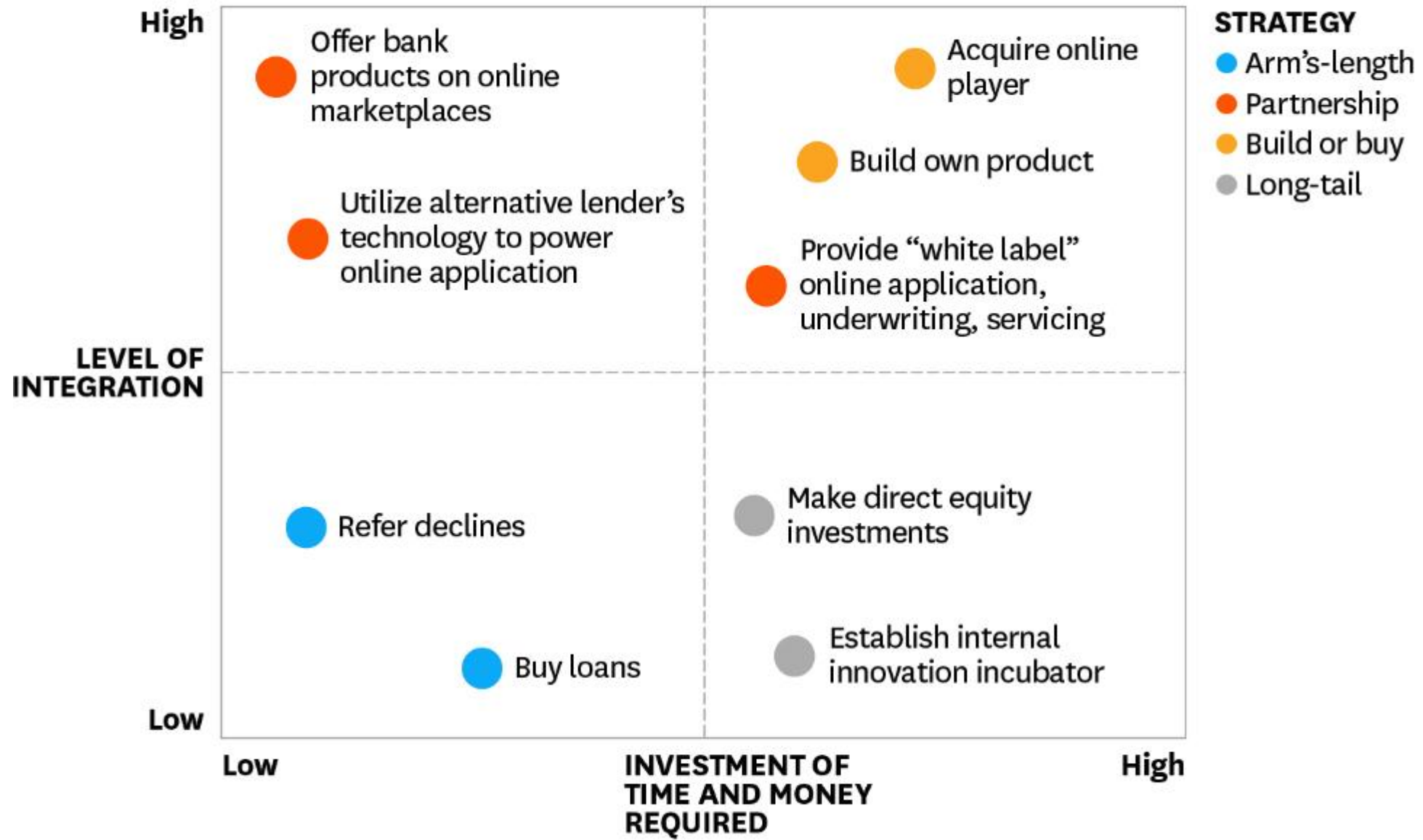


... New World



Source: DBS Bank

# How banks & fintech can collaborate



## Case Study

- Chase x OnDeck Partnership 2016

Deal Rationale	
<ul style="list-style-type: none"> <li>Offer smaller dollar loans with faster processing times</li> <li>Opens / expands digital origination channel (to complement branches)</li> <li>Limits technology investment and accelerates time-to-market</li> <li>Consistent with desire to grow small business lending market share (now ~8%)</li> </ul> <p>“By combining Chase’s relationships and lending experience with OnDeck’s technology platform, we’ll be able to offer almost real-time approvals and same- or next-day funding.”</p> <p>– Jennifer Piepszak Head of Business Banking, JPMorgan</p>	<ul style="list-style-type: none"> <li>Scalable lending platform / technology that allows for rapid underwriting decisions and funding</li> <li>No funding requirements for loans</li> <li>Access to Chase data (e.g., cash flow) to improve lending models</li> <li>Can accelerate scale (Chase has ~4 million small business customers)</li> </ul> <p>“Most banking execs now see that lending is moving online. Banks have a choice. They can build their own technology, or they can recognize that companies like OnDeck have already invested in it.”</p> <p>– Noah Breslow CEO, OnDeck</p>



# Awards

## BEST CASH MANAGEMENT SOLUTION

Category

*New Economy Solutions*

In Collaboration with

**Danamon**

Awarded by



Treasury, Trade, Supply Chain, and Risk Management Awards 2017



**BEST CASH MANAGEMENT SOLUTIONS:** (Dari kiri) Enterprise and Transaction Banking Head Danamon Yen Yen Setiawan, Chief Information Officer Danamon Mary B James, Co-Founder & CEO Investree Adrian Gunadi dan Chief Information Officer Investree Dickie Widjaja menerima penghargaan Best Cash Management Solutions untuk kategori New Economy Solutions dalam gelaran The Asset Triple A – Treasury, Trade, Supply Chain, and Risk Management Awards 2017 yang diadakan oleh Majalah *The Asset* di Jakarta, kemarin.



# #Semuabisatumbuh

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**Edwin Tanu Teintang**

Lender

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



**Farliando Roeslan**

Borrower

Peer-to-peer lending that one of a kind. With invoice financing scheme, seems simple and easy to borrow. Fully helped by friendly service team.



**Jessica Sidarta**

Lender

By far, the only peer-to-peer lending platform in Indonesia I'd trust my money on. No hidden fee, no hassle.



**Ananda Aryaguna**

Lender

As a lender, I must admit that the process is simple and secured, giving me a high level of comfort in lending my money. Good job, Investree!

## Key Takeaways

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- Investments into Indonesian Fintech will continue to rise
- Balancing supervision with innovation, agility, and speed
- Collaboration is key to success
- Winners take all

# Grow with Us

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investree

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