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The **ASEAN** Access to Digital Finance Study

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September 2022

The **ASEAN** Access to Digital Finance Study

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Please cite this study as: *CCAF and ADBI (2022) The ASEAN Access to Digital Finance Study, Cambridge Centre for Alternative Finance and the Asian Development Bank Institute*

Table of contents

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Over the last few years, the ASEAN region has experienced greater penetration of fintechs into their markets, serving a larger range of customers, from low-income populations to more mature businesses. Fintech can play a vital role in supporting individuals and businesses to overcome shortcomings in the traditional banking system and offer innovative products and services, ensuring that basic financial services reach the most underserved populations in the financial system. To this end, it is critical to understand the rapid development of the fintech industry in the region and how the technological developments enable financial inclusion, in particular, fintech activities related to digital lending and digital capital raising, such as peer-to-peer (P2P) lending and crowdfunding, both of which have grown significantly.

Against this background, in 2019, the Cambridge Centre for Alternative Finance (CCAF) and the Asian Development Bank Institute (ADBI) jointly produced the seminal report *The ASEAN Fintech Ecosystem Benchmarking Study,* which focused on gaining a better understanding of the fintech landscape in the ASEAN region. This evidence-based report highlighted the rapid development of fintech and the emergence of innovative business models. The demand for fintech solutions in the region came mainly from individuals and businesses that were underserved by traditional banking solutions. Further, this has been reinforced by the findings in *The 2nd Global Alternative Finance Market Benchmarking Report,* which noted a rise in the number of underbanked and unbanked customers served by these alternative finance providers in the region.

In this *ASEAN Access to Digital Finance Study*, we aim to provide valuable data and insights into the important role that fintech firms play vis-a-vis individual consumers and micro, small and medium enterprise (MSME) access to digital finance in the key ASEAN countries. The results of this study provide a comprehensive analysis of the key opportunities and challenges facing fintech customers when seeking finance through fintech channels. The study is based on a sample of 600 responses from individual household and business users of digital finance platforms.

Overall, the findings support the hypothesis that alternative finance channels are a critical component to enable individual consumers and small businesses cope with their financial needs by enhancing their access to credit. Results show that most individual consumers accessing fintech platforms are Millennials who use digital finance channels to cover day-to-day expenses and, in terms of businesses, it is mainly micro and small enterprises, mostly led by females, that use online finance channels to access funds for working capital. Further, most MSMEs reported improved business performance after receiving finance through these channels, highlighting the key role of alternative finance in small business financing, especially during the pandemic.

We hope that the insights from this study can support evolving regulations and policies, and further enable the growth of the fintech ecosystem while protecting the interests of customers. Finally, we would like to thank ADBI for its support and remain grateful to the 19 fintech platforms and 6 fintech associations that collaborated on this study and ensured robust participation from individual consumers and MSMEs.

Bryan Zhang
Co-Founder and Executive Director
Cambridge Centre for Alternative Finance

Tania Ziegler
Lead in Global Benchmarking
Cambridge Centre for Alternative Finance

The new generation of financial technology (fintech) shows great promise in being able to promote financial inclusion and the efficient delivery of financial services. However, it also can create new risks and unintended consequences, both for the financial sector and for users. Financial regulators face great challenges in determining the appropriate balance between supporting financial innovation and preserving financial stability, ensuring consumer protection, and maintaining standards for anti-money laundering, terrorism financing and know-your-customer processes.

A correct understanding of the underlying situation of fintech markets is vital for developing policies to foster and regulate the sector. The fintech sector has been growing rapidly in Asia. This timely report provides a detailed and comprehensive view of the use of fintech platforms for finance and fundraising by individuals, and micro, small and medium enterprises (MSMEs) in five ASEAN countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. As such, it should become a valuable reference for identifying the impacts of fintech on financial inclusion according to factors such as income, gender, sector and location. It also provides qualitative measures of the impacts of increased financial inclusion on firm performance.

One of the more interesting findings of the survey is that the use of fintech services often proves to complement rather than compete with traditional banking services. In many cases, increased access to finance via fintech actually leads to increased use of banking services.

The Covid-19 pandemic has accelerated the demand for fintech services and, in many cases, such increased access to finance has proved very valuable to both individuals and firms to weather the negative impacts of the pandemic. These results should provide important new evidence to justify the promotion of fintech as a way to promote sustainability in the face of various kinds of shocks, either man-made or natural.

This important report should benefit regulators, business practitioners and scholars in this field, and ADBI is delighted to have supported this project.

Peter J Morgan
Senior Consulting Economist and Advisor to the Dean
Asian Development Bank Institute

The UK Foreign Commonwealth & Development Office (FCDO) welcomes the findings of this ground-breaking study by the Cambridge Centre for Alternative Finance (CCAF) in partnership with the Asian Development Bank Institute (ADBI). *The ASEAN Access to Digital Finance Study* provides evidence and insight into a rapidly developing sector and the role technology is playing to help previously excluded groups access credit, raise capital and cope with financial stresses and shocks.

The UK has both regulatory and commercial expertise across the fintech ecosystem and is committed to sharing best practices with ASEAN. The report's findings on digital credit and digital capital raising are of real interest to the UK where we are committed to strengthening domestic financial services markets globally, ensuring people and businesses can save, borrow and invest.

The remarkable growth of digital financial channels in ASEAN is credited to the enabling environment across the region. Regulators have set a great example; using these developments to pursue objectives such as financial inclusion, innovation and market development while maintaining focus on consumer protection.

The UK is committed to continued coordination with ASEAN and the private sector, to share information on the development of fintech to support industry progress, including hosting masterclasses across the region to support trade and investment. This report helps us better understand how fintech can more quickly and nimbly deliver where formal systems will take longer to adapt.

I'm excited by how we can all use this research – donors, policymakers, governments, entrepreneurs and asset managers – to address some of the big challenges that affect all of our lives and economies, such as helping small-holder farmers to adapt to climate change, supporting energy transitions that are truly 'just' for communities reliant on fossil fuels for their livelihoods, or ensuring access to credit for individuals and MSMEs to build their resilience against climate shocks.

We look forward to continued developments in digital finance to ensure fintech benefits reach those financially excluded and help accelerate prosperity in the region.

Rachel Turner
Director - International Finance
Foreign, Commonwealth & Development Office

Research team

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Tania is Head of Global Benchmarking at the Cambridge Centre for Alternative Finance (CCAF) and manages the Centre's industry-facing research activities. She has authored over 25 industry reports and contributed to numerous academic and working papers since joining the CCAF. Tania is an expert on small and medium enterprise (SME) finance and leads the Centre's work on SME access to finance. Tania completed an MSc at the London School of Economics, and a BA at Loyola University Maryland. Tania is a 2010 Fulbright Scholar.

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Bryan Zhang
Bryan Zhang is a Co-Founder and the Executive Director of the Cambridge Centre for Alternative Finance at the University of Cambridge Judge Business School.

Acknowledgements

On behalf of the Cambridge Centre for Alternative Finance (CCAF), the research team would like to thank the Asian Development Bank Institute (ADBI) for making this report possible, and for their continued support of the CCAF and its research endeavours.

The research team would like to thank the following individuals for their considerable support in survey dissemination and data collection (in no particular order): Georg Steiger (First Digital Finance/BillEase), Bellinda Caballeros (First Circle), Benedict Carandang (First Circle), Marcus Erlano (First Circle), Aria Widyanto (Amartha), Fachruriza Mubarok (Amartha), Markus Prommik (Danabijak), Djahill bahia (Danabijak), Kevin Zaprilan (Investree), Jimmy Kong (Fundaztic), Calvin Foo (Fundaztic), Hailey Siew (Fundaztic), Tavatchai Engbunmeesakul (Wealthi), Lauren Pruneski (Tala), Vala Burton (Tala), Daniel Gorfine (Gattaca Horizons LLC), Shermain Chin (SDAX), Charis Liau (SDAX), Jun Jie Yoon (Capsphere), Mohamad Syazni Nizar (Ethis Malaysia), Mohamad Syazni Nizar (Ethis Malaysia), Najwa Azman (Ethis Malaysia), Dwiyana Rizkiah (Ethis Indonesia), Elain Lockman (Ata Plus), Hong Sin Kwek (Sinwattana), Bhayu Ravelli Arsyad (ALAMI), Mochamad Nizar Mustaqim (ALAMI), Jeffrey Oon (Atome), Richard Haris (Atome), Willy Apriando (Atome), Wawan Salum (Atome), Cythia Gonzales (PAYLATER Malaysia, KALE), Salman Alfarisie (Dana Syariah), and Atis Sutisna (Dana Syariah).

Further, we would like to thank the following individuals for their efforts in identifying the key fintech research partners and supporting outreach efforts: Reuben Lim (Singapore FinTech Association), Shadab Taiyabi (Singapore FinTech Association), Mercy Simorangkir (AFTECH), Citra Natasya (AFTECH), Lito Villanueva (FintechAlliance.ph), and Handika Surbakti (Asosiasi Fintech Syariah Indonesia). We appreciate these individuals' significant contributions and willingness to participate as research partners to make this study possible.

In particular, we would like to thank Georg Steiger, Kevin Zaprilan, Bellinda Caballeros, Tavatchai Engbunmeesakul, Markus Prommik, Djahill bahia, Aria Widyanto, Reuben Lim and Pawee Jenweeranon (Thammasat University) for their valuable feedback in improvising the data collection tool and helping with survey translations.

We are grateful to Cecilia López Closs, Dana Salman, Stanley Mutinda, Neha Kekre, Nick Drury, Herman Smit, Charles Wanga and Jill Lagos Shemin from the CCAF, and to our Cambridge Global Benchmarking Fintech Market Research Intern Anestia Fermay, for their valuable efforts and support throughout the study. In addition, we are very thankful to Nafis Alam (Monash University, Malaysia) and Alexander Apostolides (CCAF) for their valuable insights and contribution to this report.

We would like to extend our utmost gratitude to Alpa Somaiya for the proofreading, Louise Smith and Cecilia Lopez Closs for designing the report, and Neil Jessiman for press and communications support.

In addition, we would like to thank Kaori Hitomi and David Hendrickson from the Asian Development Bank Institute for their immense help in disseminating this study.

Research partners

Fintech partners

Associations

Executive summary

In this first edition of *The ASEAN Access to Digital Finance Study*, we aim to provide valuable data and insights into how individual households, consumers, and micro, small and medium enterprise (MSME) customers use digital alternative finance channels, such as online digital lending and capital raising platforms, to access credit or raise funds across the key countries in the Association of Southeast Asian Nations (ASEAN) region. The report focuses on five ASEAN countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. This study has been jointly developed by the Cambridge Centre for Alternative Finance (CCAF) at the University of Cambridge Judge Business School and the Asian Development Bank Institute (ADBI). It assesses various qualitative and quantitative factors of borrower or issuer activities related to financial access via an online fintech platform operating in the lending or equity space. The models observed in this study are peer-to-peer (P2P)/marketplace consumer and business lending, balance-sheet consumer and business lending, invoice trading, equity-based crowdfunding, and buy now, pay later (BNPL).

The study looks at four aspects of digital finance use in the ASEAN region:

1. Respondent profile/demographics and company structure (for businesses)
2. Relationship with traditional finance channels
3. Financing experiences when using fintech-based financial services
4. Post-financing outcomes and the impact of the Covid-19 pandemic

In terms of the quantitative factors, it should be noted that it is not our intention to present precise or absolute figures for individual income, company revenue, borrowed or fundraised amounts, or overall performance, but rather to provide an assessment of how ASEAN borrowers and fundraisers experience and use fintech solutions for their financing needs.

The survey responses were collected between 28 February and 15 April 2022 from respondents who had used a digital alternative finance platform to access credit or raise funds between 2020 and 2021. This study is based on 600 cleaned and verified data responses from both individual consumer and business (MSMEs) respondents across all five countries sampled. The report is divided into two main chapters: individual consumer and household access to digital finance, and MSME access to digital finance. Each chapter analyses the relevant digital alternative finance models included in this study, and each model is discussed against the key research themes identified. The key findings are summarised below.

Individual consumer and household users of digital finance

Two models that cater to individual consumers and households – P2P/marketplace (and balance-sheet) consumer lending and BNPL – were analysed. A total of 410 responses related to those two models were received.

Millennials made up the greatest proportion of users of online consumer finance in the ASEAN countries analysed across the individual consumers facing alternative digital finance channels.
Approximately 44% of P2P/marketplace consumer lending respondents were between 25 and 34 years of age, followed by 34% who were between 35 and 44. Of BNPL users, 54% were between the ages of 25 and 34. Across both models, most respondents were male, had an undergraduate degree, and were in full-time employment with an annual income slightly higher than their country's minimum wage.

Before turning to P2P/marketplace consumer lending platforms for financing, family and friends, and banks were the two most popular sources of finance for individual borrowers.
Notably, the offer and acceptance rates for borrowers who approached informal finance providers were relatively higher than for those who sought funding from the most popular traditional finance channels, despite having fewer borrowers.

For individual household users of P2P/marketplace consumer lending, the primary purpose for borrowing funds was to cover day-to-day expenses, while for BNPL customers it was to purchase fashion items and apparel.
Nearly half the individual consumers who used P2P/marketplace consumer lending platforms borrowed funds to meet daily expenses or short-term needs, such as buying groceries, paying utility bills and top-ups. For BNPL users, fashion items and apparel were the main types of purchases made. This was closely followed by home appliances, mobile phones, other electronics and daily expenses, each with a proportion of around one-third.

The speed of receiving funds was the main decision-making factor that led individual households to borrow from fintech platforms. For BNPL users, it was paying zero or low interest.
Platform use factors, such as transparency, better approval rates and flexible terms, also influenced P2P/marketplace consumer lending users. Similarly, convenience was the other top factor that influenced BNPL users, including flexible terms, easy application and approval processes, and better customer service.

Alternative finance platforms in the ASEAN region complement traditional banking systems, as they mainly serve the underbanked and enable financial inclusion.
Borrowers who used P2P/marketplace consumer lending platforms reported using banking products and services more often after receiving funds from online alternative finance platforms. More than half started to use or increased the frequency with which they used their personal savings or checking accounts. This was followed by an increase in the use of personal loan contracts, personal credit cards and overdraft accounts.

MSME users of digital finance

Three models that cater to MSMEs – P2P/marketplace (and balance-sheet) business lending, invoice trading and equity crowdfunding – were analysed. A total of 190 responses related to those three models were received.

Female business borrowers made up a greater proportion of the respondents, but they borrowed less than their male counterparts.
When looking at the gender distribution of business respondents, female borrowers represented 54% across all the business-facing models, 57% of whom used P2P/marketplace business lending platforms. In terms of education level, most female borrowers had completed secondary school, whereas most male borrowers had an undergraduate degree. The results indicate that the alternative finance industry plays an important role in the inclusion of under-represented business borrowers into the financial system.

Most MSMEs were young, micro and small businesses, and were operating either as sole traders or with few full-time employees.
Most MSME respondents that had borrowed or raised finance were micro and small enterprises, operating with no (sole traders) or between one and five full-time employees. Most had been operating for between one and five years, and a smaller proportion was less than one year old. This reinforces the hypothesis that alternative finance plays an important role in providing access to finance to smaller businesses.

Regarding the use of traditional finance facilities, MSMEs often used personal financial products to meet their business funding needs.
MSMEs that used P2P/marketplace business lending and equity crowdfunding models reported using personal checking or savings accounts the most, followed by personal current accounts. The results suggest that the owners of these businesses relied on personal financial products to meet their funding needs. Conversely, MSMEs that used invoice trading platforms mainly used business savings or checking accounts.

MSMEs that used P2P/marketplace business lending and invoice trading platforms to borrow funds were strongly influenced by better customer service, flexible terms, ease of getting funding compared to traditional sources and speed of receiving the funds.
Non-financial benefits, such as public relations and marketing, and insights and expertise from the platforms' investors, were the main decision-making factors for businesses that chose to fundraise through equity crowdfunding platforms. The main reason MSMEs borrowed funds, across all three models, was to raise working capital, followed by expansion and growth.

Most MSMEs reported growth in their business performance (net profit, revenue and employment) after receiving finance through a fintech platform.
Most MSMEs reported that the financing had a positive impact on their business, primarily through increased productivity and an expanded customer base. Further, alternative finance borrowers defaulted less compared to the non-performing loan (NPL) average (over 3%) in ASEAN countries, according to the World Bank, reporting an almost negligible default rate (1%).

During the Covid-19 pandemic, most MSMEs reported they had not received any financial assistance from their government or fintech platform and hence had to adjust their business operations.
For those MSMEs that received government assistance, it was mostly in the form of cash assistance/loan subsidies or tax relief. A slightly higher proportion received assistance from fintech platforms, mostly in the form of fee waivers, eased payment plans and additional credit facilities. It should be noted that, in many cases, the governments themselves asked fintech platforms to reduce or eliminate fees, and even directed additional credit facilities through this channel.

Policy implications and recommendations

Regulators may impose limits on the amount that can be borrowed through digital lending channels.
Some regulators in ASEAN countries have already implemented mandates setting limits on the total amount individuals can borrow through P2P platforms based on their annual income. For example, the Philippines limits consumers' total borrowing to 5% of their annual income. To this end, regulators should also communicate more with platforms to get a better understanding of the amounts consumers borrow.

Regulators may impose caps on the interest rates charged by digital lenders.
Some ASEAN countries reported illegal and unauthorised digital lenders engaging in predatory lending or collection practices and charging exorbitant interest rates. To overcome this issue, regulators in some ASEAN countries have imposed caps on the interest rates that P2P lenders can charge their borrowers. For example, Thailand caps the interest rate at 15% a year. Further, it is also important for regulators to create a whitelist of regulated digital lending fintechs that are operating in the country.

There is a need for industry standards or guidelines for BNPL providers to ensure consumer interests are protected.
Most respondent BNPL users were young (Millennials and Gen Z) and new to credit, making protecting consumers' interests even more important. Regulators need to supply BNPL providers with clear guidelines (code of conduct) and ensure they carry out sufficient checks to confirm whether consumers can afford to take out such loans. Further, regulation could also focus on product design to ensure sufficient information is provided at checkout points so users can make informed decisions.

There is a need to promote adequate disclosure and digital financial literacy among digital finance users.
In most cases, P2P lenders charged higher interest rates compared with banks and other financial institutions. This study shows that most business borrowers are micro and small enterprises and generally have a lower education level. Hence, platforms must tell businesses what interest rate they are being charged and provide mandatory user education. Furthermore, regulators need to promote digital financial literacy among borrowers using digital finance platforms.

1 Introduction

1 Introduction

This first edition of *The ASEAN Access to Digital Finance Study* aims to provide valuable data and insights into how individual households, consumers, and MSME customers use digital alternative finance channels, such as online digital lending and capital raising platforms, to access credit or raise funds across the key countries in the ASEAN region. The report focuses on five ASEAN countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand.

1.1 Study rationale and research objectives

During the last few years, the use of digital financial services (DFS) has grown exponentially across the ASEAN region. According to *The 2nd Global Alternative Finance Market Benchmarking Report*, since 2018, the use of online alternative finance channels by individuals and businesses in this region exceeded USD2 billion in transaction values and, furthermore, the industry was resilient during the Covid-19 pandemic.[1]

Fintechs offer innovative products and services to households, individuals and businesses. However, little is known about how fintech providers engage with customers, and how these engagements impact individual customers and businesses' short-to-medium-term financial health. When considering the types of fintech solutions that have recently emerged across the ASEAN region, the University of Cambridge's research results suggest that digital lending and capital raising activities, such as P2P lending, crowdfunding and BNPL, experienced significant growth and may also have contributed toward increasing levels of financial inclusion. The evidence from this research supports the hypothesis that fintech service providers are a critical component of the financial lives of individuals and MSMEs, enhancing access to credit and bolstering alternative finance in the region.

The CCAF and ADBI jointly conducted this study to assess how individuals and businesses use online digital finance (alternative finance or fintech) platforms to access credit or raise funds. The study aims to better understand how new financial products and services are being used, how they complement consumers' existing banking activities, and how they can evolve to serve consumers' changing needs.

This report provides valuable data and insights, and serves as a crucial public resource that can help regulators, policymakers and key stakeholders understand the critical role that fintech firms play in consumers and businesses' access to digital finance in the ASEAN region. The results of this study provide a comprehensive analysis of the key opportunities and challenges facing fintech customers, and how evolving regulations and policies can further enable the growth of the fintech ecosystem while also protecting the needs of customers.

1.2 Report structure

This report is divided into two main chapters: individual consumer and household access to digital finance (Chapter 3) and MSME access to digital finance (Chapter 4). Each chapter analyses the relevant digital alternative finance models included in this study, and each model is discussed against the key research themes identified.

1 CCAF (2022). *The 2nd global alternative finance market benchmarking report*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.101.
Available at: *https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf*

2 Methodology

2 Methodology

2.1 Data source and collection

The primary dataset used in this report was collected through the *ASEAN Access to Digital Finance Survey*, developed for this study by the CCAF and ADBI. The survey was distributed as a stand-alone online survey and collected both quantitative and qualitative data. Survey logic was used so that the flow of questions catered to either individual consumers or MSMEs, based on the type of fintech platform through which they received finance.

Respondents had to answer a maximum of 38 questions; the number of questions depended on the alternative finance channel they used. The survey comprised four key research themes:

1. Respondent profile/demographics and company structure (for businesses)
2. Relationship with traditional finance services
3. Financing experiences when using fintech-based financial services
4. Post-financing outcomes and the impact of the Covid-19 pandemic

After defining the scope of the report, a syndicate of 19 research partners was built, made up of online fintech platforms that provide individuals or MSMEs with debt or equity finance. To be chosen, these partners needed to be active in one of the five ASEAN countries included in this study, have a substantial customer base and have been active for at least three years. Partner firms were invited to collaborate with and assist the research team to refine and test the survey, and provide substantial support in the data-collection process. The online survey was distributed in collaboration with these syndicate partners. To enhance accessibility, the survey was translated from English into five languages: Bahasa Indonesia, Malay, Thai, Tagalog/Filipino and Simplified Chinese.

Participants were encouraged to respond to the online survey via the fintech platform they were using. (The CCAF provided each partner fintech platform with a unique survey link.) It should be noted that although surveys were distributed through the syndicate partners, only the Cambridge research team could access the raw data, ensuring participants' anonymity throughout the process. The survey was distributed in a phased and multi-pronged outreach campaign. This included social media and other press activities to raise awareness of the study and direct outreach from the fintech research collaborators. In addition to the fintech platform partners, the study also benefitted from the assistance of six leading fintech associations in the ASEAN region that served as research collaboration partners.

Data was collected between 28 February and 15 April 2022. Survey responses were received from individual consumers/households and MSMEs located in Indonesia, Malaysia, the Philippines, Singapore and Thailand that had used a fintech platform (digital lending and/or digital capital raising) between 2020 and 2021 to access credit or raise funds using debt and investment-based alternative finance models. Specifically, the models surveyed in this study are the following:

- Debt-based models: P2P/marketplace consumer and business lending, balance-sheet consumer and business lending, invoice trading, and buy now, pay later (BNPL)
- Equity-based models or investment crowdfunding: equity-based crowdfunding

In addition to the survey responses received from the 19 platforms within the syndicate, responses from customers who had used other fintech firms were also received. Those responses had to be validated carefully before being included in the analysis. This inclusion resulted in a more robust coverage of activity across the region.

2.2 Data sanitisation, verification and analysis

The raw data was sanitised and verified between 15 April and 15 May 2022. Adhering to the EU General Data Protection Regulations (GDPR) and the University of Cambridge data controller and protection rules, all personal and firm-level identifying information was removed, for example, fintech platform name, contact name and email address. Token IDs were assigned to each platform to maintain the anonymity of the responses. Hence, analysis was performed against an anonymised file and reported at an aggregate level (by different business models).

A total of 10,580 unique entries were received from the survey. During the initial sanitisation, entries that did not match the inclusion criteria were removed. The data collected underwent a multi-stage validation process, including cross-checking for abnormal and inconsistent survey responses. To ensure that only the responses from alternative finance platforms were included, any entries corresponding to banks, incumbents, cooperatives and other financial institutions were removed. Additionally, any entries from fintech platforms that could not be traced back to their operating business models were also removed. The quantitative data elements, such as individual income, company revenue and amount borrowed/raised, were verified and outliers removed. Amounts that were reported in local currencies were converted into US dollars (USD) using the OANDA average rate for the period between 1 January 2020 and 31 December 2021. It should be noted that it is not our intention to present precise or absolute figures for these quantitative data elements, but rather to provide an assessment of how ASEAN borrowers and fundraisers experience and use fintech solutions for their financing needs.

After the data cleaning and validation processes, there were 8,886 cleaned responses (approximately 16% of the total responses received were removed). Most responses (8,523) were from the Philippines and, to ensure a balanced dataset for analysis, a stratified random sampling method was adopted by selecting 200 sample responses from the Philippines' dataset across all the business models included in this study. As such, this study is based on 600 data responses from both individual consumer and business (MSMEs) respondents across all five countries sampled. Tables showing the distribution of the sample by countries and business models studied, before and after adjusting for responses from the Philippines' dataset, are included in the appendix (Tables A1 and A2).

The following are some additional data cleaning and manipulation features that were implemented during the analysis:

- Banking products were grouped into their respective lines and reclassified as personal finance products, business finance products, equity investments and other financial products.
- For the MSME respondents, each entity was categorised by size – micro, small or medium – based on its reported 2021 annual revenue and number of full-time employees (FTEs), according to the respective country's criteria for determining company size.[2] Notably, the average sizes of firms varied considerably between the MSME business models, with relatively larger firms generally using invoice trading and equity financing. This variation mainly occurs because of how these different models operate (Tables 2.1 and 2.2) and how financing is obtained. Firms using the P2P/marketplace business and balance-sheet lending models are relatively smaller in size and apply for small-ticket loans for shorter periods. Further, these loans are mostly unsecured, while those obtained through the invoice trading model are secured against the invoices, and funds raised through equity crowdfunding are secured against the equity shares issued.
- The terminology or definitions for common company legal structures used across the five countries studied were combined. Those legal structures that could not be combined or that applied to only one country are shown separately using the ♦ symbol.

2 Criteria for company size:
Indonesia: https://www.oecd-ilibrary.org/sites/9789264306264-5-en/index.html?itemId=/content/component/9789264306264-5-en
Malaysia: https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition?id=371
The Philippines: https://pnl-law.com/blog/magna-carta-for-micro-small-and-medium-enterprises-msmes-republic-act-no-6977-as-amended/
Singapore: https://osome.com/sg/term/micro-enterprise/
Thailand: https://www.sme.go.th/en/page.php?modulekey=363

2.2.1 Analysis type

For this study, qualitative and quantitative data was collected through an online survey. Descriptive analysis was applied to the quantitative dataset (established by the Global Benchmarking Alternative Finance programme as related to quantitative time-series data analysis) and content analysis to the qualitative dataset to better understand the participants' responses. Also, case studies were analysed by business model and country, the results of which are contained in this report.

2.2.2 Limitations

There are some limitations to this study regarding sample size and response distribution, as the number of responses was not evenly distributed among the countries and verticals analysed in this study. Hence, we could not perform any cross-business-model or cross-country analysis.

In this study, we did not attempt to measure the quality, price and diversity of loan offers. Neither was it our aim to measure the behaviour of MSMEs (such as herd behaviour and anchoring) in deciding between online financial products or services and traditional banking products or services. Thus, further research is needed to analyse these aspects of financial products and services.

2.3 Alternative finance taxonomy

This report focuses on online alternative finance or fintech models as they relate to digital lending and digital capital raising activities. Though a somewhat vague term, at its core, 'alternative finance' includes digital financing activities conducted outside incumbent banking systems and traditional capital markets. In particular, the alternative finance ecosystem comprises various lending, investment and non-investment models that enable individuals, businesses and other entities to raise funds via a digital marketplace. As the ecosystem has evolved, distinct model types have emerged. In this regard, the CCAF has developed a taxonomy of 16 business models, grouped into three categories: debt, equity and non-investment. For this study, we discuss only relevant debt-and equity-based model categories.

Debt-based models

Debt-based models, commonly associated with P2P and marketplace lending activities, include online non-deposit-taking platforms from which individual lenders or institutional investors can extend credit to individuals, businesses or other borrower entities. This debt can be in the form of a secured or an unsecured loan, a bond or another type of debtor note. Table 2.1 summarises the debt-based models included in this study.

Table 2.1 Models included in the debt-based category

Category	Business model	Stakeholders
P2P/marketplace lending*	Consumer lending	Individuals or institutional funders provide loans to consumer borrowers; commonly assigned to off-balance-sheet lending.
	Business lending	Individuals or institutional funders provide loans to business borrowers; commonly assigned to off-balance-sheet lending.
	Property lending	Individuals or institutional funders provide loans secured against property to consumers or business borrowers; commonly assigned to off-balance-sheet lending.
Balance-sheet lending**	Consumer lending	The platform entity provides loans directly to consumer borrowers; assigned to on-balance-sheet non-bank lending.
	Business lending	The platform entity provides loans directly to business borrowers; assigned to on-balance-sheet non-bank lending.
	Property lending	The platform entity provides loans secured against property directly to consumers or business borrowers; assigned to on-balance-sheet non-bank lending.
Invoice trading***	Invoice trading	Individuals or institutional funders purchase discounted invoices or receivables from businesses.
Consumer purchase financing/customer cash-advance	Buy now, pay later	A buy now, pay later payment facilitator or store credit solution that is typically interest bearing.

**P2P lending: A group of individual or institutional investors that provide a loan (secured or unsecured) to a consumer or business borrower. In its most orthodox form, the P2P lending platform acts as a marketplace connecting the borrower and investor(s) in such a way that the financial risk of the loan not being repaid lies with the investor and not the platform. Depending on the country/jurisdiction, this model is called loan-based crowdfunding, marketplace lending, collaborative financing or crowdlending.*

***Balance-sheet lending: A digital lending platform that directly retains consumer or business loans (either whole or partial) using funds from the platform operator's balance sheet. These platforms, therefore, function as more than just intermediaries, originating and actively funding loans so the financial risk of the loan not being repaid lies with the platform operator. In this respect, the platform operator acts more like a non-bank credit intermediary.*

****Increasingly, invoice trading models are expanding into supply-chain finance activities. At present, this subset activity is too small to categorise as a separate model. This model may subsequently need further refinement.*

Equity-based models

Equity-based models (including equity-based crowdfunding) relate to activities where individuals or institutions invest in unlisted shares or securities issued by a business, typically a start-up. As equity-based models have advanced, subsets of the model, such as real estate and property-based crowdfunding, have flourished, with investors being able to own a property asset fully or partially by purchasing property shares. Table 2.2 summarises the equity-based model included in this study.

Table 2.2 Model included in the equity-based category

Category	Business model	Stakeholders
Equity-based	Equity-based crowdfunding	Individuals or institutional funders purchase equity issued by companies.

3 Individual consumer and household access to digital finance

3 Individual consumer and household access to digital finance

In this study, individual consumer and household users of digital finance are individuals who had borrowed finance or accessed credit through an online digital finance platform operating in one of the countries included in this study. The study analysed two types of models that cater to individuals: P2P/marketplace (and balance-sheet) consumer lending and BNPL. As such, the findings reported focus on these two overarching models. A total of 410 responses were received from individual consumer and household respondents.

3.1 P2P/marketplace consumer lending

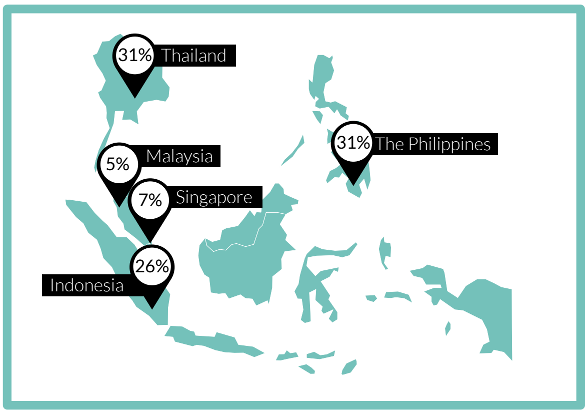
Approximately 66% (272) of the responses received from individual consumer and household respondents were from the P2P/marketplace consumer lending model. This is not surprising given it is the largest alternative finance model across Asia Pacific, consistently ranked as the leading online alternative finance model in the region.[3]

3.1.1 Profile of respondents

Demographic of respondents

Most respondents from the P2P/marketplace consumer lending model were from Thailand (31%), the Philippines (31%) and Indonesia (26%). A small proportion was from Singapore (7%) and Malaysia (5%).

Figure 3.1 Country of residence: P2P/marketplace consumer lending (n. 272)



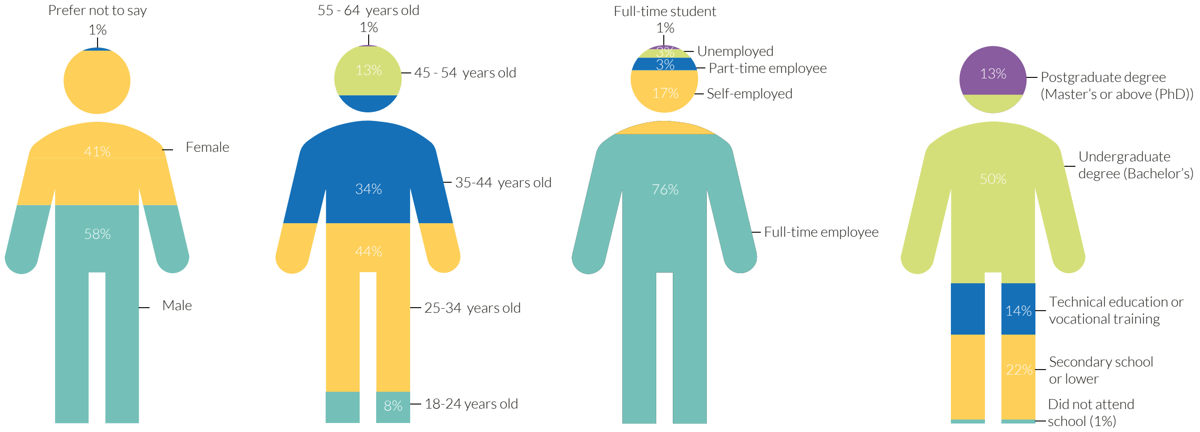
Overall, most P2P/marketplace consumer lending users were Millennials, had full-time jobs, had no or up to two dependents, were educated to degree level and had an annual income slightly above the minimum wage of their country.

Most borrowers were male, though a substantial number of female borrowers (41%) also used this model. Almost half the clients using this model were Millennials: 44% were between 25 and 34 years of age, and 34% were between 35 and 44.

Most borrowers (76%) were full-time employees, 17% were self-employed and only 3% reported being unemployed. Most respondents had a degree or technical education, with half indicating they were undergraduates. Twenty-two percent had completed secondary school and a negligible 1% had not attended school.

3 CCAF (2022). *The 2nd global alternative finance market benchmarking report*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.100. Available at: *https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf*

Figure 3.2 Gender, age, employment status and highest education level: P2P/marketplace consumer lending (n. 272)



One-third of respondents lived with family or friends, 22% rented property and 20% owned the property in which they lived. In terms of the number of dependents, 35% reported not having any, 42% had one or two dependents, and 23% had three or more dependents. Looking at the estimated annual income of respondents, the median income was USD4,688, which was well above the minimum wage in four of the countries studied (excluding Singapore).[4] And for up to 75% (third quartile), the average annual income was USD9,130. By gender, the median income of female borrowers was USD4,170 and for male borrowers, it was USD5,177.

