



funding societies | **modalku**

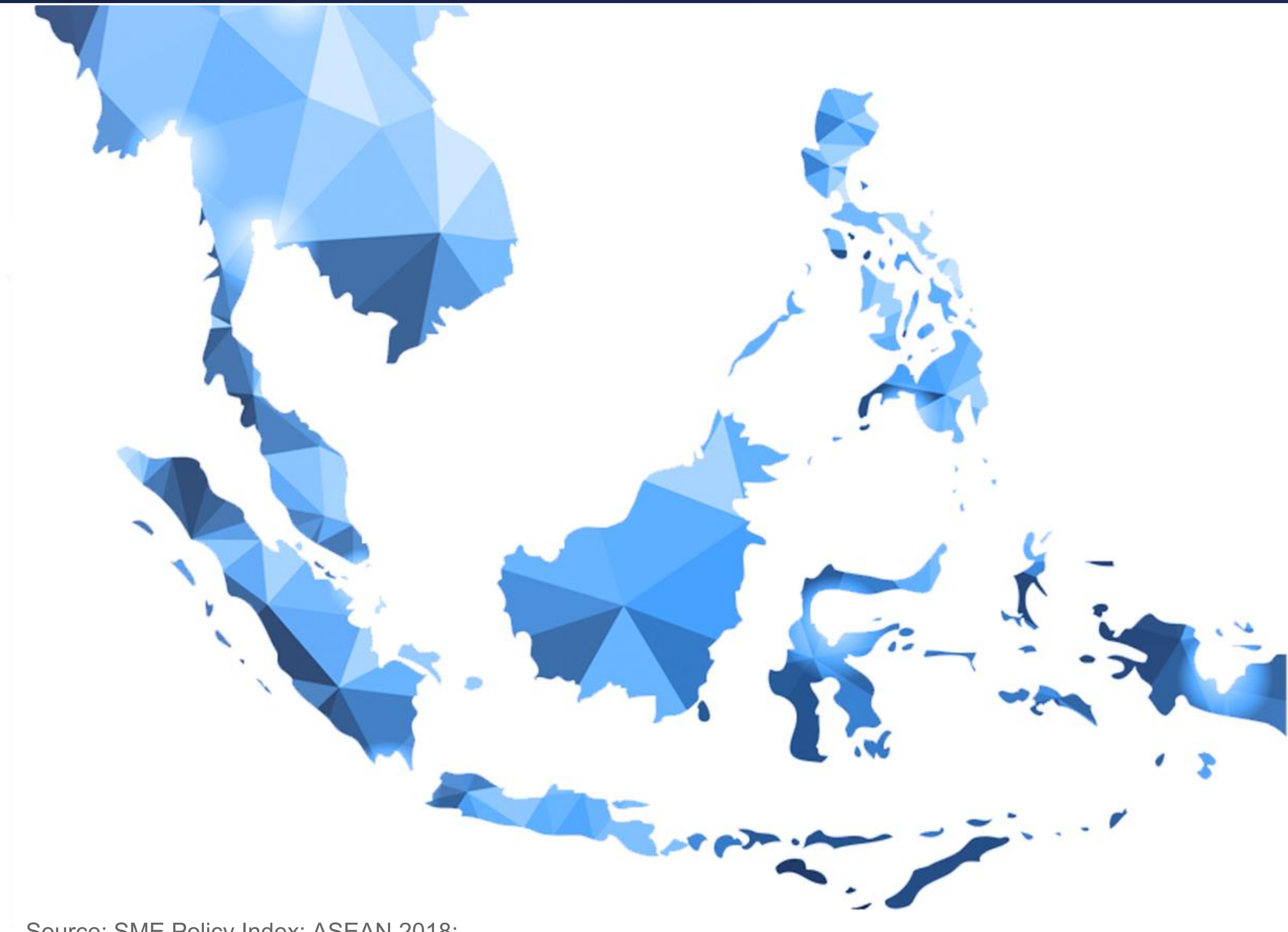
Stronger SMEs, Stronger Societies

Myths and realities of Debt Crowdfunding in Singapore

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October 2019

SMEs are the backbone of SEA, contributing to key growth matrices



49% of GDP

3 out of 4 jobs

99% of enterprises

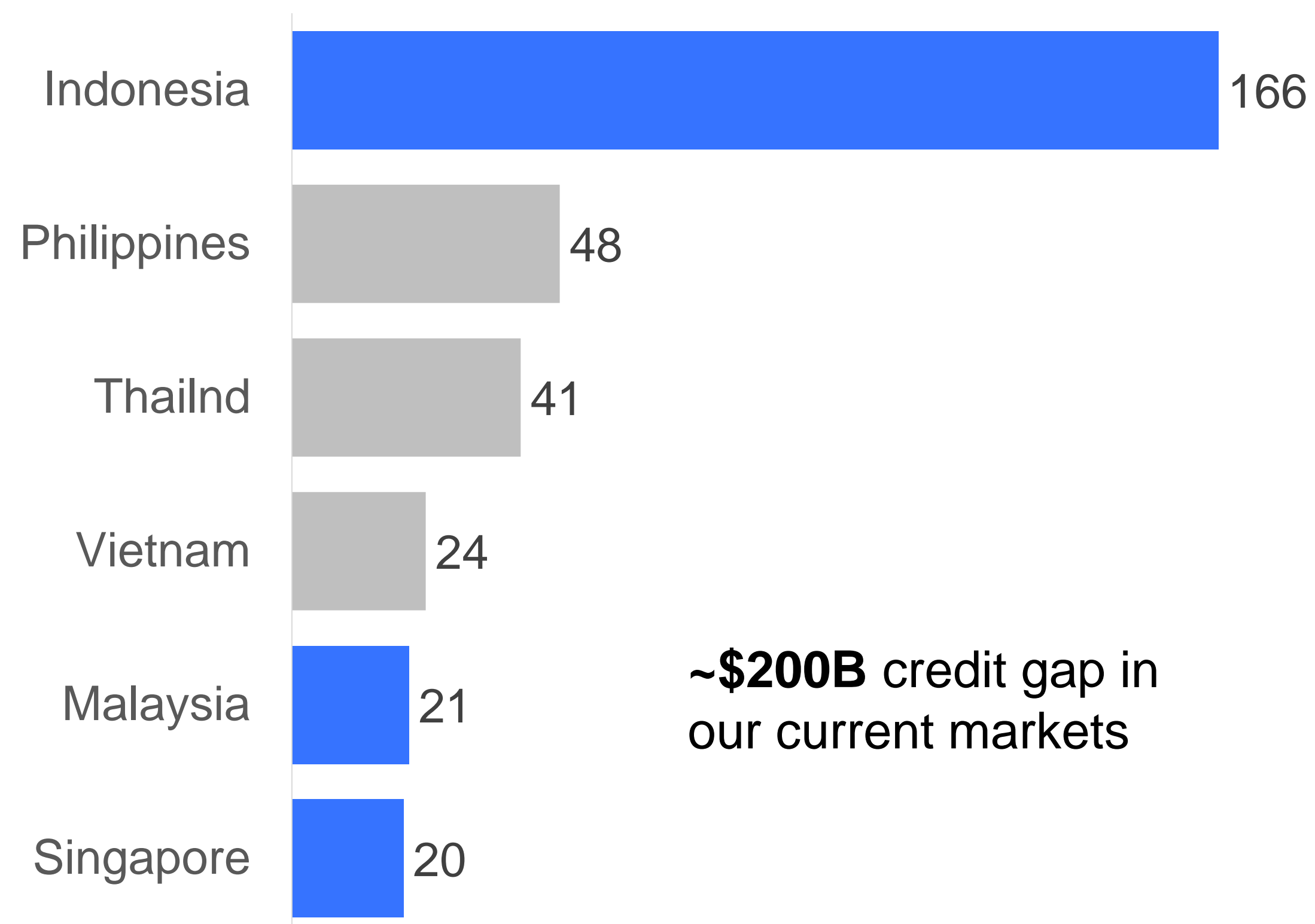
Source: SME Policy Index: ASEAN 2018:

