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Financial Bootstrapping Strategies in an Indonesian Edutech Startup: Transitioning from Non-Profit to Profit Orientation

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Abstract

This study nalyses the business performance and financial structure dynamics of Neuversity, an Edutech entity in Yogyakarta, Indonesia, during its strategic transition from a non-profit foundation (Yayasan) to a profit-oriented corporation (PT). The research evaluates the effectiveness of financial bootstrapping strategies in maintaining sustainability after the cessation of external grant funding. ***Method:*** *Using a descriptive quantitative approach with a case study method, this research nalyses financial data from the third quarter (Q3) of 2025. The study focuses on Working Capital Management and Spontaneous Financing ratios.* ***Results:*** *The findings indicate that the company successfully pivoted to a B2B model. However, regarding Working Capital Management, the company faces liquidity constraints despite high profits, evidenced by a low Collection Rate of 44.5%. Conversely, the Financial Bootstrapping strategy proved effective, evidenced by an 18.1% ratio of spontaneous financing to total assets and a 56.6% cost reduction during low-revenue periods.* ***Conclusion:*** *While financial bootstrapping successfully secured operational sustainability without interest-bearing debt, long-term stability requires stricter liquidity discipline through better Working Capital Management.*

Keywords: ***Financial Bootstrapping, Edutech Startup, Spontaneous Financing, Working Capital Management.***

INTRODUCTION

The digital talent gap in Indonesia presents a critical challenge, with a projected shortage of 9 million ICT professionals by 2030 (Kominfo). Responding to this, Neuversity was established in 2022 under the Muqorrobien Marufi Syihab Foundation. However, in late 2023, the cessation of operational grants from strategic partners forced a

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fundamental transformation. Neuversity transitioned from a non-profit entity into a profit-oriented business under the legal entity PT Tiyasan Nusantara Teknologi.

This transition demanded independence from external funding. To survive, the company adopted Financial Bootstrapping—a strategy to minimize the need for external capital by optimizing internal resources and cash flow. However, data from Q3 2025 indicates a financial anomaly: the company experiences high volatility and a situation where high accrual-based revenue does not align with cash availability.

This study aims to analyze: (1) The effectiveness of working capital management, and (2) The effectiveness of financial bootstrapping strategies.

LITERATURE REVIEW

Working Capital Management (WCM)

WCM emphasizes the balance between current assets and liabilities. For project-based service companies, the "Cash Conversion Cycle" is critical. A disconnect between revenue recognition and cash receipt can lead to liquidity distress, even in profitable companies (Ross, Westerfield, & Jordan, 2022).

In financial management literature, the discrepancy between accounting profit and cash flow is often described as the "divergence of liquidity and profitability." According to Richards and Laughlin (1980), a company can be technically profitable but commercially bankrupt if it fails to manage its Cash Conversion Cycle (CCC). In the context of service-based startups, this phenomenon is exacerbated when revenue recognition (accrual basis) precedes cash collection, creating a "paper profit" illusion that masks underlying liquidity risks.

Financial Bootstrapping

Gitman and Zutter (2015) define spontaneous financing as liabilities that arise automatically from business operations, such as accounts payable and accruals, without interest obligations. In the bootstrapping context, maximizing this "interest-free loan" from vendors is crucial for startups with limited capital access.

RESEARCH METHOD

This study utilizes a single-case holistic design (Yin, 2018) focusing on PT Tiyasan Nusantara Teknologi (Neuversity). The case study method was selected because the phenomenon of "bootstrapping in a transition period" is a contemporary event within a real-life context that requires deep analysis of internal data which cannot be captured by general surveys.

Data was collected through documentary analysis of the company's internal financial reports from August to October 2025. The primary documents analyzed include

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Monthly Balance Sheets, Profit and Loss Statements, and Accounts Receivable Aging Schedules. Validity was ensured through data triangulation, comparing financial records with management's operational decisions regarding project termination and mentor compensation schemes. The data analysis focuses on two key metrics: Collection Rate (for WCM analysis) and Spontaneous Financing Ratio (for Bootstrapping analysis).

RESULTS AND DISCUSSION

Effectiveness of Working Capital Management

Neuversity successfully implemented a Dual Business Model: combining an educational coding school (B2C) with a software house (B2B). Asset efficiency was achieved in Q3 2025, where the company recorded zero capital expenditure (Rp 0) for new assets, utilizing existing facilities and a "Resource Sharing" model where one location serves as both a campus and a production house. Strategic agility allowed the company to secure the "Core Banking System" project from a cooperative client, driving a 736% revenue achievement in September 2025.

