



Foreign Direct Investment (FDI) Role towards Innovation Inclusiveness in Indonesia

by:

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Agenda



Background



Objective



Literature Review



Methodology



Findings



Conclusion & Recommendation

Background

- For the past decade, Indonesia became an **attractive destination for investments in start-ups**
- **Business model:** ride-hailing, e-commerce, travel, fintech, etc.
- Some of them now have valuation up to **US \$10 billion**. Also capable of doing acquisitions and overseas expansion.

 Tencent 腾讯

\$1.2B (2017)

 gojek

 SoftBank Group

 Alibaba Group
阿里巴巴集团

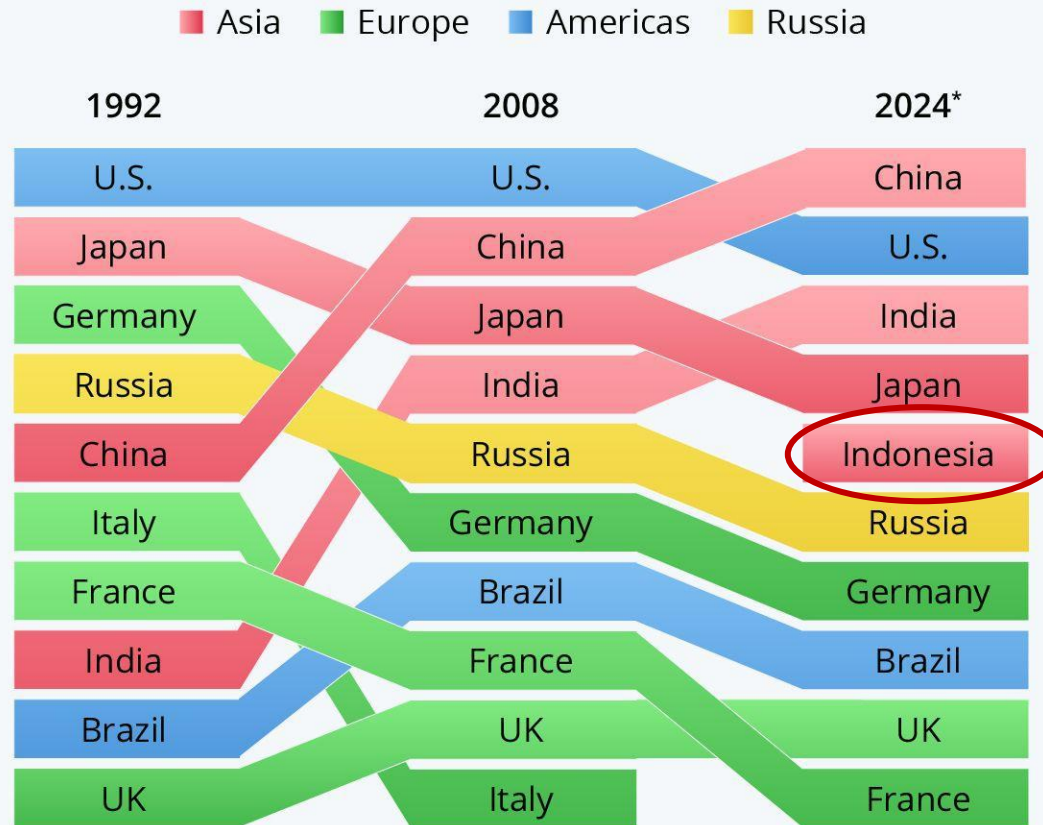
 TEMASEK
HOLDINGS

\$1.5B (2020)

 tokopedia

Continental Shift: The World's Biggest Economies Over Time

Countries with the highest GDP on Earth in 1992, 2008 and 2024*



* projection
Based on purchasing power parity, intl. dollars
Source: IMF



Objective

“Analyze the benefits of Foreign Direct Investment (FDI) towards innovation inclusiveness in Indonesia, and how it supports the development of Small and Medium Enterprises (SME), and social welfare of Indonesian citizens.”

