

White Paper 2022



Beyond Lending: Building MSME's Resilience During COVID-19 Pandemic

(A Case Study of Investree 2020-2021)



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Background



Micro, Small, and Medium Enterprises (MSMEs) 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 experience financial and non-financial challenges during the pandemic, such as the decrease number of transactions, the hiccups in product distribution, and the difficulty of obtaining raw materials, which have made it predicament for affected MSMEs to pay for fixed costs, that some MSMEs even had to reduce their number of workers.³

In the early outbreak of the pandemic, countries worldwide implemented drastic mobility restrictions to curb the COVID-19 spread, which in turns impacts supply chain both on the global and domestic level, including in Indonesia. This restriction has caused delay in obtaining raw material for MSME's production, posing problems on the supply side. In addition, from the distribution side, product shipping is also hampered by the restriction. To rub salt into the wound, from the demand side, MSMEs are also facing falling demand for their products due to uncertainty and economic slowdown. Consequently, over 40% of MSMEs in Indonesia had to shut down in mid-2020 due to hiccup in the cash flow, which diminishes their working capital.⁴ The Indonesian MSMEs association reported that 30 million MSMEs, mostly micro businesses, collapsed during the restriction implementation, while 7 million MSME workers had lost their jobs.⁵

When the supply chain is interrupted, transaction or payment completion for an order is delayed, causing hiccups in MSMEs' cash flow, and therefore disrupting the whole business operations. MSMEs' need access to working capital to keep their businesses running smoothly, to pay for all operation costs while waiting to receive

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/bhbm5wdp>

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

Background

the payments for their products. The Bappenas research reported that on the financial side, MSMEs during the pandemic are struggling to pay for non-variable costs, such as utilities bill for micro businesses and employee salary for small and medium businesses.⁶ Research by the United Nations Development Programme (UNDP) and University of Indonesia's Institute for Economic and Social Research (LPEM FEB UI) supported this finding, reporting that medium and micro enterprises have found fixed costs to be the most challenging problem during the pandemic, while invoice payment has become the biggest issue for small enterprises.⁷

In such crisis in which MSMEs' cash flow is interrupted, the working capital becomes imperative for their survival and saving the workers' jobs. However, MSMEs have 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 long processing time, while the clock is ticking for the businesses' survival. To provide the much-needed support, MSMEs need lenders to expedite loan distribution such as by relaxing their requirements and simplify the loan application process. Since one of the MSMEs' assets difficult to collect at time of crisis is account receivables, invoice financing can be a solution to provide working capital.⁸ In addition, digital innovation could be used to make the application process easier, faster and safer (without personal encounter) 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 loan, and retail seller financing, opening access to working capital loan for thousands of MSMEs across Indonesia during the pandemic. Beyond lending, Investree also provides a one-stop solution platform with supply chain-based products through partnership with e-procurement platforms, retail businesses (Gramindo, eFishery) and LKPP (government e-procurement system) to help MSMEs digitalize and become more efficient with their business process from downstream to upstream. Collaborating with innovator companies such as Billte from Swiss, OY! Indonesia, Mbiz, Pengadaan.com, and AIForesee, Investree provides an integrated platform to connect all the services and provide MSMEs with various technical and social support.

According to literatures, 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 impact of Fintech Lending platform (case study of Investree) to provide financing access for MSMEs in order to be resilience during pandemic. Which includes economic and non-economic impacts, such as social capital, psychological capital, and quality of life.



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

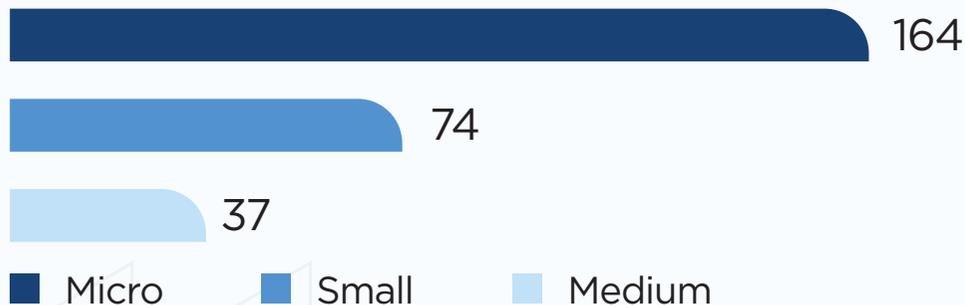
7) United Nations Development Programme (UNDP) dan Lembaga Penyelidikan Ekonomi dan Sosial (LPEM) Universitas Indonesia, "Impact of COVID-19 Pandemic on MSMEs in Indonesia," September 2020, <https://tinyurl.com/37t46tt3>

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>

Methodology

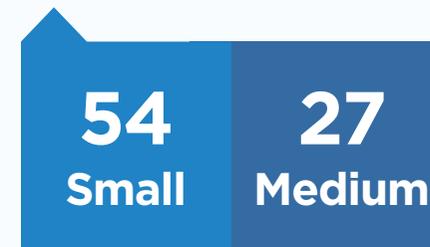
Respondent Distribution



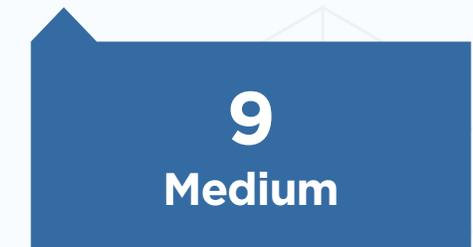
The research uses mixed-methods research that combines a quantitative study in the form of survey and a qualitative study in the form of in-depth interviews for data collection. The survey interviewed 275 Investree borrowers across Indonesia who received lending during the pandemic. The sample was selected to represent borrowers across loan type and segment.

Investree offers different types of financing products, which include Invoice Financing, Account Payable (AP) Financing, Working Capital Term Loan (WCTL), and Retail Seller Financing. Invoice Financing is a type of financing with bullet repayment that uses invoice to a reputable payor to apply for financing. AP Financing, also a type of financing with bullet payment, is distributed to buyers, distributors, or resellers of a supply chain. WCTL is distributed to users who have partnership with reputable payment gateway, third party logistic partner, point of sales, and are having contract to a reputable payor. Lastly, retail financing is distributed to micro business owner, applying the *tanggung renteng* or "joint responsibility" principle to anticipate non-performing loans.

