

**M**ANY HISTORICAL SOURCES PLACE ASIA AS the origin of the unicorn myth. Today, you might say unicorns are alive and well, and have found a home in Indonesia.

Indonesia has emerged as one of Southeast Asia's most vibrant tech hubs, home to a thriving startup ecosystem and a growing number of unicorns. With a population of over 270 million people, the country offers a huge market opportunity for tech entrepreneurs, while its growing economy and supportive government policies have helped create a favorable environment for innovation.

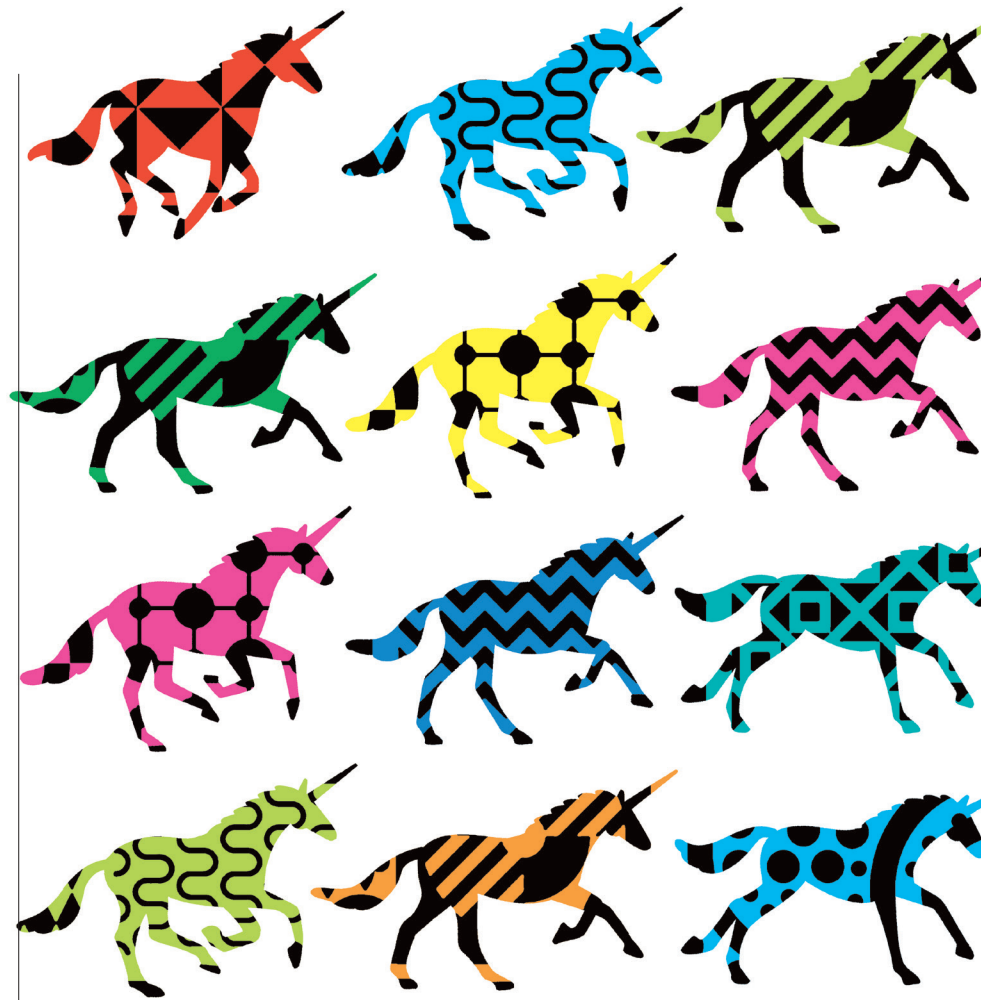
Over the past decade, Indonesia has seen a surge in the number of startups and tech companies, attracting billions of dollars in investment from both domestic and international investors. Today, the country is home to some of Southeast Asia's most successful unicorns, including GoTo, Traveloka, Bukalapak and OVO.

“For investors from more mature markets like China or the US, this is one of the few remaining countries in the world with scale and growth,” says Helen Wong, Managing Partner at AC Ventures, a leading Indonesian venture capital firm. “Key segments of the digital economy such as fintech, e-commerce and enablers of micro-SMEs have grown tremendously over the past five years and they are projected to continue to grow at double digits going forward.”

One of the key factors driving Indonesia's tech boom is its young, tech-savvy population. With a median age of just under 30 years, Indonesia has one of the youngest populations in the world. This demographic trend has fueled the rapid adoption of smartphones and mobile internet, creating a huge market for online services and platforms.

Indonesia's middle class is also rapidly expanding, thanks to solid economic growth in recent years. According to research by McKinsey, Indonesia's middle class is projected to grow from 45 million in 2018 to 135 million by 2030. This expanding middle class has led to a surge in demand for digital services and e-commerce platforms, which in turn has created opportunities for startups and tech companies to innovate and capitalize on this growing market.

Another important factor is the supportive regulatory environment for tech startups. In recent years, the Indonesian government has introduced a series of policies and initiatives to encourage innovation and entrepreneurship, including tax incentives, simplified business registration procedures and funding support for early-stage startups.



