



## Is POJK No.77/2016 Still Under Start-Up Financing during the Covid-19 Pandemic?

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**Abstract:** This scientific article is related to the condition of startup financing and banking in Indonesia. It is linked to the Covid-19 pandemic, which has affected economic conditions in Indonesia, especially MSMEs. This research was conducted solely to determine whether, during the Covid-19 pandemic, the condition of MSMEs (Micro, Small, and Medium Enterprises), which continued to decrease, was still supported by banking institutions and startup financing in Indonesia. This can be analyzed using Strengths, Weaknesses, Opportunities, and Threats. This research provides empirical evidence based on secondary data from trusted institutions in Indonesia. This research looks at two parties, namely internal companies and external parties, namely the Government of Indonesia, which is linked through POJK No. 77 / POJK.01 / 2016. Based on the SWOT analysis, namely Strengths, Weaknesses, Opportunities, and Threats, it can be concluded that cooperation between Fintech Startups and banking institutions has an effect like a knife with a sharp tip and a strong base, where both parties can harm each other. However, this impact can also be mutually beneficial for both parties, if supported by government policies that are in the middle between MSME Startup Fintech and banking institutions and unstable conditions due to the Covid-1 pandemic.

**Keywords:** Pandemic Covid-19; POJK regulation No. 77/ POJK.01/ 2016; StartUp Fintech; SWOT analysis

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### INTRODUCTION

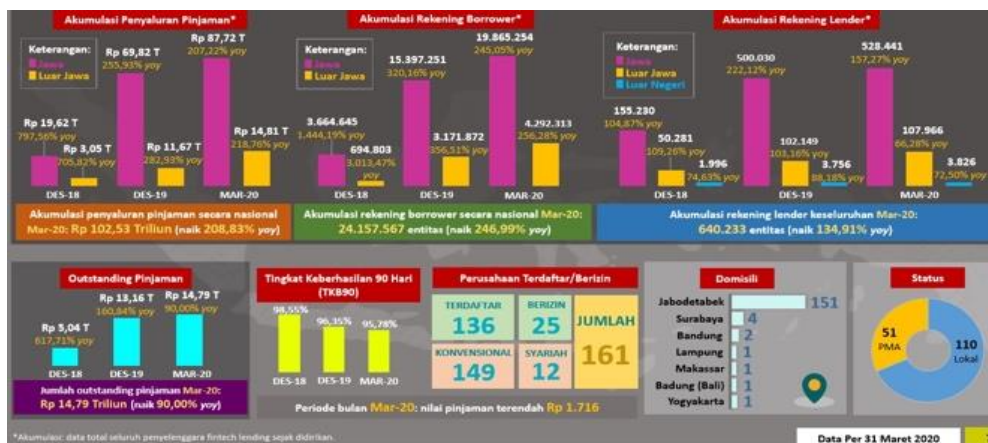
The rapid progress of the times in today's world causes very different needs from person to person. The growth of MSMEs (micro, small and medium enterprises) or so-called start-ups in Indonesia shows that this need has arisen. The Indonesian economy is indicated by reduced poverty. Based on world bank data, Indonesia's population is around 267.7 million, where this data is a population of one-third of the ASEAN people. For this reason, this opportunity is used by the MSME sector because Indonesia's market share is unique and broad. The positive contribution of this technology is very positive, marked by high internet growth, which also supports fast technological advances. Increasing people's need for technology is a benchmark for economic progress in Indonesia, significantly improving MSMEs. More and more MSMEs or various start-up companies are active, especially in financial technology. Financial technology meets lenders and borrowers using technology.

Financial regulations, especially StartUp Fintech in Indonesia, are supervised by the Financial Services Authority (OJK). Because StartUp Fintech is a very new industry, OJK made rule 77/POJK.01/2016 to regulate and oversee the development of StartUp Fintech, coupled with the unstable condition of MSMEs due to Covid-19 and the Indonesian economy, which has experienced a low impact. The increase in Fintech StartUps cannot be separated from the support of Indonesian banking institutions. As we all know, several banks in Indonesia have collaborated with StartUp Fintech, namely PT Mitrausaha Indonesia Group or Modalku, which has collaborated with PT Bank Sinarmas Tbk.