Figure 3.3: Primary residence and number of dependents: P2P/marketplace consumer lending (n. 272)

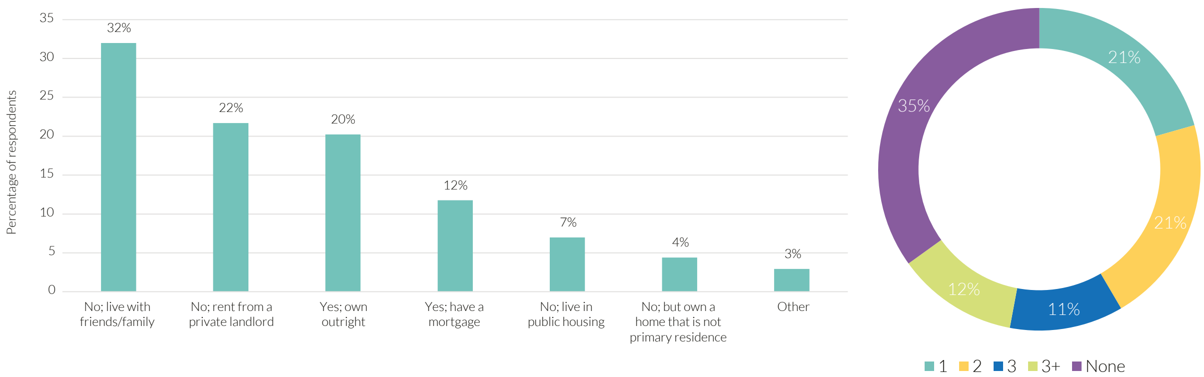
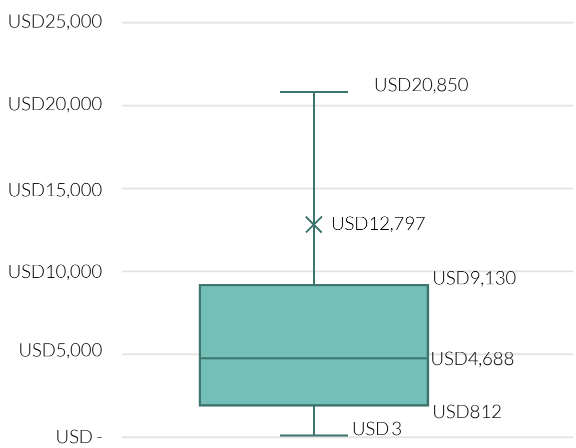


Figure 3.4 Annual income: P2P/marketplace consumer lending (n. 253)



**Four outliers representing incomes greater than USD5 million were excluded. (Zero/nil values were also excluded from calculations.)*

***Outliers (too far/extreme values) are not shown in this boxplot.*

****X represents the mean.*

(A boxplot is a type of chart often used in explanatory data analysis. It shows the distribution of numerical data and skewness by displaying the data quartiles (or percentiles) and averages. Boxplots show the five-number summary of a dataset, including the minimum score, first (lower) quartile, median, third (upper) quartile and maximum score.)

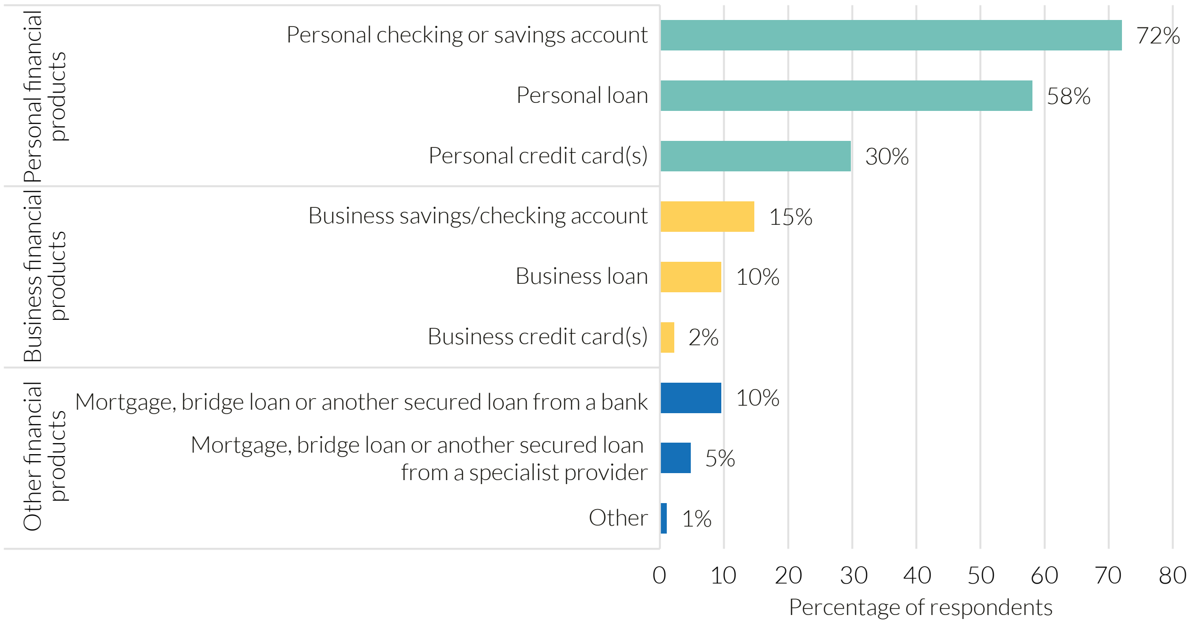
4 Ayman Falak Medina (2021). *Minimum Wages in ASEAN for 2021*. Available at: https://www.aseanbriefing.com/news/minimum-wages-in-asean-for-2021/

3.1.2 Relationship with traditional financial services

Traditional financial facilities use

When considering the types of traditional finance facilities respondents had access to and were using, individual borrowers relied heavily on personal finance products from banks. The top three most used facilities were personal checking or savings accounts (72%), personal loans (58%) and personal credit cards (30%). A smaller proportion used business finance products, such as business checking or savings accounts (15%) or business loans (10%). For borrowers that used other types of financial products, 10% used mortgages, bridge loans or another type of secured loan from a bank.

Figure 3.5 Forms of traditional finance use: P2P/marketplace consumer lending (n. 272)

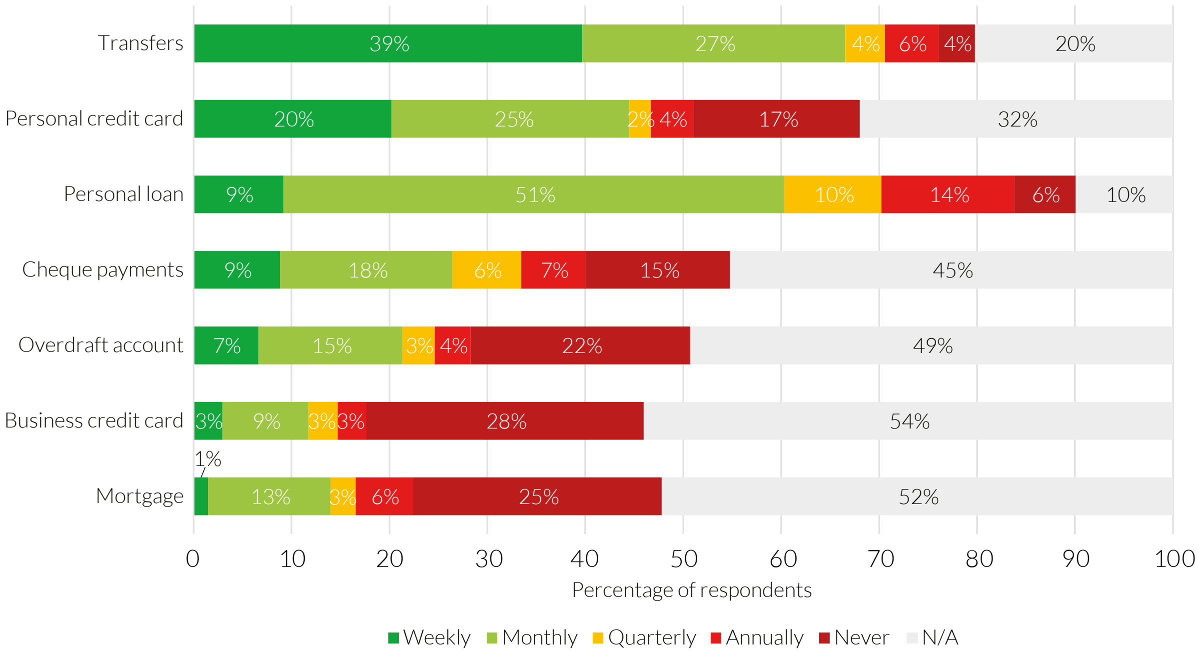


**Other financial products or instruments that may cater to both consumers and businesses*

Banking products use

When analysing the frequency of banking products use, personal loans and transfers were the two products used most often. The former was used monthly by more than half the respondents, while the latter was used weekly by 39% of respondents. Personal credit cards were also used weekly by 20% of borrowers. Conversely, the three least used or unavailable banking products/services were mortgages, business credit cards and overdraft accounts.

Figure 3.6 Frequency of banking products/services use: P2P/marketplace consumer lending (n. 272)

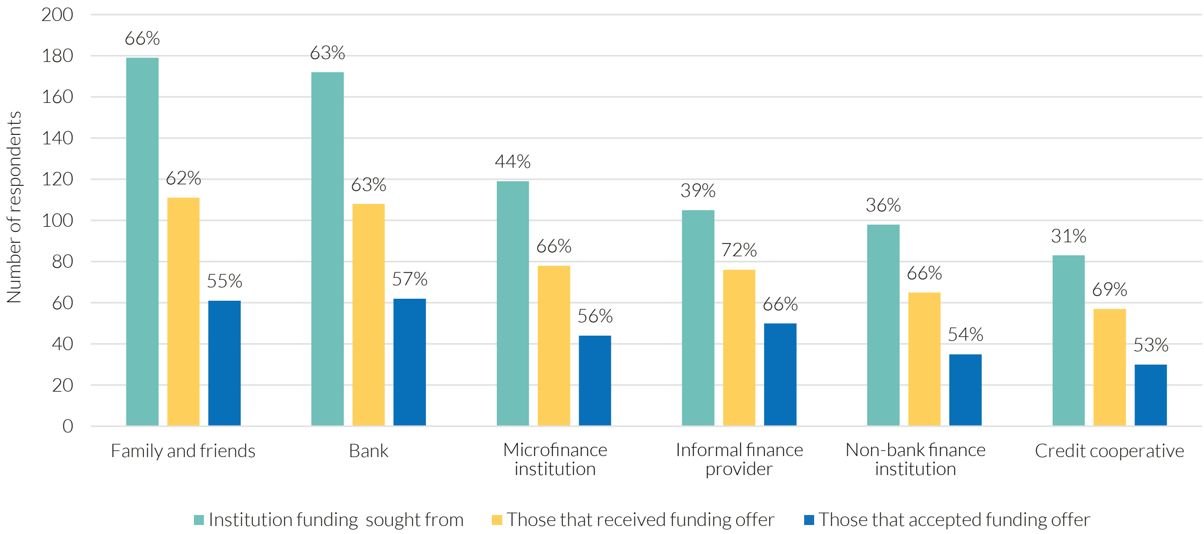


'N/A' indicates not applicable or no relationship.

Previous financing from other sources

Before turning to alternative financing platforms, borrowers first sought financing through other channels. The two most popular channels were family and friends (66%), and banks (63%). Of those borrowers who sought financing from family and friends, 62% received an offer and 55% accepted that offer. Among borrowers who sought funds from banks, 63% received an offer and 57% accepted that offer. The third most popular channel was microfinance institutions, with 44% of borrowers seeking funding from this source. Of those, more than two-thirds received an offer and one-half accepted it. It is important to note that the offer and acceptance rates for borrowers who approached informal finance providers were relatively higher than for those who sought funding from the top three most popular traditional finance channels, despite having fewer borrowers.

Figure 3.7 Previous financing from other sources: P2P/marketplace consumer lending (n. 272)

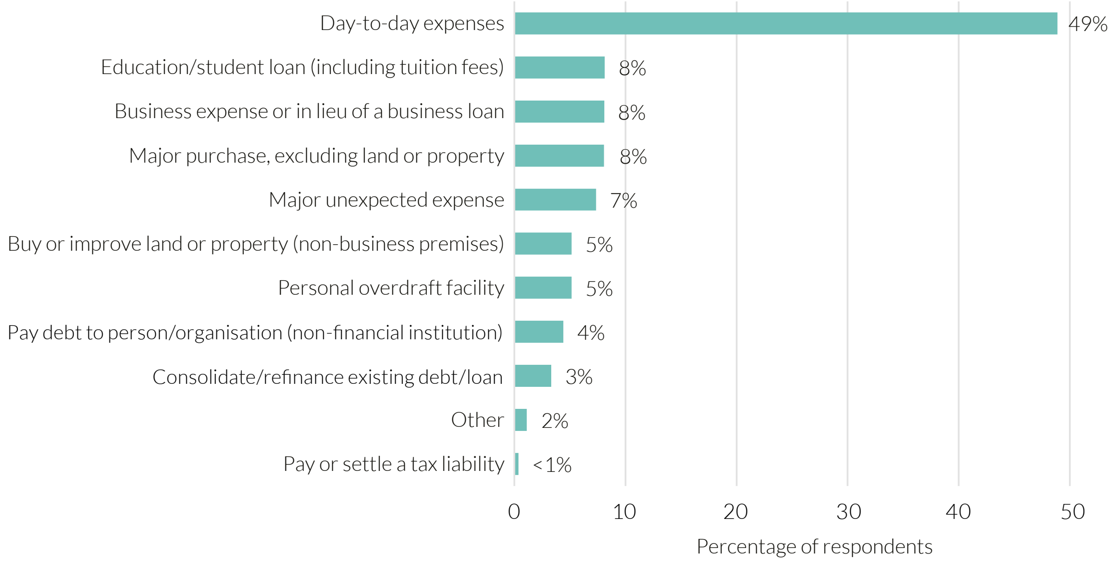


3.1.3 Borrowing experience

Primary purpose of borrowing

Nearly half the respondents who used P2P/marketplace consumer lending platforms borrowed funds for daily expenses or to meet short-term needs (Figure 3.8). Far fewer consumers (8% each) borrowed funds for education, student loans, business expenses or major purchases (for example, a car or travel). In addition, some P2P borrowers used the funds to cover other debts, such as a personal overdraft (5%), to repay a debt (4%) or to consolidate existing debts (3%).

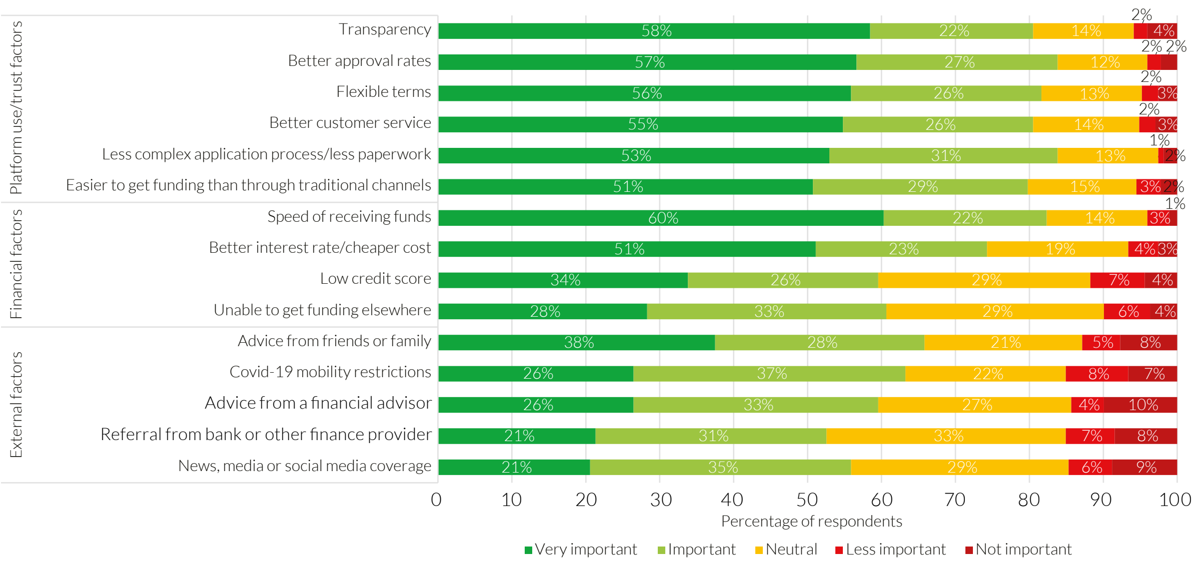
Figure 3.8 Primary purpose of borrowing: P2P/marketplace consumer lending (n. 272)



Decision-making factors for borrowing from fintech

The main decision-making factors that led borrowers to use a P2P/marketplace lending platform were platform use and trust factors (Figure 3.9). More specifically, factors such as the speed of receiving the funds, transparency, better approval rates and customer service were considered very important by more than half the borrowers. In terms of external factors, advice from friends or family was ranked as very important by more than one-third of borrowers. Besides that, there were other important factors, such as less complex paperwork and the ease of getting the funds compared to traditional channels.

Figure 3.9 Decision-making factors for borrowing from fintech: P2P/marketplace consumer lending (n. 272)



Case study

Fintech platform: *Wealthi Techfin*
Individual consumer: *Vichan Lertvichayakamol*
Country: *Thailand*

Brief history of the individual consumer

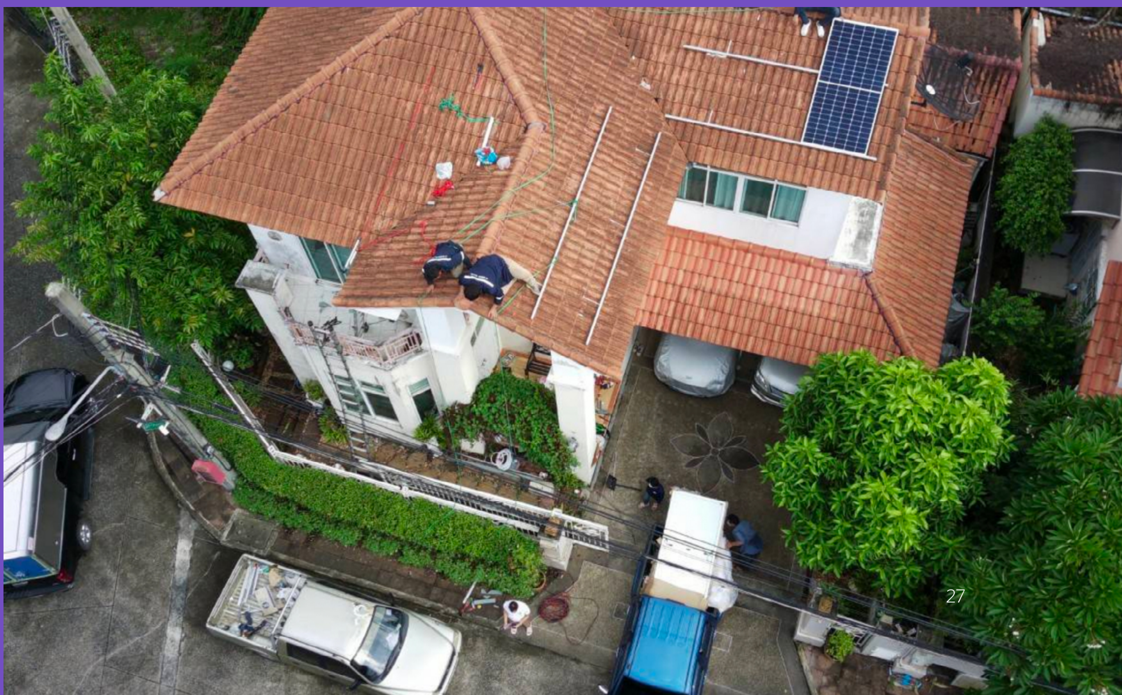
Vichan Lertvichayakamol had been researching the topic of solar cell energy on the internet for a long time. He was prompted to do this after a few households on his road installed solar cells. Unfortunately, he found out that they are very expensive, and it would take him many years to get a return on his investment.

Why this individual consumer decided to access credit through the fintech platform

Vichan came across Wealthi by accident and saw that it offered leasing terms for solar equipment at a fair price. According to the platform's terms, to get the 3-kW solar cell he wanted, which cost USD3,000, he would have to provide a 20% down payment of USD600. Because he could afford this payment plan, he contacted Wealthi.

How the financing impacted the individual consumer

Vichan learnt that Wealthi had more than 100 customers who, like him, did not want to wait for years to get a return on their investment. He chose Wealthi because the platform became involved in solar cells to help accelerate the green energy movement, which he is proud to be part of. Wealthi also connected him with an expert solar cell vendor who gave him a ten-year warranty, which was longer than the instalment period. Now, the money Vichan saves on his electricity bill offsets the monthly instalments he pays toward the cost of the solar cells. Vichan saves money and also contributes to the climate change movement.



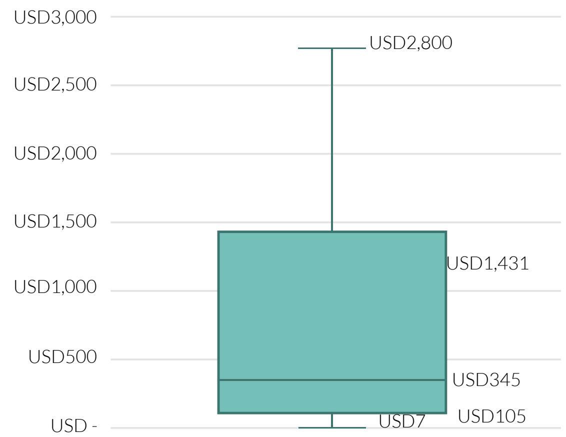
Ability to get funding from another source

Even though being unable to get funding from other sources was a very important decision-making factor for many borrowers, when asked about their ability to get funding from another source, more than half (57%) believed they would have been able to borrow the same amount elsewhere. Thirty percent were not sure, and 7% reported they would not have been able to.

Amount borrowed

Respondents were asked how much they had borrowed in total in the last 12 months from their primary fintech platform/lender. After excluding outliers, consumers mainly borrowed small sums with a median of USD345 because they generally used the funds to meet short-term needs or cover day-to-day expenses. For most borrowers (up to 75%), the maximum amount borrowed was USD1,431 (Figure 3.10). Overall, the mean amount borrowed was USD15,847.

Figure 3.10 Amount borrowed: P2P/marketplace consumer lending (n. 258)



**Two outliers (with borrowed amounts over USD63 million) were excluded. (Zero/nil values were also excluded from calculations.)*
***Outliers (too far/extreme values) are not shown in this boxplot.*

In terms of the amounts borrowed against the gender and income level of respondents, overall, the average amount borrowed by female consumers was 1.5 times higher than that borrowed by male consumers, which was mainly due to the greater amounts borrowed by females with an annual income above USD50,001 (Table 3.1). However, the overall median amount borrowed was similar: USD344 for females and USD396 for males. Notably, female borrowers with an income below USD1,000 borrowed, on average, nearly twice as much as male borrowers within the same income range.

Table 3.1 Amount borrowed by gender and annual income: P2P/marketplace consumer lending

Gender	Annual income range (USD)	Amount borrowed (USD)	
		Median	Mean
Female	Below 1,000 (n. 25)	207	394
	1,001–5,000 (n. 35)	276	450
	5,001–10,000 (n. 25)	269	4,558
	10,001–50,000 (n. 13)	630	6,362
	Above 50,001 (n. 7)	145,011	273,576
	Overall (n. 105)	344	19,809
Male	Below 1,000 (n. 44)	109	2,094
	1,001–5,000 (n. 25)	344	592
	5,001–10,000 (n. 36)	615	2,239
	10,001–50,000 (n. 23)	2,070	15,751
	Above 50,001 (n. 15)	51,555	92,515
	Overall (n. 143)	396	13,167

**The table excludes respondents that chose the gender options 'prefer not to say' and 'other'. (Zero/nil values were also excluded from calculations.)*

***'n' refers to the number of observations.*

Further, despite males with an annual income below USD1,000 borrowing a median amount of USD109, the average suggests that some borrowed an amount greater than their annual income. This study also found that 75% of these borrowers applied for additional financing over and above the amount they had borrowed through a fintech platform. The main source of this subsequent financing was fintech platforms (42%) (Figure 3.14). Some of those borrowers used multiple fintech platforms to meet their financing needs and used them several times. They were able to do this because most online fintech lending platforms only perform soft credit checks before lending. This repeated borrowing could be due to higher interest rates and shorter repayment periods. Eventually, this may lead to debt accumulating, which may then affect the borrower's financial health. To tackle this, regulators could limit the amounts borrowed through digital lending channels. Some regulators in ASEAN countries have already implemented mandates that restricts the total amount individuals can borrow through P2P platforms based on their annual income. For example, the Philippines limits consumers' total borrowing to 5% of their annual income.[5]

5 CCAF (2022). *Fintech regulation in Asia Pacific*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.33. Available at: *https://www.jbs.cam.ac.uk/wp-content/uploads/2022/03/2022-ccaf-fintech-regulation-in-apac.pdf*

Interest rates

Most individual respondents (80%) reported they were charged monthly interest rates on their most recent loans, followed by 17% who were charged weekly interest. For those who reported being charged monthly interest rates, the most common interest rates ranged from 0–2.49%, followed by 2.5–4.99%. For those being charged weekly interest rates, most respondents reported rates ranging from 0–2.49% (Table 3.2). It is important to note that various factors influence interest rates, such as the risk profile of customers, cost of funds, and purpose and terms of the loan.

Table 3.2 Interest rate: P2P/marketplace consumer lending (n. 272)

Interest rate/payment frequency (%)	Quarterly (%) (Proportion of respondents: 3%)	Monthly (%) (Proportion of respondents: 80%)	Weekly (%) (Proportion of respondents: 17%)
0–2.49	29	42	65
2.5–4.99	29	33	18
5–9.99	14	11	3
10–14.99	14	8	8
15–19.99	14	2	
20+		4	6

Some ASEAN countries reported illegal and unauthorised digital lenders engaging in predatory lending or collection practices and charging exorbitant interest rates.[6] To overcome this issue, regulators in some ASEAN countries have imposed caps on the interest rate that P2P lenders can charge their borrowers. For example, Thailand caps the interest rate at 15% per year.[7] Further, it is also important for regulators to create a whitelist of regulated digital lending fintechs operating in the country.[8]

Digital financial literacy and consumer protection

Digital finance has huge potential in the ASEAN region, but awareness of digital finance solutions and digital financial literacy is key for growth in the region. However, because a large proportion of the population in countries such as Indonesia, Malaysia and the Philippines live in rural areas, access to and awareness of digital finance is still a challenge. Strengthening consumer protection to build trust in digital finance is critical for regulators. For instance, in Malaysia, consumers need to understand the role of the Ombudsman of Financial Services, Consumer Forum of the Malaysian Communications and Multimedia Commission (MCMC), Bank Negara Malaysia, Consumer Tribunal and the police in addressing complaints related to online fraud and financial issues. The Federation of Malaysian Consumers Associations (FOMCA) has called on policymakers to formulate and implement a national programme for digital financial literacy to empower all consumers so they can take full advantage of digital finance, understand the risks and take measures to mitigate these risks, and better understand their rights as consumers.[9] Similarly, in Thailand, the Bank of Thailand (BOT), in their consultation paper on repositioning the financial sector, has emphasised the need for financial and digital literacy among households so access to financial services can be expanded without leading to financial vulnerability.[10]

6 Fitch Ratings, Inc. (2021). *Indonesia's Online Lending Clean-up Key to Bolstering Sector Credibility.* Available at: *https://www.fitchratings.com/research/non-bank-financial-institutions/indonesias-online-lending-clean-up-key-to-bolstering-sector-credibility-02-11-2021*

7 CCAF (2022). *FinTech Regulation in Asia Pacific*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.33. Available at: *https://www.jbs.cam.ac.uk/wp-content/uploads/2022/03/2022-ccaf-fintech-regulation-in-apac.pdf*

8 Reserve Bank of India (2021). *Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps.* Available at: *https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/DIGITALLENDINGF6A90CA76A9B4B3E84AA0EBD24B307F1.PDF*

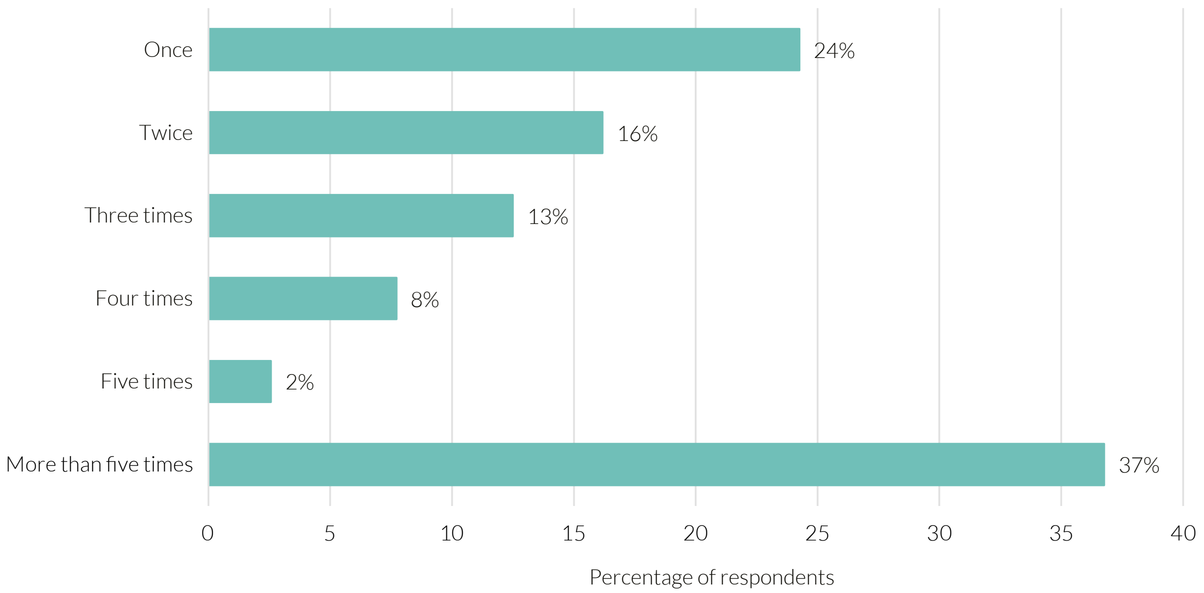
9 Raj, P. S. (14/090/2021). *Critical Need for Digital Financial Literacy, Fomca Org.* Available at: *https://www.fomca.org.my/v1/index.php/fomca-di-pentas-media/fomca-di-pentas-media-2021-21/1460-critical-need-for-digital-financial-literacy*

10 Bank of Thailand (2022). *Repositioning Thailand's Financial Sector for a Sustainable Digital Economy*. Available at: *https://www.bot.or.th/landscape/files/consultation-paper-en.pdf*

Frequency of borrowing from fintech platforms

According to this study, more than 75% of borrowers had used a digital lending platform more than once. Of those, 37% used the platform to borrow funds more than five times, 16% twice and 13% three times. Additionally, when asked if they had borrowed from other fintech platforms, more than half (57%) reported they had.

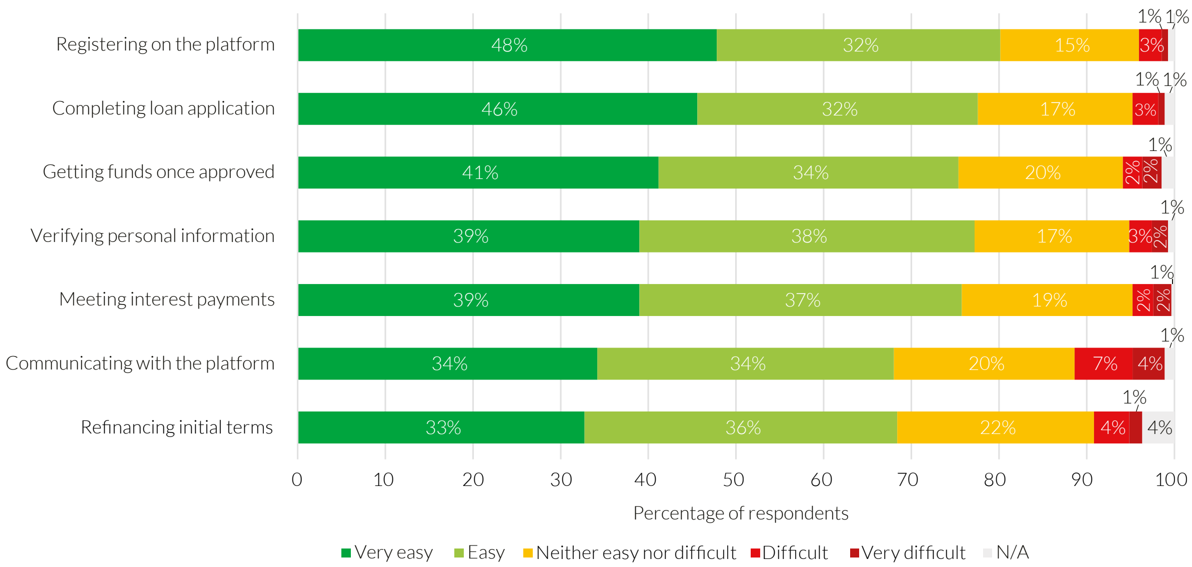
Figure 3.11 Frequency of borrowing from fintech platforms: P2P/marketplace consumer lending (n. 272)



Ease of using fintech platforms

In terms of ease of using a fintech platform, most borrowers reported that it was very easy or easy to use across all activities. The top three activities borrowers reported as being very easy to use were registering on the platform, completing loan applications and getting the funds once approved.

Figure 3.12 Ease of using fintech platforms: P2P/marketplace consumer lending (n. 272)



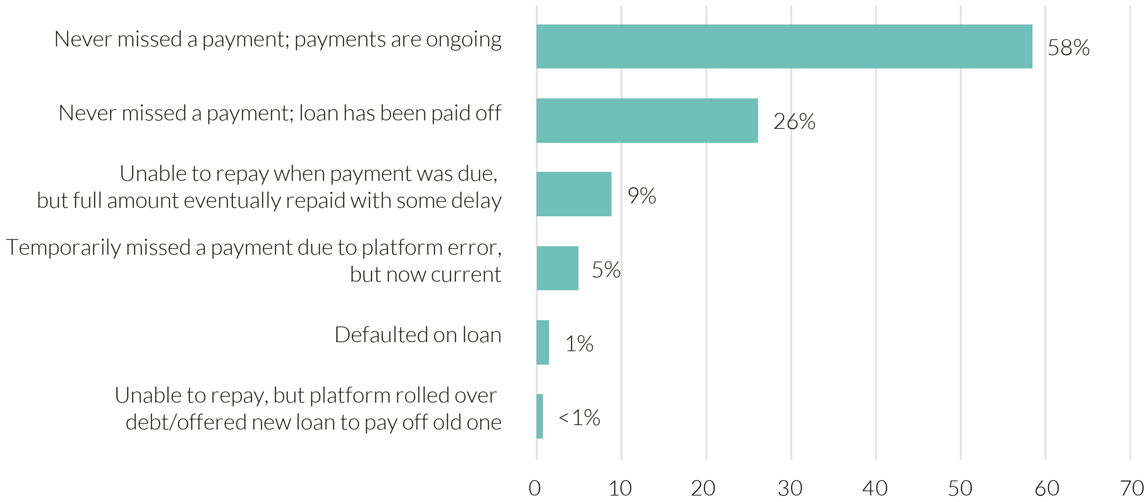
'N/A' indicates not applicable or that the respondent did not wish to rate the activity.