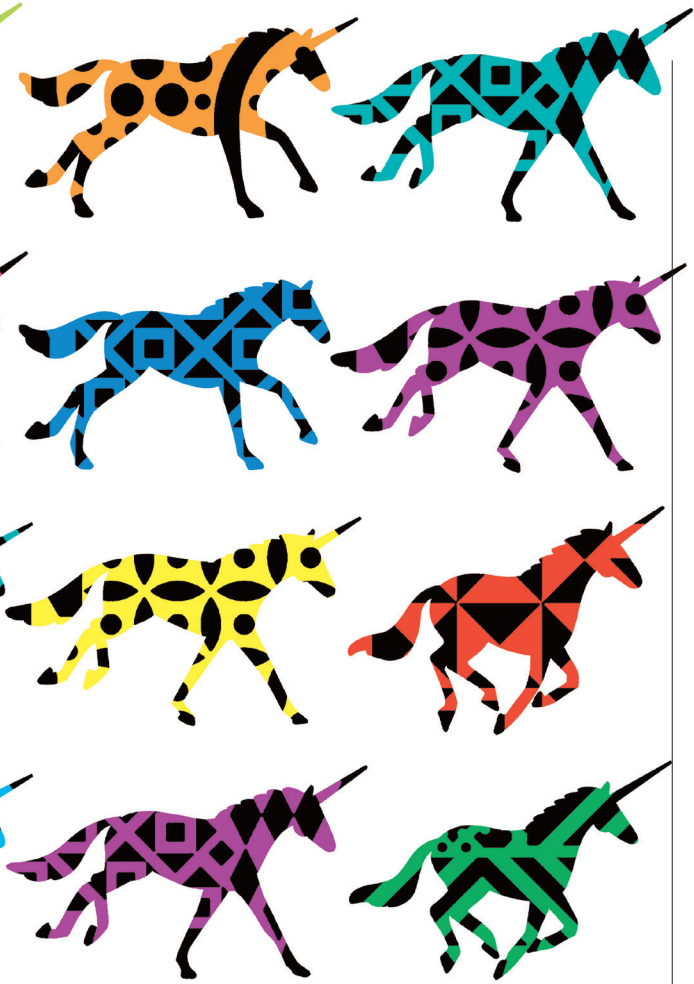
## Southeast Asia's Land of **UNICORNS**

The playground of tech startup investors, Indonesia's fast-growing economy is no myth, says former Brunswick Director **MICHAEL KEARNS**.

“The government has been pro-reform, encouraging innovation and digital financial inclusion,” says Wong. “It has been proactively courting both Western and Chinese investors to invest locally, for example, in the electric vehicle and battery space to help the economy move up the value chain.”

In the early 2010s, the country's government launched a series of initiatives to promote the development of its digital economy. One of the most significant of these initiatives was the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI), which was launched in 2011.

The MP3EI was designed to boost Indonesia's economic growth by developing six priority sectors,



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including information and communication technology (ICT). To support the development of the ICT sector, the government established the Indonesia Broadband Plan, which aimed to expand broadband access to more than 50% of the population by 2019.

Moreover, the government has recognized the potential of the tech industry to drive economic growth and job creation and has set ambitious targets to expand the digital economy. In 2019, Indonesia launched its “Making Indonesia 4.0” roadmap, which aims to accelerate the country’s transition to a digital economy and promote the development of emerging technologies such as artificial intelligence, the Internet of Things and blockchain.

In addition, the government has also been working to improve the country’s digital infrastructure, investing in the development of high-speed internet networks and digital payment systems, which have helped to spur the growth of e-commerce and online services.

However, Indonesia’s tech boom comes with some growing pains.

“One of the challenges for the continued growth of the Indonesian tech industry is the shortage of software engineers,” says Wong. “However, with

remote working, startups can supplement the local engineering workforce with talent from other countries like India or China.”

Wong says another obstacle has been liquidity in the Jakarta stock exchange.

“While the Indonesia Stock Exchange opened up for technology listings about two years ago, we still only have three major listed tech companies,” she says. “However, we are optimistic as we have seen the number of stock investors double in recent years. If and when more companies list and command good public market valuations, it will help to build more confidence for venture capitalists around the world to invest in Indonesia.”

Momentum for Indonesia’s bourse certainly seems to be picking up. According to Bloomberg data, in the first quarter of 2023, Indonesia’s stock market racked up \$1.45 billion in proceeds from IPOs, topping such financial centers as Hong Kong, Tokyo and London.

Listings are just one part of the funding puzzle for Indonesia’s startups, and Wong says she’s seeing more early funding coming in. “Venture capital firms from around the world have started deploying into Indonesia, and I continue to get inbound queries from Chinese venture capital firms,” she says. “So, access to capital is not a problem in Indonesia. I believe as long as companies are able to prove that they have good unit economics and a clear path to profitability, there will be enough capital to help them to grow and scale.”

As Indonesia’s economy and digital infrastructure continue to develop, Wong sees plenty of opportunity for startups to fill gaps and provide solutions with deep impact, not only on the economy but on society as well.

“One of AC Ventures’ portfolio companies, Xenudit, often referred to as the ‘Stripe of Southeast Asia’ saw the problems in the financial infrastructure, and built solutions to help the payments system,” she says. “Similarly, I previously backed Akulaku, a fintech platform that provides consumer credit and digital banking. They saw the opportunity to serve the underbanked and unbanked part of the population which accounts for 50% of the adult population.”

Wong adds that, as Indonesia continues to develop and tackle its challenges, there will likely be many more opportunities for startups to create innovative solutions and drive economic growth in the country, which means there is no reason to believe the stampede of Indonesia’s unicorns is about to slow down anytime soon. ♦



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