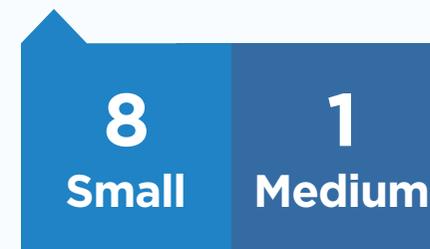
Invoice Financing



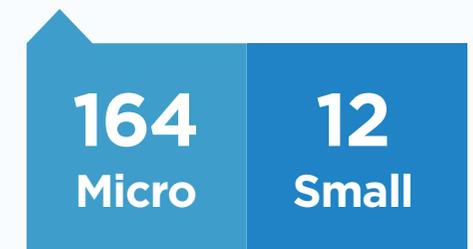
Account Payable Financing



Working Capital Term Loan



Retail Seller Financing



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

Methodology



Investree borrowers are divided into three segments, namely micro borrowers, small borrowers, and medium borrowers. Micro borrowers are those whose loan is below IDR 4.5 million per year. Meanwhile, small borrowers are those whose loan is more than IDR 4.5 million per year but below IDR 5.5 billion per year. Lastly, medium borrowers are those whose loan is more than IDR 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 certain loan group due to the unbalanced number of borrowers of each loan type and segment in the population. The

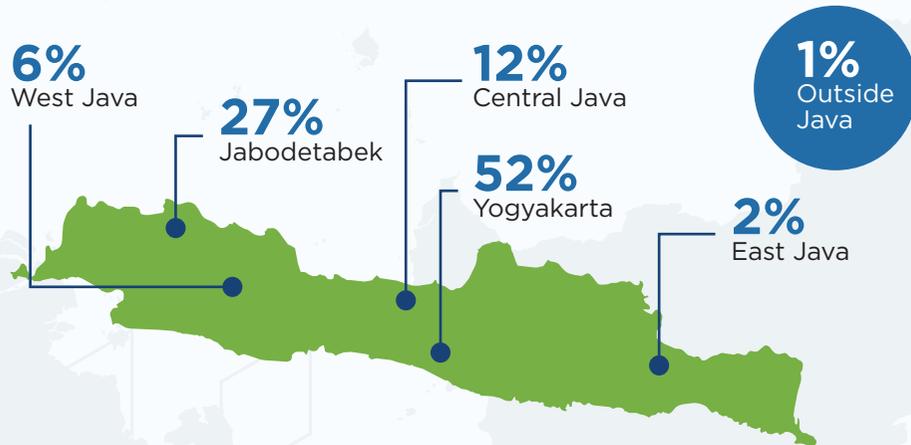
quota is set at 30 samples for each group, except for groups that do not meet the quota in the population, in which we selected the whole population from that group. The quota of 30 samples was chosen because it is the minimum number of samples in which one could reasonably expect an analysis based on 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 are variations in the response rate of each loan group. For 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 22 November to 10 December 2021, followed by the second stage of data collection conducted from 10 to 15 December 2021. As a result, the sample quota was met for each borrower segment. The micro borrower segment exclusively represents retail loan type, while analysis for the small and medium borrower segments is based on loan size and do not differentiate between loan types.

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

Geography and Demographics

Respondent Area



The interviewees were selected based on segments acquired from the survey respondents. We divided respondents's segments into 3 category : into 3 categories of Borrower: Micro (retail), Small and Medium. Specifically on the micro retail segment, the interview was conducted in cooperation with Gramindo (one of Investree's partner).

Who is Gramindo?

Gramindo is a savings and loan cooperative that focuses on micro financing whose customers are mostly female micro business owners domicile in DI Yogyakarta and Magelang area.

The criteria of the respondents were:

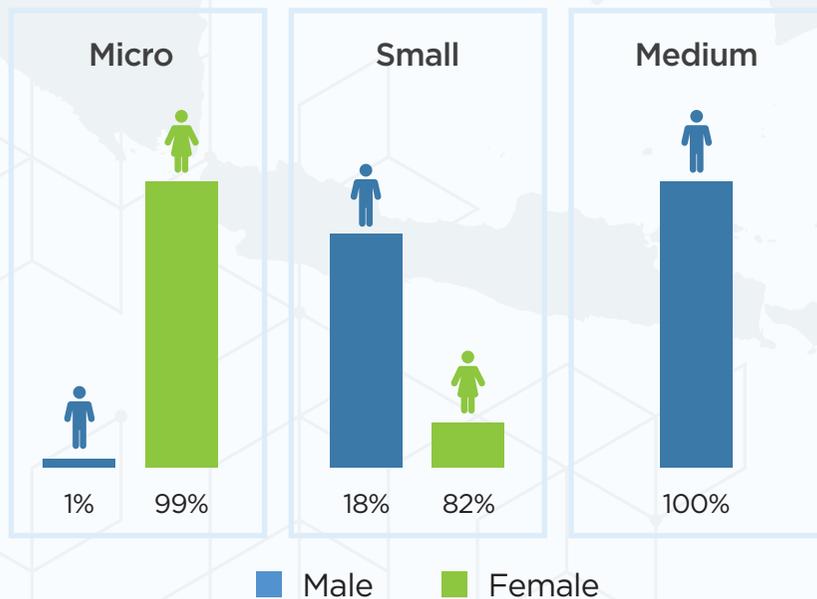
- 1) Having a financing from a bank and not receiving the loan any longer,
- 2) Never having any loan from a bank, and
- 3) Having a loan from a bank, whether still receiving the loan or not.

The interviews were conducted from 17 February to 04 March 2022 through a combination of Zoom and phone calls due to the situation of the pandemic.

The total number of borrowers who are successfully interviewed are 275 respondents, with 164 micro borrowers, 74 small borrowers, and 37 medium borrowers. The respondents are spread across Indonesia following the population distribution, albeit not equally, with the majority of respondents are from Yogyakarta Special Region with 52%, followed by Greater Jakarta with 27%, Central Java with 12%, West Java with 6%, East Java with 2% and outside of the Java Island with 1%.

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

Gender



Demographics

Level of Education by Borrower Segmentation

Micro



Small



Medium



We received 221 survey responses answered by the MSME owners. Among the micro borrowers, 99% of the respondents are women and only 1% is man. Meanwhile, 82% small borrower respondents are men, and 18% small borrower respondents are women. All respondents who are medium borrowers are men.

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

To build further narrative on the impact of Investree, as a fintech lending platform who provides the financing access for micro, small, and medium-sized enterprises' (MSMEs) business resilience during the COVID-19 pandemic, we then conducted interviews to six (6) borrowers, comprising of micro, small, and medium businesses. The interviews were aimed to understand the situation of the MSMEs business during the pandemic and how they dealt with any challenges they faced, as well as

Investree's roles in helping them. Furthermore, we explored the psychological capital and quality of life of the borrowers in relation to the financial service they acquired through Investree. The interviews were also aimed to understand the social capital of borrowers that reside under Gramindo.

The interviewees were selected based on segments acquired from the survey respondents. The segments were micro borrowers under Gramindo, alongside small and medium borrowers who were divided into the following criteria:

- 1) Having a loan from a bank and not receiving the loan any longer,
- 2) Never having any loan from a bank,
- 3) Having a loan from a bank, whether still receiving the loan or not.

The interviews were conducted from 17 February to 04 March 2022 through a combination of Zoom (virtual meetings) and phone calls due to the situation of the pandemic.

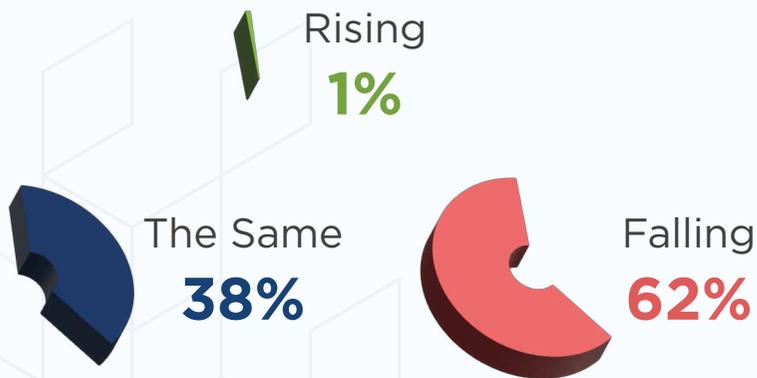
Economic Impact of Investree on MSMEs

The mobility restriction as a response to curb the spread of COVID-19 infection has affected businesses both from the supply and demand side. Production is hampered because of delay in raw material and product delivery, while sales is 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 the workers.

