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A Comparison Peer to Peer Lending Platforms in Singapore and Indonesia

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Abstract: The purpose of this study is to compare peer-to-peer (P2P) lending in Singapore and Indonesia in the type of platform, consumer behavior and the regulation of implementation of borrowing and investment. This study uses a qualitative approach because the method used is interpretive that allows a lot of data in reviewing the problems. The result of the research stated that P2P lending platform between Singapore and Indonesia has similarity. There are no significant different things. But the behavior of societies is different, in Indonesia the use P2P more for consumptive things because the community is no habit to save, while in Singapore, P2P for making an important, yet time-sensitive and urgent purchase. The government rules in Singapore have been already conducive, supported by the transactions of Fintech are more transparent. While in Indonesia, there is still confused about Fintech's perception; some claim the permission from the Minister of Finance, whereas the truth is through the Financial Services Authority or OJK. P2P lending in Indonesia still needs the revamping of the Fintech actors, especially in the legality. Indonesia becomes an attractive market for Singapore's Fintech because of the population.

1. Introduction

Singapore is the place where technology and trust form a basis for an innovative line of financial services. Peer to Peer (P2P) lending has taken root in Singapore and is appreciated for its direct approach to lending and borrowing. As an already well-established wealth protection center and the regional hub for trading and safe storage of precious metals. Singapore has a cash-intensive economy where a great deal of lending and borrowing is already done outside the established banking system. This is one of the reasons that make Singapore conducive to the development of alternative credit systems, most notably the development of online lending platforms. [1]. There are 60 startups in the online lending and the crowd funding space. Their aims to provide capital access to SMEs that cannot meet the requirements of traditional financial institutions. [2].

Meanwhile, in Indonesia there are startups, which has dished out roughly US \$ 56 million Fintech funding, is a peer-to-peer lending marketplace where the third-party lenders provide the cash and get interested in return. They are also looking into employee loans, where lenders can help employees of the company's the partner companies to finance special expenses like medical treatment, house renovation, or buying a motorcycle. [3]. Fintech in Indonesia has 235 companies in 2017. Borrowing is one of the fastest growing subsectors with transactions reaching IDR 2.2 trillion. The rapid progress of the Fintech industry was felt within three years, since 2015. Even so, almost 32% of companies have more than 100 employees. [4]. It shows that the scale of the Fintech companies in Indonesia is growing, and proving the potential employment absorption offered by Fintech. Based on these conditions, as the Cross-Cultural Communication researcher, this research intends to describe how the comparison of P2P in Singapore and Indonesia in the types of Platforms, the consumer behaviors and the implementation of regulatory of loans and investments.

2. Literature Review



Peer-to-peer (P2P) lending is the practice of lending and borrowing money without using an official financial institution as an intermediary. Direct matching between lenders and borrowers is at the core of P2P lending. In that way, the traditional financial intermediaries such as banks are made redundant. P2P first appeared in the UK in 2005 with the advent of Zopa and had since become a global phenomenon, with Asia being one of the fastest developing areas. [5]

Demyanyk and Kolliner find that more creditworthy consumers receive preferred rates using a P2P lender over borrowing with a credit card. However, they used aggregate market rates as the comparison. [6]. The purpose of the technology is not to make finance better, but to make finance serve real life better. Fintech has grown much faster in China than in the United States. In China, this success has come not from an initial technology advantage, but from integration between finance and real-life needs. [7]

In Indonesia Fintech can be divided into Fintech 2.0 and 3.0. Fintech 2.0 is Fintech developed by the financial services industry, both banking, capital markets, and Non-Bank Financial Industry. Fintech 3.0 is Fintech developed by startup companies.

The term online peer-to-peer lending (P2P) describes the loan origination process between private individuals on online platforms where financial institutions operate only as intermediaries required by law. [5] For borrowers, online P2P lending is a way to receive a loan without a financial institution involved in the decision process and might also be a possibility to receive better conditions than in the traditional banking system. For lenders, it can be seen as an investment model where the investment risk is coupled to the credit rating of the funded loans. The platforms themselves often benefit by raising fees for successful realized transactions [8].

Lending process some platforms connect lenders and borrowers directly while others connect them via a third instance (usually a bank). Even after the loan has been fully funded, lenders can still place their bids and undercut other lenders by offering to fund for lower minimum interest rates. In this case, where more bids have been placed than needed to fund the loan, those bids with the lowest minimum interest rates are selected. All lenders, then receive the interest rate of the highest bid that has been included into the loan for their investments, even if the minimum interest rates of their bids have been smaller. [8]

Other sites, like the German platform smava.de, calculate the interest rates for a loan request, based on the borrowers' characteristics (financial and demographic). The loan is then granted to the borrower, who will eventually start the repayment process. [5] The intermediating online P2P lending platforms generate their revenue via service fees, which they collect from borrowers as well as lenders. Many collect a closing fee of a certain percentage of the funded loan from the borrowers, as well as fees for late or failed payments. Lenders often have to pay a service fee based on the amount they have funded to borrowers. [5].

