

# Impact of COVID-19 on FinTechs

Country: Indonesia

July, 2020

**Disclaimer:** The report is based on secondary research and consultations with a limited number of stakeholders including service providers (fintechs), investors and industry experts/associations. The findings of the report are a general reflection of the Indonesian fintech sector during the pandemic, particularly the early stage fintech start-ups. The findings of this study should not be interpreted as applying to a particular fintech provider or any specific segment of fintech providers.

# About this report

01

Indonesia witnessed the onset of the COVID-19 pandemic since March, 2020. So far, Indonesia has seen more than 75,000 confirmed cases of COVID-19 infections and over 3,500 deaths. As the cases continue to rise, the Government of Indonesia has implemented a countrywide lockdown to lower the rate of infection. Similar to other countries, COVID-19 and the lockdown to curb its spread has affected all sectors of the economy in Indonesia.

02

This report assesses the impact of the COVID-19 pandemic on FinTechs in Indonesia. Over the years, Indonesia has been one of the frontrunners in the development of FinTechs in Southeast Asia. This development was backed by the desire of the Government of Indonesia to boost the digital economy ecosystem.

03

The report takes a closer look at the impact of the pandemic on the operations, revenue, and coping strategy of FinTechs in Indonesia. It also explores the sentiments of investors and the impact of government policies on the development of FinTechs in Indonesia.

04

The MSC team spoke with both established and early-stage FinTechs, venture capitalists, and FinTech associations. This was complemented with secondary research on the FinTech landscape in Indonesia.

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# MSC conducted a countrywide landscape study to gauge the impact of the COVID-19 pandemic on FinTechs in Indonesia

## Key objectives of the study

01

Assess the impact of COVID-19 on early-stage and established FinTechs

02

Understand the coping strategies of FinTechs and their survival plans

03

Determine investor sentiments and their response to the ongoing crisis

04

Analyze the policy implications of the government and regulators on FinTechs

05

Understand major policy and regulatory concerns of FinTech startups and bring them to the forefront

## Structure of the report

### Section 1:



Executive Summary

### Section 2:



Recommendations

### Section 3:



The role and impact of ecosystem players on FinTechs

### Section 4:



Coping strategies adopted by FinTechs

### Section 5:



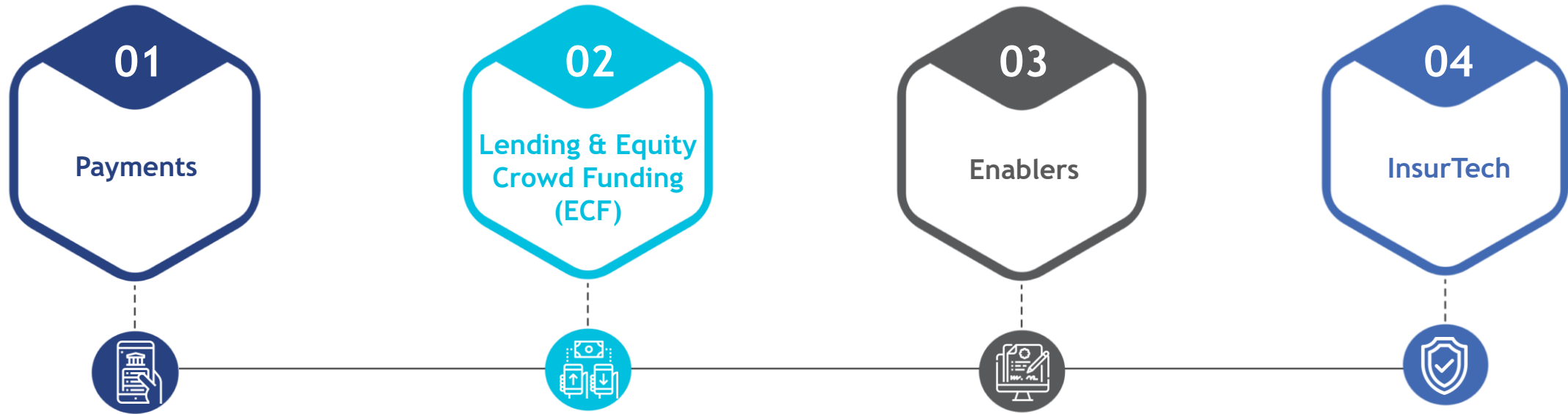
Impact of COVID-19 on FinTechs

### Section 6:



Annexure

# Overview of the sub-categories of FinTechs we assessed for this study



Payment FinTechs in Indonesia can be classified into the following four distinct categories:

- Super platforms (e-commerce and digital payments)
- OTC platforms (assisted payments through agents)
- Online payments (remote payments through mobile apps)
- B2B payment solutions (payment gateways, etc.)

The lending-focused FinTechs (P2P) serve a range of segments, including individual consumers and MSMEs. Their loan ticket sizes can start as low as USD 7 for the consumer segment and go up to USD 675,000 for MSMEs. ECFs, on the other hand, can crowdsource funds up to USD 674,000 for one listing company.

Enabler FinTechs constitute 5% of the total FinTechs in Indonesia and all of them come under the regulatory sandbox of OJK.

InsurTechs in Indonesia offer multiple consumer products, such as travel, gadget, health, and life protection, with ticket sizes or premium starting as low as USD 0.70. Besides, InsurTechs also offer claim advisory and claim underwriting services.

# Abbreviations used in the report

	Full forms		Full forms
<b>AI</b>	Artificial Intelligence	<b>G2P</b>	Government-to-public
<b>AFPI</b>	Asosiasi Fintech Pendanaan Bersama (The Indonesian Joint Funding Fintech Association)	<b>KYC</b>	Know Your Customer
<b>AFSI</b>	Asosiasi Fintech Syariah (Syariah Fintech Association)	<b>LMI</b>	Low- and middle-income
<b>AFTECH</b>	Indonesia Fintech Associations	<b>MSME</b>	Micro, small, and medium enterprises
<b>B2B</b>	Business-to-business	<b>NPL</b>	Non-performing loan
<b>B2C</b>	Business-to-consumer	<b>OJK</b>	Otoritas Jasa Keuangan
<b>B2B2C</b>	Business-to-business-to-consumer	<b>OTC</b>	Over-the-counter
<b>BI</b>	Bank of Indonesia	<b>OPEX</b>	Operating expense
<b>CAC</b>	Customer acquisition cost	<b>P2P</b>	Peer-to-peer
<b>CICO</b>	Cash-in and cash-out	<b>POJK</b>	Peraturan OJK (Indonesian Financial Service Authority Regulation)
<b>DFS</b>	Digital financial services	<b>PPOB</b>	Payment Point Online Bank
<b>ECF</b>	Equity crowd funding	<b>QRIS</b>	Quick Response Code Indonesian Standards
<b>EKYC</b>	Electronic Know Your Customer	<b>VC</b>	Venture capitalist



# Section 1: Executive summary

# Summary of the report

This study analyzed the impact of COVID-19 on FinTech start-ups from March to June, 2020.

