

White Paper

Driving Credit Expansion Through Responsible Collaborations Between Banks and P2P Lending Platforms

by Mandala Consulting & AFTECH



Executive Summary



Executive Summary (1/5)

- **Credit access is a proven driver of economic growth.** IMF research across 31 emerging markets shows that a **4-point increase in consumer credit contributes ~0.3pp GDP growth**, while a **10-point rise in corporate credit adds another ~0.3pp** by boosting consumption, investment, and productivity.
- **Indonesia continues to face a persistent credit access gap.** The **formal credit-to-GDP ratio has stagnated at ~36% since 2014**, far below the East Asia & Pacific upper-middle-income average (**74%**) and even lower-middle-income peers (**63%**).
- **Financial inclusion remains limited.** Around **30% of Indonesians are unbanked**, and more than **one-third are underbanked**, they hold bank accounts but lack access to credit. Mandala's survey confirms **~36% of respondents fall into this underbanked category**.
- **Banks remain the dominant credit providers**, but growth is shifting. While banks hold the largest outstanding loan portfolios, **P2P lending is the fastest-growing channel**, expanding at **34% CAGR (2019–2024)**.
- **P2P lending offer two distinct value propositions:**
 - **Access to untapped segments**, especially underbanked consumers and MSMEs.
 - **Catalysts of innovation**, driving digital underwriting, alternative data-based scoring, and operational agility.
- **Speed and simplicity remain core adoption drivers.** Consumers choose P2P for **fast, easy processes**, while banks remain preferred for larger-ticket loans.
- **Banks and P2P platforms are naturally complementary.**
 - **Banks** offer a **large capital base, low cost of funds**, and **strong brand credibility** which are critical for scaling P2P lending and improving user trust.
 - **P2P lending** provide **access to underbanked markets** and the **agility to adopt new technology**, addressing areas where banks face structural and regulatory constraints.

- **Banks have become the dominant lenders in Indonesia's P2P ecosystem.** Bank funding increased from **15% (Rp1.5T)** of P2P outstanding in January 2021 to **71% (Rp46.6T)** in January 2025 — an almost **30x increase** in four years.
- **Bank confidence in P2P partnerships continues to strengthen.** The share of banks' total outstanding loans channeled into P2P rose from **~0.05% in January 2021** to **~1.3% in April 2025**, reflecting a **25x expansion** and a clear rise in institutional trust toward P2P platforms.
- **P2P platforms function as an effective “sandbox” for small good borrowers.**
 - A 2022 study by the Cambridge Center for Alternative Finance shows **50% of P2P borrowers increase their savings account usage**, and **35% apply for bank loans** after completing their P2P loans.
 - Mandala's survey confirms this pattern: **nearly 50% of respondents applied for a bank loan after finishing their P2P obligation.** Digital banks have capitalized on this by **cross-selling credit cards and loan products** to proven P2P borrowers.
- **Credit channeling remains the dominant model.** More than **90%** of bank–P2P partnerships in Indonesia follow the channeling structure.
- **Banks' motivations for partnering with P2P platforms differ by archetype:**
 - **Large banks (KBMI 4):** Generally not active; when they partner, it is mainly for **last-mile access** into specific value chains or niche segments.
 - **Mid-small banks (KBMI 2–3):** Also not active despite needing **loan growth** and **high NIM**; regulatory requirements on **insurance and large provisions** limit their ability to scale P2P partnerships.
 - **Foreign banks:** The **most active segment**, driven by **ESG mandates (especially the “S” pillar)**. However, strict global compliance forces them to partner only with **top-tier P2P platforms**.
 - **Regional banks:** **Moderately active**, motivated by the need to stay relevant among **civil servant customers**, especially younger employees who increasingly shift to digital channels.
 - **Digital banks:** The **most natural partners** for P2P platforms, leveraging partnerships as an efficient way to **grow their loan books** given minimal physical infrastructure.

- **Stronger bank-P2P collaboration increases the need for a clear partnership benchmark.** As partnerships between banks and P2P platforms expand, there is a growing need for a **structured benchmark** of how these collaborations should work. This study provides an overview of the **end-to-end partnership mechanism** and highlights **pain points from the banks' perspective** at key steps.
- **The partnership mechanism is divided into three main phases:**
 - **Pre-partnership phase**
 - **During partnership phase**
 - **Post-partnership phase**
- **Pre-partnership: most partnerships fall apart at due diligence and requirement alignment.** In the pre-partnership phase, many potential collaborations fail during **due diligence** and **requirement alignment**.
- **During partnership: reporting and monitoring are the most critical pain points.** During execution, banks see **reporting and monitoring** as the most critical steps. Across all archetypes, banks consistently:
 - Found slight problem about **frequent changes in the person-in-charge (PIC)** on some P2P.
- **Post-partnership: continuity is largely automatic if performance is good.** There is **no formal, distinct post-partnership step**. If the P2P platform performs well during the partnership phase, the partnership is **typically auto-extended**.

- **Banks identify three key success drivers for partnering with P2P:**
 - **Operational excellence** – P2P platforms provide **strong governance** and **high technology readiness**, including reliable systems, data, and integration capabilities.
 - **Presence of ecosystem** – P2P platforms or their corporate partners bring an **ecosystem that serves as a large, reliable borrower source**, improving fund utilization and portfolio quality.
 - **Strategic fit** – The **bank's strategy and risk appetite strongly align** with the P2P's business model, target segment, and portfolio profile.
- **Banks also highlight four categories of risks that must be actively mitigated:**
 - **Governance risk** – Avoiding partnerships with P2P platforms that have **weak internal governance**, unclear ownership, or poor controls.
 - **Performance risk** – Ensuring that P2P platforms can **grow their portfolios while keeping credit quality healthy**, within agreed NPL/FPD thresholds.
 - **Reputational risk** – Managing exposure to **controversies around defaults or collection practices**, as issues at the P2P level can spill over to the bank's reputation.
 - **Regulatory risk** – Dealing with **regulatory changes** on either the banking or P2P side that can **disrupt or complicate ongoing partnerships**.
- **The study concludes with recommendations targeted at two groups: Business Actor and Regulators.**
- **For business actor (association, bank, and P2P) main recommendations are revolving around governance and reputation.**
 - Association may set a clear industry benchmarks to improve partnership readiness, between bank and multipurpose and/or productive P2P platforms.
 - **Association** need to keep supporting financial literacy initiatives to **improve understanding of legal P2P** lending and reduce negative perceptions.
 - **Association** need start **portraying partnerships through a community-empowerment lens** to strengthen industry reputation.

- **For Regulators (OJK), the priority is cross-sector alignment.**
 - **OJK will need to consider stronger KEPP–PVML coordination**, potentially through a standing forum with industry (e.g. POKJA, SATGAS), to harmonize supervisory perspectives.
 - **OJK will need to consider a more transparent and integrated financial data framework** to improve credit risk assessment and expand financial inclusion, as Indonesia currently holds vast amounts of data across various sources (e.g., QRIS, Pegadaian, FDC) that remain fragmented.
- **Achieving all of this will lead to:**
 - The industry advances toward more resilient and sustainable growth, reinforced by clearer standards and stronger alignment across stakeholders.
 - Greater credit disbursements to untapped segments, enabling broader participation in the economy and contributing to more balanced growth.
 - Improved trust and credibility in the P2P industry through better transparency, stronger governance, and alignment with banking practices.

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Methods Recap



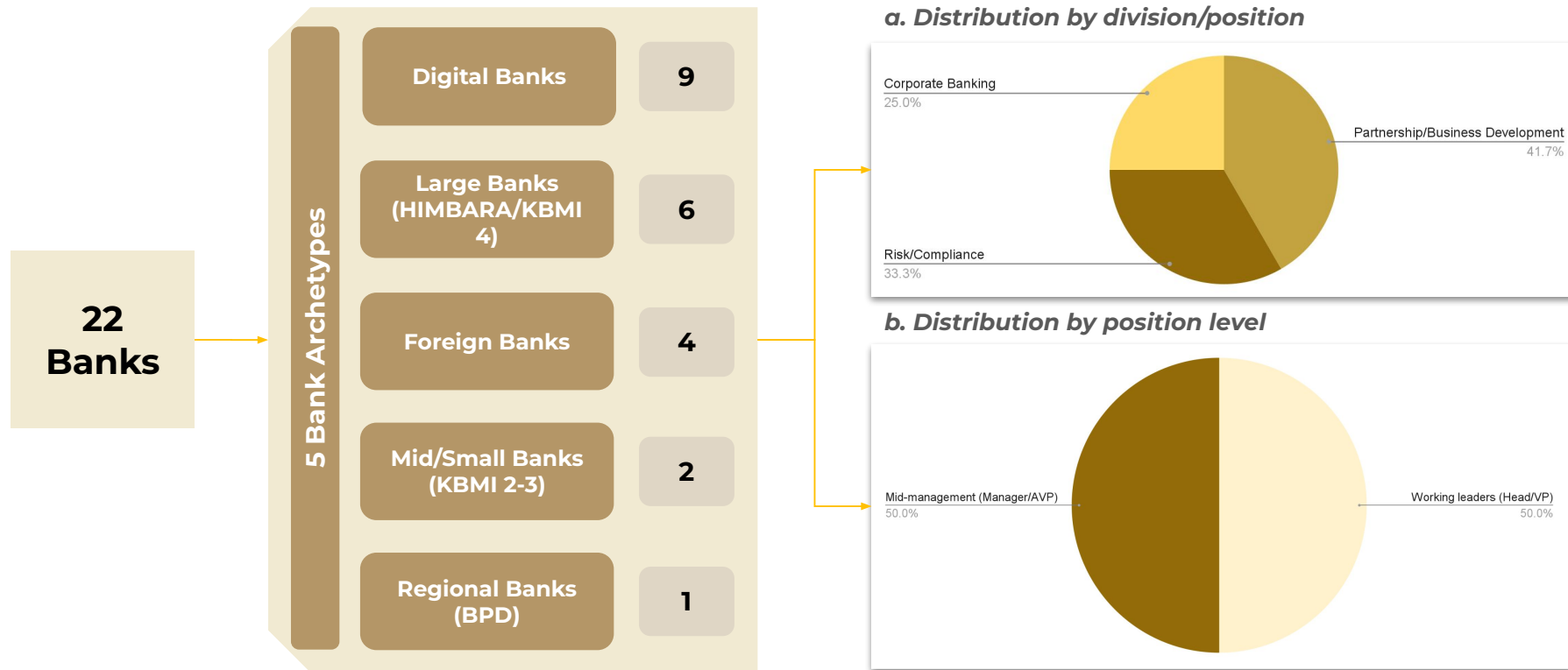
Mandala analysis is based on in-depth data and validation through interviews with various stakeholders

We delve into key literatures and speak with as many experts as we can to improve and validate our analysis

50+ Literature	Journal & Report	30+ peer-reviewed journal articles	10+ industry reports, policy papers, etc.	10+ Financial services public dataset
Nationwide Online Survey	Survey	762 Respondent		
52 Experts	Bank & P2P Lending	25 Private Bank 8 SOEs Bank 4 C-level	2 Multipurpose P2P Lending 2 Productive P2P Lending 2 C-level	
	Supporting Stakeholders	6 ICS, e-KYC, and Insurance	8 Financial Regulator & Industry Association	1 Economist 3 Academics
15 Banks FGD in Collaboration with AFTECH	Archetypes	4 Large Banks (HIMBARA/KBMI 4)	4 Foreign Banks	1 Regional Banks 6 Digital Banks
	Position Level	1 CEO	12 Working Leaders (Head/VP)	8 Mid-management (Manager/AVP)

Safe to say the project has covered the necessary theory & comparative study to ensure our analysis and solutions are empirically grounded

Mandala Consulting, in collaboration with AFTECH, conducted a Focus Group Discussion that brought together multiple bank archetypes, organizational levels, and relevant functional divisions



Mandala has conducted survey that highlights how P2P users and non-users behave in Indonesia's credit landscape

The survey captures perspectives of digital financial service users nationwide, predominantly from more educated groups.

Data Collected



Sample Size

762 respondents



Period

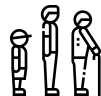
August 2025



Margin of Error

<5%

Population → Sampling Criteria



Age

Between 18 - 60 years old



Behavior

- Uses or has used fintech or e-wallet services
- Has experience with P2P lending
- Owns a bank account



Delivery

Online - smartphone users

Sampling Method

Natural fallout and *soft quota sampling* to ensure adequate representation on:



Geography



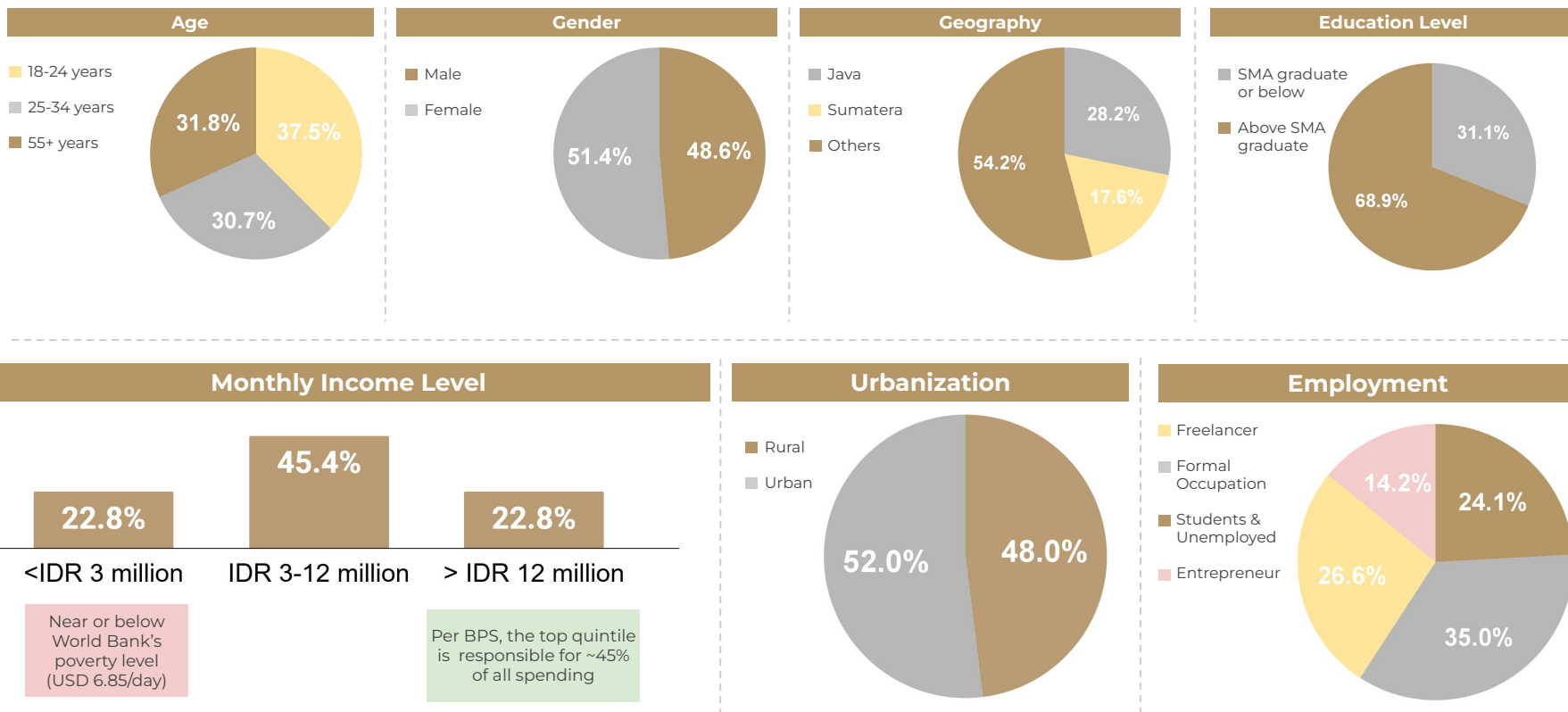
Urban vs Non-Urban Breakdown



Banked vs Underbanked vs Unbanked

The survey captures a geographically representative spread across urban and non-urban populations in Indonesia

The survey attempts to obtain representation among multiple facets of digital financial service users across the country.



CHAPTER 1

Bridging the Credit Gap: The Importance of Banks and P2P Lending

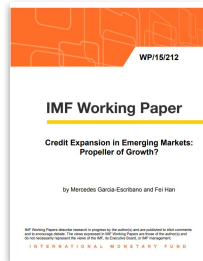
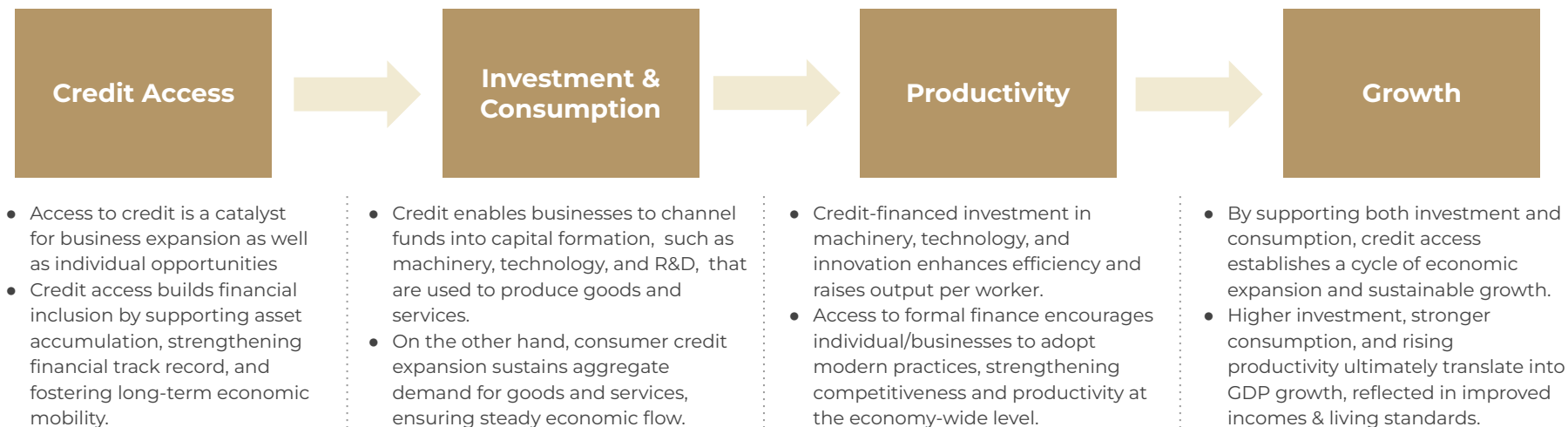


SUBCHAPTER 1.1

Indonesia's Existing Credit Access Gap



The importance of credit in the economy: credit access serves as the initial trigger that sets in motion a chain of effects, spurring investment, strengthening productivity, and driving economic growth



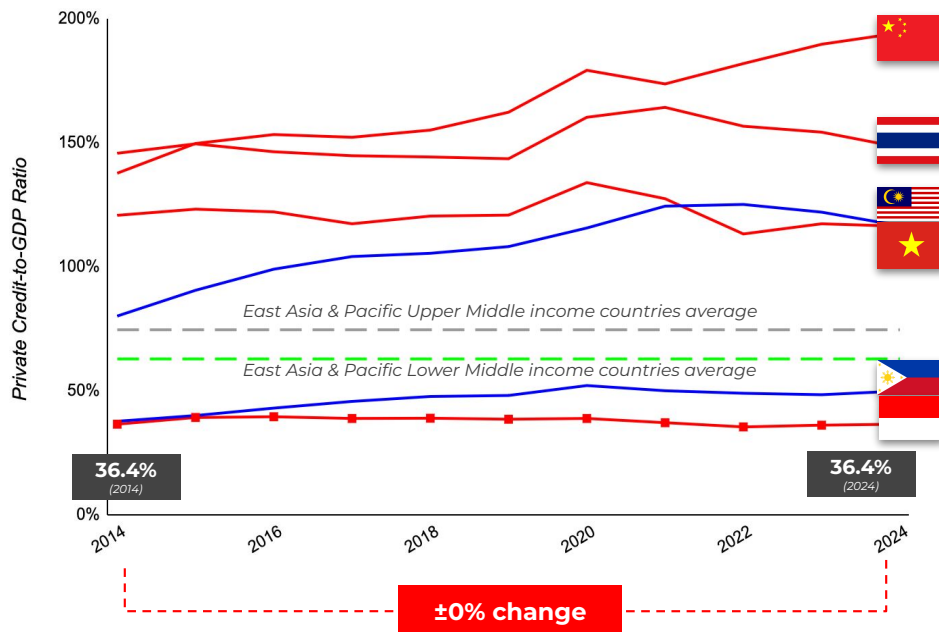
- The paper studies 31 emerging markets (2002–12) and finds that rapid credit expansion significantly drives GDP growth.
- Using **cross-country regressions** and a Brazil-specific VARX¹ model, it shows how credit shocks (sudden increase and decrease) transmit to growth
- In EMs, corporate credit boosts GDP via investment, consumer credit via consumption, while weaker impact is shown for housing credit.
 - A +4%pt increase in consumer credit translate to 0.3% GDP growth.
 - A +10%pt increase in corporate credit translate to 0.3% GDP growth.
- In a case study of Brazil, rapid credit growth (19% real annually, 2004–08) coincided with GDP growth averaging 4.8% per year

Access to credit is a key link between economic opportunity and economic outcome. It is essential for individual empowerment.

**- Christine Lagarde,
IMF Director in Indonesia, 2015**

Indonesia's credit access has stagnated over the last ten years, making Indonesia trailing behind its peer countries

Formal Credit to GDP Ratio in East Asian Countries (2014 - 2024)



74.46%
East Asia & Pacific Upper Middle
Income Countries Average



62.72%
East Asia & Pacific Lower Middle
Income Countries Average



- Indonesia's formal credit-to-GDP ratio (36.4%) is among the lowest compared to its peer in East and Southeast Asian Countries, especially compared to other upper-middle income countries
- Indonesia's formal credit ratio is even lower than the average of lower middle income countries in East Asia & Pacific
- While other countries showed overall growth in credit-to-GDP ratio from 2014 to 2024, Indonesia's stagnated with no growth

↑ Credit Gap



A+4%pt



A+10%pt

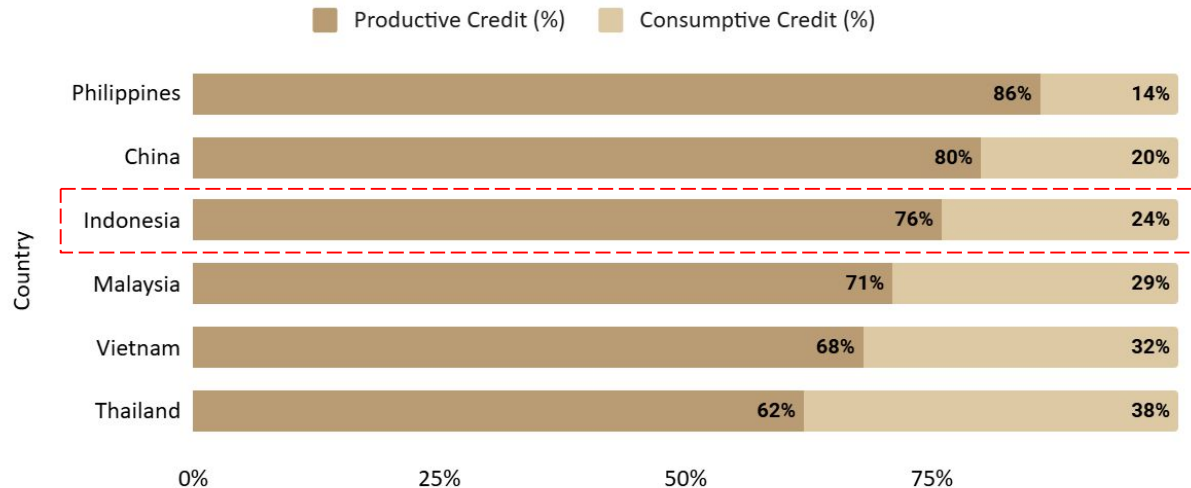
↑ Economic Growth

0.3% GDP growth

0.3% GDP growth

Indonesia's credit allocation by type appears broadly consistent with other ASEAN peers: ~3/4 productive and ~1/4 consumptive

Credit Structure by Loan Purpose Benchmarking



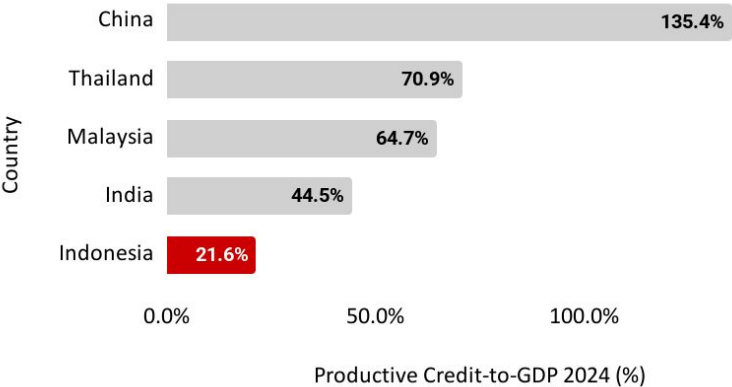
- Indonesia allocates 76% to productive credit and 24% to consumptive credit, in other words, about **3 productive : 1 consumptive ratio**.
- Composition wise, Indonesia's credit structure by loan purposes is broadly **aligned with regional peers**, where productive credit takes a larger chunk of all the disbursed credit.

This chart alone indicates that Indonesia's credit structure may be at a healthy proportion.
However, when we look beyond the mix and examine credit depth relative to the size of the economy, a different picture emerges.

Both Indonesia's productive and consumptive credit-to-GDP ratio falls behind peers, risking constraining both enterprise growth and consumer spending to drive greater economic growth

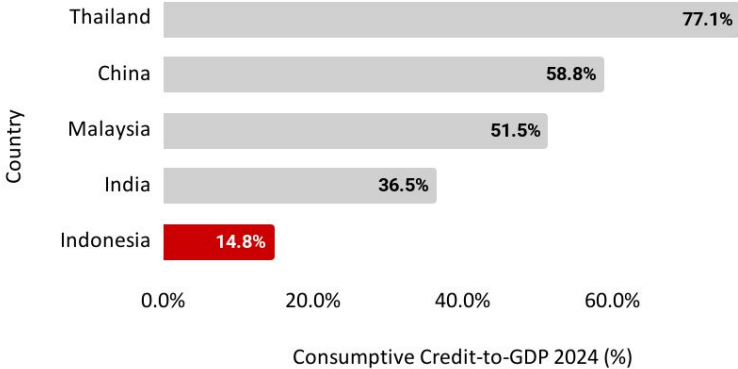
Productive Credit Access Benchmarking*

On the productive side, loans to businesses represent **only 21.6% of GDP**, suggesting investment and working capital expansions (including for SMEs) may be underfinanced.



Consumptive Credit Access Benchmarking*

On the consumption side, Indonesia's credit records **only 14.8% of GDP**, showing households remain underpenetrated in accessing loans.

