Wellington Snapshot

Fintech In Indonesia: Opportunities abound

March 2023



Wellington Capital
Advisory

Indonesia : The Fintech market is expanding in scale and scope

Digital Payments (comprising Mobile POS Payments, Digital Commerce and Digital Remittances) is the most significant category with a total transaction value of USD 77.46 Bn projected for 2023. Meanwhile, the Lending, Loan and Credit sector contains the largest number of current operators

Payment & Remittance

Mobile Payments

LinkAja! · OVO · DANA · EASYPAY · flip · AstraPay · ShopeePay · truemoney · UANGKU · gopay · OY! · paydia · Paytren

Payment Solutions (B2B, Payment Gateway)

xendit · iNOTPAY · KinerjaPay · 2c2p · indopay · finpay · Winpay · E2Pay.co.id · POKU · midtrans · ezeelink · alterra · duitku · ayoconnect · NICEPAY · INFRA DIGITAL · duitnow · xfers

POS Solutions

moka · pawoon · cashlez · PUNDI · PAYFAZZ

Financial Accounting & Admin

BukuKas · BukuWarung (Mudah. Gratis. Aman) · Finantier · jurnal · CrediBook

Financial Product Comparison

cermati.com · C88

Insurance Tech

PasarPolis · Qoala · FUSE Pro · Futuready · RajaPremi · Premiro · lifepal · igloo · JAGADIRI (ASURANSI TANPA BEBAN) · Asura.co.id

Investment Tools & Platforms

halofina · pluang · bareksa · lubna.io · tanamduit · bibit · digitalexchange.id · INDOGOLD · Stockbit · xdana · moduit · Finansialku.com · ajaib · INVISEE · kelola · FUNDTASTIC

Open Banking Solutions

Brankas

Lending, Loan & Credit

Business Loans

gandengtangan · CROWDE · TEMAN USAHA · DIGIASIA BIOS · akulaku · ModalRakyat

Equity Crowdfunding

BIZHARE · CrowdDana · Likuid

P2P Lenders

modalku · amartha · Akseleran · KOINWORKS · investree · ALAMI · AwanTunai · Finmas · KlikACC (Aman Cermat Cepat) · PinjamanGo · KREDITPRO · CROWDO

Consumer Loans

Kredivo · KAN (AGEN) · akulaku

Education Loans

DANAdidik · Danacita · cicil · Pintek

Property & Real Estate

GRADANA · ETHIS (INDONESIA) · Pinhome

P2P Lenders

JULO · taralite · UANGTEMAN · KreditPintar · Finmas · pendanaan.com · maucash · PINJAM WIN/WIN · KREDITPRO · UangMe · PinjamanGo

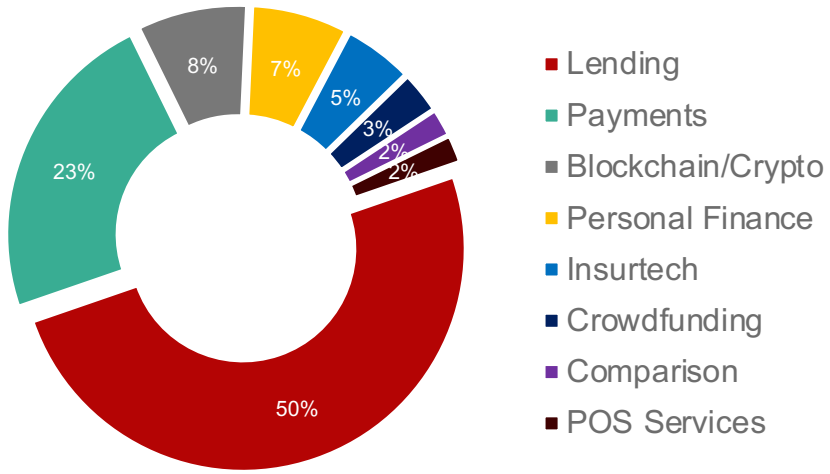
BNPL

LinkAja! · Kredivo · Oriente · indodana · akulaku · atome · Shopee PayLater · splitit · HOME CREDIT · VOSPAY

Blockchain

PUNDI · INDODAX · BITOCTO · HARA · Tokocrypto Digital Exchange · PINTU · Rekeningku · Tokoin

