



# Navigating Indonesia

A Comprehensive Guide  
For Businesses



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Many businesses dream of entering a new and untapped market with a large and technologically savvy population of middle-class consumers with growing spending power — an environment where opportunities are plentiful and businesses are welcomed with open arms.

That dream is, in fact, a reality. Indonesia is the largest market and economy in Southeast Asia that ticks all of the boxes above, and more.

For business owners, this presents a very exciting proposition and daunting challenge at the same time. How do you begin your venture into Indonesia?

What is the process for incorporating your company like? What are some cultural dynamics to take note of? Which sectors or demographics should your business target?

In this eBook, we will help you to answer these questions in a simple and straightforward way that will ensure your journey into Indonesia is a smooth and successful one.

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# Introduction

Indonesia's connected and young population combined with its government's business-friendly posture creates a world of opportunities that can only be matched by few other countries.

The country is set to become the fourth biggest consumer market in the world behind China, India, and the US with an estimated 76 million Indonesians joining the consumer class by 2030 — approximately the size of South Korea and Taiwan's populations combined.

But Indonesia's highly-connected population is at the centre of all the business opportunities the country has to offer. McKinsey reports that as many as three-quarters of Indonesian consumers shop from their mobile device. Indonesia also stands among the most connected nations in the world in terms of smartphone penetration at 76% of its total population, which translates to about 208 million smartphone users.

These traits give businesses in Indonesia a competitive advantage, especially in the digital economy. Analysts believe that a large consumer market will significantly lower marginal costs through economies of scale.

The Indonesian government, recognising the immense economic potential within the country,

has acted accordingly by introducing a series of business-friendly policies such as the Omnibus Law on Job Creation. It aims to attract greater levels of foreign investment, spur job creation, and stimulate the economy. The Omnibus Law is making this happen by increasing the ease of doing business in Indonesia, through initiatives to simplify licensing and land acquisition processes, formalise economic zones, introduce greater incentives to free-trade zones, and more.

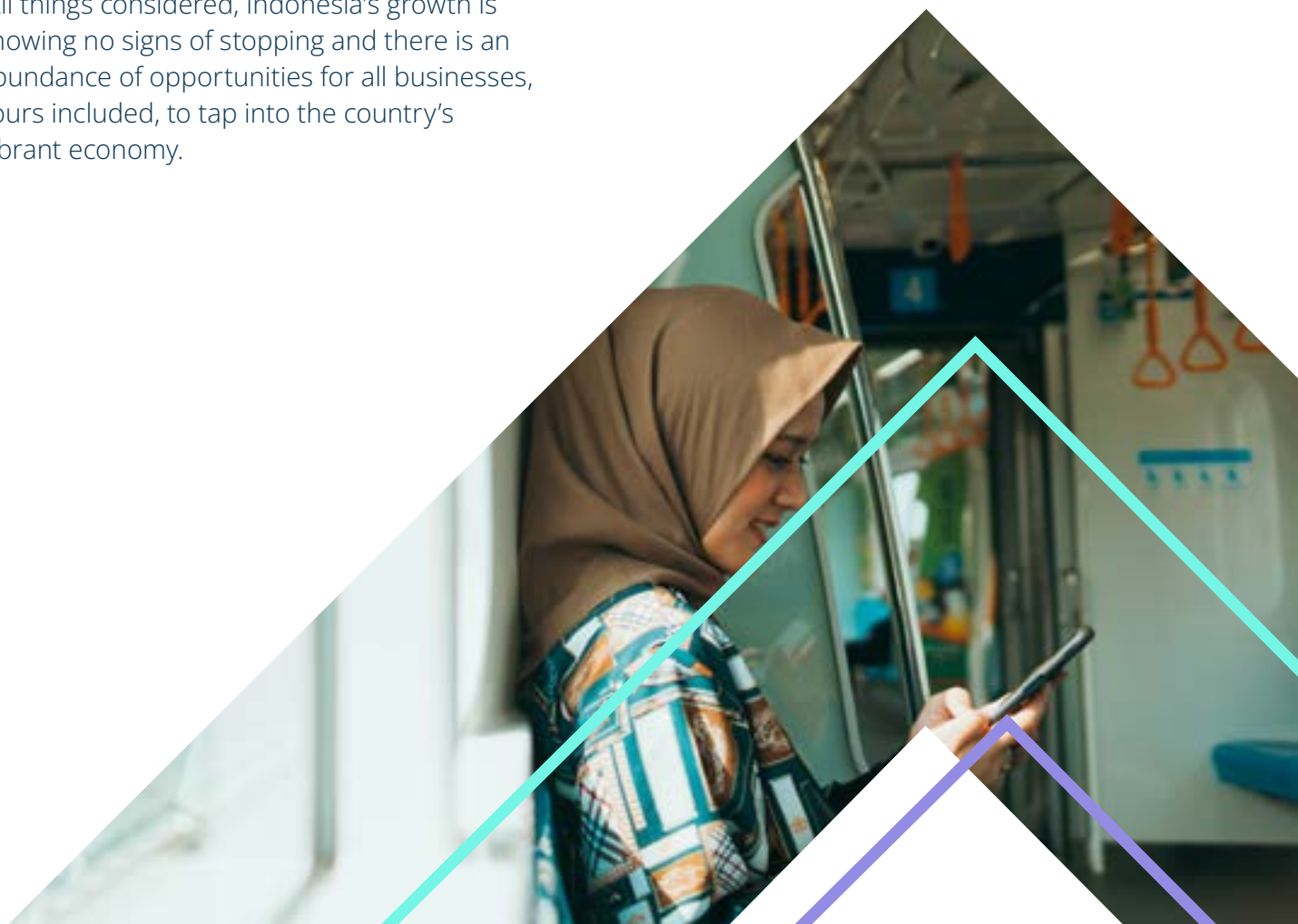
As such, there is no better time to establish your business in Indonesia, regardless of whether you're targeting individuals via a B2C model or businesses with a B2B forward model. In fact, the World Economic forum estimates that there are already more than 62 million SMEs operating in the country and having direct access to this enormous market bodes particularly well for B2B businesses.