They are financially under-served by banks

leading to huge gap

Micro and SME credit gap¹

US\$ billion



Gap by count²

% un/ under-served

74%

62%

58%

n/a

55%

60%

~\$200B credit gap in our current markets

Below 60%

SMEs have access to bank loan

\$320B

SME financing gap¹

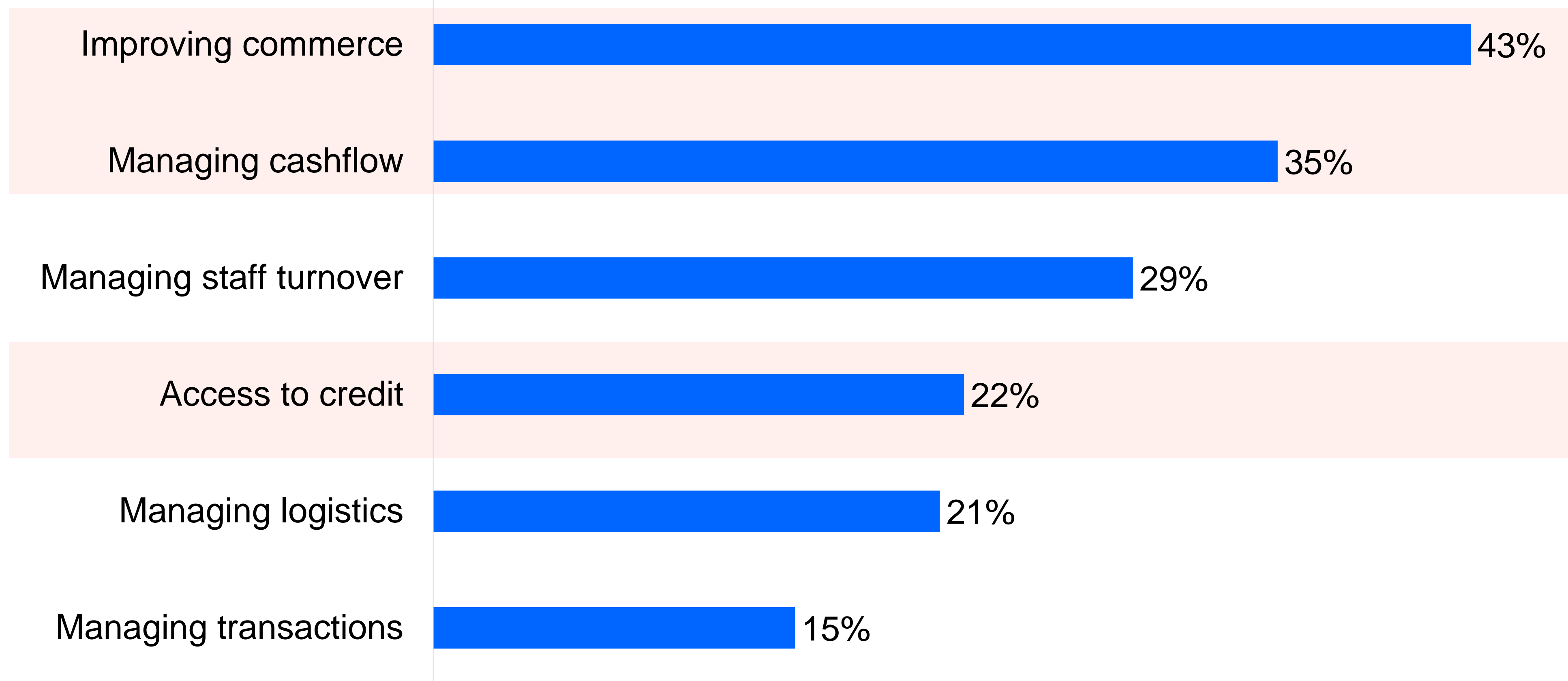
¹ World Bank IFC, 2011/ 2017 "SME Finance Forum", by benchmarking economies for potential demand and subtracting supply.