The purpose of this study is that the author wants to provide information knowledge to the public regarding the influence of the increase in MSMEs or especially StartUp Fintech companies in the Covid-19 pandemic situation, of course, supported by banking institutions in Indonesia, seen from the analysis of Strengths, Weaknesses, Opportunities (opportunities), and Threats (threats), and with this research, provides empirical evidence based on secondary data from trusted institutions in Indonesia.

Kotler & Armstrong (2008) in Chrismastianto (2017) states that SWOT analysis is a thorough assessment of strengths, weaknesses, opportunities, and threats; all of these are abbreviated as SWOT in the company. According to David (2006) in Chrismastianto (2017), company strategy is determined if the company knows the agency's weaknesses and strengths. So with a SWOT analysis, we can find out the positive or negative impacts that will occur in the future and know what the company must do to develop or improve the company.

Financial Technology is a technology-based financial transaction. Bank Indonesia defines Financial Technology (FinTech) as a combination of traditional and moderate business models that use technological advances and can transact in real-time. According to the World Bank (Prastika, 2019), the Financial Technology (FinTech) industry comprises a technology-based financial system integrating banking services. According to (Prastika, 2019), there are many types of FinTech companies: payment channels/systems, Digital Banking, P2P Lending, Online/Digital Insurance, and Fundraising. According to Prastika (2019), crowdfunding is Information Technology-Based Lending and Borrowing Service Providers, starting now referred to as "Organizers," are Indonesian legal entities that provide, manage, and organize money-based lending and borrowing services. Users of EDP Supported Lending-Lending Services, starting now referred to as Users, are Lenders and Borrowers who use EDP-Supported Borrowing-Lending Services. According to March 2020 OJK data based on fintech lending trends in Indonesia:



**Figure 1. Lending Financial Technology 2020**

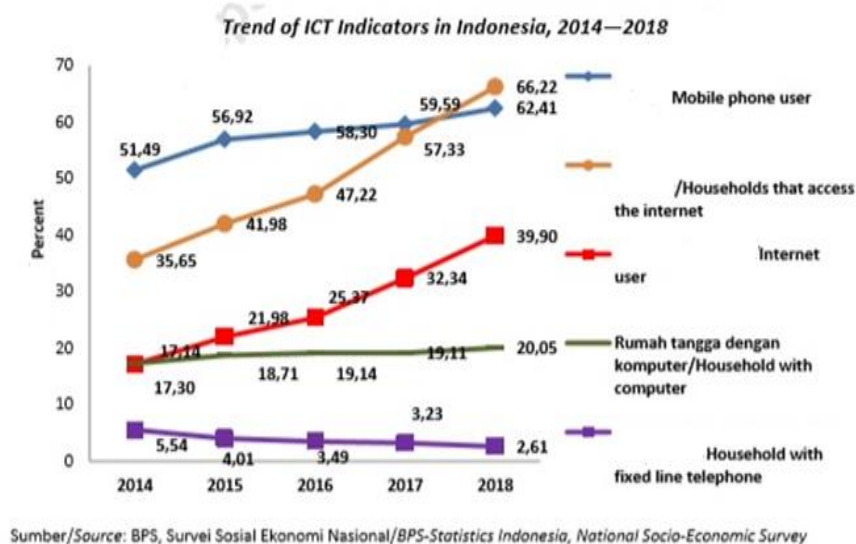
Source: Directorate for Regulation, Licensing, and Fintech Supervision – OJK (2020)