Look beyond these SMEs and established companies and you'll find that Indonesia is a hotbed of entrepreneurship and innovation. The technology start-up scene is especially vibrant, with capital investment in such start-ups peaking at a record USD \$3.4 billion between 2020 and 2021. Additionally, Jakarta ranks third on Startup Genome's 2021 "Emerging Ecosystems" with a combined startup valuation of USD \$34 billion — a figure that has yet to include Indonesia's tier-2 and tier-3 cities.

With a flourishing technology start-up landscape, growing smartphone usage, and business-friendly policies, Indonesia's digital economy is poised to soar to new heights in the years to come. It's projected that the digital economy will grow to USD \$146 billion by 2025, and USD \$300 billion by 2030. However, new technologies are being developed and rolled out all the time, which means there is a chance that the actual value of Indonesia's digital economy may far surpass existing projections.

All things considered, Indonesia's growth is showing no signs of stopping and there is an abundance of opportunities for all businesses, yours included, to tap into the country's vibrant economy.

## Indonesia's smartphone penetration rate of 76% is among the highest globally



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# > Chapter 1

## Trends to capitalise on

Diversity is the DNA of Indonesia, which is home to over 273 million people, 700 languages, and made up of more than 17,000 islands. Still, there are several demographic trends and cultural characteristics that are prevalent across the country. Understanding these will enable you to make better plans and decisions for your business as you enter the Indonesian market.

> Here are five key trends.

### > A Growing Middle Class

The World Bank defines the middle class as those who are free from worries about poverty, and capable of directing their disposable income towards discretionary consumption.

In Indonesia, this refers to any individual who lives on anywhere between IDR 1.2 million and IDR 6.0 million per month, or approximately USD \$82 to \$410 per month. Already, they account for nearly half of Indonesia's household consumption, making them a significant driver of Indonesia's robust economic growth.

The Indonesian middle class has grown from 7 to 20% in recent years, so it is not unreasonable to expect that their numbers will continue to grow in the coming years. This growth is a sign that there is ample room for market expansion for your business. A good pricing strategy will also make a big difference. Identifying the price range that places your products or services within reach of your target market increases the chances for them to take action.

In particular, businesses in education and tourism can stand to benefit tremendously from rising middle class incomes and expenditure.

Growing household affluence may see changes to lifestyles and priorities that could manifest in increased interest for travel packages, online certification courses or diplomas, or pre-school and afterschool programmes for those with children.

### > High internet and mobile penetration rates

Behind Indonesia's rapidly expanding digital economy is its high mobile and internet penetration rate. Statista predicts that the number of mobile users will grow to 269 million by 2028, while the number of internet users will reach 270 million in the same time frame. Both numbers account for more than 90% of the country's population.

They are spending more time on their devices as well. Mobile devices represent 91% of the average Indonesian consumer's digital minutes, or the time they spent online. The report also found out that 70% of Indonesian users only use their mobile devices, and there is a gradual shift away from the desktop among younger users.

## *The average Indonesian consumer spends **91%** of their digital minutes on a mobile device*

As more and more users turn to mobile devices for their online browsing, it's crucial to ensure that the UI and UX design for your website is optimised for mobile audiences, since there's a good chance that first-time visitors to your page will be accessing it from a mobile device. Smooth and seamless experiences will reduce any friction and difficulty in navigating will go a long way in capturing users' attention.

Increasing mobile penetration favours retail and e-commerce businesses of all sizes as digital payments become more widespread. The ease of internet access makes it easy for individuals to discover and support local businesses, and offers unmatched convenience in allowing them to purchase anything such as groceries, the latest fashion accessories, or gadgets without leaving their home.

### **> Social Media Savvy Population**

Because of the country's high mobile penetration rate, Indonesians are generally social-media savvy. Today, there are over 190 million Indonesian users on social media platforms, representing 69% of the total population. Words spread fast on social media and this underscores the importance for businesses to maintain their reputation through goodwill, whether it involves delivering timely customer service or accepting refund requests. Earning and keeping the trust of your consumers can go a long way.

