

From winter to spring for ASEAN's start-ups

Funding thaw is on the horizon, but there are steps small innovative businesses can take to see them through tough times.

By Francois de Maricourt, President Director, PT Bank HSBC Indonesia

While much has been written about a 'funding winter', one could be forgiven for forgetting that Southeast Asia remains home to the world's fastest-growing digital economy: the region's digital economy expanded by 12% last year, and is expected to record a compound annual growth rate of 16% until 2030.¹

In addition, Indonesia, as the largest economy in Southeast Asia is expected to be the epicentre of the digital economy's expansion in the region. Its digital economy is expected to reach USD 360 billion in value by 2030, or 50% of Southeast Asia's digital economy.²

Fundraising figures, however, do show how challenging it's been for the sector of late. The amount of capital raised by start-ups in the region more than halved in 2023, and the number of deals fell significantly.³

As a result, many of ASEAN's digital economy entrepreneurs have had to dig into personal savings and tap family and friends to keep their start-up dreams alive as a freeze in funding drags on in spite of the region's many attractions for investors.

I'm also increasingly seeing ASEAN's growing appeal to investors in my discussions with clients, including at the recent Global Investment Summit, hosted by HSBC. This sentiment is also borne out in a recent HSBC survey in which 81% of Indonesian business plan to invest more in ASEAN. These factors all create fantastic opportunities for digital economy companies⁴. There are particularly bright prospects for e-commerce, digital financial services,⁵ health tech, green tech, the clean mobility ecosystem and artificial intelligence.⁶

Capital is the lifeblood of innovative companies, which must often invest heavily in new technologies and platforms before they can commercialise them.

Against that backdrop, HSBC has enhanced our offerings to digital-economy companies, launching a dedicated USD1 billion ASEAN Growth Fund that can help finance companies with a proven track record in generating a sustainable cashflow stream, even if the overall group may be loss-making.

We understand that profitability may not always reflect a company's potential in its early stages, hence we take a long-term view of potential growth by evaluating companies based on historical portfolio performance, key operating metrics, growth plans and customer-acquisition strategies.

¹ [e-Economy SEA 2023 | Bain & Company](#)

² [The Government Encourages Inclusive Digital Economy Ecosystems and Prioritizes Security of User Data Privacy - Kementerian Koordinator Bidang Perekonomian Republik Indonesia](#)

³ [Charticle: Startup funding halves in SE Asia, India in 2023 \(dealstreetasia.com\)](#)

⁴ <https://www.business.hsbc.com/-/media/media/global/pdf/campaigns/global-connections-report.pdf?download=1>

⁵ <https://www.cnbc.com/2023/11/01/southeast-asias-digital-economy-is-set-to-hit-218-billion-in-2023.html>

⁶ <https://www.dealstreetasia.com/stories/se-asia-deal-review-q4-2023-report-380370>

Alongside our own efforts, it's also great to see Government programmes leaning in to support start-ups for digital economy firms in Southeast Asia. While Singapore offers among the most comprehensive and generous support,⁷ governments in Indonesia,⁸ Vietnam,⁹ Thailand,¹⁰ the Philippines¹¹ and Malaysia¹² have all rolled out important incentives to foster innovation and the creation of tens of thousands of new technology start-ups.

Other governments in the wider region are taking note as well. A new USD1.3 billion government fund unveiled during an ASEAN-Australia summit in Melbourne early March. The fund will provide loans, guarantees, equity and insurance for projects that will boost the ASEAN-Australia corridor – something I see in action from my visits around the region.

Smart strategy

To sustain their growth, digital economy companies will need to focus on controlling costs and lifting revenues. They must also reconsider their approach to funding to manage their cost of capital and secure their long-term viability.

Exploring partnerships with firms in other markets can also allow start-ups to expand across borders or develop their capabilities without having to make substantial investments themselves.¹³ Securing the right partner can also boost a start-up's credibility, enhance its appeal to customers and—particularly relevant in the current climate—make it more attractive to potential investors.¹⁴

Such intra-regional initiatives also align with the aims set out in ASEAN's digital masterplan to 2025, which was reaffirmed at a meeting of the bloc's digital ministers earlier this year.

As ASEAN's digital economy expands, cross-border e-commerce is also creating growth opportunities for new- and traditional-economy firms. Making it easier for customers – whether they are consumers or business – to pay through a company's digital platforms can be an important revenue driver over the years ahead.

From winter to spring

While the past two years have been challenging for many digital economy firms looking to raise capital, there reasons to be more optimistic in 2024.

The recovery is driving consumption among an increasingly affluent ASEAN population of 670 million, as one person enters the middle-income bracket every two seconds on average. The region has one of the highest digital penetration rates in the world, while e-commerce passed the USD 100 billion revenue mark last year.

Progressive approaches to financing, the region's strong fundamentals will help drive the growth ambitions of businesses in ASEAN. After all, after the funding winter comes a thriving spring.

⁷ <https://www.aseanbriefing.com/news/business-and-tax-incentives-for-foreign-investors-in-singapore/>

⁸ <https://en.antaranews.com/news/290841/govt-building-ecosystem-to-support-start-up-development-minister>

⁹ <https://www.vietnam-briefing.com/news/why-vietnams-emergence-as-startup-hub-promising-for-investors-2.html/>

¹⁰ <https://asia.nikkei.com/Business/Startups/Thailand-aims-to-boost-innovation-foster-10-000-new-startups>

¹¹ <https://seads.adb.org/solutions/how-philippines-helping-tech-startups>

¹² [https://techcollectivesea.com/2023/10/18/malaysia-startup-ecosystem-5000-](https://techcollectivesea.com/2023/10/18/malaysia-startup-ecosystem-5000-2025/#:~:text=Prime%20Minister%20Anwar%20Ibrahim's%20ambitious,%2C%20innovation%2C%20and%20economic%20progress)

[2025/#:~:text=Prime%20Minister%20Anwar%20Ibrahim's%20ambitious,%2C%20innovation%2C%20and%20economic%20pro](https://techcollectivesea.com/2023/10/18/malaysia-startup-ecosystem-5000-2025/#:~:text=Prime%20Minister%20Anwar%20Ibrahim's%20ambitious,%2C%20innovation%2C%20and%20economic%20progress)

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¹³ <https://kr-asia.com/startups-share-common-need-for-partnerships-to-scale-effectively>

¹⁴ <https://techcollectivesea.com/2023/11/20/startup-collaboration-cross-industry-partnerships/>