Breakdown of Indonesia's Fintech Ecosystem

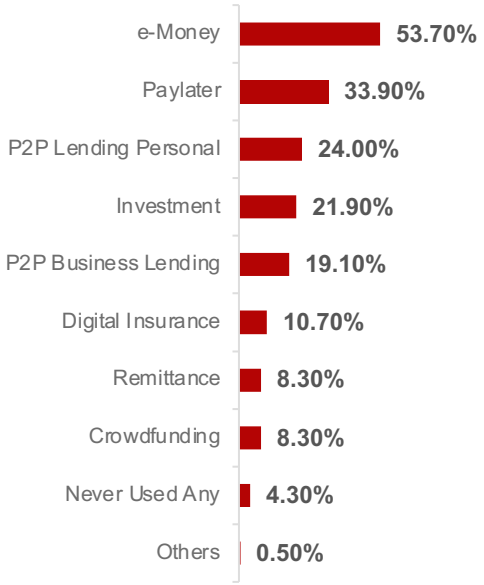


***Sources**: fintechnews.sg; Tech in Asia; Statista*

Indonesia: Fintech Sector Mapping

E-money services and Digital Wallets are rapidly evolving as mainstream products

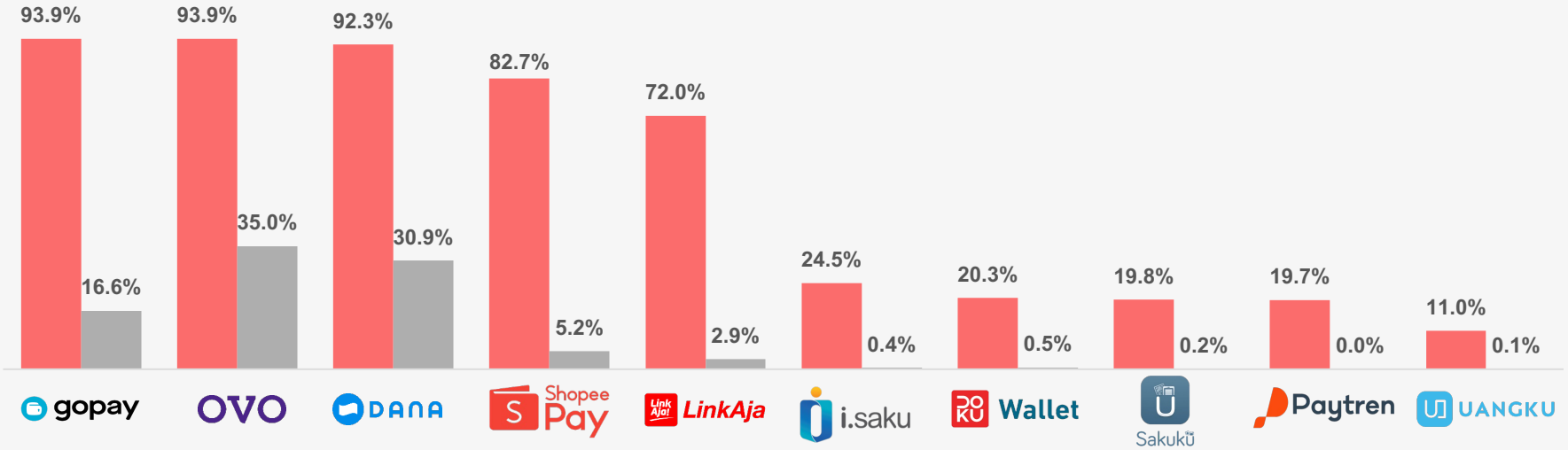
Most-popular Fintech Products



Sources: DS Research (2020)