From the figure 1 above, we can see that the accumulation of loan disbursement from December 2018 to March 2020 for the island of Java increased by 347.09%, while for areas outside Java Island from December 2018 to March 2020, it increased by 385.57%, cumulatively March 2020 federal loan of IDR 102.53 trillion. This shows that the community's need for technology-based funding increases yearly. The accumulation of borrower accounts from December 2018 to March 2020 for the island of Java



increased by 320.15%, while for areas outside Java Island from December 2018 to March 2020, it increased by 517.77%, the accumulation of national borrower accounts in March 2020 was 24,157. 567. The accumulation of lender accounts from December 2018 to March 2020 for Java increased by 240.42%, while for areas outside Java Island from December 2018 to March 2020, it increased by 114.72%, an accumulation of 640,233 bank accounts. From the graph above, loan disbursement, borrower accounts, and lender accounts have increased significantly by around 3 x (three times) from 2018 to 2020. For outstanding loans from December 2018 to March 2020, it has increased by 90%. This indicates that the loans disbursed each year continue to increase. Likewise, the 90-day success rate (TKB 90) from December 2018 to March 2020 is still above 95%. This indicates a high rate of return on loans. For Fintech StartUp companies located in Indonesia and registered with the Financial Services Authority, there are 136 fintech companies. For those licensed by the Financial Services Authority, there are 25 fintech companies. This shows that many Fintech StartUps still have not yet obtained permits from the Financial Services Authority, or only around 81.61% have obtained permits from the Financial Services Authority. The status of investors in StartUp Fintech is still dominated by local investors, namely around 110, while there are 51 foreign investors (PMA).

According to Sukma (2016) in Chrismastianto (2017), financial technology is an innovation in the field of financial services, where the term comes from the words “financial” and “technology” (FinTech) refer to financial innovation with a touch of modern technology. This indicates that access to technology and the internet significantly advances technological and financial services. Based on BPS data on a survey of Information and Communication Technology (ICT) users obtained in the image below:

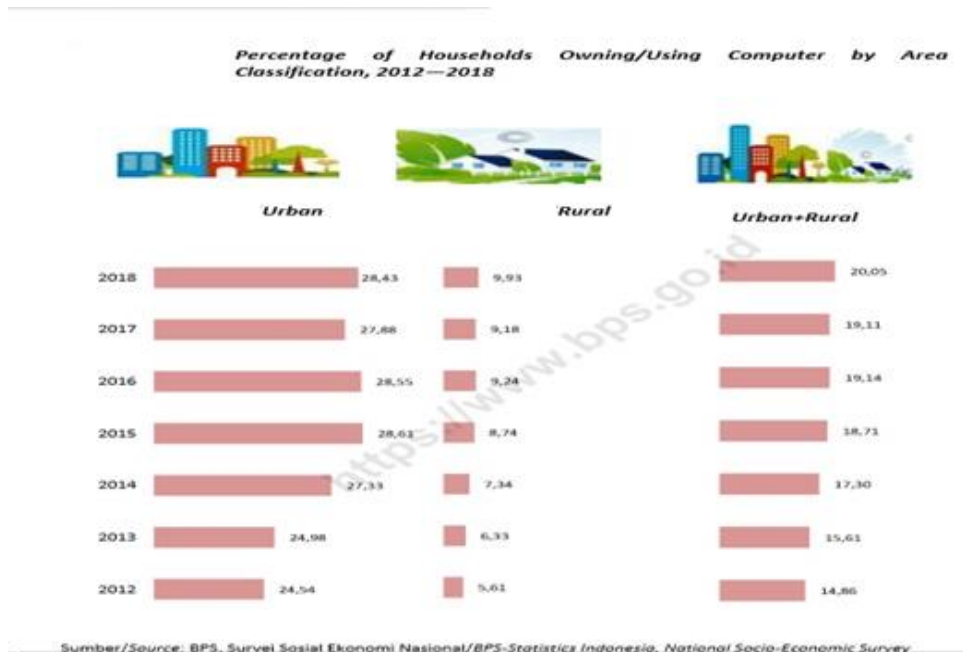


**Figure 2. TIK Indonesia 2014-2018**  
 Source: BPS National Economic Survey

In Figure 2, it can be seen that cellular phone users in Indonesia from 2014 to 2018 have increased quite a lot, together with the increasing use of internet access from 2014 to 2018, which has increased very rapidly, where this increase coincides with the increase in household use in accessing the internet, so it can be concluded that the



increase in internet use is in line with the increase in cellular telephones and households use much access to this technology. Households here not only use the internet personally but also increase internet access and mobile phones used by MSMEs (Micro, Small, and Medium Enterprises) in business.



