



Final Report

Beyond Lending: Building MSMEs' resilience during COVID-19 pandemic

March 2022

1. Background

Micro, small and medium enterprises (MSME) are the backbone of Indonesia's economy, contributing 61.07% of the country's gross domestic product (GDP) and providing jobs for 97% of workers in 2018¹. But they are also the first and the most important victims of a prolonged economic crisis². According to research on Policies for Mitigating the Impact of COVID-19 on MSMEs conducted by the National Development Planning Agency (Bappenas) in 2020, most MSMEs have experienced financial and non-financial difficulties during the pandemic, such as a decrease in the number of transactions, hiccups in product distribution and difficulties obtaining raw materials, making it a struggle for them to pay for fixed costs. Some MSMEs have even had to reduce their number of workers.³

In the early days of the pandemic, countries worldwide implemented drastic mobility restrictions to curb the spread of COVID-19, which in turn, affected supply chains both on the global and domestic levels, including in Indonesia. Restrictions caused delays in obtaining raw material for MSME production, posing problems on the supply side. On the distribution side, the shipping of products was also hampered. To rub salt into the wound, on the demand side, MSMEs faced falling demand for their products due to uncertainty and an economic slowdown. Consequently, over 40% of MSMEs in Indonesia had to shut down in mid-2020 due to disruptions in their cash flow, which diminished their working capital.⁴ The Indonesian MSME Association reported that 30 million MSMEs, mostly micro-businesses, collapsed after the implementation of mobility curbs, while 7 million MSME workers lost their jobs.⁵

When the supply chain was interrupted, transactions or payments for orders were delayed, disrupting MSMEs' cash flow and, subsequently, their entire business operation. MSMEs needed access to working capital to keep their businesses running smoothly and to pay for all operating costs while waiting to receive the payments for their products. The Bappenas research reported that on the financial side, MSMEs during the pandemic struggled to pay for non-variable costs such as utility bills for micro-businesses and employee salaries for small and medium businesses.⁶ Research by the United Nations Development Program (UNDP) and the University of Indonesia's Institute for Economic and Social Research (LPEM FEB UI) supported this finding, adding that medium and micro

¹ Kementerian Koordinator bidang Perekonomian, "UMKM Menjadi Pilar Penting dalam Perekonomian Indonesia," May 5, 2021 <https://tinyurl.com/yvf4ft5w>

² Bourletidis, Konstantinos and Yiannis Triantafyllopoulos, "SMEs Survival in time of Crisis: Strategies, Tactics and Commercial Success Stories," 2014 <https://tinyurl.com/k26f9kvd>

³ Kementerian Komunikasi dan Informatika, "Kajian Bappenas, Digitalisasi UMKM Sebagai Upaya Bertahan Saat Pandemi," Dec. 17, 2020 <https://tinyurl.com/35nnjust>

⁴ Tempo, "47 Persen UMKM Bangkrut Akibat Pandemi Corona," May 20, 2020 <https://tinyurl.com/bhhm5wdp>

⁵ CNN Indonesia, "30 Juta UMKM Bangkrut, 7 Juta Orang Kehilangan Kerja," Mar. 26, 2021 <https://tinyurl.com/54tufj3f>

⁶ Badan Perencanaan Pembangunan Nasional, "Kajian Kebijakan Penanggulangan Dampak COVID-19 terhadap UMKM," December 2020 <https://tinyurl.com/3yad2jdv>

enterprises found fixed costs to be the most challenging problem during the pandemic, while invoice payment was the biggest issue for small enterprises.⁷

In a crisis in which MSMEs' cash flow is interrupted, working capital becomes imperative for their survival and to save their workers' jobs. However, MSMEs had limited access to financing from conventional institutions due to their lack of assets for collateral. Furthermore, applying for loans can be time-consuming due to the long processing time. In the meantime, the clock is ticking for the businesses' survival. For much-needed support, MSMEs need lenders to expedite loan distribution such as by relaxing their requirements and simplifying the loan application process. Considering that one of the MSMEs' assets that are difficult to collect in a time of crisis is account receivables, invoice financing can be a solution to provide working capital⁸. In addition, digital innovations could be used to make the application process easier and safer during the pandemic.

Investree, a prominent financial technology (fintech) lending platform in Indonesia, is one of the economic agents that provide such financial support for MSMEs during the pandemic. By adopting sophisticated technology and innovation for MSMEs' credit scoring assessment to manage risk, Investree is able to provide services such as invoice financing, buyer financing, working capital term loans and retail seller financing, opening access to working capital loans for MSMEs across Indonesia during the pandemic. Beyond lending, Investree also provides a one-stop solution platform with supply chain-based products through partnerships with e-procurement platforms, retail businesses (Gramindo, e-fishery) and the government e-procurement system LKPP to help MSMEs digitalize and become more efficient with their business process from downstream to upstream. Collaborating with innovator companies such as Billte from Switzerland, OY! Indonesia, Mbiz, Pengadaan.com and AIForesee, Investree provides an integrated platform to connect all its services and provide MSMEs with various technical and social support.

According to literature, finance provision, along with the support and opportunities for interaction afforded to clients throughout the lending process, can create positive conditions for psychological and social capital to flourish, which in turn, can stimulate new venture creation and contribute to the growth of existing ventures.⁹ Therefore, this research studies the impacts of fintech lending platforms (such as Investree) to provide financing access for MSMEs so they can stay resilient during the pandemic. This includes economic and non-economic impacts, such as social capital, psychological capital and quality of life.

⁷ United Nations Development Programme (UNDP) dan Lembaga Penyelidikan Ekonomi dan Sosial (LPEM) Universitas Indonesia, "Impact of COVID-19 Pandemic on MSMEs in Indonesia," September 2020, <https://tinyurl.com/37t46tt3>

⁸ Damuri, Yose Rizal et al. "Langkah Pemberdayaan UMKM dalam Menghadapi COVID-19," 2020. <https://tinyurl.com/y6mf7utm>

⁹ Newman, Alexander et al. "How does microfinance enhance entrepreneurial outcomes in emerging economies? The mediating mechanisms of psychological and social capital," February 2014 <https://tinyurl.com/2s3da52p>

2. Methodology

This study combines quantitative research in the form of surveys and qualitative research in the form of in-depth interviews for data collection. The survey interviewed 275 Investree borrowers across Indonesia who received loans during the pandemic. The sample was selected to represent borrowers across loan types and segments.

Investree offers different types of financing products that include Invoice Financing, Account Payable (AP) Financing, Working Capital Term Loans (WCTLs) and Retail Seller Financing. Invoice Financing has bullet repayment, which uses invoices to a reputable payer to apply for financing. AP Financing, which also uses bullet payments, is distributed to buyers, distributors or resellers of a supply chain. WCTLs are distributed to users who have partnerships with a reputable payment gateway, a third party logistical partner, point of sales and have contract with a reputable payer. Lastly, Retail Financing is distributed to micro business owners, applying the *tanggung renteng* (joint responsibility) principle to anticipate non-performing loans.

Investree borrowers are divided into three segments, namely micro borrowers, small borrowers and medium borrowers. Micro borrowers are those whose financing terms are below Rp 4.5 million per year. Meanwhile, small borrowers are those whose financing terms are more than Rp 4.5 million per year but below Rp 5.5 billion per year. Lastly, medium borrowers are those whose financing term is more than Rp 5.5 billion per year.

The survey sample was selected using the quota-sampling method by first determining the sampling allocation for each loan type and borrower segment based on loan size. The quota sampling method was selected to capture the variations in the experiences and attitudes of respondents across each loan group, which is every loan type of each borrower segment, and to avoid bias by a certain loan group due to an unbalanced number of borrowers of each loan type and segment in the population. The quota was set at 30 samples for each group, except for groups that did not meet the quota in the population, for which we selected the whole population from that group. The quota of 30 samples was chosen because it was the minimum number of samples for which one could reasonably expect an analysis based on the normal distribution to be valid.¹⁰ Finally, the process of selecting the samples for each loan group was carried out on a probability basis using random sampling.