- MSC Indonesia conducted a study on the impact of the COVID-19 pandemic on FinTechs. The study covers established FinTech players that received funding beyond series A as well as early-stage FinTech players.
- FinTechs are the most dominant category of start-ups in Indonesia. According to OJK, 290 FinTech start-ups in Indonesia are registered and monitored.
- FinTechs are slated to play a critical role in driving the digital economy, a key policy focus for the Government of Indonesia. However, COVID-19 has severely affected the FinTech sector, especially the early-stage start-ups in the country.
- Currently, the Government of Indonesia does not have any specific policies to support FinTechs.

## Customer sentiment

- **Risk aversion:** Job losses and salary cuts have been forcing FinTech users to hold on to their funds. This particularly affects payments and lending FinTechs.
- **Affected segments:** FinTechs that rely on physical distribution are disproportionately affected due to reduced mobility of people, especially in large urban centers.

## Coping strategy and Investor sentiments

- **Cost-cutting:** Early-stage start-ups are drastically cutting operating expenses (OPEX), such as rentals and staff, by 30%-60% to extend runways until the end of the year. Most early-stage FinTechs have a runway of only 3-6 months.
- **Fundraising:** In the wake of COVID-19, Investors are emphasizing on consolidating the existing investments rather than making new ones.

## Silver linings



- **Rising demand for certain FinTech solutions:** Digital signature providers are witnessing a greater demand for their solutions as businesses try to digitally transform themselves. COVID-19 insurance policies are also in high demand.
- **Product innovations:** Many FinTechs are redefining their business models to adapt to the new normal.








# Section 2: Recommendations



# Based on the current pandemic situation and the anticipated new normal, we recommend a few measures that are relevant for the coming few months (1/2)

Challenges	Who should intervene ?	What should be done?
<p>Many early-stage FinTechs have less than six months of runway</p>		<ul style="list-style-type: none"> <li> <b>Emergency funds:</b> FinTechs need access to emergency funds that could resolve the immediate liquidity crunch. This would enable entrepreneurs to extend runways to 12-18 months and help FinTechs stay afloat and meet short-term milestones. The <a href="#">new credit guarantee program</a> and <a href="#">tax relief</a> measures announced by the GoI can be tapped to channel funds to early-stage FinTechs. The Ministry of ICT &amp; OJK/BI, together with the Ministry of Cooperatives and SMEs, can jointly define the support mechanisms, including the eligibility criteria for FinTechs under such an initiative.         </li> <li> <b>Reallocation of capital and scenario analysis:</b> FinTech players need to manage their cost centers and conduct scenario analysis to justify the application of new funds.         </li> </ul>
<p>For most FinTechs, revenues have dropped significantly and growth prospects look grim</p>		<ul style="list-style-type: none"> <li> <b>Involve FinTechs in digital economy initiatives of the government:</b> As the government takes several measures to rebuild the economy after the pandemic, it should involve FinTechs in the delivery of its programs. For example, FinTechs can be involved in the distribution of Bansos, KUR loans, UMI loans, etc. This will not only create a business opportunity for FinTechs but also enhance efficiency and innovation and encourage cost savings in the delivery of government programs.         </li> </ul>

# Based on the current situation and the anticipated new normal, we recommend following measures relevant to the next few months (1/2)

Challenges	Who should intervene ?	What should be done?
Outstanding policy roadblocks have a more pronounced impact on FinTechs		<ul style="list-style-type: none"> <li>➤ <b>Expedite the Personal Data Protection Bill:</b> This would provide FinTechs with more clarity on business processes as they try to adapt their delivery models to the new normal.</li> <li>➤ <b>Provide equal and consistent access to the national ID database:</b> This would ensure fair competition and provide infrastructure to lower the cost of customer acquisition.</li> </ul>
FinTechs need to innovate and promote new business models to adapt to the new normal	  	<ul style="list-style-type: none"> <li>➤ <b>Regulatory certainty:</b> Expedite the graduation process for more mature FinTech clusters in the sandbox, including the licensing of specific players with applications pending for final approval.</li> <li>➤ <b>Product prototyping:</b> FinTechs will need to adapt their business models and products to the <i>new normal</i>. This will involve an agile and proactive approach in rapid product or process prototyping.</li> </ul>
Early-stage start-ups face higher costs of marketing new use-cases		<ul style="list-style-type: none"> <li>➤ <b>Partnership:</b> Early-stage FinTechs should search for complementarity with established players and build collaborations for new use cases.</li> <li>➤ <b>Consolidate:</b> FinTechs with similar business models should look for opportunities for mergers.</li> </ul>



## Section 3: The role and impact of players in the ecosystem on FinTechs



# Investors are assessing existing and potential investments based on the new ground realities

## Investment strategies

- 01** Despite the pandemic-induced business uncertainty, five [FinTechs](#) received funding worth USD 52 million during the first few months of this year.
- 02 Allocation of capital:** Early-stage FinTechs will have to show sustained positive cash flows to access funding. Additionally, investors will consider risk mitigation measures and growth scenarios before they commit additional funds to their existing portfolio companies.
- 03 Readjusting the valuation strategy:** While valuations are becoming more rational in the existing scenario, the investors are also more selective with their investments. They now take into account the business adaptability and sustainability in a post-COVID scenario.
- 04 Recovery:** Investors remain optimistic on the recovery of start-ups in a post-COVID scenario. Two of the largest venture capitals—[BRI ventures](#) and [MDI ventures](#) have set targets to raise USD 250 million and USD 500 million in 2020, respectively.

## Outlook for future FinTech investments

<b>Lending</b>	Lending FinTechs that focus on productive financing will continue to receive attention as the government seeks to channel productive loans to MSMEs. Furthermore, established P2P lenders such as <a href="#">Koinworks</a> and <a href="#">Modalku</a> recently received B and C series funding, respectively. However, for early-stage P2P lenders, investment sentiments look negative as investors try to consolidate their investments.
<b>Payment</b>	With Facebook's USD 1.2 billion investment in Gojek, the heavily competitive e-wallet space may witness consolidation as players try to utilize the economies of scale and scope to battle the competition. Investors are also eyeing payments platforms integrating with telemedicine and HealthTech start-ups.
<b>InsurTech</b>	Although InsurTech is still a nascent sector, it is likely to receive significant investor traction. Recent investments in <a href="#">Pasaspolis</a> and <a href="#">Qoala</a> is a testimony to investor interest in this space.
<b>Enablers</b>	Enablers, such as eKYC providers and digital signature providers have been gaining traction due to positive B2B prospects as more and more businesses embrace digital transformation.