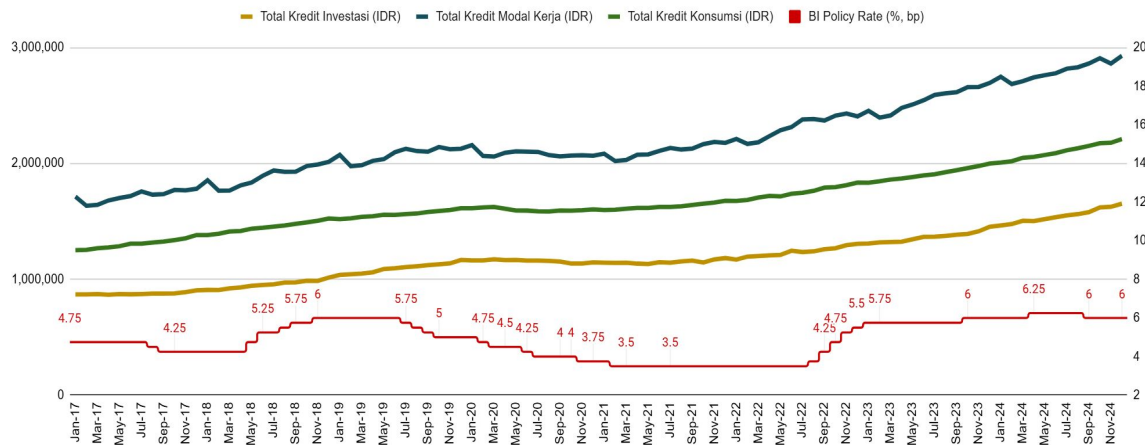


Indonesia's credit position **underperforms in both productive and consumptive purposes**. Unless there is structural reform on the credit ecosystem, **Indonesia risks missing the opportunity to leverage credit as an engine of growth for enterprise and household demands**.

*BIS data; scope slightly broader than domestic credit, but external funding is minimal for Indonesia.

The BI Rate has a limited impact on working capital credit, indicating that interest rates alone do not explain credit access gaps and that other factors drive credit growth

Relationship between Credit and Policy Rate



Credit Type	R ²	p-value	Slope (Δ Credit per +0.25% BI Rate)	Significancy
Investment	0.148	0.0001	+1.1 tn IDR	Statistically significant, yet low influence
Consumption	0.092	0.0028	+0.7 tn IDR	Statistically significant, yet low influence
Working Capital	0.011	0.318	+0.95 tn IDR	Not statistically significant

- Classical economic theory holds that lower interest rates reduce borrowing costs and thereby increase credit growth.
- Mandala examined the relationship between interest rates and bank lending using proxies of outstanding growth of investment, working capital, and consumption credit, along with BI Policy Rate data from 2017–2024.
- Findings show a **relationship exists, but it is weak** ($R^2 < 15\%$ across all credit types), more factors need to be incorporated into the model to better explain the rise of credit.
- Even when policy rates are low, credit growth can stay hindered as banks face special-rate cost of funds² in its third party funds, while businesses hold back expansion amid weak demand and global uncertainty.
- This indicates that easing on the supply side (banks) does not automatically translate into higher credit demand from borrowers.

"Lower interest rates don't automatically lead to higher credit growth. Even when rates are low, lending remains constrained because there are no project existed to be finance at the beginning."

–Senior Economist

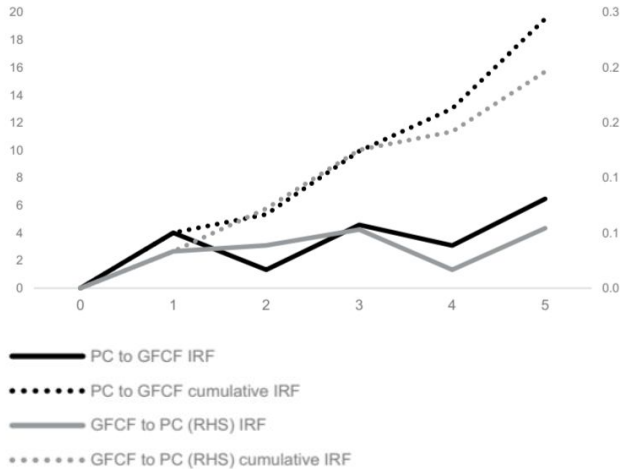
In Indonesia, businesses invest when households spend more, not the other way around – showing that stimulating demand is more effective in the short term for the economy

Demand Side or Supply Side?



A study by Chatib Basri shows that when households spend more, businesses respond by investing more. In the context of COVID-19 recovery, the paper argues that stimulating consumption is more effective than relying on investment. While focused on the pandemic, the broader lesson holds: in Indonesia, the consumption side plays a more decisive short-term role in driving credit growth than investment. Strengthening aggregate demand matters more than simply expanding money supply, as businesses rely on robust demand to drive their investment decisions.

Impulse Response of Investment and Consumption to Demand Shocks



Interpreting the Model from the Paper

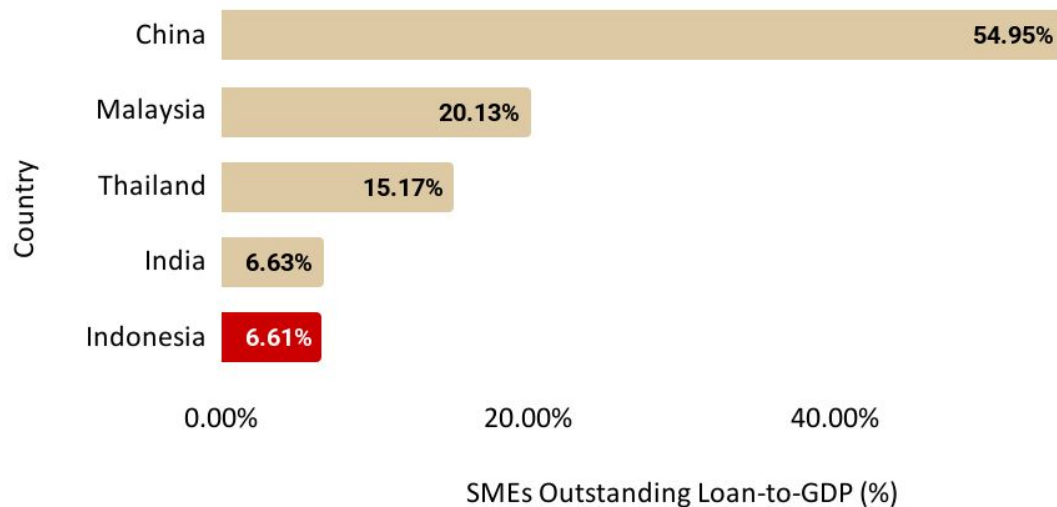
- Consumption shocks (PC → GFCF) produce a strong and positive effect on investment, as shown by the steep rise in the cumulative response line ($\chi^2=15.4$, significant).
- Investment shocks (GFCF → PC) generate a much weaker effect on consumption, with flatter response lines ($\chi^2=10.7$, not significant).
- This asymmetry shows that in Indonesia, investment tends to follow demand: firms expand only when households spend more.
- In credit terms, supply side policies such as lowering the interest rates alone is insufficient as banks may offer cheaper loans, but without strong consumption, businesses won't borrow to invest.

*“Granger causality tests show a demand-driven pattern: **when consumption rises, investment demand follows.** This underlines **the critical role of fiscal policy**—it is the government’s responsibility. **But if demand falters, banks will hold back lending. And when interest rates climb, the risk of default grows even further.**”*

–Senior Economist

Benchmarking SMEs outstanding loan-to-GDP ratio in Indonesia against peer economies suggests that Indonesia's SMEs remain underfinanced

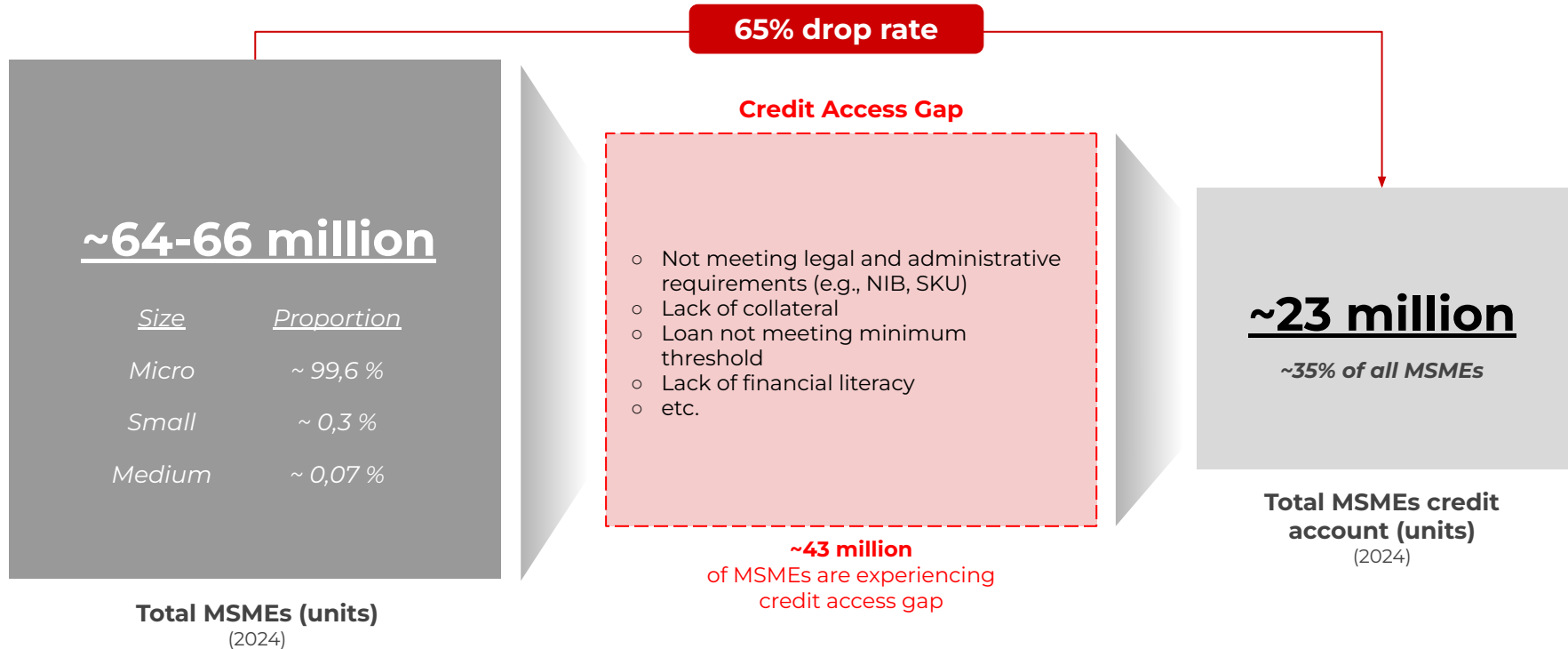
SMEs Outstanding Loan-to-GDP Ratio Benchmarking (2024)



- Indonesia's **credit disbursement to SMEs**, indicated through its SMEs outstanding loan-to-GDP ratio as a proxy, **lags behind other upper-middle income peers** in the region.
- Standing at **only 6.6%**, the acute underfinancing of Indonesian SMEs signal **Indonesian SMEs/MSMEs are experiencing credit access gap**, whether it be attributed to supply-side issues, demand-side constraints, or both
- This reinforces the argument that there remains **massive room for financing opportunities** for SMEs, may it be to promote financial inclusion or enable economic growth.

There is a stark mismatch: MSMEs are the backbone of the economy but receive disproportionately little credit

- By the end of 2024, Indonesian MSMEs contribute **60.5% of the GDP** and absorbs **96.9% of labor forces**.
- The funnel illustrates leakage points where **large segments drop out of formal credit access**. About **43 million MSMEs** are experiencing barriers to access formal credit.



Who are the individual left behind by credit access? Mandala's survey found that even among digital finance users, many remain excluded from formal credit access



~48% of Indonesian adult population is **unbanked** (Global Findex Survey, 2021).



~30% of the population has not yet been reached by the formal banking system (National Financial Literacy and Inclusion Survey, 2025).

Mandala's Insights on the Unbanked and Underbanked (*only from the online survey – population with smartphone*)

Based on Mandala Survey, we define unbanked and underbanked by certain attributes:

Legend:



Bank account



E-wallet



Access to loan

Group 1



Do not have



Do not have



No Access

0/762 people
(0%)

Group 3



Have



Do not have



Limited access
(document requirements)

87/762 people
(11.42%)

Group 2



Do not have



Have



No Access

34/762 people
(4.46%)

Group 4



Have



Have



Limited access
(document requirements)

188/762 people
(24.67%)

Unbanked (4.5% of respondent)

Underbanked (36% of respondent)



Mandala



fintech
indonesia

Source: Mandala Survey (2025)

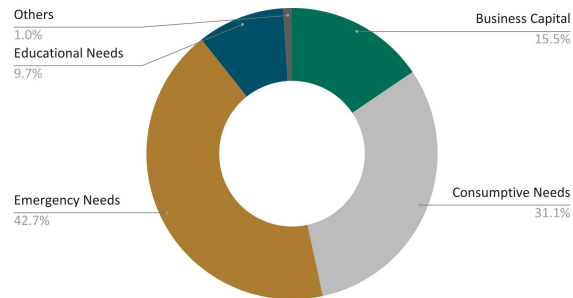
No Collateral, Insufficient Income, and Unknown Reason are cited as reasons of individuals get loan disapproval from bank within the underbanked population

What are the reasons of people have bank loan disapproved?

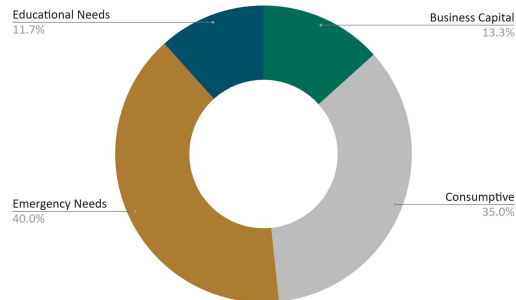
- Segmenting the Underbanked demography that are categorized by Group 3 and Group 4, there are different reason on why people have loan disapproval from Bank
- Majority of the respondents both within the underbank category of group 3 and 4 cited no guarantee / collateral as their primary reason of bank's loan disapproval, follow with different reason by each group.
- Each segment also have similar reason, with slight variations.

Reason of loan disapproval	No Collateral	Insufficient Income	Unknown Reason
Bank + No E-Wallet (Group 3)	43%	26%	31%
Bank + E-Wallet (Group 4)	36%	32%	32%

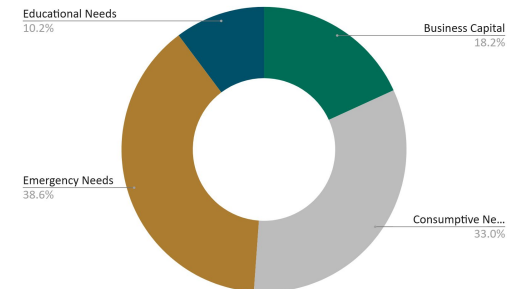
Loan Application Purposes for Insufficient Income Segment



Loan Application Purposes for Insufficient Income Segment



Loan Application Purposes for Unknown Reason Segment



SUBCHAPTER 1.2

The Role of Credit Institutions in Bridging Credit Access



As a cornerstone of financial development, financial institutions should first focus on widening credit access, but must also keep innovation and system stability in view

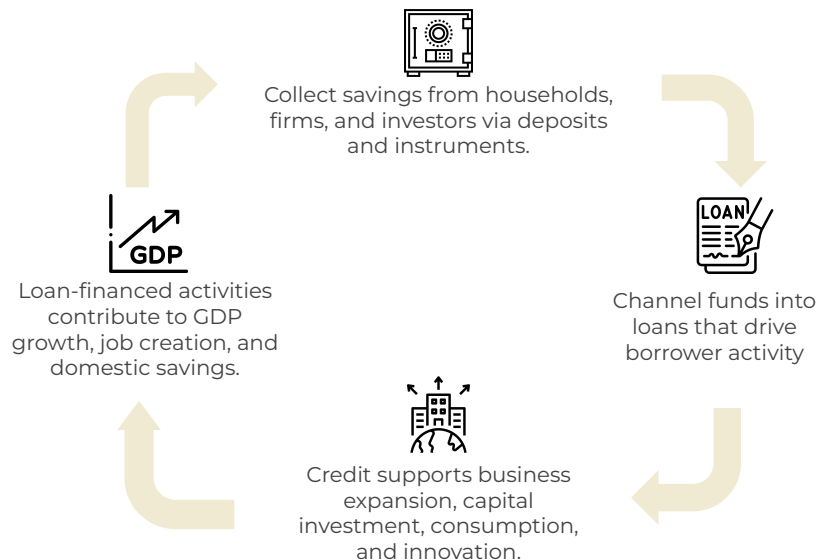


Multiple studies¹ have shown that financial intermediation drives national financial development by mobilizing savings, allocating capital, and supporting long-term economic growth.

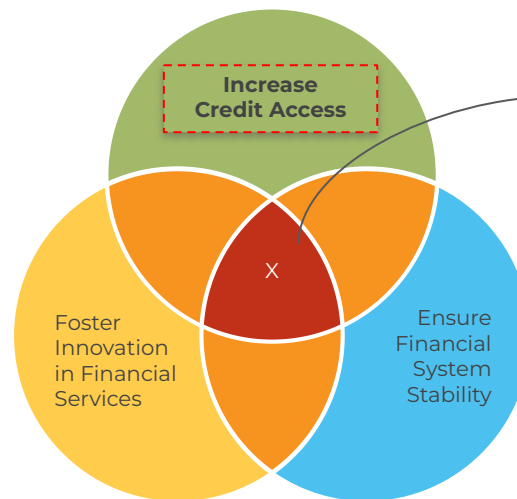
The spirit of strengthening financial institution to drive financial development have also being followed by Indonesia, where government, under the P2SK law enshrine spirit to develop financial institution across three areas.



How credit institution drive financial development



Spirit of P2SK Law for Financial Institutions



Goals of Financial Development

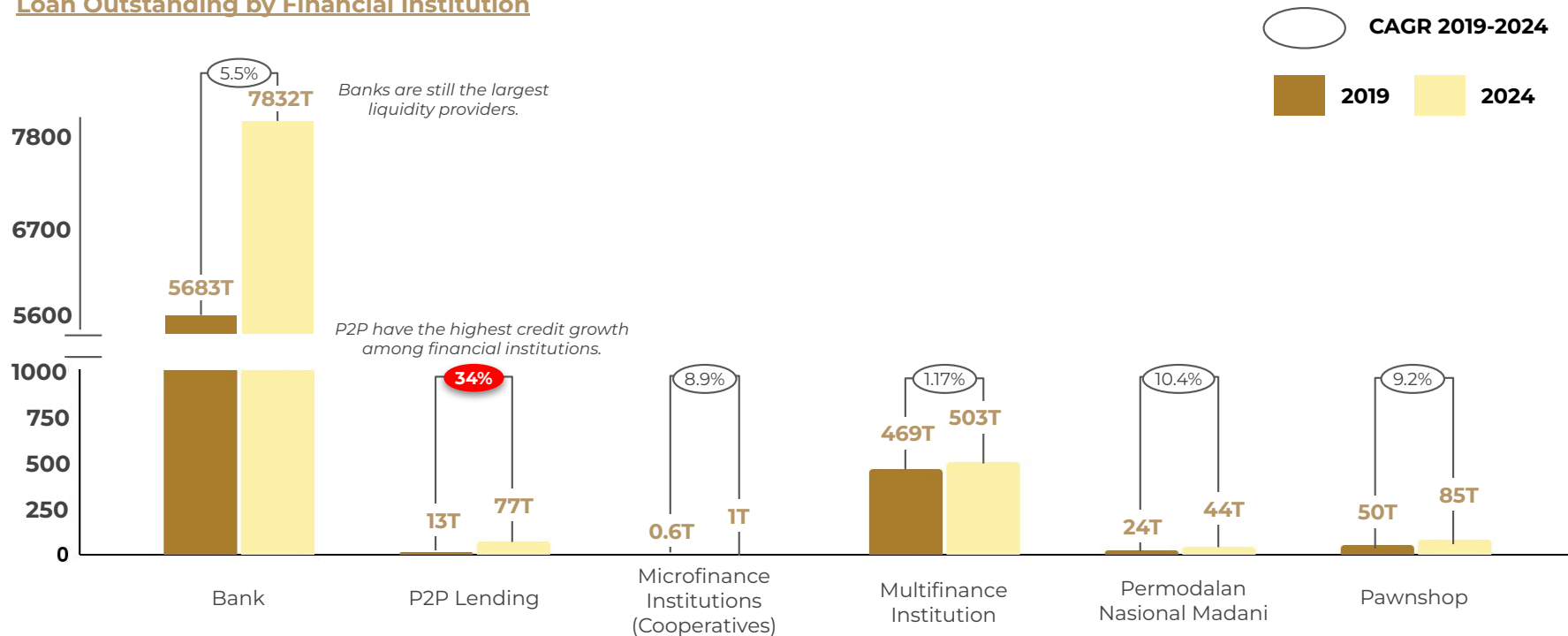
The intersecting spirit of the P2SK Law place financial institutions, notably credit intermediaries institution, at the heart of national financial development.

Based on OJK's classification of six financial institutions, Mandala's have maps their key credit metrics, including average interest rates and loan sizes

Channel	Brief	Main Feature		Avg Interest Rate		Avg Loan Ticket Size (Per Annum)	Exposure to Underserved Segment ¹
		Source of Funds	Collateral	Productive	Consumptive		
 Bank	Collects public deposits and lends money	Public deposits, interbank, and bonds	Yes	~8.45%	~16.58%	IDR 85.5 Mio	Low
 P2P Lending	Digital platform linking lenders and borrowers	Retail or institutional investors	No	~36.5%	~72%	IDR 7.6 Mio	Very High
 Multifinance Institution	Non-bank lender providing asset-backed consumer loans.	Shareholder equity, bank loans, and bonds	No	~19%		IDR 25.8 Mio	Medium
 Permodalan Nasional Madani (PNM)	State-backed lender financing MSMEs segment.	Government budget and bonds	No	~7.78%	~6.41%	IDR 13.7 Mio	Very High
 Pawnshop (Pegadaian)	Provides loans by holding items	Equity, retained earnings, bank loans	Yes	n.a. ²	~25.60%	IDR 6.6Mio	High
 Micro-Finance Institution (Cooperatives)	Small-scale lender for low-income borrowers	Member savings, donor funds, credit lines	No	n.a. ²	~24%	IDR 2.6Mio	Very High

Over the past five years, credit growth, reflected by loan outstanding, has been led by institutions serving the underbanked, notably P2P lending

Loan Outstanding by Financial Institution



“Fundamentally, Indonesia have sustain a prudent growth over the past ten years, and the demography that have been underlook by many are the ones that are categorized as unbanked and underbanked, particularly in semi urban and rural areas”.

—Senior Economist

Several classifications exist to view banks in Indonesia, including their core capital, ownership structure, and consumer segment



OJK Classification of bank are formally based on core capital, with other metrics measured such as ownership and consumer segment.

Purpose

Types

Key Figures

Core Capital	Ownership Structure	Consumer Segment
Indicates the bank's financial strength and systemic importance.	Reflects the ultimate beneficiary owner, which influences strategic priorities and lending behavior	Captures whether a bank primarily serves conventional or sharia-compliant markets
- KBMI 1 < IDR 6 trillion - KBMI 2 IDR 6–14 trillion - KBMI 3 IDR 14–70 trillion - KBMI 4 > IDR 70 trillion	- SOEs - Private - Regional Development Bank - Foreign Based Bank	- Sharia - Conventional
Loan Disbursement Composition Lending in Indonesia is dominated by KBMI 4 banks (52.5%) and KBMI 3 (26.4%) due to their larger capital base.	Private banks, followed by SOEs, are the top credit providers nationally. <i>In trillions (IDR)</i>	Sharia banking remains small in volume but plays a role in targeted market segments, particularly on areas of: Hajj & Umrah Financing Islamic School Segment Halal products

Steady growth in deposits and lending underlines why banks remain the dominant force in Indonesia's financial system



Banking Institution and its Role in Financial Development



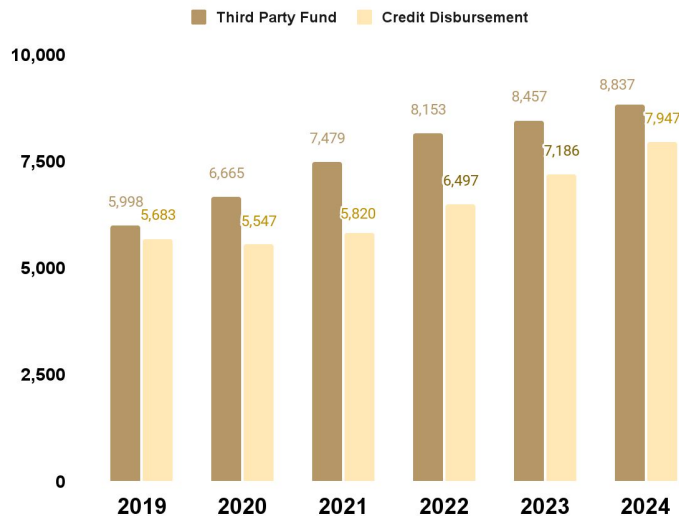
Deposit
Growth
CAGR

8%



Loan
Growth
CAGR

7%



With consistent growth in deposits and lending, banks have demonstrated their value proposition in supporting financial stability and deepening credit to drive long-term financial development.

Unique Value Proposition for Financial Development:

Financial Stability



As the anchor of credit disbursement, banks operate with tighter regulation, showcasing prudent lending that supports financial system stability.

Credit Depth



Banks have the liquidity and deep financing capacity to support sector with high credit requirement through tailored loan structures, such as syndicated loans and structured financing.

"Indonesia's financial system is predominantly bank-centric, with banks holding significant market power to influence which sectors receive financial support. This dominance stems from their strong liquidity position, enabled by the sustained ability to efficiently mobilize low-cost funds through current and savings accounts".

–Senior Economist

On the other hand, peer-to-peer lending platforms in Indonesia can be classified by its loan purpose



Peer-to-peer lending, as viewed by OJK, is often distinguished by the loan segments catered to — with issue over illegal P2P.

Loan Classification

Purpose

Defines the intended use of credit, helping regulators monitor whether funds support income-generating activities or individual consumption.

Types



Productive



Multipurpose

Key Facts



68.2%

45 Firms

22 mio registered account

204 T (Jan - Dec 2024)



31.8%

43 Firms

3 mio registered account

95 T (Jan - Dec 2024)

The amount of loan disbursement as well as players are heavily concentrated on consumptive segment — With 9 firm categorized as serving both productive and consumptive.

Legal vs Illegal P2P

The number of licensed P2P players has declined significantly, from 164 to 96 in five years as OJK enforces stricter regulations to create a more prudent and sustainable market. However, despite the reduction in players, competition remains intense, not only among licensed P2P platforms but also from illegal operators that is blocked by the government.

P2P Lending segment	Player
Legal P2P	96
Illegal P2P Blocked (2025, Feb)	9837

Illegal P2P platforms continue to dominate the market, with ~3,000 **blocked annually**, while the number of untracked and unblocked platforms could be in nearing **tens of thousands as of 2025**.