Based on the data, there were variations in the response rate of each loan group. For the small and medium borrower segment, the minimum sample quota for most of the loan types was not met. Meanwhile, there was an excellent response rate from borrowers in the micro segment for retail financing. Because of the discrepancy in response rate, we carried out the data collection in two stages. The first stage of data collection was conducted from Nov. 22 to Dec. 10, 2021, followed by the second stage of data collection conducted from Dec. 10 to 15, 2021. As a result, the sample quota was met for each borrower segment. The micro borrower segment exclusively represents the retail loan

¹⁰ Rout, Christopher. "Re: What is the rationale behind the magic number 30 in statistics?" Oct. 3, 2015 <https://tinyurl.com/5n62kwwj>

type, while analysis for the small and medium borrower segments is based on loan size and does not differentiate between loan types.

Table 2.1 Target Sample

Loan Type	Loan Size			Total
	Micro	Small	Medium	
Invoice Financing	0	57	30	87
AP Financing	0	10	30	40
WCTL	0	30	3	33
Retail	60	30	0	90
Total	60	127	63	250

Table 2.2 Realized Sample

Loan Type	Loan Size			Total
	Micro	Small	Medium	
Invoice Financing	0	54	27	81
AP Financing	0	0	9	9
WCTL	0	8	1	9
Retail	164	12	0	176
Total	164	74	37	275

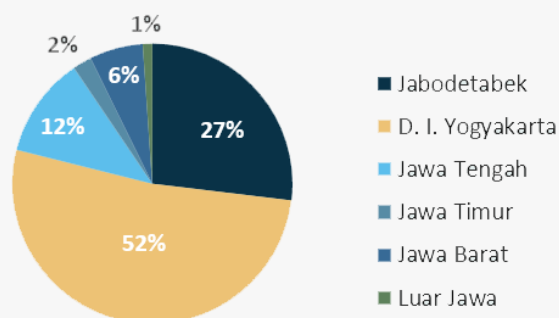
*Micro: Loan of less than Rp 4.5 million per year

*Small: Loan of less than Rp 5.5 billion per year

*Medium: Loan of more than Rp 5.5 billion per year

275 respondents were successfully interviewed, with 164 micro borrowers, 74 small borrowers and 37 medium borrowers. The respondents were spread across Indonesia following the population distribution, albeit not equally, with the majority of respondents from Yogyakarta province at 52%, followed by Greater Jakarta with 27%, Central Java with 12%, West Java with 6%, East Java with 2% and beyond Java with 1%.

Figure 2.1 Respondent Area



The respondents were either the owner of the business or a representative who understood the operations of the business. For the economic impact analysis, we took into account the answers from all respondents. Meanwhile, for the non-economic impact analysis, we only took into account survey responses that were given by the business owners themselves.

We received 221 survey responses from micro, small and medium enterprise (MSME) owners. Among the micro borrowers, 99% were women and only 1% were men. Meanwhile, 82% of small borrower respondents were men, and 18% of small borrower respondents were women. Lastly, all medium borrower respondents were men.

Figure 2.2 Gender proportion by borrower segment (owner)

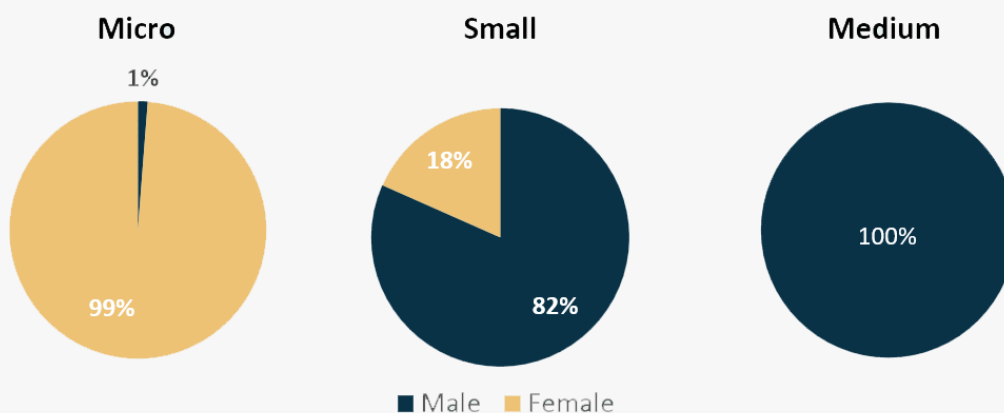
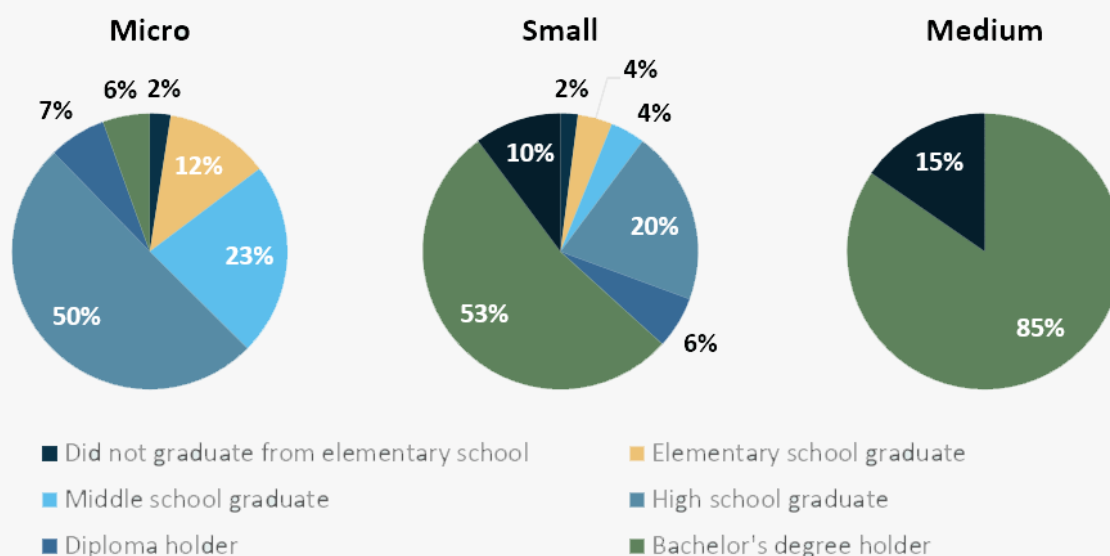


Figure 2.3 Education level by borrower segment (owner)



Lastly, among the micro borrowers, 50% of the owners were high school graduates, followed by middle school graduates at 23% and elementary school graduates at 12%. For small borrowers, 53% of the owners were bachelor's degree holders, followed by 20% who were diploma holders. Lastly, 85% of the medium borrowers have owners with bachelor's degrees and 15% had master's or doctoral degrees.

To build a further narrative on the impact of Investree as a fintech lending platform that provides financing for MSME business resilience during the COVID-19 pandemic, we then conducted interviews with six borrowers, representing all three business size categories. The interviews were aimed at understanding the situation of MSMEs during the pandemic and how they dealt with the challenges they faced, as well as Investree's role in helping them. Furthermore, we explored the psychological capital and quality of life of the borrowers in relation to the financial services they were provided by Investree. The interviews were also aimed at understanding the social capital of borrowers that resided under Gramindo.

The interviewees were selected based on segments acquired from the survey respondents. We divided respondents' segments into 3 categories of borrowers: micro (retail), small and medium. Specifically, on the micro retail segment, the interview was conducted in cooperation with Gramindo (one of Investree's partners).

Gramindo is a savings and loan cooperative that focuses on micro financing whose customers are mostly female micro business owners who are domiciled in Yogyakarta and Magelang. The categories for the respondents were: 1) those who had taken a loan from a bank and had paid it off, 2) those who had never taken a loan from a bank and 3) those who had taken a loan from a bank and had yet to pay it off. The interviews were conducted from Feb. 17 to March 4 of this year through a combination of video and phone calls as a result of the pandemic.