# Industry associations are advocating a range of measures to support the FinTech industry

## Policy advocacy

- 01 COVID-19 has accelerated [AFPI](#)'s long-standing demand for an increase in the loan ceiling for P2P players from the current amount of around USD 138,000 to USD 277,000. This increase is expected to allow MSMEs to borrow more to recover from the effects of the pandemic. It will also enable P2P lenders to expand their customer base to bigger SMEs.
- 02 As the NPLs of P2P lenders increase due to COVID-19, AFPI is advocating for a relaxation of classification criteria for third party settlements (*Tingkat Keberhasilan*). As a Self Regulatory Organization (SRO), AFPI has an obligation to do third-party settlements for loans > 90 days past due. Given the COVID-19 situation, AFPI is advocating for an increase in the timeframe to initiate such on-time repayment settlement procedures from 90 to 180 days.
- 03 AFPI, AFSI, and AFTECH have requested OJK and the House of Representatives of Indonesia to expedite the bill on personal data protection. The draft bill is expected to encourage confidence among FinTech users against the misuse of personal data from illegal tech platforms.

## Joint FinTech initiative

AFTECH, together with BI, OJK, and SNKI, has created the Joint Fintech Initiative. It is an umbrella term used for initiatives of the members of the FinTech association to mitigate the impact of COVID-19 on FinTech customers as well as the community at large. These initiatives from the FinTech industry have the following objectives:

1. To help MSMEs reduce their operational costs by providing financial advice or low transfer fees between FinTech players;
2. To help the community gain awareness of the impact of COVID-19. This can be achieved by disseminating relevant information through awareness campaigns and webinars. FinTechs will also help collect donations for PPE kits through crowdfunding platforms
3. To assist the government with G2P programs and strengthen the financial service ecosystem by providing solutions, such as e-KYC.

# Government policies have tried to relieve post-pandemic economic stress but the impact on the FinTech sector has been mixed









Policies	Category	Impact	Insights
Credit relaxation (POJK 11 Year 2020)	P2P/Lending	↑ ⓘ	<a href="#">POJK 11 Year 2020</a> does not explicitly declare P2P lenders as beneficiaries under the loan relaxation guidelines announced by OJK. However, banks, as institutional lenders on P2P platforms, are passing on the relaxations to P2P lenders to help them restructure loans. This regulation also removes the obligation for financial institutions to provide financial literacy training, which helps FinTechs reduce their operational expenses.
Collaboration between ECF and the <a href="#">Indonesia Central Depository (KSEI)</a> (POJK Number 37 Year 2018)	ECF/Lending	↑ ⓘ	With this collaboration, investors in the ECF platform have also become investors in stock exchanges and can sell the shares in the secondary market. This will enable the formation of a more liquid market for ECF.
Launch of Kartu Prakerja program	E-wallet/Payment	↔ ⓘ	In the medium term, this may drive the adoption and usage of e-wallets. However, FinTechs are struggling to enroll a large number of program beneficiaries as there is no provision of e-KYC using the national ID database. Moreover, operational processes at the program level are still evolving.
Waivers on electricity bills and premiums under National Health Insurance	PPOB/Payment	↓ ⓘ	Waiver of electricity bills under a certain limit (usage) and waiver of National Health Insurance premium has decreased the number of transactions for payments-focused FinTechs, especially PPOB players.
Relaxation in payment of insurance premium	Principal and Broker InsurTech	↔ ⓘ	This relaxation in insurance policies has been ineffective since reinsurance companies are reluctant to agree to relax insurance premiums.

ⓘ Direct impact ⓘ Indirect impact

## Section 4: Coping strategies adopted by FinTechs



# Established FinTechs seek to tap new opportunities and optimize their existing process flows to cope with the new normal

Lending	Payment	InsurTech	Enablers
 <p><b><u>Rationalize costs</u></b></p> <p>Uangteman has cut operational expenses, especially on the marketing side</p>	 <p><b><u>Ramp up internal capacities</u></b></p> <p>Gopay plans to add more operations staff to help register for G2P programs</p>	 <p><b><u>Relax policies</u></b></p> <p><a href="#">Pasarpolis</a> has temporarily suspended installments towards the insurance premium of its microinsurance products</p>	 <p><b><u>Offer concessions on pricing</u></b></p> <p><a href="#">PrivyID</a> is providing free digital signature services for enterprises</p>
 <p><b><u>Provide relief</u></b></p> <p>Kredivo <a href="#">reduced late payment charges</a> from 6% to 3% per month</p>	 <p><b><u>Train to support digital services</u></b></p> <p><a href="#">DANA</a> will provide special training to its offline retailers on digital marketing, branding, packaging, and the use of social media</p>	 <p><b><u>Launch new products</u></b></p> <p>InsurTechs, such as <a href="#">Qoala</a> and <a href="#">Iglou</a>, have launched new insurance products related to COVID-19</p>	
 <p><b><u>Adjust the business model</u></b></p> <p><a href="#">Modalrakyat</a> is prioritizing productive sectors for lending</p>			



# Early-stage FinTechs have been rationalizing their operating expenses and shelving growth plans to extend runways

## Launch new products

- InsurTechs have been offering micro-insurance for COVID-19-related hospitalization.
- ECFs have been using their platforms to crowdsource COVID-19 grants for businesses

## Renegotiate contracts and revise product/service pricing

- Many early-stage FinTechs have been renegotiating contracts to allow for flexibility in payments and service delivery
- FinTechs also seek to revise their product pricing to offer more modular services on a pay-per-use basis to suit the needs of their clients

## Collaborate

FinTechs with distribution channels are offering their channels to e-commerce and institutional lenders for delivery and loan collections or follow-ups, respectively



## Abort growth plans

Early-stage FinTechs have shelved their growth plans, such as planned ventures into different markets

## Realign processes

- Lending FinTechs have stopped disbursements and are focusing on door-to-door collections
- Equity crowd funders (ECFs) have been building digital processes for the due diligence of SMEs

## Reduce OPEX

FinTechs are bracing for an extended fund crunch. Early-stage FinTechs have been trying to reduce their overheads by 30%-50% through staff layoffs and a reduction in salaries and office rentals