Financial

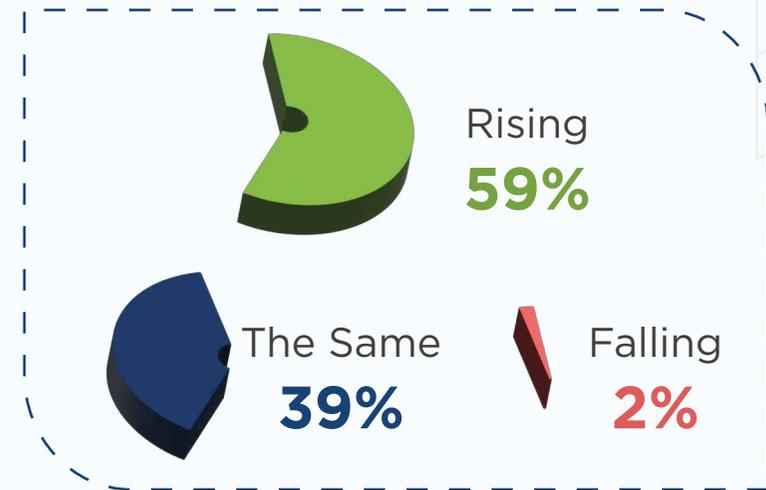
Investree's impact on revenue among pandemic-impacted micro borrowers

Pandemic's impact on revenue among micro borrowers



From
62%

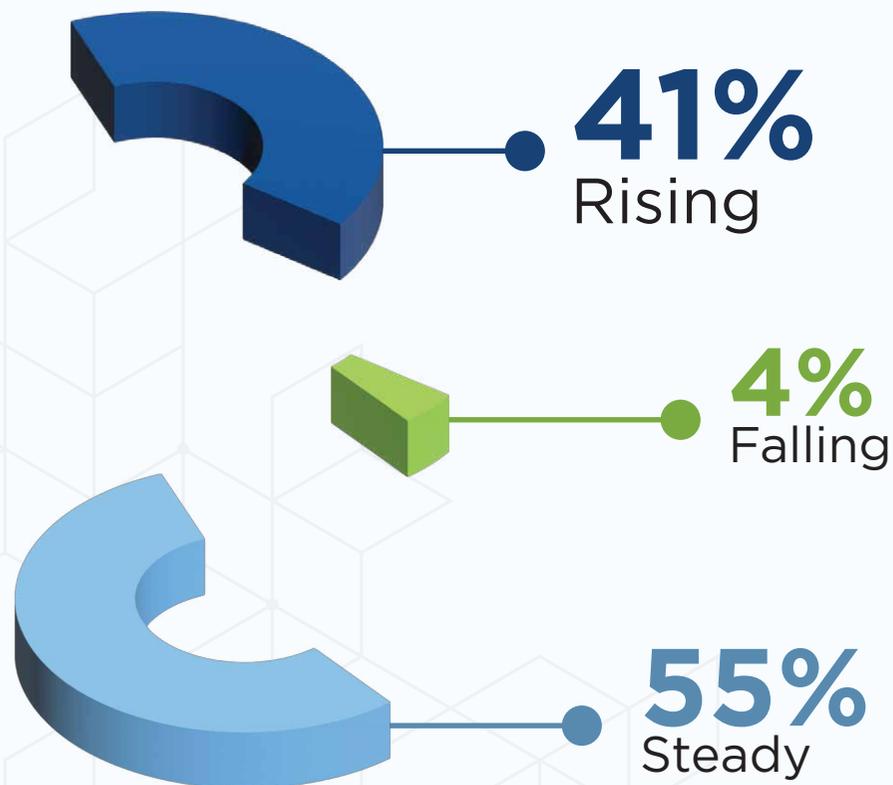
Investree's impact on revenue among micro borrowers that experienced fall in revenue when the pandemic starts



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 fall in revenue during the pandemic was able to bounce back after acquiring financing access through Investree. Meanwhile, 39% was able to prevent their revenue from falling even further - or maintain their revenue at the same level as before - after acquiring financing access through Investree.

Financial

Investree's impact on revenue among micro borrowers in total



Financial decline significantly impacts the micro borrowers. The drop in demand, and difficulty to find the raw material for production, lead to the fall on number of revenue. The mobility restrictions policy from the government, making it harder for them to survive the business. In this unusual circumstances, micro borrowers are pushed to implement new ways of doing business, which is with online selling strategy.

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

From all borrowers in the micro segment, 41% reported 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 falls.

The Story of Ibu Karin: Financial Impact



Ibu Karin, who sells Lotek (Sundanese vegetable salad with peanut dressing) and fruit juice, faced a lack of buyers due to the COVID-19 lockdowns. It made her think of the costs to procure materials for her business. At the same time, her blender and stove were broken – making her situation worse.

How did Investree help Ibu Karin?

The financing access through Investree helped her to buy new equipment, especially during times of need. By buying these new equipment (blender and stove), she was able to get her business back up and running.