Mandala



fintech indonesia

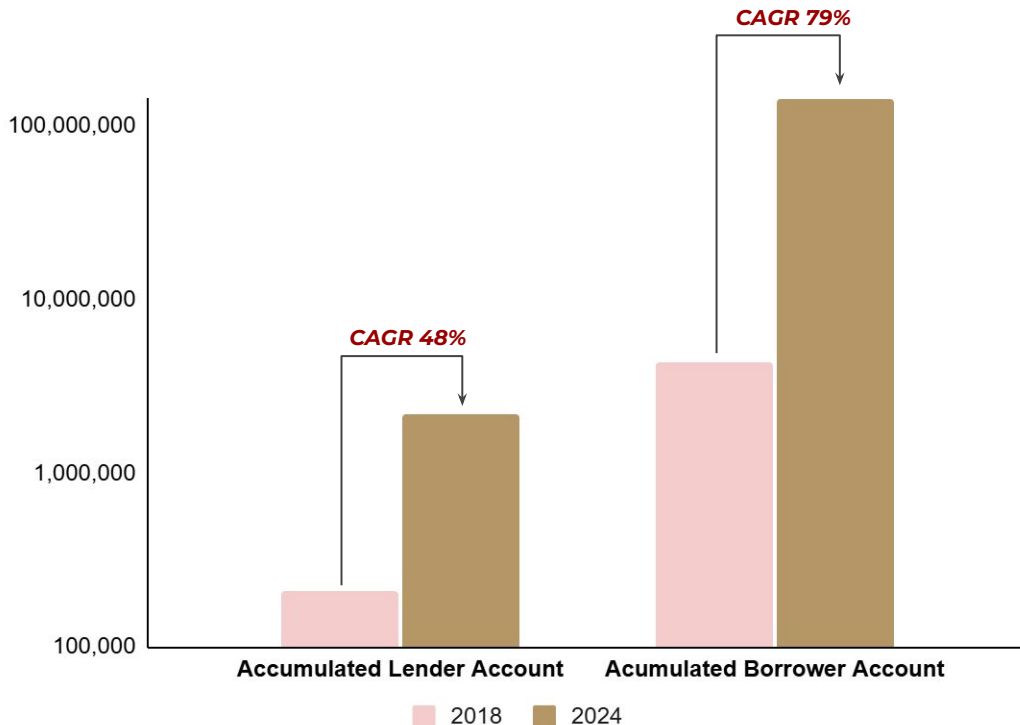
Source: OJK Fintech Statistics (2025)

Data include channeling via banks, data excluding bank channeling would be around 181 T total P2P disbursement in 2024

A ~65× borrower-to-lender gap, driven by faster borrower growth (79% CAGR vs 48%), underscoring the need for strong institutional liquidity providers such as banks



Number of P2P Lender and Borrower Account (2018 and 2024)



*Chart is visualized using a logarithmic scale

- **Lender accounts** in P2P grew from **~0.2 million (2018)** to **~2.2 million (2024)**, implying **~48% CAGR**.
- **Borrower accounts** started much larger at **~4.4 million in 2018 (≈20× lenders)** and expanded to **~144.1 million in 2024**, growing at a faster **~79% CAGR**.
- As a result, **borrower accounts now outnumber lender accounts by ~65×**
- **Loan demand is growing significantly faster than liquidity supply**, highlighting the need for **strong institutional liquidity providers**, with **banks among the most viable sources**.

"Fintech strengthens financial inclusion by streamlining credit underwriting through algorithms and digital scoring, improving efficiency and expanding access to underserved segments."

–Senior Economist

SUBCHAPTER 1.3

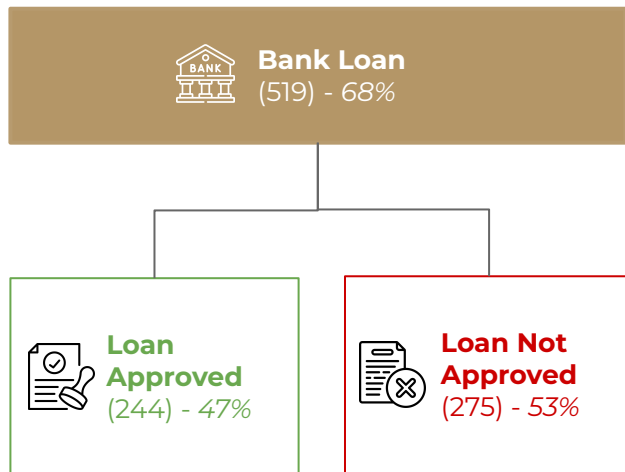
Barriers and Perceptions in Indonesia's Credit Landscape



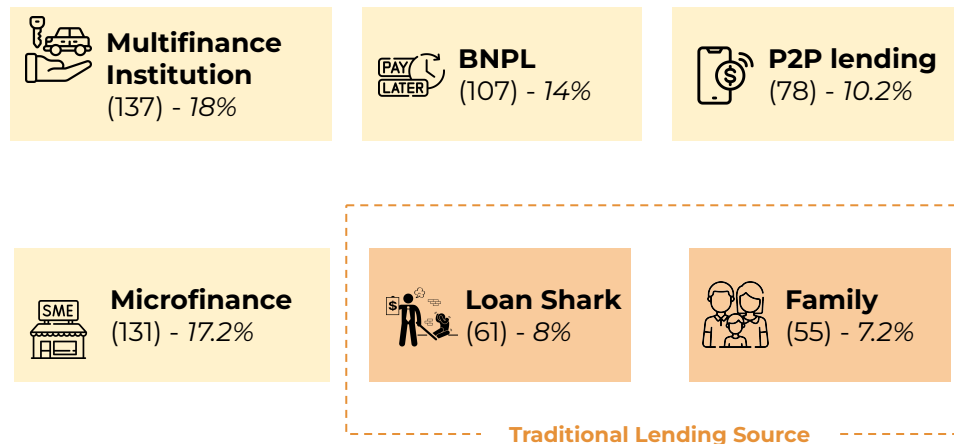
Mandala Survey demonstrates that borrowers exhibit a clear preference to approach mainstream credit institution as primary choice, yet unmet credit demand drives diversification into alternative sources

(n)=762

Mainstream Lending Source



Alternative Lending Source

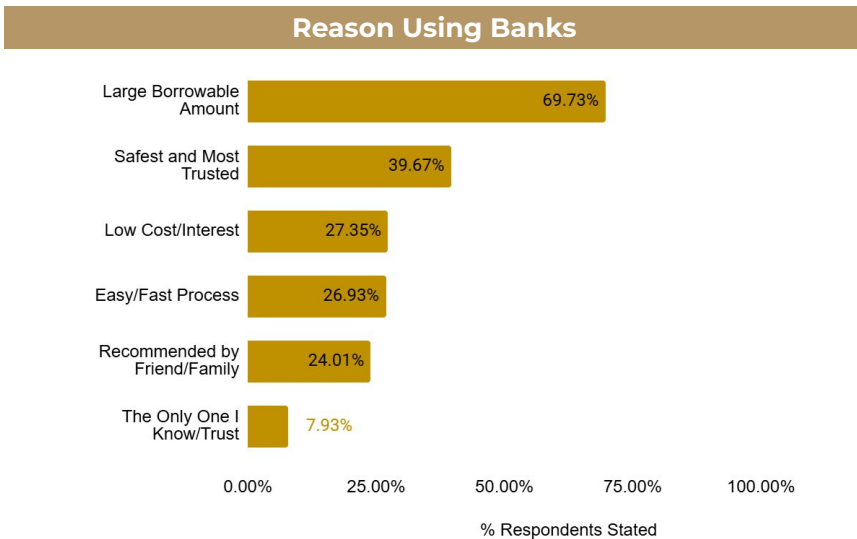


- Within the Mandala Survey, banks remain the main pathway for credit application, with 68% of respondents applying through banks. However, rejection is significant as 47% of the applications were not approved.
- Alternative lending platforms are the next most common channels, led by multifinance (18%), BNPL (14%), and P2P (10%).
- Traditional sources (loan shark, family) still persist but at lower levels (7-8%).
- Survey findings indicate overlapping patterns, with borrowers often combining several credit channels, and a subset not seeking lending at all.

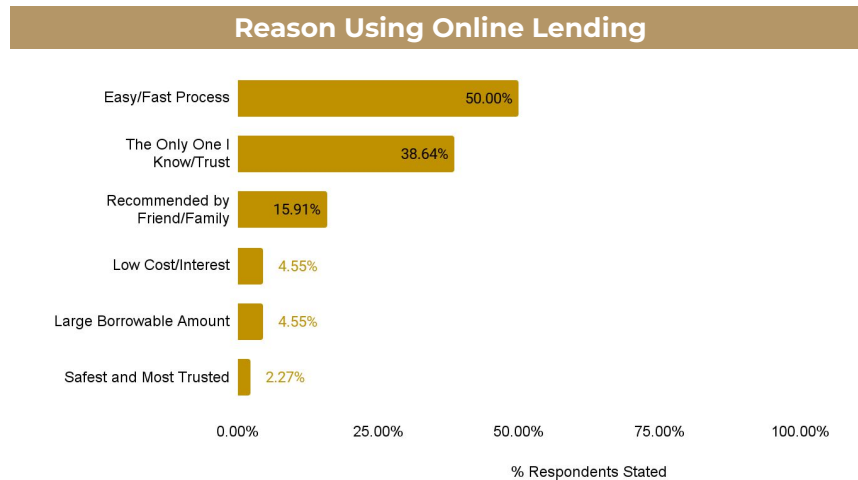
*"We are still actively looking to expand our digital loan portfolio. Our current allocation is **60% for cash loans and 40% for BNPL.**" –Foreign Bank*

Most respondents still turn to banks for loans, driven mainly by access to larger loan amounts

Repondent prefer banks when it comes to large amount, but **prefer online lending when they need it Easy/Fast.**



“Large Borrowable Amount” is a major reason for preferring borrowing from banks, indicating that there is demand for large loan ticket size in this group.



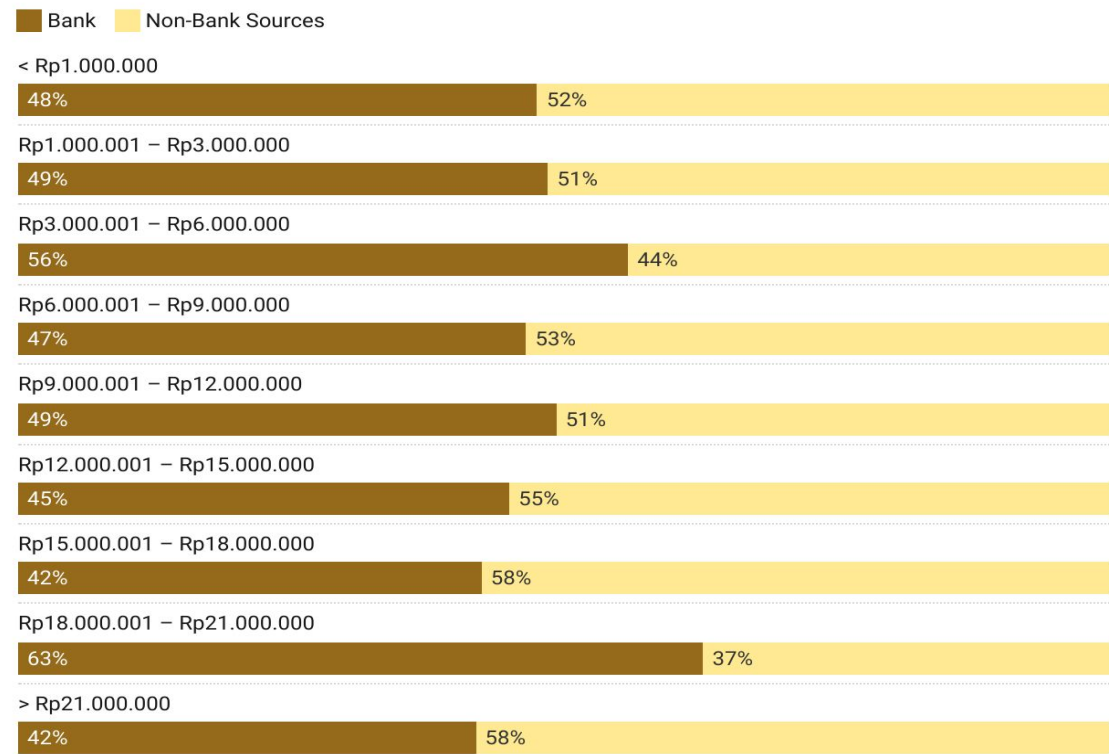
Meanwhile, those who prefers **online lending platforms emphasize on “Easy/Fast Process,”** meaning that the lowered barriers to lending access is considered a selling point by borrowers.

From a bank’s perspective, it’s clear: people use P2P lending because the process is simply faster than banks.

Note: In terms of lending frequency, **people who prefer online lending borrows at roughly the same rate as those borrowing from banks.**
(50-60% borrowed 2-6 times within the last 12 months)

From low to high income, loan applications data show that banks remain the primary channel across all income level

Individual Income and Credit Sources Proportion



Regardless of income, banks remain a consistent destination for loan applications, demonstrating their role as the primary reference point for credit.

<Rp 12 Mio

Most income groups below Rp12 million apply almost equally to banks and non-banks, reflecting blended credit-seeking behavior.

Rp 18-21 Mio

The Rp18–21 million income group shows the strongest preference to apply for loans with banks (63%).

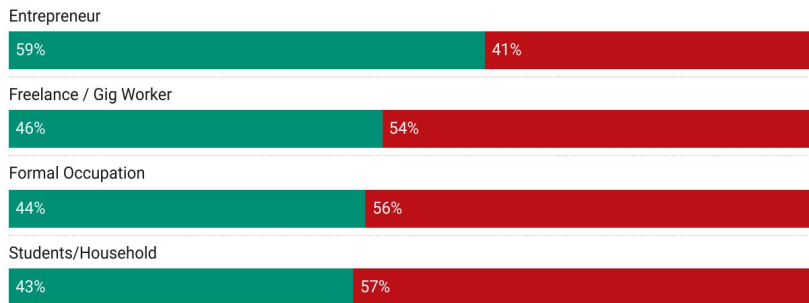
Rp 15-18 Mio

While the Rp15–18 million income group is least likely to apply through banks (42%), instead leaning toward non-bank options (58%).

Yet, within occupational data, loan application show varying bank approval rate and distinct non-bank preferences for non-bank credit sources

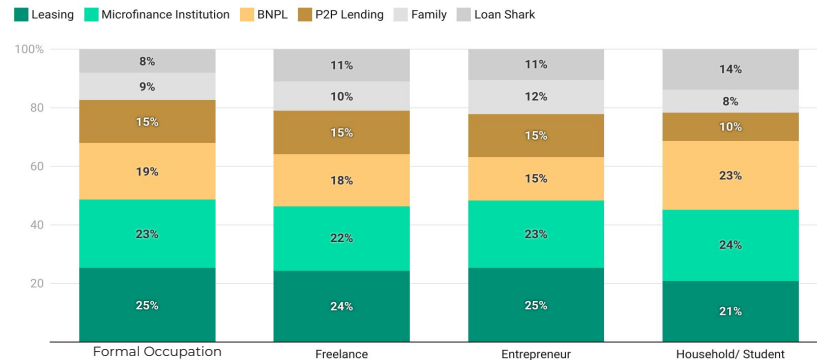
Bank approval rates amongst all occupations

Bank Approved Loans Bank Rejected Loans



- Entrepreneurs show the highest rate of bank loan approvals, followed by freelancers (gig worker) and formal workers.
- It should be noted, however, that the data for freelancer/gig workers is influenced by job categorized as “farmers”, who might have higher approval rates that are likely due to the KUR program.

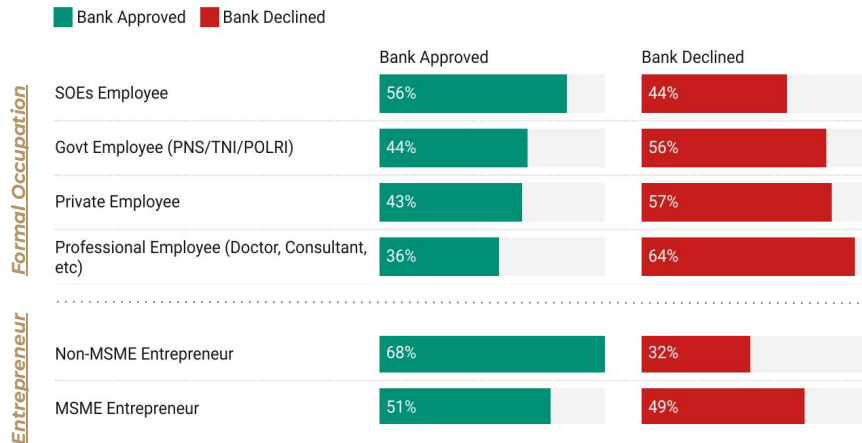
Non-bank credit applications across occupations (excl. bank)



- Multifinance and microfinance institutions dominate non-bank applications across occupations, reflecting their position as the most in-demand alternatives to banks.
- Yet, Fintech Lending (P2P Lending & BNPL) still the highest in segments of students/households, freelance (gig worker), and professional worker.

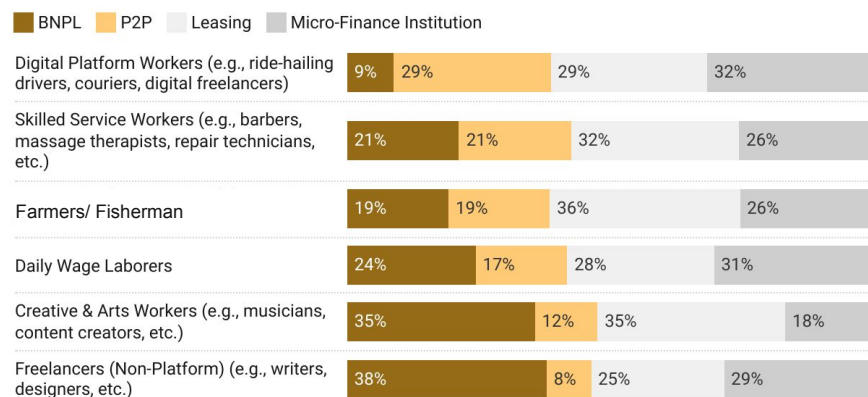
Across different sub-groups of occupations, distinct trends emerge in bank approval rates and non-bank credit application preferences

Deep Dive: Bank Approval Rates Across Sub-Groups of Professionals and Entrepreneurs



- Bank approval rates are higher for SOE and government employees relative to private sector and professional employees.
- Non-SME entrepreneurs demonstrate a greater likelihood of bank loan approval compared to SME entrepreneurs.

Deep Dive: Non-Bank Credit Channel Across Sub-Groups of Freelance (Gig Worker) Occupations



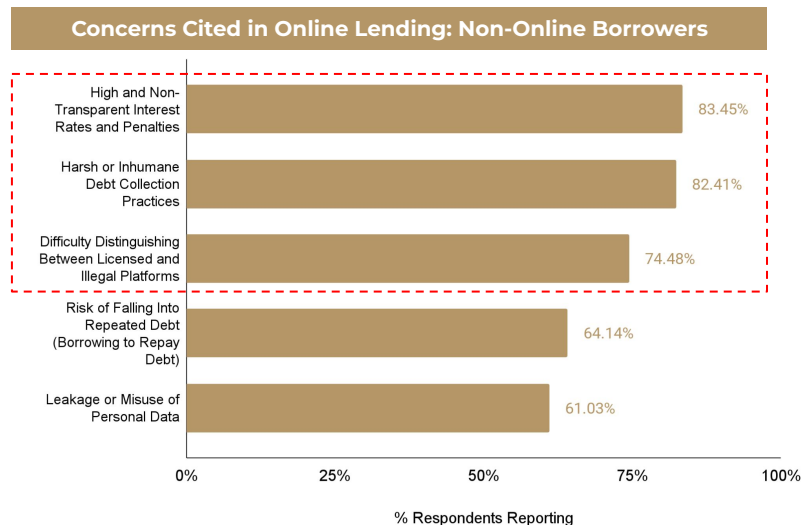
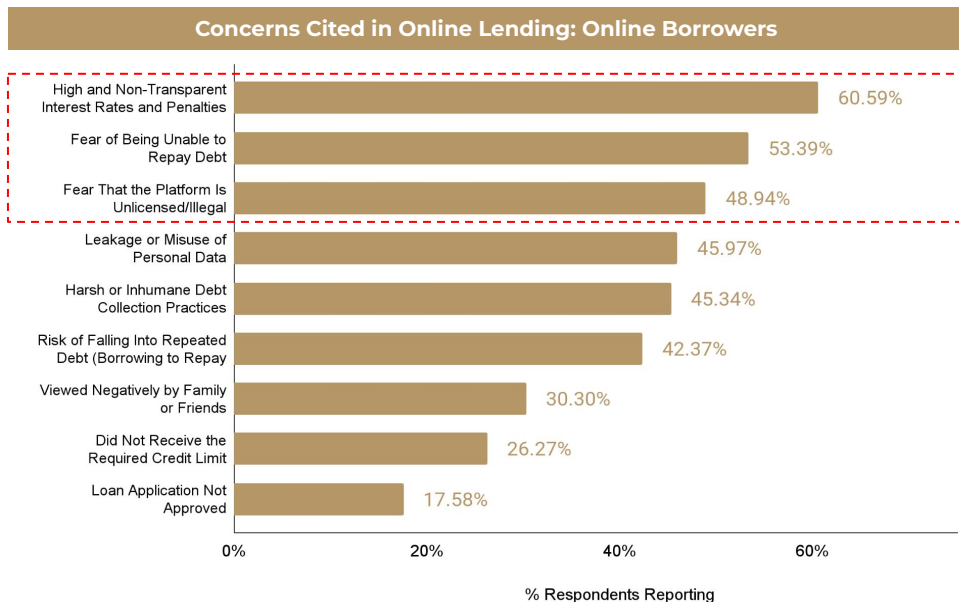
- Leasing and microfinance dominate overall, yet P2P and BNPL emerge strongly within specific freelance subgroups.
- Among freelancers, P2P is more prominent for digital and skilled services role, while BNPL features strongly in creative sectors and non-platform freelancers.

Key Summary: Credit access is shaped by occupation

Higher-income groups show stronger reliance on banks, while mid-income borrowers lean more toward non-bank sources. Similarly, stable and formal occupations are better served by banks, whereas P2P and BNPL have become important entry points for flexible and thin-file workers.

Respondents raise key concerns about P2P lending, with high interest rates as the top issue

Non-users' concerns on interest rates and penalties are echoed by online borrowers.



- Respondents consistently highlight high interest rates as the number one concern, both among those who have borrowed online and those who have never used P2P platforms.
- Among non-users, worries are amplified by perceptions of harsh debt collection practices.
- Uncertainty about legality is another common fear; many respondents are unsure whether a platform is officially licensed or potentially operating illegally.
- For existing online borrowers, the fear of harsh collection practices is less dominant, yet they still share the same anxiety about not knowing the legal or illegal status of platforms.

Information source correlates with confidence in discerning a P2P platform's legality

Confidence is best built not only by searching for platform legality, but also procedures such as borrowing requirements and default.

Information Searched					
Information Searched	Count Search	% Respondents Searched	Count Confident in Differentiating Legality	% Respondents Confident in Differentiating	Logistic Regression p-value (Predictor of Confidence in Differentiation)
What is Online Lending	110	23.31%	32	29.09%	0.8279
Online Lending Legality	240	50.85%	55	22.92%	0.0137
Difference Between Legal and Illegal Online Lenders	302	63.98%	69	22.85%	0.0083
List of Licensed Online Lending Platforms	290	61.44%	72	24.83%	0.0676
How to Borrow from Online Lending	272	57.63%	83	30.51%	0.5417
Requirements For Applying For An Online Loan	215	45.55%	75	34.88%	0.0158
Is A Specific Online Platform Legal Or Illegal	179	37.92%	39	21.79%	0.0485
How To Avoid Debt Collectors	98	20.76%	48	48.98%	0.0001
What Happens Upon Debt Default	162	34.32%	50	30.86%	0.8176
How to Pay Off Online Loans	163	34.53%	42	25.77%	0.3377
Mechanisms of Defaulting Payment	40	8.47%	24	60.00%	0.001

However, where the information is sought from does not impact a person’s confidence on P2P platform’s legality

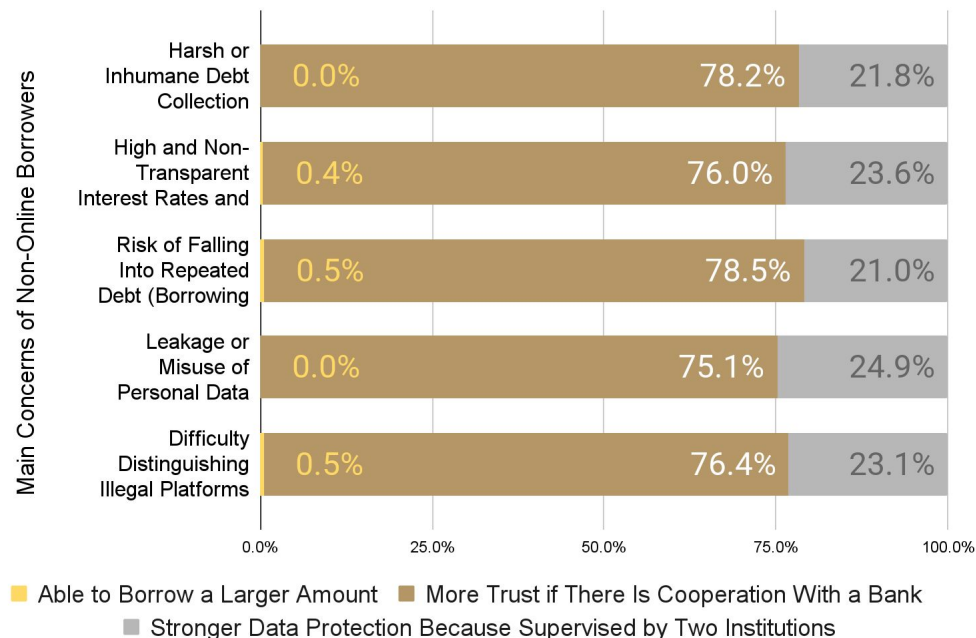
Information Source					
Information Source	Count Search	% Respondents Searched	Count Confident in Differentiating Legality	% Respondents Confident in Differentiating Legality	Logistic Regression p-value (Predictor of Confidence in Differentiation)
Friends & Colleagues	137	29.03%	44	32.12%	0.5497
Searching on TikTok	131	27.75%	40	30.53%	0.8019
Mass Media Articles	133	28.18%	40	30.08%	0.8963
Influencer Reviews/Content	138	29.24%	40	28.99%	0.9663
Searching on Google	143	30.30%	40	27.97%	0.7503
Communities/Groups	138	29.24%	36	26.09%	0.4531
Social Media Content	147	31.14%	35	23.81%	0.1456
Asking ChatGPT	42	8.90%	10	23.81%	0.5556

The **sources** where respondents obtain information about the P2P platform’s legality are **insignificant toward their confidence levels** in differentiating between legal and illegal P2P platforms.

Note: No association between a person’s confidence in discerning legality and whether they ended up struggling to keep up with payments (chi-square test p-value 0.9583)

Though significant stigmas remain towards P2P, collaboration with banks is expected to increase trust and data protection

Expected Benefits of Bank-P2P Lending Partnership



- With differing stigmas and concerns held by non-online borrowers towards online lending platforms, all categories equally expect significant benefits can be derived from bank and P2P lending partnership.
- About 3 out of 4 answers that higher trust can be derived from cooperation between the two financial institutions, while the rest expects stronger data protection given through increased supervision

Collaboration between banks and P2P can turn segmented barriers into shared opportunities

Why Partnership between Bank and P2P/Marketplace Lending are Viable?



Different Segmentation

Banks and P2P/Marketplace lending serve distinct user segments, as shown by usage patterns and survey data. Each caters to different demographics and borrower profiles.



Complementing Value Proposition

Banks are dominant on systemic stability as well as credit depth, P2P/Marketplace Lending is more experienced in financial innovation and disbursing credit breath.

How Collaboration between Both Institution can Propel Financial Development



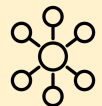
1. Reduce Credit Access Gap

Channel funding to underserved sectors (e.g., MSMEs, agriculture, informal economy) that are often overlooked by integrating bank liquidity and Fintech/Marketplace lending technology.



2. Financial Innovation Spillover

Accelerate product and service innovation through co-learning and knowledge spillover from partnership rollout.