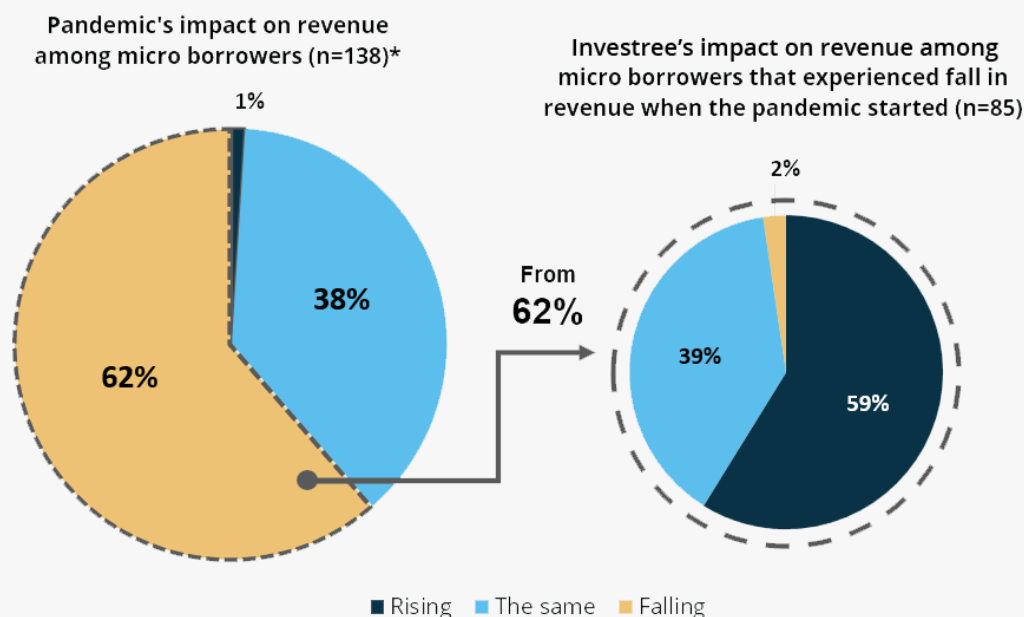
ECONOMIC IMPACT

3. Economic Impact of Investree on MSMEs

Mobility restrictions as a response to curb the spread of COVID-19 have affected businesses both from the supply and demand side. Production was hampered because of delays in raw material and product delivery, while sales became disrupted by falling demand due to deteriorating purchasing power. Because of these difficulties, MSMEs are facing financial issues that affect their businesses, as well as their workers.

3.1. Finance

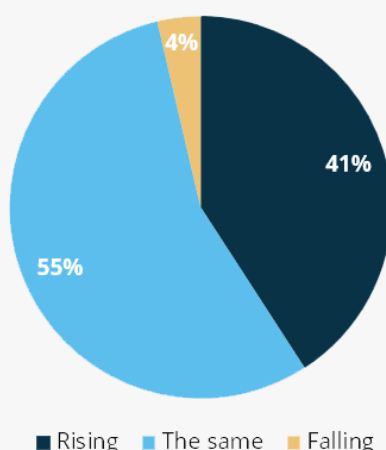
Figure 3.1 Investree impact on revenue among pandemic-impacted micro borrowers



According to our survey, 62% of Investree borrowers in the micro-segment saw their revenues fall because of the pandemic. However, our survey shows that nearly 60% of micro borrowers who experienced a fall in revenue during the pandemic were able to bounce back after receiving a loan from Investree. Meanwhile, 39% were able to prevent their revenue from falling even further – or maintain their revenue at the same level as before – after acquiring financing access from Investree.

The financial decline significantly impacted micro borrowers. The drop in demand and difficulties finding raw materials for production led to a fall in revenue. The government's mobility restrictions made it harder for them to survive. In these unusual circumstances, micro borrowers were pushed to implement new ways of doing business, namely using an online selling strategy.

Figure 3.2 Investree's impact on revenue among micro borrowers in total (n=164)



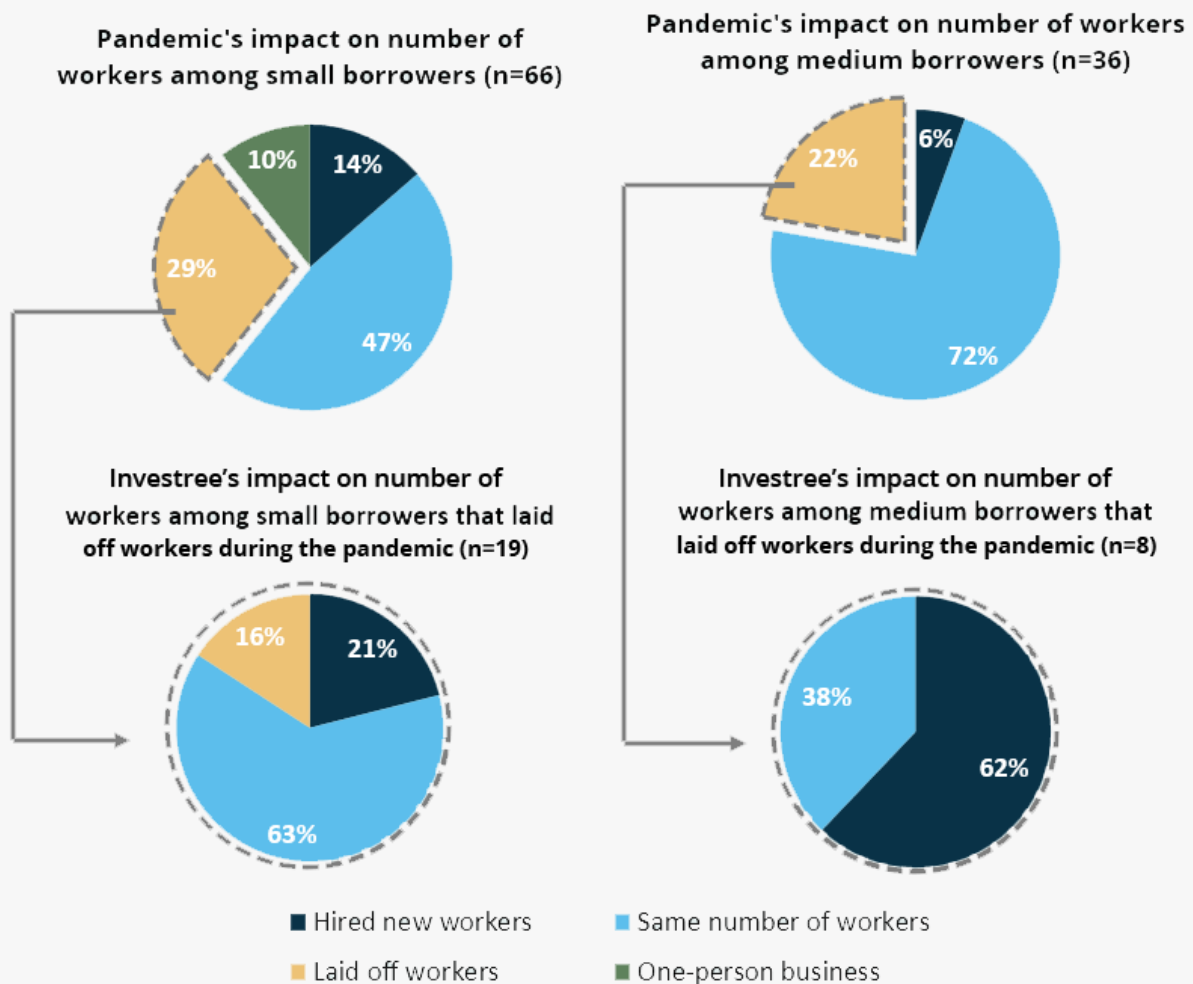
Taking another example from *Ibu Karin*, her lack of customers made her worry about the costs to procure materials for her business. At the same time, her blender and stove were broken, worsening her situation. Financing access through Investree helped her buy new equipment, especially during times of need. By buying new equipment (blender and stove), she was able to get her business back up and running.

"Coincidentally, my blender was broken at the same time as my stove. I was also in the middle of making banners for my business. Through financing access provided by Investree, I was able to buy new equipment." – Ibu Karin

Of all borrowers in the micro segment, 41% that they were able to increase their revenue after acquiring financing access through Investree during the pandemic, and 55% were able to maintain their revenue during the pandemic and prevent further a further decline in business.