3.1.4 Outcome of financing and Covid-19 impact

Loan repayment status

Most respondents (58%) reported they had never missed a loan repayment and that their payments were ongoing, and 26% had fully paid off the loan. A small proportion (1%) had defaulted on their loan, which is lower than the non-performing loan (NPL) average reported by the World Bank.[11]

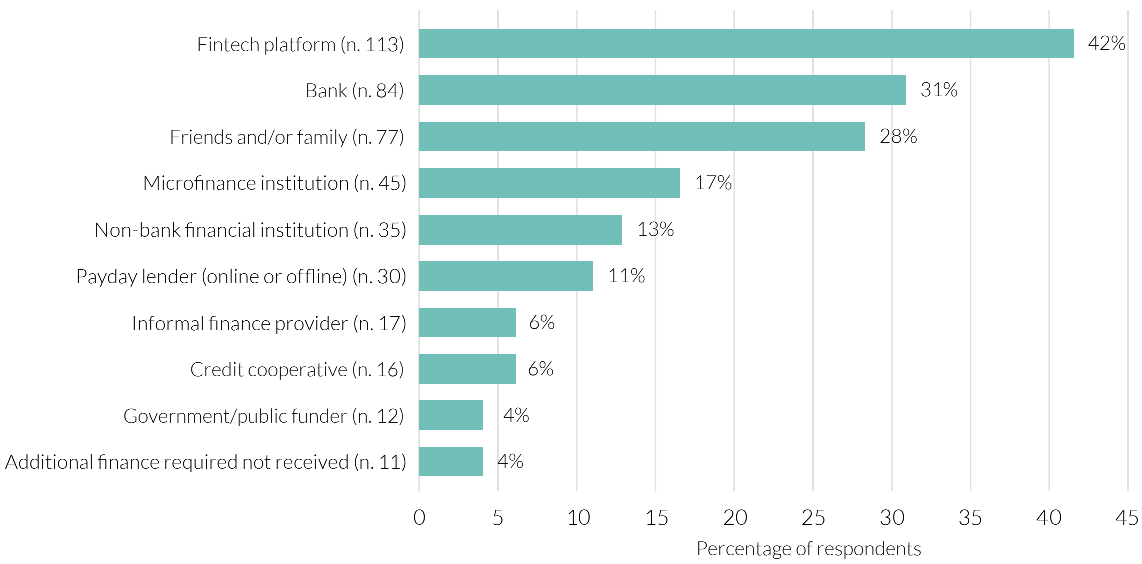
Figure 3.13 Loan repayment status: P2P/marketplace consumer lending (n. 272)



Subsequent/additional borrowing

After borrowing funds through a fintech platform, 75% of respondents reported applying for additional finance. The main source of this subsequent financing was fintech platforms (42%), which tallies with earlier findings that many consumers use different online platforms to meet their financial needs. This was followed by banks (31%), friends and family (28%), and microfinance institutions (17%). Of note, these were also the top funding sources from which borrowers had previously sought finance before approaching a fintech.

Figure 3.14 Subsequent/additional borrowing source: P2P/marketplace consumer lending (n. 272)

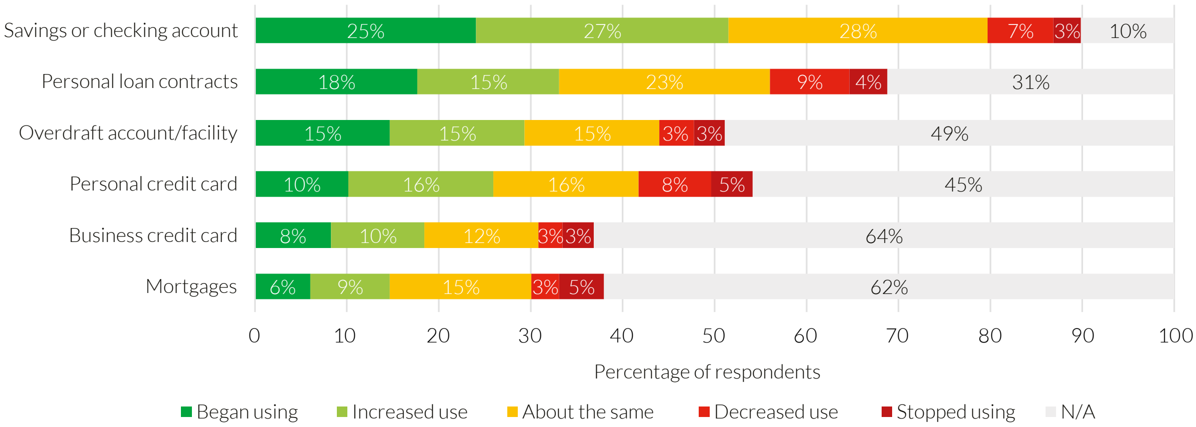


11 World Bank Group (2022). *Bank nonperforming loans to total gross loans (%)*. Available at: https://data.worldbank.org/indicator/FB.AST.NPER.ZS?end=2021&start=2021&view=map&year=2020

Banking relationship impact

Having access to digital fintech lending enables customers to build their credit history and access other types of financial products. Borrowers were asked whether their relationship with bank products and services had changed since receiving funds from alternative financing platforms. The results show that more than half had begun to use or had increased the frequency with which they used savings or checking accounts, indicating a more organised financial situation. This was followed by an increase in the use of personal loan contracts, overdraft accounts and personal credit cards. This emphasises the fact that fintech complements traditional banking systems, as they mainly serve the underbanked[12] and enable further financial inclusion.

Figure 3.15 Banking relationship impact: P2P/marketplace consumer lending (n. 266)



Covid-19 government financial assistance

During the Covid-19 pandemic, governments in each country across the region provided various types of assistance in the form of programmes/packages. Most borrowers (74%) reported they did not receive any Covid-19 financial assistance from their government. For those who did, the main type of assistance received was an income transfer scheme (42%), followed by an income transfer scheme for low-income populations (19%) and vouchers (10%), as shown in Table 3.3.

Table 3.3 Covid-19 government financial assistance: P2P/marketplace consumer lending (n. 31)

Scheme*	Proportion (%)
Income transfer scheme (cash assistance/transfer)	42
Income transfer scheme to low-income populations	19
Other (unemployment/healthcare/food assistance)	19
Vouchers	10
Tax relief/rebates	7
Wage subsidy	3

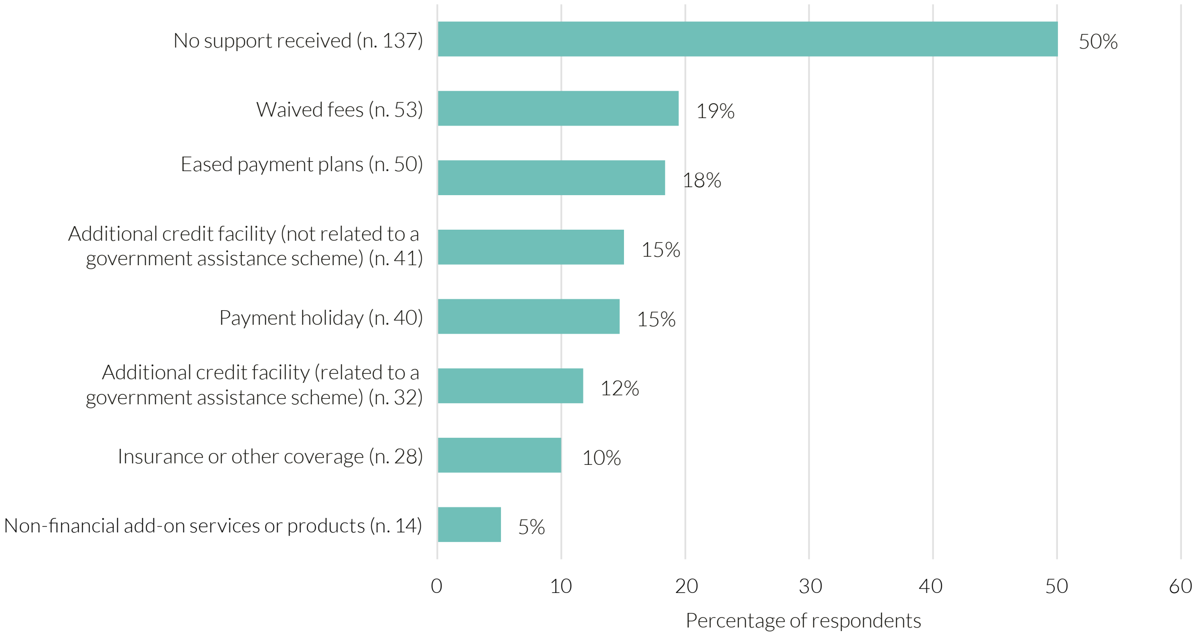
**The schemes were grouped according to the responses received. This is not an exclusive list, and the objective is not to list all the schemes provided by the respective governments to the respondents. There may be an overlap in the schemes listed.*

12 Cornelli, G., Frost, J., Gambacorta, L., Rau, P.R., Wardrop, R. and Ziegler, T., 2020. *Fintech and big tech credit: a new database*, BIS Working Papers, page 14

Covid-19 platform assistance

Similarly, fintech platforms also offered several types of assistance to their customers during the Covid-19 pandemic. Half the P2P/marketplace consumer lending borrowers reported they did receive some type of Covid-19-related relief or assistance from their platforms. For those who did, the most common types were related to payments or financial support, such as fee waivers (19%) and eased payment plans (18%). This was followed by payment holidays and additional credit facilities, both at 15%. It should be noted that, in many cases, the governments themselves asked fintech platforms to reduce or eliminate fees and provide eased payment plans, and even channelled additional credit facilities through them.[13]

Figure 3.16 Covid-19 platform assistance: P2P/marketplace consumer lending



Increase in borrowing frequency due to Covid-19

Over one-third of respondents (35%) indicated they had increased the frequency with which they borrowed funds due to Covid-19. The reasons for this increase in frequency were to compensate for financial difficulties due to lower or no income, or meet additional needs created by the pandemic, such as purchasing medicine, food and other basic household necessities.

3.2 Buy now, pay later

Approximately 34% (138) of responses from individual consumers were related to the buy now, pay later (BNPL) model.

BNPL is a form of short-term financing that offers convenience and easy access to credit for small-ticket purchases. It allows shoppers to spread the cost of purchases over a short period (typically a few weeks or months), by paying the amount back in instalments rather than in full at the time of making the purchase.[14] However, the BNPL provider typically settles the bill outright with the merchant on the buyer's behalf. BNPL providers sometimes charge interest, but mostly offer interest-free periods. If individuals pay off the balance before the repayment period ends, they avoid paying interest or other charges.

13 Sugandi, E.A., (2021). The COVID-19 Pandemic and Indonesia's Fintech Markets. *SSRN Electronic Journal*. doi:10.2139/ssrn.3916514.

14 Rahil Sheikh (2021). *Buy now pay later: How does it work?* [online] BBC News. Available at: *https://www.bbc.co.uk/news/explainers-59582188*

BNPL regulatory developments in the ASEAN region

There has been considerable growth in the BNPL model in Asia Pacific, particularly in Southeast Asia. This growth has largely been driven by the increased adoption of digital finance solutions for e-commerce purchases.[15] With a rapid increase in the number of players offering BNPL services and expanding into other markets within the region, the BNPL sector is becoming highly competitive and fragmented. Other regional-specific factors have also driven this growth, such as the increase in digitalisation of businesses, growing internet penetration among consumers,[16] digital technologies and readily available data, unbanked and underbanked populations, and credit opportunities.

The BNPL model is mainly used by retail consumers who are young, new to credit and may have limited or no access to formal lines of credit.[17] The facility offers convenience and easy access to credit (for smaller ticket purchases), and consumers' creditworthiness is generally assessed through soft checks. However, this rapid increase in the use of BNPL services has raised some concerns, especially that they may lead the Gen Z population to overextend themselves by buying items they cannot afford, which may result in over-indebtedness.[18] Currently, there are no specific regulations or policy guidelines regulating this space in the ASEAN region. However, regulators are carefully monitoring the sector and taking steps to implement necessary regulations.

The Monetary Authority of Singapore (MAS), in their parliamentary replies dated 5 April 2022,[19] noted that the current BNPL trends in Singapore do not pose significant risks regarding consumer indebtedness. However, a code of conduct is expected to be released in the second half of the year that seeks to mitigate the risk of consumer over-indebtedness and establish minimum standards to ensure consumer protection. The Singapore FinTech Association (SFA), under the guidance of MAS, has established a BNPL working group (BNPL WG), which is an industry-led initiative to develop a code of conduct or framework for the Singapore market in advance of formal regulation.[20] The BNPL framework will outline behavioural guidelines and enforcement mechanisms for players offering BNPL solutions in the country. Similarly in Malaysia, the central bank (the Bank Negara Malaysia (BNM)), is working with the Ministry of Finance (MoF) and Securities Commission Malaysia (SC) to regulate BNPL schemes by enacting the Consumer Credit Act (CCA) later this year.[21] Further, BNM indicated it had worked with financial education networks to inform consumers about the risks of using BNPL schemes.

With the BNPL market expanding to other countries in the ASEAN region, we can expect to see more regulations surrounding BNPL services in the future.

15 Ritchie, M. and Nejal, J. (2022). *Buy Now Pay Later: the Regulatory Landscape in the Asia Pacific Region*. [online] Deloitte. Available at: *https://www2.deloitte.com/au/en/blog/financial-advisory-financial-services-blog/2022/buy-now-pay-later-regulatory-landscape-asia-pacific-region.html*

16 Asian Development Bank (2020). *Asia Small and Medium-Sized Enterprise Monitor 2020*. Available at: *https://www.adb.org/sites/default/files/publication/646146/asia-sme-monitor-2020-volume-1.pdf*

17 Dhanorkar, S. (2021). *5 things to know about buy now, pay later schemes*, The Economic Times. Available at: *https://economictimes.indiatimes.com/wealth/borrow/5-things-to-know-about-buy-now-pay-later-schemes/articleshow/87221951.cms*

18 Barclays (2022). *Two in five Gen Z shoppers using unregulated BNPL feel 'overwhelmed' by repayments*. Available at: *https://home.barclays/news/press-releases/2022/03/two-in-five-gen-z-shoppers-using-unregulated-bnpl-feel--overwhel/*

19 Monetary Authority of Singapore (2022). *Reply to Parliamentary Question on 'Buy Now Pay Later' Schemes*. Available at: *https://www.mas.gov.sg/news/parliamentary-replies/2022/reply-to-parliamentary-question-on-buy-now-pay-later*

20 Singapore Fintech Association (2022). *BNPL industry group to develop BNPL Framework for Singapore market*. Available at: *https://singaporefintech.org/bnpl-industry-group-annoucement/*

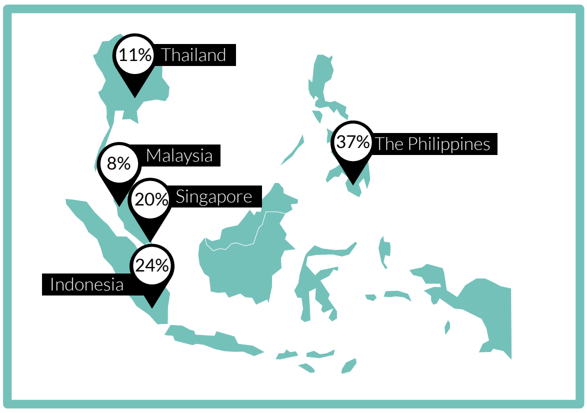
21 Ministry of Finance Malaysia (2022). *Bank Negara teams up with MoF, SC to regulate BNPL schemes*. Available at: *https://www.mof.gov.my/portal/en/news/press-citations/bank-negara-teams-up-with-mof-sc-to-regulate-bnpl-schemes*

3.2.1 Profile of respondents

Demographic of respondents

Over 80% of BNPL respondents were from the Philippines, Indonesia and Singapore, while a smaller proportion was from Thailand (11%) and Malaysia (8%).

Figure 3.17 Country of residence: BNPL (n. 138)

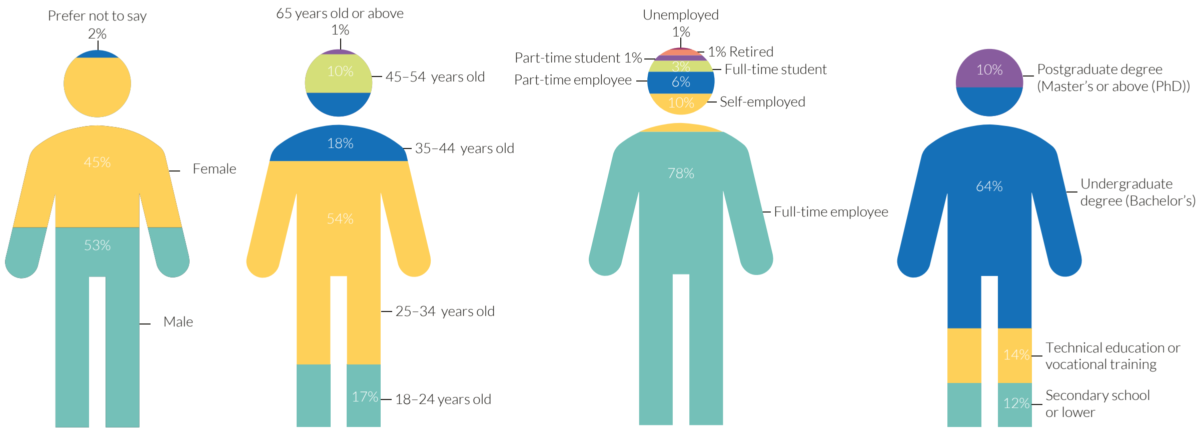


Overall, BNPL users were young people, in full-time employment and had an undergraduate degree. Their annual income was also generally higher than the minimum wage of their respective countries.

More than half (53%) of BNPL users were male and 45% were female. Notably, most (54%) respondents were in the 25–34 age bracket, and 17% were aged between 18 and 24. This shows that the main users of BNPL facilities were Millennials and Gen Z. The third-largest group of respondents were between 35 and 44 years of age (18%). Most respondents were in full-time employment (78%), followed by those who were self-employed (10%).

In terms of education level, all respondents had attended school. More than half had an undergraduate degree (64%), and the remaining proportion was evenly distributed between having a technical education or vocational training, being educated to secondary school level, and having a postgraduate degree or higher.

Figure 3.18 Gender, age, employment status and highest education level: BNPL (n. 138)



Regarding users' primary residence (Figure 3.19), nearly two-thirds did not own their residence, and either lived with family or friends, or rented from a private landlord. Fourteen percent owned the property in which they lived and 13% had a mortgage. Nearly half the respondents did not have any dependents, one-third had one or two, and 16% had three or more.

The median income of BNPL users was USD5,072 (Figure 3.20), which was much higher than the minimum wages of four of the countries studied (excluding Singapore).[22] Up to 75% (third quartile) had an annual income of USD11,650. In terms of gender, the median income of female BNPL users was USD3,475 and for male users, it was USD7,441.

22 Ayman Falak Medina (2021). *Minimum Wages in ASEAN for 2021*. Available at: *https://www.aseanbriefing.com/news/minimum-wages-in-asean-for-2021/*

Figure 3.19 Primary residence and number of dependents: BNPL (n. 138)

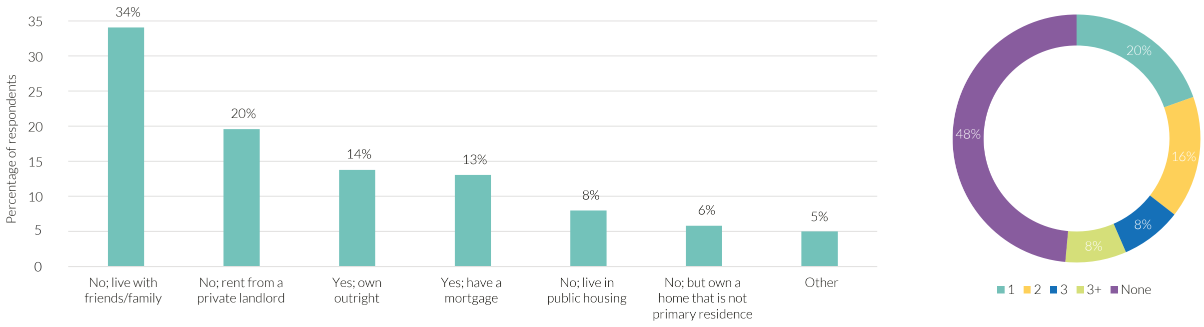
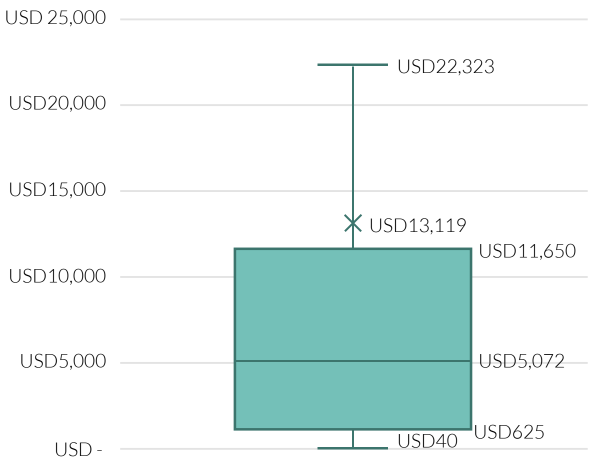


Figure 3.20 Annual income: BNPL (n. 127)



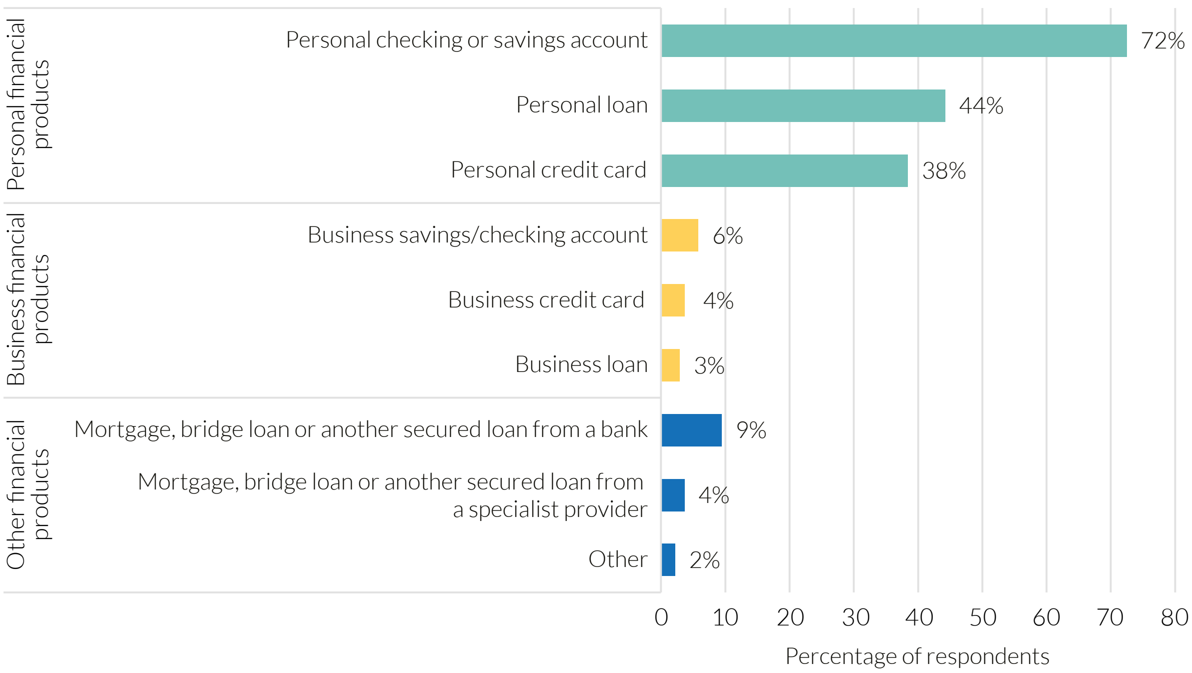
*Four outliers (with values over USD100,000) were excluded from the chart. (Zero/nil values were also excluded from calculations.)
**Outliers (too far/extreme values) are not shown in this boxplot.
***X represents the mean.

3.2.2 Relationship with traditional financial services

Traditional financial facilities use

Unsurprisingly, the main traditional finance facility BNPL respondents used was personal financial products. Personal checking or savings accounts were the most popular (72%), followed by personal loans (44%) and personal credit cards (38%). Far fewer individuals used business financial products: 6% had business savings or checking accounts, 4% a business credit card and 3% a business loan. Another 9% of users had a secured loan from a bank.

Figure 3.21 Forms of traditional finance use: BNPL (n. 138)

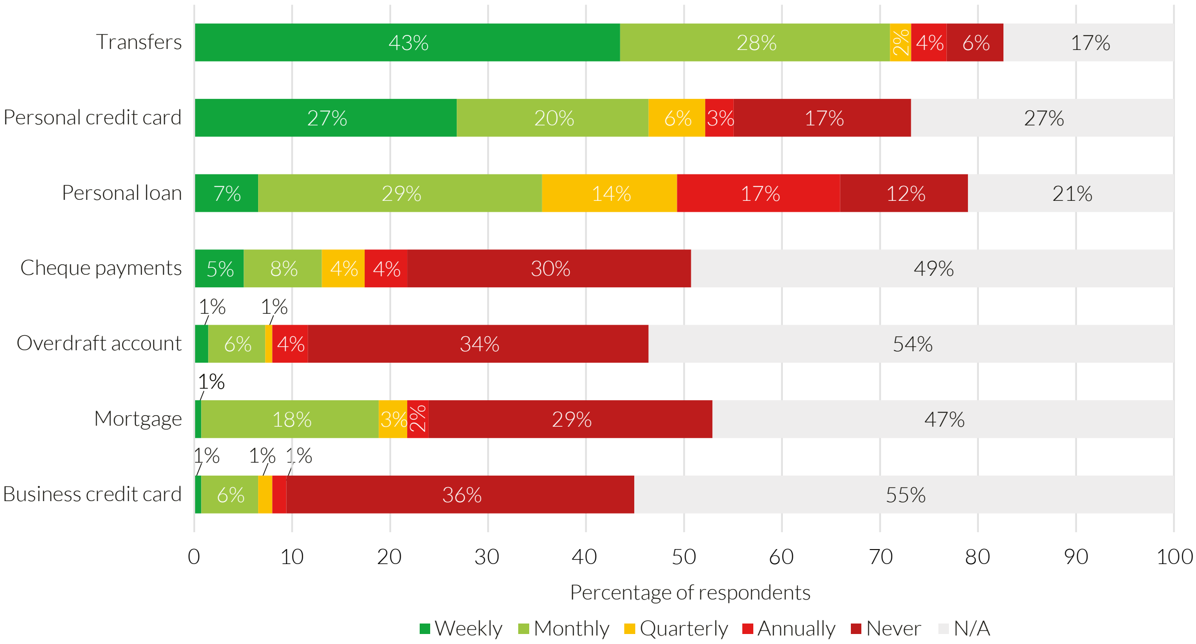


*Other financial products or instruments that may cater to both consumers and businesses

Banking product use

The top three banking products/services most frequently used by BNPL customers were transfers, personal credit cards and personal loans (Figure 3.22). The top two banking products used weekly were transfers (43%) and personal credit cards (27%). A personal loan was the product most used every month (29%).

Figure 3.22 Frequency of using banking products/services: BNPL (n. 138)



**'N/A' indicates not applicable or no relationship.*

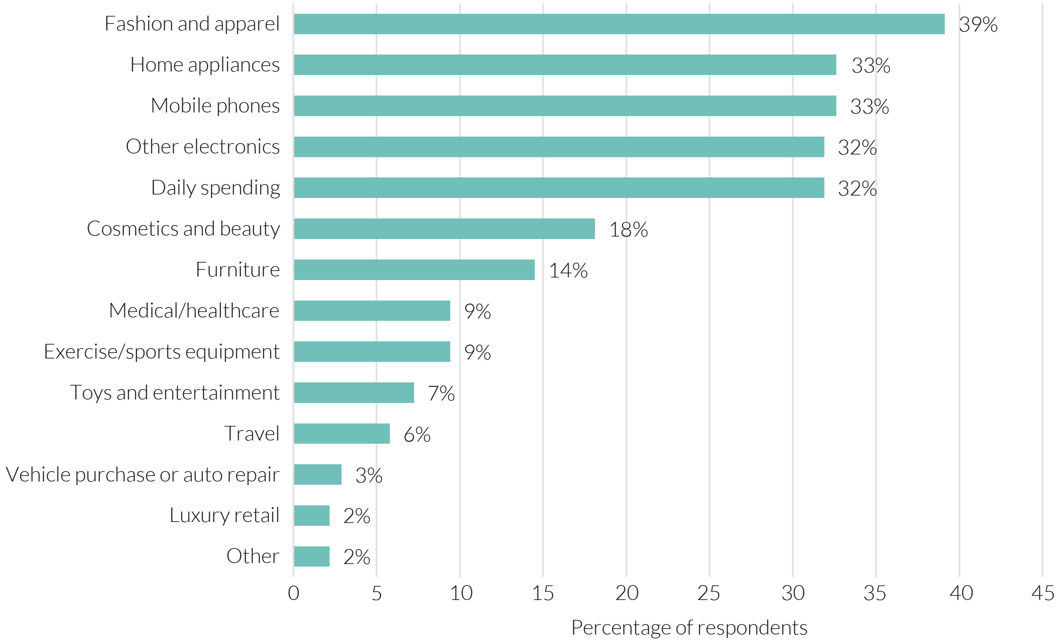
3.2.3 Purchase experience

Type of purchase using BNPL facilities

The main type of purchase BNPL users made was fashion items and apparel (39%). This was closely followed by home appliances, mobile phones, other electronics and daily spending, each with a proportion of around 30%. Much less significant were vehicle purchases or auto repair (3%) and luxury retail (2%). A similar study shows that the top three types of purchases made by consumers in the US using a BNPL facility were home and furniture goods, electronics (such as headphones and speakers), and apparel (such as clothing and shoes).[23]

23 Credit Karma (2021). *Buy now pay later surges throughout pandemic, consumers' credit takes a hit*. Available at: https://www.creditkarma.com/about/commentary/buy-now-pay-later-surges-throughout-pandemic-consumers-credit-takes-a-hit

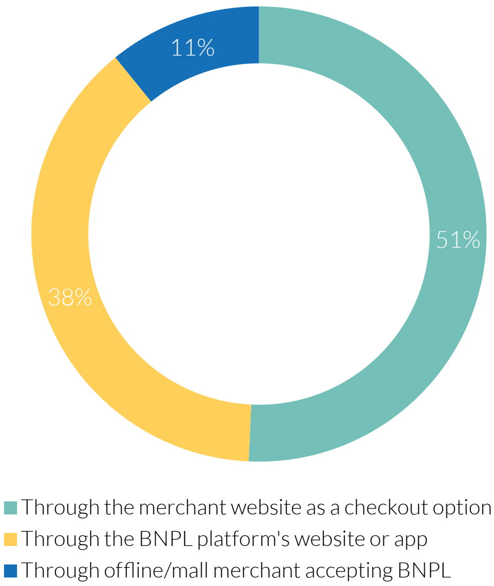
Figure 3.23 Type of purchase using BNPL facilities: BNPL (n. 138)



Means of accessing BNPL facilities

When asked about how they accessed BNPL facilities, more than half of BNPL users reported first accessing a BNPL service through merchant websites as a checkout option, followed by one-third who used the BNPL's own websites or apps. The least popular way of accessing a BNPL facility was through offline/mall merchants (11%).

Figure 3.24 Means of accessing BNPL facilities: BNPL (n. 138)



Provision of additional engagement options

The survey asked users whether the BNPL platform had offered any additional engagement options, such as reward programmes, attractive marketing campaigns and offers, and newer features including credit lines (Table 3.4). Of those that responded, 35% reported that the BNPL platform had, 26% indicated that it had not, and the rest were not sure. For those who had been offered further enticements, 33% received additional discounts and vouchers, and 12% received free shipping, followed by an increase in credit limits and point rewards, both at 9%.

Table 3.4 Provision of additional engagement options: BNPL (n. 33)

Additional enticements*	Proportion (%)
Further discounts and vouchers	33
Free shipping	12
Higher credit limit	9
Reward points	9
Rebates	6
0% interest	3
Cash loans	3
Endorsing a new shop or product	3
Cashbacks	3
Other	19

**The above-listed additional enticements were grouped according to the responses received.*

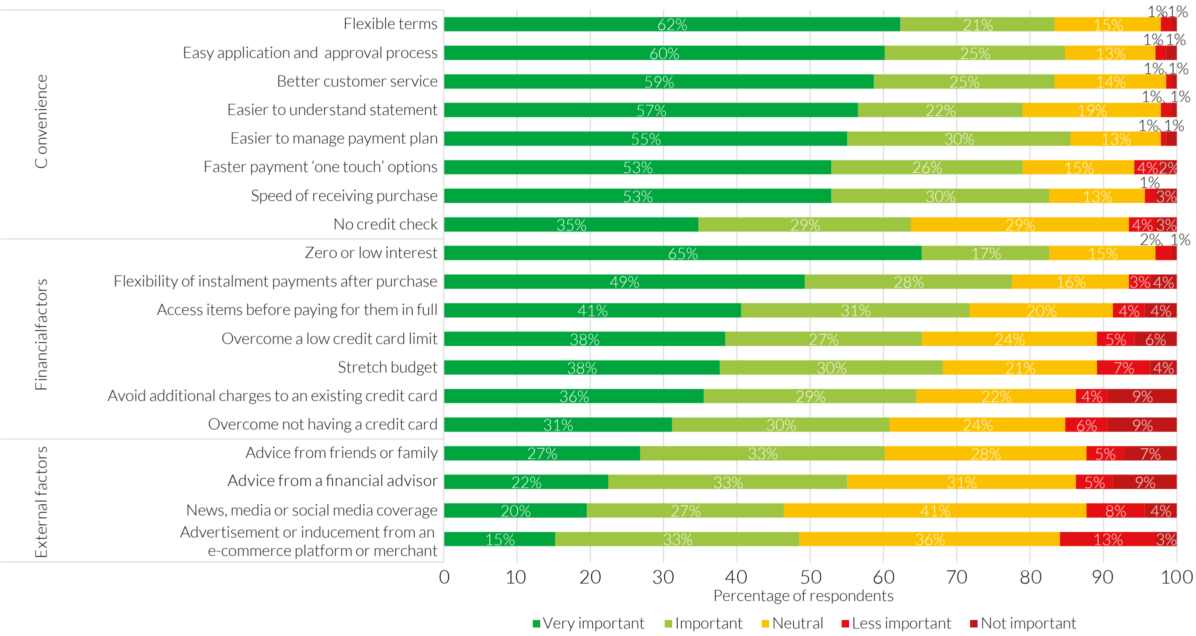
Being denied a purchase due to low income/credit score

Users were asked if they had ever been denied a purchase due to their income or credit score, and 23% indicated that they had. The remaining three-quarters had never faced this challenge. Notably, 35% of the users noted 'no credit check' as a very important decision-making factor for using a BNPL facility (Figure 3.25).

Decision-making factors for borrowing from a BNPL facility

Overall, convenience (which includes flexible terms, easy application and approval processes, and better customer service) was the main decision-making factor that led participants to use a BNPL facility. The key financial influencer for BNPL users was paying zero or low interest, followed by flexible instalment payments. The least important decision-making factors were external, such as advertisements or inducements, news, media or social media coverage, and advice from a financial adviser or friends and family.

Figure 3.25 Decision-making factors for using BNPL facilities: BNPL (n. 138)



Case study

Fintech platform: *BillEase/First Digital Finance Corporation (FDFC)*
Individual consumer: *Charles Eugine*
Country: *The Philippines*

Brief history of the individual consumer
Charles Eugine is a 25-year-old Filipino living in Bacoor, Cavite. He has a Bachelor's degree in Aircraft Technology and now works as a tech specialist at Accenture Inc. Charles has accounts at three local banks and owns one credit card.

Difficulties or obstacles the individual consumer faced in obtaining credit from other sources, such as banks and financial institutions
Charles has one credit card with an average credit limit. He only uses this credit card for instalment plans on big purchases, such as home appliances and gadgets. When he reached the maximum credit limit on his card, he asked the bank to increase the limit. However, the bank refused his request.