3. Enhance Financial System Resiliency

Increase the participation of non-bank financial institutions in the credit ecosystem, thereby reducing the financial system's over-reliance on traditional financial institutions.

CHAPTER 2

Unlocking Synergy between Banks and P2P Lending



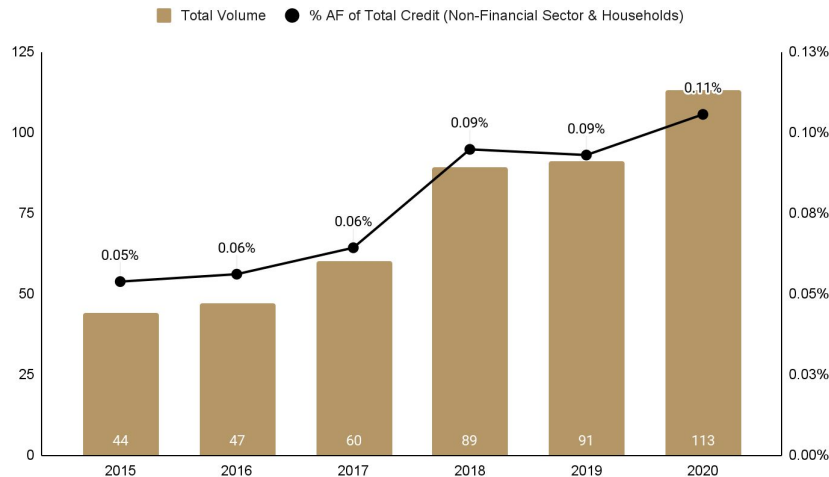
SUBCHAPTER 2.1

Global Landscape, Impact, and Risks of Bank-P2P Lending Partnerships



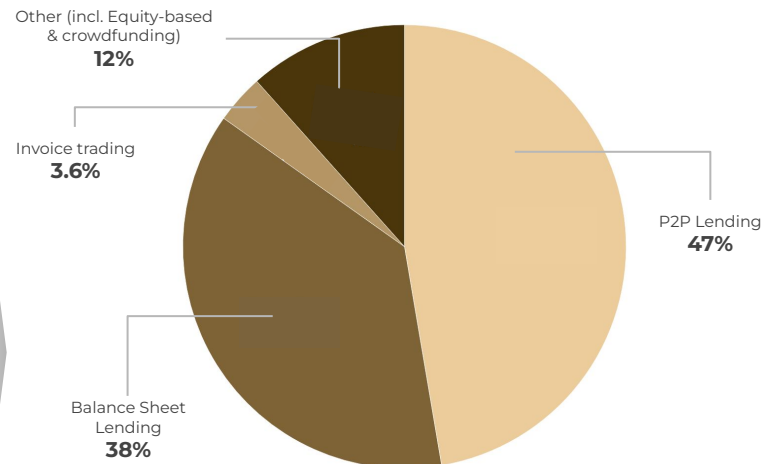
Global alternative finance has grown ~21% annually, with P2P lending making up ~50% of that growth, yet its share remains under 0.5% of conventional credit

Total Global Alternative Finance Volume 2015 - 2020, billion USD (excl. China)



- **Global alternative finance volume** expanded rapidly between 2015 and 2020.
- **Excluding China**—which once dominated global volume and will be discussed later—the market grew at **~21% CAGR** over the period.
- Market size remains **small relative to total credit** for non-financial corporations and households.
- Its share **more than doubled**, from **0.05% in 2015** to **0.11% in 2020**.

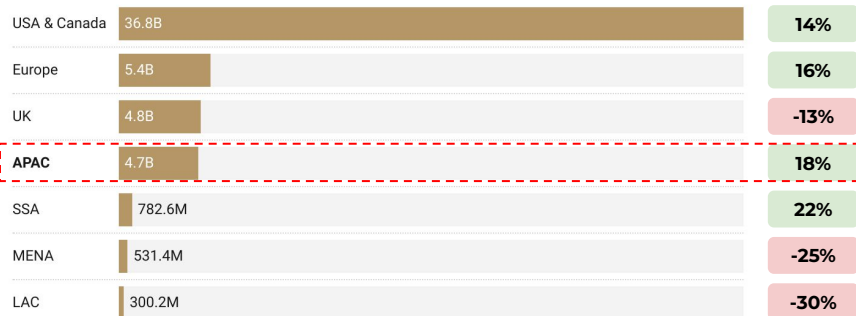
Total Volume by Model Categories 2020 (excl. China)



- **Alternative finance models** broadly classified into:
 - Debt-based
 - Equity-based
 - Crowdfunding structures
- **Debt-based models** account for ~80% of total alternative finance volume, showing strong preference for credit-oriented instruments.
- Within debt-based models, **P2P Lending** is the dominant contributor, making up **nearly half** of the segment.

Global P2P lending shows contrasting trends, with some regions—such as APAC, where Indonesia ranks second in volume—growing rapidly, while others are in decline

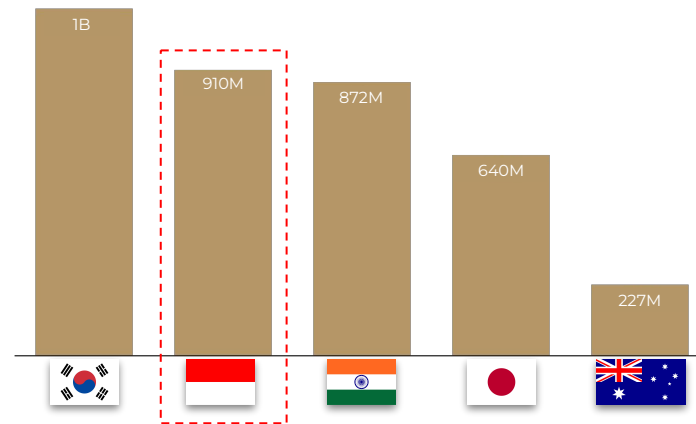
Total Volume P2P Lending per region 2020 (excl. China) in USD



CAGR 2018-2020, except SSA 2019-2020

- After China's market disruption, the **United States emerged as the leading region** for P2P/marketplace lending, with a large gap over other regions.
- In 2020, **Europe, the UK, and APAC** each recorded similar volumes of around **USD 5 billion**.
- Among high-volume regions, only the **US, Europe, and APAC** maintained strong growth, while others declined due to **tightening regulatory constraints**.

Top 5 APAC Countries by P2P Lending Volume 2020 in USD



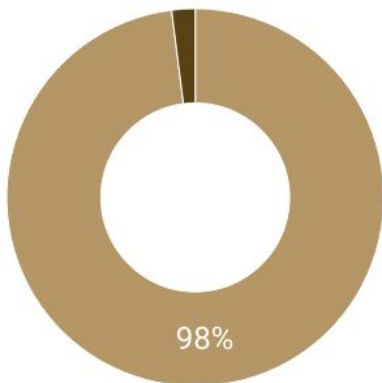
In APAC, **Indonesia ranked second** in P2P/marketplace lending volume.

- Contributed **~19% of regional total** (USD 910 million in 2020).
- Volume was **slightly below South Korea** (regional leader).
- Comparable to **India**, which ranked third.

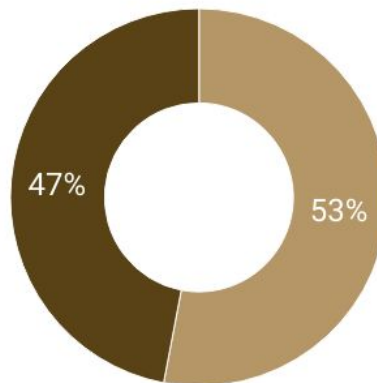
In mature and growing regions, similar preference appear where institutional funders—mainly banks and financial institutions—become the major source of capital in P2P Lending

P2P Lending Sources of Funds in Selected Regions, 2020

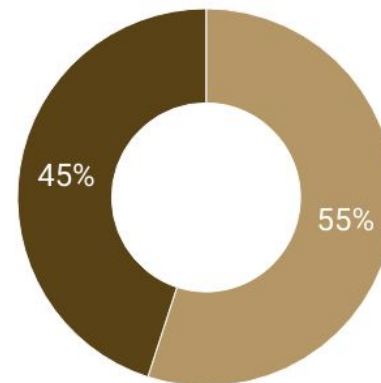
■ Institution Funder ■ Non-Institution Funder



USA & Canada



Europe



APAC

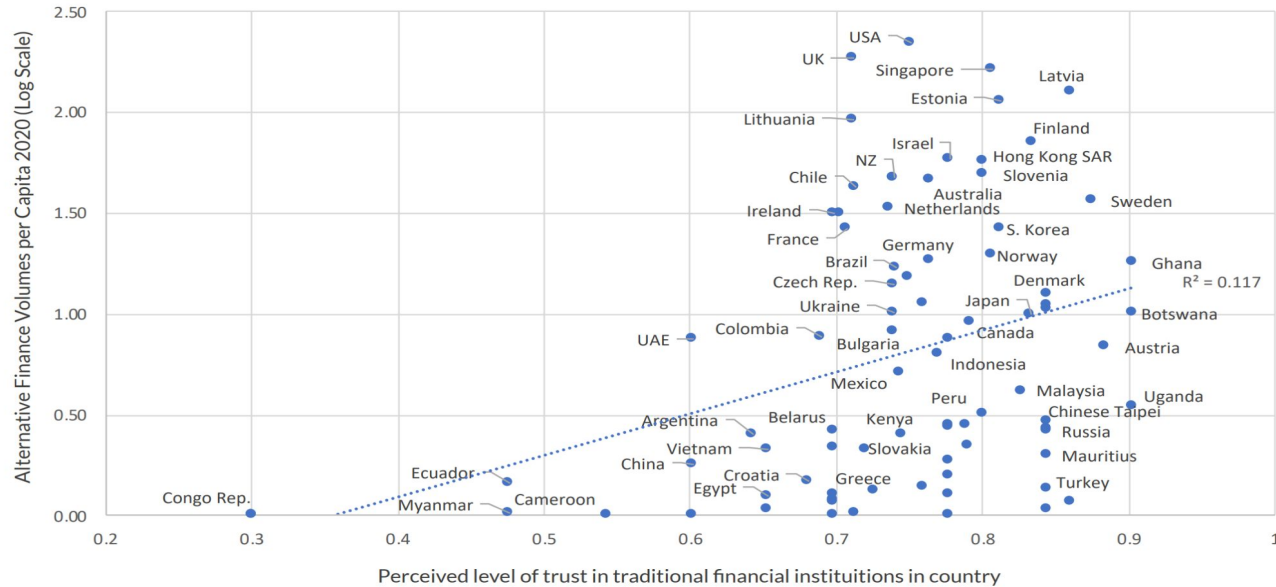
- Across both mature and fast-growing markets, **institutional funders (banks and financial institutions) are dominant.**
- In the **U.S. and Canada**, nearly all P2P/marketplace lending funding comes from **institutional sources.**
- In **Europe and APAC**, institutions account for **just over 50% of total funding**, signaling a preference for institutional-driven model.
- **Survey shows institutional lenders increasingly use P2P** as alternative finance to support **investment strategies and portfolio diversification.**

Diverse Bank-P2P Collaboration Models: The fast-evolving online marketplace lending landscape allows various models to thrive and respond to changing market dynamics

Model	1 Credit Referral Agreement	2 Bank-as-originator partnerships/Channeling	3 Co-lending/Joint Financing	4 Securitization
Scheme	P2P platforms pre-screen customers using their data & refer qualified borrowers to banks. The bank handles credit evaluation & funding , and vice versa.	Banks channel their credit funds through P2P Lending to gain origination fees or return.	Partnership between a bank and P2P platforms to jointly lend money to borrowers , often with an 80:20 structure	P2P platforms pool multiple loans and sell them as asset-backed securities to investors ; banks may act as buyers or arrangers in the securitization process
Benefit	For Banks: Diversify loan portfolios without taking full credit risk; gain additional revenue from origination fees (3–6%) and servicing fees (>1%) on successful loans. For P2P Lending: Access to a wider borrower base and potential funding sources.	For Banks: Avg 10–20% annual returns, with no long-term credit risk or marketing costs, while scaling lending via fintech For P2P Lending: Access bank capital to boost loan disbursement and reach a wider market	For Banks: Expand lending portfolios into underserved segments with reduced acquisition costs, while sharing risk with fintech partners and retaining majority funding control For P2P Lending: Access bank capital, boost credibility, and share risk for sustainable growth	For Banks: Earn 3–12%+ annually depending on tranche purchased, while diversifying portfolio risk. For P2P Lending: Unlock larger funding sources, recycle capital for new lending, and boost credibility with institutional investors.
Example	 (2016) DBS Bank and MoolahSense (P2P Lending or in the Singapore known as Marketplace Lending)	 (2008) WEB Bank and Lending Club (P2P lending platform that connects small and medium-sized enterprises)	 (2020) State Bank of India (SBI) & NBFCs under RBI NBFCs handle borrower sourcing, credit evaluation, and collections; SBI provides liquidity and balance-sheet support.	 (2013) Prosper worked with BlackRock and later with banks like Credit Suisse and Deutsche Bank to package unsecured consumer loans into asset-backed securities (ABS).

Public trust in traditional financial institutions, especially banks, fosters greater openness to using alternative finance as a complementary product

Alternative Finance Volumes per Capita vs. Perceived Trust in Traditional Finance Institutions 2020



- The graph shows a **positive relationship** between public trust in traditional financial institutions and alternative finance usage per person, with trust explaining **~12% of cross-country variation**.
- This appears counterintuitive, as alternative finance is often seen as a **challenger** to traditional finance amid growing scepticism.
- Data suggests alternative finance instead **complements** traditional finance by serving underserved segments.
- Due to limited scale, customer base, and infrastructure, many platforms **collaborate with banks** rather than compete directly.

In lending, partnerships between banks and P2P Lending are seen as a natural fit, as their strengths complement each other



Bank

VS



P2P Lending

Strength

Large capital base and low cost of funds

Strong brand credibility and institutional trust

Weakness

Relatively limited capital base and high cost of funds

Low brand recognition and yet to establish strong institutional trust

Weakness

Limited reach to underbanked and unbanked segments

Relatively slow to adopt new tech due to bureaucratic hurdles

Strength

Ability to reach underbanked and unbanked segments within targeted default rates

Quick to adopt new technologies and methods (e.g., AI/ML)

Studies show mixed impacts of P2P lending: some see it helping banks serve underserved segments, while others warn it weakens discipline through looser lending standards

	 Positive Impact to Bank	 Conditional Impact to Bank	 Negative Impact to Bank
Study	Ergungor (2023) on bank-fintech partnerships .	Huan Tang (2019), U.S. study using LendingClub data .	Yeo & Jun (2023) on China's P2P boom .
Impact	Banks use alternative data and digital underwriting to reach underserved borrowers and default rates remains stable . Effects are strongest at small and mid-sized banks.	P2P substitutes for banks during credit tightening by serving marginally excluded borrowers, and complements banks via small-ticket loans that banks avoid; overall effect is mostly reallocation of credit.	P2P growth led banks—especially smaller, risk-tolerant ones—to loosen standards and take on more credit risk in competitive areas, weakening market discipline and raising systemic risk.
Conclusion	Fintechs complement banks by scaling prudent digital lending and inclusion.	P2P acts as a cyclical buffer and niche provider rather than a broad tool for the truly underbanked.	Without safeguards, P2P competition can be destabilizing rather than stability-enhancing.

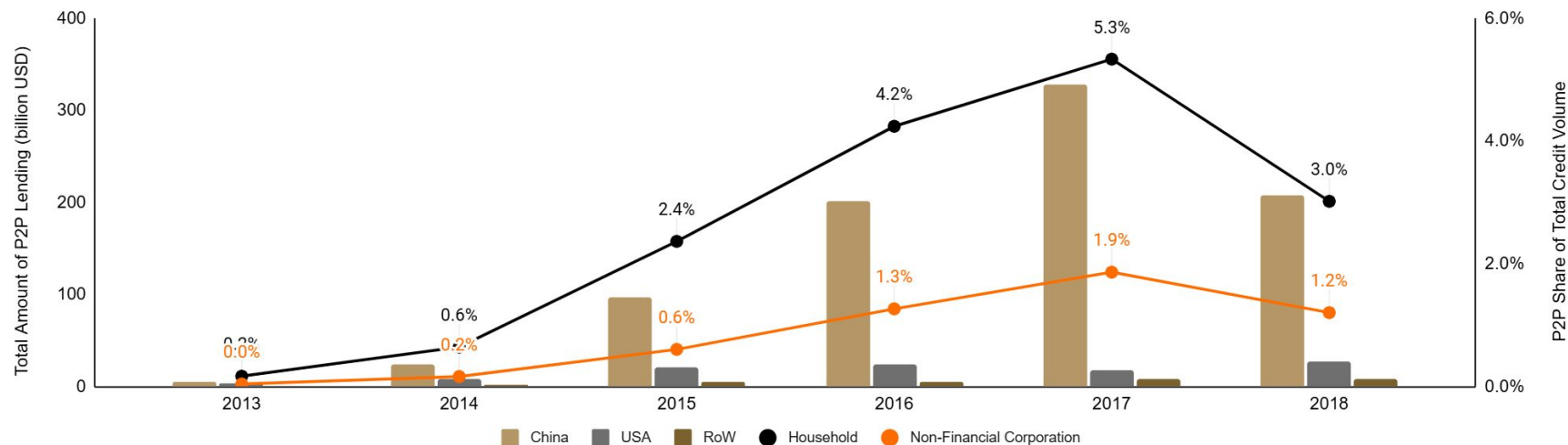
SUBCHAPTER 2.2

China: Lessons from the Global P2P Pinnacle



China's P2P lending boom and bust offers a costly lesson: at its peak it served over 5% of household credit and nearly 2% of corporate credit in China, disrupting small- and medium-sized banks

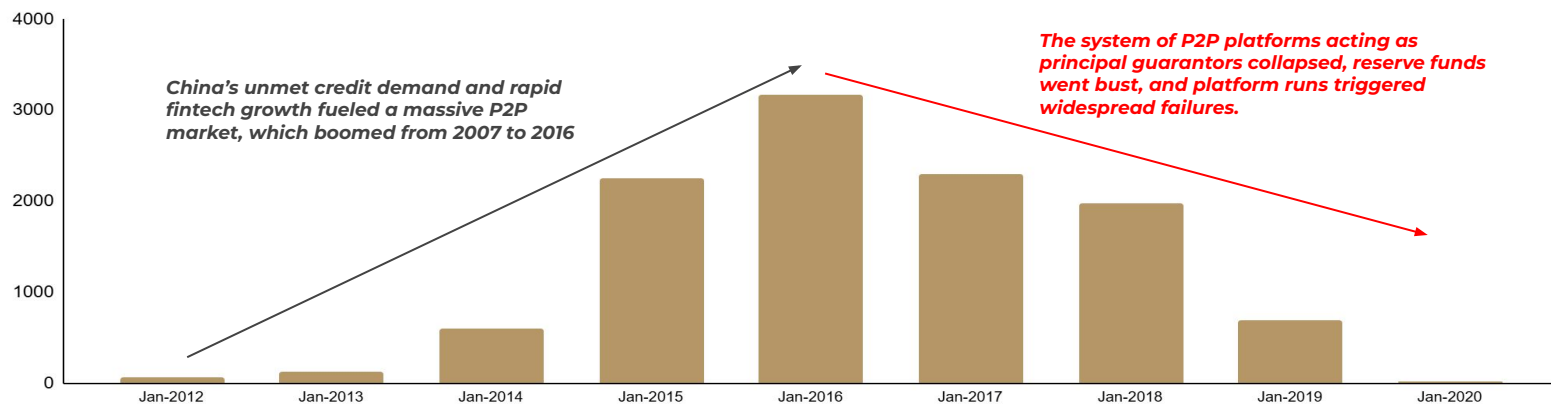
Total Amount of P2P lending & P2P Share of Total Credit Volume in China 2013-2018



- **China's P2P lending boom** was driven by rapid ICT/fintech development and unmet credit demand that starts between 2012-2013.
- The market **peaked at US\$328 billion in 2017**, with its share of household credit slightly above 5%.
- At its peak, China's P2P volume was **10× larger than the U.S.** and **exceeded the combined total of all other countries (2013–2018)**.
- The sector connected **over 4 million lenders and borrowers**, channeling billions in loans to individuals and SMEs.

China's P2P tale unfolded in three issues: rapid expansion fueled by risky principal guarantees, disruption of the lending market, and collapsing trust that triggered platform runs and failures

Monthly Number of Active P2P Platforms in China



Issue 1 – Rapid Expansion and Risk Shift

- **At first:** P2P platforms just connected lenders and borrowers. If the borrower defaulted, the lender took the loss.
- **After 2012:** Competition heated up, and platforms started **promising to cover losses** (a “principal guarantee”).
- **By 2016:** Almost every platform did this, so lenders thought their money was safe.

The problem: Platforms now carried the credit risk themselves; if many borrowers defaulted, the platforms collapsed.

Issue 2 – Disruption and Risk Contagion

- **P2P as a substitute:** At its peak, P2P platforms began replacing banks in the small-loan segment, offering faster and easier access to credit.
- **Competitive pressure:** Studies (Yeo & Jun, 2023; Zhang et al., 2019) find that this competition forced smaller, more risk-tolerant banks to ease their lending standards.
- **Weaker discipline:** By loosening standards to retain borrowers, banks undermined market discipline and credit quality.

The problem: The combination of P2P risk-taking and weaker bank standards amplified systemic vulnerabilities in the financial system.

Issue 3 – Collapse and Loss of Confidence

- **Reserve funds problem:** Platforms relied on pooled reserve funds but weak risk management and insufficient reserves left them exposed.
- **Platform runs:** Rising defaults eroded confidence in principal guarantees, triggering platform runs and mass withdrawals.
- **The collapse:** The resulting liquidity crunch caused widespread failures, marking the collapse of China's P2P market.

The problem: Insufficient capital and human resource capacity led to the collapse of the P2P industry and eroded customer trust

China's P2P lending industry still thrives under a new model relying on institutional lenders, mainly banks, and leaving only large players able to meet high capital requirements and interest caps

Stricter rules and higher thresholds in the P2P lending industry...

- By 2022, China had **fully phased out the old P2P lending model**
 - New P2P license is halted**
 - Existing players** forced to **convert** into licensed financial institutions or **pivot their business models to institutional-to-peer**
- During 2022-2025, the rules and threshold in P2P lending industry getting stricter and higher. Some of the key requirements introduced are:
 - Capital requirements** from *none* to:
 - ¥50 million (approx. US\$7.1 million) for regional operation
 - ¥1 billion (approx. US\$142 million) for national operation
 - Interest rate caps**, currently at ~36% p.a.
 - Mandatory bank custodianship of funds**, meaning P2P is not allowed to hold customer money on its own.
 - Single-borrower exposure limit**, where:
 - loans to one borrower cannot exceed 10% of the company's net assets
 - loans to a borrower plus affiliates capped at 15% of net assets

"P2P lending remains allowed but under strict licensing control, shifting from the pre-2018 period with no license requirements, to a post-2018 phase where licensing was ignored, and eventually to a stage where the traditional P2P model became no longer legal. Platforms that once raised money from individual investors were required after 2021 to rely on institutional funding instead." –China P2P Executive

...lead to a natural selection that leaves only players with good governance and strong capital backing

- P2P lending in China continues to grow**, although the names and business models have evolved. Today:
 - Banks have become the main funders** in these platforms.
 - Borrower numbers are still increasing**, especially among younger users in their 30s or under, and in the individual lending segment.
- P2P platforms with nationwide operations that survived** regulatory tightening **generally share similar characteristics**:
 - Strong investment in risk control and technology**, including credit assessment and collection capabilities.
 - Backed by large capital or corporate groups**, which helps them meet higher regulatory and operational requirements.

Some of the biggest P2P player backed by large group



Du Xiaoman
Backed by
Baidu



花呗



借呗

Huabei & Jiebei
Backed by Ant Group



YQG Loan
Backed by
Fintopia Group

"Institutional funds mainly comes from banks. Working with banks was initially difficult and could take months, but becomes easier once a company is well-connected. Some banks refuse to work with P2P, so the first step is finding a bank open to the business, and each bank has its own preferences, generally favoring large or well-connected companies." –China P2P Executive

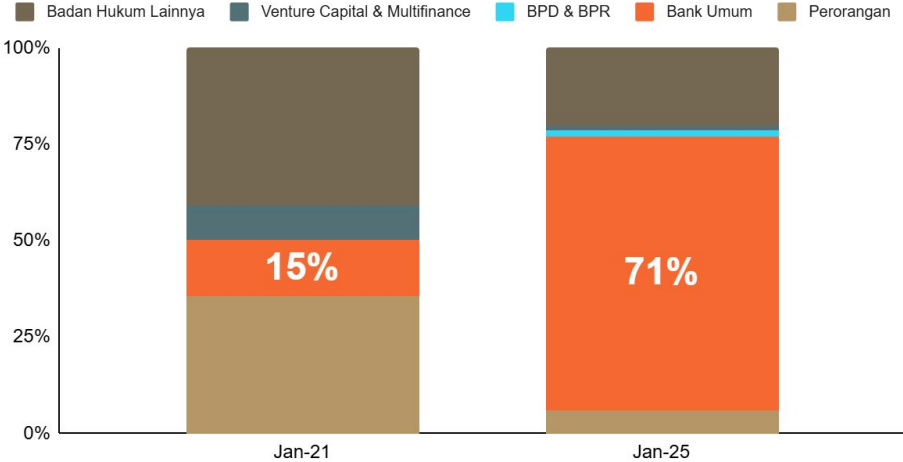
SUBCHAPTER 2.3

Bank-P2P Partnership Landscape and Trends in Indonesia



Banks have become the dominant funders in P2P lending, driving the rise of institutional-to-peer (I2P) as they increasingly use P2P to reach new customer segments

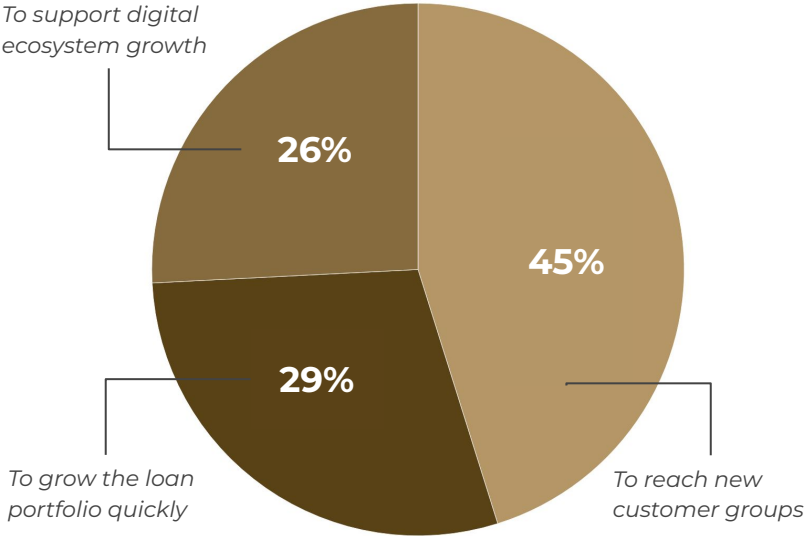
Share of Lenders in Total Outstanding P2P Lending by Lender Category



Banks have gradually grown into major liquidity providers for the P2P industry, marking a shift from peer-to-peer (P2P) to institutional-to-peer (I2P). Their share of funding increased from only 15% or Rp1.5 trillion in January 2021 to 71% or Rp46.6 trillion in January 2025.