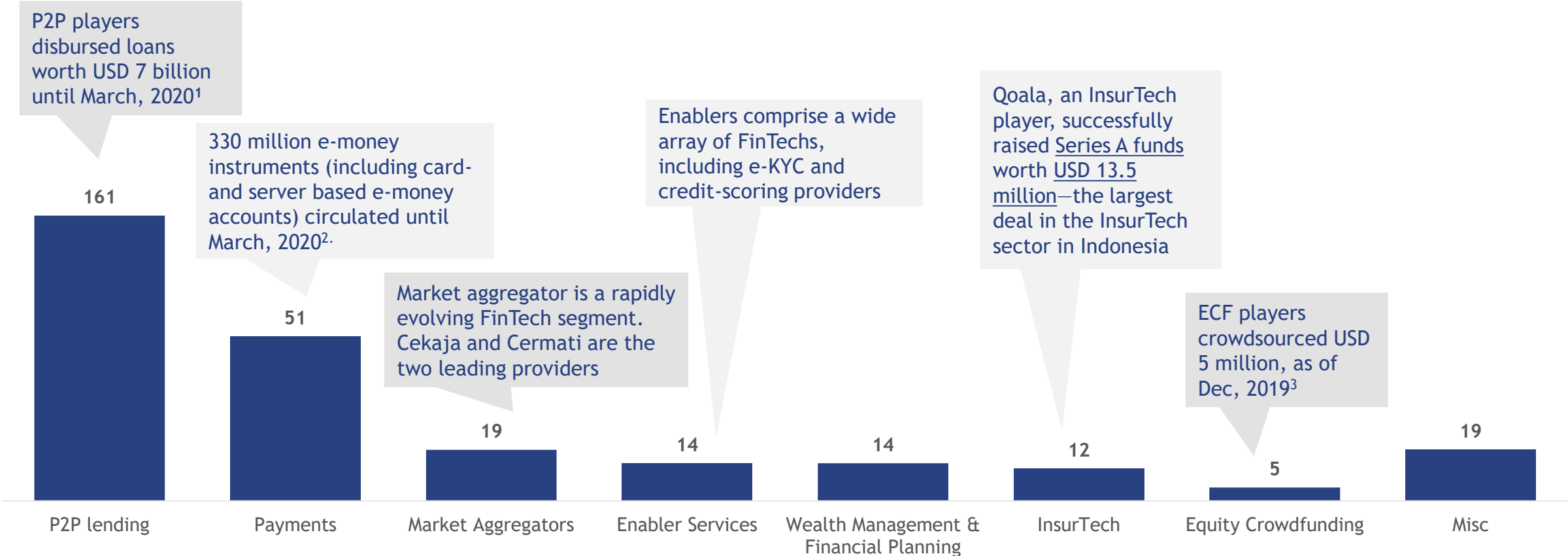
# Section 5: Impact of COVID-19 on FinTechs



# Indonesia has one of the fastest-growing FinTech sectors among the ASEAN countries

Differentiated business models and the regulatory approach towards FinTechs makes the Indonesian FinTech ecosystem unique. 61 FinTechs and 40 prototypes are being incubated in regulatory sandboxes<sup>4</sup>, as of October, 2019.

The prevailing FinTech business models<sup>2</sup>  
(No. of companies = >) 290



1. Data sourced from [OJK](#)  
 2. Data sourced from [Bank of Indonesia](#)  
 3. Data sourced from [kontan.co.id](#)  
 4. Data sourced from OJK

# Though repayments have slowed down, established P2P players are holding their ground



Trends

## Key target segments

- Low-middle income segments
- MSMEs

## Key categories

- Productive financing
- Consumption financing

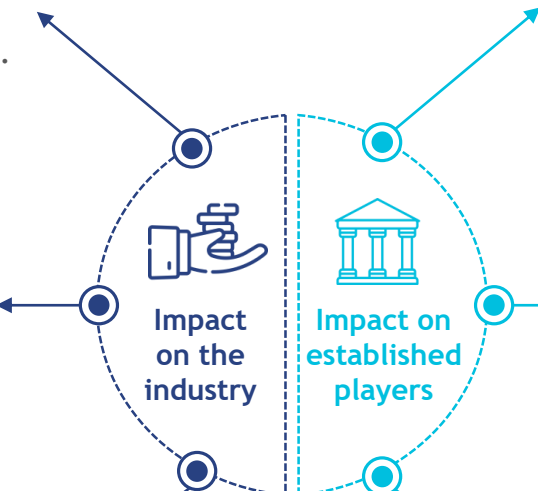
## Primary drivers

- Increasing consumption
- Low credit lines for MSMEs

Lending to priority sectors, such as **healthcare, pharmaceutical, and food and agriculture** has gone up.

The Fintech Data Center checks have reduced signifying that P2P players have not been adding as many new clients. Lenders are adjusting their credit-scoring models to be more selective in loan origination.

**NPLs** have gone up by 0.71% in April, 2020. This is the **most substantial increase** in the last six months, with the previous high marked at 0.67% in Nov, 2019.



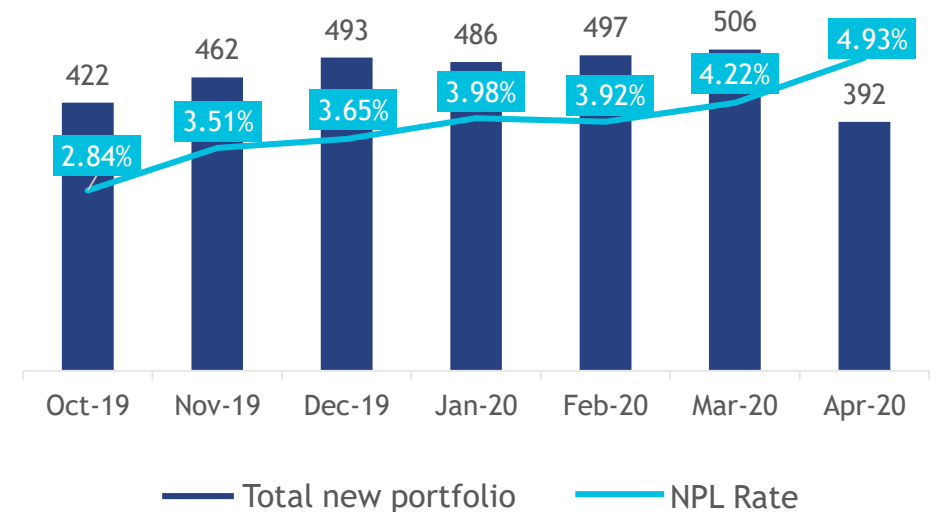
MSME lenders, such as **Investree** registered a **month-on-month 6% growth rate** for the two months of March and April, during the onset of PSBB.

**Uangteman** has shelved its plans for expansion to other markets due to the pandemic.

**Koinworks** reported that **fewer than 3% of their borrowers** have applied for relaxation in payments.

## Monthly loan portfolio increase for P2P lending companies (in million USD)

CMGR: 7%



The loan portfolio continues to grow with a compounded monthly growth rate of 7% **but the parallel growth of NPLs** indicates over-indebtedness of borrowers

1. Data sourced from Bank of Indonesia

# Early-stage lending FinTechs and ECF platforms are fighting for survival

These players are staring at a runway of 3-6 months, unless the situation improves

## Customer sentiment

- ▶ The NPLs of early-stage FinTechs that target microenterprises and the low- and middle-income community increased by **10%-15%**.
- ▶ Requests of borrowers for restructuring and relaxation in repayments have further affected the liquidity of early-stage P2P lenders.
- ▶ ECF platforms are witnessing a **40%-50%<sup>1</sup>** reduction in **business growth** (new investors on the platform). The subscription time for SME IPO has more than doubled as investors hold on to funds.