3.2. Manpower

Figure 3.3 Investree's impact on number of workers among pandemic-impacted small and medium borrowers



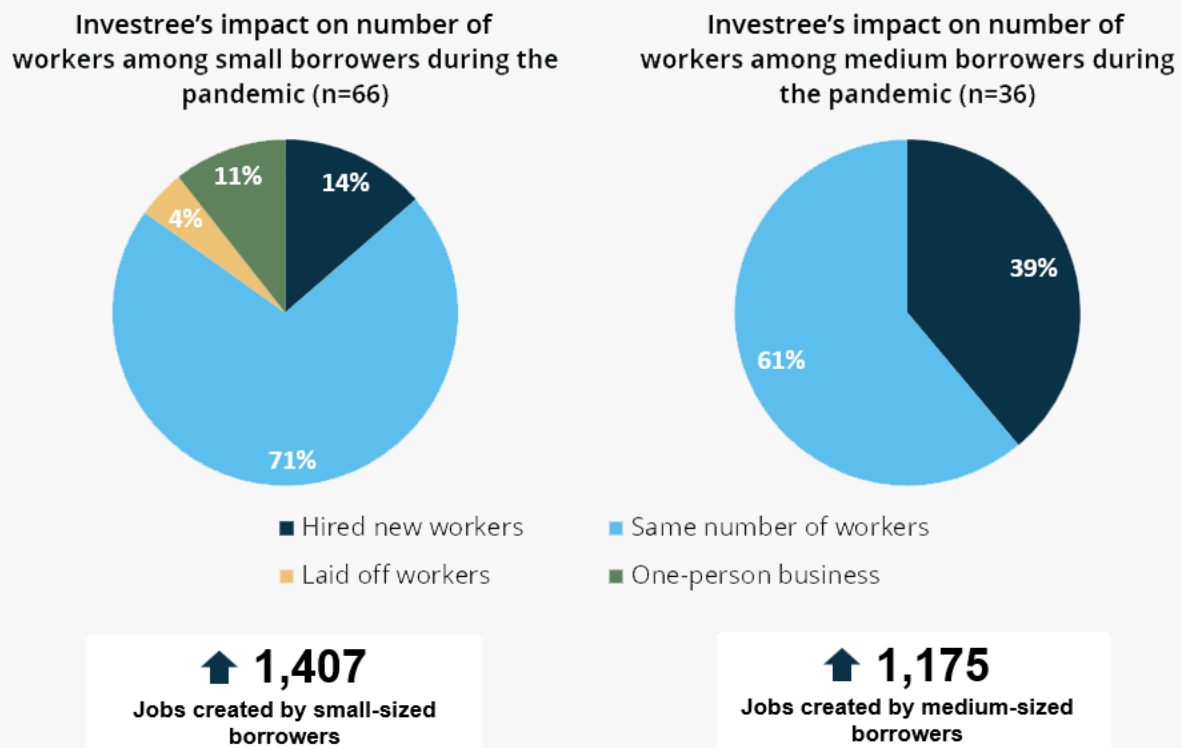
To weather the pandemic's impacts, small and medium borrowers tried to cut costs by laying off workers. According to our survey, 29% of small borrowers and 22% of medium borrowers had to lay off their workers when the pandemic hit. However, among businesses who had to lay off their workers, 21% of small businesses were able to bounce back and hire new workers after acquiring financing access through Investree, while 63% were able to maintain their workers, preventing further layoffs. Meanwhile, among medium businesses that laid off workers due to the pandemic, 62% were able to bounce back and hire new workers, while 38% were able to maintain their workers, preventing further layoffs.

For medium businesses that maintained their workers during the pandemic, paying attention to cash flow was important. Such was the case of a borrower who faced challenges with how its cash flow was able to pay its workers as it had become more selective of projects during the pandemic. After acquiring loans from Investree, the business managed to improve its cash flow. In turn, it eliminated the risk of laying off workers. In the case of PT FIS Sejahtera, the company decided to prioritize its employees,

especially in terms of salary. Cash flow was also very important as it was needed for operational costs. Loan access from Investree helped PT FIS improve its cash flow. It needed additional funds fast and Investree provided the kind of support it needed.

"We tried to see which one [fintech] was faster. At that moment, we needed [funds] because of time. We needed a fintech that was fast. With the reasonable interest rate, it turns out, Investree had a quick approval process." – PT FIS Sejahtera

Figure 3.4 Impact of Investree loans on number of workers among small and medium borrowers during the pandemic



From all the borrowers in the small segment, 14% reported that they were able to hire new workers during the pandemic after acquiring financing access through Investree, which is equal to creating 1,407 jobs. In addition, 71% of small businesses were able to maintain their workers, preventing further layoffs. Whereas for borrowers in the medium segment, 39% reported that they were able to hire new workers during the pandemic after acquiring financing access through Investree, which is equal to creating 1,175 jobs. In addition, 61% of medium businesses were able to maintain their workers, preventing further layoffs. In total, financing access through Investree enabled small and medium borrowers to create over 2,500 jobs during the pandemic.

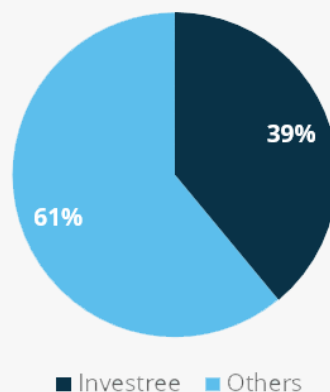
One medium business in the construction industry reported that Investree's loans opened up job opportunities. PT Holin Indo Persada, a medium business that provides services and goods in the construction industry, was forced to pull back projects during the pandemic, resulting in a loss of money and revenue. The construction industry is deemed risky business for conventional financial platforms, therefore PT Holin looked for other feasible platforms.

Investree proved to be open to the construction industry and financing access through Investree helped PT Holin finally accomplish various projects. As a result, it provided job opportunities because these projects needed workers.

"In Jakarta alone, in March, I had the construction of an apartment building. In Bekasi [West Java], there was road construction that was delayed for almost two years. I've been aiming for this project since 2020. Thankfully, I made it happen this year. And yes, Investree has opened up opportunities very significantly." – PT Holin Indo Persada