*“For banks, **partnering with P2P is a low-effort way to diversify. It brings revenue, new users, and product awareness without the hassle of building unsecured lending products from scratch.**” – Digital Banks*

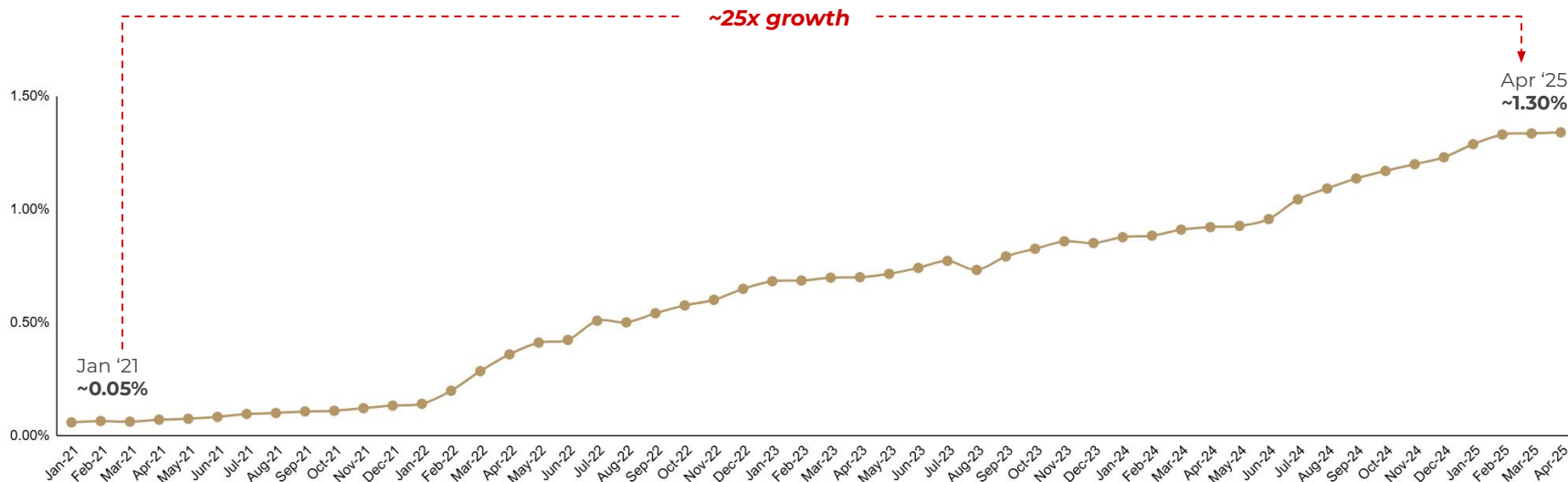
Reasons banks partner with P2P lending (n = 18)



Nearly half of respondents partner with P2P lending to reach new customer segments, while others are evenly split between growing loan portfolios and supporting the digital ecosystem.

The share of total bank lending channeled through P2P platforms has increased over the past five years, indicating growing trust from banks

Bank Outstanding in P2P vs. Total Bank Outstanding (2021–2025)



“Channeling through P2P lending has become a **profitable way to expand inclusivity**. As of May 2025, **65% of our P2P portfolio supports women entrepreneurs** and **48% supports micro enterprises**. We plan to increase our P2P exposure from about US\$200 million in outstanding loans to roughly US\$400 million by the end of 2025.”

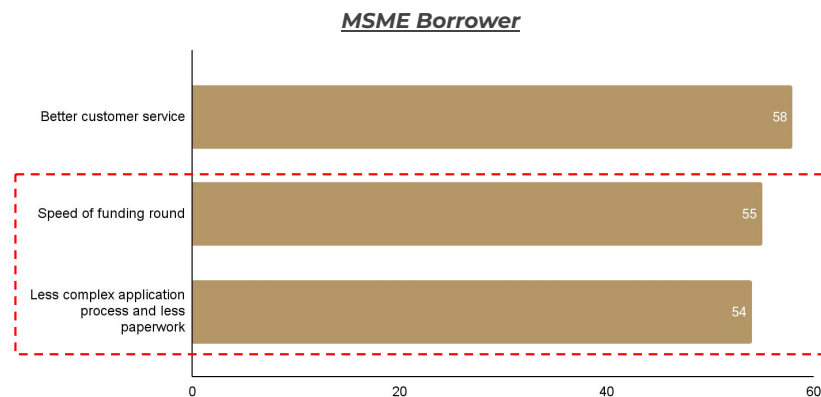
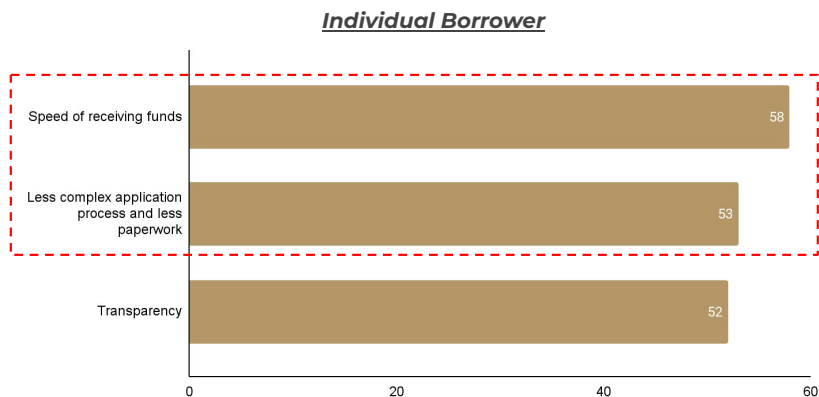
–Foreign Bank

“**Channeling through P2P has become a key strategy** for us. It has proven profitable and efficient, especially for a digital bank like us with minimal offline presence that still **aims to tap into the underbanked segment**, and we plan to **continue expanding partnerships with top-performing P2P platforms**.”

–Digital Bank

In Indonesia, the two most important factors for individual and MSME borrowers are speed of fund disbursement and simpler paperwork, both of which P2P lending is able to fulfill

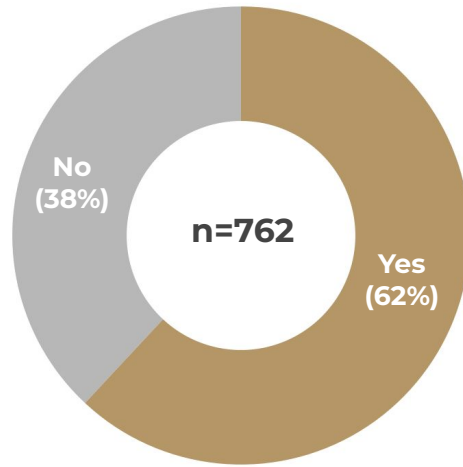
Top 3 Decision-Making Factors for ID Individuals & MSMEs to Borrow from P2P Rather than Traditional Institutions/Banks (in %, 2021)



- In Indonesia, **speed of fund disbursement** and **simpler paperwork** are the two most decisive factors driving both individuals and MSMEs to choose P2P lending over traditional banks or financial institutions.
- Survey results: **more than half of respondents** across both groups rated these two aspects as “*very important*” in borrowing decisions.
 - For individuals: quick loans often meet **urgent household or personal financial needs**.
 - For MSMEs: faster access to credit is critical for **maintaining cash flow and operations**.
- This convergence highlights that P2P platforms are **filling a structural gap** by providing convenience and speed.

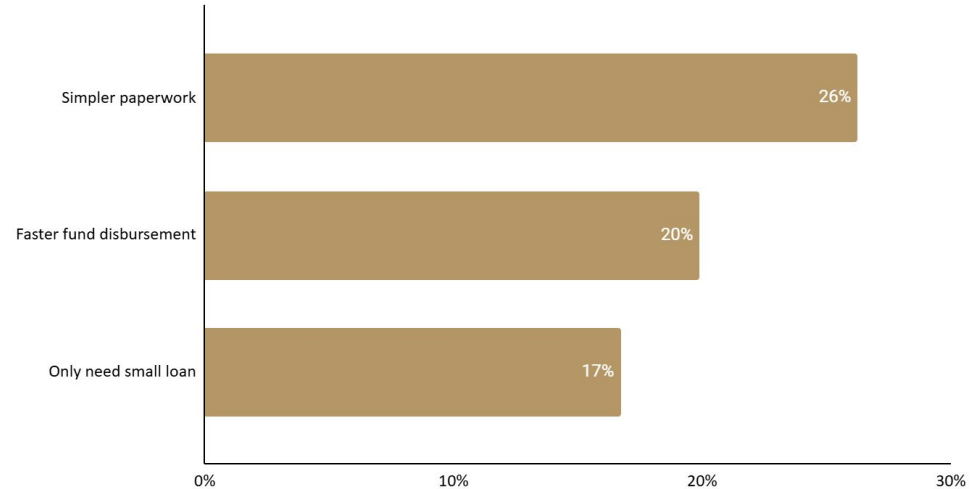
Mandala survey confirms borrowers value speed and simplicity, with some also citing the need for small loans

Have you ever used P2P Lending Platform?



- 2021 survey results align with Mandala's latest primary survey, showing consistent borrower preferences in Indonesia's P2P lending market.
- Out of 762 smartphone users surveyed, **62% had used P2P lending**, indicating its shift from a niche option to a widely adopted financing channel.

Top 3 Reasons Why Users Choose P2P Lending Platforms



- Among users, the **top three reasons** for using P2P lending are:
 - Simpler paperwork
 - Faster fund disbursement
 - Ability to borrow small amounts (**17% of users**) – a new finding highlighting how P2P platforms meet micro-credit needs often unmet by other financial institutions.

P2P users reported greater use of bank savings and loan facilities after completing P2P loans, supporting the view that P2P in Indonesia acts as a sandbox for small borrowers before entering banks

Top 3 Effects on Banking Relationships for ID Individual and MSME Borrowers After Using P2P Lending (% out of total respondents, 2021)

% of Individual began using or increased using each banking product



% MSME began using or increased using each banking product



More than 50% of individuals and MSMEs increased their use of **savings accounts**.



More than 35% of individuals and MSMEs eventually applied for **bank loans**.

49.4%

of P2P users applied for bank loans after completing their P2P loans

Mandala's survey shows that almost 50% of respondents applied for bank loans after completing their obligations with P2P.

"Banks see P2P as a way to grow their portfolio and identify good borrowers, who can later be cross-sold other lending products or credit cards. This is already practiced in our bank."

– Digital Banks

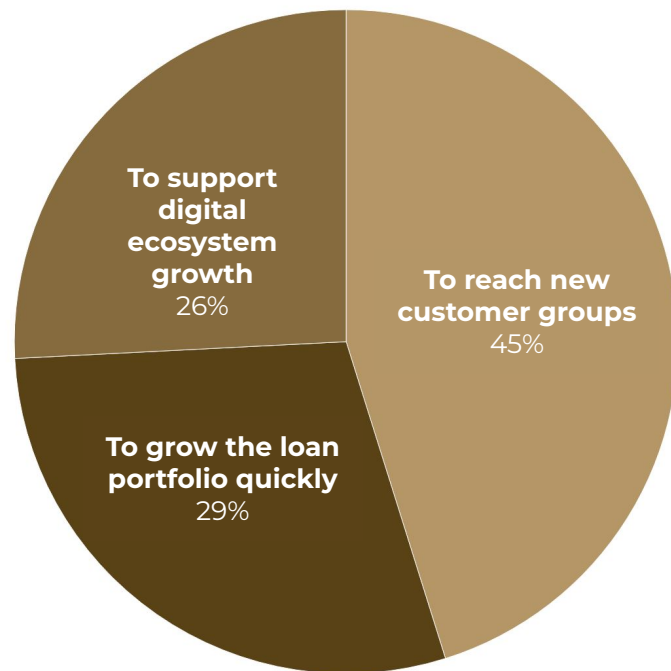
Banks' motivations for partnering with P2P Lendings vary by size, strategy, and business model, leading them to adopt different risk profiles and relationship approaches

Archetype	<u>Large Banks</u> (HIMBARA/KBMI 4)	<u>Mid/Small Banks</u> (KBMI 2-3)	<u>Foreign Banks</u>	<u>Regional Banks (BPD)</u>	<u>Digital Banks</u>
Example					
Primary Motivation	- Use P2P for last-mile access Target specific value chains or regions	Grow loan portfolio - Capture high NIM	Strategic/ESG-led, focusing on the Social pillar, as high onboarding costs for small borrowers make foreign banks prefer P2P partnerships. - Selective corporate adjacency – e.g. client's enterprise	Expand retail beyond ASN Defend & grow market share in-province	Grow loan book and users Monetize embedded funnels & leverage shareholder ecosystems
Activeness Level	Mostly not active at all. Few are Passive.	Mostly not active at all. Few are Passive.	Majority is very active. The other are moderately active.	Mainly moderately active	Majority is very active. The other are moderately active
Avg. Ticket Size (in billion IDR)	1 - 1,500	50 - 100	50 - 1,500	~60	50 - 3,000

Mandala's executive survey found that across archetypes, **risk management remains the central focus of Bank-P2P collaborations**, with leading indicators such as NPL¹ and FPD² playing a key role in assessing P2P partner performance.

Executive Survey Result (1/2): Nearly half of respondents partner with P2P lending to reach new customer segments, mostly through multipurpose P2P platforms

Reasons banks partner with P2P lending (n = 18)



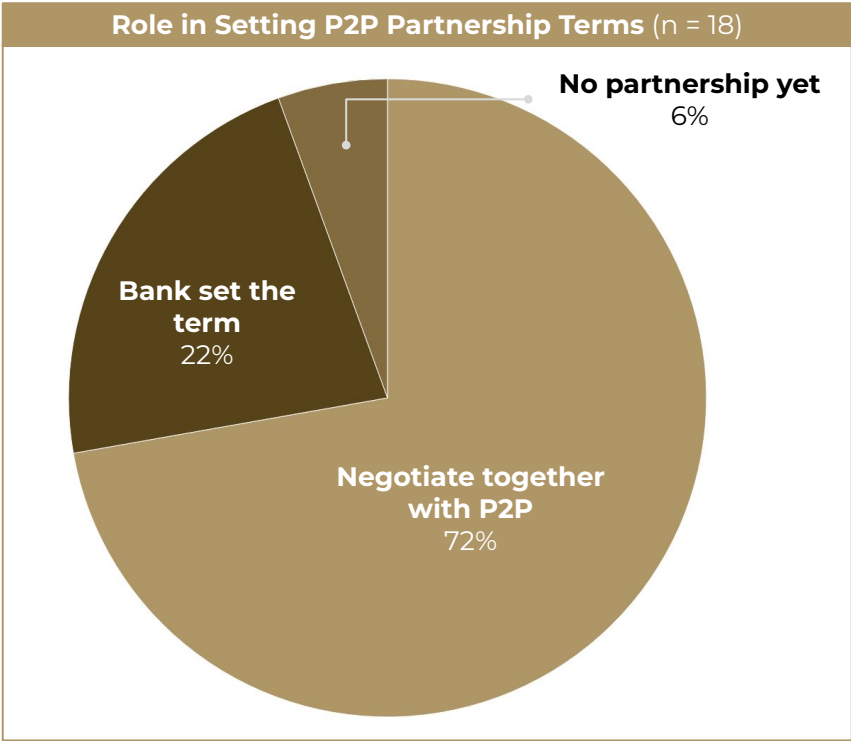
Nearly half of respondents partner with P2P platforms to reach new customer segments, while others are evenly split between growing loan portfolios and supporting the digital ecosystem. The trend is consistent across archetypes.

Type of P2P partner bank mostly work with

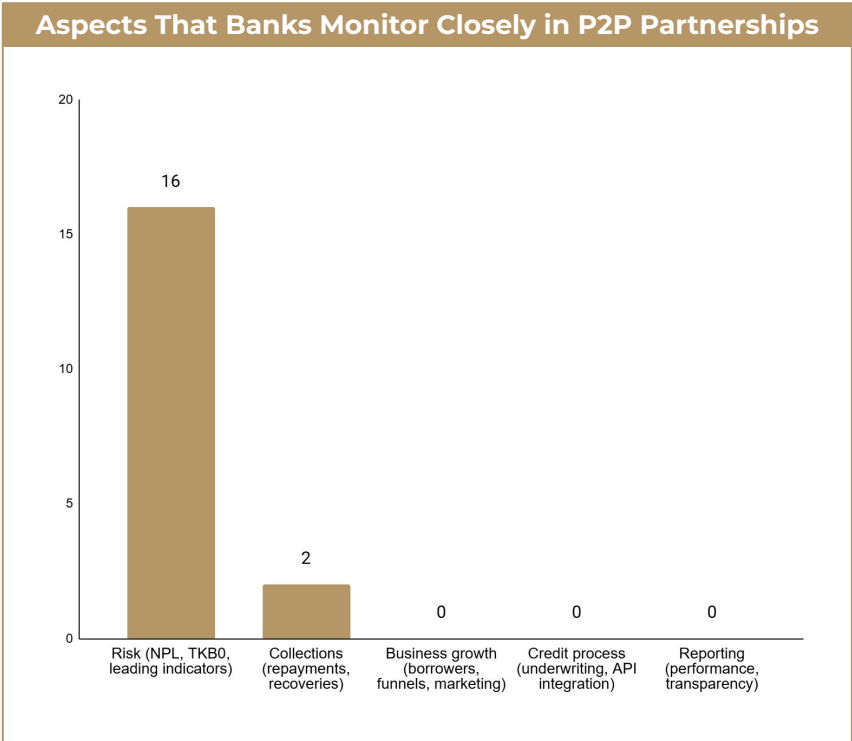


Multipurpose P2P is the most frequently cited type of P2P partner currently engaged in active partnerships with banks, a trend consistent across archetypes.

Executive Survey Result (2/2): More than 70% of surveyed bank executives stated that they negotiate partnership terms with P2P and focus more on monitoring risk-related aspects



Across all archetypes, **more than 70% of surveyed bank executives stated that they negotiate the terms of partnership** with P2P platforms.



A closer look at partnership terms shows that bank executives **focus more on monitoring risk-related aspects in P2P partnerships**—such as risk and collections indicators—rather than business-related indicators.

Channeling, where banks disburse credit through P2P platforms, is the most common partnership model in Indonesia



Channeling

Banks provides a lending facility, while the P2P platform acts as the distribution channel.

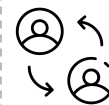
- Funds disbursed and repaid through bank-managed escrow/virtual accounts, separated from platform funds
- **Average return from channeling for banks is around 10–30%.**
- Often targets underserved segments like MSMEs or individuals without credit history.



Co-Lending/Joint Financing

Banks and Institutional Lenders share the loan and its credit risk.

- The loan is co-originated by a bank and institutional lender(s), with the P2P platform facilitating origination/servicing without funding or bearing risk.
- Risk and returns are allocated between the bank and the institutional lender according to agreed ratios.
- This model is typically used for productive MSME loans to diversify risk and extend last-mile reach.



Referral

Banks and P2P platforms refer customers to each other based on needs.

- No direct financial involvement; partnerships are often fee-based per successful referral
- Helps banks avoid losing customers they cannot serve
- **Referral fees typically range from 1–5% or a flat nominal amount per customer.**

"Channeling is considered a quick win to drive business growth (in terms of number of accounts), as disbursements are recorded under the bank and credit costs are low. Meanwhile, joint financing is less attractive because the margins are too low.

—Digital Banking Players

"In addition to channeling, we are also exploring referral partnerships and are currently engaging with a few P2P"

—Digital Banking Players

CHAPTER 3

Building Responsible Bank-P2P Collaboration Model



SUBCHAPTER 3.1

Mechanism of Bank-P2P Partnerships



Bank and P2P Lending Partnership Lifecycle



Bank



P2P Lending

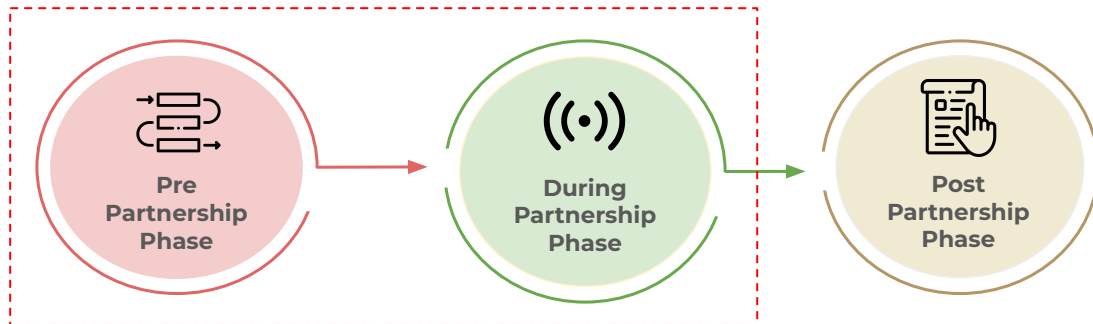
Fund/ Liquidity Provider

Platform & borrower pipeline

Input

Process

Output



Focus for today's presentation

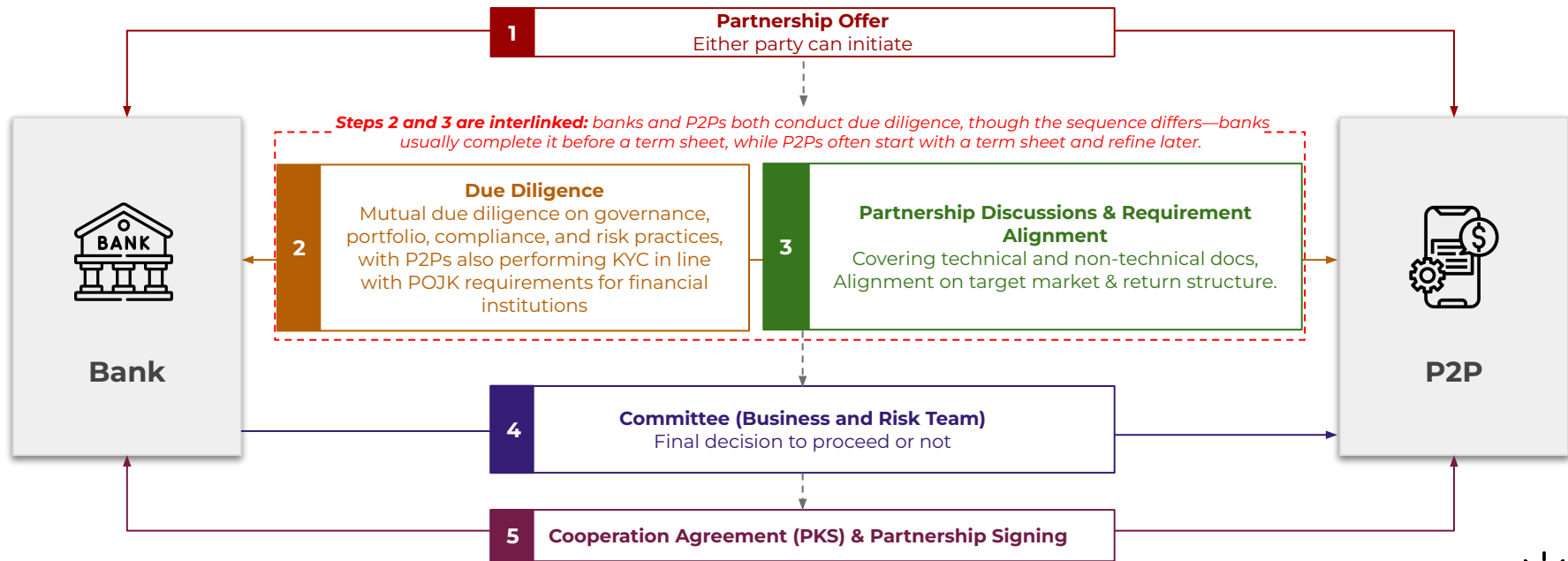
Responsible Bank-P2P partnership that:

1. Serves both parties objectives
2. Expands credit access to the underserved segments

Pre-partnership: Step 2 and 3 is the most crucial part to determine the initial go or no go



Pre-Partnership Phase (Preparation & Approval)



Notes:

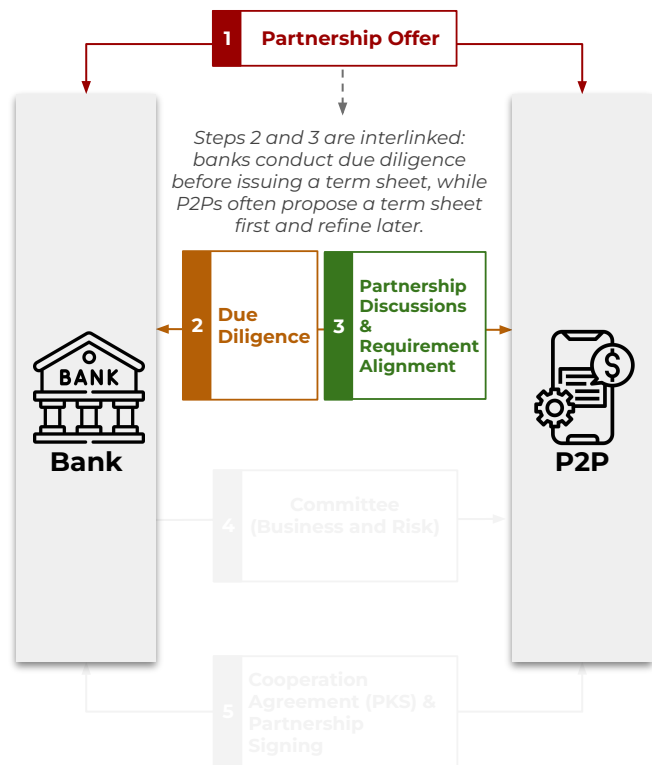
- > Represent the sequential process of pre-partnership establishment
- > Indicates an action or evaluation conducted by one party towards the other
- > Represents joint activities or active engagement between both parties
- The most critical steps where partnerships often fall apart

Voice of Banks

Partnerships often fall apart in Step 2 & 3, as initial assessments (P2P track record and commercial return fit) rarely align with what P2Ps can deliver



Pre-partnership: Early in the partnership process, banks emphasize the importance of strong governance from P2P platforms



Pain Points from Bank

- **Alignment on risk appetite between bank and P2P**
- **Uncertainty over mitigation mechanism for borrower defaults risk**, and high CKPN requirement.
- There is **no interbank forum for cross-checking** potential P2P partners.
- **Fragmented KYC/AML standards (e.g Defaults in P2P not always recorded in SLIK-Bank system)**, incomplete documentation, and varying governance readiness

"Governance is number one from the bank's perspective including audit system, internal fraud, and management integrity are still lacking."

—Large Bank

"P2Ps are not transparent about their scoring systems; they need to open up their risk management. Competing through SLIK alone doesn't work if OJK's SLIK isn't strong."

—Digital Bank

"Foreign banks adhere strictly to international standards especially in KYC and AML standards."

—Foreign Bank

"The implication is that foreign banks, when partnering with P2Ps, tend to cherry-pick and only work with the top 10 platforms."

—Foreign Bank

"As a digital bank, we prefer to partner with P2Ps that demonstrate strong technology readiness, as this allows us to operate efficiently despite our limited human resources."

—Digital Bank

Recommendations

- **P2Ps need to clearly understand and communicate their business models to banks**, supported by local teams who have a strong knowledge and understanding of the product
- **Establish an inter-bank forum** (e.g., facilitated by AFTECH) for partner cross-checking.
- **Industry associations (e.g., AFTECH, AFPI) should play a stronger role in aligning due diligence requirements** between banks and fintechs.

"Recommendation: P2P portfolios should be audited by third parties, not just rely on financial statements."