**Figure 3. Percentage of Households by Regional Classification 2012-2018**  
 Source: BPS National Economic Survey

As can be seen from Figure 3, this figure divides households that own and control computers based on their area, namely urban/urban, rural/rural, and rural + urban. Of these three areas, it has increased every year, meaning that the Indonesian people are aware of the importance of technology and information, and the distribution of infrastructure continues to increase every year in Indonesia, indirectly improving the economy of the people in these areas.

According to Kotler (2002) in Christmastiando (2017), the definition of service is the activities provided by Crowdfunding. Meanwhile, service quality can be defined as a matter of interest and quality in providing services to meet both lenders and borrowers Tjiptono, 2001 in (Christmastiando, 2017). Alternatively, in another statement, the notion of service quality is service that is done with heart and provides the best for its consumer connoisseurs Supranto, 2006 in Christmastiando (2017).

The service quality dimensions are as follows Lupiyoadi (2001) in Christmasto (2017): (1) Tangible assets, namely the ability of a company to communicate its existence to external parties; (2) The appearance and capability of the company's physical facilities and infrastructure, as well as the condition of the surrounding environment, are clear evidence of the delivery of service providers, including physical facilities (buildings, warehouses, etc.). Where this must follow consumer expectations at the beginning; (3) Responsiveness, namely fast service to customers and responsiveness; (4) Assurance, namely customer trust in the company. It consists of several components: communication, reputation, security, competence, and courtesy; (5) Empathy, namely trying to understand consumer needs, paying attention with an

open mind and personal attitude or what it is. Companies must know and understand customers, understand customers' unique needs, and provide customers with convenient operations when they are free. The higher the GDP of a country, the higher the level of development of the country (Bustam, 2016). According to Sukirno (2004) in Bustam (2016), there are two types of GDP: (1) Current GDP Prices: Estimate the value of goods and services produced in the country in the current year according to the prices prevailing in that year; (2) GDP at constant prices: in certain years, the prices of goods and services change significantly. This is then used to estimate the goods and services produced in other years.



**Figure 4. GDP Growth 2015-2018**  
 Source: BPS National Economic Survey

Indonesia's gross domestic product (GDP) reached IDR 14,837.4 trillion in 2018 at current prices, up from IDR 11,526.4 trillion in 2015. Meanwhile, Indonesia's GDP at constant prices in 2018 was IDR 10,25.3 trillion, up from IDR 8,982.5 trillion in 2015. Between 2015 and 2018, Indonesia's economy grew by an average of 5 percent. This shows that Indonesia's poverty rate decreased between 2015 and 2018 and contributed significantly to Indonesia's education sector and job creation. The Covid-19 pandemic is increasingly widespread, causing the domestic economy to weaken further, coupled with policies related to mobility restrictions that affect production activities and the tourism sector, including the hotel and transportation industries.

**Table 1. Projection of Indonesia's Economic Growth and Inflation Rate (Percent) for 2020-2021.**

Economic growth <sup>1</sup>	4,2 - 4,6	5,2 – 5,6
Economic growth <sup>2</sup>	0,5	8,2
Economic growth <sup>3</sup>	2,5	5,0
Inflation <sup>1</sup>	3,0 ± 1,0	3,0 ± 1,0
Inflation <sup>2</sup>	3,1	3,0
Inflation <sup>3</sup>	3,0	2,8

Source: (1) 2019 Edition of the Indonesian Economic Report, Bank Indonesia; (2) April 2020 Edition of the World Economic Outlook Database, International Monetary Fund (IMF); (3) 2020 Edition of the Asian Development Outlook (ADO), Asian Development Bank (ADB).