Accordingly, social media is the go-to place for building awareness and establishing your business's presence as you expand into Indonesia. Indonesians are big users of social

media platforms such as Facebook, Instagram, YouTube and TikTok. As of January 2023, the country has 119 million Facebook users and 110 million TikTok users.

This has given birth to local influencers like Ria Ricis and Atta Halilintar, who have amassed over 29 million subscribers on YouTube. Tapping onto popular social media influencers with creative content is one way for your business to be seen, heard, and reach its target audience.

### **> Familiarity with various payment methods**

Cash is still king in Indonesia, accounting for 45% of all point-of-sale purchases in 2022. On the other hand, credit card penetration in Indonesia remains one of the lowest in the region at just 6%. This is far from being bad news as Indonesians are growing accustomed to emerging payment methods.

In fact, Indonesians are embracing new payment methods. 44 percent of Indonesian digital payments users are making digital payments up to 4 times a week. The Bank of Indonesia found that the value of electronic money transfers in 2021 also grew 49.06% year-over-year.

## ***44%** of Indonesian digital payment users are transacting up to **4 times a week***

This lines up with research conducted by Fortumo which found that Indonesians, on average, have 3.16 mobile wallets simultaneously to enjoy unique benefits, discounts, and promotions that different providers offer. The transaction value of mobile wallets is estimated to reach USD \$107 billion by 2025.

Another payment method quickly taking hold is the Quick Response Code Indonesian Standard, (QRIS), a standardised QR code-based payment initiative from Bank Indonesia that makes payments easier. Even warungs, small informal shops across Indonesia have adopted QRIS to facilitate smoother payments because it enables customers to use different payment applications from any bank and non-bank operator. QRIS can also be used in shops, convenience stalls, to pay parking fees, and more.

As Indonesians embrace and use digital payment methods more widely, businesses need to cater to their preferences by offering them the option to pay by their preferred channel. Once these payment gateways have been set up, they will instantly be able to access a far larger audience.

Cash-On-Delivery, commonly known as COD, is a popular payment method for consumers who remain reluctant to use online payments. The service is widely used by popular e-commerce platforms in Indonesia, such as Shopee and Tokopedia.

According to a survey conducted by Indonesia's Central Statistics Agency in 2020, 73% of online shoppers said they use COD as a payment method. This payment method continues to be popular among the unbanked population, especially in rural areas.

***73% of online shoppers said they use COD as a payment method***

### > Halal economy momentum

Indonesia is the world's most populous Muslim-majority nation, and it's created a strong and sustained demand for products and services that meet the Halal criteria. Indonesia's Finance Minister, Sri Mulyani Indrawati, claimed that


Indonesia is the world's biggest market for Halal products, especially in the food, tourism, pharmaceuticals, and cosmetics sectors.

The demand for Muslim-targeted products is apparent in the e-commerce space. Misha Nugraha Ramadhan, Assistant Director of the Department of Sharia Finance of Bank Indonesia, shared that e-commerce transactions for halal products had surged in 2021, both in terms of volume and value, and had resulted in the increasing use of non-cash payment methods. The Bank of Indonesia noted that the share of halal products through e-commerce was dominated by fashion products, at 91.93%.

Furthermore, 60% of respondents said they plan to spend at least IDR 3 million for Ramadan in 2023, up from 56% in 2022. Their mobile-centric habits remained strong, with 98% of respondents choosing to explore deals, products, and brands for Ramadan on mobile. 56% of them also indicated that they preferred mobile as their primary purchasing channel.

Multinational corporations like Unilever have begun to offer Halal personal care products to Muslim consumers. Introducing products and services that meet the needs and demands of local consumers is essential for businesses to thrive in Indonesia. Given Indonesia's predominantly Muslim population and a growing market for Halal products, businesses that recognise and cater to this market are likely to gain a competitive advantage and be rewarded in the long run.

It offers a wealth of opportunities to businesses that produce, distribute, or sell halal-certified goods and services such as food and beverage or condiments manufacturers. Halal tourism is also seeing increased interest as Muslim tourists may want to seek experiences that adhere to their needs in terms of diet or rituals.



> Chapter 2  
Prominent business  
sectors in Indonesia



## > E-commerce

In the previous section, we highlighted that Indonesians are spending more money and time shopping online during Ramadan. It's an indicator of just how much potential the country's e-commerce sector possesses.

E-commerce spending in Indonesia has already hit USD \$59 billion in 2022, far outpacing other countries in Southeast Asia. By 2025, this number is expected to hit USD \$95 billion which will represent over 45% of the Southeast Asian e-commerce market.

*E-commerce spending is projected to hit USD \$95 billion by 2025*

The early days of the pandemic provide a glimpse at how robust and resilient the e-commerce sector is. A World Bank survey reported that close to 80% of digital merchants carried on with business as usual throughout 2020, against only 40% of their offline peers. Digital merchants experienced a much faster rebound as well, with sales recovering to pre-pandemic levels within six months of the first COVID-19 wave peaking. These figures can be attributed to Indonesia's huge population and domestic consumption base.