—Digital Bank

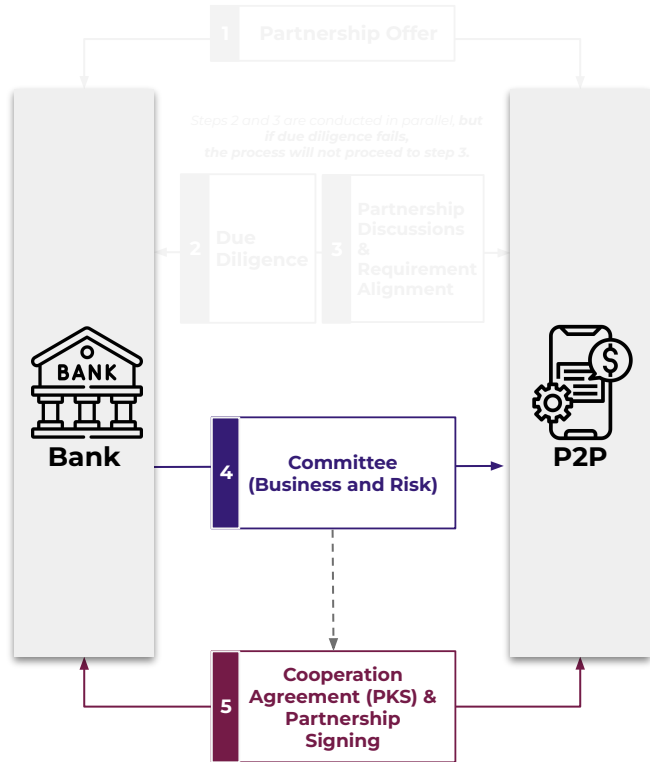
"There should be certification for P2Ps, similar to BSMR in banks, so that risks can be measured more effectively."

—Foreign Bank

"An inter-bank forum could be facilitated by AFTECH to enable cross-checking before entering partnerships with P2Ps."

—Foreign Bank

Pre-partnership: Committee decisions often take longer, as they are extra cautious with P2P partnerships compared to other models



Pain Points from Bank

- **Discussions are lengthy**, due to the risky nature of the partnership, requiring clear mitigation.

"After completing due diligence including assessments, return and RAC determination by the risk and partnership teams, the proposal is then brought to the credit committee. At this stage, they must present a clear picture of how the partnership will work, outlining the flow of collaboration as well as the detailed operational arrangements, since this meeting serves as the final decision point for whether the bank will proceed with the partnership"

–Foreign Bank

Recommendations

- Comprehensive risk assessment completed (financials, credit risk & portfolio performance metrics, risk appetite alignment)
- **Final approval or rejection is made by the Credit (typically Risk) Committee**
- **Contract executed, formalizing partnership**

"Once approved, the collaboration is formalized through a Cooperation Agreement (PKS) and signed by both parties. The PKS typically covers a fixed period usually on an annual basis with regular reviews conducted to determine the continuation of the partnership".

–Digital Bank

"Overall, the process from partnership offer to signing varies greatly, depending on how fast each step moves. On average it takes 6–12 months, involving the RM/Partnership team, risk team, and the ALCO/Committee".

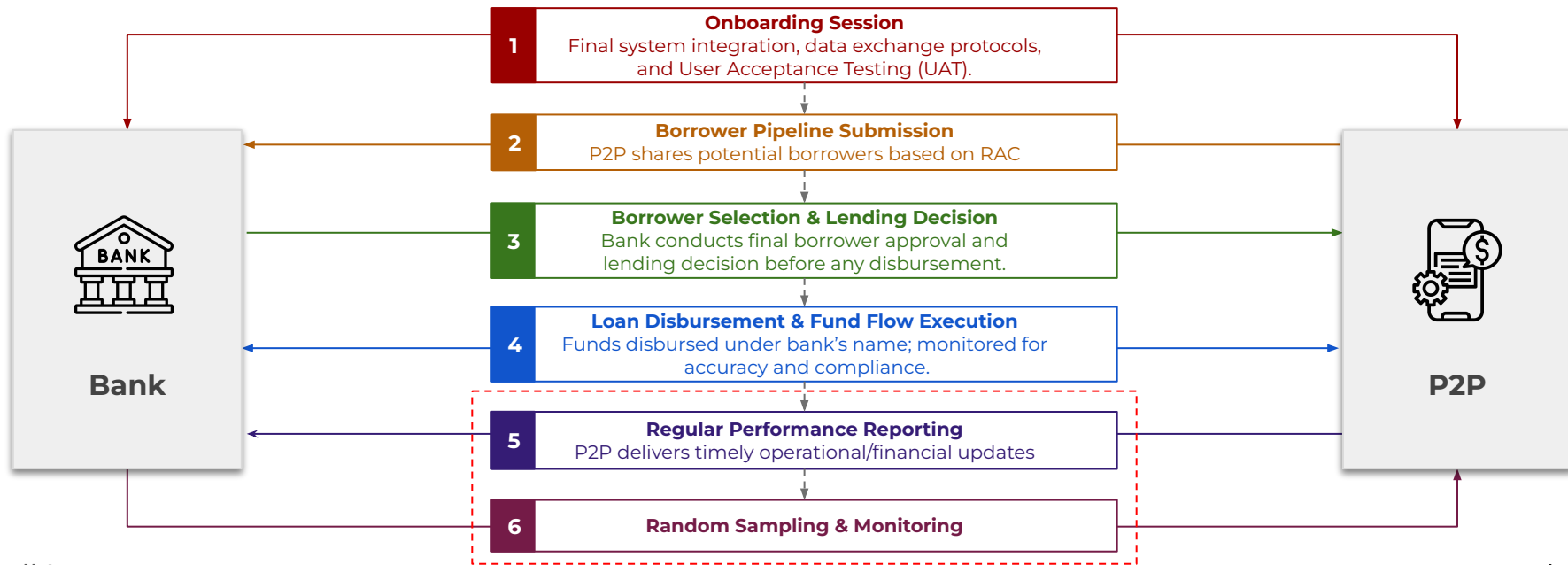
–Large Bank

During partnership: Steps 5 and 6 are the most critical, as they reveal the real performance of P2P lending through reporting and monitoring



((.))

During Partnership Phase (Execution & Monitoring)



Notes:

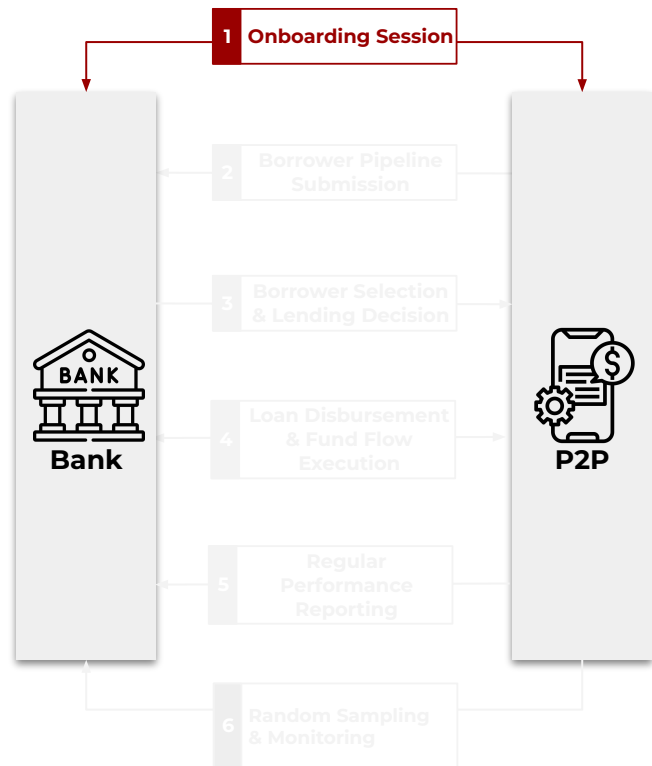
- > Represent the sequential process of pre-partnership establishment
- > Indicates an action or evaluation conducted by one party towards the other
- > Represents joint activities or active engagement between both parties
- Represent the most critical steps reveal partnership effectiveness

Voice of Banks

Step 5 & 6 is very important. Performance reporting is the critical driver; if results decline, we can adjust the partnership or tighten terms.



During partnership: Onboarding focuses on system alignment and piloting to test the flow before going live



Pain Points from Bank

- Delays or errors during system connection between bank and P2P in live testing.
- **Misalignment in data formats and administrative requirements, or communication methods between both systems.**
- Final testing before launch often uncovers multiple issues that require fixing.

"Initially, administrative challenges emerged; for instance, differences in borrower data requirements, such as the mother's maiden name needed by banks but not typically collected by P2P platforms"

-Large Bank

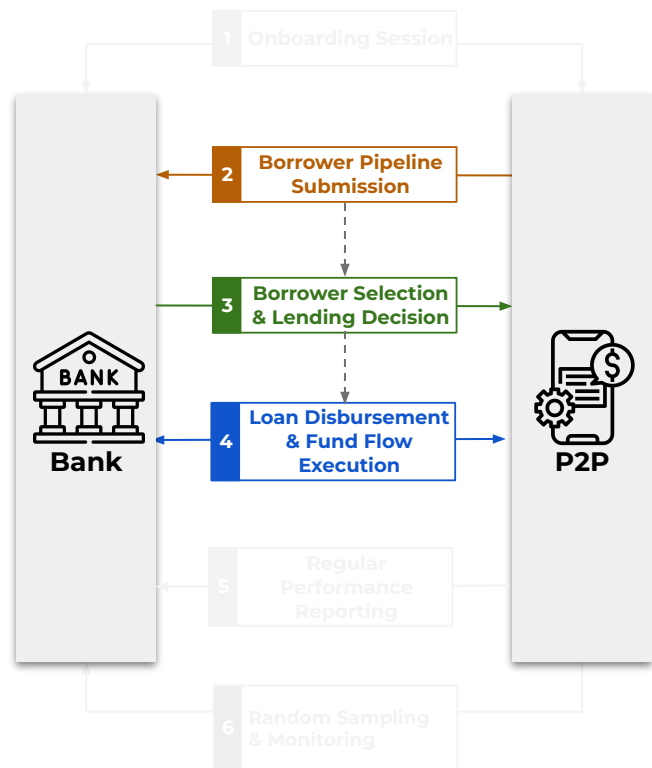
Recommendations

- **Fully functional technology and data exchange protocols**
- Successful UAT ensuring system readiness for live operations.

"Onboarding and piloting are important for banks and P2Ps to see how the process works in practice. From there, both sides can identify improvements and better understand the flow."

-Digital Bank

During partnership: Borrower pipeline quality and alignment with bank SOPs are critical to ensure disbursement, compliance, and fund utilization



Pain Points from Bank

- Missing SOPs and **high rejection rates** raise administrative costs
- **Undisbursed funds** from weak demand or poor pipeline quality

"Even with partnership guidelines in place, we remain cautious, borrowers from P2Ps are still monitored and underwritten again before approval."

–Large Bank

"Banks must remain cautious since all approved borrowers are reported under the bank's name in SLIK and must strictly follow the risk appetite criteria."

–Digital Bank

"The challenge is often asking the P2P to provide enough borrower pipeline to utilize the limit that has already been allocated."

–Large Bank

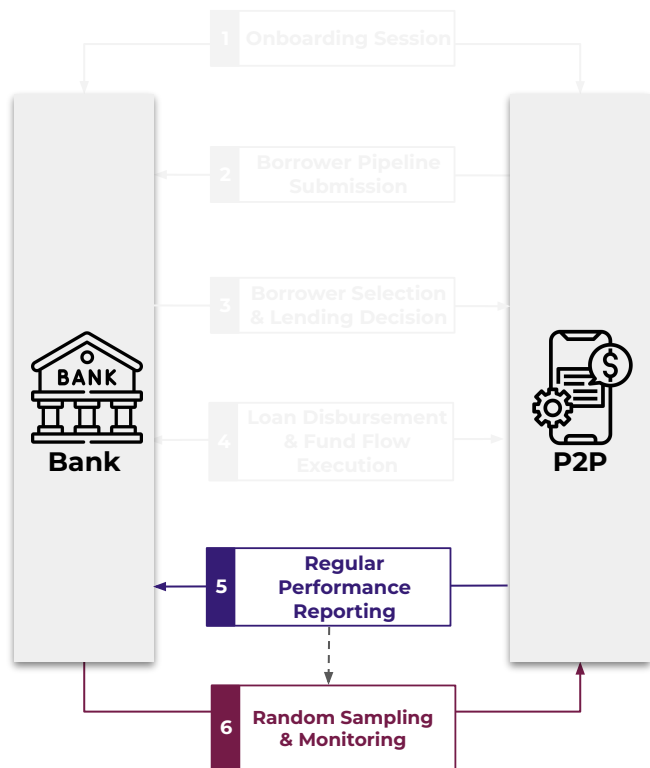
Recommendations

- **Disbursement only to qualified borrowers under the bank's name in SLIK**
- Faster disbursement while ensuring full compliance
- **Optimal fund utilization**

"There are two common disbursement models: first, some banks perform their own underwriting though this comes with additional costs, usually applied by larger banks. Second, banks rely fully on P2P's KYC and underwriting."

–Digital Bank

During partnership: During implementation, key operational challenges arose regular reporting, adjustment in risk parameter, and loan reconciliation



Pain Points from Bank

- **Frequent turnover in P2P personnel disrupts coordination with banks**, causing inconsistent data and prompting OJK inquiries about reporting discrepancies.
- **Banks often prefer on-site field verification**, while P2Ps push back for efficiency reasons; limited collection team coverage further weakens monitoring capacity.
- **Identity theft** and fraud still occur, particularly in consumer loans with small tickets and weak KYC.
- **Loan reconciliation problems** are common, with mismatches between disbursement and repayment. Funds often get stuck in payment gateways, and manual reporting persists among conventional banks.

"There's asymmetric information it's supposed to be digital and use APIs, yet the data can't be verified. We receive daily approval rates, but interpreting the P2P data is difficult."

—Digital Bank

"P2P reporting is very minimal. The first reporting period is still okay, but it gradually weakens. We have to stop the collaboration if it no longer meets the initial agreement."

—Large Bank

"Loan reconciliation often faces mismatches between disbursement and repayment. Funds get stuck in payment gateways, especially for non-API integrations."

—Mid-small Bank

Recommendations

- **P2Ps should assign consistent points of contact** or maintain an on-the-ground team that fully understands the partnership context.
- **Banks and P2Ps should agree on random sampling and collection mechanisms** from the start
- **Develop joint audit trails or shared verification systems** across banks and P2Ps to enhance fraud detection

"For short-term delinquencies, maybe no need for immediate action, but once it gets serious, that's when it needs to be handled. A proper collection team is essential."

—Large Bank

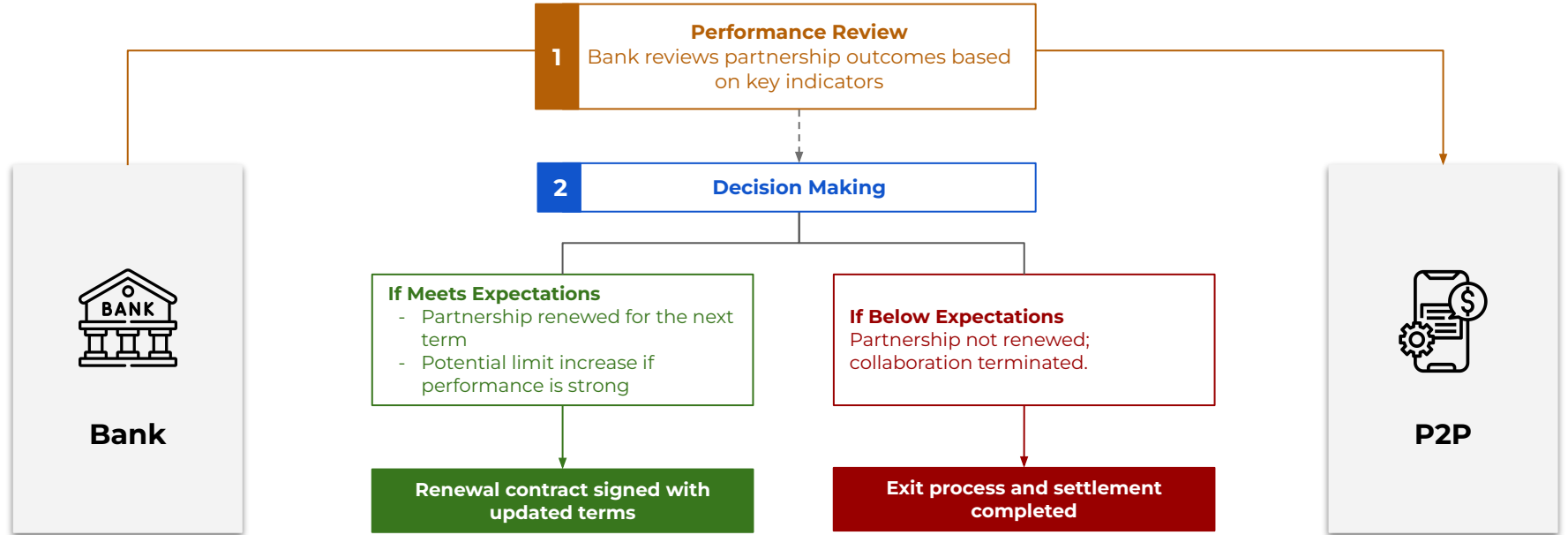
"The reporting issue is the same; it should be clearly stated in the partnership agreement, requiring the P2P to provide a dashboard that can be accessed at any time."

—Large Bank

Post-partnership: Banks conduct a comprehensive assessment to decide whether to renew or terminate the collaboration



Post-Partnership Phase (Performance Review & Renewal)



Notes:

-----> Represent the sequential process of post-partnership

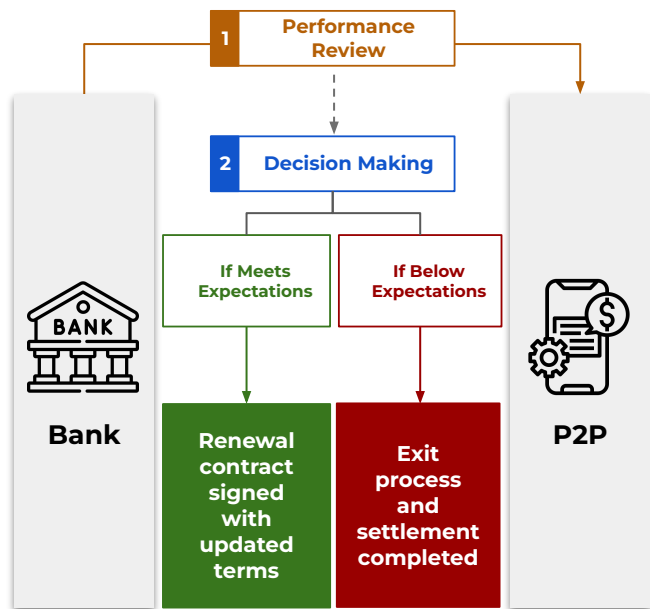
-----> Indicates an action or evaluation conducted by one party towards the other

Voice of Banks

Performance reviews guide whether we continue the partnership; good results may lead to a higher limit, poor results to ending the collaboration.



Post-partnership: Profit margins are being eroded by the current risk mitigation structure, while negative public sentiment continues to discourage banks from partnering with P2P



Pain Points from Bank

- **The public narrative around P2P lending remains negative.** Reputational risks and stigma toward P2Ps remain high
- **Several collaborations fail to meet performance targets;** review processes often depend on regulator audits or P2P system quality.
- **Banks emphasize that loan quality takes priority over fund utilization** as long as portfolio quality remains sound, low utilization is not a major issue.

"When we started a channeling partnership with a P2P and the information went public, one of our major clients with a sizable portfolio withdrew their funds because they were worried that our bank was partnering with a P2P platform."

–Digital Bank

"We repeat due diligence and update the scoring every quarter or annually to ensure their SOPs are still aligned with OJK's standards and that NPLs remain within expectations."

–Mid-small Bank

Recommendations

- **Improve portfolio quality and consistency;** establish early warning systems to monitor credit performance before maturity and conduct regular evaluations to prevent performance decline at renewal stages.
- **Encourage bank–P2P partnerships to focus more on community empowerment** and sustainable financing. P2Ps should actively engage in public and industry education to reduce negative perceptions.

"The channeling business won't grow if the risk mitigation structure stays as it is. There needs to be clear regulation from OJK."

–Foreign Bank

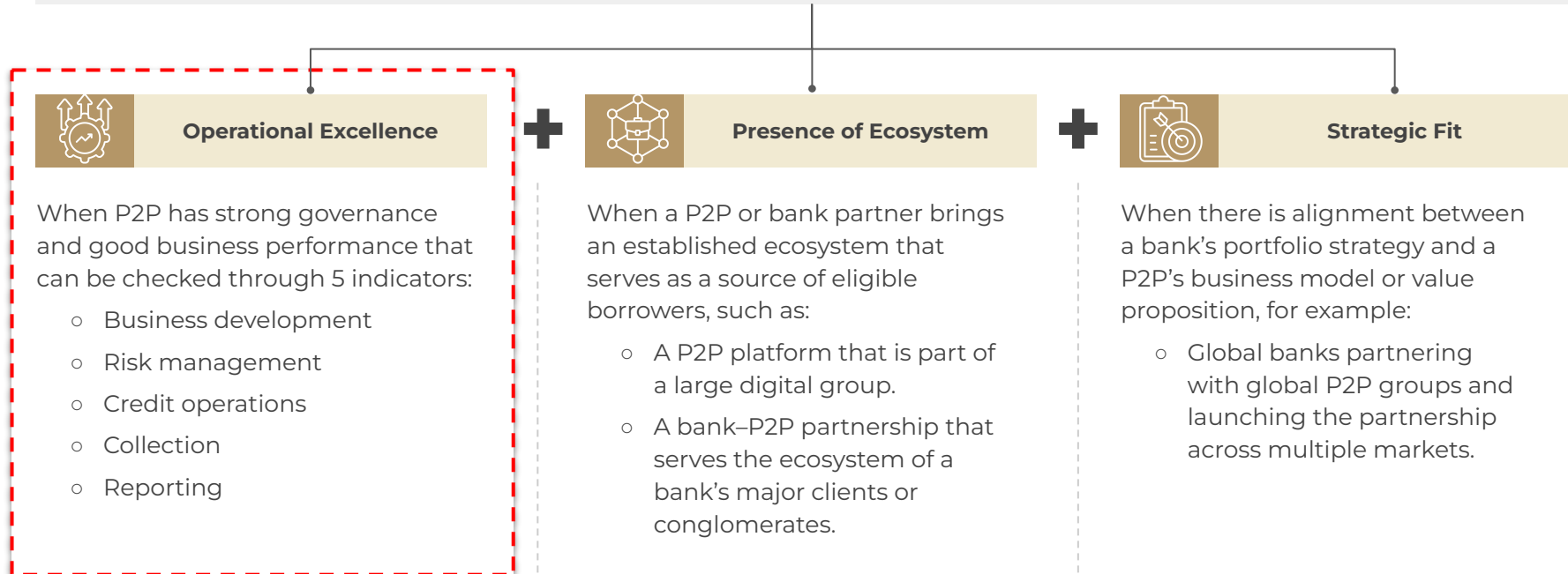
SUBCHAPTER 3.2

Success Stories: Use
Cases of Effective
Collaboration



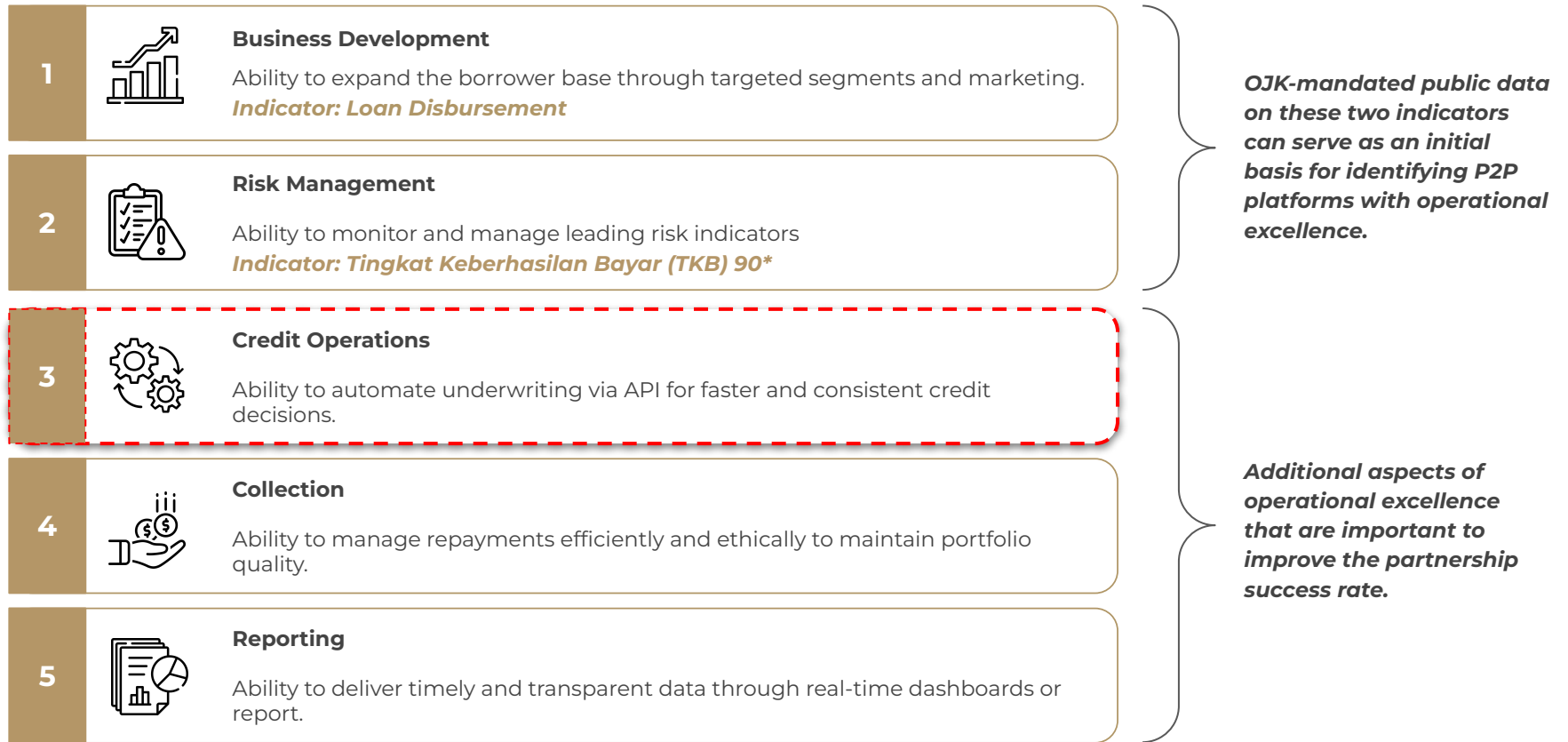
Past cases reveal three drivers that improve the success of bank-P2P partnerships, namely P2P operational excellence, ecosystem presence, and strategic fit

Conversations with stakeholders from banks and P2P platforms reveal **drivers that determine and improve the probability of partnership success**. Before highlighting success stories, it is important to understand how these drivers come into play.



Key highlight, as bank care about operational excellence, particularly in technology readiness and execution side.