## Organizational culture

- ▶ Early-stage lending FinTechs have started to rationalize their costs through layoffs of **20%-50% of their staff** and reduction in overheads, such as office rentals.
- ▶ Most staff layoffs have been from the business development and marketing teams as the focus is on ensuring recoveries.
- ▶ ECF platforms and early-stage P2P lenders hope to **extend their runway by 3-6 months** through the adoption of cost rationalization measures.



## Business model

- ▶ Small P2P players are shifting to other productive loans, such as fisheries and industrial farming.
- ▶ Movement restrictions have significantly affected the **ability of ECF platforms to conduct due diligence for SMEs**. The management is trying to find alternatives to conduct **due diligence remotely or virtually**.



1. MSC Interview

# OTC digital payment transactions have reduced significantly; super platforms have reported a spike in non-ride hailing digital payment transactions

## Trends

**Key target segments**

- LMI segments
- MSMEs

**Key categories**

- E-wallet
- PPOB
- Remittance
- Payment aggregator

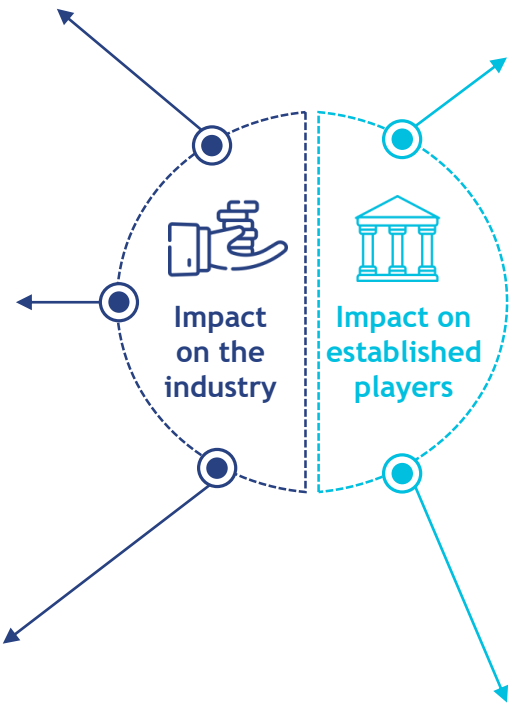
**Primary drivers**

- National non-cash movement
- Financial inclusion initiative

QRIS transactions increased considerably. More specifically, off-us transactions increased by 130% between February and March.

E-money transactions fell by almost 20% in April. This may be attributed to fewer e-toll payments.

Given the restrictions in mobility, EDC transactions fell by 20% in March, 2020.



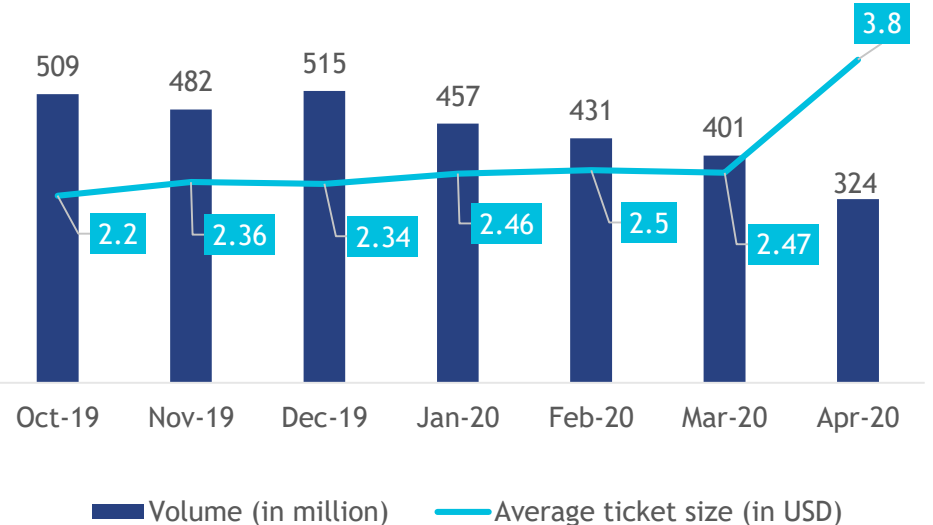
The demand for assisted payment models, such as the CICO agent model, is affected significantly. PPOB (Payment Point Online Bank) players reported a considerable decrease in DFS transactions in April.

GoPay, OVO, and Linkaja witnessed a surge in account registrations due to registrations under the Kartu Prakerja program.

Dana reported a 15% increase in overall transactions while OVO reported an increase in e-commerce, online education, and cash top-up transactions<sup>2</sup>.

Gopay also reported an increase in medical service transactions through Halodoc and Alodokter.

## Volume of E-money payments (in million USD) and the average ticket size (in USD)



Despite the overall dip in the volume of e-money transactions, the average ticket size increased to USD 3.8 in April, 2020.

# PPOB players witness a significant decrease in transaction volumes and a rise in the levels of agent dormancy

## The case of a large PPOB player<sup>1</sup>

Impact of the pandemic

<b>1</b>	<b>Transaction volumes</b> The overall monthly transaction volume includes a mix of bill payments, top-ups, and loan repayments, among others. At the time of writing, the transaction volumes expected to further fall in May-June.	<b>-30%</b>
<b>2</b>	<b>Agent dormancy levels</b> The active agent base comprising of agents who have done minimum one transaction in a month	<b>-25%</b>
<b>3</b>	<b>Staff layoffs</b> Includes mostly HO staff from the marketing and field operations departments	<b>-18%</b>
<b>4</b>	<b>Expected runway if situation continues</b> The number of months that the players can sustain	<b>+8</b> (Dec, 2020)

## Impact of coronavirus



### Surge in app downloads for self-initiated transactions

The preference of payments through e-wallets has led to the recent surge in app downloads.



### Partnership with e-commerce players

PPOB players are trying to connect with e-commerce players to provide delivery services through their agent networks.



### Change in transaction mix

Transactions, such as electricity and water bill payments, dropped drastically due to the waiver of utility payments by the government. The demand for top-ups witnessed a steep rise as internet usage went up.

