



funding societies | modalku

The Economic Impact

of Funding Societies to
MSMEs in Southeast Asia



SEPT 2021

Study of 2018-2019



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Letter from the CEO

Dear readers,

My co-founder, Reynold Wijaya, and I were motivated to start Funding Societies | Modalku when we saw a need in Southeast Asia for affordable and trustworthy lenders to Small and Medium Enterprises (MSMEs). MSMEs are important pillars of national economies and key providers of employment and economic opportunities. But despite their centrality to the economy, MSME owners are too often prevented from obtaining the financing necessary to maintain and grow their business. Small and medium sized businesses are typically too small for traditional banks to offer credit to and too large for microfinance. Such barriers to finance create a significant funding gap and stymie economic growth.

By obtaining business financing from Funding Societies, worthy business owners can get the funding they need in the time frame they need it. This allows them to grow their business, hire more employees, and build a track record of good credit.

As a company, Funding Societies | Modalku has achieved much success regionally, from launching in Singapore in 2015 to expanding to Indonesia just a year later in 2016. We also then started operations in Malaysia in 2017, and launched in Thailand in 2020. To date, we have uplifted the regions' economies by disbursing over US\$2 billion through more than 4 million MSME loans. We are truly thankful for the opportunities along the way and partnerships we have received that allowed us to grow even amidst uncertain times.

MSMEs are at the heart of everything we do at Funding Societies, but we know we cannot act alone. We are part of the regional FinTech ecosystem, which includes our peers, stakeholders, and our customers. Join us in supporting worthy MSMEs through credit, and together we can contribute to the growth and prosperity of Southeast Asia.

Stronger MSMEs, Stronger Societies.



Kelvin Teo
Co-founder and Group CEO



The Critical Role of MSMEs in Southeast Asia

An astounding **73 million MSMEs** operate in ASEAN which comprise about **97–99%** of total enterprises.

73 million

MSMEs in ASEAN¹

Small and medium enterprises (MSMEs) are the backbone of Southeast Asian economies. Comprising the large majority of businesses in the economy, MSMEs provide significant employment opportunities and contribute tremendously to national Gross Domestic Product (GDP).

52–97%

of employment is provided by MSMEs²

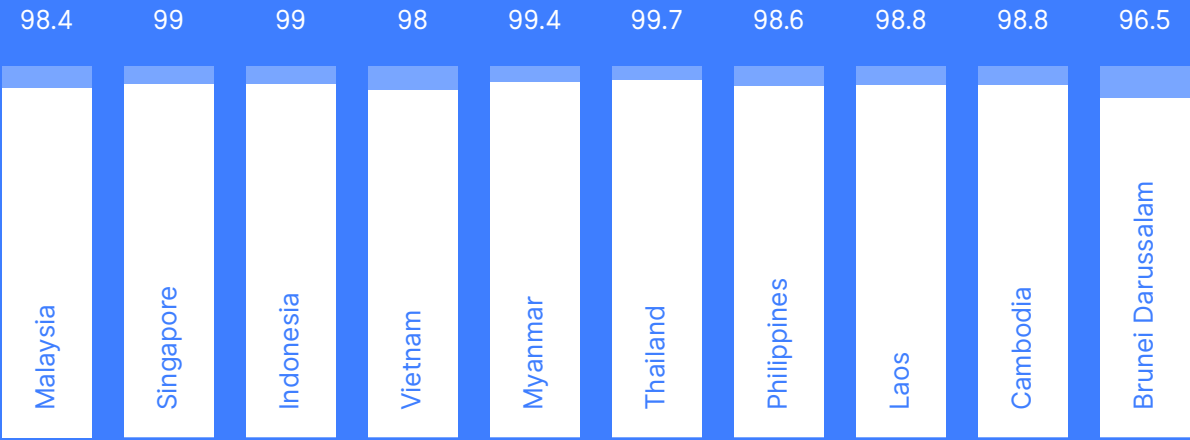
30%–53%

gross value added to respective national economies is created by MSMEs.²

¹MSME Finance Forum. n.d. "MSME Finance Gap." Accessed November 23, 2020.

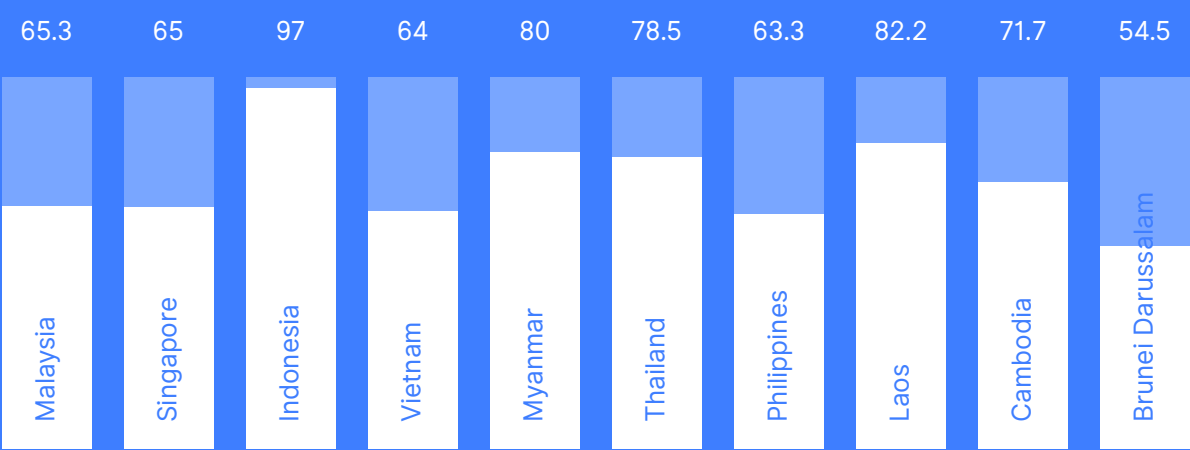
²ASEAN Secretariat. n.d. "Micro, Small, and Medium Enterprises: Overview." Accessed November 23, 2020.