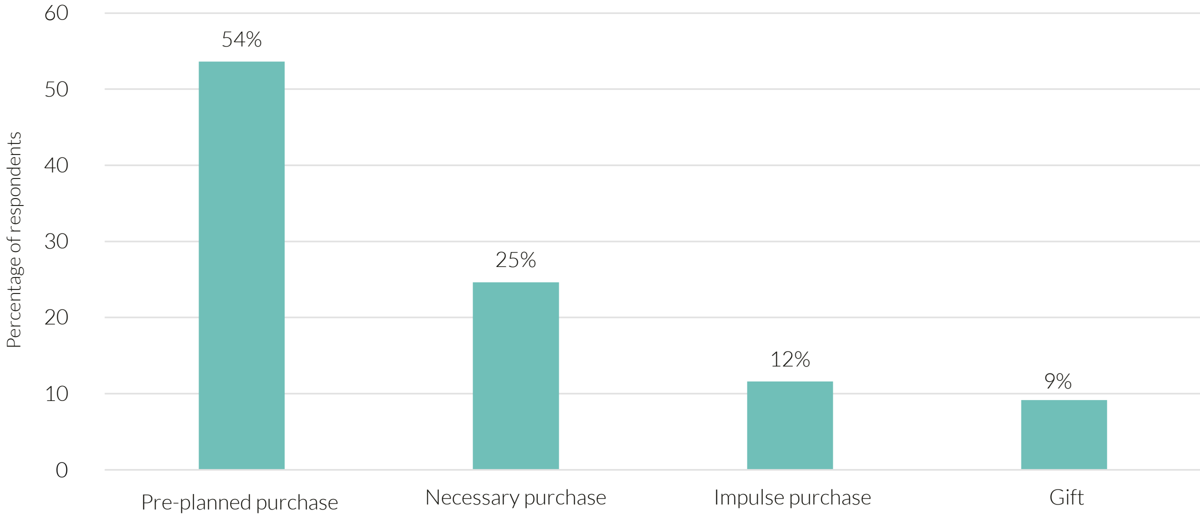
Why this individual consumer decided to access credit through the fintech platform
In January 2022, Charles downloaded the BillEase app so he could use the Lazada and e-wallet top-up facilities. He uses his BillEase available credit when he needs extra funds for groceries and other goods. Because the platform charges 0% or very low interest, he can pay back the amount he borrows in less than two months.

How the financing impacted the individual consumer
Although Charles has a credit card, he cannot use it for months because he is still paying for the appliances he previously purchased on an instalment plan. Having a BillEase account means he can still make purchases, paying back the funds with easy and quick instalments, without having to apply for another credit card. The BillEase app helps him pay for emergencies with the option of reimbursing the funds later in the month when he receives his salary. He also likes that e-wallet top-ups are disbursed immediately because he mainly uses this facility for unforeseen day-to-day expenses. BillEase also has a lot of electronic merchants so he can easily buy new computer games simply by using his smartphone. He does not need to travel to Datablitz's physical store to make the purchase, potentially exposing himself to Covid-19. Paying for goods in instalments is easy and convenient for Charles, as all he needs to do is connect his Gcash account to the BillEase app to process the payments.

Purchases made through BNPL facilities and ability to get funding from another source

More than half the participants indicated that the purchases they made using BNPL facilities were planned (Figure 3.26). Further, one-quarter reported the purchases were necessary, and 12% admitted they were impulse buys. When asked whether they would have been able to make these purchases without using BNPL services, most respondents (59%) said they would have been able to, 14% said they would not have been able to, and 22% were unsure.

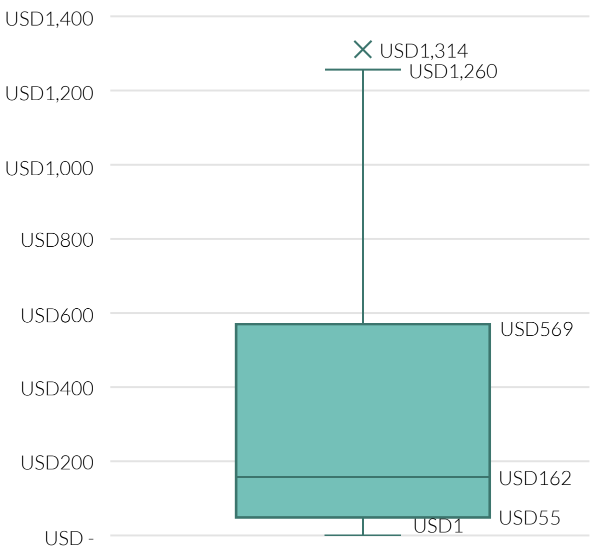
Figure 3.26 Purchases made through BNPL: BNPL (n. 138)



Average cost of BNPL purchases

When excluding outliers, the median cost of BNPL purchases was USD162. For up to 75% of BNPL users, the maximum product cost was USD569. Due to some users purchasing more expensive products, the average product cost was USD1,314. Notably, the average cost of products purchased by females (USD331) through BNPL facilities was much lower than than that of their male counterparts (USD2,208). The median cost of products purchased by female users (USD120) was also much lower than that of male users (USD175).

Figure 3.27 Average cost of products: BNPL (n. 134)



**Two outliers (with product costs of USD670,000 and USD1.1 million) were excluded.*
(Zero/nil values were also excluded from calculations.)
***Outliers (too far/extreme values) are not shown in this boxplot.*
****X represents the mean.*

In general, the median and average costs of products purchased by both male and female BNPL users were well within their estimated annual income (Table 3.5). Further, most users reported they had never missed an instalment payment and only 2% had defaulted on their loans (Figure 3.31). These findings suggest that the users were not overextending themselves by buying items they could not afford, which may lead to over-indebtedness. This is in line with the MAS's statement that current BNPL trends in Singapore do not pose significant risks regarding consumer indebtedness.[24]

24 Monetary Authority of Singapore (2022). *Reply to Parliamentary Question on 'Buy Now Pay Later' Schemes*. Available at: *https://www.mas.gov.sg/news/parliamentary-replies/2022/reply-to-parliamentary-question-on-buy-now-pay-later*

As most BNPL respondents were young (Millennials and Gen Z) and new to credit, protecting the interests of consumers is even more important. Regulators need to provide clear guidelines (code of conduct) to lenders and ensure they carry out sufficient checks (as generally, most lenders carry out soft checks to assess consumers' creditworthiness) to confirm that consumers can afford to take out such loans. Further, regulations could also focus on the product design and ensure sufficient information is provided at checkout points so users can make informed decisions.[25]

Table 3.5 Cost of products by gender and annual income: BNPL

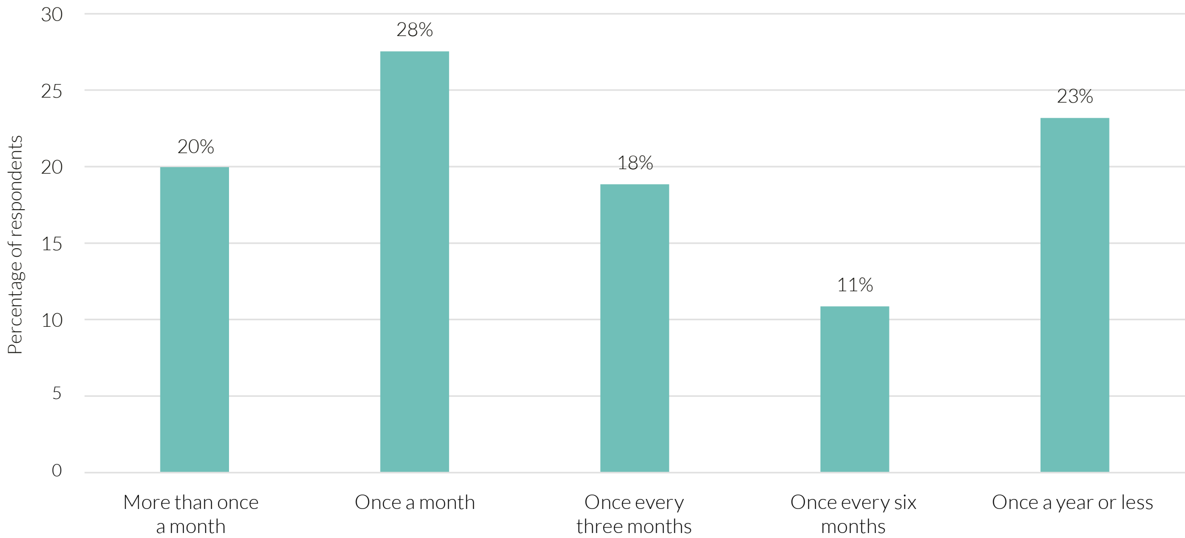
Gender	Annual income range (USD)	Cost of products (USD)	
		Median	Mean
Female	Below 1,000 (n. 18)	281	376
	1,001–5,000 (n. 15)	99	232
	5,001–10,000 (n. 18)	99	348
	Above 10,000 (n. 7)	350	472
	Overall (n. 58)	120	331
Male	Below 1,000 (n. 14)	91	148
	1,001–5,000 (n. 12)	137	267
	5,001–10,000 (n. 9)	535	936
	Above 10,000 (n. 30)	660	4,645
	Overall (n. 65)	175	2,208

**The table excludes respondents that chose the gender options 'prefer not to say' and 'other'. (Zero/nil values were also excluded from calculations.)*
***'n' refers to the number of observations.*

Frequency of using BNPL facilities

Participants were asked how frequently they used BNPL facilities. Approximately 48% reported they used them once or more than once a month, which shows their satisfaction – driven by ease and convenience – with the process. In contrast, 23% of customers used the facility once a year or less.

Figure 3.28 Frequency of using BNPL facilities: BNPL (n. 138)

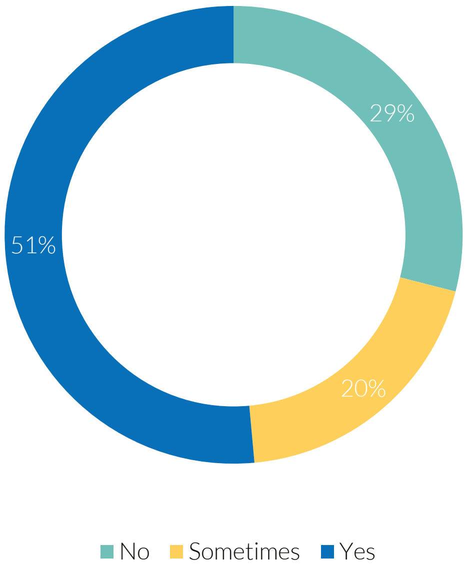


25 Poll, H. and Byrne, G. (2021). *Buy Now...Pain Later?* Available at: *https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/BNPL%20report%20(FINAL).pdf*

Preference for BNPL facilities over credit cards

Fifty-one percent of respondents preferred using BNPL facilities to credit cards, 29% preferred using credit cards, and 20% preferred using BNPL facilities sometimes. Of those who preferred using BNPL facilities to credit cards, over half cited ease and convenience as the reason, 11% used them because they did not have a credit card, and around 9% because of the low fees and no interest. For those who sometimes preferred using BNPL facilities, being offered promotions was the main deciding factor for 22% and for 17%, it was because of their needs and budget. Also, 4% of customers used BNPL facilities sometimes because they did not have a credit card.

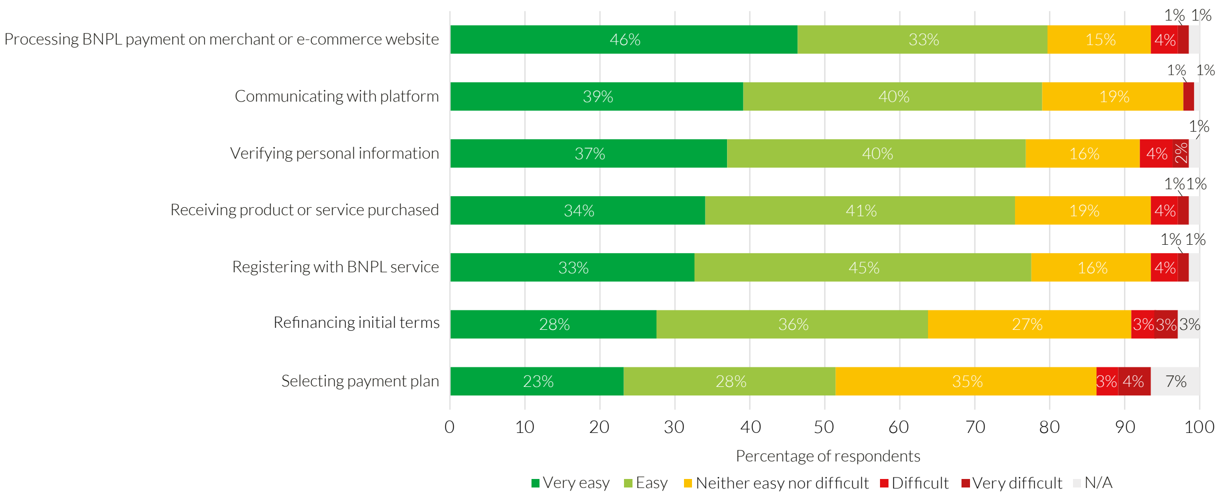
Figure 3.29 Preference for BNPL facilities over credit cards: BNPL (n. 138)



Ease of using BNPL facilities

When asked about the ease or convenience of using a BNPL facility, more than half the respondents indicated it was very easy or easy to use across all factors. More specifically, nearly half the participants found it very easy to process their BNPL payments on the merchant or e-commerce website, which was followed by communicating with the platform (39%). Over one-third found verifying personal information, receiving the product or service purchased, and registering with the BNPL platform very easy.

Figure 3.30 Ease of using BNPL facilities: BNPL (n. 138)



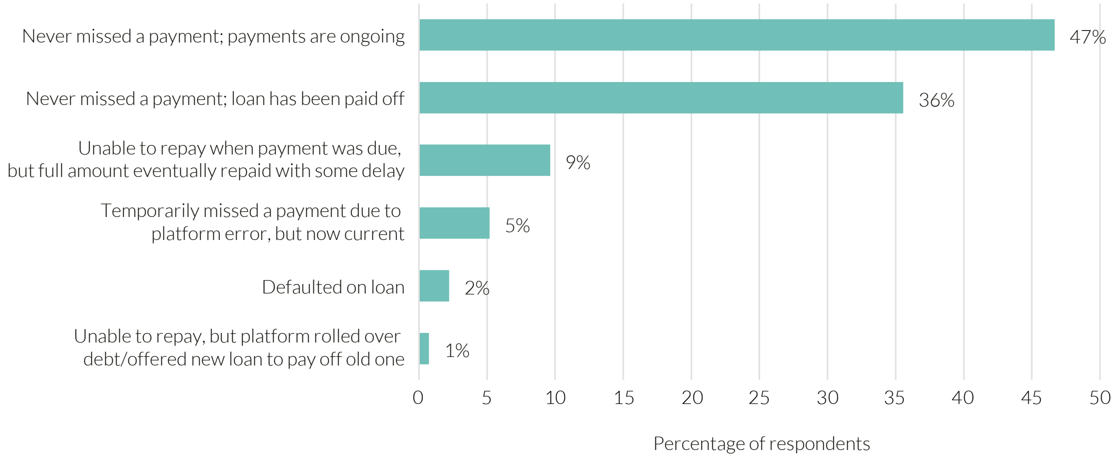
'N/A' indicates not applicable or that the respondent did not wish to rate the activity.

3.2.4 Outcome of financing and Covid-19 impact

Instalment payment status

Most customers had never missed an instalment payment, and 36% had already paid off their loans (Figure 3.31). Some customers had problems repaying their loan or temporarily missed an instalment payment but did catch up. Only 2% defaulted on their loan, which was lower than the average bank NPLs for the relevant countries, as shown by the World Bank in 2020 and 2021.[26] A similar study conducted in the US on BNPL users reported that more than one-third of users (34%), particularly Millennials and Gen Z, had missed at least one or more payments,[27] which was considerably higher than the rate reported in this study.

Figure 3.31 Instalment payment status: BNPL (n. 135)



Experience with items purchased using BNPL facilities

Users reported mixed sentiments regarding their experience with the purchases they made through a BNPL service. Generally, respondents reported a positive experience when they were able to pay off their purchases faster than anticipated (44%) and when they found it easier to keep track of their online purchases (42%). In contrast, 32% reported a negative experience because the item or service purchased was more expensive than anticipated, and 20% because of other reasons such as the unavailability of the products they wished to purchase.

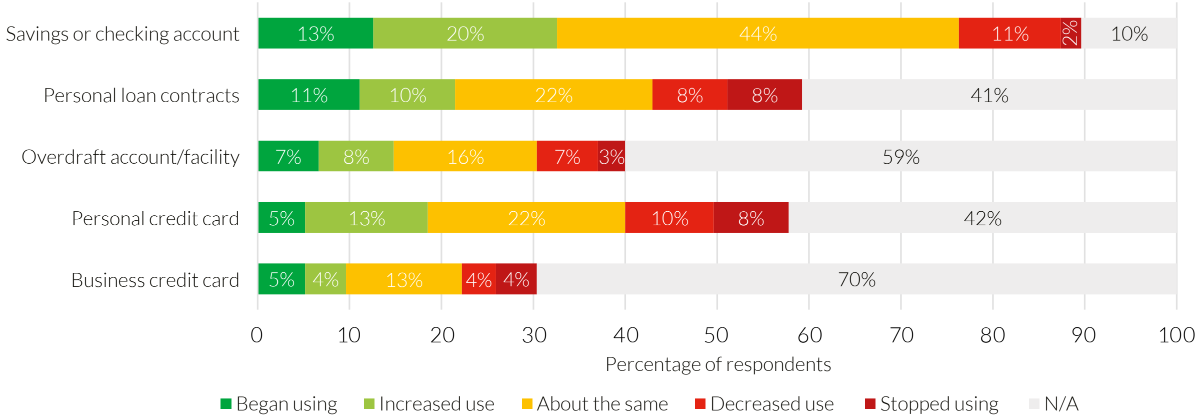
Banking relationship impact

In general, those with access to banking products or services reported that their banking relationship had remained the same after using a BNPL facility. Only a small proportion of users reported starting to use savings or checking accounts (13%), followed by personal loan contracts (11%). Twenty percent of respondents reported using savings accounts more frequently and 13% used personal credit cards more often.

26 World Bank Group (2022). *Bank nonperforming loans to total gross loans (%)*. Available at: https://data.worldbank.org/indicator/FB.AST.NPER.ZS

27 Credit Karma (2021). *Buy now pay later surges throughout pandemic, consumers' credit takes a hit*. Available at: https://www.creditkarma.com/about/commentary/buy-now-pay-later-surges-throughout-pandemic-consumers-credit-takes-a-hit

Figure 3.32 Banking relationship impact: BNPL (n. 135)



Covid-19 impact on purchasing behaviour and frequency of using BNPL services

Covid-19 affected the purchasing behaviour of more than half the respondents (53%), who reported spending more money overall on purchases since the pandemic. In addition, the results also indicated that 56% of respondents used BNPL facilities more often during Covid-19 and spent more money on purchases through BNPL.

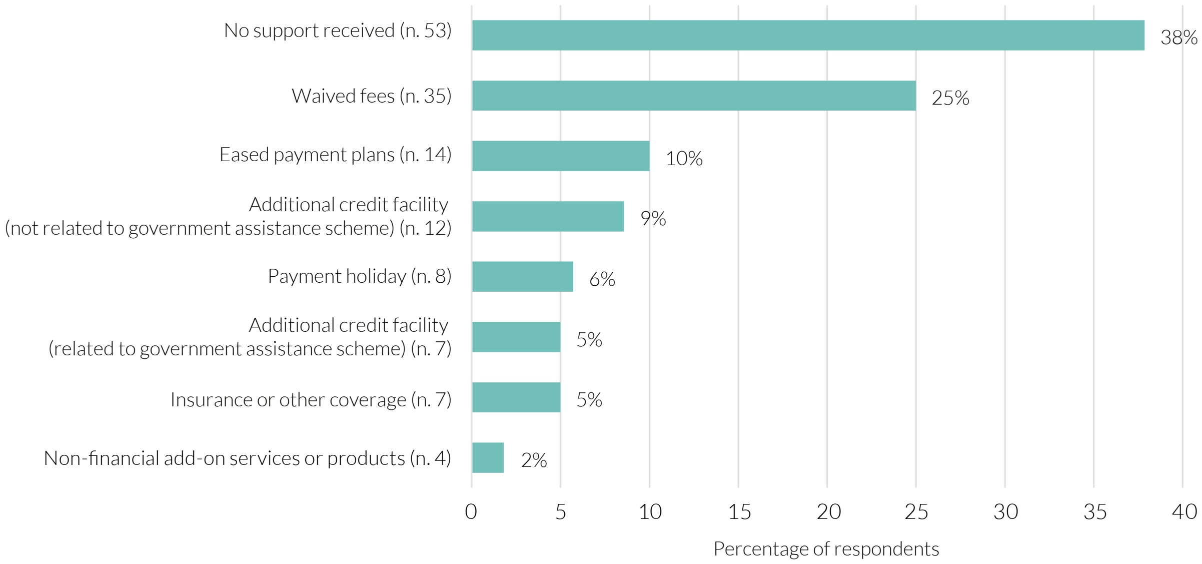
Covid-19 government financial assistance

Most respondents (76%) did not receive any financial assistance from their government during the pandemic. For those who did, income transfer schemes to low-income populations were the most common.

Covid-19 platform assistance

Payment assistance facilities were the most common types of assistance that BNPL platforms offered their users. One-quarter were offered fee waivers, followed by eased payment plans and additional credit facilities. Notably, 38% of respondents did not receive any support from their platform.

Figure 3.33 Covid-19 platform assistance: BNPL



4 MSME access to digital finance

4 MSME access to digital finance

In this study, MSME users of digital finance were businesses that had accessed credit or raised funds through online digital finance (alternative finance or fintech) platforms and operated in one of the countries included in this study. The study analysed three types of models that cater to MSMEs: P2P/marketplace (and balance-sheet) business lending, invoice trading and equity crowdfunding. As such, the findings reported focus on these three overarching models. A total of 190 responses were received from MSMEs.

4.1 P2P/marketplace business lending

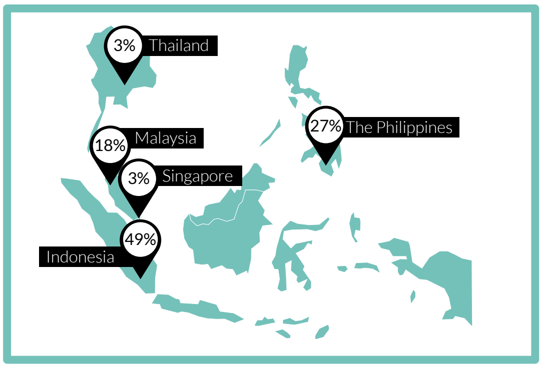
Across the three MSME business models, most respondents (79%, i.e., 150) used P2P/marketplace business lending platforms to obtain credit. As reported in *The 2nd Global Alternative Finance Benchmarking Report*, in terms of business lending, the P2P/marketplace and balance-sheet business lending models were the largest alternative finance models in Asia Pacific.[28]

4.1.1 Profile of respondents

Demographic of respondents

Nearly half the respondent business borrowers that had used a P2P/marketplace business lending model were from Indonesia (49%), followed by the Philippines (27%) and Malaysia (18%). The remaining respondents were from Singapore and Thailand (3% each).

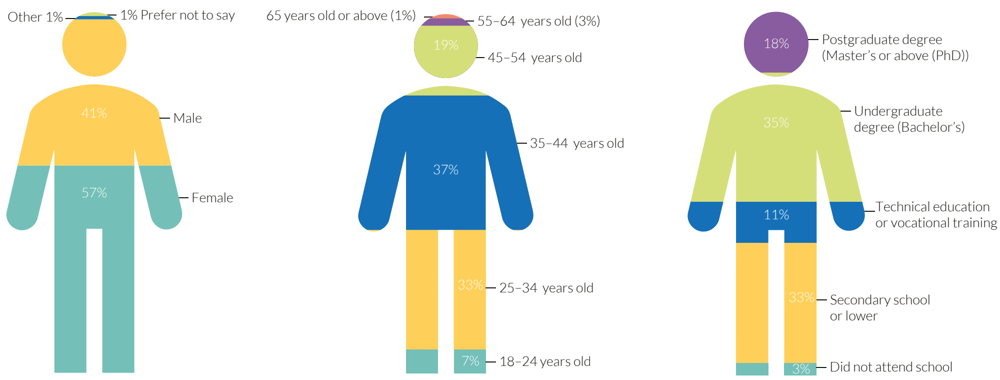
Figure 4.1 Country of operation: P2P/marketplace business lending (n. 150)



Notably, 57% of business borrowers were female, highlighting the role that alternative finance currently has on women's financial inclusion. Around 70% of business borrowers were aged between 25 and 44, 37% of which were in the 35–44 age bracket. Nearly 20% of borrowers were aged between 45 and 54, indicating that most borrowers were Millennials and Gen X.

In terms of education, 35% of respondents had an undergraduate degree, 33% had a secondary school or high school education, and 18% had a postgraduate degree. By gender, most female borrowers were educated up to secondary school level, whereas most male borrowers had an undergraduate degree. This signifies the important role the alternative finance industry plays in the inclusion of under-represented business borrowers into the financial system.

Figure 4.2 Gender, age and highest education level: P2P/marketplace business lending (n. 150)



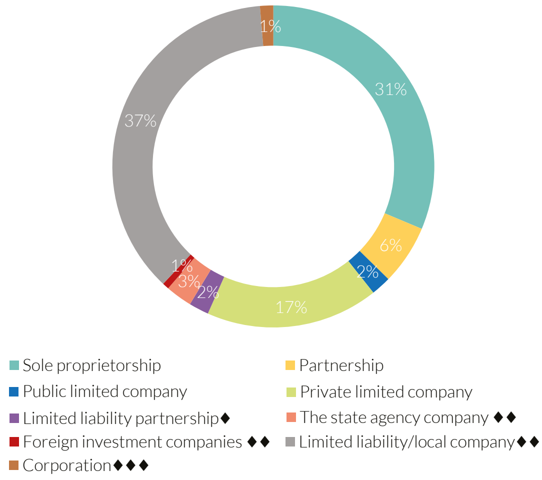
28 CCAF (2022). *The 2nd global alternative finance market benchmarking report*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.101. *https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf*

Overview of the business

Analysis of firms' legal structure (Figure 4.3) revealed that 31% operated as a sole proprietorship and 17% as a private limited company. Notably, 93% were micro and small enterprises, and around 68% of those micro-businesses were owned by females.

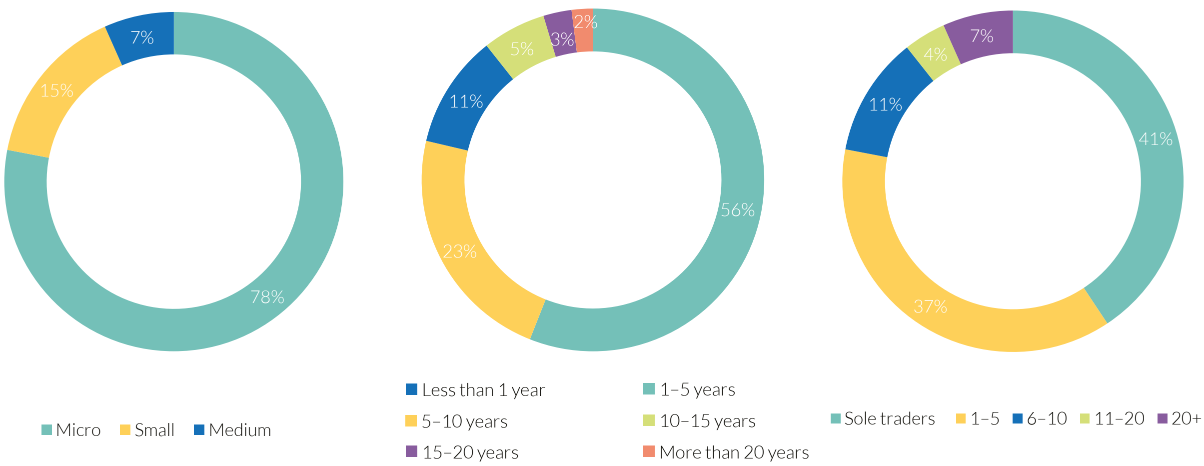
Over one-half of the firms (56%) had been operating for between one and five years, and 23% for between five and ten years, while a much smaller proportion (11%) of firms that borrowed through this model were less than a year old. In terms of the number of FTEs, around 78% of respondents reported being self-employed or having no more than five employees. This indicates that firms that borrowed through P2P/marketplace business lending platforms were mostly young, micro in nature and had no (self-employed) or few full-time employees, as shown in Figure 4.4. This reinforces the hypothesis that alternative finance plays an important role in providing access to finance to smaller businesses.

Figure 4.3 Legal structure: P2P/marketplace business lending (n. 150)



♦ *Singapore, Malaysia and Thailand*
♦♦ *Indonesia*
♦♦♦ *The Philippines*

Figure 4.4 Company size, trading duration and number of FTEs: P2P/marketplace business lending (n. 150)



The top two business sectors financed through this model were retail and wholesale (24%), and food and drink (22%), followed by fashion and apparel (9%), as shown in Figure 4.5. The estimated annual revenue of most firms (60%) was less than USD10,000 and the median revenue for all firms was approximately USD5,004 for the 2021 financial year (Figure 4.6). However, the average value was about USD200,000 due to a few firms in the last quartile pushing up the average income. Further, when analysing against gender (see Table 4.1), firms led by women had a significantly lower annual revenue compared to those led by men for all company sizes.

Figure 4.5 Top ten business sectors: P2P/marketplace business lending (n. 150)

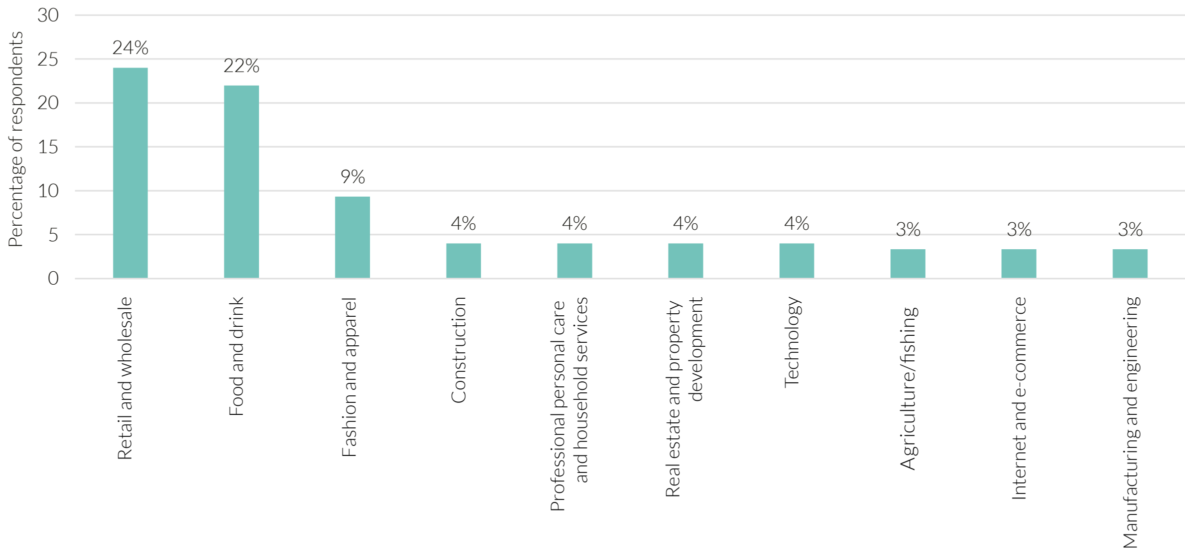
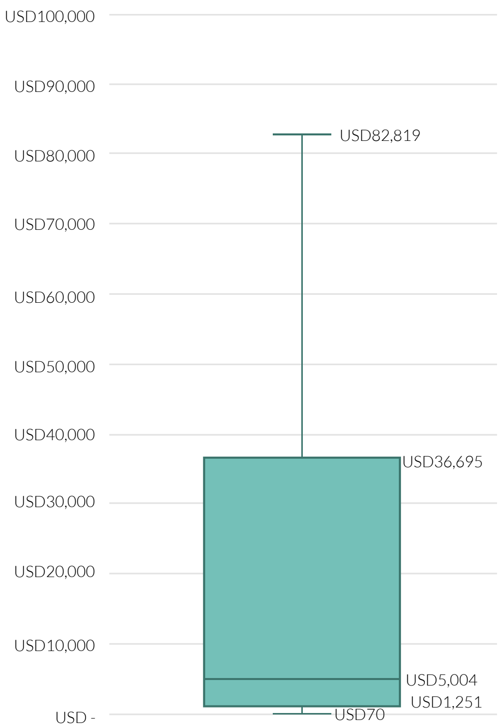


Figure 4.6 Estimated annual revenue: P2P/marketplace business lending (n. 149)



**Zero/nil values also were excluded from calculations.*
***Outliers (too far/extreme values) are not shown in this boxplot.*

Table 4.1 Estimated annual revenue by company size: female vs male

Gender	Company size	Annual revenue (USD)	
		Median	Mean
Female	Micro (n. 78)	2,502	4,771
	Small (n. 6)	84,573	110,624
Male	Micro (n. 35)	8,132	19,780
	Small (n. 17)	97,300	173,386
	Medium (n. 8)	2,432,500	2,715,551

**The table excludes respondents that chose the gender options 'prefer not to say' and 'other'.*
***'n' refers to the number of observations.*

4.1.2 Relationship with traditional financial services

Traditional financial facilities use

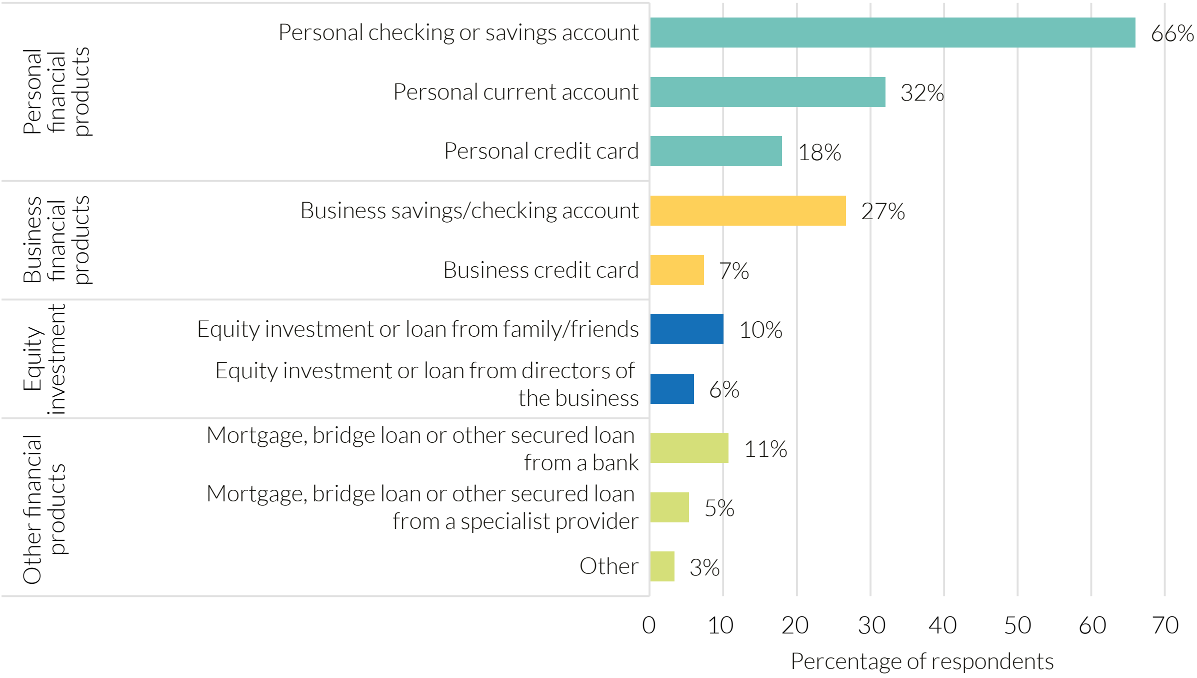
When asked about the types of traditional financial services they used, most MSMEs reported they relied heavily on personal financial products, such as personal savings (66%) and current accounts (32%). A relatively smaller proportion relied on business financial products, such as business savings accounts (27%). Around 18% reported using personal credit cards, while only 7% used business credit cards. This indicates that entrepreneurs, especially sole proprietors, often used personal financial products to meet their business needs. This aligns with the findings in the *SME Access to Digital Finance Study: A Deep Dive into LATAM's Fintech Ecosystem*,[29] where it was found

29 CCAF (2022). *SME Access to Digital Finance Study: A Deep Dive into LATAM's Fintech Ecosystem*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.34.

that MSMEs, mainly micro-enterprises, also relied on personal financial products, suggesting that for entrepreneurs in emerging economies, accessing business products through traditional channels may be too difficult.

