



P2P Focus: The microLEAP Story

First introduced in 2015, peer-to-peer (P2P) financing platforms have served to raise financing for 1,866 micro, small and medium enterprises, with a total RM 632 million raised through over 8000 campaigns, as at December 2019. The Securities Commission Malaysia has thus far approved licenses for 11 P2P Financing Platform Operators. One of the newest to the game is microLEAP PLT - a Malaysian P2P platform that have differentiated themselves in two ways, by focusing on the microfinance sector and offering a Shariah-compliant service.

We recently sat down with Tunku Danny Nasaifuddin Mudzaffar, CEO & Founder and Matthew Fernandez, COO of microLEAP to find out more about this newly licensed platform and how they intend to make a difference to Malaysia's P2P Financing landscape.

microLEAP, which was given the 'Go-Live' status by the Securities Commission Malaysia (SC) in October 2019, have a clearly articulated mission: to increase the level of financial inclusion in Malaysia by offering access to microfinancing to the

Bottom 40% (B40) of the Malaysian economy, in terms of household income, with financing as little as RM 1,000 to RM 50,000. Bearing in mind that their client base are largely micro enterprises possibly without a background in finance microLEAP also provides value adding services to issuers on their platform at no extra cost in the form of micro-insurance, online basic debt management and basic accounting.

Doing Good

The social impact element is important to Founder and CEO, Tunku Danny Nasaifuddin Mudzaffar.

"Having had 15 years of financial services experience, I wanted to strike out on my own using the knowledge and skills that I had learned, but putting it all into something that would have an impact in people's lives. Microfinance gave me the perfect avenue to do that, where financing to microenterprises would have a direct and social impact."

Tunku Danny, an ex-banker who worked for major banks in London and KL prior to setting up microLEAP, felt that P2P financing provided the perfect tool to implement this and undertook to formulate a business plan to operate his

own P2P microfinancing platform. He did, however, need some expertise in microfinance, and looked to LinkedIn for a partner. "I call it LinkedIn blind dating!" says Tunku Danny, "Having just completed my business plan, I needed someone senior in the microfinance space that could help me get my idea off the ground. So I looked at over 200 LinkedIn profiles that mentioned "microfinance, Malaysia" and whittled that down to the Top 10. I then messaged the Top 10 and got 3 responses. Norsharizal was the best candidate, having been the ex-CEO of Malaysia's largest government-funded microfinance institution, and we met for a coffee and hit it off straight away." Norsharizal acts as a senior partner in the business, advising on the microfinance portion of the platform.

Leap of Faith

Tunku Danny then took an extra step to provide a Shariah-compliant service, alongside a conventional platform. "The P2P financing market raised a cumulative amount of RM632million since 2016, but I noticed that the vast majority of those raised were through conventional financing. We needed to do more in terms of giving P2P Investors access to Shariah-compliant assets and we needed to do



more for Issuers to raise funds via Islamic and ethical means. So, having been given the green-light by the SC this year, we launched our Shariah-compliant Investment Notes and completed our first Islamic microfinancing in April.”

What do they see as their unique value proposition? “We’re a Shariah-compliant microfinancing platform focused on B40 to lower M40 businesses” says Matthew Fernandez, COO of microLEAP, “We aim to assist microenterprises that are underserved and that may find it difficult to access traditional loans.” The platform, he explains, also provide group financing, in line with the Grameen model of group lending, if an issuer’s credit history is insufficient.

Gamifying the Investment Experience

To further enhance the P2P investors’ experience, microLEAP launched the League of Extraordinary Investors, whereby investors may gain points depending on the amount, tenor and number of Investment Notes they invest in. Points will lead to lower fees as they move up their rankings of Rookie, Apprentice, Champion and Sifu. “What we found was that issuers want to be financed long term, but investors wanted to invest short term” added Tunku Danny, “Hence, there was an area where Investment Notes were not getting filled. So we decided to gamify the investment process whereby investors would get

more points for investing in Notes with longer maturity than the shorter ones. We give out monthly and yearly cash prizes in the form of ‘Free Credits’ to be used to invest on our platform and the more you invest the more you work towards lower fees.”

Embracing Post-Pandemic Challenges

microLEAP has big plans for 2020, despite the inevitable challenges ahead. “COVID-19 has slowed down the number of quality Investment Notes that we are hosting on our platform, as the last thing we want is for our P2P investors to invest in a business that will not exist in a month’s time” says Tunku Danny, “but we have several exciting initiatives lined up including our partnership with MDEC in their #DigitalvsCovid campaign and our participation in their eBerkat programme which will help microenterprises and the B40 access Islamic digital financial services.”

With secondary market trading of investment notes now permissible by theSC, microLEAP also hopes to have this up and running by Q4 this year. The team is clearly committed to making a difference to Malaysian micro enterprises. With the challenges faced by this segment during these difficult times, platforms such as microLEAP could make all the difference.