Operational excellence of a P2P lending can be assessed through five indicators, two of which have publicly available data that provide an initial basis for evaluation

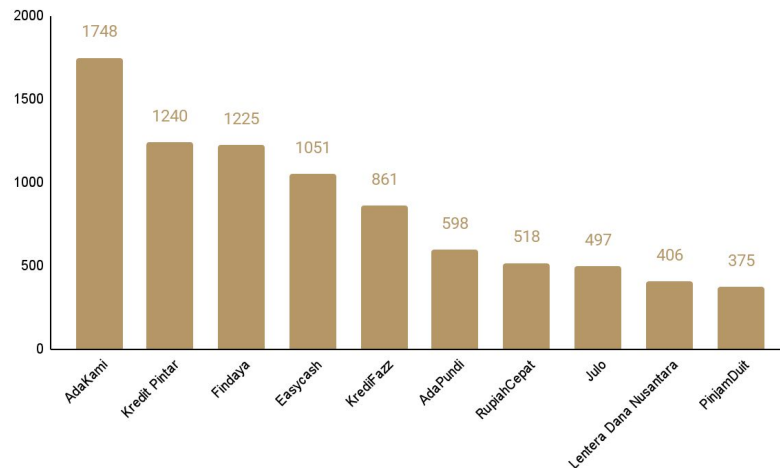


Key highlight, as good credit operations will have strong implication on other aspects from business development to collection

Loan disbursement reflects a P2P's ability to grow its borrower base, with 2025 leaders being Lentera Dana Nusantara, Easycash, and Findaya

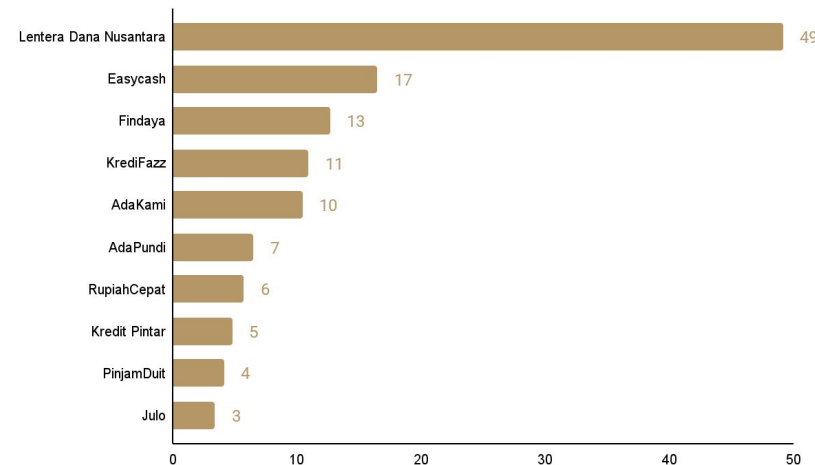


Top 10 P2P Lending Platforms by Revenue 2024 (billion IDR)



Out of the top ten P2P Lending by reported 2024 revenue, **four recorded earnings above IDR 1 trillion**. Those are Adakami, Kredit Pintar, Findaya, and Easycash.

Loan Disbursements in 2025 to Date (trillion IDR)

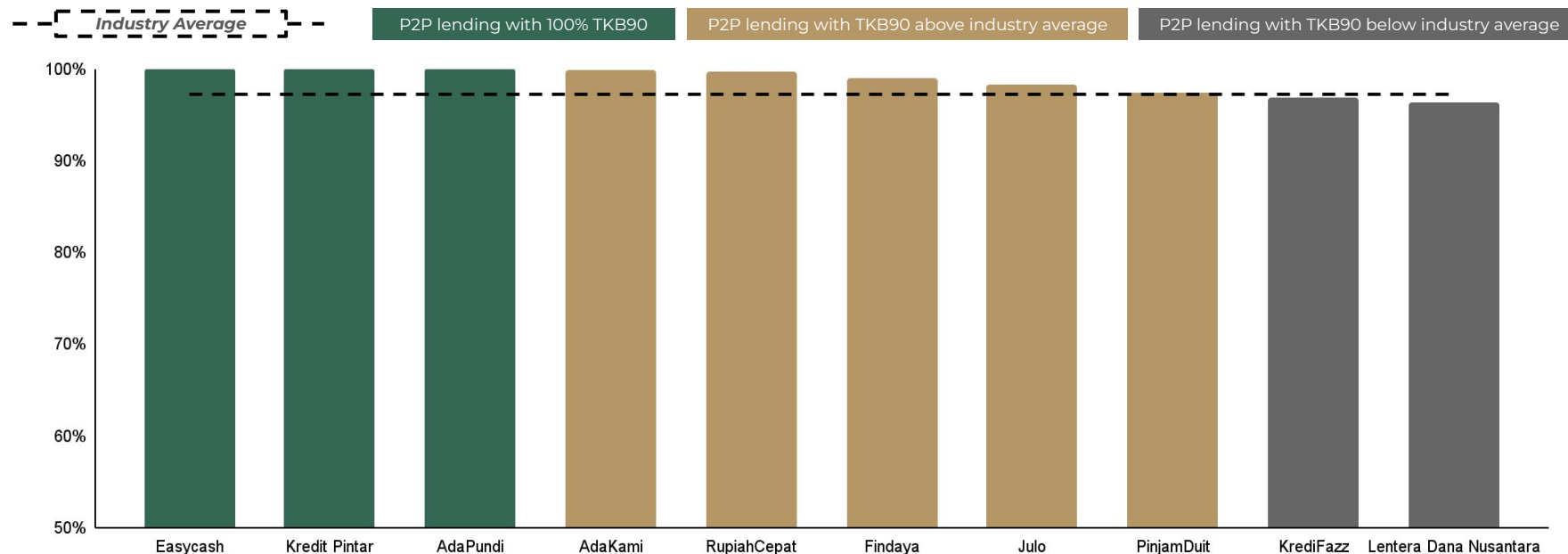


The rankings are shifting in 2025 based on loan disbursements to date, with the top three now consisting of Lentera Dana Nusantara, Easycash, and Findaya.

An important indicator is risk management, reflected in TKB90, where 3 P2P platforms achieved 100% while two of the lowest scored below the industry average



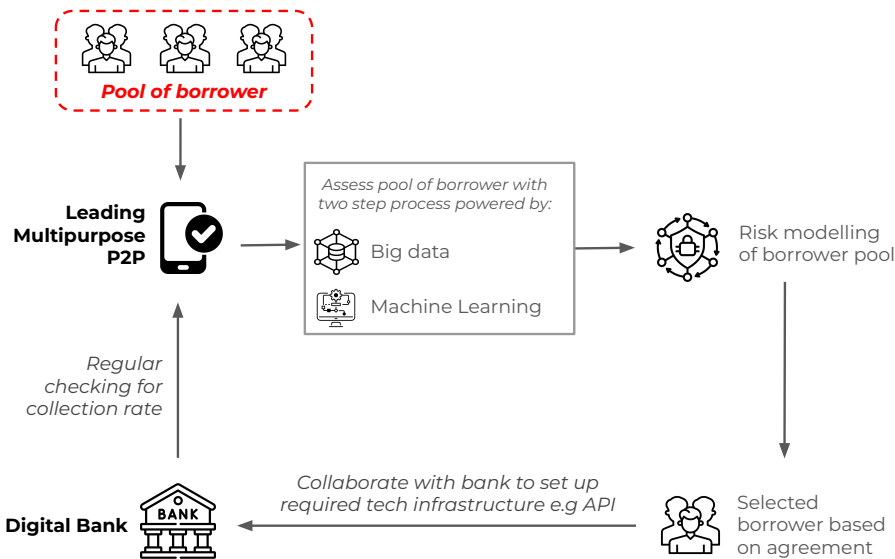
TKB90 of Top 10 P2P Lending Platforms vs. Industry Average in 2025



Multipurpose P2P is currently leading in credit operations, driven by faster and more accurate risk assessment enabled by abundant alternative data and significant investment in machine learning

Exhibit of Partnership Scheme

Exhibit A – P2P has advanced technology and high collection ratios



Multipurpose P2P sets best practice for credit operations:
Leads the industry due to the **availability of large amount of alternative data** that enables individual credit scoring.



Investment in advanced risk scoring



Drives faster (<10 minutes)



Accurate decision-making



Minimal human intervention



Reduces collection efforts

Unfortunately, this best practice is not yet applicable to productive P2P...

Productive P2P still in the need for large available data:
Lacks sufficient data depth to enable automated business-level credit scoring.



Access to QRIS transaction for the scale and quality of data needed for ultra-micro and micro-segment risk scoring



More accurate and scalable credit assessments



Currently, still rely heavily on on-the-ground manpower

"During the partnership, operational excellence becomes highly valued. Strong processes and sustainable growth including effective collection practices are reflected in P2Ps performance and financial reports. These outcomes help build trust with banks."

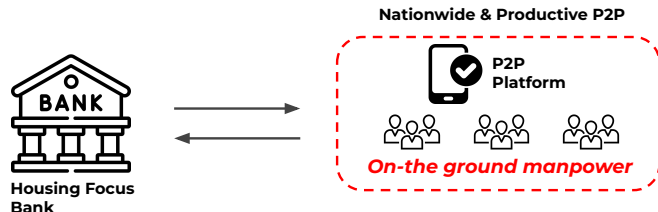
– Digital Bank

Operational excellence is reflected in how P2Ps manage their core functions from identify segment until reporting

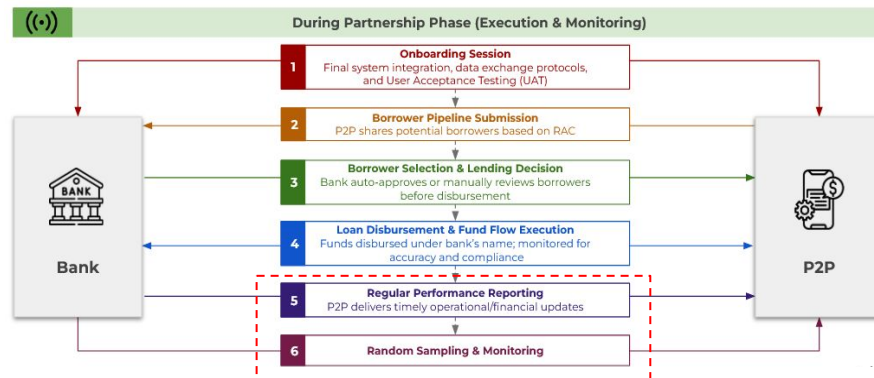


Exhibit of Partnership Scheme

Exhibit B – P2P has Strong On-the-ground Manpower



Steps 5–6 highlight operational excellence



Operational Excellence, a key factor in improving the probability of partnership success, can be assessed across five indicators business development, scoring, credit operations, collection, and reporting.

- **Exhibit B – P2P has strong on-the-ground manpower**

- **P2P:** 70% of P2P platform workforce are field officers across Java, Sumatra, Sulawesi, and Nusa Tenggara, delivering borrower education and ensuring operational continuity
- **Bank:** Provides assurance, enhancing trust through direct oversight and localized engagement.

"Multipurpose P2P relies heavily on technology, while Productive P2P is more complex and prone to human error; requiring on-the-ground manpower for validation and monitoring."

– Bank

"The funding comes as a strong vote of confidence in P2P's grassroots-focused model and proven operational excellence"

– P2P

Ecosystem is the most cited success factor by banks and P2P, denabled through parent-company networks or tripartite partnerships with large firms

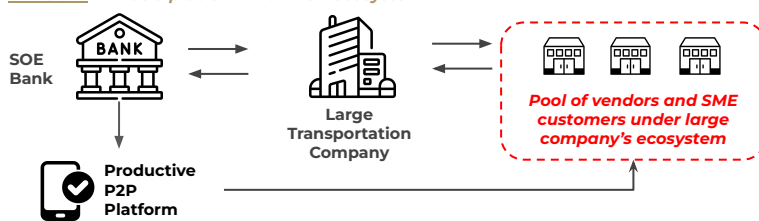


Exhibit of Partnership Scheme

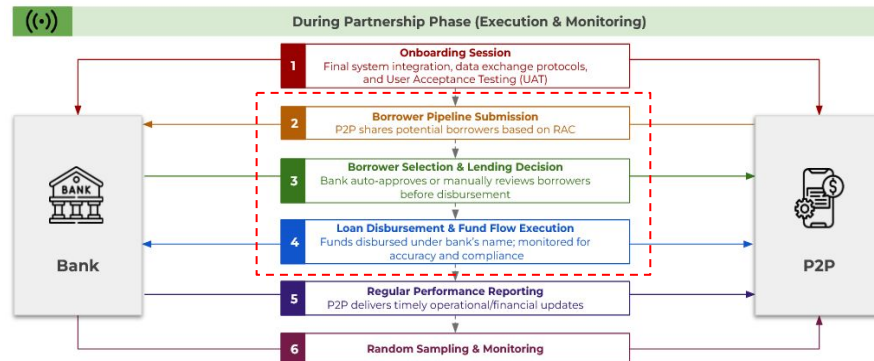
Exhibit A: P2P as an ecosystem enabler



Exhibit B: P2P as a platform within an ecosystem



Steps 2-4 is where ecosystem benefits materialize



Ecosystem as success factor: One of the most cited drivers for bank-P2P partnerships.

Not limited to P2P-owned ecosystems: Ecosystems can stem from parent/tech groups (e-commerce, ride-hailing) or large corporates.

Two example of partnership models:

- **Exhibit A – P2P as ecosystem enabler**

- P2P leverages its parent/holding ecosystem (e-commerce, ride-hailing) to source borrowers.
- Banks provide funding, while P2P integrates ecosystem data for underwriting.

- **Exhibit B – Tripartite partnership (Bank-P2P-Corporate)**

- **Bank:** deepens ties with corporate clients and extends financing to vendors/SMEs without building new RM capacity.
- **Corporate:** improves working-capital cycles (e.g., receivables $T+30 \rightarrow T+0$, payables $T+0 \rightarrow T+30$).
- **P2P:** grows business at **lower risk**, since vendors/SMEs in the ecosystem are pre-vetted and more reliable.

“Tapping into established systems benefits everyone. Large companies improve cashflow, SME vendors gain quick access to credit, and banks can support SME financing without heavy investment in infrastructure or manpower.”

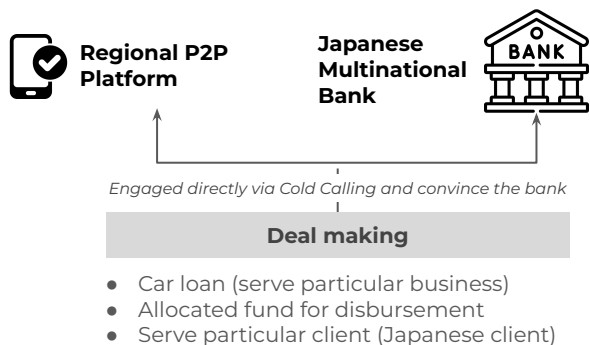
– P2P

Strategic fit reflects how well banks and P2Ps align from the beginning, building a solid foundation for partnership (1/2)



Exhibit of Partnership Scheme

Exhibit A: Strategic fit between Bank and P2P



Steps 2-3 reveal strategic fit by showing whether banks and P2Ps align



Strategic Fit, key factor for establishing trust and clarity from the start of bank-P2P partnerships

Exhibit A – Strategic fit between Bank and P2P

Bank:

- Mandate for alternative financing
- Pursue ESG-focused investments
- Gain SEA exposure
- Short-term with small loan size

P2P:

- Low-hanging fruit partnership
- Less-stringent on returns
- Partial allocation upfront

"This partnership provides fresh capital and market access, while the smaller loan size and less stringent return expectations make it an attractive strategic fit, aligned with the bank's alternative financing mandate."

– P2P

Strategic Fit:

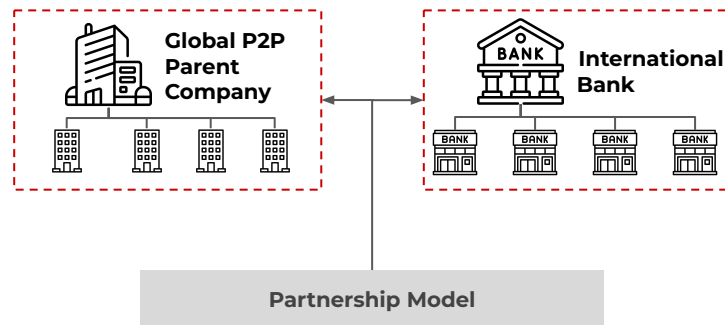
The strategic fit between P2P and bank is driven by their respective mandates and market appetites.

Strategic fit reflects how well banks and P2Ps align from the beginning, building a solid foundation for partnership (2/2)



Exhibit of Partnership Scheme

Exhibit B: Strategic fit between Global P2P Parent Company and International Bank



Steps 2-3 reveal strategic fit by showing whether banks and P2Ps align



Exhibit B – Strategic Fit between Global P2P Parent and International Bank

Bank:

- Access multiple growth markets through one partnership
- Simplified due diligence at parent level
- Higher confidence from group-wide governance
- Scalable capital deployment across countries

Global P2P Parent:

- Credibility boost through international bank partnership
- Faster multi-country rollout without repeated negotiations
- Stable, centrally allocated funding
- Consistent reporting and compliance across the group

Strategic Fit:

The strategic fit is stronger at the parent level because both sides value scalability, consistency, and centralized control. International banks gain a reliable multi-market partner, while P2P groups gain capital efficiency and elevated credibility.

SUBCHAPTER 3.3

Lessons Learned: Risks and Mitigation

Each risk already has common business practices and related actions for mitigation, while OJK regulations are also structured to address these issues based on lessons from past cases

	 Governance Risk	 Performance Risk	 Reputational Risk	 Regulatory Risk
Definition	Weak internal governance at P2Ps leading to fraud or regulatory breaches.	P2Ps fail to deliver on operational or financial obligations agreed with banks.	Negative publicity around P2Ps spills over to partner banks.	Regulation changes from bank or P2P supervisory body that could affect partnership.
Business-side mitigation	Strengthen due diligence from the proposal stage with a dedicated risk team , conducting deep checks on identity, financial capacity, background, and negative news.	Use historical performance data by requesting 1–2 years of default and repayment records. Avoid partnerships with low data transparency .	Focus on response management by preparing crisis protocols and communication plans to manage potential fallout when issues arise.	Actively track regulatory changes through industry forums and collaborate with P2Ps and regulators to anticipate and adjust early.

Key highlight, most critical because weak governance often triggers the earliest and most severe failures, making thorough due diligence essential.

Storm hit Indonesia's P2P lending industry and the overall startup ecosystem in 2024

DEALSTREETASIA

Indonesia's top P2P platforms meltdown spooks retail lenders

Collapse impacts dozens of players and involves billions of rupiah in financing



- **Most cases originated from governance issues in productive P2P lending**, including fraud, document falsification, and operational mismanagement.
- These issues reflect the underlying challenges in productive P2P:
 - **Limited availability of large-scale data** for accurate and rapid MSME risk assessment, leading to risk **mismanagement** and **constrained scalability** of credit operations.
 - **High human involvement** in credit assessment and intensive on-the-ground operations, making the process more **vulnerable to human error and fraud** (e.g., data or document falsification).

"Even with sufficient manpower and strong document governance, there still issue on verification. Without a trusted system to check whether an invoice has already been pledged, the same invoice can be financed multiple times, creating over-financing risk." – Former C-Level Productive P2P

Stricter NPL thresholds, return targets, and reporting requirements from banks often exceed the capabilities of underprepared P2P platforms



Rising concern over P2P performance risk

BANKING & PAYMENTS

Indonesia credit concerns put P2Ps in the spotlight

The leaders in Indonesia P2P lending expect to gain ground as troubles rock the most vulnerable borrowers.

Published 2 months ago on July 7, 2025

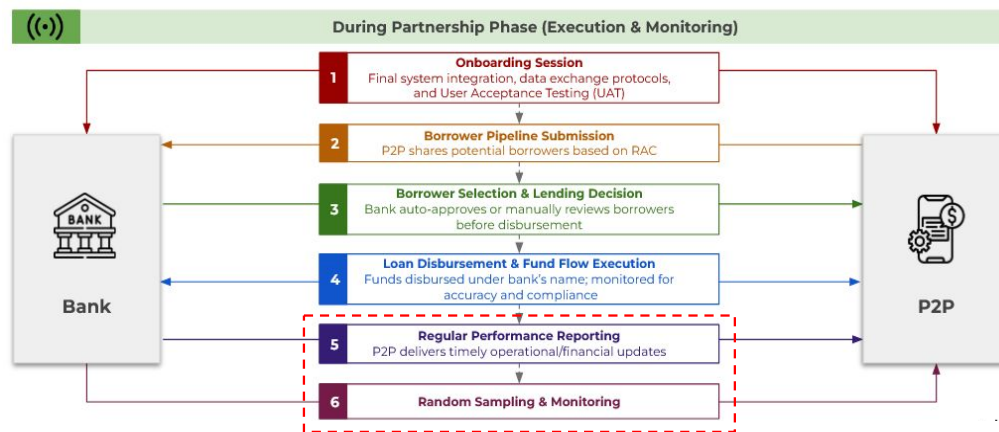
Home > Economy & Business

Post-Eid Spike in Paylater and Online Loan Defaults: What Risks Lie Ahead?

Reporter
Putri Safira Pitaloka

April 15, 2025 | 07:01 pm

Step 5 & Step 6 is where performance risks usually first identified



- **Partnership requirements:** P2P Lending must match or approximate banks' performance standards and reporting practices.
- **Bank expectations:**
 - Lower default risk thresholds and stricter return requirements within their partnership agreement.
 - Consistent reporting, requiring P2Ps to allocate resources for compliance.
 - More transparent in reporting fraud cases and customer complaint so that bank understand when to step in.
- **Partnership challenges:** Several partnerships were **terminated or not renewed** due to P2Ps' failure to:
 - Maintain NPL levels.
 - Deliver agreed returns.
 - Meet reporting expectations.

Bank partners face spillover risk as P2P reputational challenges persist and negative publicity emerges



The startup sector's negative reputation also hit P2P

Indonesia This Week in Asia / Economics

Indonesia's online P2P loan sharks are driving people to suicide

There's a dark side to Jakarta's embrace of the digital revolution: unchecked online lending services with increasingly aggressive debt-collection methods

Total loans from registered lenders hit US\$1.07 billion last October, but there are plenty more illegal lenders taking a

STARTUPS Indonesian unicorn's alleged fraud shakes investor confidence

Experts say e-fraud case has hurt country's startup ecosystem

STARTUPS 'Chilling effect': Here's what an Indonesian startup scandal means for the region struggling with fundraising

PUBLISHED THU, FEB 6, 2020 5:54 PM EST | UPDATED THU, FEB 6, 2020 11:01 PM EST

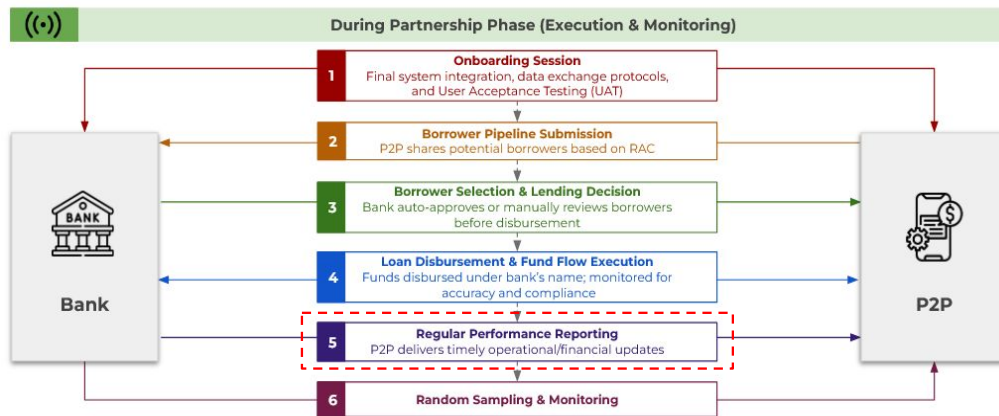


Indonesian association startup e-fraud case founded in 2015. Allegations of bank-robbing at the unicorn have shaken investor confidence in the country. (Photo by: Shihua Sun)

FROM CHANGKARATI

January 23, 2020 12:58 AM

Step 5 is typically where this type of risk being discussed



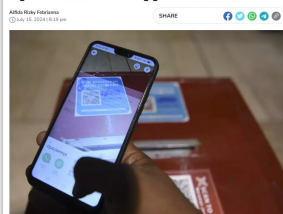
- The **P2P industry** already faces challenges on multiple fronts, making reputational issues more likely.
- **Sources of reputation risk:**
 - The association with the perception that “banks are funding online lenders” is still sensitive given the negative public image of P2P.
 - As cash-based lenders, P2Ps are exposed to reputational risks related to collection practices and perceptions of being predatory.
- When reputational issues hit a **P2P platform partnered with a bank**, the negative publicity could **spill over to the bank** and creates reputational risk.
- **Recent global cases**, including those involving **Indonesia's agritech unicorn**, have also generated **negative reputational effects** for the P2P sector.

Rising concern over P2P performance risk

New Loan Interest Rules Expected to Provide Greater Benefits

By issuing regulations governing online loan interest, the public hopes that online loans will no longer be a scourge. On the other hand, productive financing targets need attention.

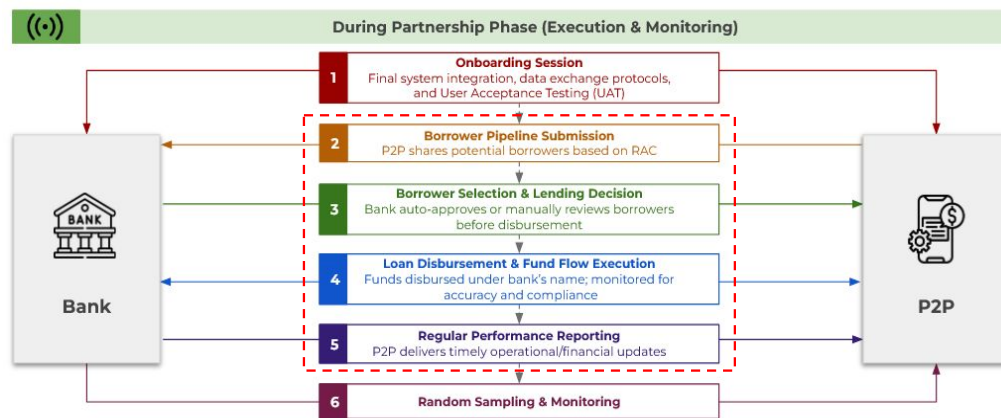
OJK Will Raise Online Loan Limit to Rp 10 Billion to Support MSMEs



Indonesia seeks to crack down on "unhealthy" peer-to-peer lenders



Step 2-5 could be impacted by regulatory changes



- Rule changes by bank and/or P2P supervisors (OJK) can quickly alter product economics and require operational adjustments. Uniform rules for multipurpose and productive P2P lending also pose challenges, as they do not fully reflect the distinct needs and risk profiles of each model.
- **Case in points:**
 - **Interest rate caps tightened:** Repricing reduces yields; high-risk segments face viability challenges; return may be difficult to meet.
 - **Changes on borrower criteria:** Deployment slows; existing loans and target may need adjustment to comply with new criteria
 - **Mandatory insurance** Additional costs and process requirements introduced; claims timelines may affect recoveries and net yields.