Based on the above information and sources in the BPS Indonesia list, only public consumption is expected to grow positively amidst a slowdown in domestic consumption. This is due to increased public spending to increase innovative competitiveness and improve the quality of human resources. In addition, the government increased public spending to minimize the impact of Covid-19, including health care, social care, and business stimulus.



According to Regulation No. 77/POJK.01/2016 concerning technology-based services related to savings and loans. Technology financial services are services in information technology-based finance that include collecting, preparing, storing, processing, publishing, analyzing, or distributing information. IT-Based Loan Provider (starting now referred to as Operator) is an Indonesian legal entity that provides, manages, and manages IT-Based Loan Services. Borrowers are individuals or legal entities that have contracts for IT-based loan services. Lenders are individuals, legal entities, or transactions that submit claims based on IT-based loan service contracts. Electronic certificates are electronic certificates issued under Article 11 of the Law. Electronic Commerce and Information 2008 contains electronic signatures and electronic identifiers that indicate the legal status of the parties to a case, electronic certificates. An electronic certificate provider is a legal entity that is the party submitting and verifying electronic certificates registered with the OJK. Under Regulation Number 77/POJK.01/2016, monitoring of complaints from electronic service users organized by OJK.

### **METHODS**

According to Christmastianto, (2017), research methods are descriptive and qualitative. They must be carried out by collecting factual and detailed information, finding problems, making comparisons or evaluations, identifying how other people do when facing the same problem, and using their experiences to inform plans—and future decisions. Manufacturing (Suyanto & Sutinah, 2006 in Christmastianto (2017)). Therefore, qualitative descriptive research only describes responses to situations or events and does not explain causality or conduct hypothesis testing (Christmastianto, 2017).

### **RESULTS AND DISCUSSION**

SWOT Analysis Regarding the Implementation of Collaboration between StartUp Fintech and Indonesian Banking Institutions Very fast technological advances have positively impacted the Indonesian economy, especially in StartUp Fintech. In the following, the author wants to discuss and analyze through a SWOT analysis of Strengths, Weaknesses, Opportunities, and Threats.

#### **Strength Analysis**

Collaboration between StartUp Fintech and Banking Institutions in Indonesia has strengths, including: (1) With the collaboration between StartUp Fintech and Banking Institutions has a positive impact on both institutions, for StartUp Fintech: this collaboration gives an image to the public that if people become customers at the StartUp Fintech, customers will be more secure because they have collaborated with the official banking institution. For banking institutions: this collaboration can give birth to innovations for the bank so that the bank becomes less rigid and administrative; (2) This collaboration indirectly authorizes StartUp Fintech businesses is official and supervised by institutions in Indonesia, such as the OJK (Financial Services Authority); (3) StartUp Fintech is a type of business that prioritizes technology, making all transactions more secure and can be monitored, more flexible, and faster in transactions; (4) The current Covid-19 pandemic has made all activities carried out online, which is one of the strengths of StartUp Fintech. In this case, StartUp Fintech already has an online system that makes it easier for people to borrow funds without complicated and time-consuming bureaucracy.



### **Analysis of Weaknesses**

Where there are strengths, there must be weaknesses. Following are the weaknesses in the implementation of cooperation between StartUp Fintech and banking institutions, namely: (1) This collaboration, when viewed from a banking perspective, this collaboration can be detrimental to banks. The assumption is that people borrow many funds for their businesses or their other needs from StartUp Fintech compared to banks because it is easier in administrative matters and faster in disbursing the funds needed by the community. So bank services, in this case, are threatened, for the Indonesian government must have concrete rules that benefit both parties; (2) Many people still feel that StartUp Fintech is a fraudulent company because there are many issues and events in the community that feel cheated by the StartUp Fintech company, where there are several StartUp Fintech companies that are not under the rules of the Financial Services Authority; (3) The initial capital for starting a Fintech StartUp is not small, from the Financial Services Authority regulation NUMBER 77/POJK.01/2016 article 4 'Organizers in the form of cooperative regulatory bodies must have their capital of at least IDR 1,000,000,000.00 (one billion rupiahs) ) within the time of registration. Furthermore, at least IDR 4,000,000,000.00 (four billion rupiahs) when applying for a license. They are coupled with the use of an IT development port of no small value. The components of high costs in StartUp Fintech companies consist of human resource costs, IT development costs, and promotion costs. For example, based on the regulations of the Financial Services Authority that in the future, all MSME StartUp Fintech documents must be online and signed using a Digital Signature, where the cost of using Digital Signature technology is not small; (4) Permission to create a Fintech StartUp is not easy to obtain because the Financial Services Authority is currently more focused on Fintech StartUps, which are for developing MSMEs in Indonesia. The more Fintech StartUp gets permission from the Financial Services Authority, the easier it will be for banks to work together.

