Peer to Peer Lending Business Agility Strategy for Fintech Startups in the Digital Finance Era in Indonesia

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ABSTRACT
Technology advancements have boosted financial technology literacy, and Fintech businesses have entered the peer-to-peer lending market to fill the gap between traditional banking and people who cannot obtain financing from banks. Financial facilitation can now be done in a more streamlined, quick, and economical manner thanks to technology. With the legislation of Authority of Financial Services Number 77/POJK.01/2016 Indonesian Fintech about information technology-based money lending services, the government has safeguarded consumers in Indonesia, where fintech has significant potential. The goal of this study is to provide an example of a business agility strategy used by financial technology firms that engage in peer-to-peer lending. This study used a qualitative research strategy combined with a descriptive methodology. Literature study is the method of data collection used. The findings demonstrate that P2P lending organizations have already employed a strategy of business agility to win clients in Indonesia’s digital financial era by utilizing platform technology they have created, which is a straightforward tool for achieving competitive advantages.

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1. INTRODUCTION
Technology is advancing quickly, which has helped to break down barriers and create new business possibilities. Everyone can link to the internet, providing quick access to any information [1]. Matter As a result, it takes extreme agility to create business strategies, and fintech startups take advantage of this to capture market share [2]. This makes the business environment more and more competitive for new companies or startups [3]. For fintech companies, agility is a critical component of success [4]. Dove (2001) asserts that the physical capacity for action (ability to respond) and the mental
capacity for selecting suitable things to act upon are the sources of agility (knowledge management) [5].

With the advent of the age of literacy finance, technology also has an impact on the financial sector [6]. According to the Indonesian Fintech Association, only 36% of Indonesians have a bank account [7], and according to www.dailysocial.id, there are still 49 million UKM in Indonesia who have never interacted with banks [8]. In 2015, it reached 110.2 million users and grew to 143.26 million users. Since 2015, fintech has been on the rise as a result of huge market possibilities in Indonesia for startups [9]. According to Banks Indonesia (2016), 34.77% of the credit needed to support the GDP is only provided by banks. It illustrates how Peer to Peer Lending (P2P Lending) can use numbers to capture market potential [10].

It demonstrates the volume of people in Indonesia who do not want to deal with banking because it is difficult, there is no access to a location, and they are unaware of the available banking goods [11].

Through cooperation between the government, banks, institutions, e-commerce, startups, and telecommunication, fintech is here to streamline all financial matters with a wider audience [12]. Startup businesses can now manage funds like banks thanks to the growth of Fintech[13]. The fact that the formal financial sector has not completely utilized Indonesia's sizable market also demonstrates the enormous potential of Fintech[14].

In Indonesia, P2P lending is a new type of financing that uses platform technology to connect lenders (investors) and borrowers in a business[15]. According to statistics from the Service Authority Finance (2018), 78 companies participating in P2P lending are licensed and registered at OJK, compared to 397 companies participating in unlicensed fintech[16]. Based on the review above, this study seeks to describe the startup P2P lending strategy's business agility in order to increase market share[17].

2. LITERATURE REVIEW

2.1 Organizational agility strategy

The success of a business is heavily dependent on using the right design strategy to cater to customer requirements and wants, which will increase the value offered to them and make them more devoted customers[18]. The business quickly adjusted to changes in paradigm and consumer behavior brought on by technological advancements[19]. Say that "strategy" derives from the Greek word "strategi's," which means "the art of war." To combat competition, a company’s plan must be flexible and able to adapt to various circumstances[20].

The company’s strategy for thriving in a turbulent climate is business agility[21]. According to Evans (2002), a number of factors contribute to the demanding digital economy’s company agility: Business agility is achieved through m-business, which addresses the following points: (1) business agility includes technology formation; (2) achieved through m-business; (3) every company will become m-business; (4) m-business will drive business and technological transformation; and (5) industrial convergence creates threats and new opportunities[22].

The principles of change, as stated by Smith and, call for the following: embracing change; planning and using software as frequently as possible; using a method that is human-centric; maintaining practice, discipline, and focus; being in collaboration and communication; achieving technical excellence; and engaging in customer collaboration[23]. A company’s ability to develop, identify opportunities and threats, initiate a suitable response, weigh the advantages and risks of beginning a course of action, and complete that course of action successfully and quickly is known as business agility[24].