3. Methodology

This study uses a qualitative approach because the goal is to describe the differences and equations of Fintech in Singapore and Indonesia. Qualitative method is suitable for this research because this is interpretive methods that involve many methods of data collection in reviewing the cases. Usually, these methods are called triangulation - meant that the researcher gets a comprehensive understanding of the phenomena which is examined. By its epistemological principle, qualitative researchers commonly examine the things within their natural environment, seeking to understand or interpret, phenomena based on the meanings that people give to them. [9].

Testing of data validity is done by triangulation technique, which is tested by asking for another source as the comparison of results of research and to be a more convincing statement.

This test was conducted through interviews with informants and literature. It is expected that the results can be used as a comparison of existing research results. The number of informants interviewed is six people. For this study, informant interviews are mentioned with initials to protect the privacy of the data provider. Their profile is as follows:

Table 1 The Informants Profile

NO	INITIAL	RESIDENCES	GENDER	OCCUPATION	EXPERIENCE IN FINTECH
1	VN	Singapore	Female	Marketing AVP for Lifestyle Financing	7 years
2	KT	Singapore	Male	Co-Founder E-Commerce	3 years
3	AT	Singapore	Female	Financial Writer	5 years
4	FA	Indonesia	Female	Financial Writer	3 years
5	NE	Indonesia	Male	Head of Business Development E-Commerce	2 years
6	AC	Indonesia	Male	E-Commerce Association	5 years

This study has been done for four months, start from February to June 2018, through literature studies, media news, observations and semi-structured interviews.

4. Result and Discussion

Based on data collection through interviews, observation and literature study, the results and discussion of the comparison of P2P Fintech in Singapore and Indonesia, such as:

4.1 P2P Lending Platforms Comparison in Singapore and Indonesia

The comparisons of the platform among brands those are doing P2P lending both in Singapore and Indonesia in Table 2 below:

Table 2. Comparison P2P Lending's Platform in Singapore and Indonesia

Country	Brand	Minimum deposit	Minimum loan	Service fee	Types of loan	User-friendliness
Singapore	Funding Societies	\$1000	\$100	15%	Business term loans, Invoice Financing	Has phone application
Singapore	Capital Match	\$1000	\$1000	20%	Invoice Financing	The website is easy to navigate and user-friendly
Indonesia	Investee	IDR 10 Million	IDR 5 Million	20 %	Business term loans, Invoice Financing	Phone application and Website
Indonesia	Uang Teman	IDR 3 Million	IDR 1 Million	30%	Business term loans	Phone application and Website

“In Singapore, Fintech adoption has increased more modestly in markets, such as has become a more prominent reason for Hong Kong and Singapore; both markets that had already achieved significant adoption in 2015,” said informant 1. This demonstrates a relationship between Fintech adoption and awareness of Fintech. *“Respondents who cited this factor as a barrier to using Fintech services have declined from 38% to 16%, indicating 84% of the surveyed population in these six markets are now aware of Fintech. The average across all 20 markets is 86%”* said informant 2. Moreover, a preference for traditional financial services providers not using Fintech.

“In Indonesia, there are currently 235 fintech companies in Indonesia. Of this amount, about 32% are engaged in lending, and another 39% is engaged in the payment system. Until the end of 2017, the number of lenders through the P2P lending scheme increased by 602.7% compared to the end of 2016 to 100,940 people”, said informant 5.

“Similarly, the financing disbursed has reached IDR 2.56 trillion or increased eight times, with the level of non-performing loans is quite little of the sum, not up to 1%.” Said informant 6. In its early days, *UangTeman*, one of the pioneers of the model in Indonesia, had to defend itself against accusations of being a loan shark.

4.2. Consumer Behavior towards Fintech

“Singapore is like the Switzerland of Asia – you have a lot of money here, and people are well experienced in the money management/banking industry. So for startups come here and start innovating, coming up with new ideas – it’s a perfect place for Fintech,” Said informant 3. Furthermore, the informant 2 said *“Singapore’s ecosystem is supportive. FinTechs a lot of development by MAS. The whole government is very supportive of the startup ecosystem,”* Singapore is an ideal place for startups come and start developing their FinTech companies.. *“Fintech entrepreneurs speak supportively of the opportunities that Singapore offers to foreign and domestic entrepreneurs, emphasizing the conducive role of the government in fostering innovation,”* said informant 3.

“In Singapore, there are 60 startups in the online lending and the crowd funding space. The city state’s three major alternative finance players are peer-to-company (P2C) lenders, which specialize in providing loans for SMEs”, said informant 2. The company, which also operates in Indonesia and Malaysia, has received US\$7.5 million in funding so far. There is an education financing platform in Asia that matches undergrads with funders to make higher education affordable and accessible to deserving students. An Islamic crowd funding platform for real estate headquartered in Singapore with offices in Jakarta, Kuala Lumpur, and South Africa.