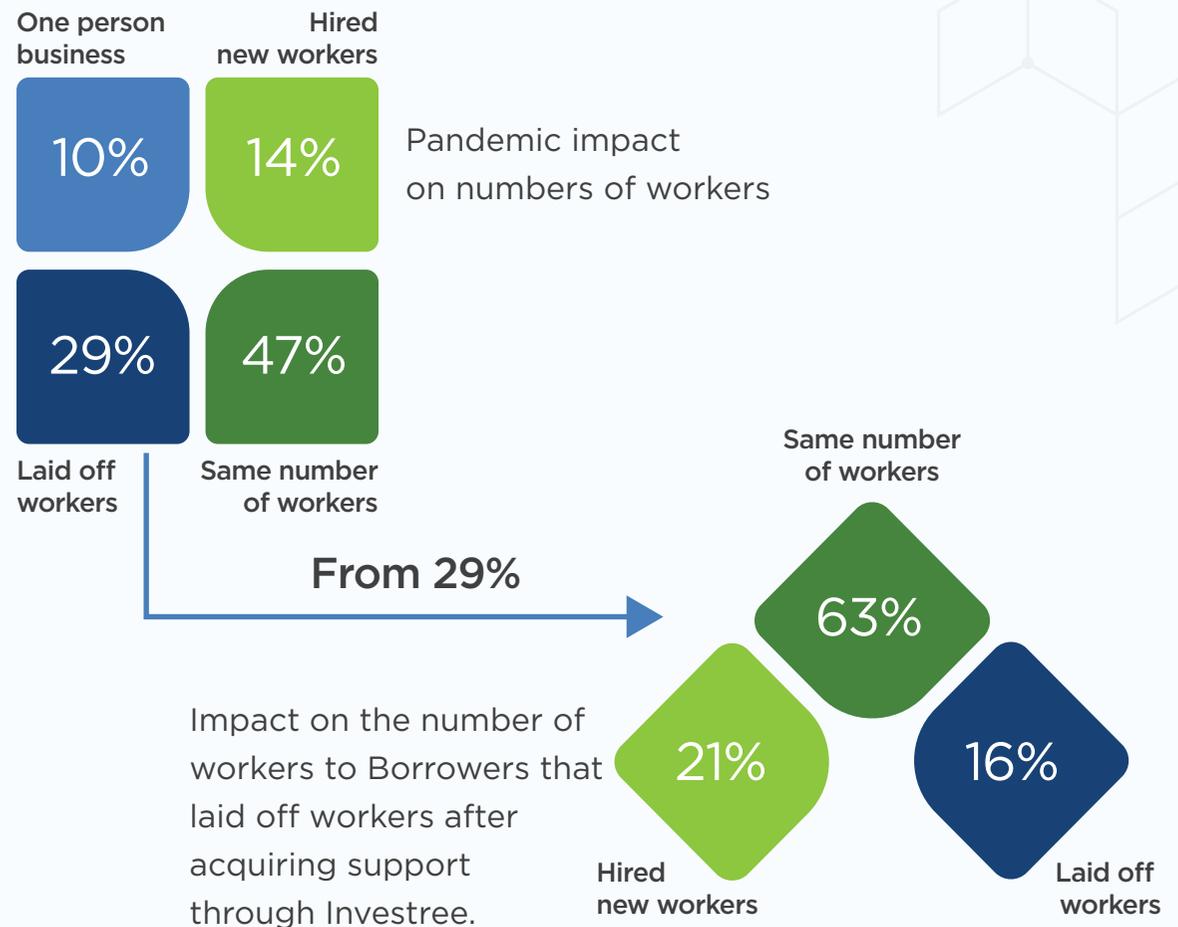
“Coincidentally, my blender was broken at the same time as my stove. I was also in the middle of making banners for my business. Through financing access provided by Investree, I am able to buy new equipments

*) Photo is for illustration only

Manpower

To weather the impacts of pandemic, small and medium borrowers are trying 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% small businesses were able to bounce back and hire new workers after acquiring financing access through Investree and 63% were able to maintain their workers, preventing further layoffs.

Investree's impact on number of workers to small segment Borrowers



Manpower

Meanwhile, among medium business who laid off workers due to 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 as the case of a borrower who faced challenges regarding how their cash flow can maintain their workers as they had become more selective of projects during the pandemic. After acquiring financing access through Investree, the business managed to improve its cash flow. In turn, it eliminated the risk of laying off workers.

Investree's impact on number of workers to medium segment Borrowers



Manpower

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 business 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 business were able to maintain their workers, preventing further layoffs. In total, financing access through Investree supported small and medium borrowers to create over 2,500 jobs during the pandemic.

Investree's impact on number of workers to small segment Borrowers



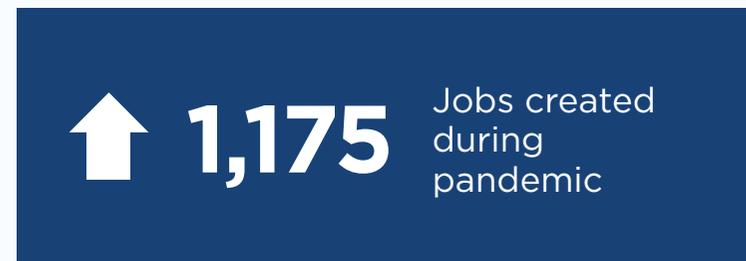
Small Sized Borrowers



Investree's impact on number of workers to medium segment Borrowers



Medium Sized Borrowers



The Story of PT FIS Sejahtera: Manpower



PT FIS gives priority to their employees, especially in terms of salary. Cash flow is also very important for them as they need it for operational costs.

How did Investree help PT FIS?

Acquired loan access through Investree helped PT FIS to improve its cash flow. They needed additional funds fast and Investree provided the kind of support that they needed.

“We tried to see which one is faster. At that moment, we needed it because of time. We needed one which is fast. With the reasonable interest rate, as it turns out, Investree has a quick approval process.”

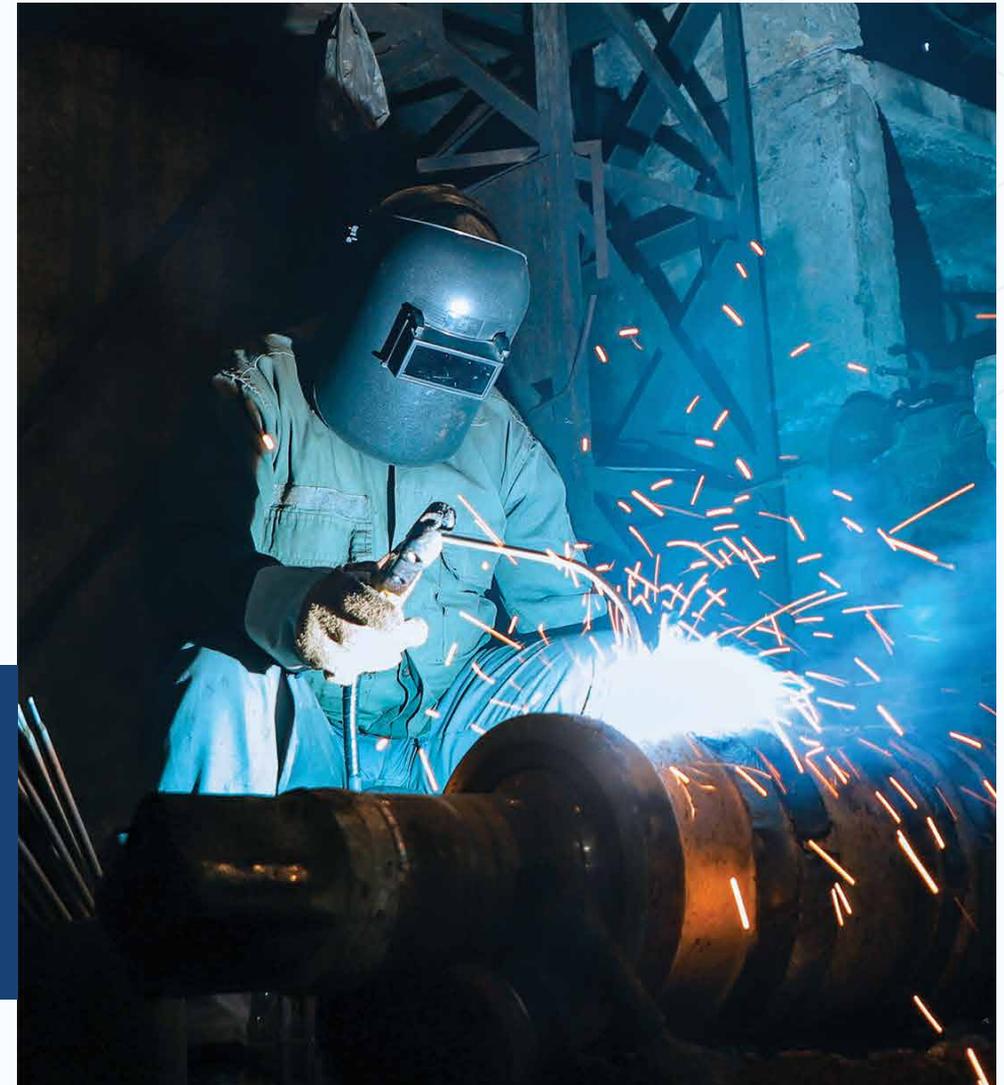
*) Photo is for illustration only

The Story of PT Holin Indo Persada: Manpower

PT Holin Indo Persada, a medium business that provides services and goods in the construction industry, were forced to pull back projects during the pandemic, resulting loss of money and revenue. The construction industry is deemed risky business for conventional financial platforms, therefore PT Holin looked for other feasible platforms.