Ten percent of firms used equity investment from family and friends, while 6% used equity from directors. In terms of formal credit, 11% reported using secured loans from banks and 5% from specialist finance providers.

Figure 4.7 Forms of traditional finance use: P2P/marketplace business lending (n. 150)

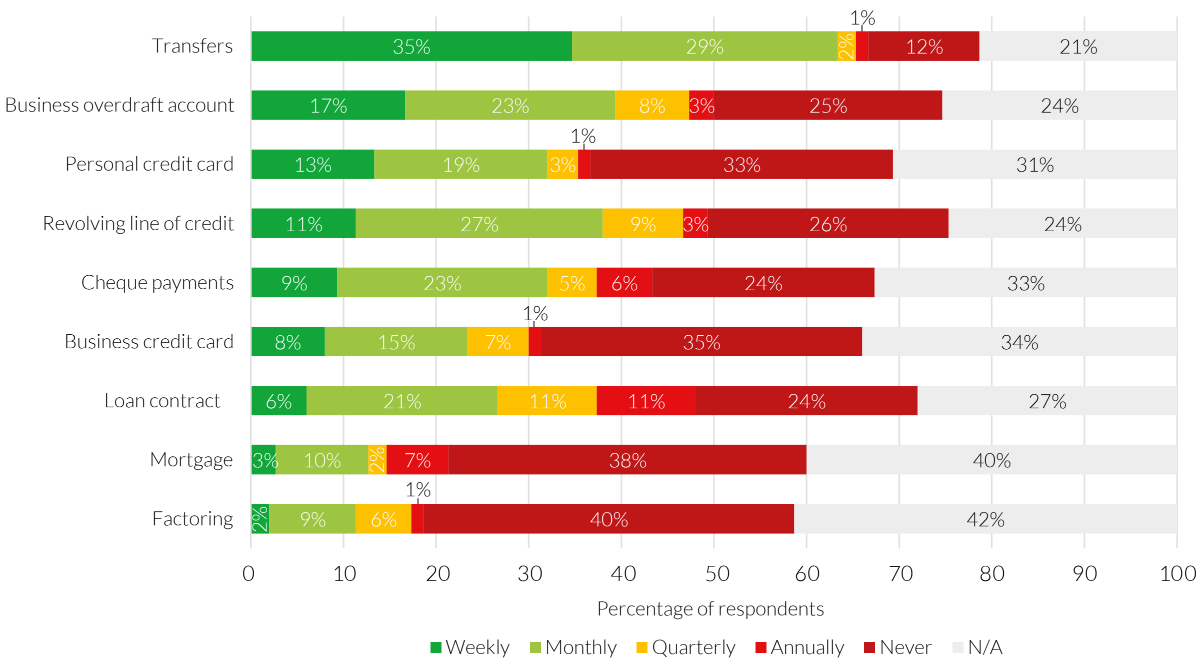


Other financial products or instruments that may cater to both consumers and businesses

Banking products use

The top three most frequently used banking products were transfers (64%), business overdrafts (40%) and revolving lines of credit (38%), which MSMEs used weekly or monthly.

Figure 4.8 Frequency of using banking products/services: P2P/marketplace business lending (n. 150)

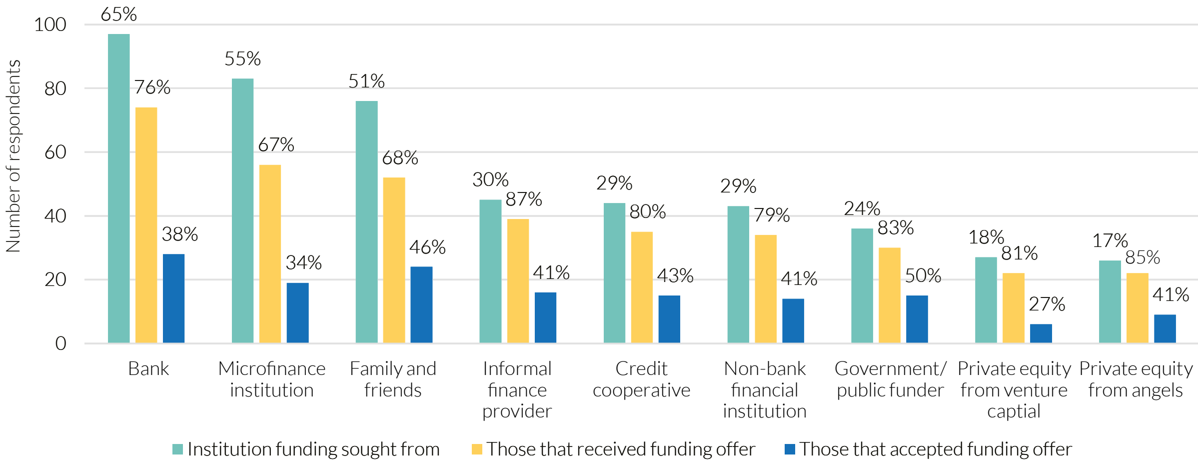


'N/A' indicates not applicable or no relationship.

Previous financing from other sources

Generally, MSMEs had approached various other funding sources before turning to P2P/marketplace business lending platforms. Most respondents (65%) sought funding from banks, 76% of which received an offer and less than 40% accepted that offer. Microfinance institutions, and family and friends were the second and third most popular funding sources. Of the firms that sought funding from those two sources, around 70% received offers, with more firms accepting an offer from family and friends than from a microfinance institution. While fewer firms reached out to the remaining sources for funding (see Figure 4.9), the offer and acceptance rates were higher, except for private equity from venture capital.

Figure 4.9 Previous financing from other sources: P2P/marketplace business lending (n. 150)



In most markets, especially Southeast Asia, access to banking services is still a challenge for many MSMEs that need accessible and affordable credit. Many MSMEs lack credit history, which makes lending to them risky and raises credit risk-assessment costs, so that financial institutions are reluctant to take them on as customers. However, digital technologies and readily available data have given rise to new online alternative finance models that are serving MSME merchants who are on the cusp of broader digitisation.[30]

Digitalisation of MSMEs

One of the key success factors enabling MSMEs to access digital finance will be in leveraging the potential of big data and technology adoption. Big data analytics provide a wide range of opportunities for MSMEs. These include a better understanding of business processes, clients' needs and the overall characteristics of their markets. It also makes it easier and cheaper for banks and digital finance lenders to assess business creditworthiness. Policymakers in the region should highlight the importance of big data potential amongst MSMEs. In this regard, Indonesia is taking the lead; the MSME digital technology 4.0 adoption initiative, introduced by the Ministry of Communications and Informatics, seeks to reach up to 70,000 MSMEs in Indonesia by 2024. The use of technology 4.0, such as big data, digital payments and augmented/virtual reality, is encouraged by this programme.[31] Even in the Philippines, the government and Department of Trade and Industry (DTI) are offering various programmes, free webinars, different technology tools, applications platforms and other resources, to support MSMEs in digitally transforming their businesses.[32]

30 Bain & Company, Google, TEMASEK (2019). *Fulfilling its Promise: The Future of Southeast Asia's Digital Financial Services*. Available at: *https://www.bain.com/globalassets/noindex/2019/bain-report-fulfilling-its-promise.pdf*

31 Ocampo, Y. (2022). *Digital Trading, MSMEs Boost Indonesia's Digital Economy, Opengovasia.com*. Available at: *https://opengovasia.com/digital-trading-msmes-boost-indonesias-digital-economy/*

32 *Gov't programs assist biz startups, MSME digitalization (2022). Republic of the Philippines - philippine news agency*. Available at: *https://www.pna.gov.ph/articles/1165508*

Case study

Fintech platform: *Funding Societies/Modalku*
Fintech association: *Singapore FinTech Association (SFA)*
MSME: *Marie Ang (Solomon's Guild)*
Country: *Singapore*

Brief history of the entrepreneur
Marie Ang started her business in 2015 and provides counselling, consulting, coaching and mentoring services to women. She empowers women by helping them focus on their purpose, relationships, identity, mental health and self-esteem. She also provides professional coaching services to transform administrators into influential leaders. Each year, Marie empowers over 300 clients.

Difficulties or obstacles the business faced in obtaining finance from other sources, such as banks and financial institutions
Because Marie Ang's business was new, it did not have any credit history, which meant that when she applied for a traditional bank loan, the application was declined. It was not because the business had a poor credit history, it simply did not have one, and the bank told her to 'move along'.

Why this business decided to obtain financing through the fintech platform
A friend recommended Funding Societies to Marie Ang. She took out two loans of USD4,000 each in a quick and easy process. She received the loans only one week after applying for them.

How the financing impacted the business
Marie Ang used the first loan to pay the business's suppliers and complete a project, and the second loan to purchase equipment and hire a support worker. For Marie Ang, the return on her business investment is not just monetary, it also has an impact on society that is changing lives.

Case study

Fintech platform: *Tala Philippines*
Sole proprietor: *Aimee*
Country: *the Philippines*

Brief history of the entrepreneur

With the help of a smartphone, mobile data and access to digital lending apps like Tala, Aimee, who is 45 years old, bravely became an entrepreneur to help her husband provide for their family. She lives with her husband and their 12-year-old daughter in an impoverished community near the largest open dump site in the Philippines. Her husband works as a security officer in a government building and earns PHP4,000 a week. Aimee's role in the household is to make sure their weekly budget covers all household expenses, school fees and bills, however impossible it may seem.

Difficulties or obstacles the business faced in obtaining finance from other sources, such as banks and financial institutions

Aimee always dreamed of starting a business but, because she was unemployed, had no savings and no access to bank loans, she thought her dream was impossible to achieve.

Why this business decided to obtain financing through the fintech platform

After learning about Tala through a Facebook advertisement, Aimee immediately downloaded the app and applied for a loan of PHP1,000. She planned to use this loan as capital to start a micro-business. A few minutes after applying for the loan, she received a message saying that her application had been approved and she could pick it up at the nearest remittance centre.

How the financing impacted the business

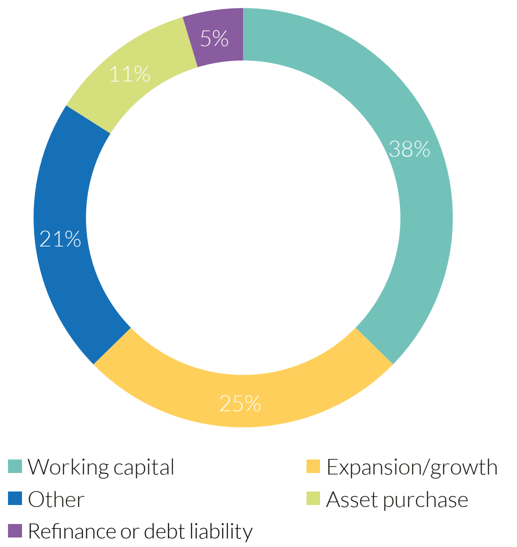
Aimee used her first Tala loan to purchase cold cuts, hamburgers and hot dogs, and sold them at a marked-up price to her neighbours. In just 30 days, she was able to pay back the loan, together with the 15% interest and small processing fee Tala charged her. Today, Aimee can access the maximum amount of credit that Tala offers because she is so diligent in paying back her loans on time. Her business has grown, nearly doubling her household's income, which meant she and her family could move to a quiet and clean neighbourhood away from the dump site.

4.1.3 Borrowing experience

Primary purpose of borrowing

The two main reasons that firms borrowed through P2P/marketplace business lending platforms were to raise working capital (38%) and for expansion/growth (25%). In terms of working capital, 16% borrowed funds to pay suppliers and 15% to cover unexpected business cash flow needs, such as customer defaults, late payments or unexpected bills. Around 18% of firms borrowed funds for new product or service development, and the same proportion borrowed money to lend to other individuals or businesses. Notably, 7% of firms used the funds to purchase a business asset (non-property), such as machinery.

Figure 4.10 Primary purpose of borrowing: P2P/marketplace business lending (n. 150)

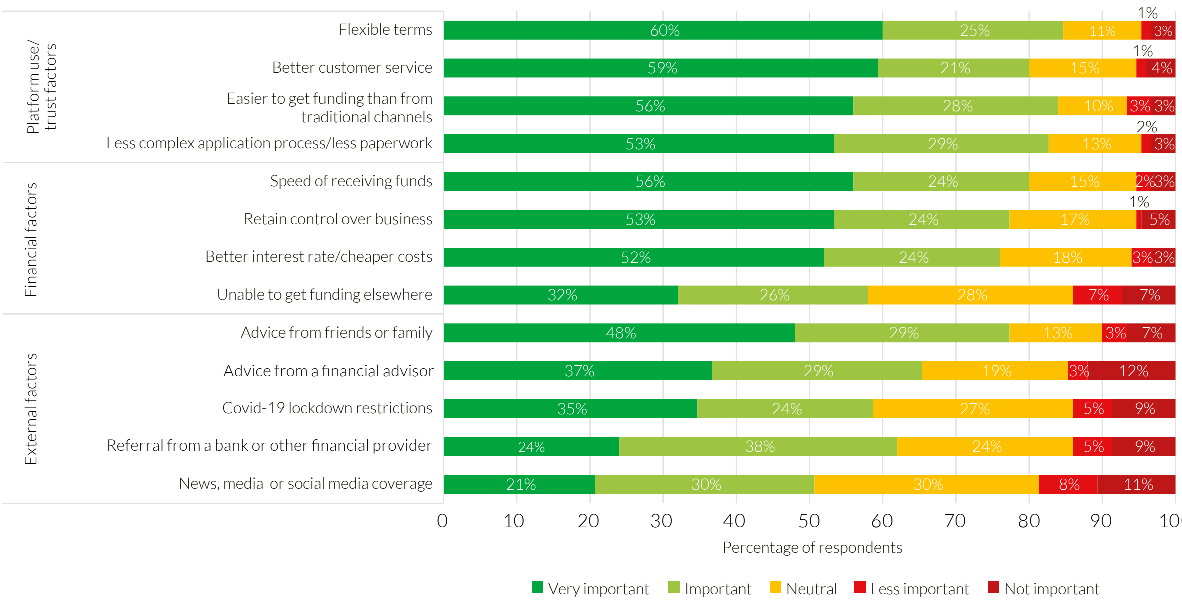


**'Working capital' includes paying suppliers, rent and bills, and covering unexpected business cash flow needs. 'Refinance or debt liability' includes paying tax/settling a tax liability and consolidating/refinancing long-term debts. 'Asset purchase' includes non-property asset purchase (for example, purchasing machinery) and property asset purchase. 'Expansion/growth' includes real estate purchase or development, new product/service development and business expansion into a new market. 'Other' includes lending to other individuals and businesses.*

Decision-making factors for borrowing from fintech

The top five decision-making factors that led firms to borrow from a P2P/marketplace business lending platform were flexible terms, better customer service, the ease of getting funds compared to traditional channels, the speed of receiving funds, and less paperwork or less complex application processes (Figure 4.11). In general, the platform's facilities and financial factors were the main reasons for deciding to borrow funds from these fintech platforms.

Figure 4.11 Decision-making factors for borrowing from fintech: P2P/marketplace business lending (n. 150)



Case study

Fintech platform: *ALAMI*
Sole proprietor: *Mr Agus*
Country: *Indonesia*

Brief history of the entrepreneur
Mr Agus is a fish farmer from the Pringsewu area, Lampung Province, in Indonesia. He is a business owner and has been operating in this industry for more than ten years. He focused on goldfish hatcheries on the advice of someone who claimed they were the most profitable commodity and had an established farming method. However, as a fish farmer in a rural area, he struggled to develop the business because there were many problems he had to overcome, especially getting financial support and some training for other fish farmers. However, in the end, he managed to grow the business by 70%.

Difficulties or obstacles the business faced in obtaining finance from other sources, such as banks and financial institutions
Mr Agus was concerned about the terms of the loan support plans the government and unofficial moneylenders offered him. There were several obstacles to obtaining credit:

- Numerous assets were required as part of the loan agreement, for example, land and property.
- It would take a long time for him to receive the funds, and he needed the loan quickly to buy fish feed.

Also, he would not receive any long-term sustained business training and development.

Why this business decided to obtain financing through the fintech platform
Mr Agus decided to use ALAMI because the platform offered him a financial services scheme that was fair and suited his current business situation, as well as the uncertainty facing the fishing industry due to Covid-19. Mr Agus needed finance so he could better manage the cash flow for his daily operations and thought the ALAMI financing scheme could be the right solution for him. The scheme covered 70% of the fish farmers' operational costs, which gave them the cash flow they needed to meet their day-to-day expenses.

How the financing impacted the business
Because the financing covered 70% of the fish farmers' operational costs, they had enough funds to tide them over until they sold all their harvest. They also have more time to expand their presence in the market. Mr Agus is now in a position to help new fish farmers start their own farms by offering them micro-loans for the start-up capital they need to purchase equipment, such as water wells, jet pump installations or fish hatcheries.

Case study

Fintech platform: *Amartha*
Sole proprietor: *Ibu Evi*
Country: *Indonesia*

Brief history of the entrepreneur
Before joining Amartha, Ibu Evi worked as a laundry lady in Bantaeng, going house to house offering her cleaning services. She also worked with her neighbours to make seaweed seedlings. She dreamed of being a fisherman but did not have a boat.

Why this business decided to obtain financing through the fintech platform
There is limited access to finance and financial information where Ibu Evi lives. Amartha's Field Officer came to Ibu Evi to offer her a loan without collateral, using a joint liability system instead. This makes it easier for her to apply for a loan because she cannot afford to provide collateral.

How the financing impacted the business
The capital loan from Amartha helped Ibu Evi increase her income and improve her productivity because, with the boat she was able to rent from her neighbour, she can sell both the fish she catches and the seaweed seedlings she makes with her neighbours. Her perseverance and hard work began to pay off. Eventually, she could afford to buy her own boat. Evi is now in the third cycle of funding from Amartha and owns two boats.

"I used to imagine that one day I would have a boat so I could fish. Alhamdulillah, I now have my own boat thanks to the working capital from Amartha."

Case study

Fintech platform: *Capsphere Services*
MSME: *TFS Holdings Sdn Bhd*
Country: *Malaysia*

Brief history of the company
TFS Holdings was established in 2007 and is managed by an experienced entrepreneur who is an engineer with more than 40 years' experience. The company manufactures iron products, such as industrial racking, steel reinforcements and wiring, that are used across the agriculture, security, oil and gas, and construction industries.

Difficulties or obstacles the company faced in obtaining finance from other sources, such as banks and financial institutions
TFS Holdings faced difficulties obtaining finance from existing banks and financial institutions as they generally have a more conservative outlook regarding the oil and gas industry. Also, there was less funding available because, during the Covid-19 lockdown period, banks and other financial institutions preferred to offer moratoriums on existing loans rather than fund new projects. They were also taking longer to process applications, especially during the peak of the Covid-19 pandemic.

Why this company decided to obtain financing through the fintech platform
Capsphere Services understood what TFS Holdings needed and so was able to create a customised financing plan that suited its requirements. The plan included financing at a competitive rate that the company could access quickly and efficiently through the automated and robust platform.

How the financing impacted the company
With the additional finance, the company was able to complete its existing projects, and win more local and regional projects, enabling it to improve its business performance.

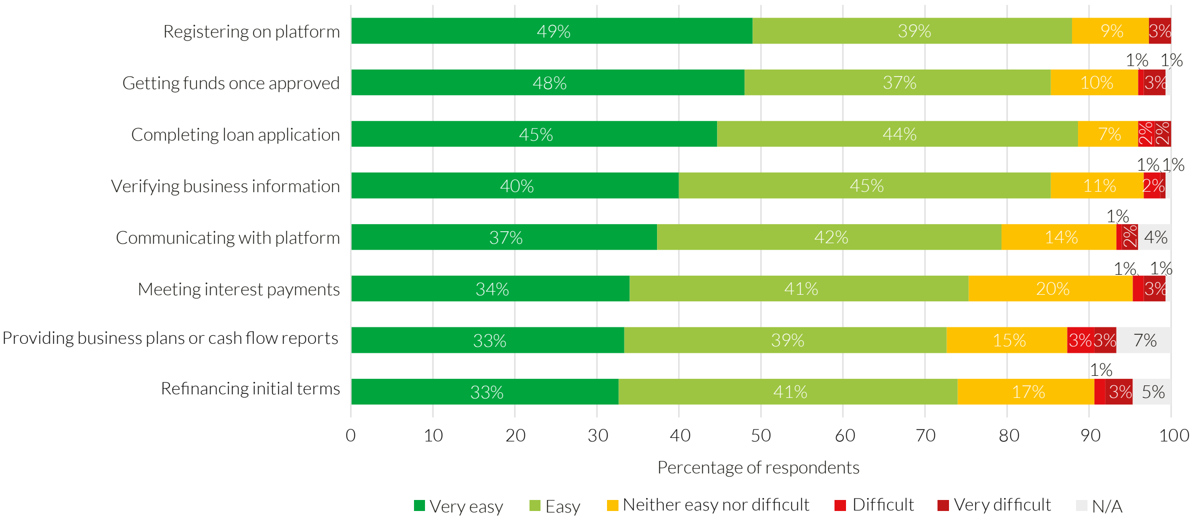
Frequency of borrowing from fintech platforms

Most firms (77%) that used a P2P/marketplace business lending platform borrowed funds more than once: 34% borrowed funds twice, 16% more than three times, and 19% more than five times. This rate of repeat borrowing was higher than that recorded in *The 2nd Global Alternative Finance Market Benchmarking Report*, which covered the entire Asia-Pacific region between 2019 and 2020.[33]

Ease of using fintech platforms

Generally, respondents found it easy to use P2P/marketplace business lending platforms. The three activities that most firms found the easiest to use were registering on the platform, getting the funds once approved and the loan application process. Nearly one-quarter found it easy to meet the interest payments, which tallies with the fact that 76% of respondents reported that better interest rates were an important decision-making factor when it came to using these platforms.

Figure 4.12 Ease of using fintech platforms: P2P/marketplace business lending (n. 150)



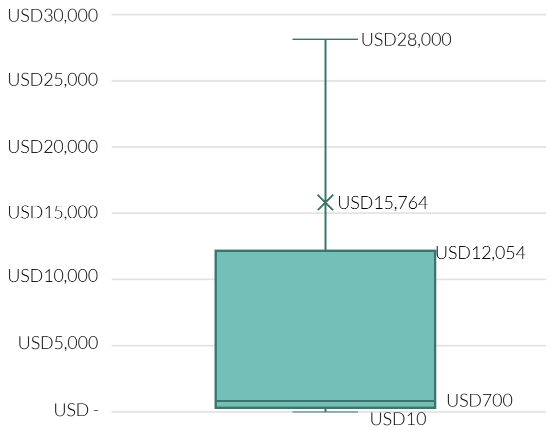
**'N/A' indicates not applicable or the respondent did not wish to rate the activity.*

Amount borrowed

When excluding outliers, the median amount borrowed by P2P/marketplace business borrowers was USD700 (Figure 4.13). Approximately 60% of firms borrowed less than USD1,000, 13% borrowed between USD1,000 and USD10,000, and 27% borrowed more than USD10,000. As noted earlier, firms that borrowed through these platforms were generally sole traders and micro-enterprises, with 38% of firms borrowing funds to use for working capital.

33 CCAF (2022) *The 2nd global alternative finance market benchmarking report*, Cambridge Centre for Alternative Finance at the University of Cambridge, Cambridge Judge Business School, Cambridge, p.107. *https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf*

Figure 4.13 Amount borrowed: P2P/marketplace business lending (n. 144)



**Zero/nil values were also excluded from calculations.*
***Outliers (too far/extreme values) are not shown in this boxplot.*
****X represents the mean.*

Notably, despite this model having the highest number of female borrowers, the amounts borrowed by female-owned firms were considerably less than those borrowed by their male counterparts. When we look at female-owned micro-enterprises, the average amount borrowed was nearly four times less than that borrowed by males, and the difference was even higher when looking at the median values (Table 4.2). Interestingly, the median values for small firms were similar, although the sample was small.

Table 4.2 Amount borrowed by gender and company size: P2P/marketplace business lending

Gender	Company size	Amount borrowed (USD)	
		Median	Mean
Female	Micro (n. 76)	391	1,628
	Small (n. 5)	25,200	26,190
Male	Micro (n. 33)	3,438	7,523
	Small (n. 17)	24,500	44,052
	Medium (n. 9)	115,500	112,185

**The table excludes respondents that chose the gender options 'prefer not to say' and 'other'.*

***'n' refers to the number of observations.*

Interest rates

Most firms reported making weekly or monthly interest payments on their most recent loans that predominantly ranged from 0–2.49%. Of those firms with monthly repayments, 35% reported interest rates of between 0% and 2.49%, followed by 31% that reported interest rates of between 2.5% and 4.99%.

In most cases, the interest rates charged by P2P lenders were higher than those charged by banks and other financial institutions. Most respondent borrowers were from micro and small enterprises, who generally have a lower education level. Hence, platforms should advise them on the interest rates they are being charged[34] and provide mandatory user education.[35] Furthermore, regulators need to promote digital financial literacy among those who use digital platforms to borrow funds.

34 Sugandi, A. (2021). *The COVID-19 Pandemic and Indonesia's Fintech Markets*. ADBI. Available at: *https://www.adb.org/sites/default/files/publication/728046/adbi-wp1281.pdf*

35 Reserve Bank of India (2021). *Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps*. Available at: *https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/DIGITALLENDINGF6A90CA76A9B4B3E84AA0EBD24B307F1.PDF*

Table 4.3 Interest rates: P2P/marketplace business lending (n. 150)

Interest rate/ payment frequency (%)	Annually (%) (Proportion of respondents: 9%)	Quarterly (%) (Proportion of respondents: 2%)	Monthly (%) (Proportion of respondents: 59%)	Weekly (%) (Proportion of respondents: 30%)
0–2.49	25	33	35	74
2.5–4.99	8		31	15
5–9.99	8	67	18	3
10–14.99	26		12	3
15–19.99			1	
Above 20	33		3	5

**The table excludes respondents that chose the gender options 'prefer not to say' and 'other'.*
***'n' refers to the number of observations.*

Ability to get funding from another source

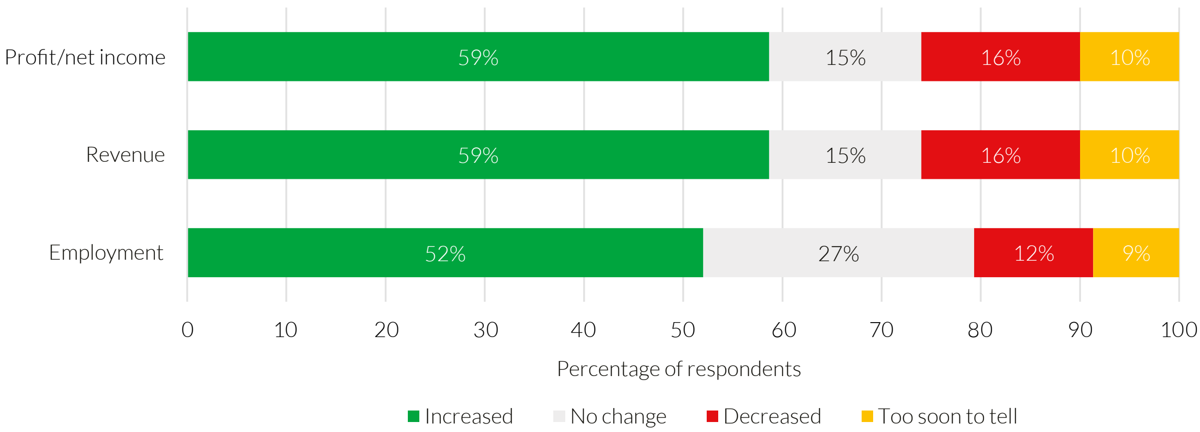
Despite 58% of firms reporting that the inability to get funding from elsewhere was an important factor when deciding to borrow from these platforms, 64% believed they would have been able to borrow the funds from another source. However, 21% were unsure and 12% believed they would not have been able to borrow the funds elsewhere.

4.1.4 Outcome of financing and Covid-19 impact

Business changes: employment, revenue and profit/net income

In general, firms reported an increase in performance due to borrowing funds through P2P/marketplace business lending platforms. More than half reported increases in profits (59%), revenue (59%) and employment (52%), as shown in Figure 4.14. A study in Indonesia showed similar positive changes in revenue for those who used a fintech platform to borrow funds during the pandemic.[36] As per that report, overall, 41% of micro-enterprises reported an increase in revenue after receiving the funds. Furthermore, nearly 60% of micro-borrowers who experienced a decrease in revenue during the pandemic were able to bounce back after receiving a loan from that finance platform. This suggests that alternative finance funding has a positive financial impact on firms' performance.

Figure 4.14 Business changes due to financing: P2P/marketplace business lending (n. 150)



36 Handoko, I. and Kusumawardhani, S. eds., (2021). *Beyond Lending: Building MSMEs' Resilience During COVID-19 Pandemic.* Tenggara Strategics. Available at: *https://www.researchgate.net/publication/360188685_Beyond_Lending_Building_MSMEs%27_Resilience_During_COVID-19_Pandemic*

Case study

Fintech platform: *Investree*
Fintech association: *The Indonesia Fintech Association (AFTECH)*
MSME: *PT Indosopha Sakti*
Country: *Indonesia*

Brief history of the company
PT Indosopha Sakti operates in the medical equipment industry and was established in 1992. Its head office is in Jakarta, and it also has a branch in seven other areas: Bandung, Surabaya, Solo, Medan, Padang, Samarinda and Makassar. The company is a market leader specialising in surgical, physical care and oncology equipment. It distributes the equipment to hospitals in Indonesia, both private and government-run.

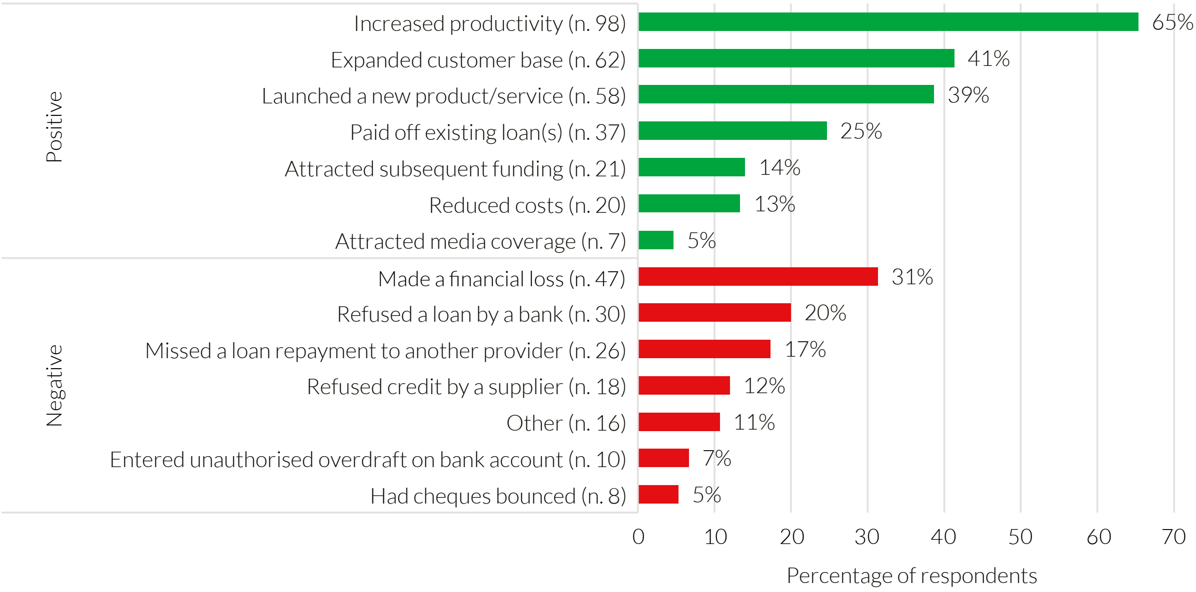
Difficulties or obstacles the company faced in obtaining finance from other sources, such as banks and financial institutions
Covid-19 had a significant impact on PT Indosopha Sakti. One of the positive effects was that the number of orders for physical care products, such as ventilators, started to increase from March 2020 because hospitals needed more of this type of equipment due to the pandemic. However, because the company orders and imports its equipment from foreign suppliers, the pandemic slowed down the process. And even when the goods arrived in Indonesia, the distribution process took much longer because of the large-scale social restrictions. That then led to delays in billing and payment.

Why this company decided to obtain financing through the fintech platform and how the financing impacted the company
PT Indosopha Sakti started using Investree for financing in June 2019. The peak season for a company in the medical equipment industry is in Q2, and Investree was a great help during this period. The company still collaborates with the platform because it continued to receive its loan disbursement all through the pandemic, which helped it take on more orders than its original budget allowed. The company described the experience as amazing because it received the funds when they were needed in a quick and effortless process. In addition, the company found it easy to upload the necessary documents. Another reason PT Indosopha Sakti still collaborates with Investree is that it trusts the platform because it is licensed by the Financial Services Authority. Finally, the company found Investree's Relationship Manager to be a very reliable and knowledgeable professional who helped it make the right decisions.
(Source: A PT Indosopha Sakti representative)

Impact of financing

When asked what effects using these platforms for financing had on their business activities, most firms reported a positive impact (Figure 4.15). The top three positive impacts were an increase in productivity (65%), a larger customer base (41%) and launching a new product/service (39%). Conversely, 31% reported making a financial loss, 20% had been refused a loan by a bank and 17% had missed a loan repayment to another provider.