Literature Review

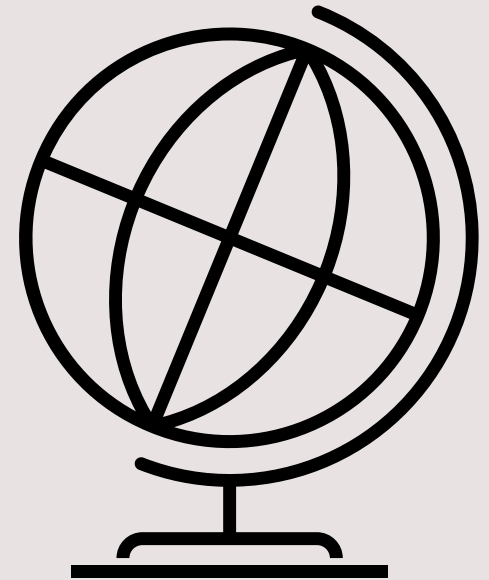
Foreign Direct
Investment

Venture Capitals
(VCs)

Investments in
start-ups

Foreign Direct Investment

The process whereby residents **from one country** acquire ownerships of assets, for the purpose of controlling the production, distribution, and other activities of a firm in **another country** (Moosa, 2002).



Venture Capital (VC)

A financial intermediary. Takes money from investors then create investments in portfolio companies. More concentrated in **healthcare and IT industry** as they invest in small companies with the potential to grow and have **large addressable markets**. (Metrick & Yasuda, 2011).

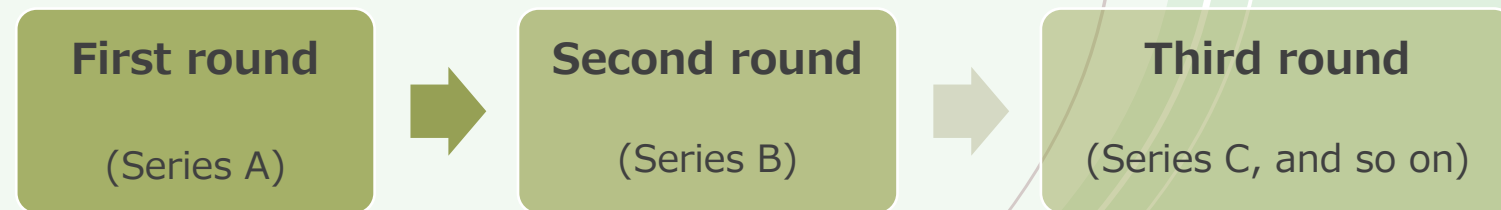
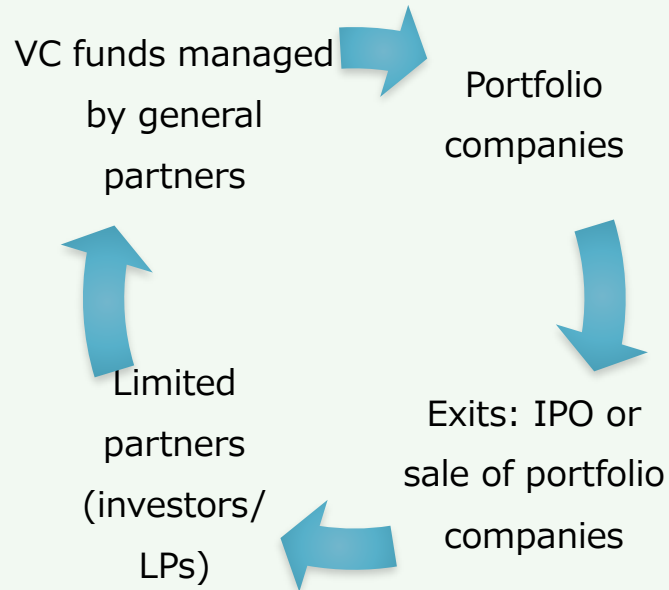


Figure 2. Financing round.