How did Investree help PT Holin?

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



“In Jakarta alone, in March, I had the construction of a flat. In Bekasi, there was a road construction that was delayed for almost 2 years. I’ve been aiming for this project since 2020, thankfully I’ve made it happen this year. And yes, Investree has opened up the opportunity, very significantly.”

*) Photo is for illustration only

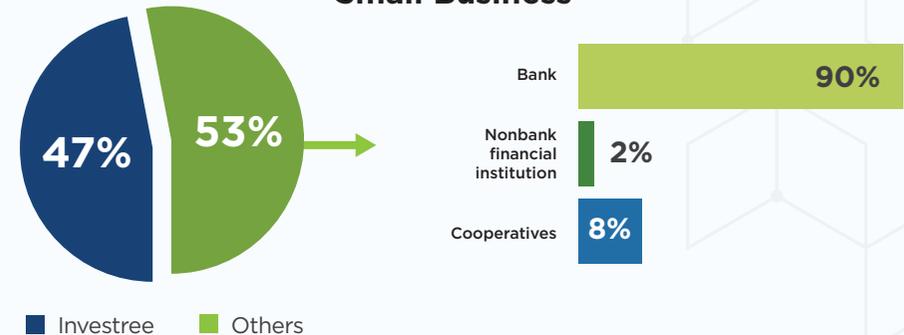
Financial Inclusion

Borrowers' first access to financing



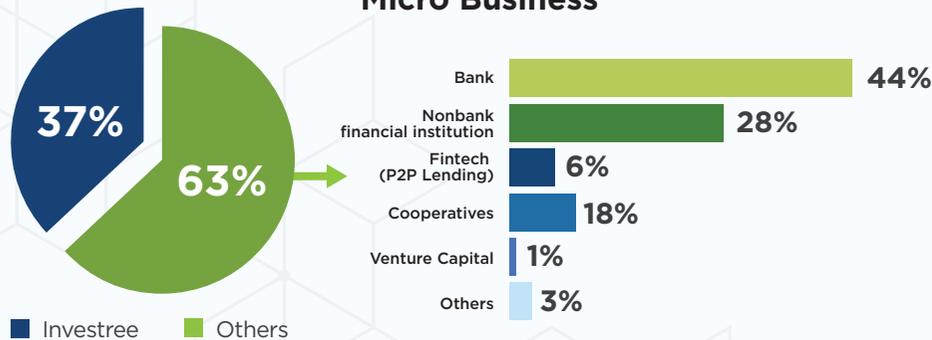
Investree helps to boost financial inclusion among MSMEs with 39% of borrowers reported that financing access through Investree was the first financing they ever received. Breaking it down to by borrowers segment, resulted 37% from micro borrowers, 47% from small borrowers, and 30% from medium borrowers obtained first financing access through Investree.

Small Business



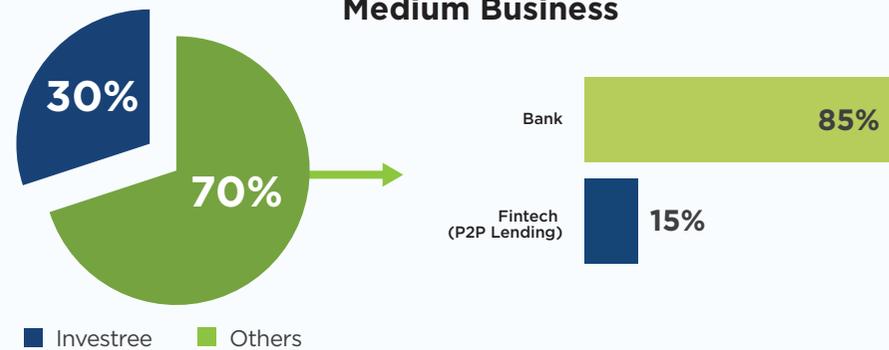
Meanwhile, among the remaining small borrowers who received their first financing access from other than Investree, 90% reported that they previously have received loan from banks, 8% have previously received loans from cooperatives, and 2% have previously received loan from non-bank financial institutions.

Micro Business



Among the remaining micro borrowers who received their first financing access from other than Investree, 44% reported that they previously have received loan from banks, 28% have previously received loan from non-bank financial institutions, and 18% have previously received loan from cooperatives.

Medium Business



Lastly, among the remaining medium borrowers who received their first financing access from other than Investree, 85% reported that they previously have received loan from banks and 15% have previously received loan from other financial technology or peer-to-peer lending institution.

The Story of PT Gesits Bali Pratama: Financial Inclusion

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 in order to support the process of supplying the motorcycle units and for operational purposes. Up to 4 banks were approached by PT Gesits but all turned them down, one reason being that PT Gesits business was less than 2 years old.

How did Investree help PT Gesits?

PT Gesits was finally able to acquire accessible financing access after applying through Investree. This means that Investree supported the business' opportunity to access financial services that meet their needs.

“We talk for a long time to the banks but in the end they ask whether our business has operate for two years. I even said that I have problems regarding the business. This is already the fourth bank. For the working capital of my business, Investree saved me.”



*) Photo is for illustration only

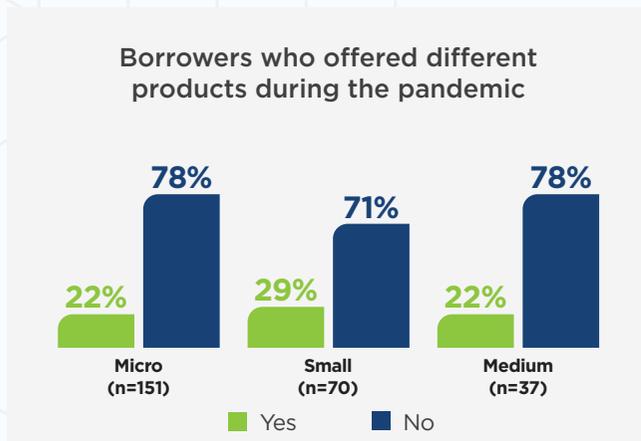
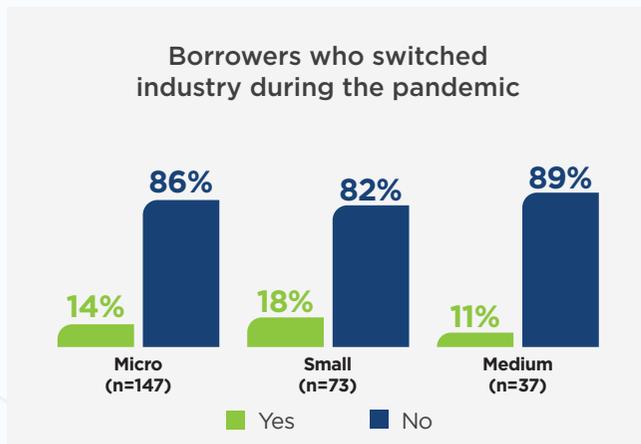
Pivoting in Business

after acquiring financing access through Investree allows borrowers to switch products, and even business industry, to adapt and survive the COVID-19 pandemic.