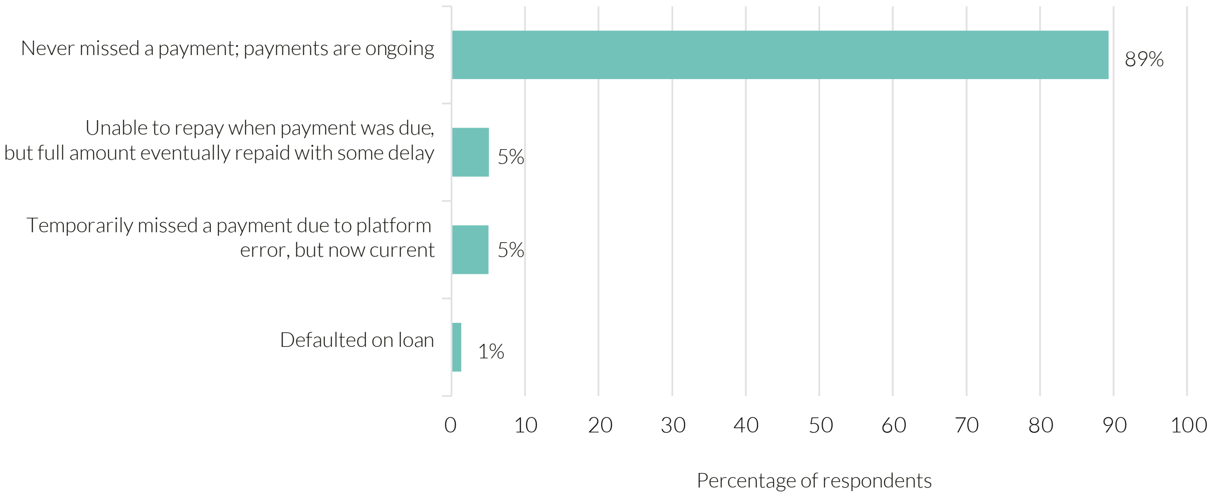
Figure 4.15 Business impact due to financing: P2P/marketplace business lending (n. 150)



Loan repayment status

Most respondents (89%) reported they had never missed a loan repayment and that the payments were ongoing. Defaulting on a loan was lower than the NPL average for the relevant countries, as shown by the World Bank in 2020 and 2021.[37]

Figure 4.16 Loan repayment status: P2P/marketplace business lending (n. 150)

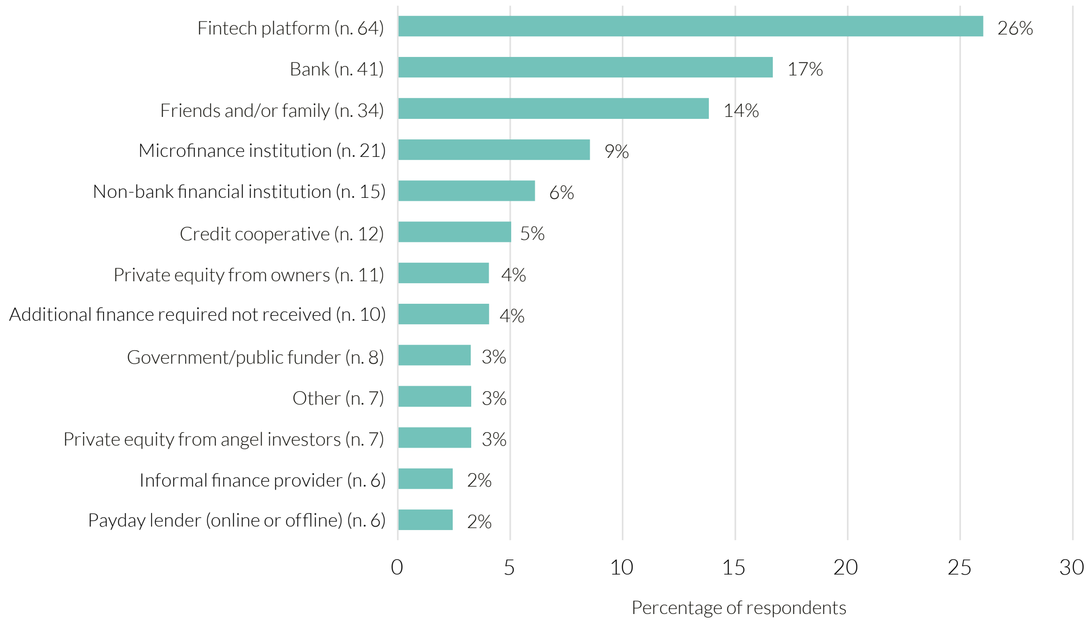


37 World Bank Group (2022). *Bank nonperforming loans to total gross loans (%)*. Available at: https://data.worldbank.org/indicator/FB.AST.NPER.ZS

Subsequent funding

Most firms (72%) that borrowed through P2P/marketplace business lending platforms reported they required additional finance beyond what they had borrowed through the platforms. Of those firms, 26% subsequently borrowed funds from another fintech platform, 17% from a formal source such as a bank, and 14% from an informal source such as friends and family.

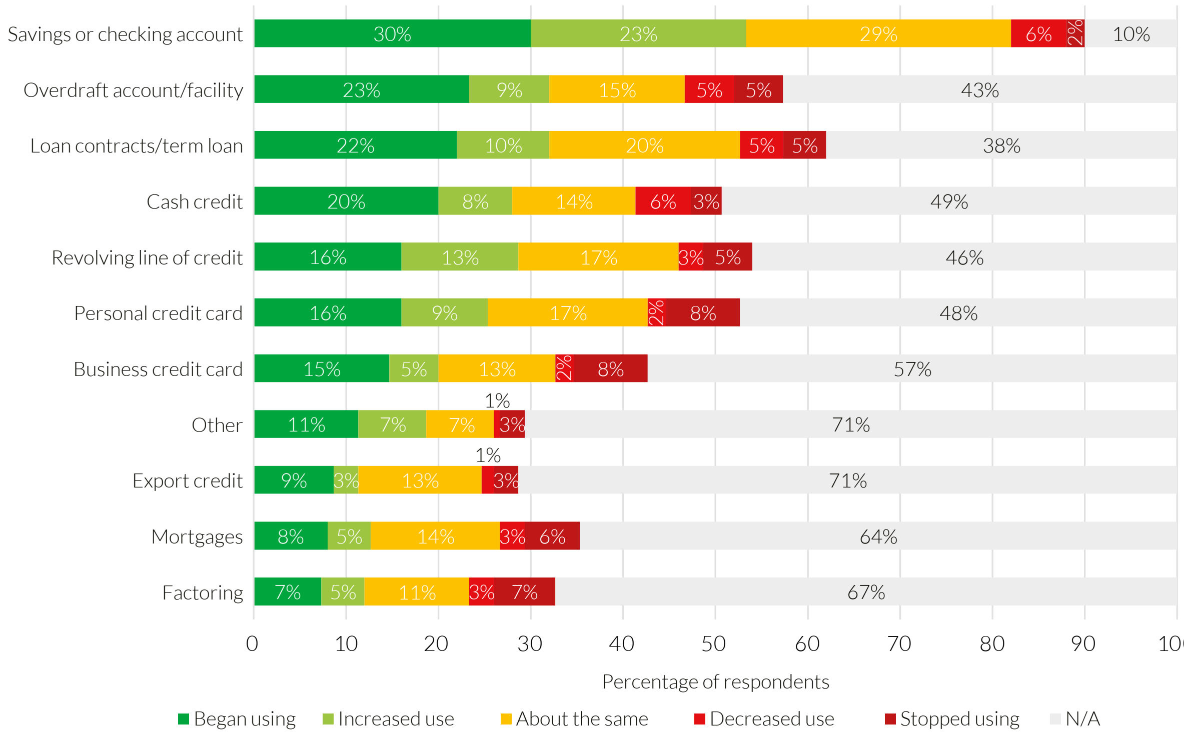
Figure 4.17 Subsequent borrowing source: P2P/marketplace business lending (n. 246)



Banking relationship impact

Overall, respondents reported they had started to use or had increased the frequency with which they used banking products after using an online digital financial platform to borrow funds. Generally, over 50% of firms reported they had started to use savings or checking accounts, or were using them more often, suggesting an improvement in these businesses' financial organisation. Another 20% had started to use overdraft accounts, loan contracts and cash credit, with some firms increasing the frequency with which they used these products. Once again, this highlights the fact that fintech complements traditional banking systems and enables further financial inclusion of under-represented business borrowers.

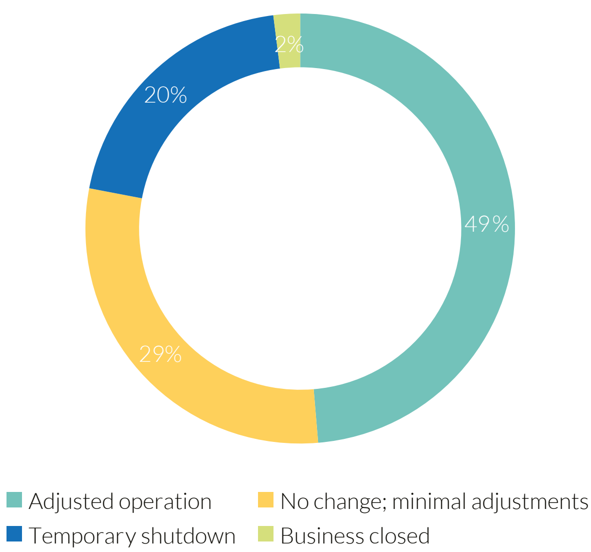
Figure 4.18 Banking relationship impact: P2P/marketplace business lending (n. 150)



Impact of Covid-19 on business operations

Nearly half the firms reported they had adjusted their business operations due to Covid-19 and 29% had made minimal adjustments. Notably, 20% of firms reported having to temporarily shut down due to the pandemic.

Figure 4.19 Impact of Covid-19 on business operations: P2P/marketplace business lending (n. 150)



Increase in borrowing frequency due to Covid-19

Twenty-seven percent of firms increased the frequency with which they borrowed funds due to Covid-19. This was mainly to meet financial difficulties such as paying bills, and business financial needs such as covering day-to-day expenses and paying suppliers.

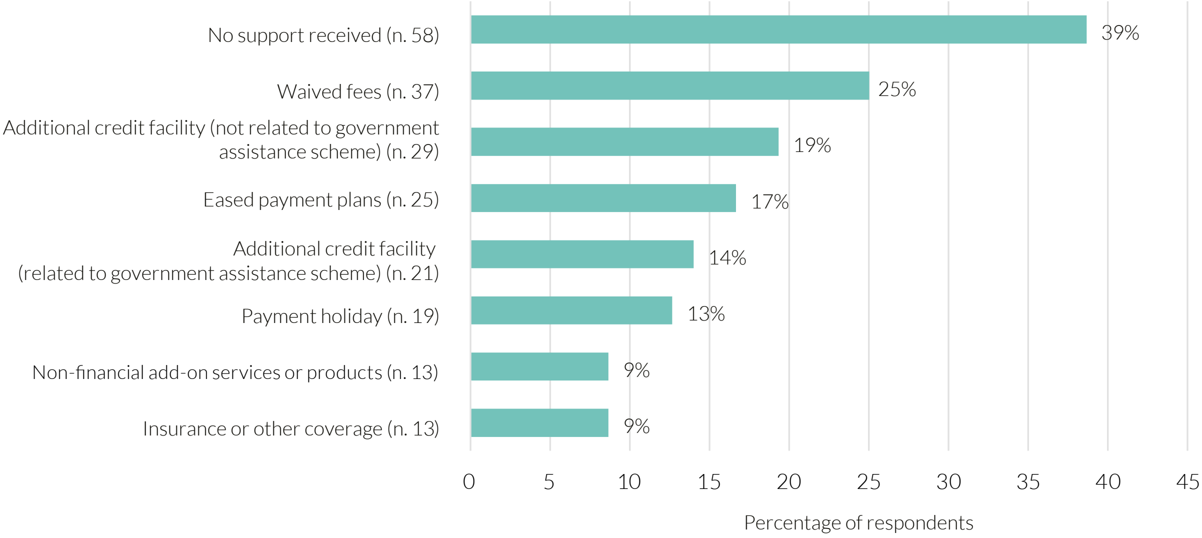
Covid-19 government financial assistance

Approximately 70% of firms said they did not receive any financial assistance from their government during the Covid-19 pandemic and 30% said that they did. The main types of assistance received by respondents were government cash assistance/loan subsidies for MSMEs, grant and salary subsidies, and tax relief.

Covid-19 platform assistance

Most firms (60%) reported they did receive Covid-19 assistance from their platforms. The main type of assistance received was related to finance or loan repayment. Of those firms that received assistance, one-quarter reported having their fees waived, nearly 20% received additional credit facilities (non-government assistance scheme), 17% received assistance in the form of eased payment/ instalment plans, and 14% received additional credit facilities related to government assistance. Similar trends were generally reported across the ASEAN region, especially in those few key countries where fintech lending to businesses was prominent, such as in Indonesia.[38] Finally, less than one-tenth of firms received non-financial assistance in the form of insurance and add-on services/products.

Figure 4.20 Covid-19 platform assistance: P2P/marketplace business lending



4.2 Invoice trading

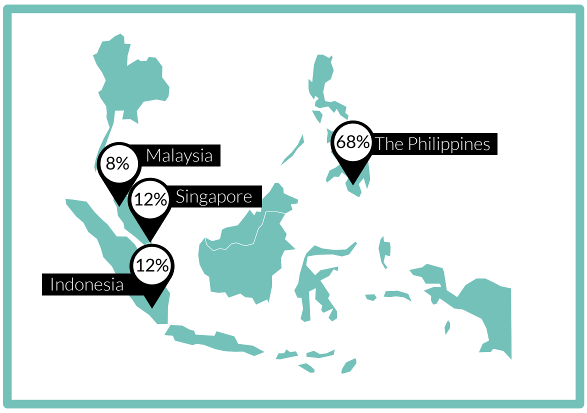
Invoice trading was the second most used business model among MSMEs that participated in this study. Approximately 13% (25) of respondent business borrowers used participatory trading platforms to finance their business activities.

4.2.1 Profile of respondents

Demographic of respondents

Most invoice trading respondents or borrowers were from the Philippines (68%), followed by Indonesia and Singapore, both with 12%. The remaining respondents were from Malaysia (8%).

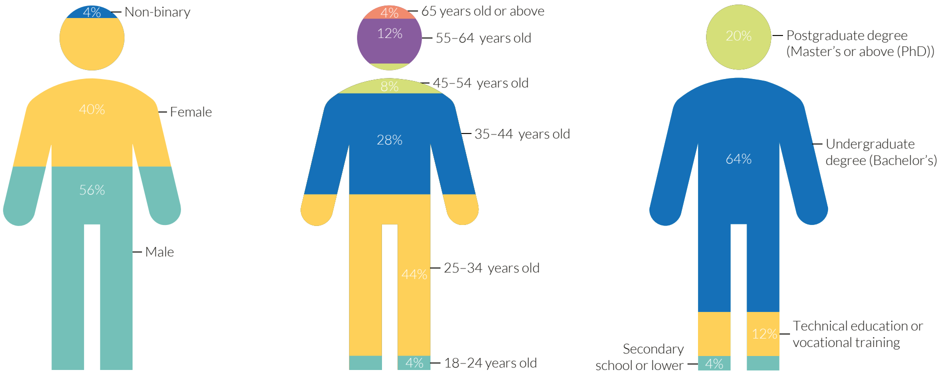
Figure 4.21 Country of operation: invoice trading (n. 25)



Most MSMEs (56%) were led by men and 40% by women. In terms of age, 44% were between 25 and 34 years of age, followed by 28% who were between 34 and 44. As noted previously, this reinforces the finding that more Millennials (and Gen X) prefer to borrow through online digital finance platforms than other age groups. In terms of education level, most business borrowers (64%) had an undergraduate degree, followed by those with a postgraduate degree (20%).

38 Sulastri, A.S., Aprilianti, I., Kapoor, R. and Carina, S. (2021). *Can the often-criticized P2P FinTech platforms in Indonesia solve the lack of diversity in MSME loan programs?* Available at: *https://www.microsave.net/2021/01/28/can-the-oft-criticized-p2p-fintech-platforms-in-indonesia-solve-the-lack-of-diversity-in-msme-loan-programs/*

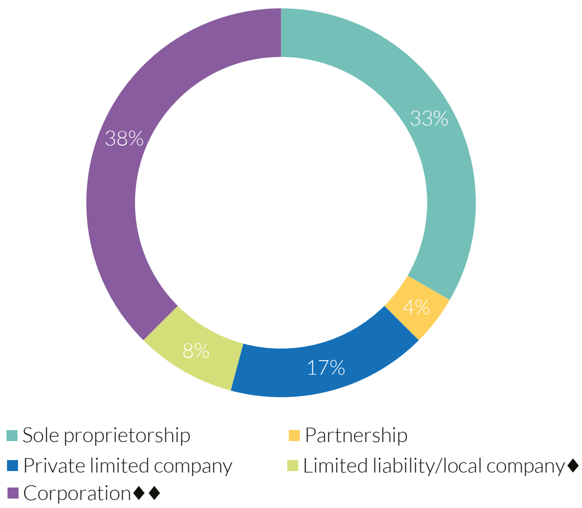
Figure 4.22 Gender, age and highest education level: invoice trading (n. 25)



Overview of the business

Analysis of firms' legal structure revealed that 33% operated as sole trading concerns and 17% as private limited companies. Most firms were mature businesses that had been operating for between five and ten years, followed by 32% that were younger companies that had been operating for between one and five years. Forty-four percent of invoice trading respondents were micro-enterprises, followed by medium enterprises at 36%.

Figure 4.23 Legal structure: invoice trading (n. 25)



♦Indonesia; ♦♦The Philippines

Of the respondent firms, 24% were sole traders, and 24% had between one and five full-time employees. Notably, approximately 36% of firms had more than 30 employees, as shown in Figure 4.24. Further, across the respondents, the estimated average annual revenue was USD652,742 and the median was USD141,242 for the 2021 financial year (Figure 4.25).

Figure 4.24 Company size, trading duration and number of FTEs: invoice trading (n. 25)

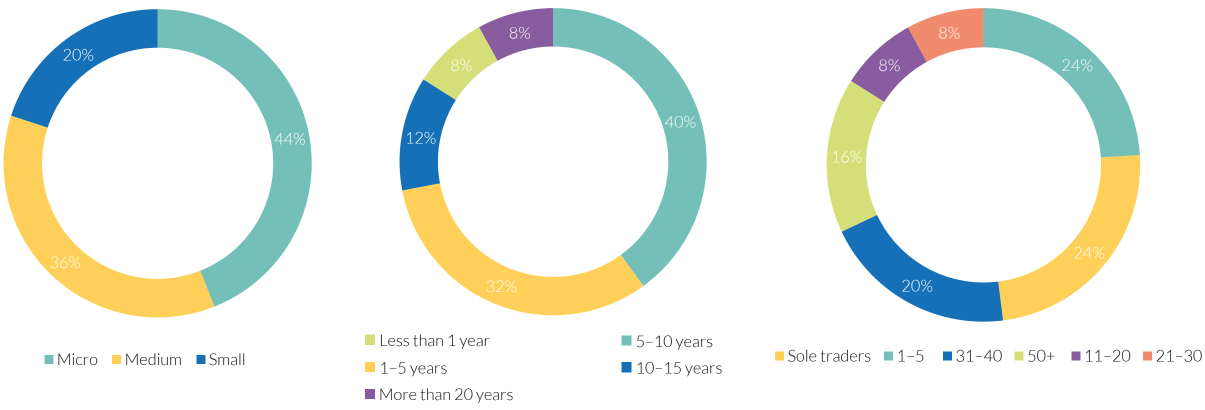
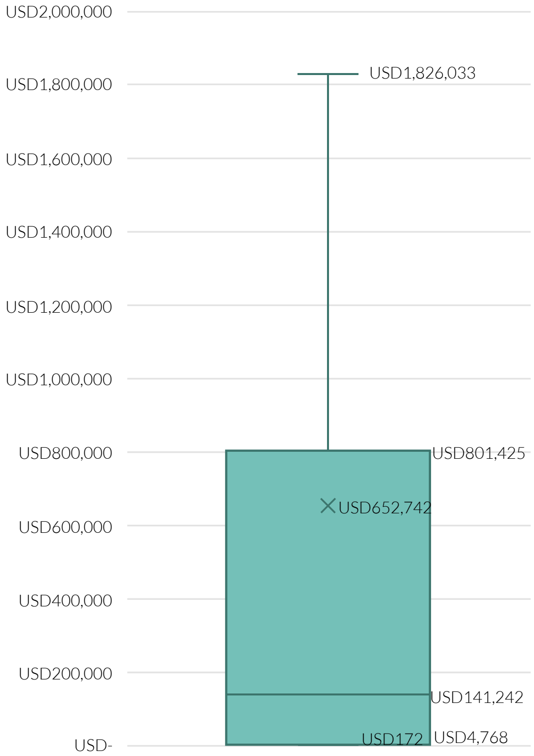


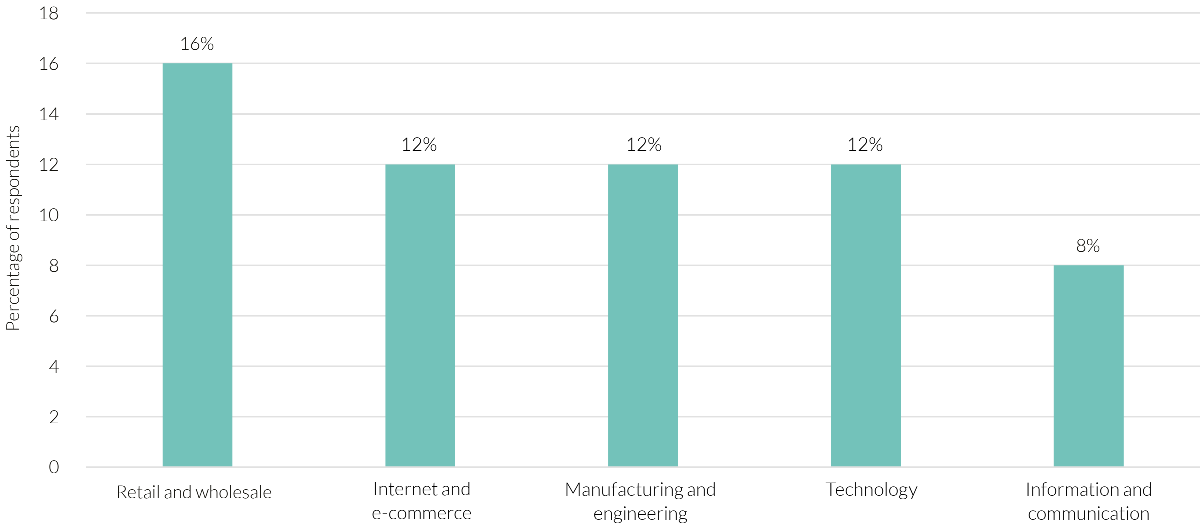
Figure 4.25 Estimated annual revenue: invoice trading (n. 25)



**Outliers (too far/extreme values) are not shown in this boxplot.*
***X represents the mean.*

In terms of the business sector financed through this model, 16% were operating in the retail and wholesale sector, followed by internet and e-commerce, manufacturing and engineering, and technology (at 12% each), as shown in Figure 4.26.

Figure 4.26 Top five business sectors: invoice trading (n. 25)

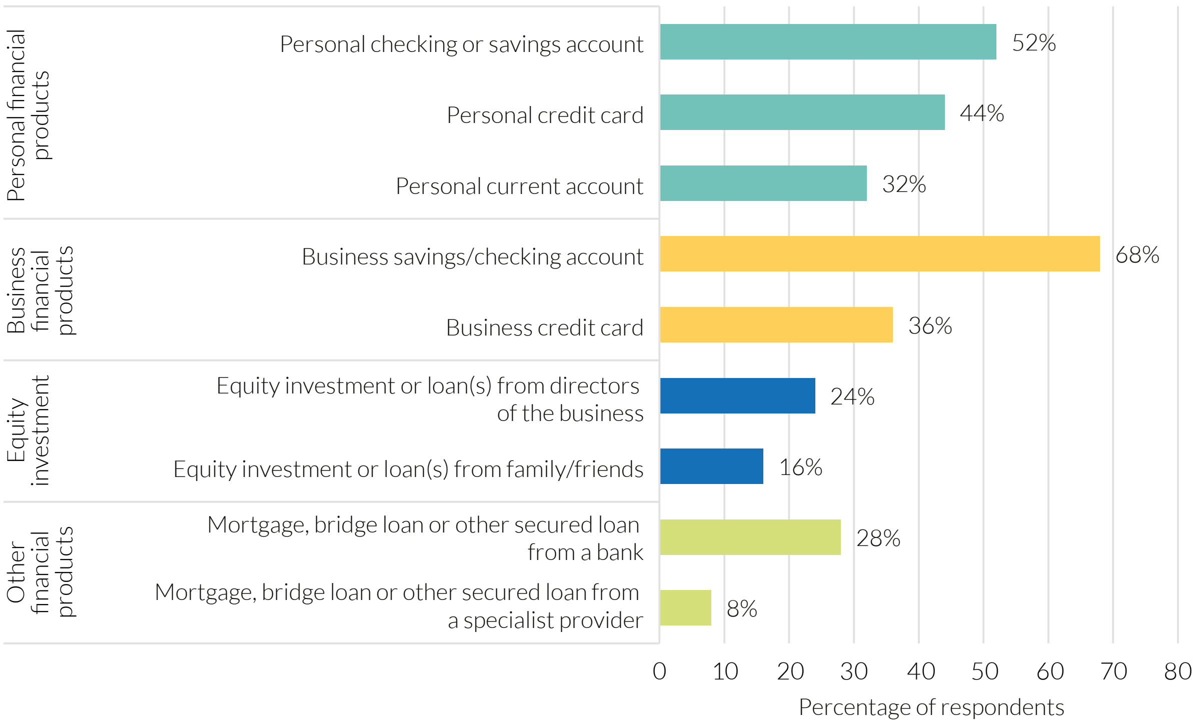


4.2.2 Relationship with traditional financial services

Traditional financial facilities use

Most firms used personal and business financial products. Business savings or checking accounts were the most used (68%), followed by personal checking or savings accounts (52%), and personal credit cards (44%). In addition, around one-third of respondents reported using business credit cards and personal current accounts.

Figure 4.27 Forms of traditional finance use: invoice trading (n. 25)

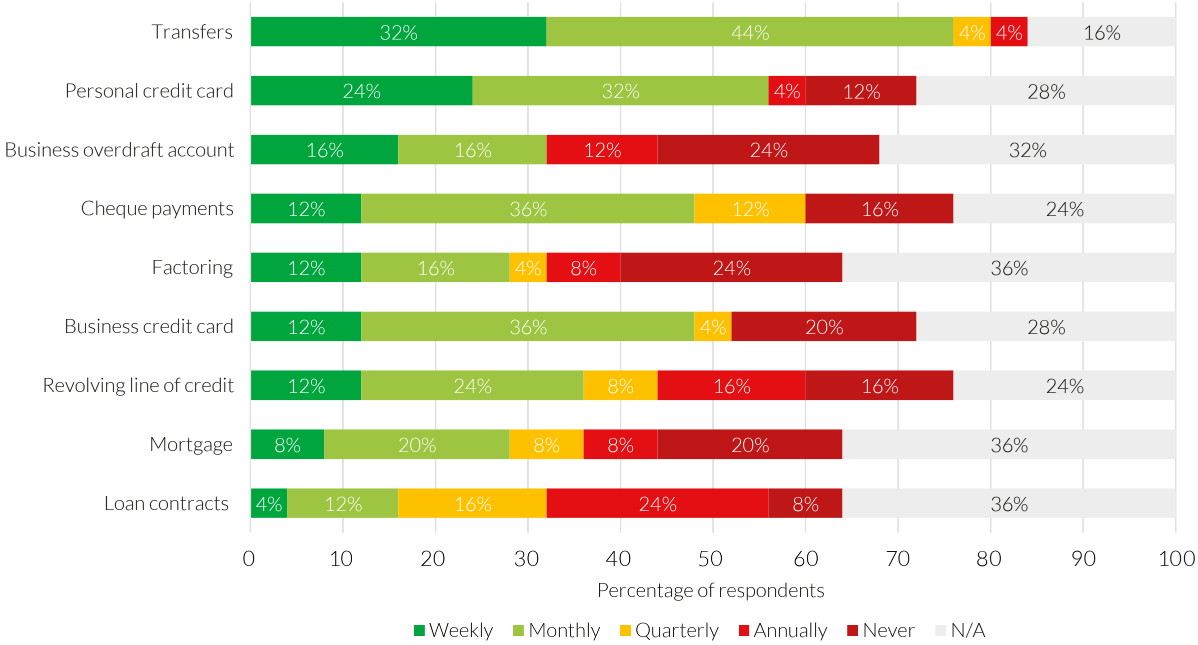


**Other financial products or instruments that may cater to both consumers and businesses*

Banking products use

Transfers were the most frequently used banking products, with 32% of MSMEs using them weekly and 44% using them monthly. This was followed by personal credit cards, which 24% used weekly and 32% used monthly. Notably, cheque payments and business credit cards were generally used every month.

Figure 4.28 Frequency of using banking products/services: invoice trading (n. 25)

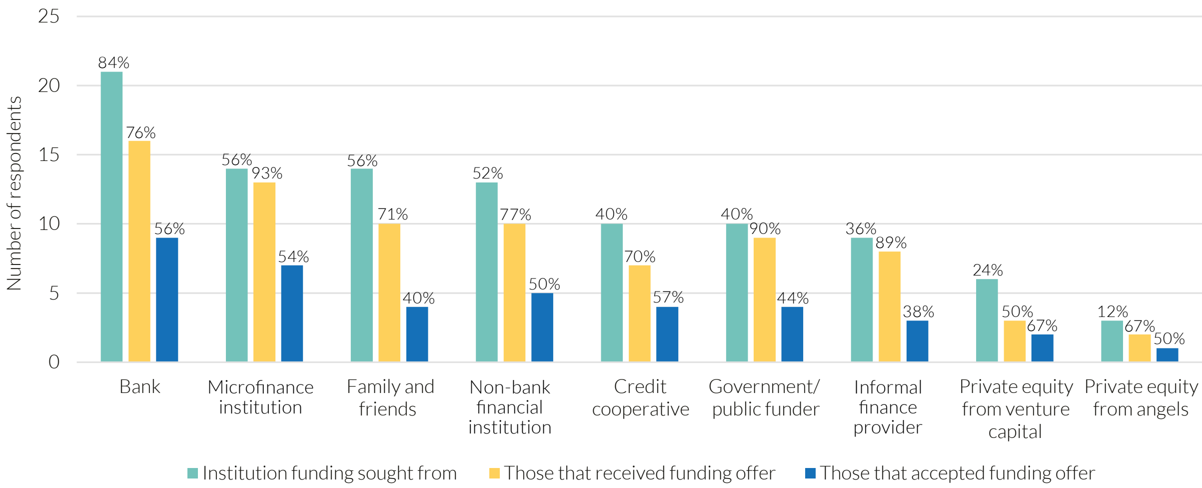


'N/A' indicates not applicable or no relationship.

Previous financing from other sources

Most respondents had sought funding from other sources before turning to an invoice trading platform. The most popular funding source was banks, with 84% of MSMEs approaching them for funding. Of those, more than three-quarters received an offer and more than half accepted that offer. The second most popular funding sources were microfinance institutions, followed by family and friends, with 56% each. More than 90% of firms that approached microfinance institutions received an offer and more than half accepted that offer. Despite a smaller proportion of firms (36%) reaching out to informal finance providers, the offer rate was higher at 89%.

Figure 4.29 Previous financing from other sources: invoice trading (n. 25)

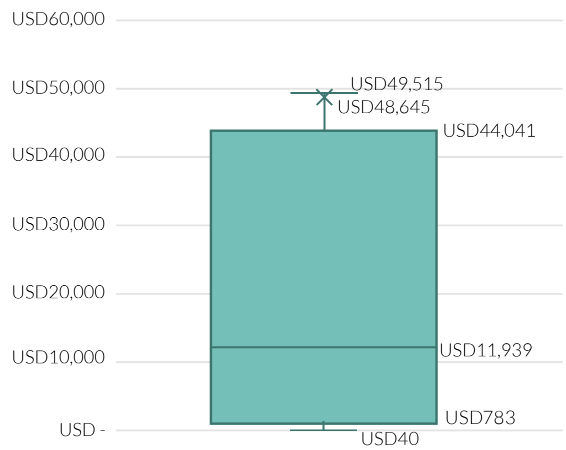


4.2.3 Borrowing experience

Amount borrowed

The median amount borrowed by invoice trading respondents was USD11,939, while the average was USD48,645. However, for up to 75% of respondents, the borrowed amount was less than USD44,401. The average was largely biased by the last quartile where most respondents borrowed an average of USD168,637.

Figure 4.30 Amount borrowed: invoice trading (n. 24)

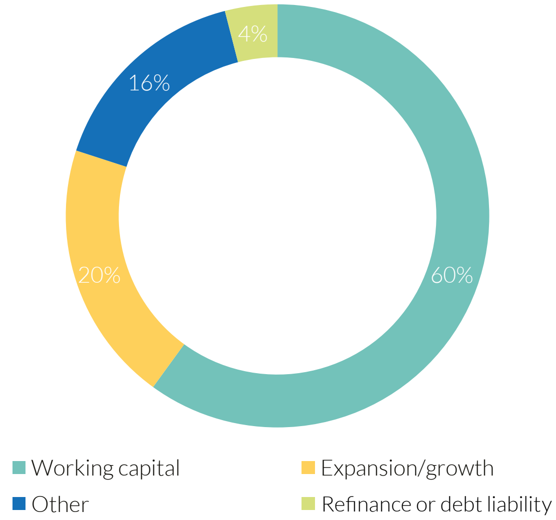


*One outlier was excluded from the analysis (with a value of more than USD2.3 million).
**Outliers (too far/extreme values) are not shown in this boxplot.
***X represents the mean.

Primary purpose of borrowing

For most respondents (60%), the main reason for borrowing from an invoice trading platform was to raise working capital, followed by 20% who used the funds for expansion or growth. In terms of working capital, approximately 36% borrowed funds to cover unexpected business cash flow needs like customer defaults, late payments or unexpected bills, and 20% used the funds to pay their suppliers.

Figure 4.31 Primary purpose of borrowing: invoice trading (n. 25)



*'Working capital' includes paying suppliers, rent and bills, and covering unexpected business cash flow needs. 'Refinance or debt liability' includes consolidating/refinancing long-term debts. 'Expansion/growth' includes real estate purchase or development, new product/service development, and business expansion into a new market. 'Other' includes lending to other individuals and businesses.

Decision-making factors for borrowing from fintech

The most important decision-making factors that influenced a firm's decision to borrow from an invoice trading platform were related to platform use. Of the respondents, 72% regarded better customer service as a very important factor, followed by flexible terms (68%). Financial factors were also reported as being very important, such as the speed of receiving funds (64%) and better interest rates (60%). Notably, 96% of firms reported retaining control over the business as important or very important.

Figure 4.32 Decision-making factors for borrowing from fintech: invoice trading (n. 25)

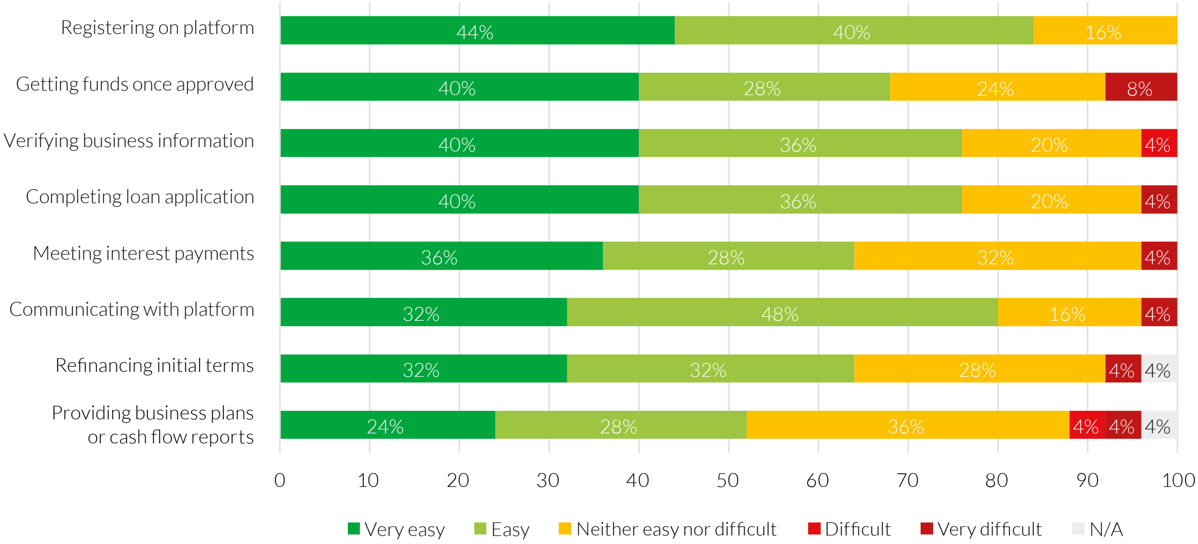
Frequency of borrowing from fintech platforms

Most respondents (84%) had borrowed from invoice trading platforms more than once: 36% had used them twice, 20% more than three times, and 28% more than five times.