However, despite high profitability (Net Profit of Rp 122.3 million in Q3), the company faced severe liquidity pressure, often termed the "Profit Rich, Cash Poor" phenomenon. The analysis reveals a Collection Rate of only 44.5%. Out of Rp 225 million in total revenue, Rp 124.8 million (55.5%) remained trapped as Accounts Receivable.

Table 1. Analysis of Receivables Collection Rate (Q3 2025)

Financial Indicator	Value (IDR)	Percentage (%)	Remarks
Total Booking Revenue	225,000,000	100.0%	*Target Achieved*
Cash Received	100,180,800	44.5%	*Real Liquidity*
Trapped in Receivables	124,819,200	55.5%	*Cash Poor*

Source: Internal Data Analysis (2025)

The low collection rate exposes a fundamental weakness in the B2B business model adopted during the transition. The policy of loose payment terms without a sufficient Down Payment caused a cash flow gap. The remaining 55.5% of revenue trapped in receivables acts as a drag on growth. This confirms that while the business model (selling software) is viable, the working capital management regarding payment terms is currently unsustainable.

Effectiveness of Financial Bootstrapping

The financial analysis confirms the success of bootstrapping in creating a flexible cost structure and utilizing internal funding. As of October 31, 2025, the spontaneous financing ratio reached 18.1% of total assets. These assets were funded by operational

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liabilities (vendor payables) rather than interest-bearing bank debt. This demonstrates an efficient capital structure for a transitioning startup.

Table 2. Financial Structure and Spontaneous Financing (October 2025)

Financial Component	Value (IDR)	Percentage (%)
A. Total Assets	427,618,315	100.0%
B. Operational Liabilities *(Spontaneous Financing)*	77,475,000	18.1%
Vendor Payables	*(77,475,000)*	
C. Equity & Retained Earnings	350,143,315	8.9%
Provisional Profit	*(350,143,315)*	
Total Liabilities & Equity (B + C)	427,618,315	100.0%

Source: Internal Data Analysis (2025)

The reliance on spontaneous financing reflects a strategic choice to substitute external equity with internal trade credit. Furthermore, the company successfully implemented cost variabilization by shifting from fixed salaries to performance-based incentives. When revenue dropped significantly in October (Low Season) compared to September (High Season), total operational costs automatically decreased by 56.6%.

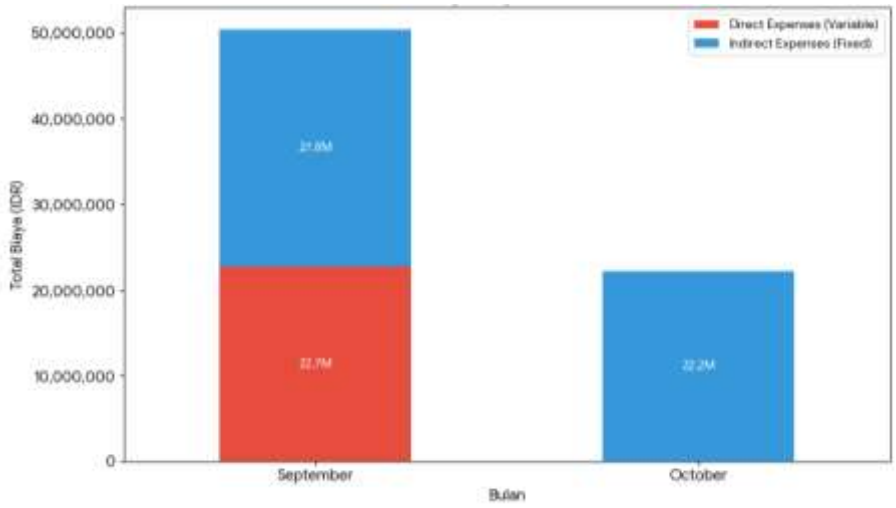


Figure 1. Cost Behavior Analysis: Revenue vs. Operational Expense

This mechanism protected the company from the "fixed cost trap," ensuring profitability even during low sales periods.

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CONCLUSION

The transition of Neuversity to PT Tiyasan Nusantara Teknologi highlights distinct outcomes in two key areas:

1. **Working Capital Management:** The company faces a liquidity challenge due to a weak Collection Rate (44.5%). The "Profit Rich, Cash Poor" condition indicates that receivable management needs improvement to close the cash flow gap.
2. **Financial Bootstrapping:** The strategy is highly effective, proven by an 18.1% spontaneous financing ratio and a 56.6% cost reduction efficiency during low seasons. This successfully secured operational sustainability without interest-bearing debt.

Recommendations: To resolve the liquidity paradox, management must mandate a minimum 30–50% Down Payment for B2B contracts and utilize the ERP system for digital monitoring of receivables.

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