The number of businesses who switched industry during the pandemic was 14% among the micro borrowers, 18% among the small borrowers and 11% among the medium borrowers.

Micro borrowers reported that they are 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 are now selling IT equipment needed for online schooling or working as well as health equipment.

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



Most of micro borrowers pivoted to the food & beverage business by selling food, while small and medium borrowers tapped into the industries flourishing during the pandemic such as selling equipment needed for online schooling and providing health supplies or equipment.

The Story of The Lax Shop: Pivoting in Business



For The Lax Shop, a small business, switching products or even industries became a strategy to survive the COVID-19 pandemic. Lax Shop's business was sold electronics as its main product, but they faced difficulties in selling them during the pandemic, thus needed to find ways to survive. In this situation, the firm decided to add product variety by also selling daily goods considered as 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 their previous products due to distributor constraints and a lack of buyers.

How did Investree help The Lax Shop?

Investree supported the borrower to switch products and industries by providing access to business loan that can be used to rotate the businesses' capital.

“Well, I look at other businesses. Find other opportunities and see what items are 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 sold in retail, but sometimes I would get orders from the school's IT person, and they would buy up to 100 units.”

*) Photo is for illustration only



Non-Economic Impact of Investree on MSMEs

Social Capital

The micro borrowers were found to have strong social capital after joining Gramindo. Social capital refers to the value of social networks or the benefits and obligations that come with group memberships.¹¹ Some key dimensions regarding the concept of social capital are relational dimensions, such as trust, norms, and social interaction. This section describes how social capital played an important role to help the small businesses cope with the crisis of COVID-19.

As many as 82% of the micro borrowers reported that they joined the Gramindo community because they were invited, such as by their friends and neighbors.

In other words, the decision to join (or not join) Gramindo, and then to acquire (or not) a loan, will very much depend on how they trust one another. If they do not trust the other members, then they will feel hesitant and likely refuse to join Gramindo.



*) Documentation from "Syukuran Pencapaian 1000 Penggiat UMKM Gayatri Microfinance" Event - 15 April 2021

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

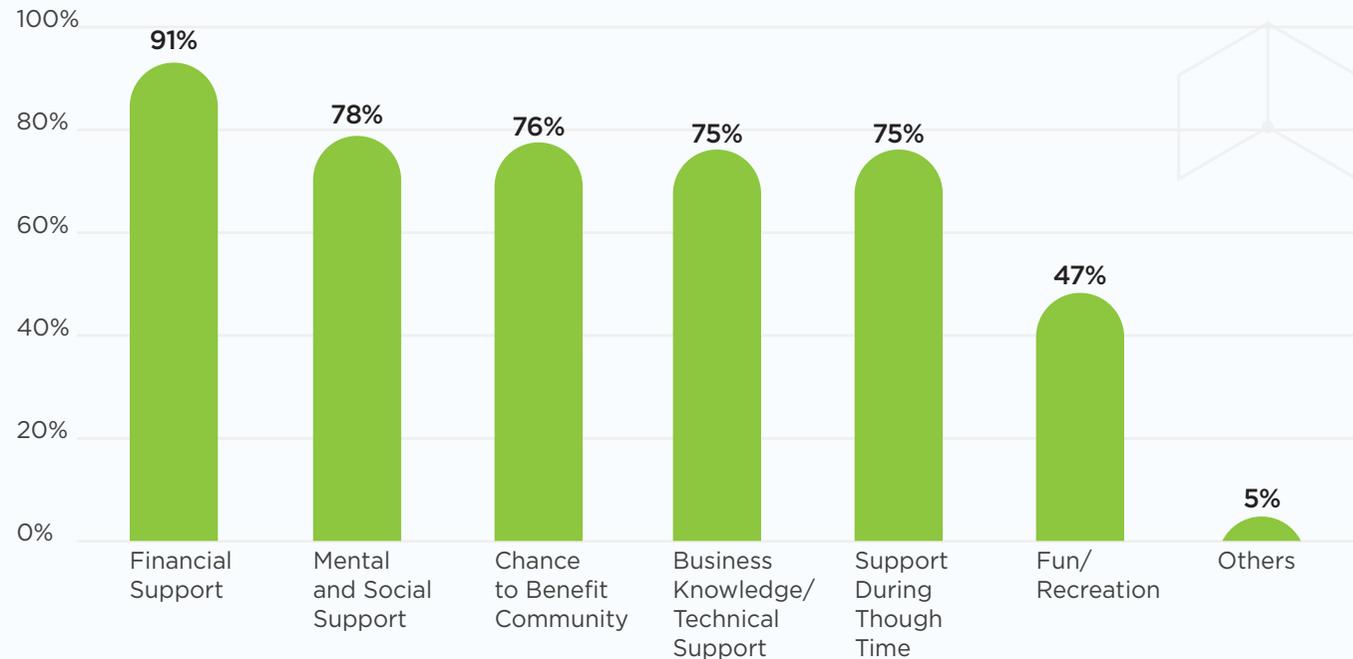
Social Capital

Then, after joining the community, 91% of the borrowers reported that they gained financial support from the community, 78% borrowers reported that they gained mental and social support from the community, 76% borrowers reported that the community gives them the chance to give back, 75% borrowers reported that they received business knowledge or technical support, and 75% reported the community gives them support during tough times.

Most members decided to join Gramindo as a result of being invited by their friend who lives within close proximity. Furthermore, based upon the loan mechanism, the group also cultivated mental and social support, where the group members would remind one another regarding the bi-weekly instalment of the loans. The micro borrowers reported that

they have a Whatsapp group, created by Gramindo officers, that is used to communicate about the loans amongst themselves.

Benefits gained from Gramindo participation



The Story of Ibu Riri: Social Capital

As a member of the Gramindo community, Ibu Riri is part of a borrowers group whose members include friends that live within close proximity. She joined Gramindo because she was invited by her friend – a person she trusts well.

How did Investree's partnership with Gramindo cultivate social capital?

The level of trust between the group – facilitated by Gramindo – allowed the micro borrowers to receive mental and social support from one another. The micro borrowers reported that they have a Whatsapp group, created by Gramindo officers, used to communicate about the loans amongst themselves.

“We have a time limit to pay the installment. For example, tomorrow we start paying the installment. We remind the members of the borrowers group the night before. Then the next 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



*) Photo is for illustration only

The Story of Ibu Karin: Social Capital



Ibu Karin joined the Gramindo community because she was invited by her friend. Her borrowers group consisted of fellow women who lived in the same area as her, individuals that she already knew before joining Gramindo.

How did Investree's partnership with Gramindo cultivate social capital?