1. MSC Interview

# InsurTech is a nascent sector and COVID-19 has affected the growth plans of most players



Trends

**Key target segments**

- Individual
- Corporate

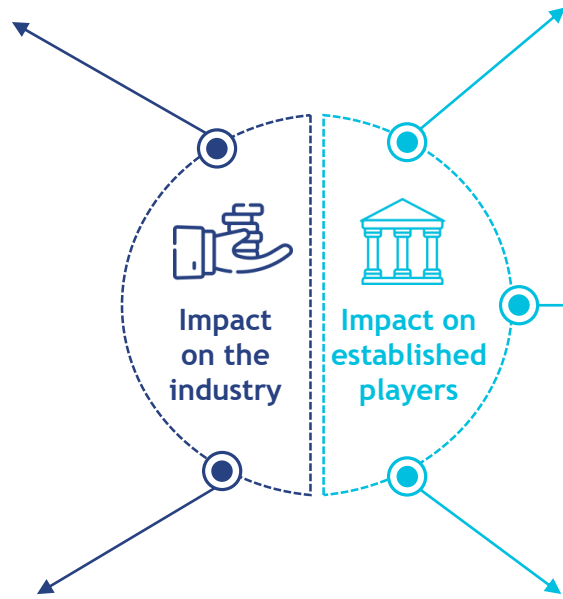
**Key categories**

- InsurTech aggregator or marketplace
- InsurTech intermediaries
- Full-stack InsurTechs

**Primary drivers**

- Low insurance penetration in Indonesia
- Collaboration with many digital platforms for sales

OJK stated that life insurance premiums witnessed a **negative growth of 13.8%** in the first quarter of 2020, as compared to 0.38% in December, 2019.



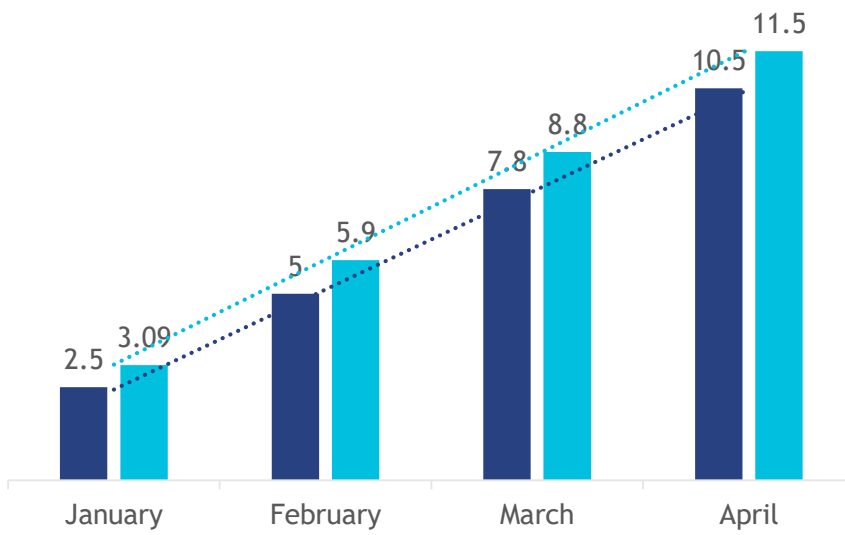
Established players, such as Simas Insurtech, remain positive about the market and are still targeting a premium of USD 21 million this year.

Established InsurTech players are able to retain their staff and maintain their runway until the next year.

Futuready reports no impact of the pandemic on its business. It is currently processing a large number of claim refunds for travel insurance.

The sales of policies have **dropped by 35%** since January, 2020. This is accompanied by a reduced demand for gadget insurance, car insurance, and travel insurance.

**Insurance premium value (in billion USD)**



Source: OJK

■ 2019 ■ 2020

The insurance sector is growing in Indonesia, but the Compounded Monthly Growth Rate (CMGR) has gone down marginally, from 42% in Q1 2019 to 39% in Q1 2020





# Early-stage InsurTech players continue to maintain their business model and innovate

## Customer sentiment

- ▶ Early-stage players have a positive outlook in the market, as the pandemic presents a good opportunity for them to go digital.
- ▶ As the awareness of health risks increases, the demand for related microinsurance products is likely to increase.
- ▶ InsurTech and payment FinTechs are partnering to streamline the purchase of microinsurance products.



## Organizational culture

- ▶ Early-stage InsurTechs are rationalizing costs through a reduction in rentals.
- ▶ Though early-stage players have not resorted to layoffs, they have reduced the salaries of their staff. Since rental cost and salaries constitute 50% of the operational expenses, every effort is being made to control these two expense heads.
- ▶ InsurTech players are maintaining their technology staff to continue innovating in the insurance market.



## Business model

- ▶ Early-stage players can maintain their runway until the end of the year. They are currently looking for venture funding to sustain their businesses.
- ▶ The demand for platforms of players like [Bindcover](#) is on the rise as insurance companies and brokers try to connect digitally during the times of COVID.
- ▶ InsurTechs have also been facing competition from mainstream insurance companies that have launched COVID-19 insurance products and collaborating with technology service providers for digital marketing.



# The impact of the pandemic on FinTech enablers has been mixed



Trends

Key target segments

Corporate

Key categories

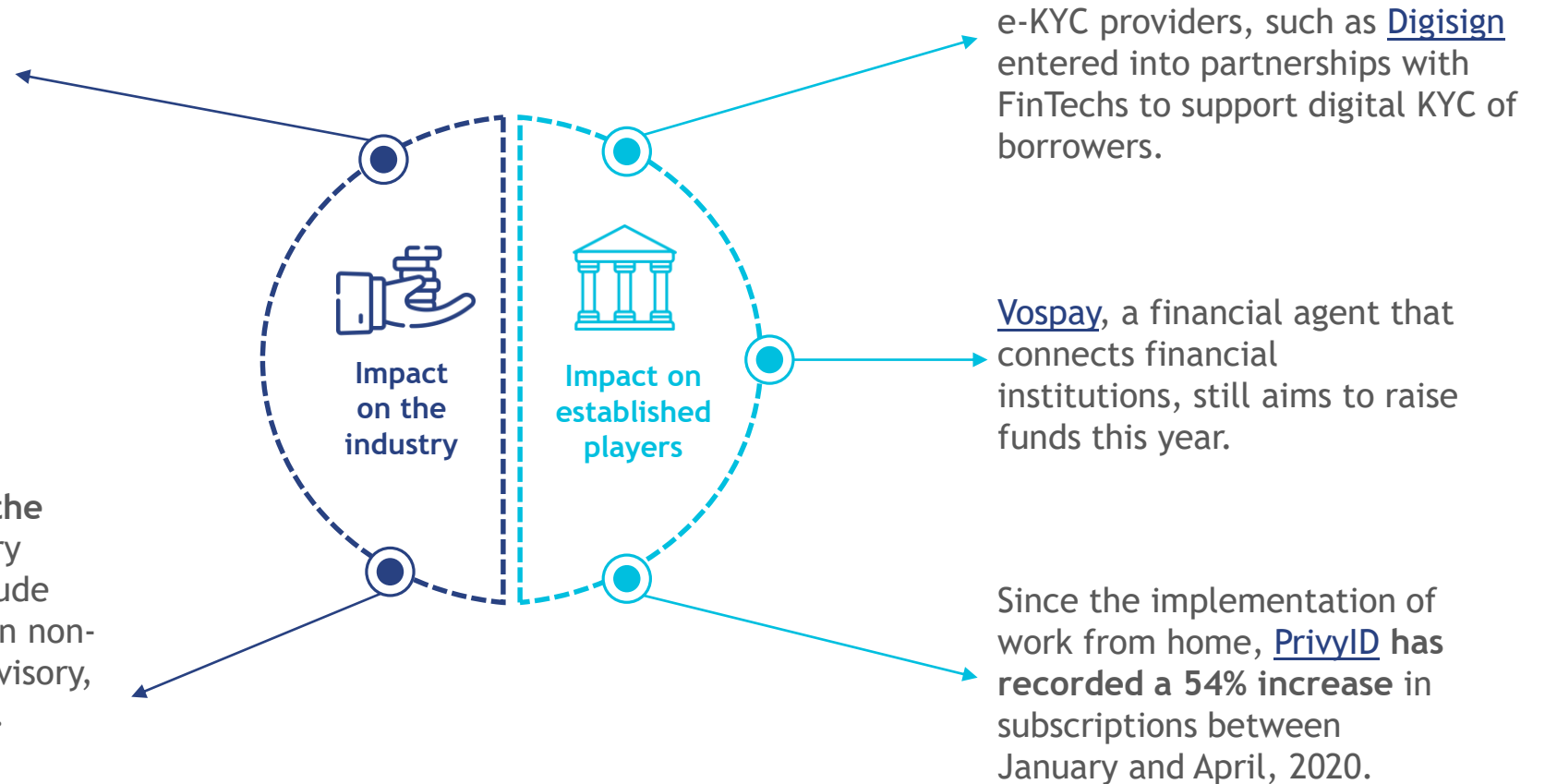
- Financial agent
- Digital signature providers
- Open API provider