² PWC, 2019 "Indonesia's FinTech Lending" and Deloitte, 2015 "Digital Banking for SMEs"

3 out of 5 top SME challenges are financing related

Top business challenge for SMEs

% of respondents

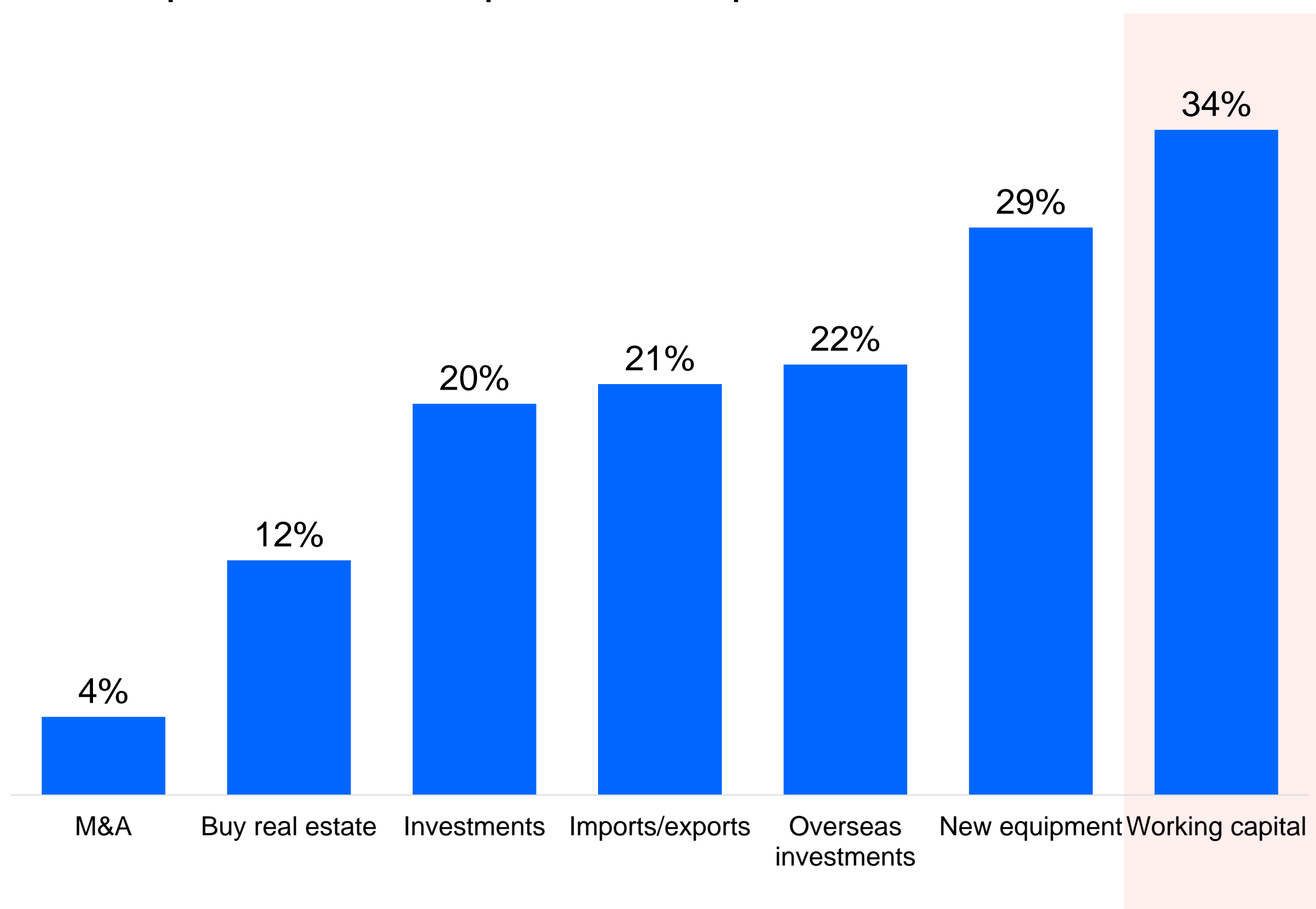


Source: Oliver Wyman SME survey July 2019

