

Amartha: High-Touch and Continuous Engagement for Outsized Customer Impact



Photo provided by Amartha

Preamble

This case study was developed in conjunction with the 2023 Financial Inclusion study *“Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access”*¹. It is part of a collection of stories of how financial services providers (FSPs) in Southeast Asia have gone beyond the provision of financial services to make conscious efforts to address underserved markets. These case studies reveal how these FSPs have done so by assessing their contributions to the financial health of their customers and monitoring the impact of their services.

These case studies were prepared by the Centre for Impact Investing and Practices (CIIP) in partnership with the eight FSPs featured: Amartha (Indonesia), BPI Direct Banko (The

Philippines), Funding Societies (Southeast Asia), Growsari (The Philippines), KoinWorks (Indonesia), Noburo (Thailand), TYM (Vietnam), and Vui App (Vietnam).

It is intended as an accompaniment to the 2023 Financial Inclusion study, which had contributions from 60 organisations, including industry associations and investors, 31 FSPs and over 8,500² customers across six markets in Southeast Asia (Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Vietnam).

The 2023 study went beyond examining how FSPs enable access to financial services to offer insights into the impact of access to credit on FSP customers’ business and livelihoods, quality of life and household well-being, and other financial health

outcomes such as resilience and agency. These insights were drawn not just from the accumulation of qualitative interviews but also quantitative survey results and loan book data, which allowed us to come to a holistic view of the state of financial inclusion in Southeast Asia amid the changes brought by large-scale digitalisation in the region.

You can find our 2023 Financial Inclusion study titled *“Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access”* on CIIP’s website and by scanning the QR code below.



1 This study was conducted by the Centre for Impact Investing and Practices (CIIP), in collaboration with the United Nations Capital Development Fund (UNCDF) and Helicap, supported by 60 Decibels (60dB).
2 Additional data points were available after the publication of the 2023 Financial Inclusion study. This is available in the Southeast Asia Financial Service Providers 2023 Impact Report, an addendum prepared by 60 Decibels.

Amartha

HEADQUARTERS

Indonesia

GEOGRAPHY FOCUS

Indonesia

SECTORS

Peer-to-peer Lending, Microfinance

FOUNDING YEAR

2010

SIZE OF FUNDS RAISED

USD 63.5M (Series C)

KEY MILESTONES

- 2010: Founded to serve small village in Bogor, West Java, with two branch offices.
- 2016: Transitioned to a financial technology company with the introduction of a peer-to-peer lending model.
- 2021: Disbursed IDR 5.4 trillion (USD 380 million) from mostly urban lenders to 936,972 women ultra- micro entrepreneurs across over 20,000 villages in Java, Sulawesi, and Sumatra.
- 2022: Created an ESG Roadmap and introduced and embedded ESG into their business.

MISSION

To create shared prosperity through financial inclusion and women empowerment and to empower micro businesses in villages through innovation and technology.

Introduction

- Amartha is a peer-to-peer (P2P) lending platform in Indonesia, with a mission to bring inclusive digital financial services to grassroots communities.
- From providing small loans of IDR 500,000 (USD 32) a year as a microfinance institution, enough to fill the inventory of one small shop, they transitioned to a peer-to-peer lending model by building a fintech microfinance marketplace in 2016.
- Many of Amartha's first borrowers still partner with the company today.

The challenge and impact thesis

Challenge

- Many of Amartha's borrowers **transact primarily in cash**, hindering access to digitally disbursed loans.
- The time taken to queue to open a bank account **makes them lose income** due to the opportunity cost of not working.
- Many of Amartha's customers can **live up to 30km away from the nearest bank**.
- Digitalisation may create **new disparities** due to **differences in digital literacy**, especially between urban and rural populations and between Indonesia's bottom of the pyramid and other communities.

Impact thesis

- Providing inclusive access to working capital and massive digital literacy education will lead to MSME growth, and a better and more equitable prosperity in Indonesia.

Who

- Amartha serves rural women micro-entrepreneurs with low digital savvy.

- Amartha's customers run small businesses including home businesses selling processed food or handicraft products, sundries shops, beauty salons, and small agriculture.
- Amartha focuses on woman empowerment, capability development, and leadership.

How

- Amartha's framework of inclusive finance for rural communities has three areas of focus:
 - Amartha provides **simple and affordable financial products**, easing access to capital for MSMEs and bridging the gap between them and online lenders.
 - Amartha ensures a **sustainable digital transformation** by educating customers on using technology for productive purposes.
 - Amartha provides **products tailored to customer needs, focused interventions, and mentoring**.
- Fintech products are designed to be user-friendly and intuitive.
- Income growth is tracked as a proxy for financial well-being.





