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LD FEB UI Research Results: Fintech Lending Has an Important Role in Supporting Financial Inclusion

More than 90% of businesses stated that they had a good experience when applying for credit through fintech lending companies; fidelity of loan which can be borrowed, ease of administrative processes, and the processing speed.

Jakarta, July 2, 2020 - Lembaga Demografi (Demographic Institute) of the Faculty of Economics and Business, Universitas Indonesia (LD FEB UI), today presented the results of their latest research entitled "Socio-Economic Impacts of Fintech Lending (Case Study Investree 2017-2019)". For the first time in Indonesia, the result of case study research measuring socio-economic impacts of fintech lending is released to public. The LD FEB UI research results found that the presence of fintech lending has contributed in increasing the financial inclusiveness for millennials, especially for the age group around 35-years old, which makes up for the highest population coverage in Indonesia today. The credit and/or loans from fintech lending have reached various industry sectors ranging from agriculture, manufacturing, and services. This finding implies the role of fintech lending in supporting a digitally inclusive financial sector.

Deputy Head of LD FEB UI, I Dewa Gede Karma Wisana, said "The huge contribution made by fintech lending shows that technology can accelerate financial inclusion. Evidently, sectors that have limited access to credit, for example, the types of businesses that provide service and agriculture can now participate in digital capital loans ecosystem through peer-to-peer lending platforms."

The research that was conducted in December 2019 is the first case study research that measures socio-economic impacts of fintech lending in Indonesia. This research took samples from borrowers within Investree ecosystem, a pioneer fintech lending company in Indonesia. "We took samples from Investree ecosystem because Investree is the fintech lending pioneer company in Indonesia and has obtained official permit from the OJK. In addition, Investree also focuses on financing SMEs which is the backbone of the Indonesian economy," Dewa Wisana explained.

In this research, LD FEB UI conducted face-to-face interviews with 261 borrowers chosen at random within the Jabodetabek (77%), West Java (15%), and Central Java and East Java (8%) regions. When determining at the type of loans, borrowers from the online commerce is the most common type of respondents in this research, it makes up 62% of the total respondents, followed by invoice financing (32%), and working capital term loan (6%).

The research interestingly found that there are many borrowers who endeavor within the creative industries, 24% of Investree borrowers are creative industry players and 15% of them experience an income increase of 30% - 50% after obtaining loans through fintech lending, wherein this research the loan gained is through Investree's platform. Furthermore, 52% of the creative industry borrowers use the invoice financing service followed by online commerce service (33%), and working capital term loan (15%).

I Dewa Gede Karma Wisana said that the creative industry is indeed becoming excellent, especially among millennials. There are recorded 16 sub-sectors of the creative industry such as consultants or advertising, visual communication design and architecture that are currently developing so that loans from the sector is in an abundance.

The creative industry is not the only industry that experienced increased in revenue after receiving a loan through fintech lending company. When looking at the data obtained from Investree, there are 58% Investree borrowers who are engaged manufacturing industry who are experiencing an increase by 20% - 50% in income. 52% of borrowers are from the service sector and 51% of borrowers Investors from the construction sector. Furthermore, the real estate industry has also experienced a similar increase in income. Overall, 56% of borrowers stated that they experienced an increase in income after securing a loan from Investree.

Beside supporting Indonesian SMEs in terms of capital, Investree also supports the development of the Islamic economy in Indonesia through financing products such as Sharia schemes. According to the Investree data, borrowers who use Sharia schemes account for 21.6% of the total number of borrowers. Through this research, it was found that 54% of Syariah borrowers in Investree have experienced business growth in terms of revenue after applying for capital support through Investree. Among those borrowers, 20% experienced business growth of 30% and another 34% experienced growth of 20%.

This research also found that fintech lending can encourage the expansion of employment opportunities in the form of the increased workforce employed in their businesses. LD FEB UI findings recorded an increase in the number of workers, or the absorption of new workers employed by Investree borrowers by 44%.

An interview conducted with one of Investree's borrower found that the reason for choosing fintech lending to support its business was due to the flexibility and speed of the process. "When we conducted an interview with Investree's borrowers, they said the reason for choosing to engage with a fintech lending company, in this case, Investree, was because of the loan application process that is quick, flexible and easy, the credibility of loaning from a trusted company and easy registration process that can be done through Investree's website," Dewa Wisana said.

"This research finds that fintech lending is able to support financial inclusion through its digital platform, including innovative products, both horizontally through the sectors financed, and vertically through the scale of financial business. The presence of fintech lending companies such as Investree and the engagement of small and medium scale entrepreneurs have positive impact on the business world, such as increasing income and increasing employment," Dewa Wisana concluded.

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About LD FEB UI

Lembaga Demografi Faculty of Economics and Business Universitas Indonesia (LD FEB UI) is a leading research institution that adopts the concept of population-oriented development. The vision of LD FEB UI is to become a center of excellence in the academic studies indemographic and population that contribute to economic development. LD FEB UI research areas includes demographic bonus, employment, social protection, health, MSMEs, SDGs, and CSR.

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