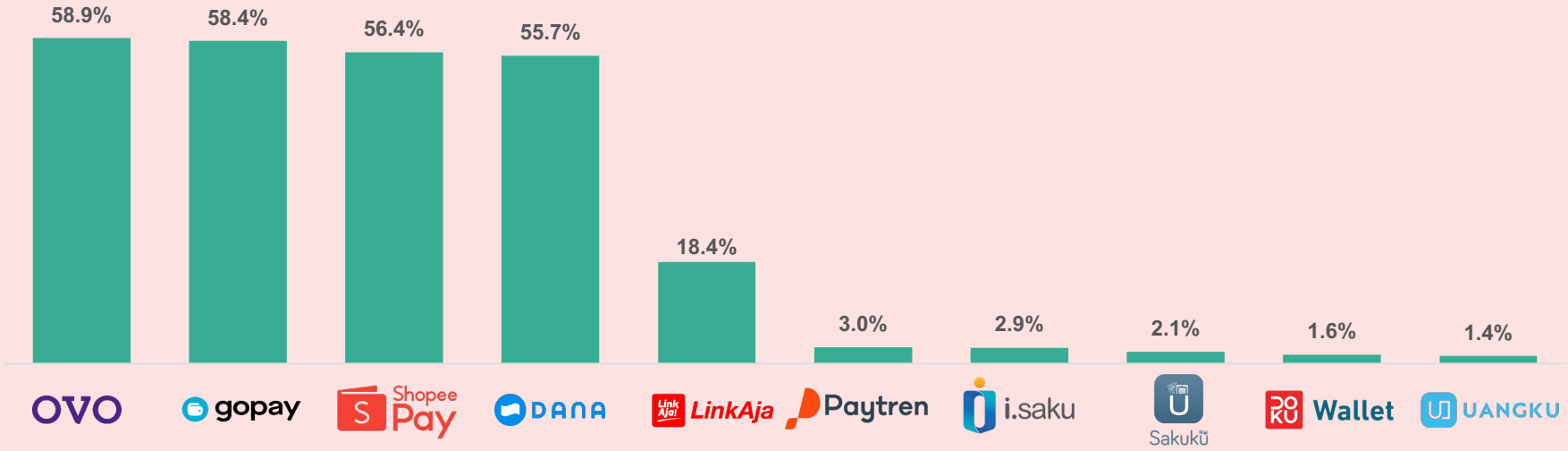
Total Awareness and Top-of-Mind Recall of the Leading Digital Wallet propositions

% of respondents (n = 1166)



Digital Wallet usage

% of respondents using digital wallets (n = 805)

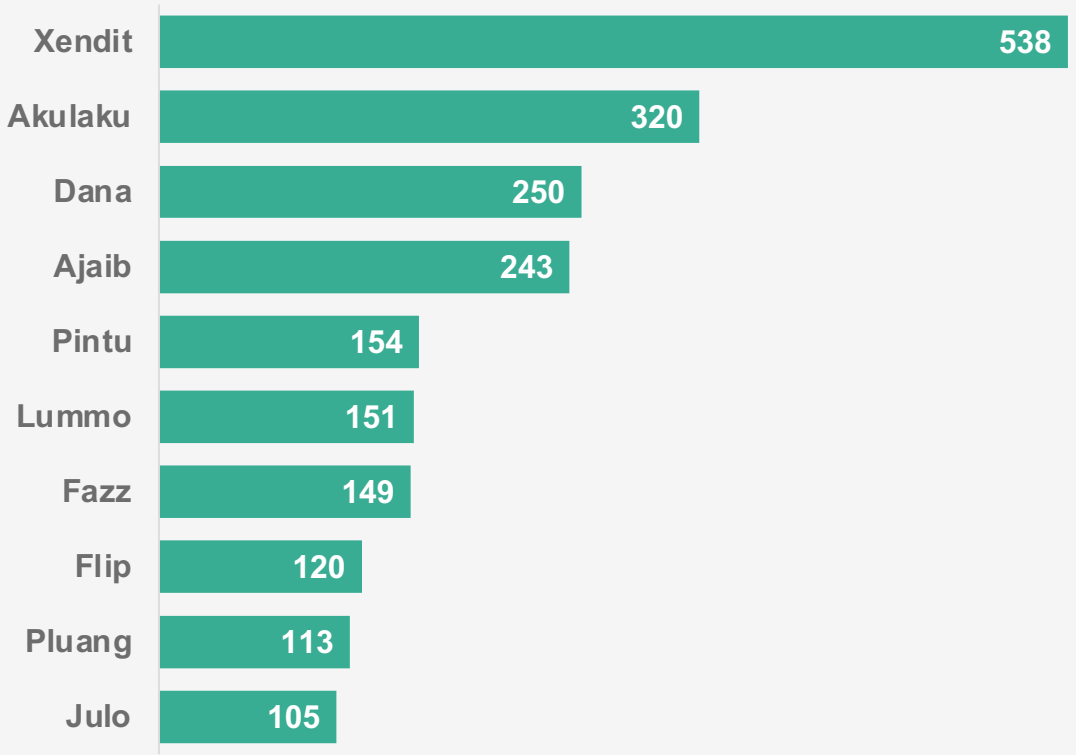


Indonesia: Outlook for the Fintech sector

Indonesia is SE Asia's second-largest Fintech start-up market with an active base of 785 Fintech companies (2021). Moreover, the in-country Fintech ecosystem has secured 26% (USD 940 Mn) of all Fintech funding across the entire SE Asia region.