In Indonesia, Fintech users are the urban-middle-class millennial that are early adopters of the latest technology, where they are very accustomed to shopping both through social media and shopping on e-commerce platforms that have much more complete payment system because supported by financial technology. *“Fintech in Indonesia, 43 percent of the 140 Fintech company engaged in payment. It can be seen from the decreasing of Marginal Propensity to Save (MPS) ratio and the increasing of Marginal Propensity to Consume (MPC) ratio. The MPS ratio itself is below the MPC ratio since 2013”* said informant 4. This indicates that more people spend their income on spending than on saving. Furthermore, she added the statement *“70 percent of people spend their income on shopping, and 10 percent of respondents spend 90 percent of their income on shopping”*. The lack of a saving culture early on will reduce millennium opportunities to accumulate wealth, Fintech for savings, investing and increasing cashless transactions, making millennial easier to spend on money because they do not feel physically exhausted. The massive potential demand for short-term unsecured loans in Indonesia, a country of 260 million people, dozens of new payday lenders have launched since. Payday lenders now dominate Indonesia’s Play Store app ranks in the “finance” category. *“Out of the top 15 finance apps, 7 are payday lenders – other popular types of apps are official mobile banking apps and mobile wallets,”* said informant 6.

While payday loans can be helpful, there’s a risk that borrowers get caught in a cycle of needing to take out loans repeatedly. Interest rates and penalties for late payment are high for most of these apps. Another trend in Indonesia is the collaboration between financial institutions and Fintech. Especially in the field of payment because the speed of dominating the market is important for payment. Banking utilizes Fintech to follow the changing behavior of consumers with an increasingly inseparable lifestyle with devices (gadgets). Fintech also benefited from being able to expand its customer base and save investment funds by utilizing the banking network.

By 2015, in Indonesia, 328 illegal activities offer unlimited fund raising. These investment activities often occur in big cities, such as Jakarta, Surabaya, Batam, Denpasar, Kupang, Flores, Jayapura. *“The other problems of Fintech in Indonesia are the improvement of human resources, business people still face challenges, namely: lack of data and analytics skills, financial industry knowledge, back-end programming, user experience design, and risk management,”* said informant 5.

Comparison of Fintech’s consumer behavior in Singapore and Indonesia can be mirroring from previous research which is discussing race. The borrower’s race can be an important determinant in P2P lending.

Table 3. Consumer Behavior of Fintech

<i>Consumer Behavior</i>	<i>Singapore</i>	<i>Indonesia</i>
<i>Age</i>	Millennial and others	Almost all millennial
<i>Gender</i>	Male and Female	Male and Female
<i>HR in Fintech</i>	Fulfilled	Limited
<i>Potential Lender/Investor</i>	6 Million	260 Million people
<i>The main reasons for loan</i>	Make an important, yet time-sensitive and urgent purchase	Have no reserve fund

In conclusion, Fintech users in Singapore are already mature in lending and borrowing activities. While in Indonesia is still consumptive, so there is a potential refund problem.

4.3 The Regulatory Framework for P2P Lending

As Singapore’s central bank, the Monetary Authority of Singapore (MAS) is responsible for ensuring the competitive edge and vibrancy of Singapore’s financial industry. MAS works closely with financial institutions to make sure Singapore continues to develop as a regional and international financial center. The informant 2 said *“As for alternative credit systems, including P2P platforms, MAS has given a set of requirements related to issuing promissory notes. Namely, lenders on P2P platforms have to lend at least \$100,000 for the borrower to fall under the Promissory Note Exclusion. As stated by MAS, P2P platform operators should be explicit about this regulation, so all users of the platform are fully aware of it”*.

In Indonesia, the Financial Services Authority, or OJK as a regulator has issued rules regarding P2P lending. *“Through the regulation, as many as 32 companies have been registered or have permission from OJK. Of these, 30 are conventional and two sharia companies,”* said informant 5. Being able to observe the current trends pushed by Fintech startups locally and globally, the future of Fintech landscape has a huge and optimistic potential in Indonesia.

“If the government can provide rules with clarity and increase the data security and consumer protection, Fintech in Indonesia will become the national priority to improve the lives of all Indonesians,” said informant 6. To fulfill this scenario, the government needs to resolve geographical barriers, tackle environmental challenges, and meet customer expectations. *Investee’s* business model, known as a peer-to-peer lending marketplace, is specifically preferred by the OJK. Under the model, digital services do not use their own money to lend out, but instead, help financing companies or individuals to find prospective loan applicants and vice versa.

5. Conclusion

Based on the above discussion, it can be concluded that regarding P2P lending platform between Singapore and Indonesia have similarities. There is no significant difference in the operational process. However, in the community's behavior towards borrowing habits through Fintech, in Indonesia tend to be used for consumptive needs because people are not accustomed

to saving, while in Singapore they borrow for reasons of urgency such as additional costs for health. To support the government regulation in Singapore is very conducive because Fintech transactions in Singapore are more transparent. While in Indonesia, there are still conflicts of Fintech licensing perception; some claim their permission from the Ministry of Finance, whereas the truth is through OJK. Fintech in Indonesia is still need a revamping of the actors of Fintech itself about the legality of the implementation. Indonesia becomes an attractive market for Singapore's Fintech because of its population.

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