Figure 1. The flow of funds in the venture capital cycle.

Literature Review

In the US, high-growth ventures (start up companies) have emerged as economic power houses, generating:

- **Thousands of jobs**
- **Diffusing technological knowledge**
- **Creating culture of innovation**

which affects every type of business organization and businesses around the world

(Prof. BenDaniel, Cornell University)

Literature Review

Venture Capitals (VCs) play an important role in social and economic growth, innovation and value creation (Tarrade, 2012).

Their active role:

- Helping manage the ventures
- Advise on strategic matters
- Sharing business knowledge
- Support with business contacts



(Left picture) Masayoshi Son (Softbank Group) with Grab CEO, Anthony Tan.
(Right picture) Masayoshi Son with Indonesian President, Joko Widodo.

Methodology

Secondary data

Observations

Documents and records

Motivations of cross-border venture capital investments:

1. Minimizing risk by geographical portfolio diversification
2. Generate more revenue & location specific advantage



Indonesia

Population:
267.7 million

Productive (working) age population:
192.1 million

Expected to grow its labor forces & rise in average disposable income
(World Economic Forum, 2020)

Findings – Startup Valuation Methods

-> Current top-valued startups in Indonesia are not publicly-traded yet

Valuation methods:

1. Cost-to-Duplicate
2. Market Multiple
3. Discounted Cash Flow (DCF)
4. Valuation by Development Stage

Findings

Unicorns operating in Indonesia valued \$1B+ as per Oct 2020

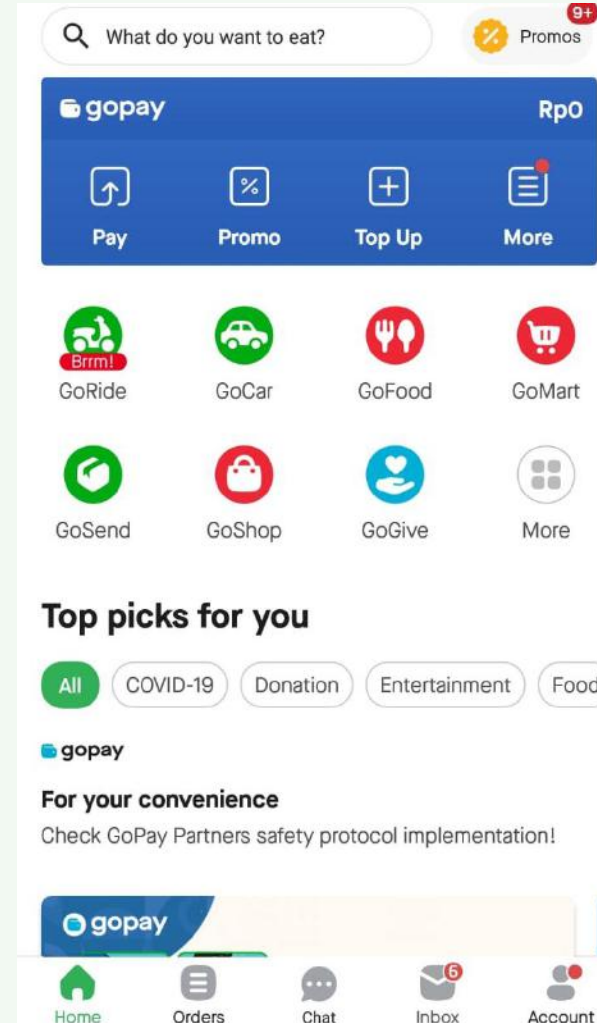
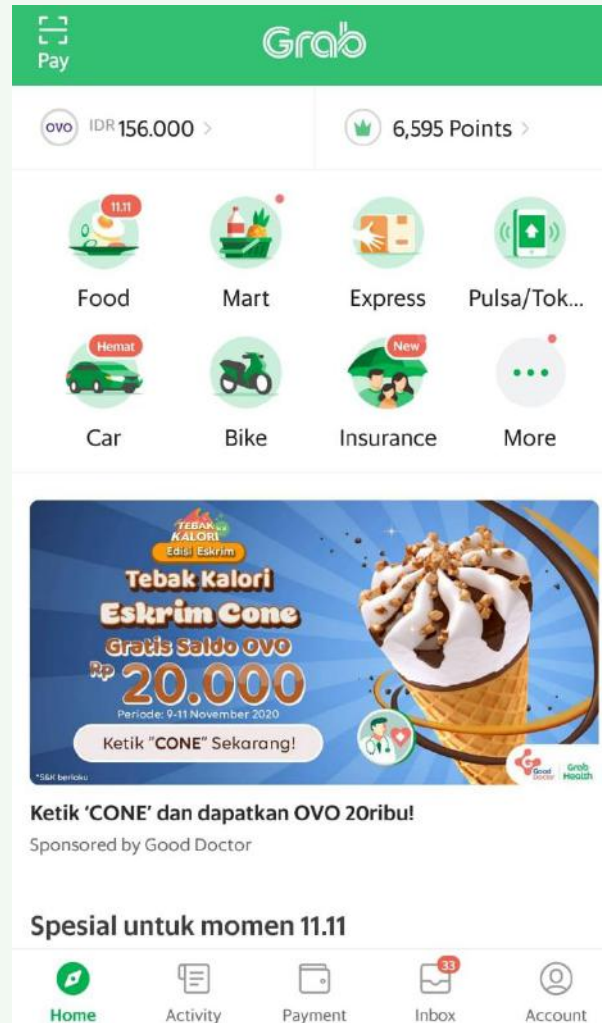
Company	Country	Category	Investors	Total Raised (\$B)	Valuation (\$B)	
Grab	Singapore	Auto & transportation	GGV Capital, Vertex Venture Holdings, Softbank Group	\$9.86	\$14.30	Decacorn
Gojek	Indonesia	Supply chain, logistics, & delivery	Formation Group, Sequoia Capital India, Warburg Pincus	\$4.59	\$10.00	
Tokopedia	Indonesia	E-commerce & direct-to-consumer	SoftBank Group, Alibaba Group, Sequoia Capital India	\$3.30	\$7.00	Unicorn
Traveloka	Indonesia	Travel	Global Founders Capital, East Ventures, Expedia Inc.	\$1.17	\$3.00	
Ovo	Indonesia	Fintech	Grab, Tokopedia, Tokyo Century Corporation	\$0.12	\$2.90	
Bukalapak	Indonesia	E-commerce & direct-to-consumer	500 Startups, Batavia Incubator, Emtek Group	\$0.15	\$2.50	

Source: CB Insights (2020)