Ease of using fintech platforms

When asked about how easy it was to use invoice trading platforms, more than half the firms reported they were very easy or easy to use across all activities. Registering on the platform was very easy for 44% of respondents, followed by getting the funds once approved, verifying business information and completing loan applications (40% each). Further, approximately 80% of respondents reported communicating with the platform as being very easy or easy.

Figure 4.33 Ease of using fintech platforms: invoice trading (n. 25)



'N/A' indicates not applicable or the respondent did not wish to rate the activity.

Interest rates

Looking at the interest rates invoice trading platforms charged firms on their most recent loans, most respondents (47%) reported paying a monthly interest rate of between 0% and 2.49%, while 37% reported a monthly interest rate of between 2.50% and 4.49%.

Ability to get funding from another source

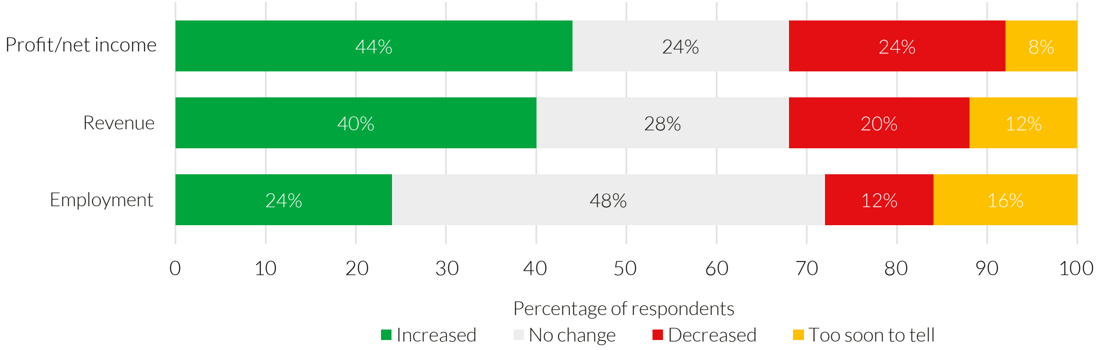
Forty-eight percent of respondents thought they would have been able to secure finance from a source other than the invoice trading platform, 36% were not sure, and 12% reported they would not have been able to get finance elsewhere.

4.2.4 Outcome of financing and Covid-19 impact

Business changes: employment, revenue and profit/net income

In terms of business changes caused by borrowing funds from an invoice trading platform, 44% of respondents reported an increase in profits and 40% an increase in revenue. For most MSMEs, there were no changes in terms of employment, while 24% reported an increase.

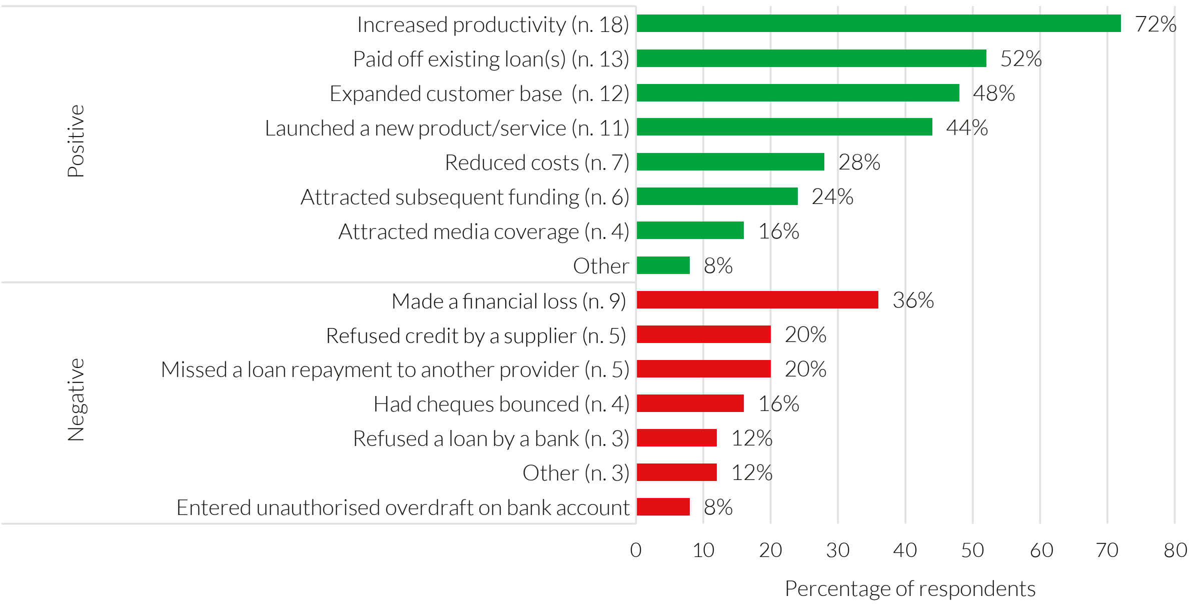
Figure 4.34 Business changes due to financing: invoice trading (n. 25)



Business impact due to financing

Overall, most firms reported that the financing from invoice trading platforms had a positive effect on their business activities. Most respondents (72%) reported increased productivity, 52% paid off existing loans, 48% expanded their customer base and 44% launched a new product/service. Conversely, 36% made a financial loss due to borrowing funds.

Figure 4.35 Business impact due to financing: invoice trading



Loan repayment status

Most MSMEs (84%) reported that their payments were ongoing, and that they had never missed a payment. Only 12% were unable to repay the loan when payment was due but did eventually repay the full amount with some delay.

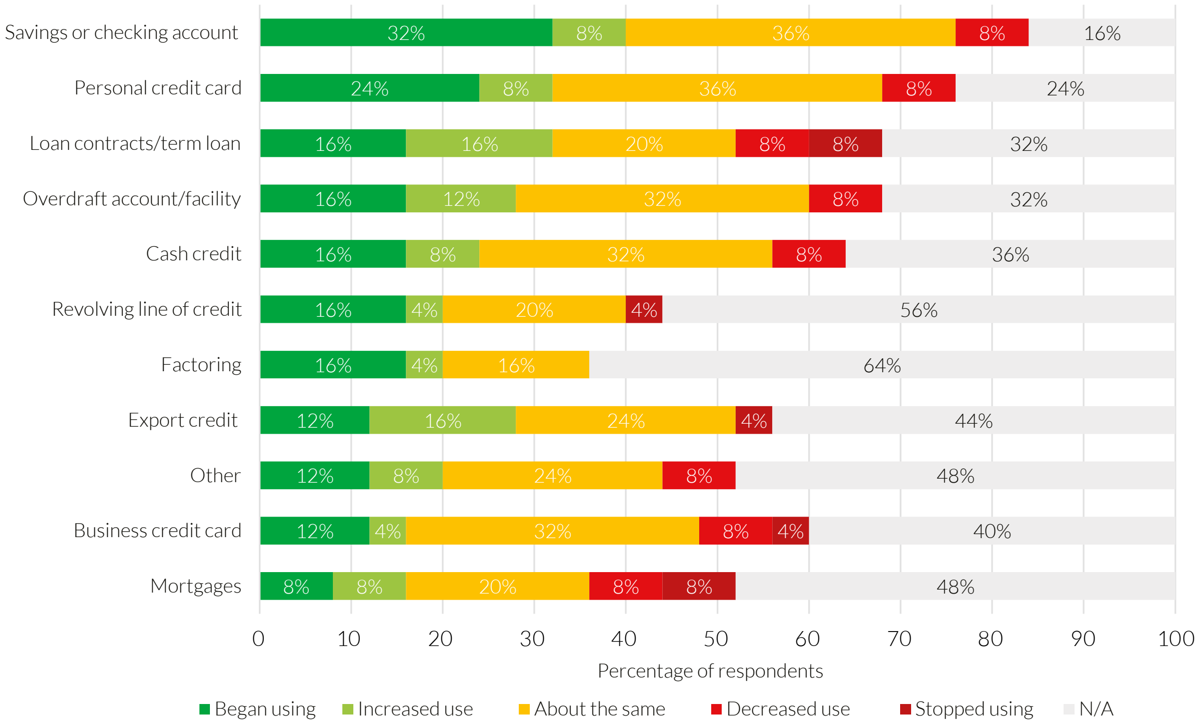
Subsequent funding

Almost half the respondents reported they applied for additional funding beyond what they had borrowed from the fintech platform. Of those, 22% received this subsequent funding from family and friends, and 16% from another fintech platform. As previously noted, banks, and family and friends were the top two funding sources respondents first approached before turning to an invoice trading platform.

Banking relationship impact

When asked about how borrowing from an invoice trading platform had affected their use of banking products, 32% of firms reported they had started to use savings or checking accounts, followed by 24% who had begun using personal credit cards. Additionally, 16% of firms had increased the frequency with which they used export credits and loan contracts due to borrowing funds through this fintech model. However, most respondents had not changed the frequency with which they used any of the banking products.

Figure 4.36 Banking relationship impact: invoice trading (n. 25)



Impact of Covid-19 on business operations and borrowing frequency

Sixty percent of MSMEs had to adjust their business operations due to the Covid-19 pandemic, 24% made no changes or only minimal adjustments, and 16% temporarily shut down. In terms of borrowing frequency, over two-thirds of respondents did not increase the frequency with which they borrowed funds due to Covid-19. For those who did borrow more often, the additional funds were used to meet the business's cash flow needs.

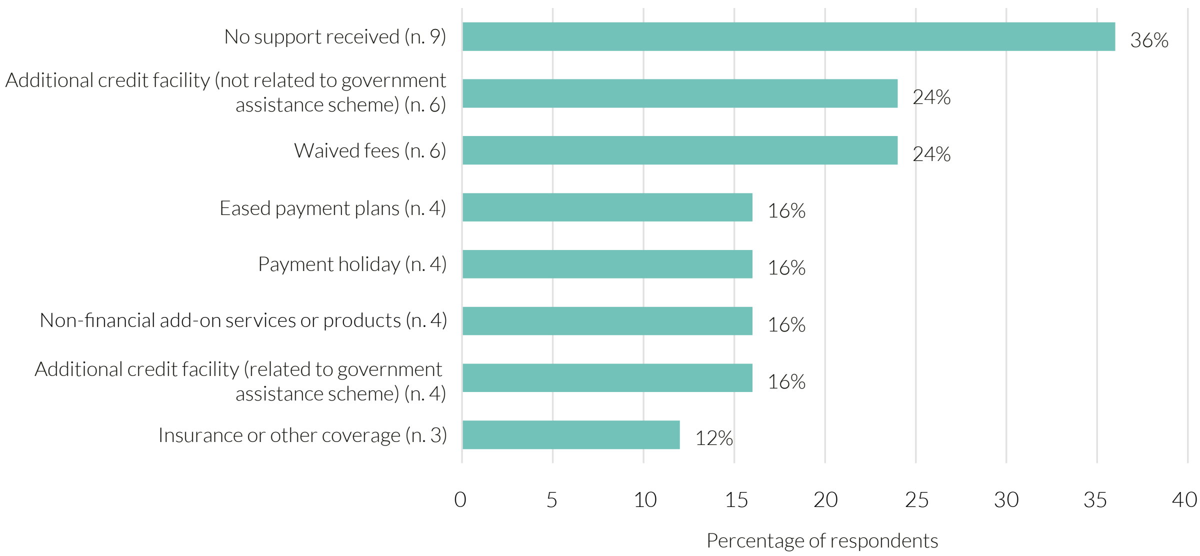
Covid-19 government financial assistance

Less than half the respondents (48%) received financial assistance from their government during the Covid-19 pandemic. Of those that did, the main types of assistance were government cash assistance/loan subsidies for MSMEs and tax relief.

Covid-19 platform assistance

Thirty-six percent of respondents did not receive any assistance from invoice trading platforms during the pandemic. Of those that did, most (24%) received additional credit facilities and fee waivers.

Figure 4.37 Covid-19 platform assistance: invoice trading (n. 25)



4.3 Equity crowdfunding

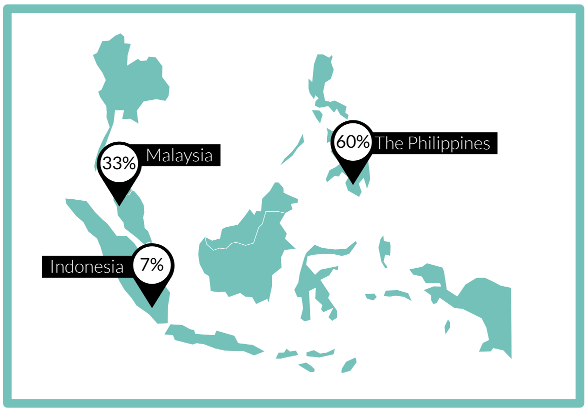
A small proportion of business respondents or fundraisers (8%, i.e.,15) used equity crowdfunding platforms to fund their business activities, making this business model the least frequently used among those who participated in this study.

4.3.1 Profile of respondents

Demographic of respondents

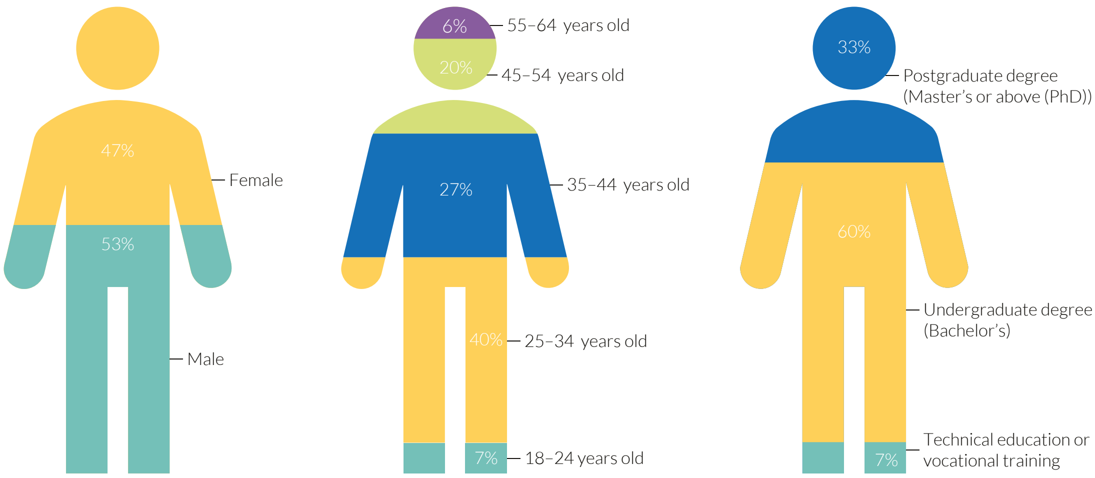
Most business respondents who raised funds through equity crowdfunding platforms were located in the Philippines (60%), followed by Malaysia (33%) and Indonesia (7%).

Figure 4.38 Country of operation: equity crowdfunding (n. 15)



When looking at the gender distribution, females represented 47% of the fundraisers in this vertical. Most of these business respondents (40%) were aged between 25 and 34 years of age, followed by 27% who were between 35 and 44. More than half (60%) had an undergraduate degree, followed by those who had a postgraduate degree (33%), which was the highest proportion across all the business models.

Figure 4.39 Gender, age and highest education level: equity crowdfunding (n. 15)

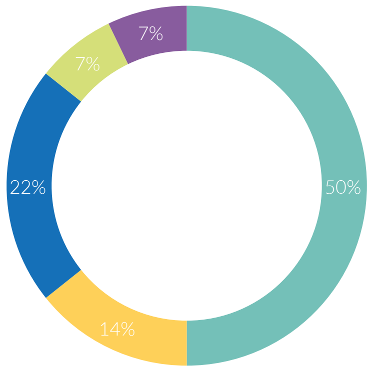


Overview of the business

Half the MSMEs reported their legal structure as being a sole proprietorship, followed by 22% that were operating as private limited companies. Most respondents (60%) had been operating for between one and five years, and 20% for less than one year. Sixty-seven percent were micro-enterprises and 20% were small businesses, as shown in Figure 4.41. The estimated median revenue for equity crowdfunding respondents was USD2,029, with an annual average of USD400,572 for the 2021 financial year (Figure 4.42).

Of the respondent MSMEs, 67% had between one and five full-time employees, and 13% were sole traders, indicating that a greater proportion of younger firms with no or few full-time employees had raised funds through equity crowdfunding. The most common business sectors funded were retail and wholesale (20%), followed by agriculture/fishing, and food and drink, both at 13% (Figure 4.43).

Figure 4.40 Legal structure: equity crowdfunding (n. 14)



♦Singapore, Malaysia and Thailand; ♦♦Indonesia

Figure 4.41 Company size, trading duration and number of FTEs: equity crowdfunding (n. 15)

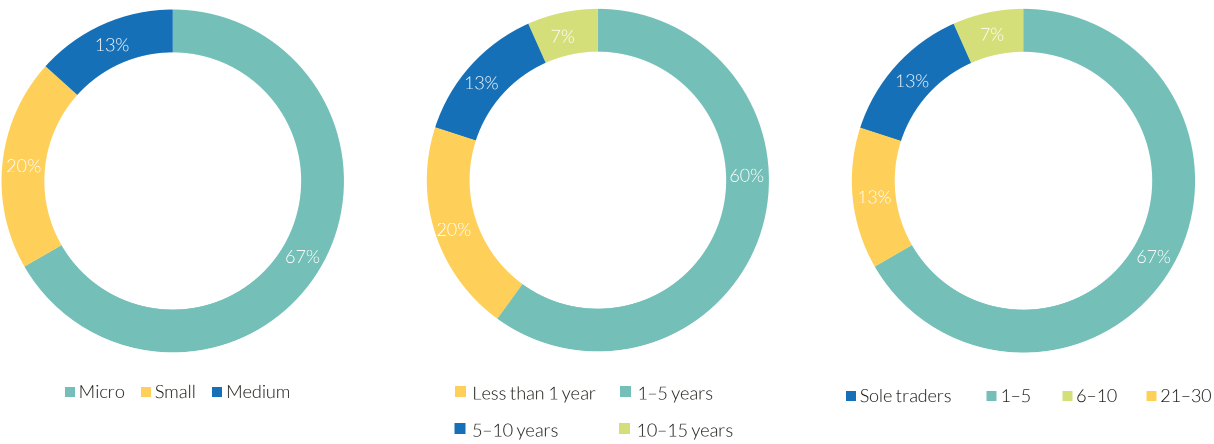
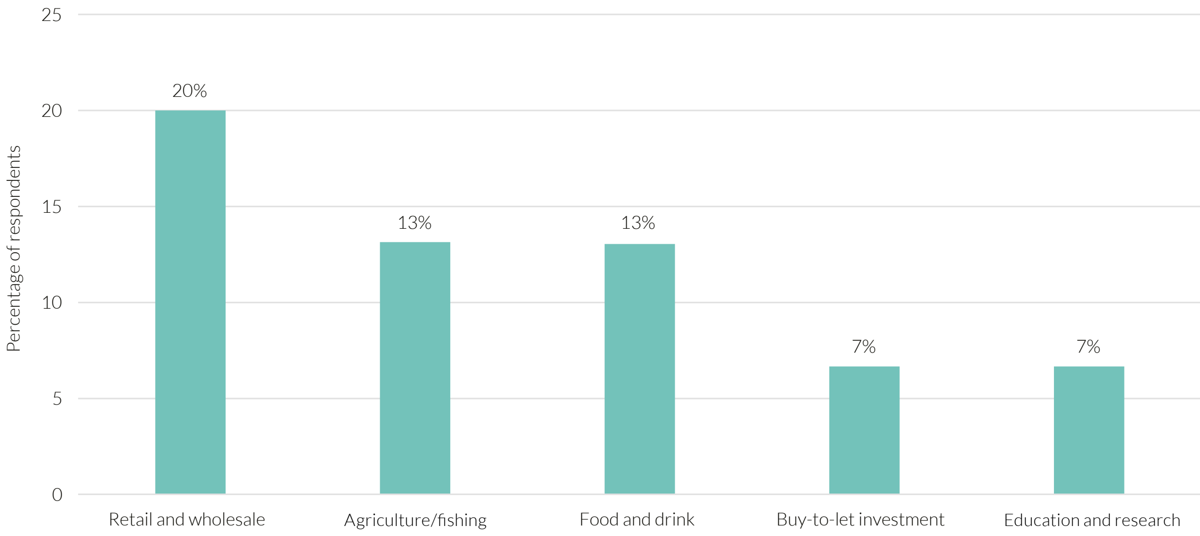


Figure 4.42 Estimated annual revenue: equity crowdfunding (n. 15)

**X represents the mean.*

Figure 4.43 Top five business sectors: equity crowdfunding (n. 15)

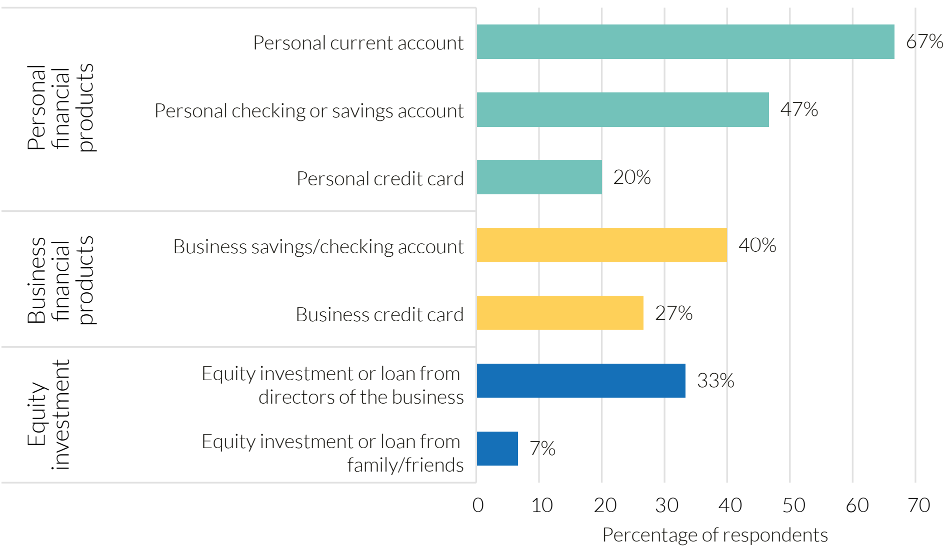


4.3.2 Relationship with traditional financial services

Traditional financial facilities use

Overall, most MSMEs used personal financial products: 67% used personal current accounts and 47% personal checking or savings accounts. Conversely, 40% used business savings or checking accounts. Notably, equity investment or loans from the business directors were higher across all other business models.

Figure 4.44 Forms of traditional finance use: equity crowdfunding (n. 15)

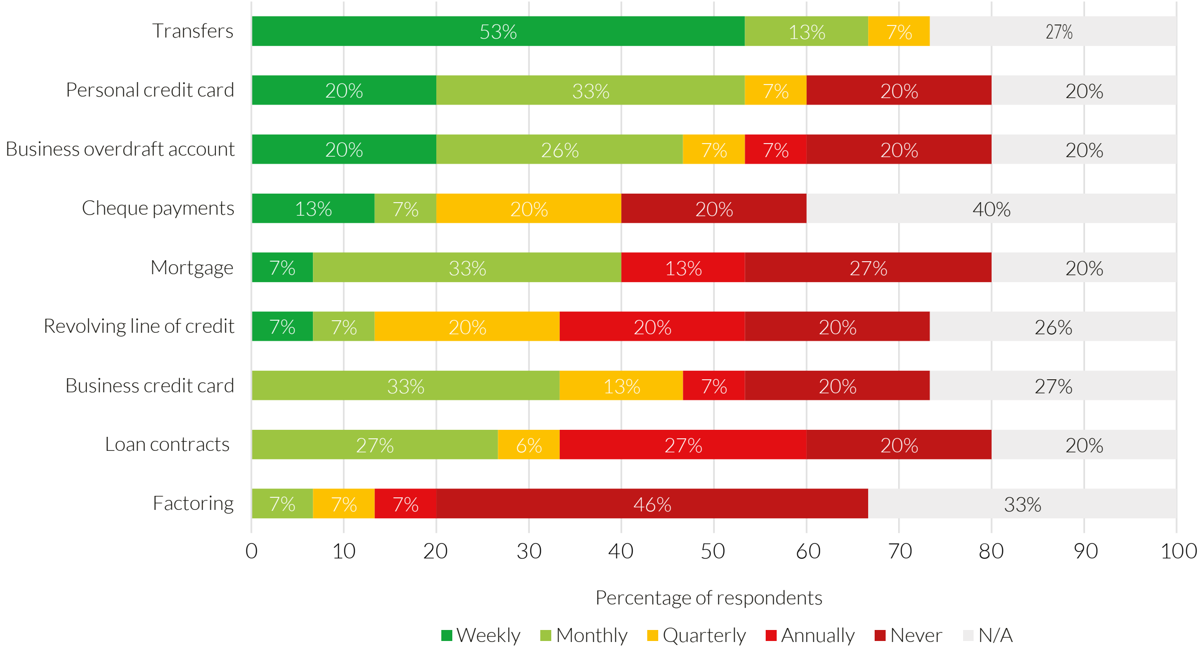


**Other financial products or instruments that may cater to both consumers and businesses*

Banking product use

The most frequently used banking product was transfers, which were used weekly by 53% of respondents. This was followed by personal credit cards and business overdraft accounts, which were used weekly by 20%. Further, one-third of firms used credit cards, both business and personal, every month.

Figure 4.45 Frequency of using banking products/services: equity crowdfunding (n. 15)

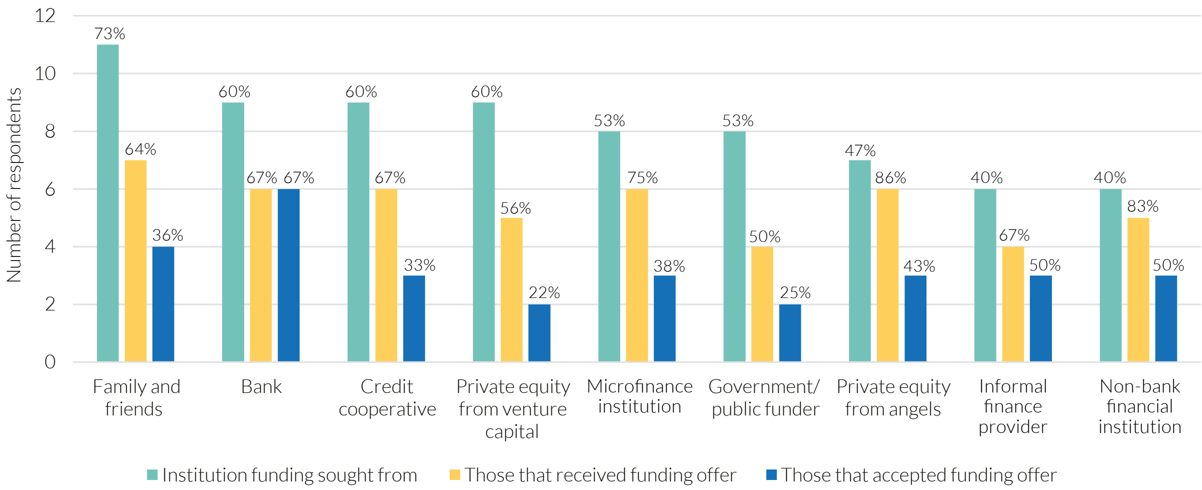


'N/A' indicates not applicable or no relationship.

Previous fundraising from other sources

Before securing funding through an equity crowdfunding platform, most MSMEs sought funding from family and friends. Of those, two-thirds received an offer and only one-third accept that offer. This was followed by 60% that sought funding from a bank, of which 67% received an offer and accepted it. In general, most MSMEs relied on loans from friends and family when they needed funds.[39]

Figure 4.46 Previous fundraising from other sources: equity crowdfunding (n. 15)

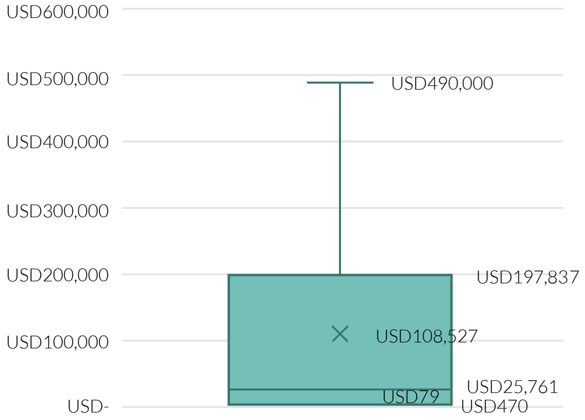


39 Asian Development Bank (2020). *Asia Small and Medium-Sized Enterprise Monitor 2020*. Available at: *https://www.adb.org/sites/default/files/publication/646146/asia-sme-monitor-2020-volume-1.pdf*

4.3.3 Fundraising experience

MSMEs that funded their business through equity crowdfunding platforms raised a median of USD25,761 and USD108,527 on average.

Figure 4.47 Amount fundraised: equity crowdfunding (n. 10)

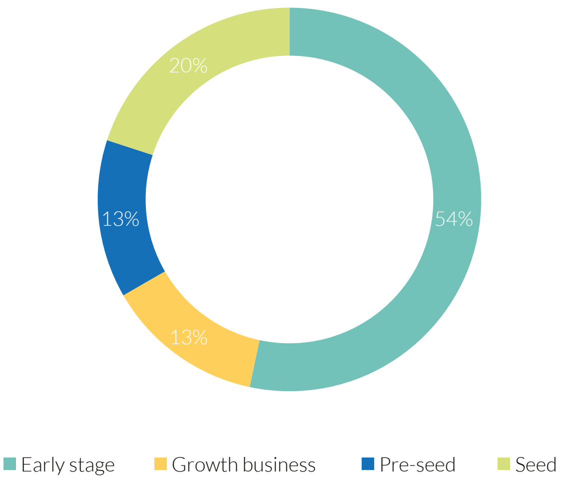


**Zero/nil values were excluded from calculations.*
***Outliers (too far/extreme values) are not shown in this boxplot.*
****X represents the mean.*

Business development stage

Most MSMEs were in an early business development stage (54%) and 20% were at the seed funding stage. This was followed by growth businesses and those at the pre-seed stage, at 13% each. This reinforces the earlier finding that a greater number of younger firms raised funds through these platforms.

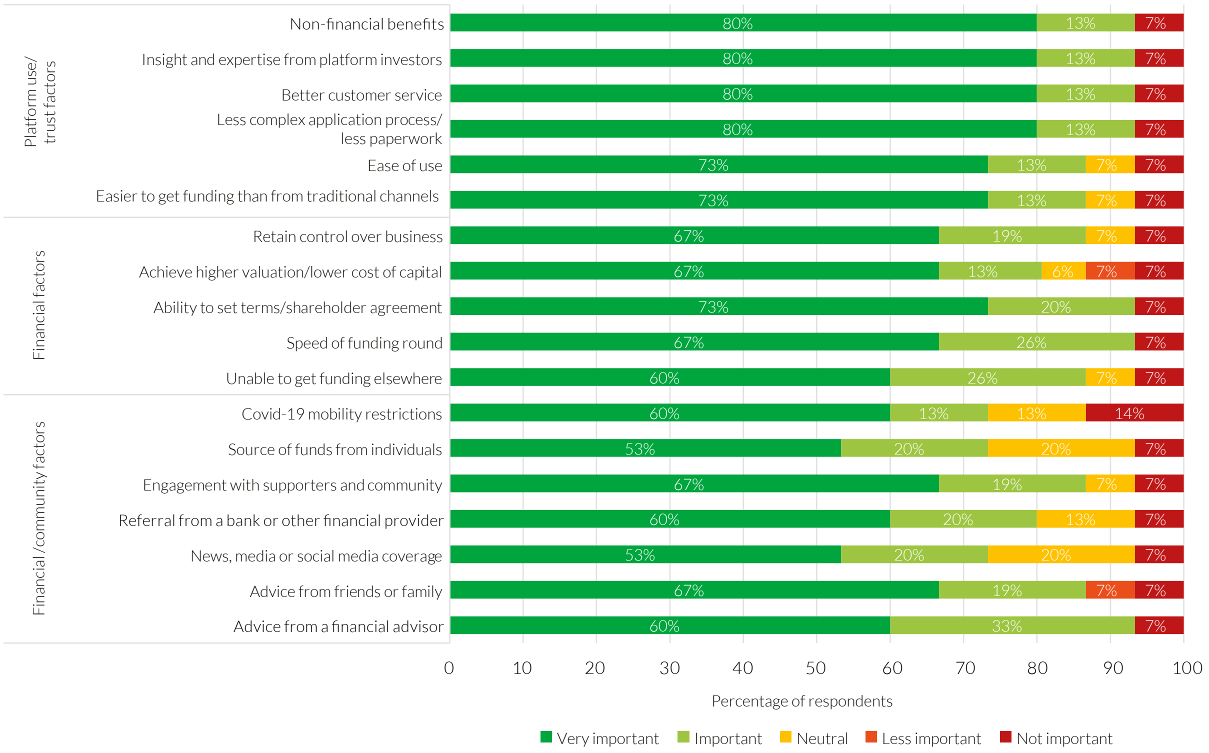
Figure 4.48 Business development stage: equity crowdfunding (n. 15)



Decision-making factors for fundraising from fintech

The most important decision-making factors for firms when deciding whether to raise funds through an equity crowdfunding platform were related to platform use, such as non-financial benefits (for example, PR and marketing), insight and expertise from platform investors, better customer service, and less paperwork or less complex application processes. Among the financial factors, the ability to set terms/shareholder agreements was a very important factor, followed by the speed of the funding round. Notably, external factors, such as advice from a financial adviser, were reported as being very important or important decision-making factors for raising funds through this channel.

Figure 4.49 Decision-making factors for fundraising from fintech: equity crowdfunding (n. 15)



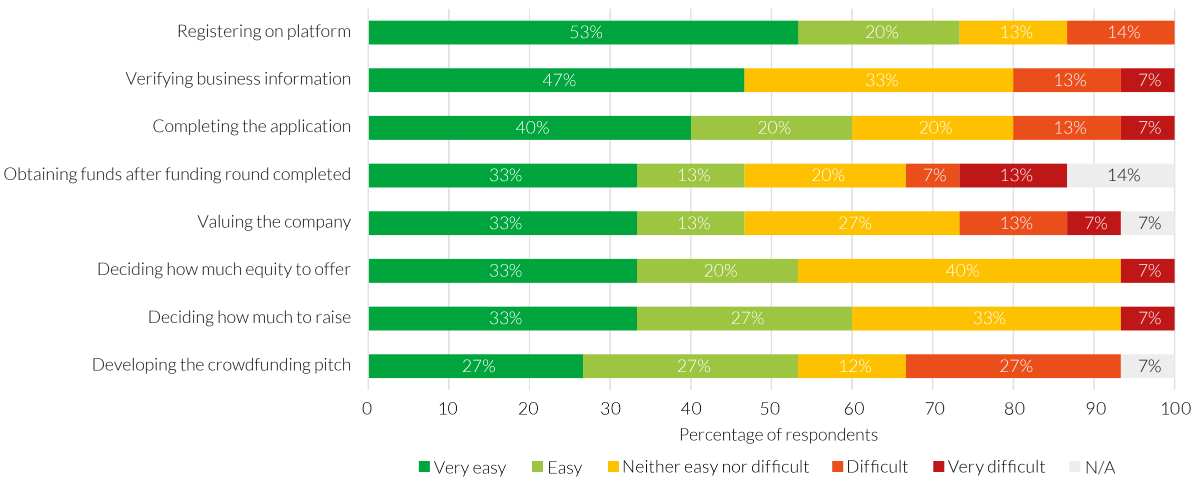
Number of individuals invested and voting rights

For most MSMEs (87%), between one and nine individuals had invested in their business through an equity crowdfunding platform. More than half reported that individual investors had voting rights, either individually or through a nominee structure.