Among it, unsecured working capital is the largest pain point

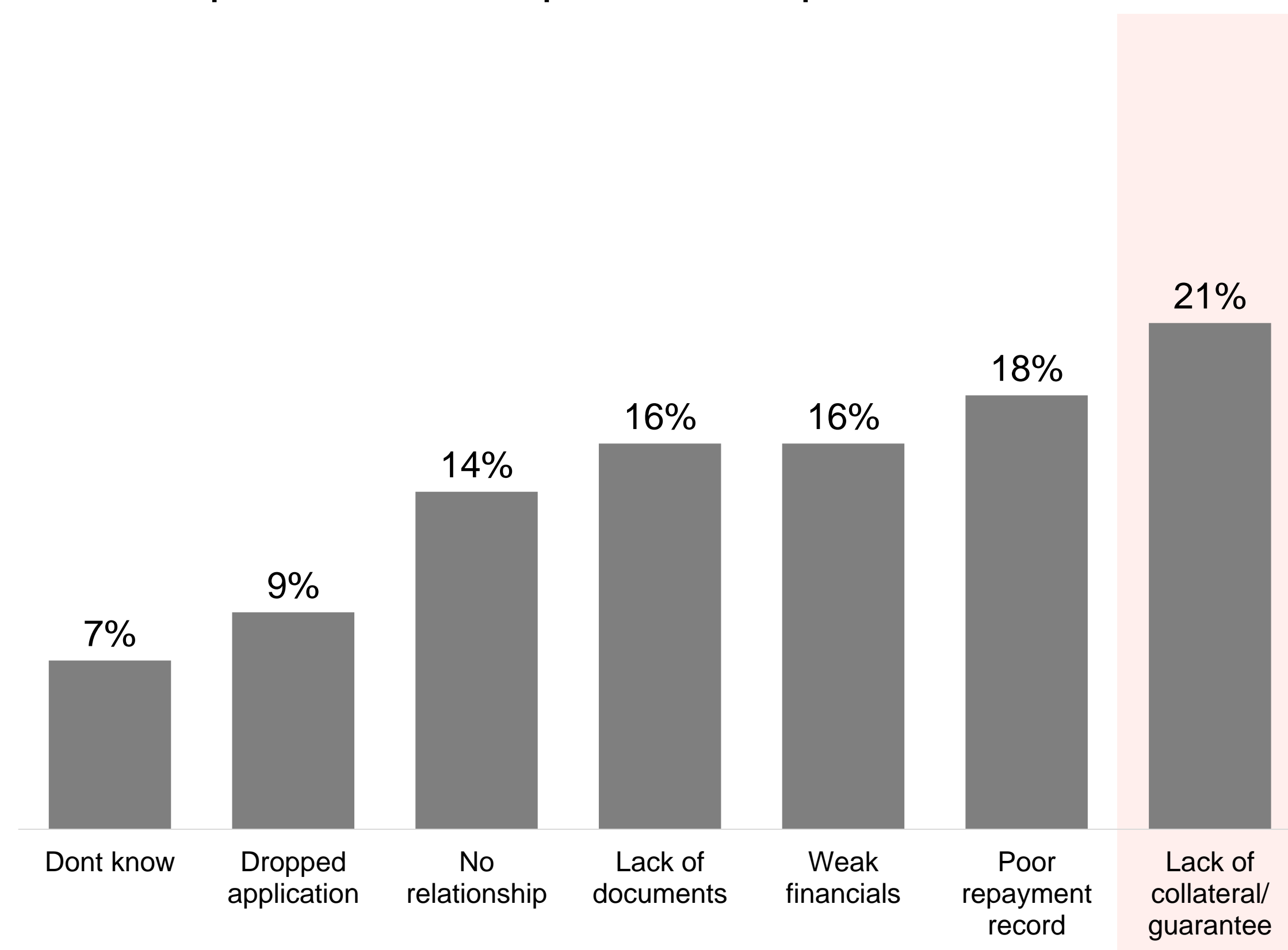
Purpose of the credit need

% of respondents, multiple choices permitted



Reasons for no/ partial approval of credit

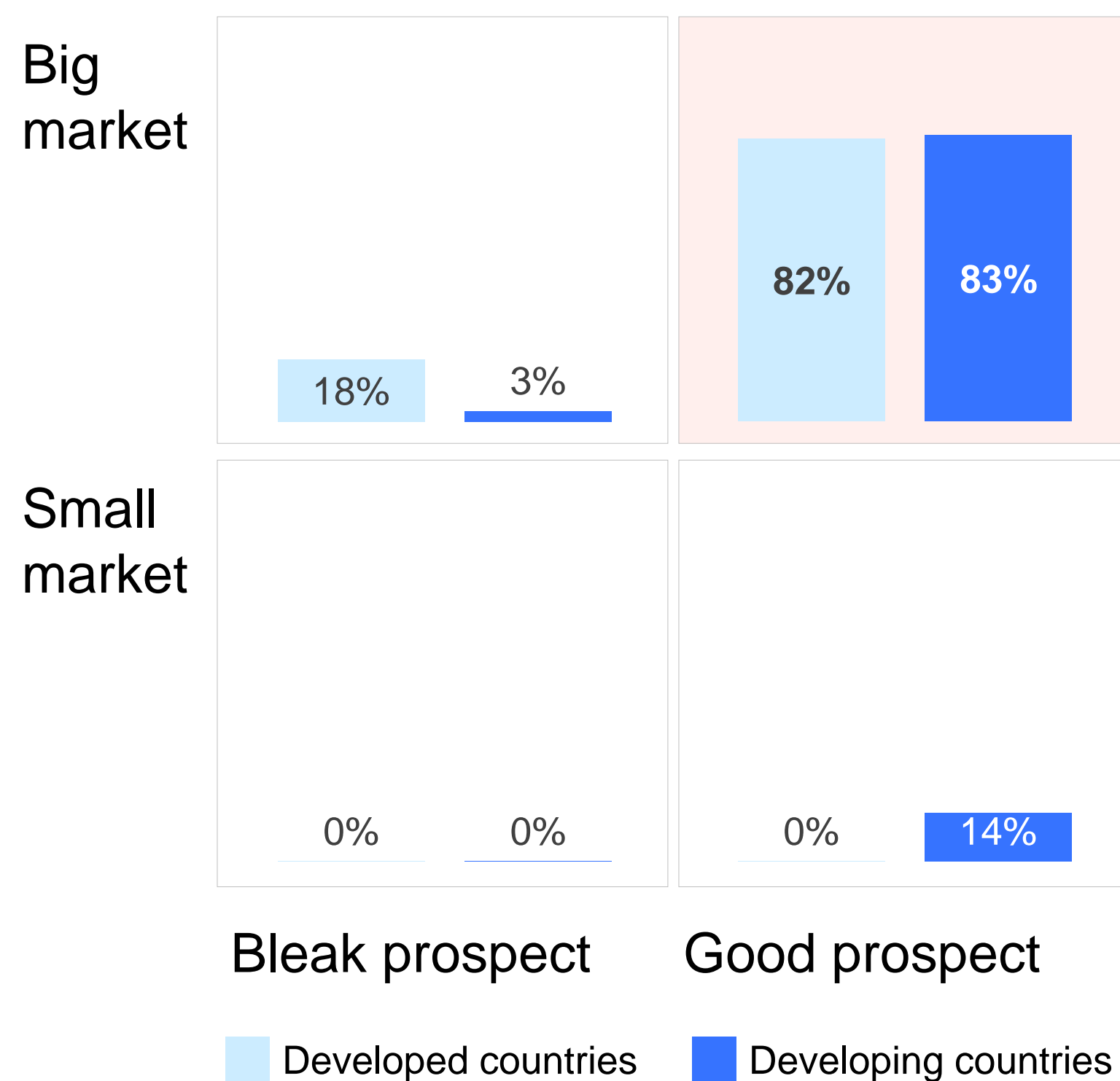
% of respondents, multiple choices permitted