For Ibu Karin's group, participating in Gramindo allowed them to provide financial support when one was unable to pay the loan instalment on time. This was also supported by the trust they have over each other as the group members were already friends beforehand.

“For example, if someone is late to pay the installment but it's not a day late, say it's only a matter of hours. We have a Whatsapp group with Gramindo officers inside. We let them know about this issue and someone in the loan group will help pay for it first. However, they will be repaid on the same day.”

*) Photo is for illustration only

Social Capital

Thus far, the finding shows how the strong social capital possessed by the members of Gramindo had enabled them to gain financial capital, which was urgently needed in times of the hard crisis. Moreover, by helping each other out when some members were faced with unexpected problems during the pandemic, this could strengthen their bonding and hence social capital. In this regard, not only do the existence of the Gramindo community played a critical role to help them cope with the hard crisis, but also Investree's role to provide financial support.

By having the access to the micro financing, the Gramindo members have been treated inclusively to gain affordable and beneficial financial services, just like the larger-sized firms. They were given the power to access financing through Investree easily due to the facilitation of Gramindo. As

explained by the micro borrowers, the Gramindo officers approached them directly when handing out the loans and collected the instalments. One borrower shared that when the Gramindo officers visited, there was a chance for them to have an informal discussion, including asking questions about loans. In this way, the borrowers could acquire more knowledge regarding Investree's financial products and services.

“We often share with the officers. The staff is nice when we talk to them if we have a complaint or for example when we ask the number of installments we have done.” - Ibu Riri

This suggests that the micro borrowers seemed to have chances to have more intense social interactions, particularly with both the group members and Gramindo during the loan process. In other words, not only did they gain



*) Documentation from “Syukuran Pencapaian 1000 Penggiat UMKM Gayatri Microfinance” Event - 15 April 2021

financial support but also stronger trust or social support amongst them, through which they could be more resilient in facing the pandemic crisis.

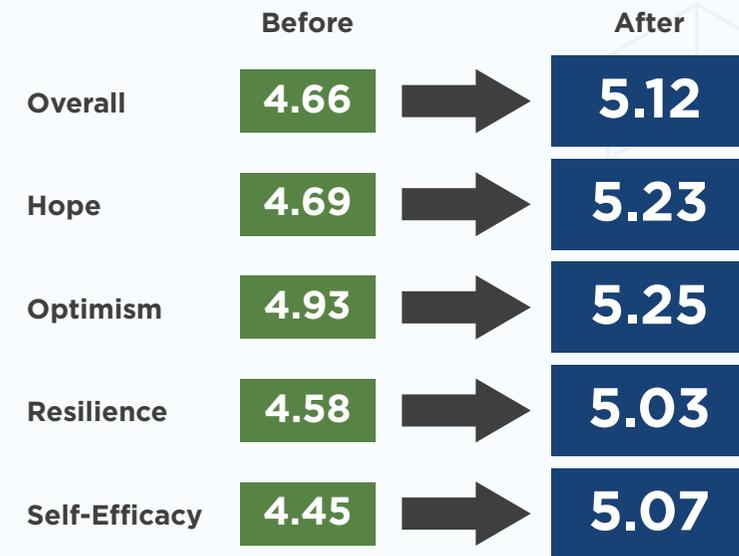
Psychological Capital

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 6-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).

Psychological capital of Borrower before and after getting Investree's support



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

Psychological Capital

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 6-point Likert scale. Micro borrowers experienced 10% increase in their psychological capital, from 4.6 points before receiving financing through Investree to 5.1 points after acquiring financing access through Investree. Meanwhile, small borrowers experienced 9% increase in their psychological capital, from 4.8 points before receiving financial access through

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 indicate that in addition to supporting financial capital, financial assistance gained through Investree in times of the crisis

could also strengthen the psychological capital of MSMEs. 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 admitted that they could overcome the difficulties with Investree’s 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 hands, the financing indeed had given them confidence, and a sense of optimism, as well as hope for their business’ future. In the dark time, for example, the 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 hopes to borrowers with higher-risk business (such as construction), when other lenders refused to give them access to finance.

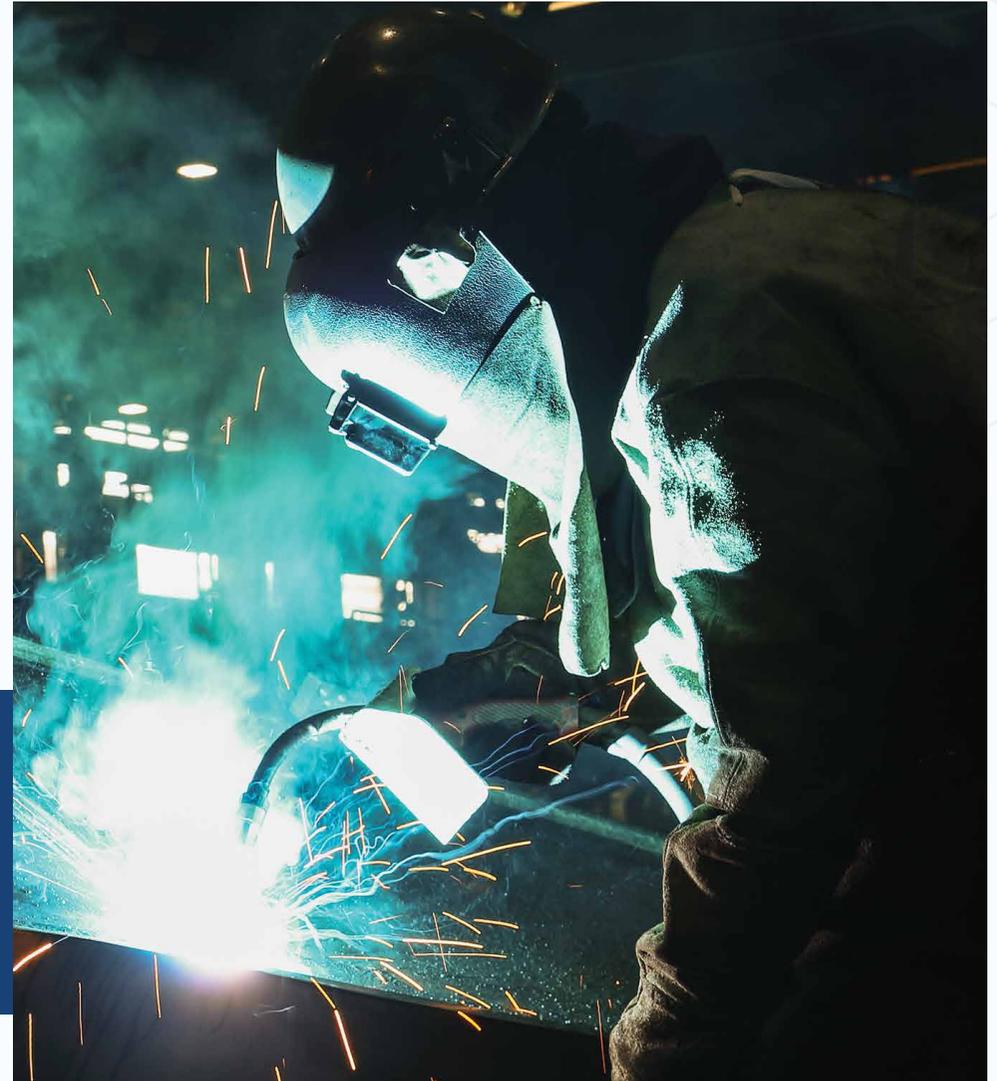
12) Positvepsychology.com, “Psycap 101: Your Guide to Increasing Psychological Capital” Dec. 7, 2021 <https://tinyurl.com/y85ex7et>

The Story of PT Holin Indo Persada: Psychological Capital

As a medium borrower, PT Holin's decision to acquire financing access through Investree helped increase their self-efficacy, or the confidence to put the necessary efforts to succeed a task.