The Top 10 Fintech companies (s) – funding > USD 100 Mn

(Million USD |



Indonesia Fintech Snapshots

Market Size

The Fintech industry in Indonesia was at circa around USD 2.8 Bn in 2022 and is expected to reach USD 7 Bn by 2025.

Deal Activities

Deal activity is set to fall by around 9% in 2022. A total of 88 deals is expected - with an average transaction value of USD 31.8m. (based on Q1-Q3 investment activity). This represents a growth of 37.37% in average deal size from 2018 to 2022 (CAGR).

Investment

The Fintech industry in Indonesia in 2022 exhibited a 75% increase from comparable 2021 levels. This contrasts with global FinTech investment benchmarks - such as the UK - where funding is expected to decline by 32% in 2022.

Market Players

There are a number of marquee operators in the Indonesian Fintech market - including Gojek, Ovo, Dana, Akulaku, and Modalku - as well as several other Digital Wallet providers, lenders, and financial services platforms.

***Sources**: fintechnews.sg; Tech in Asia; CB Insights; FinTech Global Database*

The leading Fintech operators are driving customer engagement and building brand preference

	DANA	gopay	xendit	OVO	modalku	LinkAja
Profile	Fintech Payment service	Ride-hailing	Fintech Payment solutions	Fintech Digital wallet	Fintech Online Marketplace	Fintech Digital Wallet
Major Investors	Lazada Group, Sinar Mas Group	Softbank, Alibaba, Pacific Century, etc	Accel, Tiger Global Management, Amasia, Goat Capital	Tokyo Century, Lippo, Grab	SoftBank Vision Fund, Triodos Investment Management, BRI Ventures	Gojek, BRI Ventures Mandiri Capital Indonesia,, Grab
Type	E-wallet/ payment platform	E-wallet/ payment platform	Payment gateway	E-wallet/ payment platform	Acquire/ grant loans	E-wallet/ payment platform
Playstore Download and Ratings	★ 4.4 / 5 50mn+	★ 4.2 / 5 100mn+	★ 4.2 / 5 100k+	★ 3.5 / 5 10mn+	★ 4.5 / 5 500k+	★ 3.9 / 5 10mn+
Key Strategy	❑ Partnerships with travel and hospitality companies ❑ Extensive service portfolio viz. loans, insurance, and investments. ❑ Providing services to unbanked/underbanked end-users	❑ Creation of dominant Superapp. ❑ Full integration with GoTo ecosystem ❑ Merger with Tokopedia is the current focus ❑ Huge base of offline merchants	❑ Seamless and secure payment with a range of options ❑ Investment in proprietary in technology to drive service innovation ❑ Customer-first focus to drive greater loyalty and trust	❑ Full integration with primary operating partner and strategic investor (Grab) ❑ Huge base of offline merchants ❑ Cashback program.	❑ Streamlining the lending process to facilitate access to funding for MSMEs. ❑ Strong risk management system to assess the creditworthiness of borrowers and to reduce NPL exposure .	❑ Partnerships with online shopping sites increases appeal to both new and existing users ❑ Featuring more useful services to have a range of services to provide.
Latest News	❑ Funding injection from major investors	❑ Increased revenue for GoTo ❑ Using the extensive GoPay network iinfratstructure for 'middle/last mile' transport logistics	❑ Planning to acquire a Malaysia-based Fintech operator ❑ Latest fund injection	❑ Launched OVO Invest feature-functionality ❑ Entered InsurTech space -Health and Life protection products	❑ Distribution of funding ❑ Major shareholder of Bank Index	❑ Increased revenue by ~30% and reduced operational expenses by > 50% in FY 2022 as part of an enterprise-wide efficiency drive