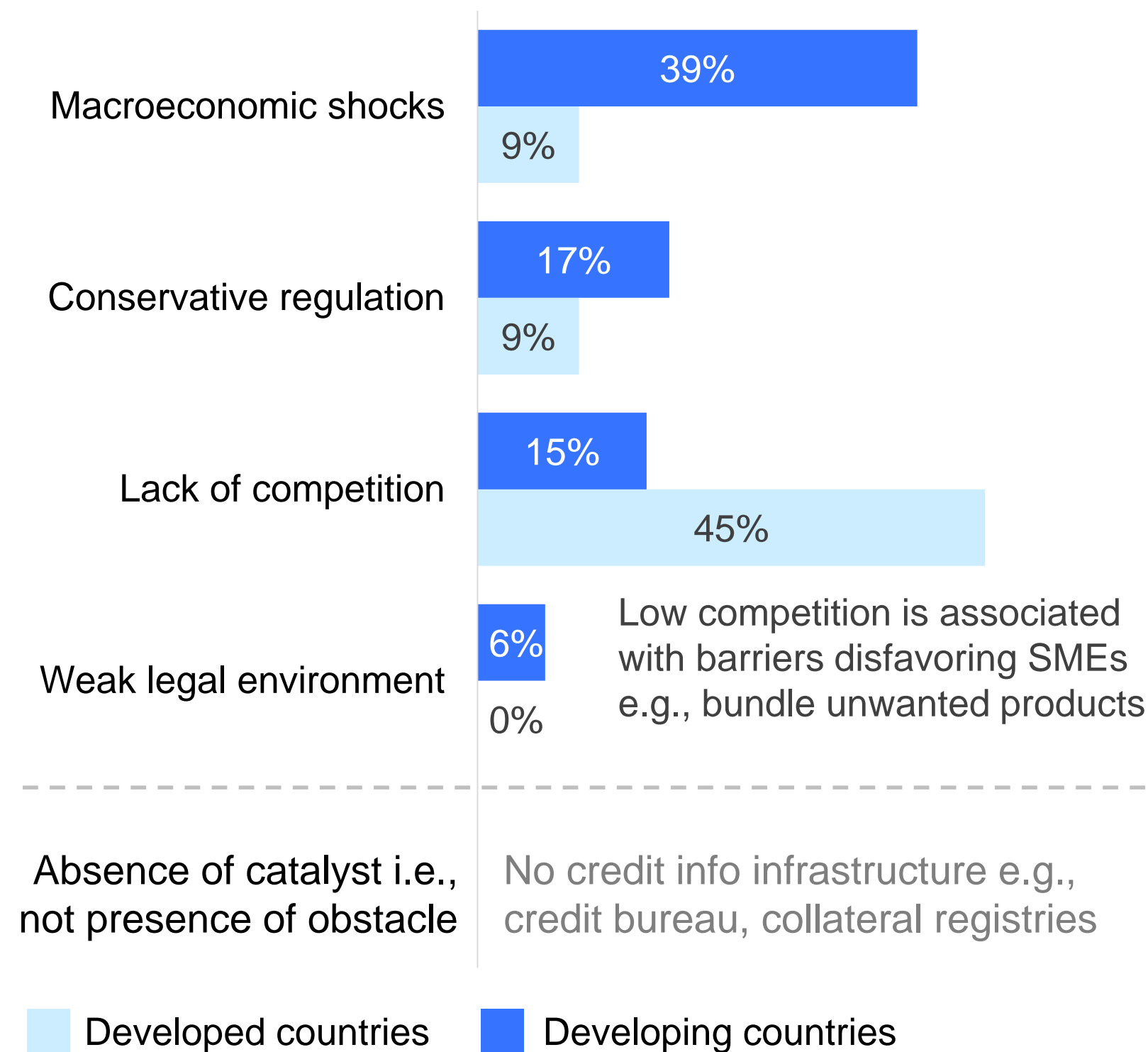
Source: Oliver Wyman SME survey July 2019

SMEs are not ‘sub-prime’ banking, but require different banking

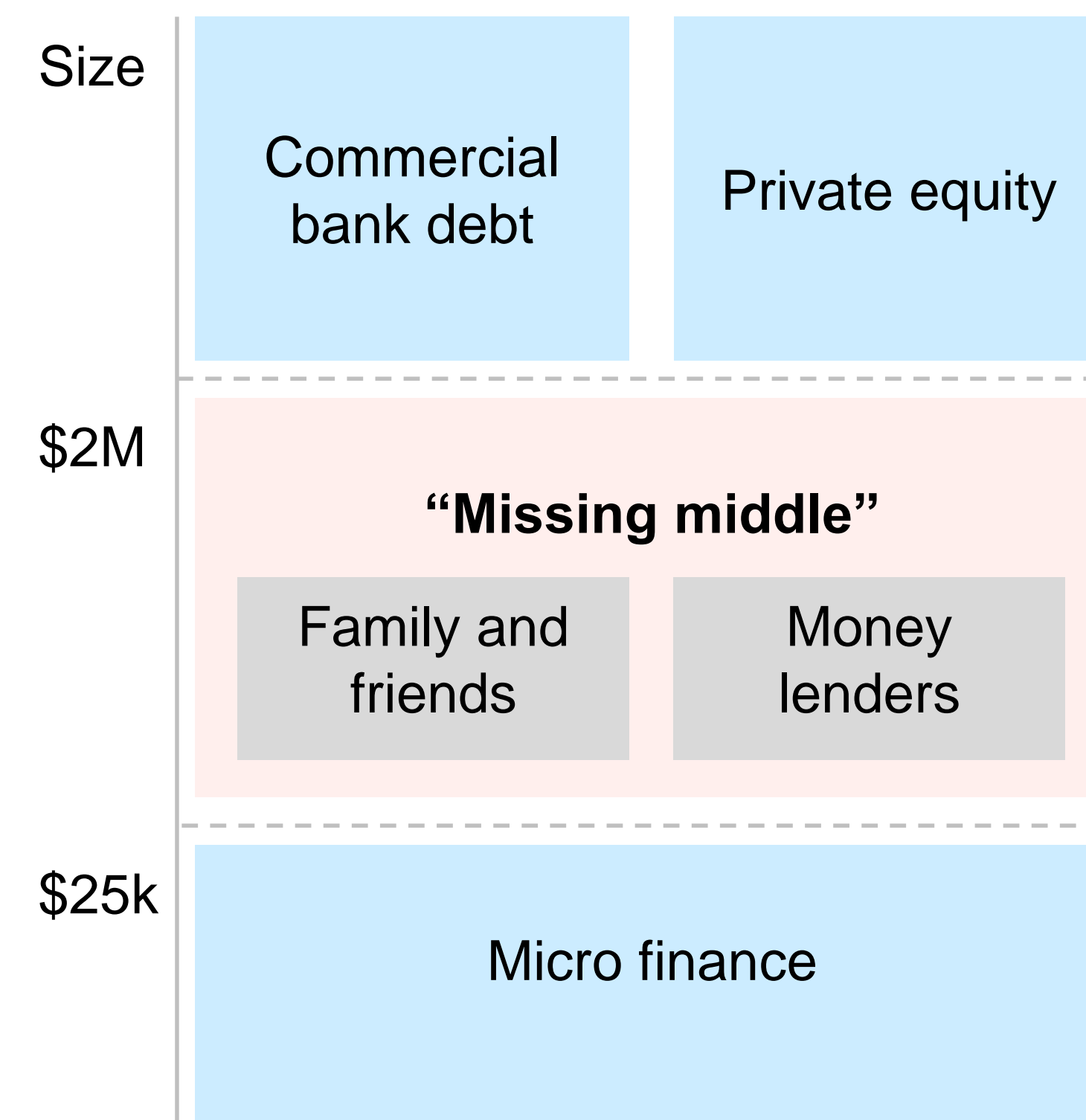
Banks find SME to be a big and good market¹