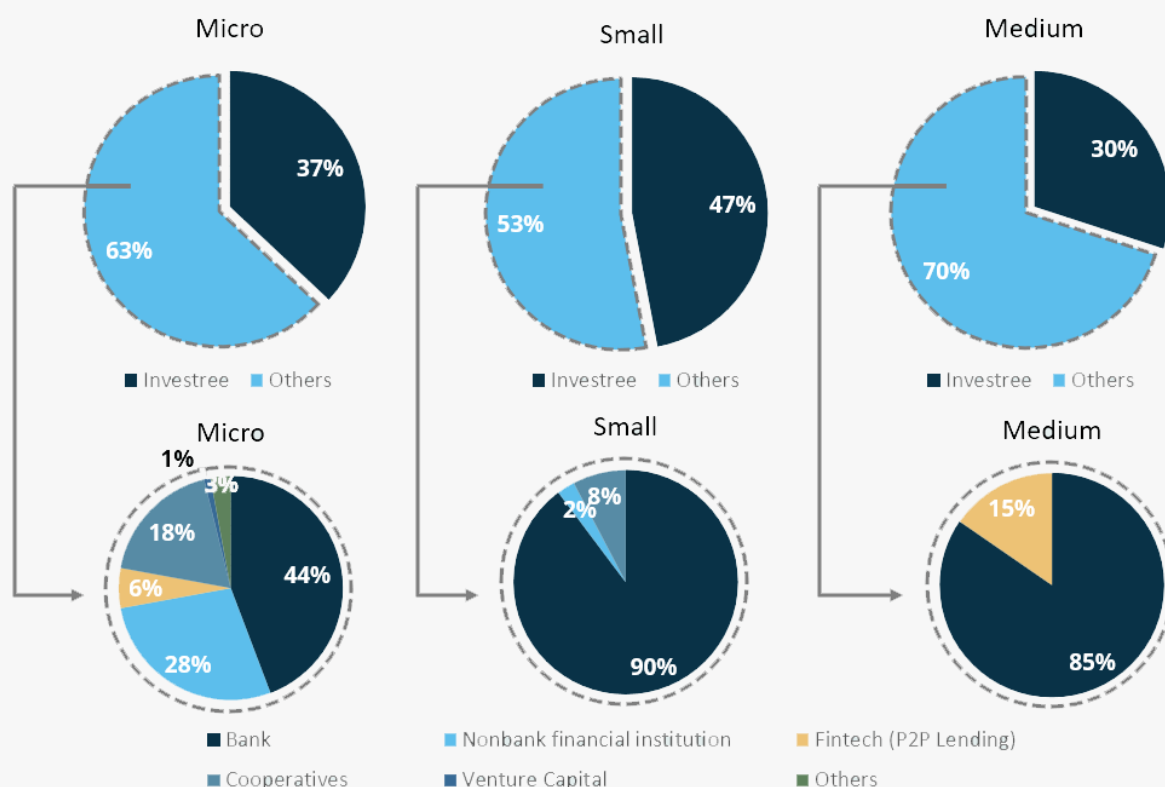
3.3. Financial Inclusion

Figure 3.5 Borrowers' first loan source



Investree has helped boost financial inclusion among MSMEs, with 39% of borrowers reporting that Investree provided the first loan they had ever received. Broken down by borrower segment, 37% of micro borrowers, 47% of small borrowers and 30% of medium borrowers received their first loan from Investree.

Figure 3.6 Borrowers' first loan source by segment



Among the micro borrowers who received their first financing from entities other than Investree, 44% reported that they had previously received a loan from a bank, 28% had previously received a loan from a non-bank financial institution and 18% had received a loan from a cooperative.

Meanwhile, among the small borrowers who received their first financing from entities other than Investree, 90% reported that they had previously received a loan from a bank, 8% had previously received a loan from a cooperative and 2% had previously received loan from a non-bank financial institution.

Lastly, among the medium borrowers who had received their first financing from an entity other than Investree, 85% reported that they had previously received a loan from a bank and 15% had previously received a loan from another financial technology or peer-to-peer lending institution.

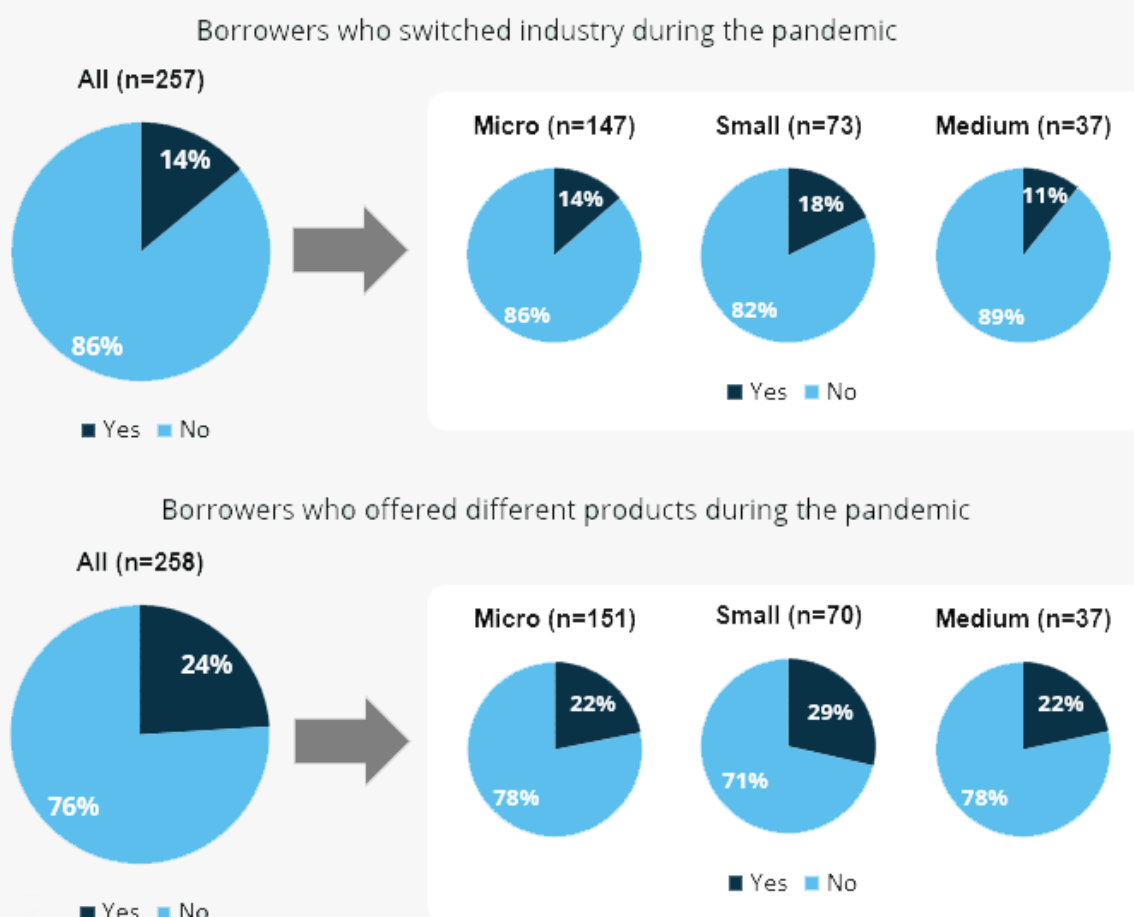
One small borrower recalled how Investree gave her her first loan when other financial platforms had declined to do so. PT Gesits Bali Pratama, a small business that works as an electric motorcycle distributor, encountered challenges in acquiring loans from banks. The business needed loans to support the process of supplying motorcycles and for operational purposes. PT Gesits approached four banks, but each one turned the company down, one reason being that PT Gesits was less than 2 years old.

The company was finally able to acquire financing after applying through Investree. This indicates that Investree supports business in accessing the financial services that meet their needs.

"We talked for a long time to the banks, but in the end, they asked whether our business had operated for two years. I even said that I had problems regarding the business. I had already gone to four banks. For the working capital of my business, Investree saved me." – PT Gesits Bali Pratama

3.4. Pivoting in Business

Figure 3.7 Borrowers' adaptive strategies during the pandemic



Acquiring financing through Investree allows borrowers to switch products, and even business industries, to adapt to and survive the COVID-19 pandemic. Among the micro borrowers, 14% switched industry during the pandemic, as well as 18% among the small borrowers and 11% among the medium borrowers. Most of the micro borrowers pivoted to the food & beverage business by selling food items, while small and medium borrowers tapped into the industries that were flourishing during the pandemic, such as selling equipment for online education and health services.

Table 3.8 Industries borrowers switched into during the pandemic

Micro	Trade – Food & Beverage
Small	Trade – Equipment
	Construction, architecture, interior design
	Rent – Equipment, Property
Medium	Trade - Equipment
	Health supplies/equipment

Micro borrowers reported that they were now selling different kinds of foods and beverages that they had not sold before, such as rice and chicken, snacks and staple foods. Meanwhile, small and medium borrowers were now selling IT equipment needed for online schooling or work, as well as health equipment.

Borrowers reported that they would assess the market situation and seek out opportunities where their businesses could thrive. They had faced challenges in selling their previous products due to distribution constraints and a lack of buyers. Business financing from Investree helped the MSMEs switch products and industries by providing funds that could be used to rotate the businesses' capital.

For example, for The Lax Shop, a small business, switching products was a central strategy for surviving the COVID-19 pandemic. The Lax Shop sold electronics as its main products, but it faced difficulties selling them during the pandemic and needed to find new ways to survive. The firm decided to add product variety by starting to sell daily goods, considered more needed during the pandemic. The borrower reported that he would assess the market situation and seek out opportunities where his business could thrive. The business had faced challenges in selling its previous products because of distribution constraints and a lack of buyers.

Investree helped the borrower switch products by providing access to a business loan that was used to rotate capital.