Findings – Ride-hailing startup & its ecosystem

e-payment

services



e-payment

services

Findings – Ride-hailing startup & its ecosystem

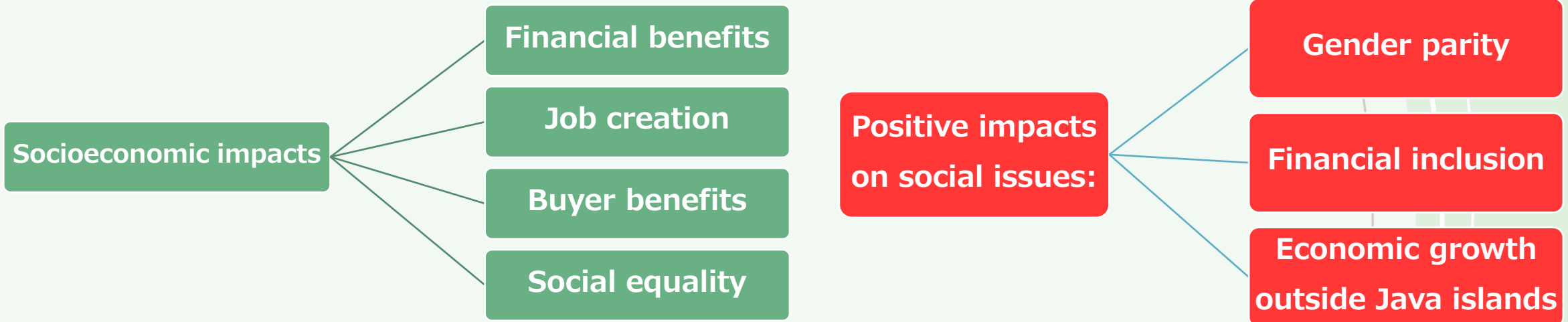
Grab vs. Go-Jek: the battle in Southeast Asia		
 Grab		 Go-Jek
Anthony Tan	CEO	Nadiem Makarim (Former CEO)
Harvard Business School	Almamater	Harvard Business School
Singapore	Headquarters	Indonesia
2012	Foundation	2010
\$14.3 billion	Valuation	\$10 billion
GGV Capital, Softbank Group, Vertex	Shareholders	Formation Group, Sequoia Capital India
8 countries	Ride-hailing	4 countries
6 countries	Food delivery	3 countries

Source: Companies, CB Insights (valuations)

Findings – Ride-hailing startup & its ecosystem

Grab Indonesia	Company	Go-Jek
Rp 77.4 trillion (US\$ 5.45 billion)	Economic contribution (2019)	Rp 104.6 trillion (US\$ 7.1 billion)
GrabFood (food delivery) Rp 37.3 trillion	Major service contributor	Go-Jek's partners— (drivers and merchants) Rp 87.1 trillion
<ul style="list-style-type: none"> • Job openings • Convenient transportation rides • Empowering microbusinesses & SMEs 	Social contribution	<ul style="list-style-type: none"> • Job openings • Convenient transportation rides • Empowering microbusinesses & SMEs
<ul style="list-style-type: none"> • Cashless payment • Variety of services • Bill payments & online purchases • Utilization of big data and AI 	Innovation inclusiveness	<ul style="list-style-type: none"> • Cashless payment • Variety of services • Bill payments & online purchases • Utilization of big data and AI

Findings – e-commerce startups



By 2022, will directly or indirectly **support about 26 million jobs.**

E-commerce supports **women empowerment** in many ways, allowing women more equal access to the economy.

Source: McKinsey, 2018.



Conclusion

- For Indonesian start-ups to reach its full potential, investors are needed to fund their development, including from foreign investors.
- Existing Indonesian unicorn startups **accelerates the economic capability of the nation as well as the social welfare of its citizen.**



Recommendation

- Indonesia government to continue promoting investment-friendly climate.
- Build a reliable logistic infrastructure to cater the rapid growth of e-commerce.
- Create an education curriculum which supports the technology-based skills to nurture local software engineers and data scientists.
- Policies to protect drivers and partners (fare pricing, operational regulations, etc.)



Thank You



Resources

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Appendix



Grab's Fundings

23 Fundings

Date	Round	Amount	Investors	Valuation	Sources
4/8/2014	Series A	\$10M	Undisclosed Angel Investors, 500 Startups, and Vertex Vent...		5 
5/29/2014	Series B	\$15M	GGV Capital, Vertex Ventures SE Asia, and Qunar		7 
10/21/2014	Series C	\$65M	Tiger Global Management, GGV Capital, Hillhouse Capital ...		7 
12/4/2014	Series D	\$250M	SoftBank Group	\$1,000M	7 
8/6/2015	Incubator/Accelerator	\$0.05M	500 Accelerator		1 
8/14/2015	Series E	\$350M	China Investment Corporation, Coatue Management, and D...	\$1,800M	4 
9/20/2016	Series F	\$750M	Honda Motor Co. and SoftBank Group	▲\$3,000M	30 
12/1/2016	Unattributed		Tokyo Century Corporation		1 
4/1/2017	Corporate Minority		Emtek Group		2 
7/24/2017	Series G	\$2,000M	SoftBank Group and Didi Chuxing	\$6,000M	13