Share of Total Businesses (%)

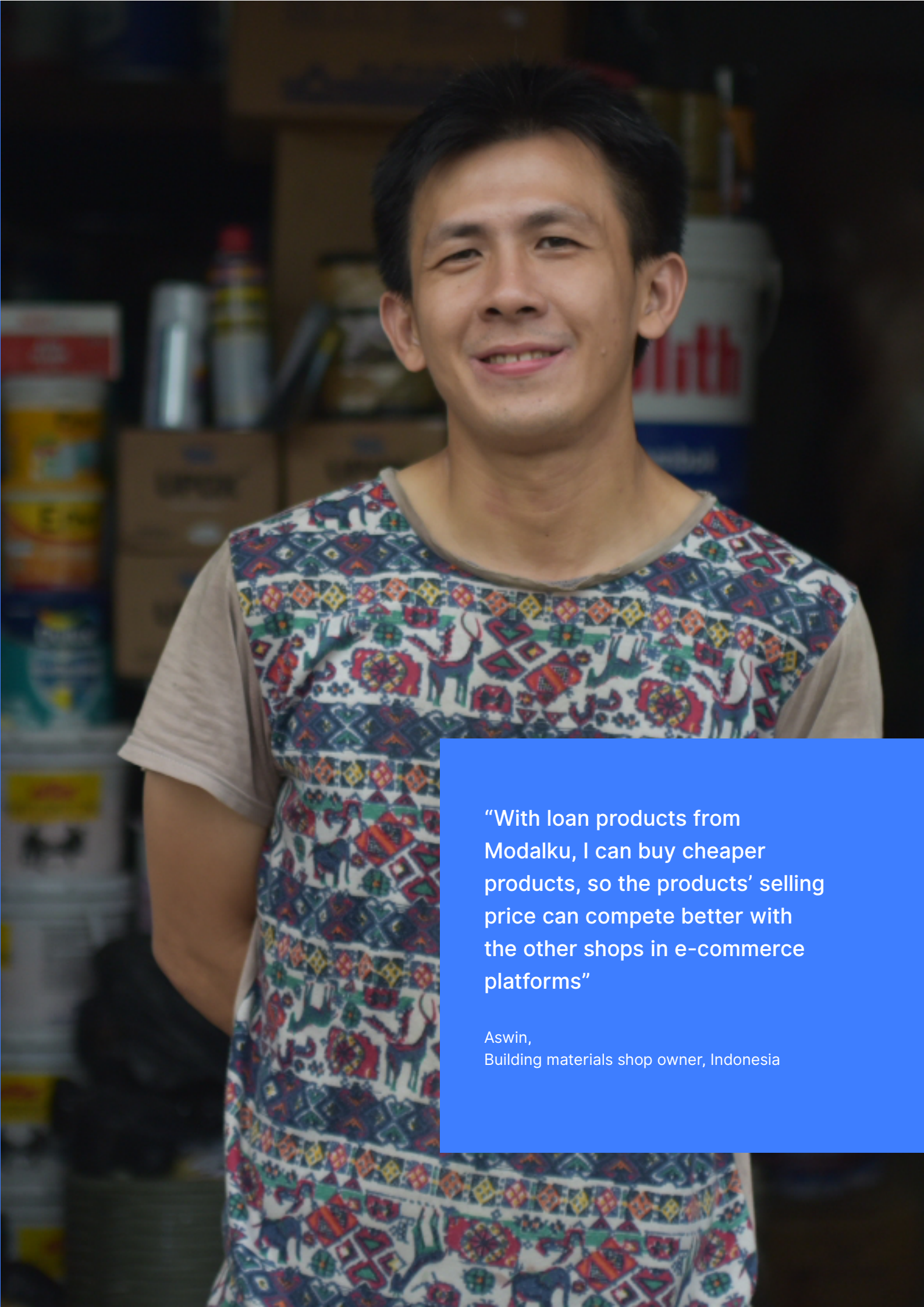


OECD/ERIA (2018), MSME Policy Index: ASEAN 2018: Boosting Competitiveness and Inclusive Growth, OECD Publishing, Paris/Economic Research Institute for ASEAN and East Asia, Jakarta.

Share of Total Employment (%)



OECD/ERIA (2018), MSME Policy Index: ASEAN 2018: Boosting Competitiveness and Inclusive Growth, OECD Publishing, Paris/Economic Research Institute for ASEAN and East Asia, Jakarta.



“With loan products from Modalku, I can buy cheaper products, so the products’ selling price can compete better with the other shops in e-commerce platforms”

Aswin,
Building materials shop owner, Indonesia

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