“Well, I was looking at other businesses – finding other opportunities and seeing what items were selling well during the pandemic and how I could sell them. In the end, I finally switched to selling diapers from electronics. I first sold flash disks. At the start of the pandemic, I began selling processors for schools. I was a retail seller, but sometimes I would get orders from the school’s IT person, and they would buy up to 100 units.” – The Lax Shop



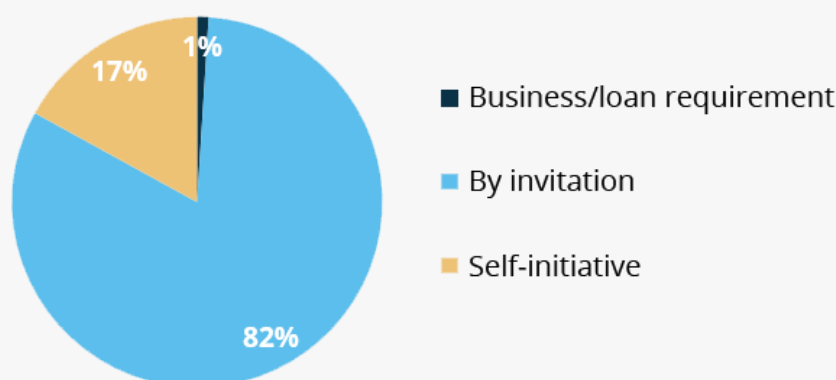
NON-ECONOMIC IMPACTS

4. Non-economic Impacts of Investree on MSMEs

4.1. Social Capital

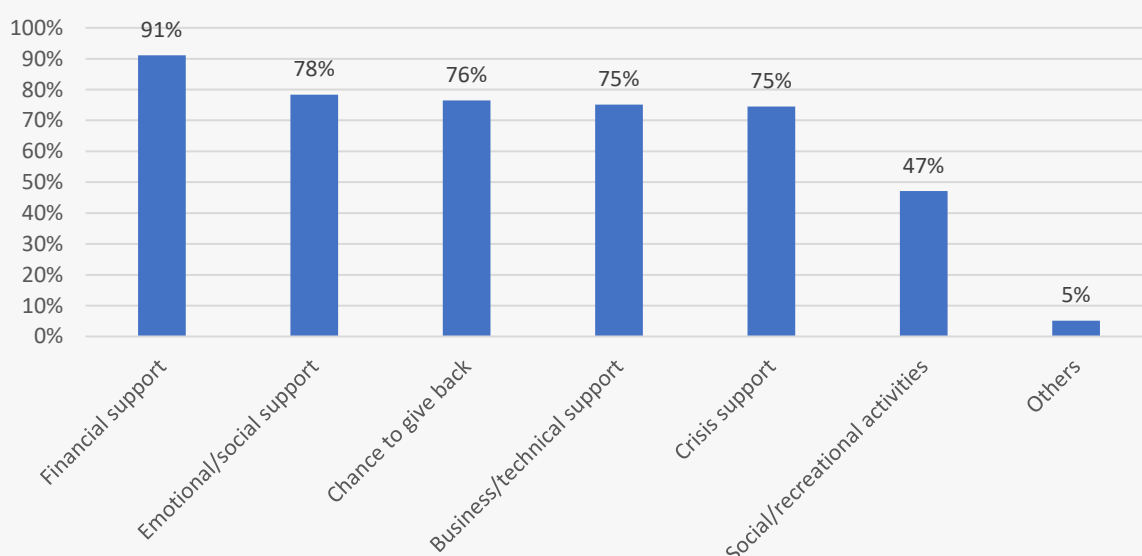
After joining Gramindo, micro borrowers were found to have gained strong social capital, the values of a social network or the benefits and obligations that come with being a member of a group¹¹. Some key dimensions of social capital are relational, such as trust, norms, and social interaction. This section describes how social capital played an important role in helping small businesses cope with the COVID-19 crisis.

Figure 4.1 Reason for joining Gramindo (n=157)



As many as 82% of micro borrowers said they had joined Gramindo by invitation, such as from friends and neighbors. In other words, their decision to join (or not join) Gramindo and then taking out a loan (or not) very much depended on their level of trust in the inviter. If an invitee did not sufficiently trust their inviter, they would likely feel hesitant about joining Gramindo and were more likely to decline the invitation to join.

Figure 4.2 Benefits from joining Gramindo (n=157)



¹¹ Socialcapitalresearch.com, "Current definitions of social capital", <https://tinyurl.com/ms2ta5up>

After joining Gramindo, 91% of borrowers reported gaining financial support from the community, 78% of borrowers gained emotional and social support, 76% said they gained opportunities to give back to the community, 75% gained business and/or technical support, and 75% said the community supported them during tough times.

Gramindo member *Ibu Riri* is part of a group of borrowers whose members include friends who live close to each other. She joined Gramindo because a trusted friend invited her.

The level of trust between members of the group, which is facilitated by Gramindom allowed them to give and receive emotional and social support from each other. The members formed a WhatsApp group with the help of Gramindo officers, which they use to discuss loans.

"We have a time limit to pay the installment. For example, if we start paying the installment tomorrow, we remind members of the borrowers group the night before. Then on the following day, they have to wait until 10 or 11 in the afternoon. Before the officers from Gramindo come, we remind each other again." – Ibu Riri

Another Gramindo member, *Ibu Karin*, also joined by invitation from a friend. Her group consisted of women who live in the same area, all of whom she knew before joining Gramindo.

Members of *Ibu Karin's* group found that joining Gramindo allowed them to support each other financially, such as when one member was unable to pay her installment on time. The established trust between them enabled this, as all members knew each other before joining the group.

"For example, someone is late in paying their installment but not a whole day late, say, only a few hours. We have a WhatsApp group [that includes] Gramindo officers. We let them know about the issue and someone in the loan group will help pay [the installment] first. However, they are repaid on the same day." – Ibu Karin

The results so far show that the strong social capital of Gramindo members allowed them to access urgently needed financial support during the pandemic as well as during personal difficulties. Moreover, helping each other during unexpected circumstances strengthened their bonds as a group and hence, their social capital. In this context, Gramindo played a critical role in helping members cope with the pandemic as a group while facilitating their access to financial support through Investree.

Gramindo has provided financial inclusion to its members by facilitating their access to micro loans and other affordable and beneficial financial services, including financing options from Investree.

Members have also gained ease of financial access through Gramindo, as many micro borrowers have explained that Gramindo officers approached them directly when providing loans and collecting installments. Gramindo officers were also approachable and willing to share their knowledge and expertise. As one borrower recounted, a visit

from a Gramindo officer also meant a chance to have an informal “sharing session” about loans, through which they were able to acquire more knowledge about Investree’s financial products and services.

“We often share [with the officers]. The staff are nice when we talk to them if we have a complaint or, for example, when we ask about the number of installments we have made.” – Ibu Riri

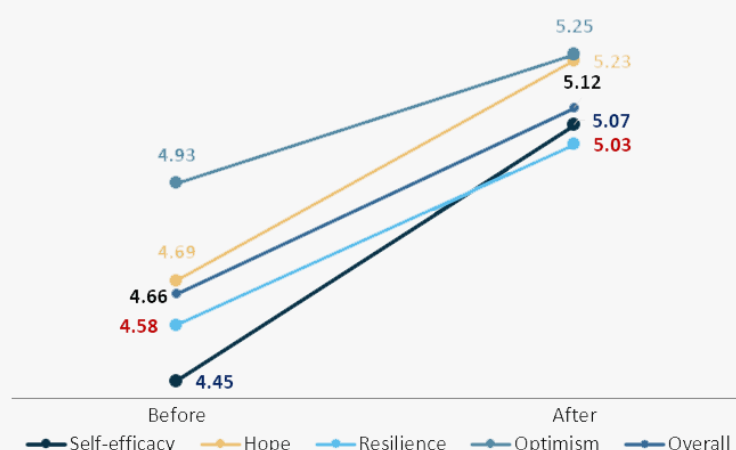
This also suggests that becoming a Gramindo member gave micro borrowers a greater chance to establish closer ties with both fellow members and Gramindo officers. In other words, they were able to gain greater access to a variety of financial resources while developing stronger trust within a particular group, which gave them a safety net for their increased resilience during the pandemic.