Ease of using fintech platforms

Overall, MSMEs found it relatively easy to use equity crowdfunding platforms: 53% found registering on the platform very easy, followed by 47% that found verifying business information very easy. Additionally, deciding how much to raise and developing the crowdfunding pitch was considered easy.

Figure 4.50 Ease of using fintech platforms: equity crowdfunding (n. 15)



'N/A' indicates not applicable or the respondent did not wish to rate the activity.

Frequency of fundraising through platforms, ability to get funding from another source and subsequent funding

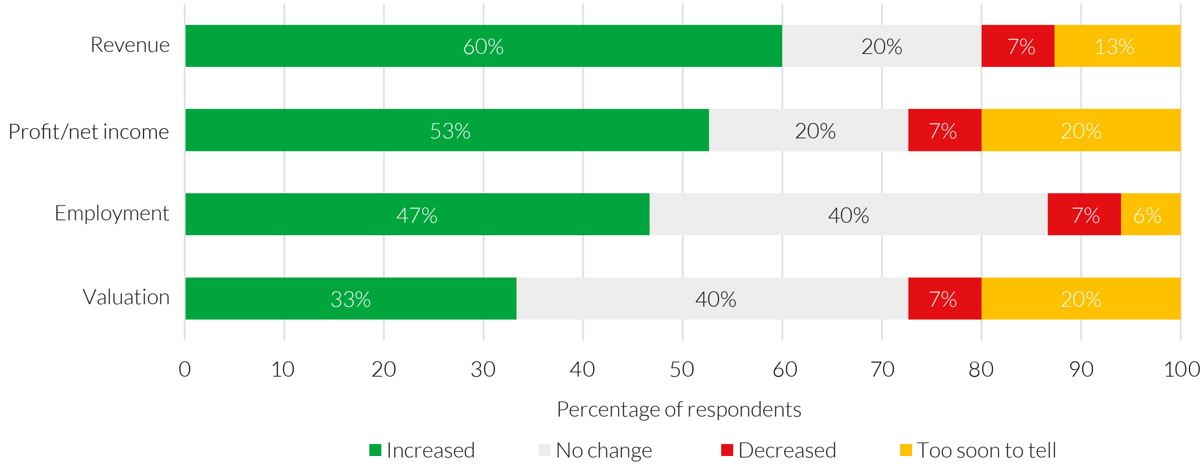
In terms of fundraising frequency, most respondents (73%) had raised funds through an equity crowdfunding platform only once, and more than 90% believed they would have been able to raise funds from a source other than an equity crowdfunding platform. Further, when asked if they had attracted subsequent funding, 60% of MSMEs said they had. Of those, 33% received this funding from a fintech platform and 33% from friends and family.

4.3.4 Outcome of fundraising and Covid-19 impact

Business changes: employment, revenue, profit/net income and valuation

Overall, MSMEs reported positive changes after raising funds through an equity crowdfunding platform. Of those, 60% reported revenue increases, followed by 53% that reported an increase in profits. Forty-seven percent noted an increase in employment, and one-third reported an increase in the valuation of their business.

Figure 4.51 Business changes due to fundraising: equity crowdfunding (n. 15)



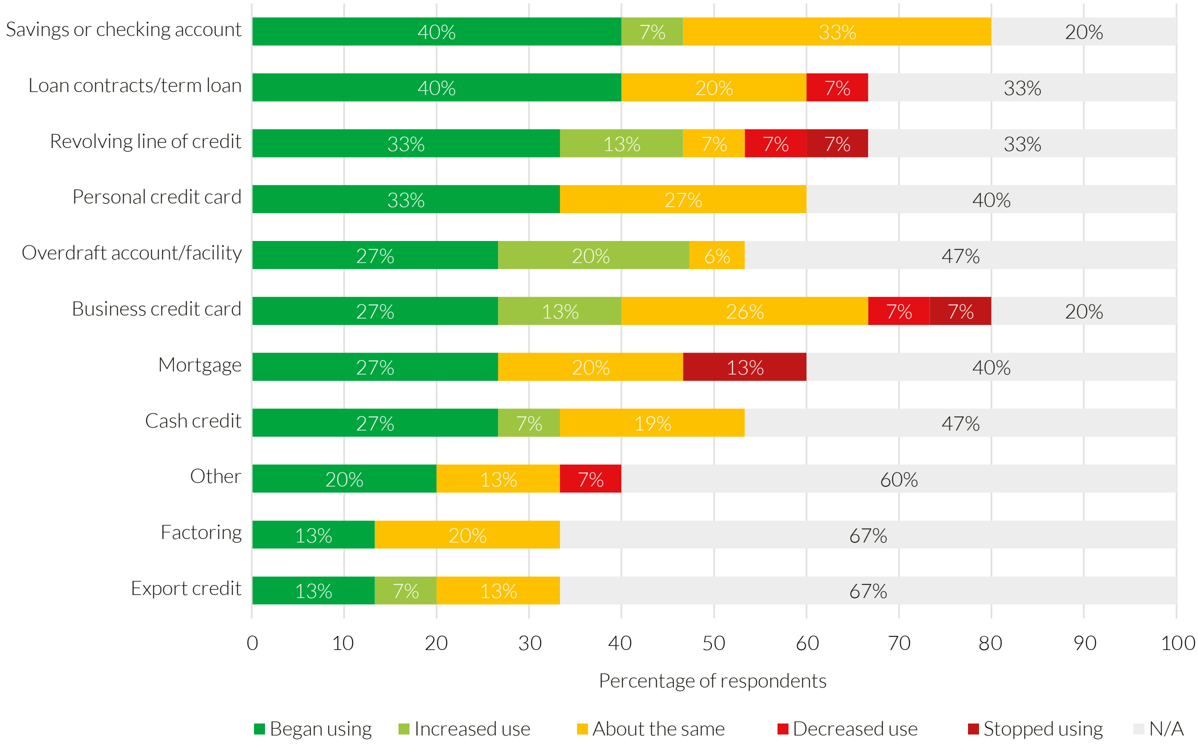
Business impact due to fundraising

Firms reported both positive and negative effects when asked about how the fundraising activity had impacted their business. In terms of positive effects, the most common (13%) was expanding their customer base, followed by an increase in productivity (7%). The main negative effect caused by the fundraising was making a financial loss (27%).

Banking relationship impact

After raising funds through an equity crowdfunding platform, some MSMEs reported they had started to use banking products and services. Of those, 40% had begun to use savings or checking accounts, or loan contracts. However, most firms reported they did not have access to these products or services.

Figure 4.52 Banking relationship impact: equity crowdfunding (n. 15)



Covid-19 impact on business operations

Regarding the impact the Covid-19 pandemic had on business operations, 40% of firms reported having to adjust their operations, 33% had to temporarily shut down their business and only 27% reported no change.

Covid-19 government financial assistance and platform assistance

In terms of government financial assistance, most respondents (93%) reported they did not receive any financial assistance during the Covid-19 pandemic. Regarding financial assistance from equity-based crowdfunding platforms, 40% of respondents were offered fee waivers and 20% were offered insurance or other coverage.

5 Country data sample at a glance

Indonesia

Consumer lending and BNPL respondents (n. 106)

Demographics

64% of consumer lending respondents were men.

49% of consumer lending respondents had an undergraduate degree.

36% of consumer lending respondents were living in their primary residence.

45% of consumer lending respondents were between 25 and 34 years of age.

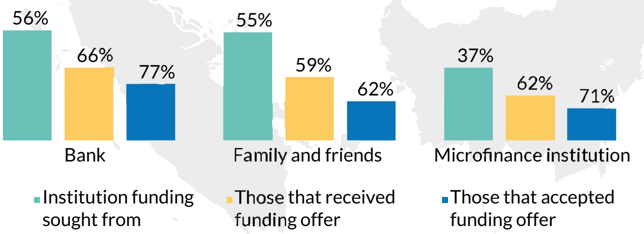
70% of consumer lending respondents were full-time employees.

24% of consumer lending respondents had no dependents.

The median value of respondents' income was **USD4,170** and the average **USD7,756**

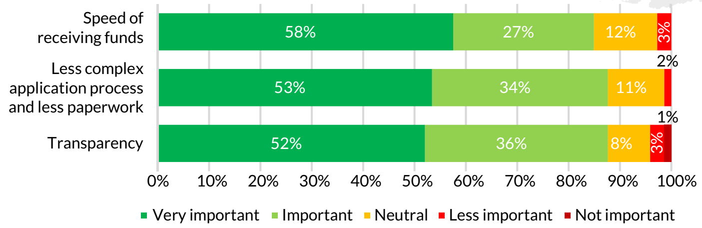
Relationship with traditional finance and financing experience

Top three previous financing activities

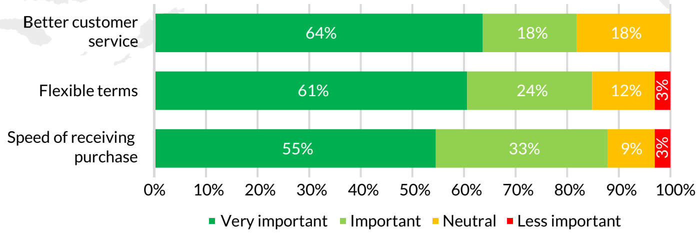


The median amount borrowed by consumers was **USD344** and the average **USD2,810**

Top three decision-making factors: consumer lending (n. 73)



Top three decision-making factors: BNPL (n. 33)

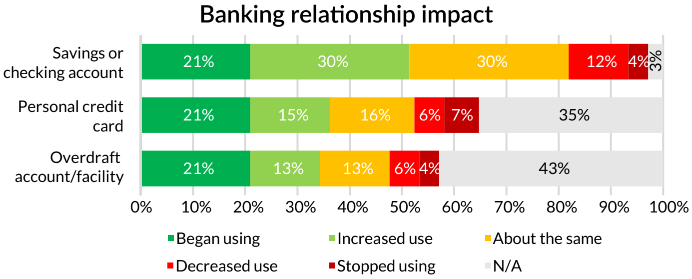


26% of consumer lending respondents reported their main reason for borrowing from a fintech was to cover day-to-day expenses.

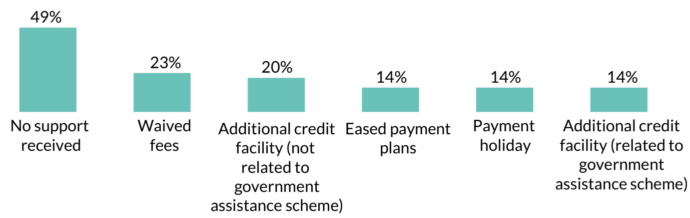
17% of BNPL respondents reported that their main reason for obtaining finance from a BNPL provider was for fashion and apparel purchases.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



MSME respondents (n. 78)

Demographics and overview of the business

60% of business respondents were women.

46% of business respondents were only educated to secondary school/high school level or below.

49% of business respondents were between 35 and 44 years of age.

The median revenue of MSME borrowers or fundraisers was **USD4,837** and the average **USD285,442**

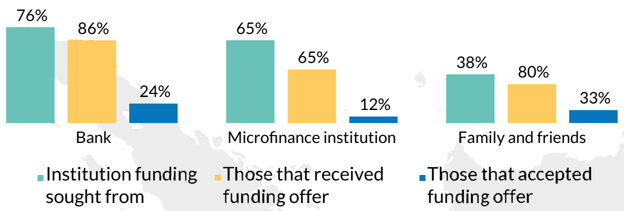
71% of MSME respondents were micro enterprises.

47% of MSME respondents had been trading for between one and five years.

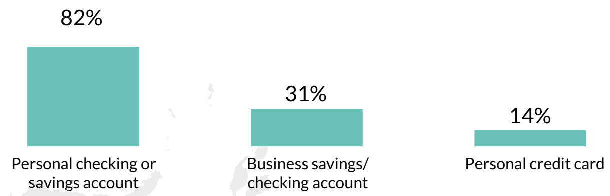
40% of MSME respondents had between one and five full-time employees.

Relationship with traditional finance and financing experience

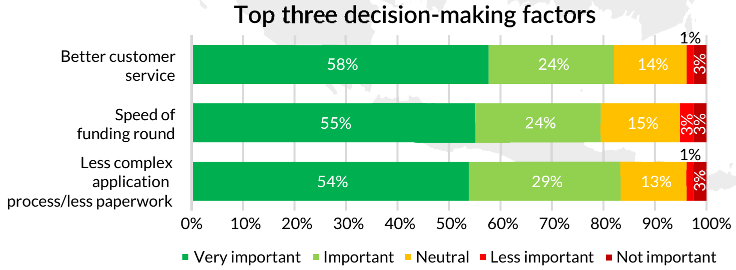
Top three previous financing activities



Top three uses of traditional finance products



Top three decision-making factors

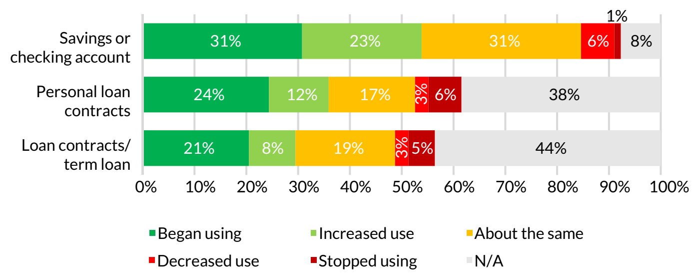


The median amount borrowed/raised by MSMEs was **USD690** and the average **USD26,877**

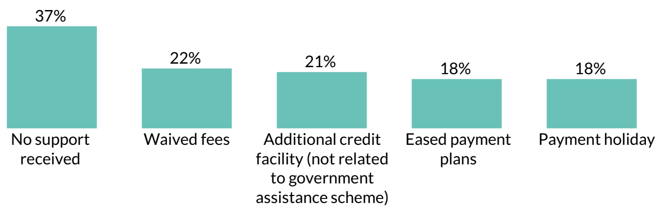
19% of MSME respondents reported that their primary purpose of financing from a fintech was to develop a new product or service.

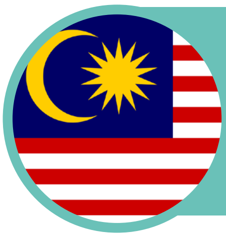
Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform





Malaysia

Consumer lending and BNPL respondents (n. 24)

Demographics

67% of consumer lending respondents were men.

50% of consumer lending respondents had an undergraduate degree.

29% of consumer lending respondents lived in public housing.

54% of consumer lending respondents were between 25 and 34 years of age.

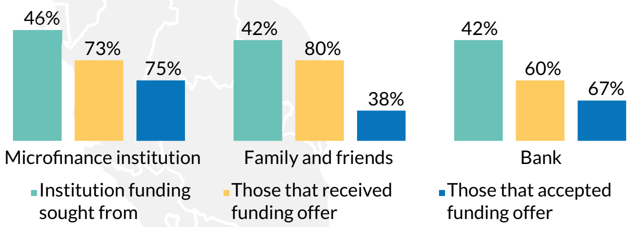
75% of consumer lending respondents were full-time employees.

29% of consumer lending respondents had no dependents.

The median value of respondents' income was **USD12,062** and the average **USD19,457**

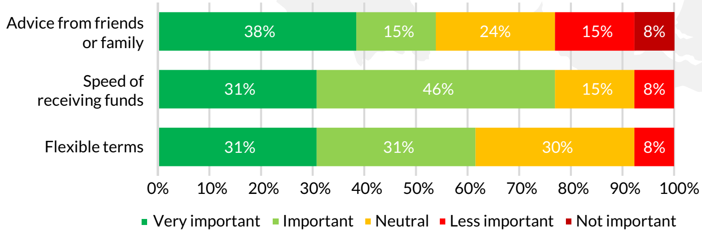
Relationship with traditional finance and financing experience

Top three previous financing activities

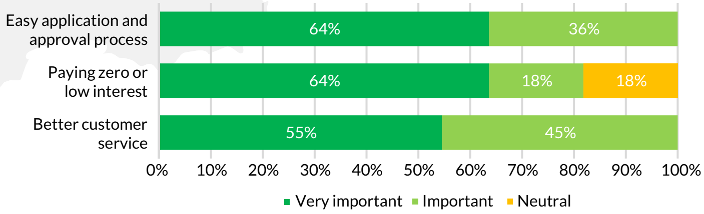


The median amount borrowed by consumers was **USD1,353** and the average **USD33,881**

Top three decision-making factors: consumer lending (n. 13)



Top three decision-making factors: BNPL (n. 11)

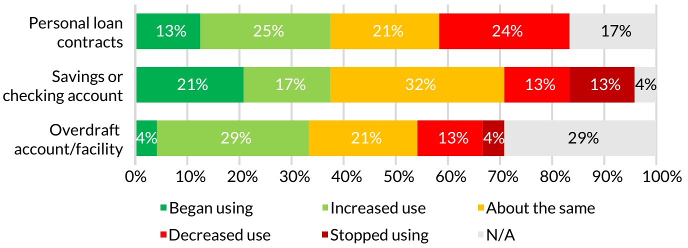


23% of consumer lending respondents reported that their main reason for borrowing from a fintech was to cover day-to-day expenses, major unexpected expenses (such as large medical bill or funds to be used towards a business expense or in lieu of a business loan.

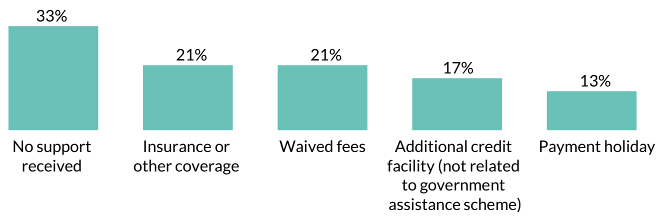
23% of BNPL respondents reported that their primary purpose of obtaining finance from a BNPL provider was for fashion and apparel purchases.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



MSME respondents (n. 34)

Demographics and overview of business

74% of business respondents were men.

50% of business respondents had an undergraduate degree.

38% of business respondents were between 25 and 34 years of age.

76% of MSMEs respondents were micro enterprises.

68% of MSMEs respondents had been trading for between one and five years.

47% of MSMEs respondents had between one and five full-time employees.

The median value of MSME borrowers revenue or MSME fundraisers revenue was

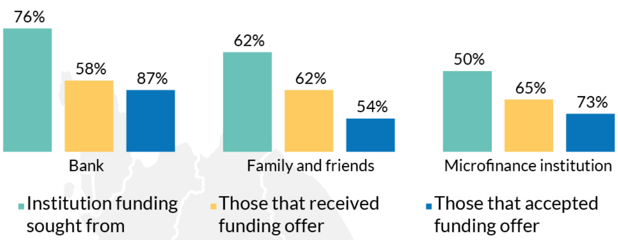
USD82,819

and the average

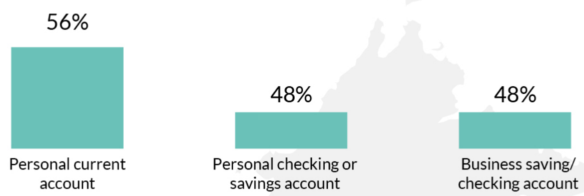
USD559,805

Relationship with traditional finance and financing experience

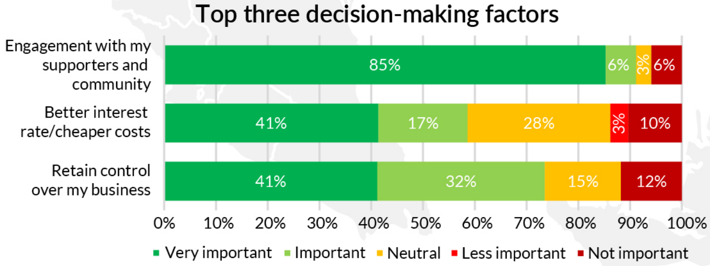
Top three previous financing activities



Top three uses of traditional finance products



Top three decision-making factors



The median value of the amount borrowed/raised by MSMEs was

USD17,263

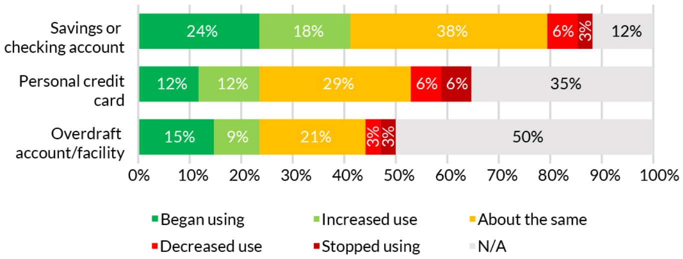
and the average

USD119,075

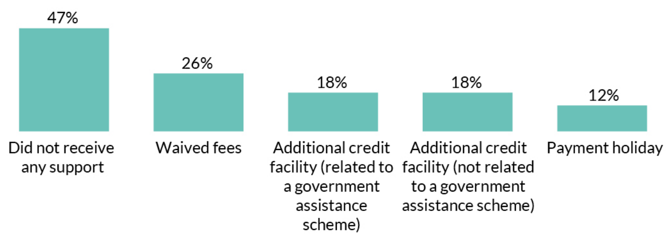
24% of MSMEs respondents reported their main reason for of financing from a fintech was to pay suppliers.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



The Philippines

Consumer lending and BNPL respondents (n. 134)

Demographics

57% of consumer lending respondents were women.

69% of consumer lending respondents had an undergraduate degree.

37% of consumer lending respondents lived with family or friends.

60% of consumer lending respondents were between 25 and 34 years of age.

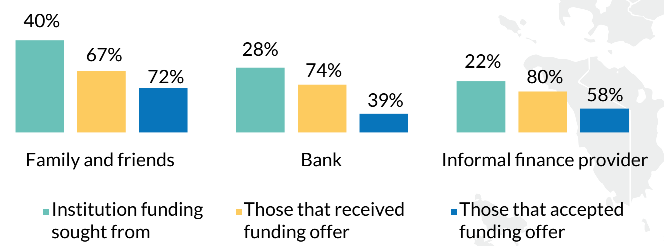
85% of consumer lending respondents were full-time employees.

43% of consumer lending respondents had no dependents.

The median value of respondents' income was **USD3,774** and the average **USD4,522**

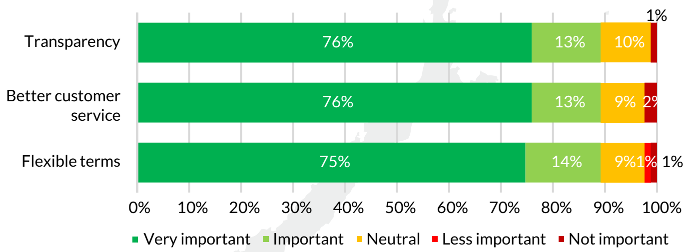
Relationship with traditional finance and financing experience

Top three previous financing activities

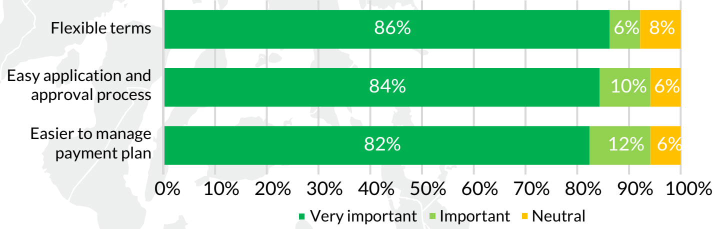


The median amount borrowed by consumers was **USD201** and the average **USD1,187**

Top three decision-making factors: consumer lending (n. 83)



Top three decision-making factors: BNPL (n. 51)

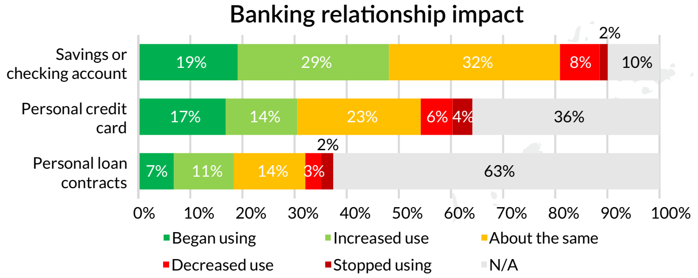


61% of consumer lending respondents reported that their main reason for borrowing from a fintech was to cover day-to-day expenses.

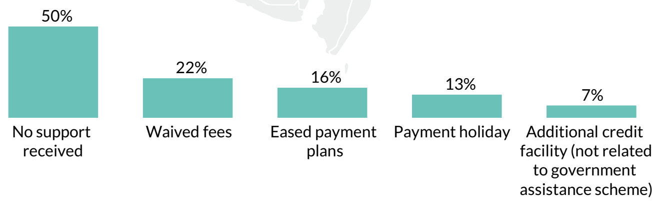
16% of BNPL respondents reported that their main reason for obtaining finance from a BNPL provider was for daily spending.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



MSME respondents (n. 66)

Demographics and overview of the business

67% of business respondents were women.

56% of business respondents had an undergraduate degree.

42% of business respondents were between 25 and 34 years of age.

The median revenue of MSME borrowers or fundraisers was **USD2,232** and the average **USD101,734**

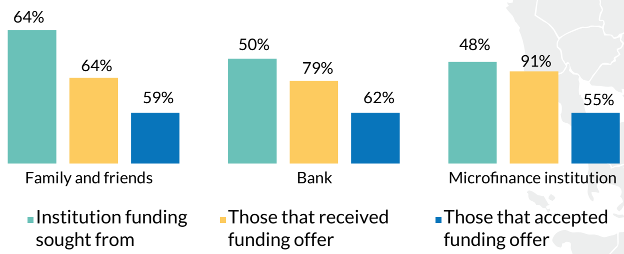
73% of MSME respondents were micro-enterprises.

53% of MSME respondents had been trading for between one and five years.

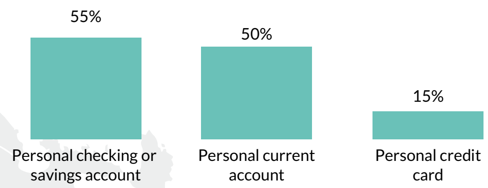
42% of MSME respondents were sole traders.

Relationship with traditional finance and financing experience

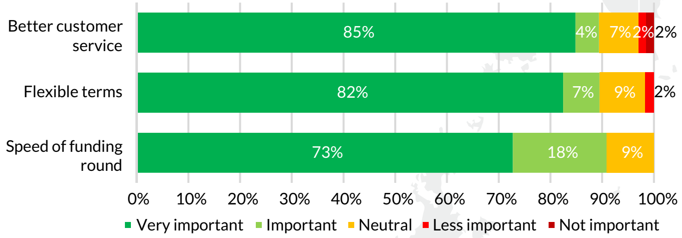
Top three previous financing activities



Top three uses of traditional finance products



Top three decision-making factors

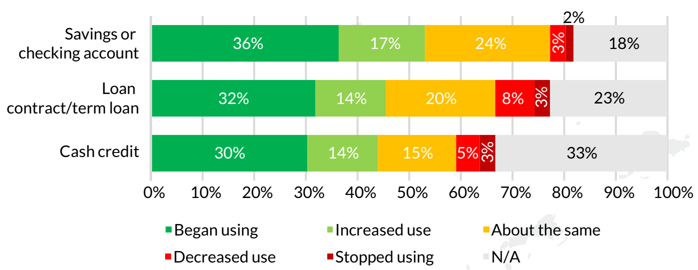


The median amount borrowed/raised by MSMEs was **USD414** and the average **USD11,722**

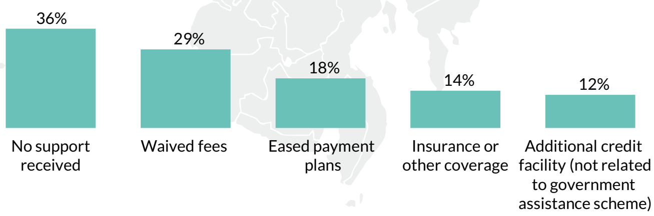
26% of MSME respondents reported that their main reason for obtaining funds from a fintech was to lend to individuals or other businesses.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



Singapore

Consumer lending and BNPL respondents (n. 48)

Demographics

71% of consumer lending respondents were men.

54% of consumer lending respondents had an undergraduate degree.

31% of consumer lending respondents lived with friends or family.

42% of consumer lending respondents were between 25 and 34 years of age.

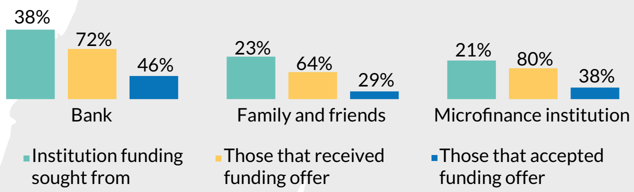
65% of consumer lending respondents were full-time employees.

48% of consumer lending respondents had no dependents.

The median value of respondents' income was **USD38,602** and the average **USD38,620**

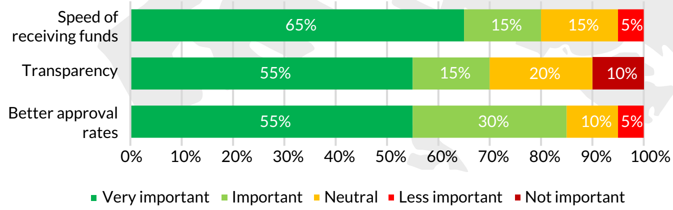
Relationship with traditional finance and financing experience

Top three previous financing activities

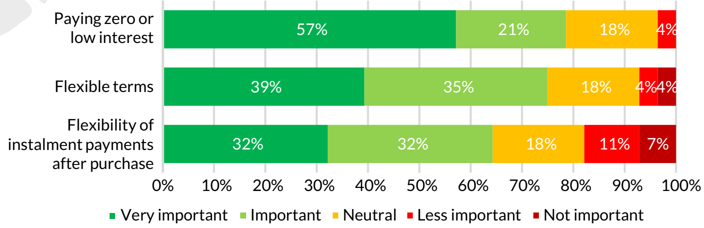


The median amount borrowed by consumers was **USD1,487** and the average **USD61,186**

Top three decision-making factors: consumer lending (n. 20)



Top three decision-making factors: BNPL (n. 28)

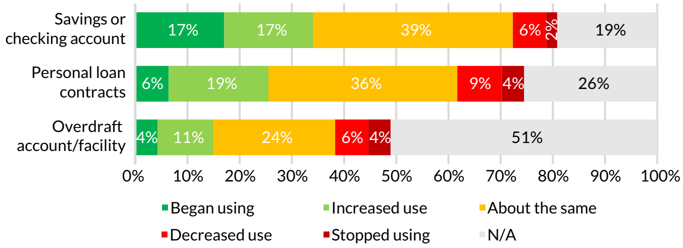


30% of consumer lending respondents reported that their main reason for borrowing from a fintech was to cover day-to-day expenses.

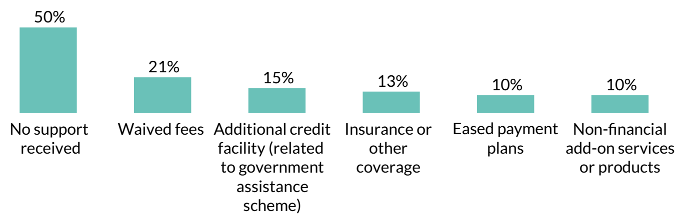
17% of BNPL respondents reported that their main reason for obtaining finance from a BNPL provider was for electronics (such as laptops and gadgets).

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



Thailand

Consumer lending and BNPL respondents (n. 98)

Demographics

60% of consumer lending respondents were men.

43% of consumer lending respondents had an undergraduate degree.

32% of consumer lending respondents lived with family or friends.

The median value of respondents' income was **USD4,688** and the average **USD8,926**

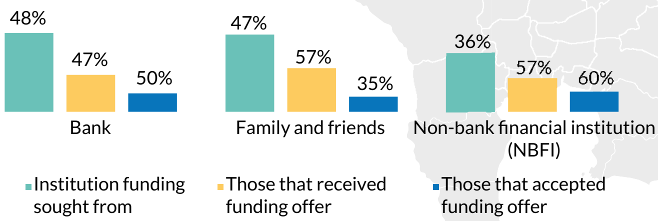
50% of consumer lending respondents were between 35 and 44 years of age.

80% of consumer lending respondents were full-time employees.

50% of consumer lending respondents had no dependents.

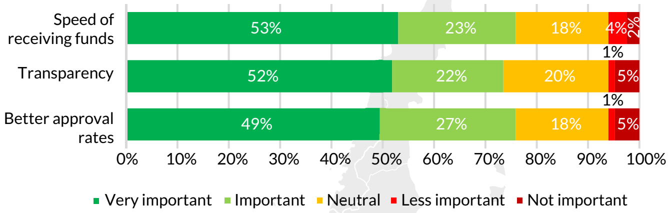
Relationship with traditional finance and financing experience

Top three previous financing activities

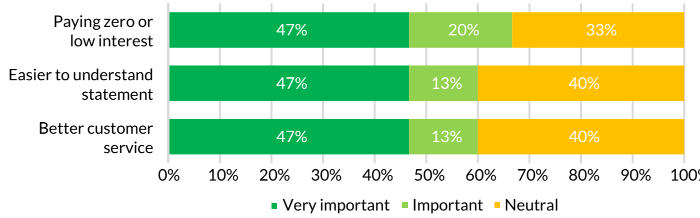


The median amount borrowed by consumers was **USD239** and the average **USD2,946**

Top three decision-making factors: consumer lending (n. 83)



Top three decision-making factors: BNPL (n. 15)

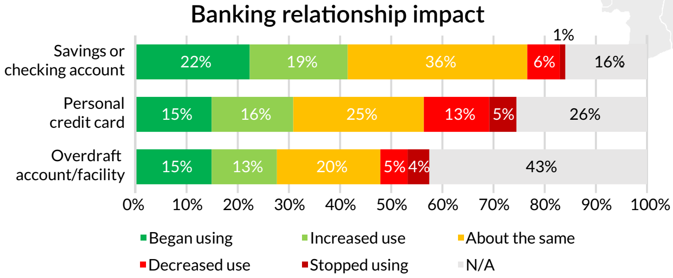


65% of consumer lending respondents reported their main reason for borrowing from a fintech was to cover day-to-day expenses.

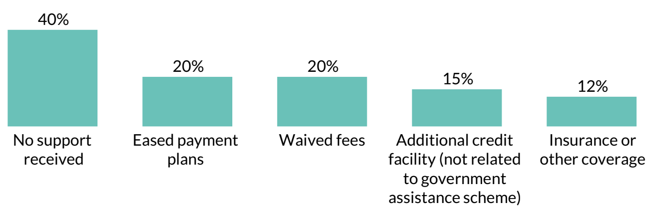
20% of BNPL respondents reported that their main reason forobtaining finance from a BNPL provider was for electronics (such as laptops and gadgets), purchases or daily spending.

Outcome of financing and Covid-19 impact

Banking relationship impact



Covid-19 assistance from alternative finance platform



Appendix

Appendix

Table A1 Sample distribution by country

Country	Number of responses (before adjustment)	Number of responses (after adjustment)
Malaysia	58	58
Singapore	56	56
Thailand	102	102
Indonesia	184	184
The Philippines	8,486	200
Total	8,886	600

Table A2 Sample distribution by model

Users of digital finance	Business models	Number of responses (before adjustment)	Number of responses (after adjustment)
Individual consumer and households	P2P/marketplace (and balance-sheet) consumer lending	4,888	272
	BNPL	2,962	138
MSMEs	P2P/marketplace (and balance-sheet) business lending	996	150
	Invoice trading	25	25
	Equity crowdfunding	15	15
Total		8,886	600

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