It's also why there are so many notable e-commerce players operating in Indonesia, from regional powerhouses such as Shopee and Lazada, to homegrown companies such as Tokopedia.

Chapter 4 expands on this topic considerably by examining the top 10 e-commerce platforms in Indonesia and analysing the factors that contributed to their success.

## > Logistics

The Indonesian archipelago consists of over 17,000 islands and it has always been a difficult hurdle for the logistics industry to overcome. Supply chains are complex because it is almost impossible for goods to be transported on land alone, and transportation infrastructure is not sufficiently developed due to low levels of digitalisation and a fragmented player base.

However, this also means that the sector has plenty of room to grow and digitalise, and Indonesia's burgeoning e-commerce industry will force supply chain players to scale up to meet constantly growing demands.

In particular, Indonesia's cold chain logistics arena is poised to develop rapidly in the next

decade. It was worth nearly USD \$5 billion in 2021, and is estimated to grow at a compound annual growth rate (CAGR) of 10.2% over the next decade, led by startups such as Paxel, Superkul, and Fresh Factory.

## > Fintech

Indonesia's fintech industry is flourishing as a result of the Indonesian government's proactive and progressive approach. Otoritas Jasa Keuangan (OJK), also known as Indonesia's Financial Services Authority, has introduced regulations that aim to support growth and innovation in open banking, peer-to-peer (P2P) lending services, and digital payments — and encourage greater financial inclusion.

As of 2022, Indonesia is home to 785 fintech companies. They specialise in several different areas, from lending and wealth management services to trading, and remittances and digital payments. For money remittances and payment system services providers, Bank Indonesia (BI) is the main regulatory authority.

Recognisable names in Indonesia's payments industry include GoPay, Ovo, Dana, and ShopeePay, which cater more towards retail and individual users. Businesses can turn to fintech platforms like Wallex, which is fully regulated by BI, to seamlessly pay their partners at home

or abroad, staff, or collect payments from customers across more than 180 countries. With the groundwork that has been laid out by the OJK, Indonesia's fintech industry is set to go from strength to strength.

## > Food & Beverage (F&B)

The early days of the pandemic demonstrated the resilience of Indonesia's food and beverage (F&B) sector, which managed to record positive growth of 0.2%. Online food deliveries, facilitated by ride-hailing players in Indonesia, enabled the F&B sector to not just survive, but thrive. Indonesia alone accounts for 31% of Southeast Asia's online food delivery market, which nearly tripled in size from USD \$4.3 billion in 2019 to USD \$11.9 billion in 2020.

It's against this backdrop that cloud kitchens, which rent out spaces to F&B businesses who prepare food for delivery and takeaways, experienced a boom. Although they first emerged in Indonesia around late 2018, it was the pandemic-fuelled surge in online food delivery which enabled cloud kitchens to truly take off. By the end of 2021, cloud kitchens were estimated to represent 15% of Indonesia's online food delivery sector.



*Indonesia represents  
31% of Southeast  
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delivery market*







One of the aims of Indonesia's Omnibus Law on Job Creation is to encourage higher levels of foreign investment, which is good news for any business looking to establish themselves in the country. There's never been an easier time to incorporate a business in Indonesia. In this section, we will bring you through the entire process of incorporating your business in Indonesia.

**For a start, you will need to register your company and choose a legal entity. The most common options are:**

**1. PT PMA**  
(Foreign Limited Liability Company)

This can be wholly or partially owned by foreigners and governed by the foreign capital investment law.

**2. PT**  
(Local Limited Liability Company)

Widely known as a limited liability company, only locals are allowed to incorporate this business entity. Generally, foreigners who open a PT do so by registering their business under a local nominee.

**3. KPPA**  
(Representative Office)

A branch of an overseas parent company is not allowed to issue a sales invoice, engage in direct selling, or generate any form of revenue or profit in general. A representative office can only operate for a maximum of two years.

## >15

Our guide will focus on PT PMA as this is how the majority of foreign companies are incorporating their business.

One of the requirements of a PT PMA is that the company must have at least one director and one commissioner. Directors may be an Indonesian citizen or foreigner. At least one director needs to possess the local tax card (NPWP), but this individual need not be an Indonesian citizen. The commissioner may also be an Indonesian citizen or foreigner, and one of their main duties is to supervise and monitor the work of the director(s) in the company.

Both directors and commissioners can be shareholders of the company, and they are eligible to apply for the non-permanent residence permit, known as KITAS.

There must also be at least two shareholders. The shareholders may be foreigners, locals, or a mix of both, as well as an individual or legal entity.

In terms of capital, the minimum paid-up capital needs to be IDR 10 billion, or approximately USD \$700,000. You will also need to obtain the Company Domicile Letter (Surat Keterangan Domisili Perusahaan, or SKDP) as part of the company registration process.