Photo provided by Amartha

Unique Business Model

Graduating customers up the financial ladder

- Amartha has a **four-phase programme to move customers towards financial health**
 - Lending for productive activities to increase income.
 - Customers can **make payments for loans and other services** like internet credit and meals.
 - Customers are taught how to **save and set aside funds to realise future plans**.
 - More mature customers have **accumulated substantial wealth to invest**.

Embedded education

- Amartha provides embedded **financial education** to address **low financial literacy and reduce default rates**.
- Before disbursing loans to new customers, Amartha conducts **mandatory 2-day finance training courses**.
- Amartha's robust literacy programmes help **mitigate the risk of loan defaults**, building customer loyalty, guaranteeing long-term business and future revenues.

Alternative data credit scoring

- Amartha manages lending risks using a **credit scoring system supported by machine learning**.
- They quantify non-financial information such as how prospective customers perceive their relationship with their surroundings, and their confidence level, before matching it with their models.

Adherence to international standards

- Amartha maintains a **strong adherence to international standards**.
- It is a member of the Indonesia Global Compact Network, Indonesia Business Council for Sustainable Development, and Indonesia Business Coalition for Women Empowerment and signatory to UN Women's Women Empowerment Principles.
- Amartha is active in **IFC's SME Finance Forum** and was given a **Platinum rating** by B Lab's Global Impact Investing Rating System in 2020.

Amartha's Impact

SDGs Addressed



No Poverty

- Borrowers' **annual revenue increased by 37.76%** during pandemic recovery.
- Successful loan repayment rate (TKB90) measured at **98.24%**³.
- **87%** of Amartha's customers say that repayments are not a problem, while **95%** never have to cut food consumption to make repayments.



Decent Work and Economic Growth

- Over **130,000** borrowers started their first business with Amartha's loan, and **over 89,000** microenterprises grew to become small enterprises.
- Amartha has also seen **over 65,000** borrowers hire their first employee and the creation of **over 270,000** jobs.



Gender Equality

- Amartha's borrowers are **100% women who run ultra and micro enterprises in villages across Indonesia**.
- Amartha has reached **more than 35,000** villages in Java, Sumatra and Sulawesi.



Reduced Inequalities

- Amartha's focus on women and rural and peri-urban areas addresses disparities in financial access.



Photo provided by Amartha

3 Amartha (2024): [Amartha](#)



Business Success

- **Number of borrowers served:** Over 1 million
- **Total loans disbursed:** Disbursed over IDR 6 trillion (USD 492 million) in loans to more than 1.3 million customers
- **Fundraising:**
 - Amartha has raised **USD 63.5 million** from investors including **Mandiri Capital Indonesia, Norfund, MDI Ventures, LINE Ventures, and Women's World Banking.**

What's Next

- Amartha will drive digital transformation and promote cashless transactions.
- Amartha is considering obtaining an **investment license** or **banking license** rather than just a P2P lending license, streamlining processes and cross-platform interactions.
- To expand its reach, Amartha is **moving from a rural focus to peri-urban areas.**
- In its 5-to-10-year roadmap, Amartha is looking to move beyond serving women micro-entrepreneurs to **enabling seamless financial services for their families.**

References

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About the Centre for Impact Investing and Practices (CIIP)

The Centre for Impact Investing and Practices ("CIIP") fosters the growth of impact investing and practices in Asia and beyond by building and sharing knowledge, bringing together stakeholders in the community, and bringing about positive action that accelerates the adoption of impact investing. Based in Singapore, CIIP was established in 2022 as a non-profit centre by Temasek Trust, a steward of philanthropic endowments and gifts. Temasek and ABC Impact are our strategic partners.

To achieve a sustainable future for all mankind, the world needs companies that can drive positive changes at scale through products and services. Impact investing can spur the growth of such companies and help advance solutions to address the challenges

that the world faces today. We believe that sustainable companies are those who pursue social and environmental impact as avidly as they pursue profits and shareholder value. By striving to generate positive and measurable social and environmental returns alongside a financial return, both impact investors and companies can achieve returns with purpose.

We are SDG Impact's anchor partner for Asia. SDG Impact is the United Nations Development Programme initiative tasked to develop resources that accelerate investments towards achieving the United Nations Sustainable Development Goals by 2030.

For more information, please visit www.ciip.com.sg or contact info@ciip.com.sg.