4.2. Psychological Capital

This study uses with some adjustments the psychological capital questionnaire developed by Luthans, et. al. (2007), in which psychological capital is defined as an individual’s positive psychological state of development and is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resiliency) to attain success.

The respondents are given statements to describe how they think about themselves during the pandemic before and after acquiring financing access through Investree. The questionnaire uses a six-point Likert scale indicating the respondents’ level of agreement or disagreement with each statement, with 1 (one) indicating that the respondent strongly disagrees with the statement and 6 (six) indicating that the respondent strongly agrees with the statement. This study uses 2 (two) questions taken from the original psychological questionnaire to describe the respondents’ sense of self-efficacy, 2 (two) questions to describe hope, 6 (six) questions to describe resiliency and 3 (three) questions to describe optimism, out of 6 (six) questions for each psychological capital characteristic in the original psychological capital questionnaire (PCQ).

Figur 4.3 Borrowers' psychological capital before and after getting Investree's support (Score 1-6)



Psychological Capital	% Chg.
Self-efficacy	14%
Hope	12%
Resilience	10%
Optimism	6%
Overall	10%

Before having loan access from Investree, the borrowers' self-efficacy stood the lowest among all aspects of psychological capital at 4.45 points. However, acquiring financing access through Investree, the borrowers' self-efficacy saw the highest rising slope, climbing to 5.07 points on a maximum 6-point Likert scale. The borrowers' optimism stood at the highest level among all the aspects at 4.93 before receiving financing from Investree and remains at the top after acquiring financing access through Investree at 5.25 points. Overall, the borrowers' psychological capital is increased from 4.66 on average to 5.12 points on average after acquiring financing access through Investree.

Figure 4.4 Borrowers' psychological capital before and after receiving Investree financing by segment (Score 1-6)

	Micro	Small	Medium
Overall	4.6 → +10% → 5.1	4.8 → +9% → 5.2	4.9 → +13% → 5.6
Self-efficacy	4.4 → +13% → 5.0	4.5 → +16% → 5.3	4.8 → +17% → 5.6
Hope	4.6 → +12% → 5.2	4.9 → +10% → 5.4	4.8 → +16% → 5.6
Resilience	4.5 → +10% → 5.0	4.7 → +8% → 5.1	4.8 → +13% → 5.5
Optimism	4.9 → +7% → 5.2	5.0 → +5% → 5.2	5.3 → +7% → 5.6

Breaking it down into borrower segments, borrowers in the medium segment experienced the highest increase in psychological capital at 13% and at the same time reached the highest level of psychological capital to 5.6 points after acquiring financing access through Investree out of a 6-point Likert scale. Micro borrowers experienced a 10% increase in their psychological capital, from 4.6 points before receiving financing from Investree to 5.1 points after acquiring financing access through Investree. Meanwhile, small borrowers experienced a 9% increase in their psychological capital, from 4.8 points

before receiving financial access from Investree to 5.2 points after acquiring financing access through Investree.

The increase in psychological capital after acquiring financing access through Investree is mostly supported by self-efficacy, followed by hope and resilience. However, despite having the slightest increase, the optimism aspect started off at the highest point before and after acquiring financing access through Investree.

The data above indicates that in addition to supporting financial capital, financial assistance gained through Investree in times of crisis could also strengthen the psychological capital of micro, small and medium enterprises (MSME). Psychological capital refers to “an individual’s positive psychological state of development”¹² and consists of four pillars: hope, self-efficacy, resilience and optimism.

As the borrowers have very limited options and ought to keep carrying out their business amid the pandemic, they conceded that they could overcome the difficulties with Investree financing. The MSMEs shared how the access to financing had helped them to bounce back from their extreme business downturn. During the darkness of having no cash in hand, the loans gave them confidence and a sense of optimism, as well as hope for their business’ future. During the dark times, for example, small- and medium-sized borrowers revealed how Investree offered much faster and less complicated processes (by relying on its reliable digital platform), enabling them to gain cash in a very short time. Investree also gave hope to borrowers with higher-risk businesses (such as construction), when other lenders refused to give them access to finance.

In short, the result is an increase in the borrower’s positive psychological state, with self-efficacy shown to be the highest among medium business borrowers.

As a medium borrower, PT Holin’s decision to acquire financing access through Investree helped increase its self-efficacy, or the confidence to make the necessary efforts to succeed in a task. The respondent’s task is to use and maintain financing access through Investree. Since acquiring financing access through Investree, it believes its determination and sense of responsibility indicate its capability to develop trustworthiness from Investree.

“We need to maintain the payment. We always take care of the payment. Even in the past, there was a bouwheer who was late paying, but we were responsible for paying to Investree first. From there, we can enjoy seamless access to financing due to the trust built to us and upgrade the amount on the platform.” – PT Holin Indo Persada

Furthermore, for micro-businesses, receiving loans from Investree was significant in motivating them to keep their business alive. A borrower became optimistic about her business and was geared to keep moving forward using the loans she acquires.

¹² Positvepsychology.com, “Psycap 101: Your Guide to Increasing Psychological Capital” Dec. 7, 2021 <https://tinyurl.com/y85ex7et>

"I'm satisfied with the loan. We have the loan and it's nice to use it to scale up our business. We have a business, and we become more active and do not give up on it." – Ibu Riri

4.3. Quality of Life

This study adopts the World Health Organization's six dimensions to measure quality of life, which consists of wellbeing, which can be summarized as follows:

1. Economic well-being

Investree borrowers perceive economic well-being as the ability to financially afford their needs, maintain their business and fulfill operational needs. The borrowers reported that they were now able to finance their businesses and even maintain their revenue amid the pandemic.

2. Social well-being

Investree borrowers value their ability to both give and receive support to and from other members of their community. They reported receiving help from the community, especially when they encountered business hardship. The borrowers seem to treat support from others as a quintessential driver of their business survival.

3. Physical well-being

Investree borrowers assess their physical well-being on the basis of how often they get ill. They also believe that illnesses are related to their state of mind; things that add to their emotional burden and consume their time would also tax them physically. Likewise, when they feel at ease, they do not feel physically burdened.

4. Psychological well-being

Investree borrowers assign importance to being happy and being able to enjoy their doing business while attempting to reach their targets. However, they are also worried about accidents and other risks affecting their business, such as unfavorable general economic situations and mobility restrictions that often take a toll on their sales.

5. Spiritual well-being

Being able to help others Investree borrowers' spiritual wellbeing. They feel satisfied knowing that what they do pleases God and see what they gain from their work or business as God's blessing to be used to benefit others. The borrowers feel they have the responsibility to give back what they have gained from their work or business.

6. Environmental well-being

Investree borrowers assess their environmental well-being by the physical space around them. Pollution, traffic jams, parking spaces and resting areas are issues that affect their environmental comfort. Furthermore, locations and their cleanliness affect businesses in attracting customers.

This survey follows a self-report study approach in which respondents are given statements, then immediately respond by picking the best answers that represent their condition during the pandemic, before and after receiving a loan from Investree. The indicators were measured using the Likert scale of zero to 10. Surveyors were supported with a Likert visual aid to help respondents in answering the questionnaire. The Likert scale was used to provide a clear positive or negative choice where respondents were asked to answer, for example, from the scale of very bad or very negative or very undesirable to very good or very positive or very desirable.

Figure 4.5 Borrowers' quality of life before and after receiving Investree financing (Score 1-6)



This study finds that borrowers' quality of life increased by 14% after acquiring financing access through Investree to 7.3 points from previously 6.4 points on a zero to 10 Likert scale. This increase in quality of life is mostly supported by a boost in economic well-being, which increased by 16%, followed by social well-being, which increased by 14%, and psychological well-being, which increased by 9%. Despite having one of the lowest increases, the spiritual well-being of the borrowers started off high at 8.2 points and landed the highest point among all the well-being dimensions after acquiring financing access through Investree, which now stands at 8.6 points. The second highest dimension of well-being after acquiring financing access through Investree is the borrowers' psychological well-being, which stands at 8.0 points, supporting our findings on Investree's impact on borrowers' psychological capital.