Gojek's Fundings

15 Fundings

Date	Round	Amount	Investors	Valuation	Sources
	Other Investors		Vanedge Capital		
6/9/2015	Seed VC		OpenSpace Ventures		1 
8/20/2015	Series A		Sequoia Capital India and Formation Group	\$400M	1 
8/4/2016	Series B	\$550M	Warburg Pincus, DST Global, Farallon Capital Management,...	▲\$1,300M	38 
7/5/2017	Series C	\$150M	Tencent Holdings		19 
1/18/2018	Series D	\$1,500M	Warburg Pincus, Tencent Holdings, BlackRock, Temasek, KK...	\$5,000M	24 
4/11/2018	Series E	\$35M	Allianz X		7 
9/5/2018	Incubator/Accelerator		Google for Startups Accelerator		1 
2/1/2019	Series F	\$1,000M	Tencent Holdings, Google, JD.com, Provident Capital Partne...	\$10,000M	3 
3/4/2019	Series F - II	\$100M	Astra International		5


Tokopedia's Fundings

10 Fundings

Date	Round	Amount	Investors	Valuation	Sources
	Seed VC		East Ventures		
4/8/2011	Series A	\$0.7M	CyberAgent Capital	\$7M	
4/15/2012	Series B		Beenos Partners		
6/12/2013	Series C		East Ventures, Softbank Ventures Asia, and CyberAgent Ca...		1 
10/22/2014	Series D	\$100M	Sequoia Capital India, SoftBank Group, and Softbank Vent...		10 
4/8/2016	Series E	\$147M	Undisclosed Investors		2 
8/17/2017	Series F	\$1,100M	Alibaba Group		2 
12/12/2018	Series G	\$1,100M	Sequoia Capital India, SoftBank Group, Alibaba Group, and...	\$7,000M	15 
6/24/2020	Series H	\$500M	Temasek		2 
10/23/2020	Series H - II	\$350M	Google		5

Traveloka's Fundings

6 Fundings

Date	Round	Amount	Investors	Valuation	Sources
11/12/2012	Seed VC		East Ventures		1 
9/9/2013	Series A		Global Founders Capital		1 
1/1/2017	Series B	\$150M	Sequoia Capital, Hillhouse Capital Management, East Vent...		1 
7/27/2017	Series B - II	\$350M	Expedia	\$2,000M	6 
4/11/2019	Series C	\$420M	GIC		3 
7/28/2020	Series D	\$250M	Qatar Investment Authority, Undisclosed Investors, and Eas...	\$3,000M	7

Ovo's Fundings

3 Fundings

Date	Round	Amount	Investors	Valuation	Sources
12/29/2017	Corporate Minority	\$116M	Tokyo Century Corporation		1
11/14/2018	Corporate Minority - II		Grab		1
3/14/2019	Corporate Minority - III		Tokopedia	\$2,900M	6

Bukalapak's Fundings

10 Fundings

Date	Round	Amount	Investors	Valuation	Sources
7/2/2011	Seed		Batavia Incubator		
9/11/2012	Series A		STRIVE		
2/13/2014	Series B		500 Startups, STRIVE, IREP, and Aucfan		1 
2/4/2015	Series B - II		Emtek Group		1 
8/6/2015	Incubator/Accelerator	\$0.05M	500 Accelerator		1 
11/16/2017	Series C		Undisclosed Investors	\$1,000M	1 
1/16/2019	Series D	\$50M	Mirae Asset Financial Group and NAVER Corporation		6 
10/4/2019	Series D - II		Emtek Group and Shinhan Financial Group	\$2,500M	2 
12/12/2019	Series E		500 Startups		
11/3/2020	Series F	\$100M	Microsoft, GIC Group, and Erlang Technology	\$3,500M	6