**Registration for your company will take place on Indonesia's Online Single Submission (OSS) system, which is the place to obtain the relevant permits, licenses, as well as renew licenses. The process is as follows:**

- 1.** Obtain approval of your company's name, which must have at least three words.
- 2.** Submit the Deed of Establishment, which includes an article of association with the presence of a notary. This document must subsequently be submitted to be certified by the Ministry of Law and Human Rights.
- 3.** Apply for the SKDP (see above).
- 4.** Obtain a tax registration number (NPWP).
- 5.** Get your Business Identification Number (NIB), a unique number assigned to your company as a form of identification.
- 6.** Apply for other documents and licenses relevant to your business. Some sectors, such as tourism, might also need additional licenses.



This document can be obtained at the One Stop Service Centre (Pelayanan Terpadu Satu Pintu or PTSP) in the district where your company is to be domiciled. Residential addresses are not allowed to be used for the SKDP. One workaround is to rent a virtual office.

The whole process may take up to one and a half months to complete. Your business can start operating immediately once it has secured the NIB from the OSS system.

Retail businesses keen on expanding into Indonesia without setting up a physical presence can consider utilising e-commerce platforms which allows them to sell their products to Indonesian consumers.

This is known as the cross-border sellers model, and many e-commerce platforms such as Shopee and Lazada can help these businesses to get started. Registration is fully digital and can be completed on their platform. Take note that this method is only available to the businesses or sellers in the country where the e-commerce platforms operate.

## > Chapter 4

Top 10 e-commerce  
platforms in Indonesia





The entry of regional e-commerce players such as Shopee into Indonesia have provided sellers abroad with direct access to its 138 million online shoppers, sparking a growth trajectory that few other industries can match. **By 2025, Indonesia's e-commerce sector is projected to reach USD \$53.8 billion, at a compound annual growth rate of 22% each year.**

What businesses are going to want to know, however, is which platform is best for them to sell their goods on. To answer that, it helps to first know the main players in the country and also how they achieved their success in Southeast Asia's largest e-commerce market. Let's take a look at the top 10 e-commerce companies operating in Indonesia.



Tokopedia is widely considered to be Indonesia's leading e-commerce platform. Founded in 2009, the company merged with ride-hailing service Gojek in 2021 to establish GoTo, a holding company that later went public in March 2022 with a listing on the Jakarta Stock Exchange.

Tokopedia is the country's most visited e-commerce website, with 147 million website visits in the second quarter of 2021. In terms of sales, they recorded USD \$14 billion in gross merchandise value (GMV) in 2020. Behind this success is its wide variety of offerings that cater to nearly all users, including Muslim users, which their product line Tokopedia Salam was designed for. Here, they can purchase Muslim fashion pieces, prayer items, sharia investment products, and even pay zakat (obligatory Muslim donations).

The company is also not one to shy away from branching out into niche segments. Tokopedia acquired Bridestory, a popular wedding vendor and package marketplace in 2019 because they spotted an opportunity in the Indonesian culture of going big for their wedding receptions. The acquisition brings all aspects of wedding planning, from photography to wedding cake selection to Tokopedia.





First launched in 2015, Shopee is a relative newcomer to the e-commerce landscape but this has had little bearing on its success. Today, Shopee is one of the most prominent brands and e-commerce platforms across Southeast Asia, including Indonesia where it is going toe-to-toe with Tokopedia.

Shopee is also considered a market leader in Indonesia, with a GMV that marginally surpasses Tokopedia at USD \$14.2 billion in 2020, However, Shopee was edged out of the number 1 spot in terms of site visits with 126 million visits against Tokopedia's 147 million visits in the second quarter of 2021.

When it began operating in Indonesia, Shopee took an aggressive approach to marketing and promotions. They introduced Gratis Ongkir Rp 0 (Free Shipping Rp 0), allowing users to enjoy free shipping without setting a minimum purchase value. Logistics costs in Indonesia tend to be more expensive, which made this promotion too good to be passed up for many Indonesians. What made Shopee truly stand out amongst its peers was its approach to marketing. Their strategy of localising ads for Indonesian audiences with humour proved to be incredibly effective.





Bukalapak has been operating since 2010. The platform also offers supporting services such as bill payments, connecting warungs to distributors, narrowing supply chains, and lowering the cost of their merchandise.

The company uses a metric called total processing value (TPV) instead of GMV to measure their performance. Between Q3 2021 and Q3 2022, Bukalapak saw TPV soar 32% to USD \$2.8 billion. Like Tokopedia, Bukalapak is also listed on the Jakarta Stock Exchange where it trades under the ticker BUKA.



Lazada is a Singaporean e-commerce company founded in 2012 and one of the largest players in the space in Southeast Asia, with a presence in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The company's LazMall — a virtual mall that connects shoppers to over 32,000 brands — promises 100% product authenticity, fast delivery, and a 15-day return policy.

The company's GMV within Indonesia in the first three quarters of 2021 stood at USD \$21 billion, with annual active users growing 1.8 times to 130 million in the same period. In 2022, Lazada announced plans to expand into Europe.



Blibli is an Indonesian company which was founded in 2010. Two things set Blibli apart from its competitors: targeting the affluent consumer segment, and guaranteeing that every product listed on their platform is original and genuine. Blibli is also venturing into the B2B segment with its Blibli for Business e-procurement solution for corporate customers.

