



P2P INVESTING IDEAL FOR MILLENNIALS

P2P financing is becoming a popular investment option for tech savvy millennial investors

Every year, thousands of young Malaysians launch their businesses, and as these young entrepreneurs set out to change the business world, raising the funds necessary to start their businesses is invariably a huge obstacle.

This is where microLEAP comes in – catering to the Malaysian microfinance sector, the B40 to lower M40 income group as well as businesses that require small funding amounts, the peer-to-peer (P2P) financing platform is exploring an untapped space in the P2P world. In the process, it has found its niche and calling.

Smart Investor speaks with microLEAP chief executive officer Tunku Danny Nasaifuddin Mudzaffar about P2P financing being an ideal investment option for millennials.

Smart Investor: Can you share what inspired your founders to establish microLEAP, and to focus on microenterprises?

Tunku Danny Nasaifuddin Mudzaffar: After 15 years in banking and financial services, I wanted to

do something that would have an impact in people's lives, yet give me the opportunity to use the knowledge and skills that I've learnt in my many years in KL and London.

So, after leaving my very comfortable banking job, I decided that microfinance was the answer, where small amounts of money can have a great impact on the livelihoods of many people we assist. But in what format? I looked at raising funds from investors and banks to lend from my own balance sheet, but it wasn't innovative enough.

There must be another model out there, I thought, and that's when I stumbled upon P2P financing. P2P financing is perfect to plug the RM80 bil funding gap in Malaysia estimated by the Securities Commission (SC) in 2018. It connects P2P investors, looking for alternative assets that provide a return higher than fixed deposits, to issuers, or borrowers, who require much needed working capital. It's a win-win in my book.

Having learnt that Malaysia was the first country in Asia to regulate

P2P financing, I started doing my research and hatched a business plan for my P2P microfinancing platform. I found that microenterprises, which have business owners in the B40 to lower M40 income group, were not really serviced. There was a gap in the market, a gap that could eventually leave the underserved behind as our economy grows.

So, having found my target market, I then found my co-founder who was the ex-CEO of the largest government-funded microfinance institution in Malaysia. I then set about establishing the founding team and from this microLEAP was born.

Can you share how much microLEAP has benefited Malaysian microenterprises so far?

microLEAP is still very new and we only went 'Go-Live' in October. With our tagline 'small steps, BIG IMPACT', we assist microenterprises raise funds from as little as RM1,000 to RM50,000.

Nonetheless, we have fully funded six microenterprises with financing

amounts ranging from RM1,000 to RM25,000, giving our P2P investors returns from 10%-12%p.a.

At the moment we have a 0% default rate and our issuers are strictly credit scored before they are hosted on our platform. We also have our first Shariah-compliant Investment Note ready for funding in March and we are targeting a 60-40 split in terms of Islamic vs Conventional Notes.

The microenterprises we have helped are far reaching and diverse, from a small shop selling handbags in Ipoh, to an e-commerce company selling halal confectionary in Kuantan, all the way to a small events company in Kota Kinabalu.

Of the microenterprises which received funding from microLEAP, what proportion of its business owners are millennials?

Millennials account for about 2/3 of all business owners that have requested for funds on microLEAP. This data gives us a couple of things:

By becoming a P2P investor, millennials have the chance to have a real impact in people's lives by providing much needed working capital to our microenterprises.

1. As we are in the business of fintech (financial technology), where we cut costs by pushing everything to digital, our issuers (borrowers) need to be able to use a smartphone, laptop or PC to complete their online application. We do not use any physical documents. This sits very well with millennials rather than older issuers who may not be used to filling forms online; and
2. It tells us who our target market is and where we should concentrate our efforts on. That is not to say we will only concentrate on millennials, as businesses with many years of experience in managing debt and managing P&L is an important consideration when it comes to credit risk. However, it tells us that P2P financing is much more geared towards the tech-savvy millennials than say, Generation X or Baby Boomers.

What makes P2P financing an ideal investment option for Gen Y and Gen Z investors? P2P financing is absolutely made for Gen Y and Gen Z investors. While sipping their soy-milk, decaf chai-latte, they can easily log in, choose the Investment Note that suits their credit risk profile and

returns target, top-up their available balance online and invest in the time it takes most Baby Boomers to work out how to log on to Netflx!

Gen Y and Gen Z investors are extremely tech savvy and their knowledge in this space should not be underestimated.

How easy is it for millennials to start investing via the microLEAP platform?

We believe simplicity is key. With everything that we do being online and digital – from your investor application, to our KYC, AML and CFT checks, to your top-up into your available balance and your investments – it is extremely straightforward to carry out any transactions on our platform on your smartphone.

We also give a RM10 free credit for first time investors to use on the platform, and they can get a RM10 referral fee for every other investor they get to sign-up.

However, what really sets us apart from the rest, and is a main draw for many of our millennial investors, is the impact that their investments can make.

Microfinance, and to this extent micro-enterprises, are often the underserved of the economic population. It is not always profitable for banks to cater to microfinance due to the cost per loan (it is much more profitable to write a RM1,000,000 loan than a RM1,000 loan) and so many micro-enterprises lack access to basic loan products.

By becoming a P2P investor and with a minimum investment of RM50, millennials have the chance to have a real impact in people's lives by providing much needed working capital to our microenterprises. As our tagline goes, small steps, BIG IMPACT! 📈



Tunku Danny Nasaifuddin Mudzaffar