One important element to changing and modernizing the model strategic business is an agility strategy. Strategic awareness, leadership unanimity, and resource fluidity are
the three skills that make up top management’s deliberate and purposeful interplay, which is referred to as agility\[25\]. With lower running costs, better customer service, quick product launches, and the elimination of unnecessary activities, a company with good corporate agility will gain a competitive advantage\[26\].

### 2.2 Peer-to-Peer (P2P) Lending

The fact that technology is advancing so quickly has led to the emergence of the fintech industry\[27\]. Customers are forced to go online from anywhere and alter their lifestyles by technology\[28\]. Because it develops a new market with an innovation that will displace the existing traditional market, fintech is referred to as a disruptive innovation\[29\]. Peer-to-peer lending is one sort of fintech. Peer-to-peer lending is a novel method of conducting financial transactions that bypasses traditional institutions in favor of connecting lenders and borrowers directly\[30\]. Although peer-to-peer lending is currently a viable company, there are significant dangers involved, including asymmetric information and moral lender’s hazard. Difference conventional and peer-to-peer financing loans as follows:

<table>
<thead>
<tr>
<th>KEY ASPECTS</th>
<th>FINANCING CONVENTIONAL</th>
<th>PEER-TO-PEER LENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td>Low-medium</td>
<td>Medium-high</td>
</tr>
<tr>
<td>Loan amount</td>
<td>Tall</td>
<td>Low</td>
</tr>
<tr>
<td>Guarantee</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Involved parties</td>
<td>Borrowers, Banks</td>
<td>Borrower, Lender, Platforms</td>
</tr>
<tr>
<td>Regulation/Supervision</td>
<td>Strict</td>
<td>Not enough</td>
</tr>
<tr>
<td>Process</td>
<td>Complicated, Long</td>
<td>Simple, Fast</td>
</tr>
<tr>
<td>Risk</td>
<td>Low</td>
<td>Tall</td>
</tr>
<tr>
<td>Transaction fees</td>
<td>Tall</td>
<td>Low</td>
</tr>
</tbody>
</table>

According to Kraft, the rules used in peer-to-peer lending are remarkably similar to those used in traditional banking. Peer-to-peer lending does not allow borrowers with poor credit ratings to access funds in the same way that they cannot do so through the traditional banking system. Ilene and Parboteah claim that peer-to-peer lending has four distinct competitive advantages: it provides credit for a variety of borrowers who cannot access bank loans; it is perceived as being more responsible and having greater social value than traditional banking; and finally, it uses technology. Offer level better returns than rates available on bank deposits along with relatively low fees for borrowers. Peer-to-peer lending is rapidly expanding.

### 3. METHOD

This research was conducted using a qualitative, descriptive methodology. A literature review was the data collection method used. 78 organizations are regulated and registered for Fintech peer-to-peer lending, according to data from the Financial Services Authority (2018). The authors chose five of these companies at random because the goal
of this study is to demonstrate the strategy's commercial adaptability. These five businesses are Amartha, Crowdo, Investree, KoinWorks, and Modalku.

4. RESULTS AND DISCUSSION

The following are the findings of this study, which was conducted using data gathering methods and documentation studies on peer-to-peer lending organizations in Indonesia:

4.1 Koin Works

KoinWorks is an innovative lending company that connects investors and borrowers using the newest technological platforms, serving online peer-to-peer financing. A pioneer in fintech lending, KoinWorks is a company that is registered with the Authority Financial Services. KoinWorks operates according to an agile strategy by concentrating on small web enterprises, education, and health. KoinWork collaborates with Tokopedia and Lazada. Additionally, this collaboration enables the delivery of suggestions for traders who will receive a loan from KoinWorks.