The respondent's task is to use and maintain financing access through Investree. Since acquiring financing access through Investree, he believes his determination and sense of responsibility indicate his 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 bowheer 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.”



*) Photo is for illustration only

The Story of Ibu Riri: Psychological Capital



As a micro borrower that sells lotek and phone credit, receiving financing access through Investree was significant in motivating Ibu Riri to keep her business up and running. She became optimistic towards her business and was geared to keep moving forward using the loans she acquires.

“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.”

*) Photo is for illustration only

Quality of Life

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

1. Economic wellbeing

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

2. Social wellbeing

Investree borrowers value their being able 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 wellbeing

Investree borrowers assess their physical wellbeing 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 wellbeing

Investree borrowers assign the 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 situation and mobility restrictions that often took a toll on their sales.

5. Spiritual wellbeing

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 wellbeing

Investree borrowers assess their environmental wellbeing 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 responds by picking the best answers that represents their condition during the pandemic, before and after acquiring financing access through Investree. The indicators were measured using the Likert scale of 0 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.



Quality of Life

Borrowers' quality of life before and after receiving Investree financing (Skor 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 in a 0 to 10 Likert scale. This increase in quality of life is mostly supported by a boost in the economic wellbeing which increased by 16%, followed by social wellbeing which increased by 14%, and psychological wellbeing that increased by 9%. Despite having one of the lowest increase, spiritual wellbeing of the borrowers started off high at 8.2 points and landed the highest point among all the wellbeing dimensions after acquiring financing access through Investree, which now stands at 8.6 points. The second highest dimension of wellbeing after acquiring financing access through Investree is the borrowers' psychological wellbeing that stands at 8.0 points, supporting our finding regarding 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 increase in economic wellbeing by a whopping 20%, followed by social wellbeing by 18%, and psychological wellbeing 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 with micro borrowers, quality-of-life improvement after acquiring financing access through Investree is mostly supported by increase in economic, social, and psychological wellbeing. Meanwhile, spiritual and environment wellbeing saw slight increase across all borrower segments.

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

Quality of Life

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

Derived from the interview data, the loans through Investree also have impacted the quality of life of MSMEs. The borrowers perceived that their quality of life had increased by having the supports through Investree's loans. Regarding the economic wellbeing, this aspect had improved since they hardly 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. An improvement in psychological wellbeing can be seen from the borrowers' psychological capital acquiring financing access through Investree, in which elements such as self-efficacy and optimism improved

well. The borrowers' social wellbeing also improved - mainly seen from the micro borrowers. Investree's partnership with Gramindo allowed the micro borrowers to cultivate stronger social capital among the group members. Moreover, it even allowed them to juggle two jobs at once.

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, his business was forced to pull back projects. The result was less projects for the company and in turn, less income. To keep his business running, he allocated his salary for his workers and business operations. This impacted his psychological well-being and to an extent, his family - before, he could buy his child toys every week, but now he can only buy them once a month.

The Story of PT Holin Indo Persada: Quality of Life

During the pandemic and before acquiring financing access through Investree, PT Holin Indo Persada was forced to pull back projects. The result was less projects for the company and in turn, less income. To keep the business running, the respondent as the owner, has located his salary for his workers and business operations. This impacted his psychological well-being and to an extent, his family – before, he could buy his child toys every week, but now he can only buy them once a month.

How did access financing access through Investree helps PT Holin improve their quality of life?

Investree supported PT Holin to take on more projects by providing access financial access. As a result, the company could increase their 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 super helped by Investree at that moment, why? Because there are several jobs that they still support. On the subject of buying toys to my children, now it’s starting to return to normal. With the many work we have, we are happy.”



*) Photo is for illustration only

Beyond Lending



Beyond Lending: Borrowers' Aspirations

Investree's access to lending has positively impacted the borrowers in terms of economic and non-economic impacts. This access to lending is supported by the digital ecosystem established through Investree's partnership with trusted third parties, which allows business process integration, so loan application is systemized and therefore results in a faster process 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. In addition, 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 gain access by participating in the Garuda Financial (GaFin) and SIPLah Blibli digital platforms. In addition, the digital ecosystem from Investree opens up access to supply chain financing by having an integrated system with the 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.

Investree has created a digital ecosystem that gives the borrowers support beyond lending by establishing

these partnerships. This digital ecosystem does not only help borrowers to explore their financing needs and offer the best solution but also help them to 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 MSMEs hope 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 USD 2.36 trillion.¹³ With its digitally advanced technology, increasing support in green financing can become an added value for Investree, as reported by a tiny borrower in the green industry.

13) Positivepsychology.com, "Psychap 101: Your Guide to Increasing Psychological Capital" Dec. 7, 2021 <https://tinyurl.com/y85ex7et>

Beyond Lending: Borrowers' Aspirations

“Everything can be solved easily with the Investree application. Being able to solve them easily is very helpful. Now is about how Investree can provide financing in the green industry more convenient, especially for Gesits. Since the beginning, I said everything that is done through digital is convenient.” - PT Gesits Bali Pratama

Furthermore, the MSMEs hope that Investree can provide financing access for standby loans. Though standby loans from Investree are deemed beneficial, One borrower shares that through possible financing products as beneficial as standby loans, speeding up the process of acquiring these loans could greatly help his business in moments of emergency.

“We are interested in the standby loans, but it turns out that there is a reasonable admin fee for the service. So far, we’ve applied twice for the standby loans, and we have had no issue. After using the standby loans, we inquire if Investree can accelerate the process. We use the 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 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.



Conclusion

This study shows that Investree's loans to micro, small, and medium enterprises support the 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 cash flow crises due to weaker demand. The loans helped businesses sustain their day-to-day operation, which is especially true for their micro borrowers, and maintain or even increase their revenues amidst the economic recession, 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 minimal financial resources and unfitness for conventional loans (bankability), making them even more prone to further losses or going out of business, especially during the pandemic. More-

over, Investree keeps access to financing open for small and medium borrowers in industries deemed risky by conventional financial institutions during the pandemic, such as construction and manufacturing (convection), despite their vast potential to create jobs. The access to financing given by Investree also supports businesses venturing into new-coming and green industries, such as the electric vehicle, 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 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 established a community-based support system for its micro borrowers. Members receive mutual business knowledge and technical support within the community, and mental and social support is paramount during tough times. Borrowers also reported improved psychological capital after receiving financing

access through Investree during the pandemic, mostly in self-efficacy, 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 improved the borrowers' quality of life.



White Paper 2022

Beyond Lending:

Building MSME's Resilience During COVID-19 Pandemic

(A Case Study of Investree 2020-2021)