Primary drivers

Existence of sandbox regulation in Indonesia

For FinTechs engaged in open APIs, 50%-70% of current projects have been put on hold by their clients who face an uncertain future

At present, 24 FinTechs are in the enablers cluster in the regulatory sandbox of Indonesia. These include credit scoring, E-KYC, verification non-CDD, social network and robo advisory, and tax and accounting FinTechs.



## Section 6: Case study



# Case study 1-Enabler

## Key attributes

### Category of start-up

Financial agent manager

### Business model

Before COVID: B2B2C

During COVID: B2B2C

### Revenue generation

Before COVID: N/A

During COVID: Down by 20%

### Key offerings

Before COVID: Customer onboarding for banks and P2P and cash on delivery services for e-commerce

During COVID: Added logistics for e-commerce service

### Total number of employees

Before COVID: Approximately 50 at the headquarter and 500 field agents

During COVID: No change

## Impact of coronavirus

01

### Organizational culture:

The company did not lay off any staff but introduced salary cuts of 20-50% with a provision of additional incentives. It also provides reskilling and training for agents.

02

### Customer retention and onboarding:

The concerned FinTech is renegotiating contract with banks to alter their service. Operation is using the same method, but fintech in enabler category equip all agents with the 'essential service' letter from the government<sup>1</sup>

03

### Runway:

The runway is manageable for a year.

04

### Partnerships :

Despite existing partnerships with banks, the company is looking for strategic partnerships with similar business lines to scale up its business and agents outreach.

05

### Coping strategy :

The concerned FinTech is getting customized requests from partners that requires agents to shift from document verification and collection service to delinquency management. The company has also switched to cater to logistic services for e-commerce players.

1. Banks and logistic service considered as essential business during the social mobility restriction.

# Case study 2: P2P lender

## Key attributes

### Category of start-up

P2P Lender

### Business model:

Before COVID: B2B, B2B2C

During COVID: B2B

### Revenue generation

Before COVID: P2P player that provides loans to farmers

During COVID: Sells agricultural products from incumbent farmers to mom-and-pop stores and big processing players

### Key offerings:

Before COVID: Provide loans and due diligence service for farmers while developing off-taking business lines

During COVID: Focused more on the off-taking business line

### Total number of employees:

Before COVID: 50 at the headquarter and 27 field agents

During COVID: No change

## Impact of coronavirus



### Organizational culture:

Rationalization of salaries by 20-30%



### Customer retention and onboarding:

The concerned Fintech is discovering new ways to collect and deliver loans in compliance with social distancing measures while avoiding large gatherings.



### Runway:

The runway is manageable until September, 2020.



### Partnerships:

The Fintech is looking for partnerships with the government for a crowdsourcing movement to get data on the nearest food supply or mom-and-pop stores to sell agricultural products and also encourage people to make online purchases.



### Coping strategy:

The concerned FinTech is finding ways to new ways to collect and deliver loans. It is also trying to ensure agent maintain sufficient liquidity by offering higher incentives and also connecting these agents to depots (super agents) to support cash handling and liquidity management.

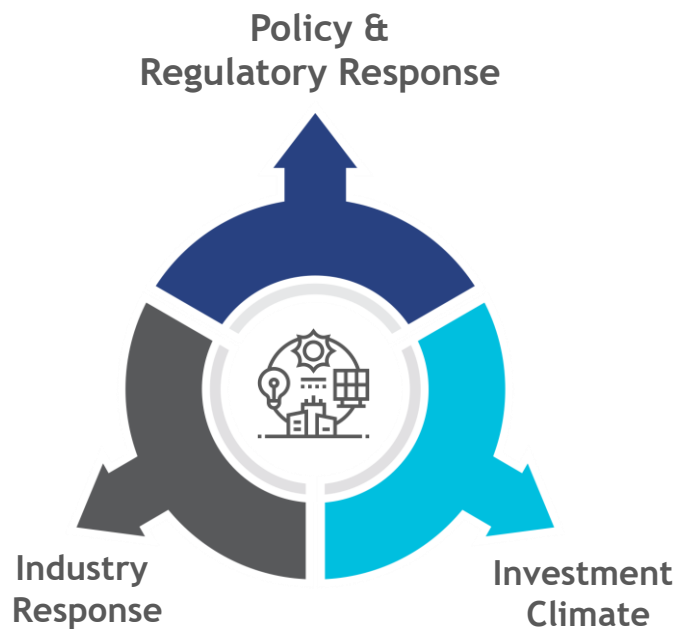
## Section 7: Annexure



# Annexure 1: Research framework for tracking parameters

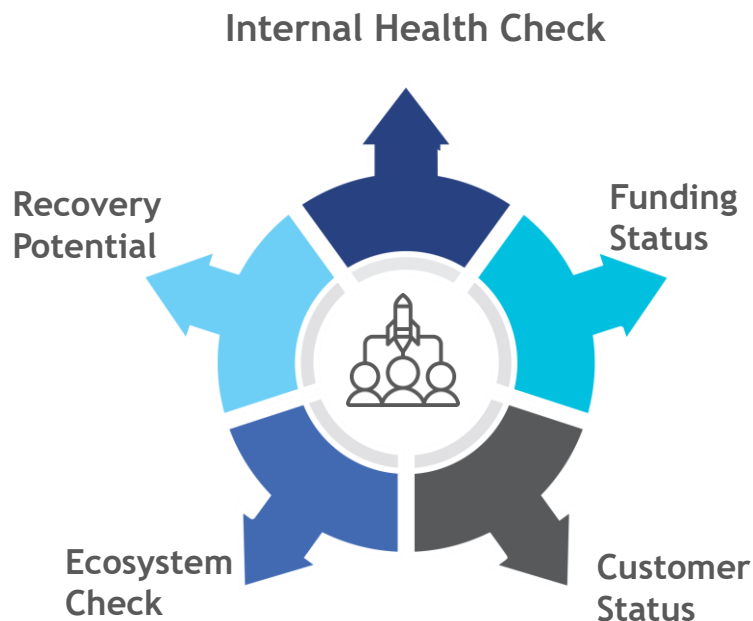
The objective of this study is to understand the impact of COVID-19 on a range of FinTechs