Banks see ‘obstacles’¹ to serve SMEs



There is limited financing option for ‘missing middle’



¹ International Finance Corporation (IFC), 2009, “The SME Banking Knowledge Guide”

This results in the rise of debt crowdfunding platforms

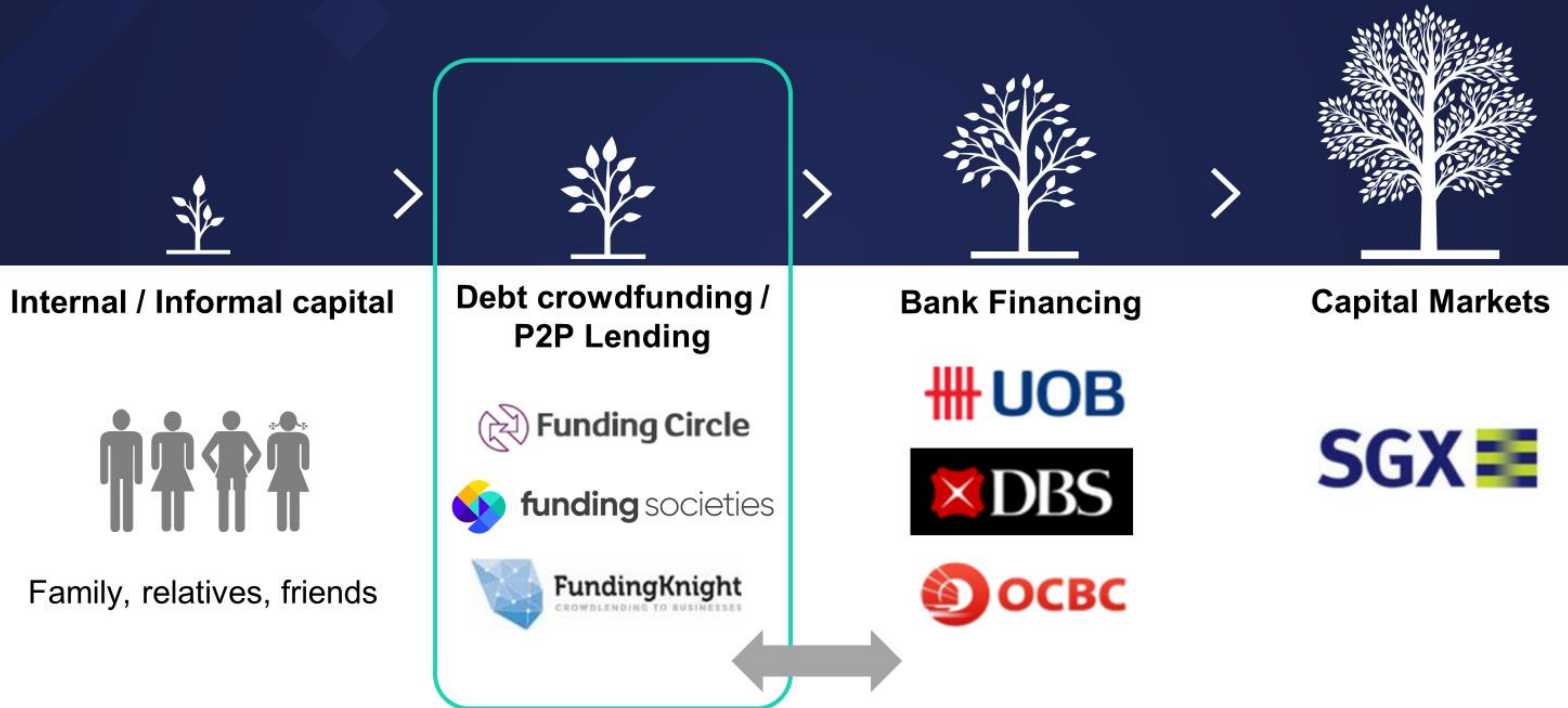


¹ Allowed due to special exemption from Ministry of Law

Debt crowdfunding complements banks in serving a different need

Key differences	Banks and FIs	Funding Societies Modalku
Product	Traditional loan	Flexible loan
Size	Big, > US\$ 1M	Small , < US\$ 1M
Duration	Long, 3 – 5 years	Short , 1 – 12 months
Target segment	Larger SMEs with collateral	SMEs with good cashflow
User experience	Mostly offline, slow	Hybrid, fast

It fills the gap between informal capital and bank financing



Thanks to proactive regulation, it has avoided the fate in China

Selected examples



Monetary Authority of Singapore

On borrowers

- Legal entities only
- **Max S\$5M** per borrower per year for retail investors

On investors

- No investment limit, with risk acknowledgement
- Regular escrow

On platform

- Base capital requirement
- **Living will arrangement**



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How fintech & P2P lending are driving SME growth in ASEAN