Each risk already has common business practices and related actions for mitigation, while OJK regulations are also structured to address these issues based on lessons from past cases

	 Governance Risk	 Performance Risk	 Reputational Risk	 Regulatory Risk
Business-side mitigation	Mitigation Strengthen due diligence through a dedicated risk team involved from the proposal stage.	Mitigation Rely on historical performance data before finalizing deals.	Mitigation Focus on response management , as prevention is difficult.	Mitigation Active engagement in regulatory forums and industry associations.
	Actions Deep-dive due diligence covering borrower identity, financial capacity, company background, negative news, and ownership	Actions Request 1–2 years of segment-level default rate and repayment data ; avoid partnerships if data transparency is lacking.	Actions Corporate affairs teams prepare crisis protocols and communication strategies to manage fallout from public controversies.	Actions Monitor rule changes collaboratively with P2Ps , regulators, and peers to anticipate disruptions early.
Regulator-side mitigation	Expected Impact Prevents onboarding of high-risk or misaligned partners.	Expected Impact Enables more accurate default prediction and portfolio quality assurance.	Expected Impact Limits reputational spillover to the bank when issues arise at the P2P partner.	Expected Impact Reduces surprises, enables faster operational adjustments to maintain compliance.
	Regulatory Mitigation (POJK 40/2024 & SEOJK 19/2025) Governance measures already set, including and not limited to: BoD fit and proper tests, minimum equity ratios, and mandatory publication of key indicators.	Regulatory Mitigation (POJK 40/2024 & SEOJK 19/2025) Performance risk already mitigated through regulation on NPL caps that need to maintain below 5% and repayment capacity.	Regulatory Mitigation (POJK 40/2024 & SEOJK 19/2025) OJK's latest regulation introduces RUPD as an alignment channel between platforms and lenders, complementing OJK's regular monitoring.	Regulatory Mitigation (POJK 40/2024 & SEOJK 19/2025) The regulation already recognizes the association as an SRO and partner in developing and socializing regulations.

SUBCHAPTER 3.4

Supportive Ecosystem and Key Enablers



Mandala identify five notable ecosystem enablers with its own distinct role and capabilities to support existing Bank-P2P partnership

Actors	Capability	Functions	Addressable RAC's Pain Point
 ICS Platform	Apply alternative credit data and AI/ML to identify borrower	Broaden eligible borrower pool	Limited borrower data
 e-KYC e-Signature	Ensure online digital identity verification for borrower	Streamline secure loan onboarding	Fraudulent borrower identities
 Insurance	Provide lender option for lower risk product	Reduce bank-P2P credit risk	Unavailable Risk Sharing Mechanism
 Industry Association	Set up industry codes & self regulation	Align stakeholders and business practices	Lack of industry guideline for partnership
 Regulator	Enforce rules and provide legal certainty	Ensure balance between financial stability and innovation	Lack of regulatory clarity

Innovative Credit Scoring has emerged as an alternative solution in optimizing lending to thin-file borrowers within lower tranches that remain unserved by banks

Innovative Credit Scoring (ICS) Platform



ICS platforms assess creditworthiness by leveraging non-traditional data (telco, e-commerce, utilities) to model borrower profiles that are categorized as underserved by banks.



To date, there are around 19 ICS operators active in the market with 10 that have official operational approval from OJK.

Common Data Points utilized by ICS



Utility Bill



Telecomm Data



Phone Data



Ecosystem Data



Public Record Data

Critical Role of ICS Firm

Score the 'thin file' borrower segment:

- Prior Studies show such data improves repayment prediction and expands credit access to underserved groups (Berg et al. 2019; Agarwal et al. 2023; Björkegren & Grissen 2019),

Reducing Bias in Loan Assessment:

- ICS refines risk evaluation for medium-risk borrowers where human judgment may be biased.
- Evidence shows machine learning improves targeting accuracy, addressing misjudgments by loan officers (Agarwal et al. 2023).

How ICS Different from Conventional Credit Scoring Method

Categories	Conventional Credit Scoring Method	Innovative Credit Scoring
Source	Only source credit files from SLIK and/or Credit Bureau	Alternative data (Non-SLIK) e.g. Telco, Marketplace, etc.
Scoring Methodology	Rule-based, static	Machine learning-driven, dynamic
User	Predominantly Bank	Predominantly Fintech

Voice from the ICS Players

*"Data points available for ICS remain limited. Currently, certain datasets, **such as tax records, utility payments, and PLN data are withheld by the government for ICSs provider**. If the data can be processed lawfully by ICS player, it, could significantly enhance internal risk modelling."*

-ICS Player

Globally, ICS have shown its teeth in strengthening predictive accuracy and maintaining low default rates across markets

From Invisible to Scorable: Equifax's Use of ICS Data to Expand Credit Access

Overview

In 2016, Equifax (traditional credit bureau) partnered with FICO (credit rapport) and LexisNexis Risk Solutions (ICS company) to launch FICO Score XD. Equifax partner with ICS provider to accelerate innovation, mitigate risks, and manage costs of obtaining and managing the data.



ICS data plays a critical role in complementing traditional credit, drawing on alternative sources such as **utility payments, specialty finance data** (e.g., short-term installment loans, rent-to-own), and **telco/utility histories** (telecom, pay TV, home security, electricity).

Result of the ICS

- A pilot of ICS, when combined with traditional Equifax credit data, found that **up to 50% of previously unscorable clients became scorable** (World Bank, 2020).
- **Many achieved scores of at least 620 out of 850**, the threshold widely recognized for mainstream credit access (World Bank, 2020).

Key Takeaway

Learning from Equifax, harnessing ICS with diverse alternative data points allows lenders to convert previously unscorable clients into creditworthy borrowers.

How China Neobank Utilize ICS to Increase Accuracy and keep NPL <1%? Lesson from MYbank

Overview

MYbank, a neobank with innovative credit scoring (ICS) capabilities, was established by Ant Group, an affiliate of Alibaba, as one of China's leading virtual banks, utilizing data from the Alibaba ecosystem, particularly Alipay transactions, to assess credit risk and provide tailored financial solutions for MSMEs.



Alipay constitutes a significant data backbone, serving about 660 million active users in China, processing an estimated USD 18 trillion in transactions, and connecting with more than 80 million merchants.

Result of the ICS

- Huang et al. (2020) showed that MYbank's big data and machine learning models achieved Area Under the Curve (AUC) values¹ of 0.74–0.78, **indicating strong predictive power of disbursing loan to “good borrower.”**
- The system have maintained SME loan from MYbank NPLs below 1%, compared to 3–5% in traditional Chinese banks (Huang et al, 2020).

Key Takeaway

Learning from MYbank, integrating widely-used transaction data into ICS models strengthens predictive accuracy and keeps NPLs low, showing how broad payment datasets can be leveraged for more robust credit scoring.

E-KYC platforms play a key role in scaling user onboarding by enabling fast & secure online verification as well as wider reach or user verification

Electronic KYC and Electronic Signatures



KYC is standard practice in financial institution to ensure customer identity verification to prevent fraud, money laundering, and other financial crimes E-E-KYC and electronic signature platforms make this process more efficient by enabling secure digital verification and legally binding contracts



To date, there are five e-KYC platform, including standalone e-KYC as well as e-KYC that also have certificate authority features.

Where e-KYC Plays a role in user verification



Critical Role of E-KYC & E-Signature

Unlock cost efficiency at verification:

- While, conventional KYC costs of >IDR 70k per customer, eKYC can reduced it to <IDR 20k
- MicroSave Consulting projects e-KYC could save USD 3.9–4.4 billion (IDR 57–63 trillion) for fintech and USD 160–237 million (IDR 2.3–3.4 trillion) for banks over the next decade.

Faster process and wider reach:

- Unlike branch-based, face-to-face KYC, they use remote and real-time authentication.
- As such, e-KYC not only speeds up onboarding but also removes geographic barriers, allowing financial institutions to reach underserved and remote populations more efficiently.

How e-KYC Different with conventional KYC

<u>Categories</u>	<u>Conventional KYC</u>	<u>e-KYC</u>
Process	Manual	Digital, remote, app/web-based
Costs	24.000-195.000	8.000 - 76.000
Time Assessed	5-14 days	1-3 days

Voice from the e-KYC Players

The key challenge for e-KYC providers in Indonesia is **the absence of an interoperable national digital identity**. As a result, each financial institution **must repeat full verification for every new onboarding**, since user data cannot be seamlessly shared across institutions. **This creates duplication and adds cost, with every verification hitting Dukcapil's API at ~IDR 8,000 per transaction.**

–ICS Player

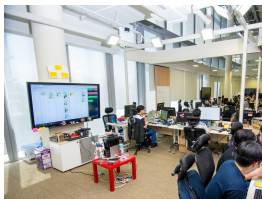
Regional neighbours are adopting digital ID systems to streamline verification and authentication as part of their e-KYC frameworks that proven in reducing onboarding time and steps

Cutting onboarding time by 80% through Singapore Digital ID integration

Overview

Singpass, launched in 2003 and developed by GovTech Singapore, now covers 97% of residents. It has evolved into the national digital ID, enabling secure login, consent-based data sharing via

Myinfo, and verification across over 2,000 public and private sector services.



Singapore's interoperable digital ID and accelerated onboarding

- By linking to authoritative government data, Singpass-Myinfo allows instant e-KYC: banks and financial firms can onboard customers without physical documents.
- This reduces application time by up to **80%, cuts onboarding steps** by nearly 100 clicks, and improves approval rates by 15% (World Bank, 2022)

Key Takeaway for Indonesia

Learning from Singapore, an interoperable digital ID can streamline onboarding in financial institutions by reducing steps and making the customer journey for financial services registration more seamless.

How India's Digital ID delivers billions in savings for India's private sector

Overview

Launched in 2009 as a digital identity system, Aadhaar has evolved into the backbone of India's e-KYC infrastructure. Aadhaar transformed from a universal ID into a platform that facilitate e-KYC processing by enabling biometric and demographic authentication through government portal.



India's Aadhaar e-KYC and massive private sector cost savings

- Estimate from Hariharan (2016) indicate Aadhaar e-KYC **lowers compliance costs for Bank and Non Financial Bank Institution from \$15 to \$0.07 per account.**
- According to Silva (2019), over 8 billion Aadhaar e-KYC requests have been processed, with an average of about 3 million requests per day in 2018. It is estimated, the savings from **conventional KYC to e-KYC of digital ID** save India private sector of **119.44 billion USD.**

Key Takeaway for Indonesia

Learning from India, digital ID integration reduces the KYC burden on private enterprises, with efficiency gains that are particularly valuable when applied to a massive population.

Credit insurance has emerged as a nascent instrument in Bank-P2P partnerships, yet its role remains shaped by evolving regulation and uneven market practices

Credit Insurance firm



Credit insurance become notable actor that provide assurance for lender or institution in P2P lending-Bank Partnership.



As of today, 29 out of 72 licensed insurance companies in Indonesia provide credit insurance services.

Yet, the adoption of insurance in P2P is still nascent demonstrated by early-regulation and cases of insurance malpractice within P2P settings

Evolution of Insurance in Bank-P2P Partnerships

Originally, there was no insurance scheme; instead, market relied on P2P operators repurchasing loans in the event of default (Buyback scheme). Later, OJK prohibit this through POJK 40/2024.



Based on SEOJK 19/2023, OJK **requires P2P platforms to facilitate** risk transfer through insurance schemes, **although their use is not mandatory**.



With limited guidelines on insurance products, market practices have varied, ranging from poorly structured schemes to providers charging exorbitant fees.



OJK is currently in discussion to formulate scheme of insurance for P2P products

Existing Insurance Scheme Found Within Bank-P2P Partnerships¹

Products	Risk Sharing Mechanism	Respond of Market
Administrative Service Only (ASO)	Insurance only underwrite the insurance policy, while do not take responsibility if default occurs.	Some P2P-Bank used to select this product, regulator ban due to inducing moral hazard.
Credit Insurance (Stop loss)	Insurer compensates for losses only up to a predetermined threshold (stop-loss limit), beyond which the risk is borne by the lender	Adopted in earlier Bank-P2P partnerships, though lenders remain cautious due to limited protection for retail lender.
Suretyship (Guarantee)	Guaranteeing all the funds (principal + interest) insured by the credit insurance company.	Still offered in the market, though premiums vary widely (10–50%) depending on risk
Stipulated credit insurance format post-POJK 20/2023	Risk is shared, with 75% borne by the insurer and 25% by the premium holder.	Insurance propose this scheme as its healthier for them, banks and P2Ps continue to assess its viability

Voice from the Insurance Players

*"Credit insurance is currently in a difficult phase **and going through a lot of restructuring**. From what I see, they are not completely closed to collaboration, but their willingness really depends on **whether there is clear visibility on the data points that can be used to calculate premiums**. If those data points are transparent and reliable, and if there is also good faith shown by the other party, then **they are generally open to working together**. Without that clarity and trust, however, they tend to be very cautious"*

–Insurance

Global cases illustrate that insurance in P2P lending is rarely mandated by regulators and, where present, tends to focus on borrower protection rather than directly insuring lenders' returns

Global Benchmark on P2P insurance scheme

Country	Insurance Scheme	Insurance Scheme Mandatory
United States	No lender insurance. <u>Only borrower credit insurance</u> widely offered by lenders/insurers	Not Mandatory.
United Kingdom	Many platforms used provision funds to protect investors (voluntary). Personal guarantee insurance growing for business loan borrowers	Not Mandatory.
India	Lender-side insurance not allowed (RBI forbids any guarantee/assurance). Borrower-side insurance (credit life, etc.) permitted and common in conventional loans (often bundled, with disclosure)	Not Mandatory / Prohibited for Lender-side Insurance
Malaysia	Any insurance product is offered at the discretion of the platform to enhance competitiveness but not mandatory	Not required

Global Benchmark on P2P insurance scheme

- Globally, the use of insurance in P2P and digital lending is permitted and often practiced, especially for borrower protection, but it is rarely mandated by regulators; most adoption is voluntary, market-driven, or tied to specific products.
- Most countries do not mandate insurance for P2P investors. Where it exists, **it is typically market-driven** (e.g., UK provision funds, Malaysia's guaranteed notes). India and post-crisis China explicitly prohibit lender guarantees to avoid moral hazard.
- Borrower-side insurance (credit life, payment protection) is widely used across markets, bundled by lenders or via fintech-insurer tie-ups, protecting borrower and indirectly safeguarding loan portfolios.

"We are in the process of building [products] for buyer insurance scheme It is partly "We are in the process of building [products] for buyer insurance scheme, it is partly driven by strong demand from our partner providers."

– Digital Insurance

Key Takeaway for Indonesia

Global practice shows insurance in P2P is **rarely mandated** and **leans toward borrower protection** rather than **shielding lenders that could create systemic risk.**¹

Industry associations serve as a bridge between regulators and market players, anchoring responsible Bank-P2P partnerships through self-regulation and standard-setting



Industry associations act as a bridge between regulators and market players. They set standards, build capacity, and foster responsible partnerships across financial institutions.

Notable Indonesia's Industry Associations within Bank-P2P Responsible Partnership Landscape

		 asosiasi fintech pendanaan bersama indonesia	 INDONESIAN BANKS ASSOCIATION	 ASOSIASI ASURANSI UMUM INDONESIA General Insurance Association of Indonesia
Type of Association	OJK-appointed Semi Self Regulatory Organization for fintech innovators (S-2/D.02/2019)	OJK-appointed Semi Self Regulatory Organization for fintech lenders (S-5/D.05/2019).	Industry association, de facto voice of banks.	OJK-approved, mandated by Insurance Act 2014 (general insurers)
Self Regulating Capacity	- Conducts membership pre-screening - Issues binding Codes of Ethics (e.g Data Protection, Digital Finance Innovation [DFI], ICS) - Support OJK in regular fintech reporting data and member monitoring	- Issues binding Code of Conduct for fintech lending - Sets rules beyond OJK regulation [e.g. maximum interest rates and debt collection practices] - Support OJK in regular fintech lending reporting data and member monitoring	Provides non-binding best-practice guidelines and compliance forums	Issues binding Code of Conduct and ethical standard for general Insurance companies.
Public Stance to Bank-P2P Partnership	Bank-P2P collaboration can become a long-term growth area, positioning open finance as the future of accessible financial services in Indonesia.	Bank-P2P collaboration can reach the underbanked market while also generating attractive returns for both institution.	Have not yet made public remarks on bank-P2P collaboration	Acknowledges that insurance products may be needed to underpin foreseeable P2P collaborations.
	Core Association			Supporting Association

Shared understanding across key association is a fundamental building block for Bank-P2P collaboration to thrive

Industry association in Taiwan plays a pivotal role in drafting self-regulatory rules for Bank-P2P collaboration that is approved and encouraged by the regulator

Taiwan Banker Association Set an Industry-initiated self regulatory framework for Bank-P2P collaboration

Overview

In 2018, the Bankers Association of the Republic of China (BAROC), under the encouragement of the Financial Supervisory Commission (FSC), issued a set of **self-regulatory rules** to facilitate cooperation between domestic banks and peer-to-peer (P2P) lending platforms.



Document Information

- 6 Pages
- 16 Articles
- **Binding framework for member banks** registered under the association
- Outlines risk-mitigation measures and collaboration models acknowledged

P2B Model (similar to Channeling)

- The BAROC guidelines officially recognize P2B as a model where **banks act as direct lenders**, using P2P platforms to source borrowers
- The P2P operator **serves only as a facilitator**, introducing borrowers, collecting applications, and communicating loan terms.
- While the P2B model shares surface similarities with Indonesia's channeling scheme, **the key difference is that banks in the P2B model retain full control over loan terms**, including interest rates and tenors.

Risk Mitigation Strategies

- Risk mitigation safeguards to ensure responsible bank-P2P partnerships are embedded across the framework, with six layers of mitigation
 1. Segregation of funds
 2. No guaranteed returns and no misrepresentation of bank endorsement
 3. Obligation to disclose risks to lenders
 4. Limits on lending amounts per borrower/lender
 5. Termination triggers if P2Ps violate the rules
 6. Strict personal data protection and IT security requirements

Modes of Partnership Acknowledged

Fund Custody Service	Fund Flow Service	Credit Scoring Service	Advertising Co-operation	P2B (peer-to-bank)
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Industry-Led Guidelines, Recognized and Promoted by the Regulator

Taiwan's Financial Service Commission had approved for recordation the self-regulatory rules formulated by BAROC and had encouraged cooperation between the banking industry and domestic P2Ps following the release of the document.

Key Takeaway for Indonesia:

Learning from Taiwan, **industry associations can set binding standards that align banks and P2P platforms, enabling private-sector coordination without heavy regulatory intervention** that could stifle innovation

Financial regulator layered guidelines provide a framework for Bank-P2P partnerships, though supervisory concerns still linger

Regulatory Institution



Regulatory institution plays a pivotal role in advancing and enabling P2P-bank partnerships. Under the P2SK Law, OJK is mandated to oversee the fintech landscape, particularly peer-to-peer lending. Today, this mandate is exercised through three layers of recognition that govern and structure P2P-bank collaboration.

Existing Regulatory Framework for P2P-bank collaboration

Published Guidelines and Roadmap



OJK have published two guidelines: BPR-Fintech Co-operation (2021) as well as BPRS-Fintech Channeling guidelines (2024). Both guidelines Provides models for Channeling and Referral, SOPs for collaboration as well as , risk limits tailored to conventional and sharia principle.

Circular Letter



Through Circular Letter 19/2025, OJK capped non-professional lenders' share at 20% of total portfolio starting at January 2027, reinforcing a policy shift that prioritizes banks and institutional investors as the main funding base for P2P lending.

OJK Regulation



POJK 40/2024 affirms institutional funding in P2P lending. Article 137 caps funders at 25% of a platform's portfolio but grants banks and other OJK-supervised institutions exemption, allowing them to fund up to 75%. Article 138 broadens the definition of eligible funders to include foreign and domestic corporates (incl. Bank) as well as international institutions.

Concern Within Financial Regulator on P2P-bank collaboration

Although a governance framework is already in place, concerns still persist within financial supervisory institutions



Banking Regulator's Perspective

- Remains cautious about Bank-P2P partnerships, primarily due to prudential and asset quality concerns e.g. NPL etc (prudential supervision).
- Worries about compliance gaps in fintech platforms compared to strict banking supervision (market conduct).



P2P Regulator's Perspective

- Lingering concerns over recent P2P cases make the regulator cautious (market conduct).

In short, this occur because OJK have dual mandate of prudential supervision and market conduct in its authority, **yet, the prudential supervision aspect is valued more within the organisation.** This is articulated as well within OJK purpose which focus on "regulate, supervise, and protect"

UK “twin-peaks” model and its transparency as well as accountability model help the regulator to balance innovation, market conduct, and prudential aspect of collaboration between Bank-P2P

The case of UK: How Financial Regulator can Enable Multiple Role

The United Kingdom’s “twin-peaks” regulatory model, which roles & responsibilities are deliberately divided between separate authorities, is a cornerstone of its success as a leading global financial centre. This institutional design allows the UK to foster financial innovation and dynamic competition while simultaneously upholding robust prudential standards and market conduct.



PRA-BOE¹

Role: prudential oversight of banks, insurers, systemic firms.

Responsibilities: capital, asset quality/NPLs, governance, liquidity, outsourcing.



FCA- UK²

Role: conduct supervision and promote innovation.

Responsibilities: fair treatment, disclosure, governance, innovation, competition.

Practical Outcomes of the “Twin-Peaks” Model

1. Clear division of responsibility

- PRA: concerned with prudential safety, focusing on whether activities weaken banks’ capital positions or increase systemic risk.
- FCA: responsible for conduct and competition, ensuring borrowers and investors are treated fairly and new entrants can compete effectively.
- **This leaves the market to determine the feasibility** of bank-P2P partnerships, with prudential and conduct safeguards maintained by regulators

2. Complementary incentives

- The FCA’s statutory mandate to promote competition and innovation has resulted in active encouragement of P2P-bank collaboration and to grow P2P nascent industry.
- The PRA has not hindered bank-P2P collaboration; instead, it mitigates potential risks via its high level supervisory framework to mitigate risk

Key Takeaway for Indonesia:

Government institutions carry multifaceted role, extending beyond prudential oversight and market conduct **to also fostering innovation. Clear articulation and active communication of these distinct roles are essential** to provide the market with clarity, confidence, and direction.

Through the Bank Referral Scheme, the UK addresses SME credit gaps by requiring banks to refer rejected loan applicants to alternative lenders (incl. P2P) under a published regulatory framework

Deep Dive: In another UK case, Bank-P2P partnership was driven by HM Treasury, not by the financial regulators

Bank Referral Scheme (2015)

- Bank referral scheme are developed enabling provision is Section 5 of the SBEE Act¹ in 2015 that is implemented with secondary legislation of Finance Platforms Regulations² within the same year.
- The regulation released by HM Treasury designate nine large banks to offer rejected loan for SMEs a referral to government-designated finance platforms.
- Government-designated finance platforms aggregate alternative lenders (including P2P and fintechs) and can take on referred SME loans from banks where appropriate.

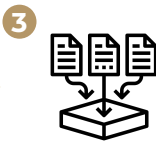
How Bank Referral Scheme Work



1
Bank rejects SME loan offers referral to designated finance platform



2
With consent, basic data sent to finance platforms.



3
Platforms anonymise request and alternative lenders (incl. P2P) review and signal interest.



4
The lender receives the business's details and can proceed to make a loan offer.

Context Behind the Policy



Credit Gap (Demand-Side)

- Many SMEs stopped seeking finance after a single rejection from their main bank.
- This left thousands of “unfunded but not unfundable” businesses.
- Policymakers saw a market failure where viable firms weren’t reaching willing lenders.



Information Asymmetry (Supply-Side)

- Big four banks controlled 80%+ of SME accounts, holding exclusive cashflow and credit data.
- Meanwhile, Alternative lenders saw only limited data from credit registry agency, weakening pricing.
- This make alternative lending firms often misprice or excluded SMEs credit.

Empirical Outcome of the Policy



Over 10 years of implementation, the regulation facilitated 110,985 referral deals to alternative lending platforms, with cumulative financing of GBP 4.35 million (UK HM Treasury Statistics, 2024).



The regulation has coincided with banks forming partnerships with fintechs (e.g. Santander with Funding Circle) to channel SME loans internally, maximizing its MSME loan before passing it to govt' designated platform.

Key Takeaway

Regulator can reduce credit access gap by utilise creative measure / collaboration between credit institutions (incl. Bank-P2P).

CHAPTER 4

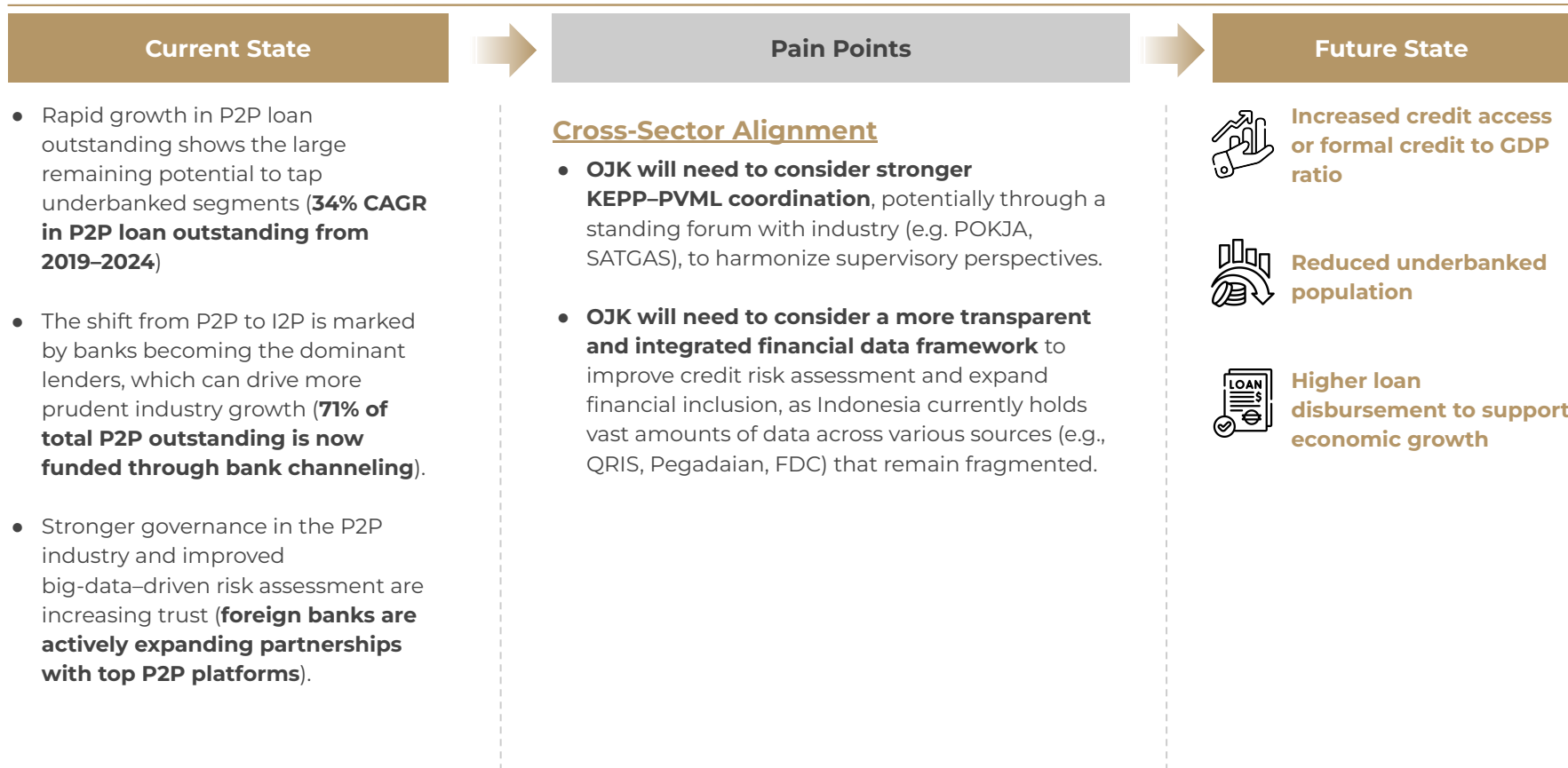
Recommendations



Recommendation for business actor: Association, bank, and P2P



Recommendation for regulator: OJK



Thank You



Mandala



fintech
indonesia