The company has also made two strategic acquisitions; the Indonesian online travel agent Tiket.com and PT Supra Boga Lestari, a publicly-listed supermarket operator. With these acquisitions, Blibli saw their TPV hit USD \$4.1 billion in 2022. In the same year, Blibli was listed on the Indonesia Stock Exchange, trading under the ticker BELI.



Established in 1993, Bhinneka claims to be Indonesia's pioneering e-commerce company. They began as an offline retailer specialising in consumer electronics before embracing digitalisation and expanding their offerings, such as groceries, industrial equipment, healthcare products and others.

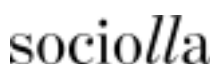


Orami is an Indonesian online retailer of maternity and infant products. The company is positioning itself as an all-in-one parenting platform, and they have launched a community-driven app for parents called "Orami Parenting". Orami was acquired by Indonesia-based ecommerce firm Sirclo in 2021.



Ralali is an Indonesian B2B marketplace founded in 2013. The company aims to introduce the convenience of e-commerce to SMEs that are still not yet familiar with digital technology.

Micro, small, and medium enterprises can tap on Ralali to grow, scale, and sustain their businesses, with access to an on-demand workforce via its app being one of their unique propositions. They closed the first tranche of their Series D round in March 2022.



Sociolla is an Indonesian beauty e-commerce platform owned by Social Bella. Founded in 2014. Sociolla offers beauty products such as perfumes, skincare and cosmetics.



Zalora is an Asian e-commerce platform focused primarily on fashion and footwear. The company was launched in Indonesia in 2012, and offers its customers nearly 90,000 unique products. While Indonesia is one of its largest markets, Zalora is also present in Singapore, Malaysia, Brunei, the Philippines, Hong Kong, and Taiwan.

## > Chapter 5

Expanding and improving  
B2B supply chains

The background features a series of white, angular lines that create a sense of movement and depth. These lines form various geometric shapes, including triangles and polygons, some of which are nested or overlapping. The overall effect is a modern, minimalist design that complements the text.

There is no doubt that Indonesia is a lucrative market but there is more to Indonesia beyond its growing population of consumers with rising levels of disposable incomes. While its e-commerce boom is a source of revenue that will help your business to thrive, Indonesia can support your business on a B2B level.

Specifically, Indonesia's manufacturing infrastructure and skilled workforce can become integrated with the supply chains of businesses based outside of the country.



## > Textile and garments manufacturing

One of the anchors of Indonesia's economic miracle is its abundant natural resources, which has contributed to the steady growth of its exports as well as manufacturing capabilities over the years, to the benefit of both foreign and Indonesian companies, with the textile and garment industry being a prime example.

Indonesia is one of the top ten textile-producing nations globally, with up to 70% of textiles being exported. In July 2022, the industry's exports sat at around USD \$6.08 billion, or 5.51% of total exports. Textiles and garments are also the target of Indonesia's Industry 4.0 master plan, which aims to develop their capabilities through sustainable development and the introduction of new technologies such as artificial intelligence, automation, and data analytics, all of which will transform the production process to bring down costs across the board.