KoinWorks' loan innovation is a Smart Coin, a Healthy Coin, and it also offers a greater interest rate at a cheap rate. For the development of supporting educational infrastructure, such as building renovations or new facilities, Smart Coin is for institutions / specific educational institutions. Patients with institutions or KoinWorks health institutions, such as Clinics Mata Nusantara (KMN) for housing options that are affordable and simple to use, can be reconciled financially and in terms of medical care thanks to Healthy Coins. The solutions used by Coin Works, Smart Coins, and Healthy Coins are straightforward and reasonably priced.

4.2 Amartha

Amartha has twelve outlets in West Java and Banten and has been operating as a fintech company since April 2016. Amartha entered the industry by launching the market for loans, particularly for women running microbusinesses. This business has been successful in bringing together investors and micro and SME business partners, reaching 70 billion by the end of March 2017. Amartha uses a credit scoring system to evaluate potential borrowers' eligibility so that investors have complete and detailed information before making an investment choice.

Amartha's business agility plan is represented through funding from the financing group. Each group had fifteen to twenty participants. The group loan system was put in place to lessen the likelihood that members would file for bankruptcy, so if any members are unable to make payments, we will work to find a solution as a group. Amartha additionally uses Android-based technology (a mobile app) to market the product through online and social media, and also uses an offline strategy by organizing a variety of events and debates in accordance with existing groups. Amartha always creates profitable, transparent, and mutually beneficial partnerships to increase customer trust.

4.3 Investree

Investree offers a private setting for sellers and buyers to connect while choosing, reviewing, and approving loan applications to produce high-quality funds that may be made available to lenders. With a 0% failure rate, Investree has managed 36% of industrial SMEs. Strategy the business agility of Investree has demonstrated that it is a leader in peer-to-peer lending, providing capital for the creative industries while adhering to the principles of professionalism, creativity, and honesty.

That is open, secure, and simple to borrow, in line with Investree's objective.
Investree does not charge lenders any fees and does not impose excessive interest rates on borrowers. The term "fee origination" refers to borrower fees depending on small discrepancies between the borrower’s payment and the lender’s profit. These costs are incorporated into the fee borrowers pay, making them transparent.

4.4 Crowdo

One of the biggest and most influential peer-to-peer lending platforms in Southeast Asia, Crowdo has joined the Indonesian Fintech Association and received licenses from the Malaysian Securities Commission and the Monetary Authority of Singapore. The goal of Crowdo is to introduce the top Indonesian SMEs to the world’s investors. The loan length in this organization can be up to three months or twelve months, making the payback time investment relatively quick.

4.5 My Capital

Peer-to-peer lending firm PT. Indonesian Partners Group (Modalku), which was founded in 2016, specializes in lending to SMEs. Modalku collaborates with Bank Sinarmas and the "missing middle" sector in Indonesia starts from the second worry. Businesses having revenues between Rp. 10 million and IDR 100 million are considered to be in the “missing middle” group and have the potential to develop. Lack of financial access makes this difficult. The service mobile app for quick giving loans was introduced by Modalku. Each of the aforementioned peer-to-peer lending businesses has the following agility strategy:

According to Table 2, all peer-to-peer lending companies have adopted an agility strategy for temporary business. However, according to Smith et al. (2009), not all of the aforementioned companies create a collaborative strategy, such as Amartha and Crowdo. For Amartha and Crowdo to compete, their numerous branches are essential.
Table 3 demonstrates that all peer-to-peer lending companies have taken a variety of steps to increase their competitive advantage. These actions include charging lower fees than traditional banks and offering credit terms to both individuals and businesses, such as loans for new businesses and quick processing. However, only Amartaha, one of five peer-to-peer lending companies, completely focused on social value by marketing to women who run microbusinesses.

5. CONCLUSION

Due to the low percentage of Indonesians (36% of the population) who have bank accounts, peer-to-peer lending businesses have great opportunities in the country. The key developments are changes in lifestyle and readily available technology. Company flexibility

Peer-to-peer lending providers can be identified by their ability to adapt to market changes by developing user-friendly applications that are simple to install on users' mobile devices or by potential customers. This allows businesses to be more widely accepted, user-friendly, mobile, and nimble because they are not as constrained by regulations as traditional banks are. Increased competition and market share dominance are driven by innovation, distinctiveness, and speed of service.

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REFERENCES


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