### **Analysis Opportunities**

Every industry has opportunities to move forward. These opportunities or opportunities can come from internal and external factors, plus if the industry is a new and developing industry, here are the opportunities or opportunities for the implementation of collaboration between StartUp Fintech and banking institutions, namely: (1) With the collaboration between StartUp Fintech and banking institutions, innovations will emerge that will answer the needs of society along with increasing needs; (2) Collaboration between StartUp Fintech and banking institutions can improve the economy and the government through the Financial Services Authority in supervising MSMEs. StartUp Fintech becomes more manageable using data from banking institutions invited to cooperate; (3) This collaboration can benefit various parties, namely StartUp Fintech, banking institutions, and the government. With mutual benefit, various parties can give birth to new opportunities or opportunities in the future; (4) The Covid-19 pandemic situation is one of the things that can benefit StartUp Fintech because all activities must be carried out online. In an unstable economic situation, many MSMEs in Indonesia need funding for their business, which is a very suitable opportunity.

### **Analyze Threats**

The birth of a new industry cannot be separated from internal and external threats. The following is the threat of implementing cooperation between StartUp Fintech and banking institutions, namely: (1) Starting the Fintech StartUp industry requires significant capital and is closely related to technology. For this, it needs much development in terms of technology because the threat of hacker crimes and others is increasing. Trust



between various parties, namely banks, StartUp Fintech, and the community as lenders and borrowers, is needed in this industry; (2) Threats from competitors are also very strict between fellow StartUp Fintech and banks vs. StartUp Fintech, so if this collaboration does not work in synergy, then this collaboration will end; (3) The last threat is from government regulations through the Financial Services Authority (OJK). If OJK makes a policy that does not meet the needs of StartUp Fintech and banks, then this collaboration will be detrimental to both parties.

### CONCLUSION

Based on the SWOT analysis, namely Strengths, Weaknesses, Opportunities, and Threats, it can be concluded that the collaboration between StartUp Fintech and banking institutions has an effect like a knife with a sharp tip and a strong base, where both parties can mutually harm one another. Nevertheless, this impact can mutually benefit both parties if government policies support it in the middle between MSME StartUp Fintech and banking institutions and the current unstable economic conditions due to the Covid-19 pandemic. Especially for StartUp Fintech in the current situation where everything is done online, this is an excellent opportunity for this industry. Of course, it must still be supported by government policies. Look at it based on the Financial Services Authority regulation NUMBER 77/POJK.01/2016. The government does provide an initial capital requirement at the time of registration of IDR 1,000,000,000 (one billion rupiah) and future capital when obtaining a permit is IDR 4,000,000,000.00 (billion rupiah). This capital is not small and cannot use as a loan, and it must come from the owner's capital. This is not very easy for MSME StartUp Fintech. The author understands that the government, namely the Financial Services Authority, has made this policy because there are already more and more MSME StartUp Fintech and want to separate UKM StartUp Fintech, which is high quality and has mature resources. Nevertheless, this indirectly hinders the growth of MSMEs in Indonesia and needs to align with Indonesia's vision and mission to prosper society and boost the economy. OJK policy NUMBER 77/POJK.01/2016, regarding initial capital requirements and future capital, is made based on clusters or limitations on the scope of the Fintech StartUp business type. Because every Fintech StartUp has its market share.

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