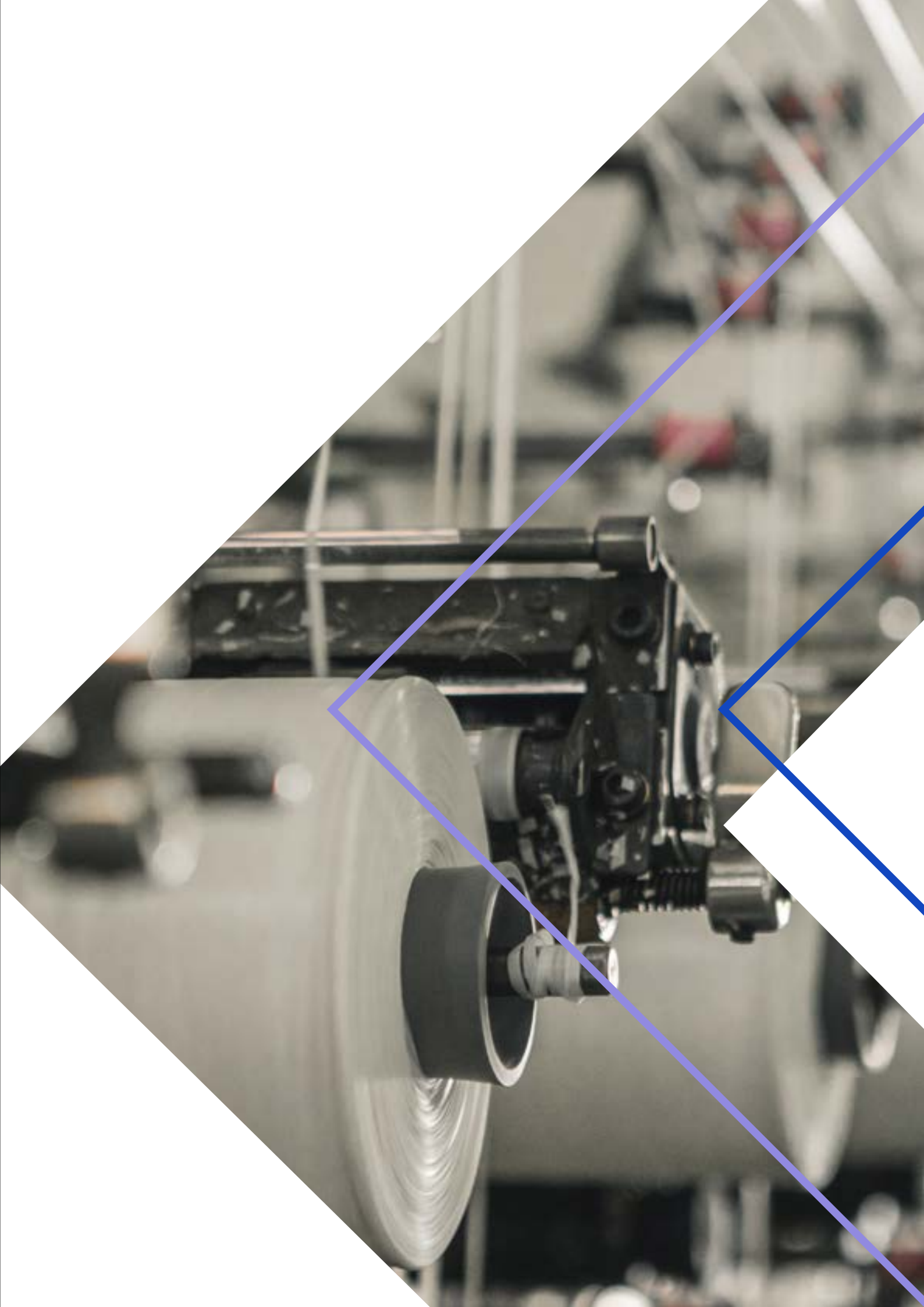
Textile and garment factories in Indonesia do more than just serve as a production line. Many of them offer services such as design, prototyping, and even shipping. With the infrastructure, resources and expertise in place, Indonesia is one of the most attractive destinations for businesses looking to procure textiles or produce garments.

## > Business Process Outsourcing

Companies are increasingly offloading certain aspects of their operations to other countries in pursuit of greater cost savings and efficiency. This is known as business process outsourcing (BPO), which involves delegating functions such as customer service, technical support, know-your-customer (KYC), and even anti-money laundering to third-party service providers.


Indonesia is one of the best places for you to outsource business functions because it offers more time and cost savings as compared to hiring a team and running it in-house. With the average wage standing at about IDR 104M or just under USD \$7,000 annually, engaging BPO service providers can be a very affordable way of getting entire business units up and running smoothly.

One of the advantages of outsourcing to Indonesia is its large, educated workforce. 10.15% of all Indonesians have completed their university education and while this does not sound like much, it's worth noting that Indonesia's total population is more than 273 million. This still translates to at least 27 million people, and among them are professionals with levels of experience that range from fresh graduates, industry veterans of more than 20 years, and everything in between.



## > Chapter 6

Paying and getting paid in Indonesia



Perhaps you now have some ideas about how you want to do business in Indonesia, whether that entails selling your products through an e-commerce platform, setting a physical branch in the city, or outsourcing your call centre operations. The time has come to think about money and the right approach for your business to adopt.

Earlier, we pointed out that Indonesians are familiar with various payment methods, with digital payments and e-wallet usage trending upwards. From where you stand, however, things are less straightforward because the workflows and processes on the backend have yet to be established and much of it depends on your having a local bank account. Yet, setting one up will not only take time, but have drawbacks in terms of features and expenses.

Here, it's also worth thinking about the current financial landscape in Indonesia, where credit card ownership remains low. Realising that only offering card-based payments would shut them off from these consumers, e-commerce companies introduced cash-on-delivery (COD). While this has brought about some operational challenges, COD helped e-commerce companies to reach unbanked Indonesians.

Another challenge arrives in the form of diverse preferences among consumers. As their incomes grow and consumption habits change, they will become more accustomed and inclined to certain payment methods over others, while still expecting seamless payment experiences that allow them to transact with their preferred method. A frictionless payment process can go a long way in providing them with a positive experience, which in turn raises the chances of making them a repeat customer.

That's why selecting the right payment partner is crucial to your business's success in Indonesia.

Look no further than Wallex, the leading FX and payments specialist for B2B companies transacting in Asia. Our fully digital platform brings seamless and borderless FX and payments to businesses like yours.

Supporting your business is our business, which is why the Wallex platform was designed specifically to address the unique needs of businesses with several built-in features that saves you time and costs:

### > Real-time payments to Indonesia

Make high volume, high value transactions to your Indonesian partners or suppliers using either the SWIFT or Local channels.

### > Collect IDR as if it were a local transfer

Collect IDR bank transfers in a virtual account from your clients and customers as it was a local payment. Make it easy for them to pay you whilst benefiting from managing everything from a centralised platform.