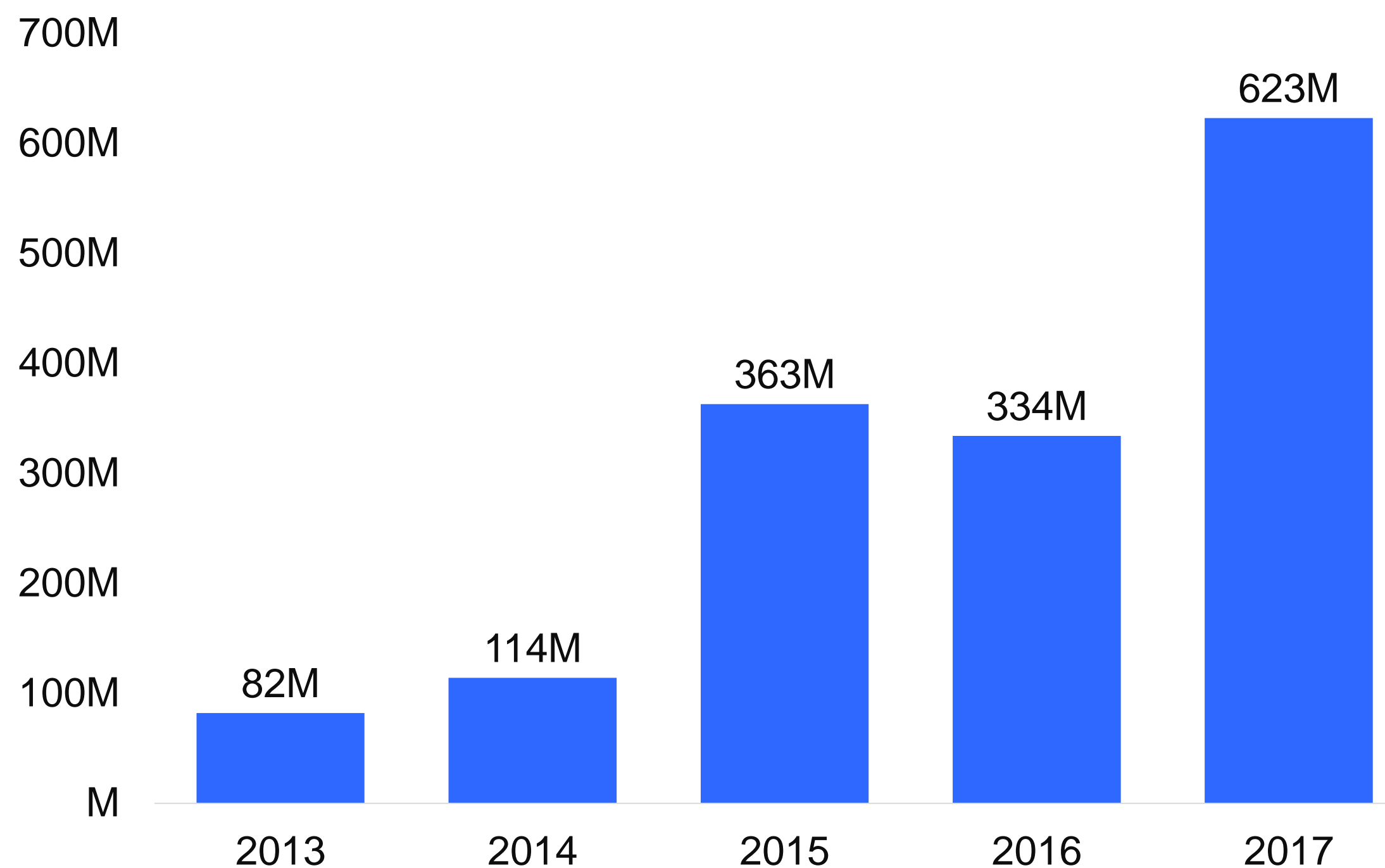
“The P2P lending model is proving extremely popular in Southeast Asia, with 39M SMEs – 51% of SME sector – gaining access to finance that was previously unavailable to them,”

Tech Collective, 2019

Since 2013, debt crowdfunding has gained significant traction here



P2P/ marketplace lending volume has grown from \$82M to \$623M since 2013



Successful
funding rate
89%

Repeat
investor rate
70%

They are used not only by new SMEs, but also mature SMEs

New to financial service

“Banks rejected me because my business is too new”

Top up to banks

“The loan approved by bank is insufficient, I need more funding.”

Speed to funds

“I need funds urgently in the next few days”

Back-up to banks

“I want to build relationship with you early, in case of rainy days.”

An example is Funding Societies



Invest

Borrow

Refer

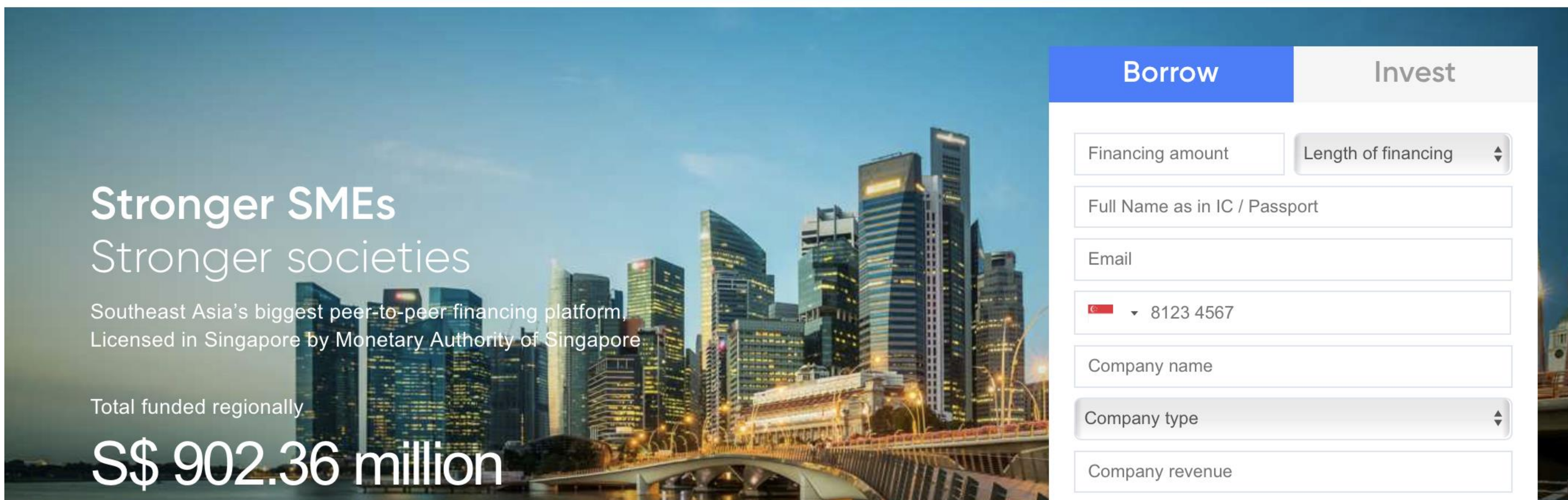
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Stronger SMEs Stronger societies