We will track the country ecosystem across the following parameters

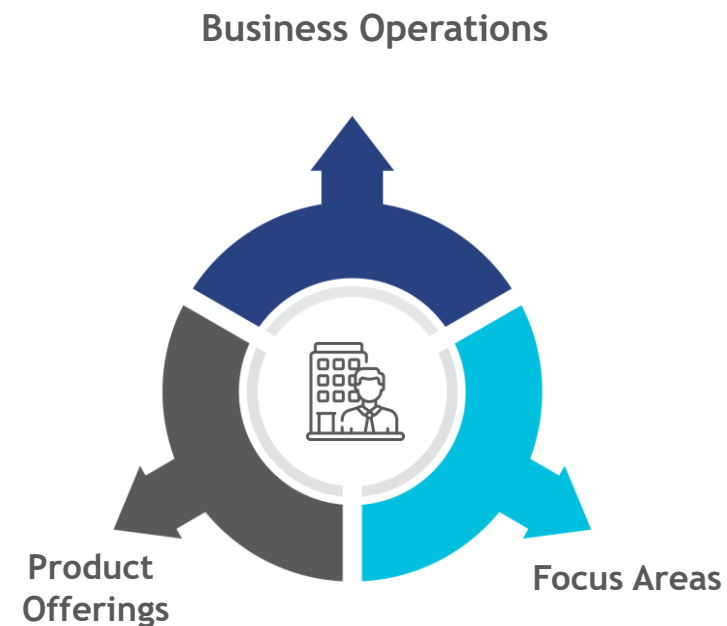


For country ecosystem

We will gauge fintechs' health across the following parameters



For 'Small' Start-ups



For 'Bigger' Established Players

A total of 11 FinTechs were interviewed during this study. These FinTechs are grouped by category and geography to develop a holistic picture of the impact of COVID-19 on different markets and the steps taken by different organizations to counter it.

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**550+**  
clients

**>850**  
publications

Assisted development of digital G2P services used by **875 million+** people

Implemented **>850 DFS projects**

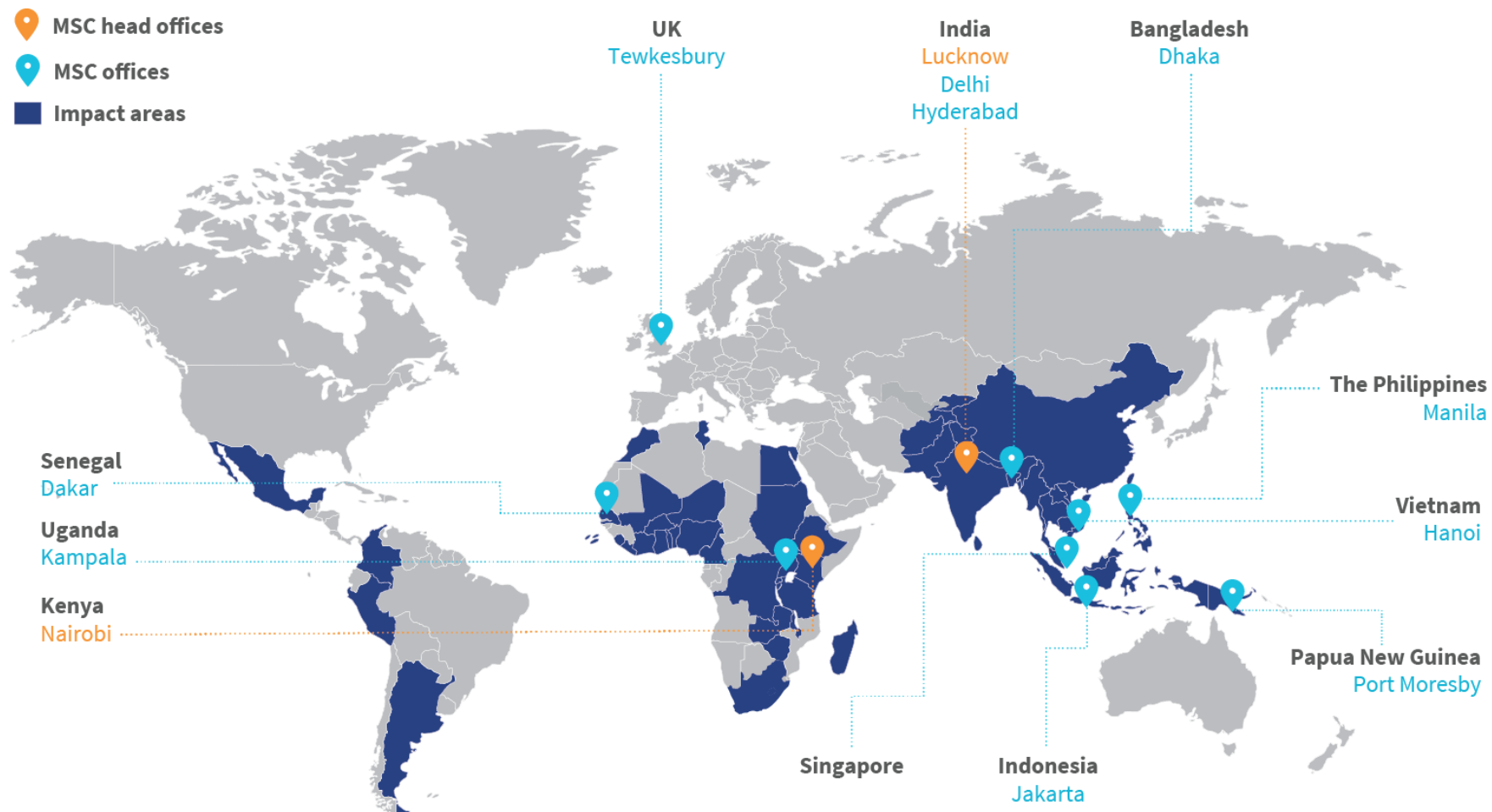
Developed **275+ FI products** and channels now used by **55 million+** people

Trained **9,000+** leading FI specialists globally

## Some of our partners and clients







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