***Sources**: Company Report; News*

‘Challenger’ Fintech operators are seeking market traction and critical scale

	taralite	cashlez SECURE PAYMENT ANYWHERE	UANGTEMAN	investree	amartha
Profile	Peer to Peer Lending	Digital Payments	Peer to Peer Lending	Peer to Peer Lending	Digital
Major Investors	SBI Group	Sumitomo Corporation, Gank Kapital, Mandiri Capital Indonesia	Draper Associates, K2 Venture Capital, STI Financial Group, Pegaus Tech Ventures	9F Group, BRI Ventures, Accial Capital, ResponsAbility Investments	Norfund, Mandiri Capital Indonesia, UOB Ventures
Type	Procure/Disburse Loan facilities	Payment Platform	Procure/Disburse Loan facilities	Procure/Disburse Loan facilities	Loans and Investments
Play Store Downloads and Ratings	★ N/A N/A	★ 4.0 / 5 10K+	★ N/A N/A	★ 2.4 / 5 100K+	★ 3.8 / 5 100K+
Current Status	❑ Fully licensed for FSA loan disbursement	❑ Increase in share price	❑ Lawsuit against OJK rejected ❑ Salary payments to UangTeman employees remain outstanding	❑ Sales performance is improving, coupled with higher yield rates ❑ Fully licensed for FSA loan disbursement	❑ Currently expanding the employee base (> 5,000 staff) ❑ Fully licensed for FSA loan disbursement
Areas of Focus	❑ Regulatory environment relief ❑ Combating increase in loan default rate ❑ Addressing fundraising constraints	❑ Operational challenges in scaling the business ❑ Competitive differentiation relative to big brand companies such as GoPay and Ovo.	❑ Operating within the Fintech lending license framewotk ❑ Improving internal financial management ❑ Addressing loan repayment behaviour	❑ Regulatory challenges ❑ Monitoring loan repayment behaviour ❑ Decline in loan disbursement	❑ Liquidity constraints have led to a decline in loan disbursement ❑ Impact of overall economic downturn ❑ Competition with other P2P companies

***Sources**: Company Report; News*

Indonesia: Embracing the Opportunities and Challenges for Fintech operators

	Regulation	Funding	Competition	Human Resources
Challenges	The Fintech sector in Indonesia is highly regulated - in keeping with peer markets in SE Asia - and new entrants face significant barriers to entry. The regulatory environment is complex and challenging, making it difficult for Fintech companies to launch and scale their businesses.	Fintech start-ups in Indonesia continue to face challenges in accessing the capital resources needed to grow and scale their businesses. This can make it difficult for new entrants to enter the market and for existing players to expand their offerings.	The Indonesian Fintech market is intensively competitive, with both established operators and new entrants battling for 'share of wallet'. Competitive intensity can make it difficult for new Fintech companies to gain traction and establish themselves in the market.	The Fintech sector is still in the early development phase - with many start-ups facing challenges in attracting and retaining the necessary talent This can limit their ability to bring new products and services to market and to compete with established players.
Opportunities	The Indonesian government Is committed to stimulating the growth of the Fintech sector and encouraging competition. The regulatory environment is evolving alongside the commercial and technical development of the sector.	The Indonesian VC ecosystem is growing, and there is increasing investment flowing into the Fintech sector. This provides Fintech companies with easier access to growth capital.	Indonesia has a large and youthful population, a growing middle class, and increasing demand for digital services This provides a significant opportunity for Fintech companies to position their businesses accordingly.	A growing tech-savvy population provides a pool of available resources for the rapid growth and development of the fintech sector. Employees with prior sector experience are also open to seeking new job openings.

Critical Success Factors for Investors

Investors in the Indonesian Fintech sector are obligated to pay attention to several key metrics in order to assess the potential trajectory and resilience of Fintech companies

Market Size and Growth

Overall size and growth prospects of the Indonesian Fintech market (TAM), as well as the competitive position and market share of incumbent operators.

User Growth & Engagement

End user adoption and usage rates for existing Fintech products and services, as well as the level of engagement and retention among the known user segments.

Revenue & Profitability

Revenue performance and path-to-profitability profiles for existing Fintech providers, in addition to their operating cost structures and end-user price positioning

Technology & Innovation

Technological capabilities and innovation strategies of existing operators, and their ability to adapt to changes in technology and shifts in market conditions.

Regulatory Environment

The legal and regulatory environment for new market entrants in Indonesia, including any barriers to their ongoing operations and future growth prospects.

Data Security & Privacy

The data privacy and security policies and procedures of Fintech companies, as well as their preparedness to handle data breaches and related security incidents.



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