Southeast Asia's biggest peer-to-peer financing platform,
Licensed in Singapore by Monetary Authority of Singapore


Total funded regionally
S\$ 902.36 million

Borrow | Invest

Financing amount | Length of financing ▾

Full Name as in IC / Passport

Email

 ▾ 8123 4567

Company name

Company type ▾

Company revenue

>\$900M disbursed

>1m loans

1.5% default to-date

MAS FinTech Award

Because to many, it is more than money but dreams

Straits Times

C2 | BUSINESS | MONDAY, JANUARY 14, 2019 | THE STRAITS TIMES

More turn to crowdfunding to finance business needs

Peer-to-peer crowd-investing platforms in S'pore seeing rapid growth in recent years

Mr Prasad Raj borrowed \$50,000 through Funding Societies to renovate his eatery in 2017 after banks turned him down. ST PHOTO: KIM CHEE SIONG

Mr Nelson Ng Hsueh Chin has borrowed about \$200,000 through Funding Societies for his business of importing snacks to sell at pop-up events here. He has paid off most of the loans. ST PHOTO: KHALID BABAR

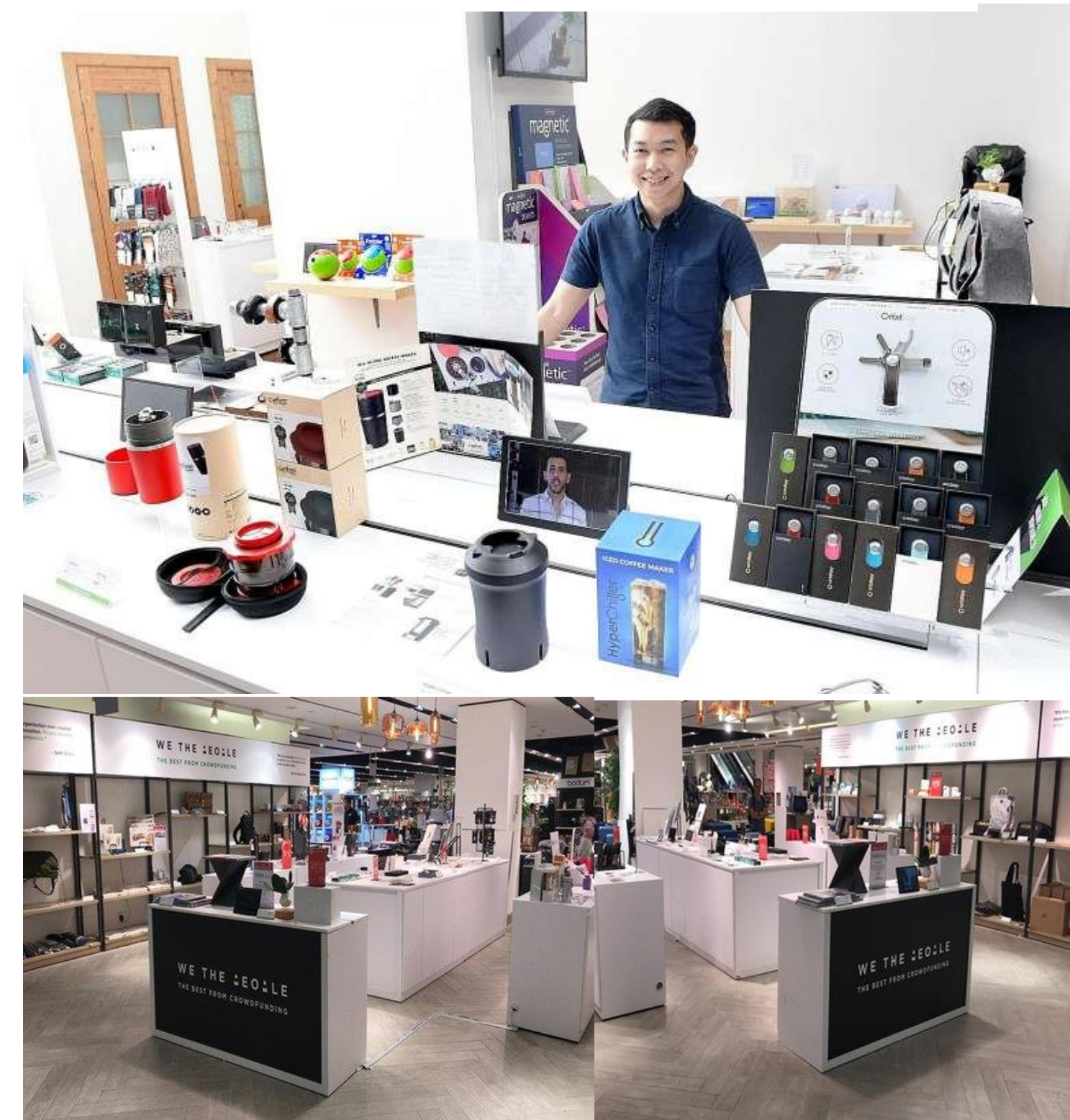
How crowd-investing works

When Funding Societies approves a project to be listed on its platform, special health before they can be listed on its platform.

Mr Nelson Ng Hsueh Chin, 34, who runs World Snack, which imports snacks to sell at pop-up events here, borrowed \$30,000 through Funding Societies in 2017

Social Media

WE THE PEOPLE
THE BEST FROM CROWDFUNDING



More info at www.fundingsocieties.com



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