Breaking it down by segment, the highest increase in quality of life is attained by borrowers in the micro-segment by 17%. This quality-of-life improvement is mostly supported by an increase in economic well-being by a whopping 20%, followed by social well-being by 18% and psychological well-being by 11%. However, the highest level of

quality of life after acquiring financing access through Investree is attained by medium borrowers, who arrive at 8.2 points after acquiring financing access through Investree. Similar to micro-borrowers, quality-of-life improvements after acquiring financing access through Investree are mostly supported by an increase in economic, social and psychological well-being. Meanwhile, spiritual and environment well-being saw a slight increase across all borrower segments.

Medium borrowers arrive at 8.2 points for psychological well-being, followed by 7.9 points for social well-being and 7.8 for economic well-being after acquiring financing access from Investree. Meanwhile, small borrowers arrive at 8.4 points for psychological well-being, followed by 7.7 points for economic well-being and 7.5 for social well-being after acquiring financing access from Investree. Both borrower segments reported a slight decrease in their physical wellbeing after acquiring financing access from Investree, which is understandable considering the improvement in their businesses that may have made them busier.

Figure 4.6 Borrowers' quality of life before and after receiving Investree financing by segment (Score 1-6)

	Micro	Small	Medium
Overall	6.1 → +17% → 7.1	7.4 → +5% → 7.7	7.3 → +13% → 8.2
Economic	5.9 → +20% → 7.1	7.3 → +6% → 7.7	6.9 → +14% → 7.8
Social	6.2 → +18% → 7.3	7.2 → +4% → 7.5	6.8 → +16% → 7.9
Physical	5.5 → +7% → 6.0	7.0 → -2% → 6.8	6.7 → -3% → 6.5
Psychological	7.1 → +11% → 7.9	7.9 → +5% → 8.4	7.5 → +9% → 8.2
Environment	6.9 → +8% → 7.5	7.6 → +4% → 7.9	7.4 → +8% → 8.0
Spiritual	8.2 → +5% → 8.6	8.3 → +4% → 8.6	8.0 → +7% → 8.6

Based on interview data, acquiring financing access through Investree has also impacted the quality of life of micro, small and medium enterprises (MSME). The borrowers perceived that their quality of life had increased by having the support from Investree's loans. Regarding the economic well-being, this aspect had improved since they were hard hit by the pandemic in March 2020. The borrowers were able to scale up and maintain their business during the pandemic by selling more products, expanding projects and fulfilling various operational needs with the help of the loans

One medium borrower explained how his psychological well-being improved as a result of Investree's financing. During the pandemic and before acquiring financing access through Investree, PT Holin Indo Persada was forced to pull back projects. The result was fewer projects for the company and in turn, less income. To keep the business running,

the respondent as the owner allocated his salary for his workers and business operations. This impacted his psychological well-being and to an extent, his family. Before, he was able to buy his child toys every week, but now he can only buy them once a month.

Investree supported PT Holin to take on more projects by providing financial access. As a result, the company was able to increase its income. From this, the borrower's psychological well-being improved as his life was nearing back to normal.

"Investree's contribution is large, honestly, it's large. I feel extremely helped by Investree at that moment. Why? Because [the loan] supported several jobs. On the subject of buying toys for my children, now it's starting to return to normal. With the amount of work we have, we are happy."

– PT Holin Indo Persada

5. Beyond Lending: Borrowers' Aspirations

Investree's access to lending has significantly impacted the borrowers positively in terms of economic and non-economic impacts. This access to lending was supported by the digital ecosystem established through Investree's partnership with trusted third parties, which allows business process integration, so the loan application is systemized and, therefore, brings faster results with a higher trust and success rate.

Most of the respondents we surveyed reported that they gained access to lending during the pandemic through a party that partners with Investree, such as Gramindo, Garuda Financial and Blibli SIPLah. The micro borrowers get their access to lending through Gramindo, a digitalized cooperative that focuses on women empowerment through business financing.

Meanwhile, small and medium borrowers get their access by participating in the Garuda Financial (GaFin) and SIPLah Blibli digital platforms. The Investree digital ecosystem opens up access to supply chain financing by having an integrated system with government e-procurement systems, such as the National Public Procurement Agency (LKPP) and Electronic Goods and Services Procurement (LPSE), through GaFin and the School's Procurement Information System (SIPLah) through Blibli.

By establishing these partnerships, Investree has created a digital ecosystem that gives borrowers support beyond lending. This digital ecosystem does not only help borrowers explore their financing needs and offer the best solution, but also helps them get non-economic benefits, especially during tough times.

Moving forward, borrowers have hopes and needs concerning Investree's access to lending. Our study reveals that micro, small and medium enterprises (MSME) have hopes that Investree can provide more support for green financing, as funding for sustainable development is currently on the rise. By 2023, the global green bond market is estimated to be worth US\$2.36 trillion.¹³ With its digitally advanced technology, increasing support in green financing can become an added value for Investree, as reported by one small borrower in the green industry.

"Everything can be solved easily with the [Investree] application. Being able to solve it easily is very helpful. How [now] to make it easier for Investree to provide financing in the green [industry], especially in Gesits. From the beginning, I've said everything that is digital is very easy." – PT Gesits Bali Pratama

Furthermore, MSMEs hope that Investree can provide better standby loans. Though standby loans from Investree are deemed beneficial, one small borrower shares that speeding up the process of acquiring these loans could greatly help his business in moments of emergency.

"We're actually interested in the standby loans, but it turns out that there is an admin fee every time we apply for the loans. It's quite high at 3 to 4%. So far, we've applied twice [for the standby

¹³ Weforum.org, "What is green finance and why is it important?", Nov. 9, 2020 <https://tinyurl.com/2p96mjt8>

loans], and we had no issues. That's why we're asking, can Investree accelerate the standby loans? We use standby loans, but it still takes time. It's not called standby if there is still a waiting process." – PT FIS Sejahtera

The borrowers' aspirations can be achieved in the digital ecosystem that Investree has established through its partnerships. Whether it is green financing or standby loans, by participating in the digital platforms that have partnered with Investree, the loan application process will be faster and done with better risk assessment due to the integrated system. This integrated system allows Investree to assess the MSMEs' procurement records, projects handled and payment history, so borrowers can quickly get the best access to financing according to their needs.

6. Conclusion

The results of this study show that Investree's loans to MSMEs support businesses' resilience during the pandemic and have impacts beyond lending. First of all, loans from Investree prove to provide essential support for its borrowers to withstand the adverse effects of the COVID-19 pandemic. Investree's easily accessed loans have been helping the borrowers avoid a cash flow crisis due to weaker demand. The loans helped businesses not only to sustain day-to-day operations, which is especially true for their micro-borrowers, but also to maintain or even increase their revenues amid the economic recession, thereby leading to job creation, especially among small and medium borrowers.

Secondly, Investree has been promoting financial inclusion by providing loans for first-time borrowers who otherwise would not get access to formal financial services. This is particularly true for smaller businesses known for their very limited financial resources and unfitness for conventional loans (bankability), making them even more prone to further losses or even going out of business, especially during the pandemic. Moreover, Investree keeps access to financing open for small and medium borrowers in industries that are deemed risky by conventional financial institutions in time of the pandemic, such as construction and manufacturing (convection), despite their huge potential to create jobs. The access to financing given by Investree also supports businesses venturing into new coming and green industries, such as electric vehicles (EV), as well as supporting businesses that needed to pivot to a different industry or offer new products to adapt during the pandemic, such as by venturing into the health and IT industries.

Lastly, Investree has also bestowed non-economic benefits for its borrowers during the pandemic, giving the businesses support beyond lending. Through its partnership with Gramindo, for instance, Investree was able to establish a community-based support system for its micro-borrowers. Within the community, members receive mutual business knowledge and technical support, as well as mental and social support paramount during tough times. Borrowers also reported improved psychological capital after receiving a loan from Investree during the pandemic, mostly in self-efficacy, which is their perceived ability to overcome difficulties, followed by their perceived hope, resilience and optimism. With these economic, social and psychological encouragements, Investree's access to lending has led to improvements in the borrowers' quality of life.

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