### > Bulk payments

Pay as many as 200 beneficiaries across multiple currencies in one go. You can save and update information on different beneficiaries on Excel templates that can be uploaded for processing at each payment cycle.

### > Maker-Checker workflows

Improve governance and reduce manual error with one person (the “maker”) setting up the transaction which is automatically sent to the second person (the “checker”) for approval.

### > MT103 downloads

Receive the MT103 document, which is a record of your transaction for internal record-keeping and proof of payment to your vendors or partners. Wallex provides the MT103 document when you complete an international money transfer, which can be used to trace cross-border payments which are missing or delayed.

Whether it involves making monthly payroll to a department of 30 customer support staff, paying the rent on your workspace, or procuring a large batch of textiles, signing up with partners

like Wallex makes it easy, whilst giving you greater confidence and convenience.

However, a large part of doing business across borders also involves currency conversions. Any payment you make needs to be converted from your home currency to the beneficiary’s preferred currency, and the same applies when customers pay you in their home currency. When performed through banks, these conversions will be subject to a high fee in addition to transaction charges, and it can take anywhere from one to three business days for funds to reach their destination.

Wallex helps you to circumvent such obstacles with greater speed, support and savings. You’ll enjoy instant transfers in IDR, SGD and HKD and same-day settlements for top currencies such as the USD, GBP and EURO as well as Asian currencies including the MYR, THB and VND, just to name a few — all while receiving dedicated customer support should any issue arise.

The best part is that you can make your payments with the best exchange rates through packages that are customised for your business and zero hidden fees. With Wallex, you’ll get double the value at half the cost.

You can also collect your invoices and payments made in IDR via a virtual IDR account through Wallex. This helps you improve your bottom line and frees up your working capital, which is crucial for businesses in its growth stage.

Today, more than 40,000 customers trust Wallex and depend on our platform to make payments to over 180 countries, convert in 46 currencies, collect in 31 currencies and hold in 14 currencies. Our customers can bring their businesses into new markets with confidence and no longer need to rely on banks for their payments and FX needs.







### > The customer

Founded in 2015, Kapital Boost is an Islamic enterprise and peer-to-peer (P2P) platform that offers global investors the opportunity to invest in promising SMEs in Indonesia and Singapore, bridging the gap between SMEs and investors/members.

Kapital Boost is based out of Singapore but many of their investors are based in Southeast-Asia and other regions of the world. They focus on short-term, ethical investment opportunities, only requiring a minimum starting investment of SGD \$200. Through Kapital Boost, businesses and SMEs get access to temporary liquidity and capital through a crowdfunding platform.

### > The challenge

A large chunk of Kapital Boost's SME clients are in Indonesia, while investors are based in the Middle East, like Kuwait, the UAE, Bahrain, and Saudi Arabia. This meant they had to often make large amounts of capital transfers across borders.

They depended on banks and remittance companies in the beginning, but found the payment process to be lengthy and time-consuming.

Kapital Boost soon began looking for an alternative payment solution that was faster and cheaper, and found what they were looking for in Wallex.

## > The solution

Kapital Boost picked Wallex for three main reasons.

### > Speed

Performing transactions through remittance companies and banks meant it often took days before transactions were settled. Wallex turned this around by getting it done within hours, streamlining Kapital Boost's workflows, saving a tremendous amount of time, and keeping customers satisfied with the company's services.

### > Simplicity

Kapital Boost now manages payments from anywhere and at any time with Wallex, leveraging the simplicity of the platform to improve their efficiency. They also enjoy access to advanced features like bulk payments and approvals which cut down the time it takes to process big or complex transactions, eliminating any administrative burden without disrupting payment schedules.

### > First-class support

Kapital Boost now has a dedicated account manager who stays in regular contact with the team and users to support their needs, especially when there are large and crucial transactions that need to be made. If the account manager is not immediately available, Kapital Boost continues to receive support through a supportive and responsive team that can assist with urgent requests with quick turnaround times.

This is particularly important for clients in fast-moving industries who may require transactions to be performed immediately. Kapital Boost also feels more confident as a result, knowing that they can rely on Wallex in any emergency.

## > Conclusion

With the government's pro-business posture, higher consumption in the growing middle class, and the rapid pace of digitalisation, Indonesia's economy is set to reach new heights in the years ahead. For businesses seeking to expand into the country, this is an opportune moment to capitalise on these favourable conditions.

Consider the country's cultural and social trends, such as the Halal economy, cloud kitchens, and extravagant weddings in your business strategy. When you get it right, your company will unlock a vast array of opportunities and gain access to Indonesia's massive consumer base, the largest in Southeast Asia.

Indonesia is open for business and with its rising middle class and growing e-commerce market, there is no better time to make your foray into the country. With Wallex by your side, you have a reliable payment partner who knows the market and can set you up for success.

If you're ready to take that step and set up your business in Indonesia, we can help. Sign up for free at [www.wallex.asia](http://www.wallex.asia). You can also reach us at [contact@wallextech.com](mailto:contact@wallextech.com) to schedule a demo and learn more.





