ECONOMY

Hard Lessons from eFishery's Fishy Business

APRIL 30, 2025 / 11 MINUTES OF READING

Gibran Huzaifah, the embattled former CEO of eFishery. Credit: eFishery

Introduction

The financial scandal surrounding eFishery, one of Indonesia's prominent agritech startups, has sent shockwaves through the nation's investment landscape. Once hailed as a unicorn disrupting aquaculture, eFishery's fall from grace in early 2025 was swift, thrusting it into domestic and international spotlights for all the wrong reasons.

An internal investigation uncovered large-scale fraud, exposing gaping discrepancies between the company's published reports and reality. This incident not only tarnished the once-celebrated reputation but also raised pressing questions about the integrity and sustainability of Indonesia's burgeoning tech sector.

Given the fraud's sheer scale and public exposure, eFishery's case offers hard lessons for future startup founders, investors, employees and policymakers alike. This report examines its impact on Indonesia's business landscape and whether it could dim the country's allure as a destination for foreign direct investment (FDI).

What Happened?

Founded in 2013, eFishery set out to revolutionise Indonesia's aquaculture industry with innovative smart fish-feeding technology. Starting with automated feeders, it grew into an end-to-end platform offering feed, financing, and market access to fish and shrimp farmers.

By mid-2023, the company had raised more than US$294m from 28 institutional investors – including Softbank, 42XFund, Temasek, 500 Global and Northstar Group – achieving a US$1.4b valuation and the coveted "unicorn" status.

The unravelling began in December 2024 when a whistleblower alerted a board member to accounting irregularities. **A subsequent investigation by FTI Consulting revealed a web of deceit, with eFishery's top management having inflated revenues from US$157m to US$752m and reported a US$16m profit against an actual US$35m loss for the first nine months of 2024**.

Signs of fraud could be traced all the way back to 2018, with the company maintaining dual financial reports – one for internal use, another for investors – while claiming 400,000 operational fish feeders against a true count of 24,000.

A fictional network of companies facilitated "round-tripping" funds through forged invoices and contracts, deceiving auditors from PricewaterhouseCoopers (PwC) and Grant Thornton. In mid-December, investors ousted founder-CEO Gibran Huzaifah and co-founder-CPO Chrisna Aditya, installing interim leadership.

Too Noble to Fail

This elaborate deception did not occur in a vacuum—investors played a role too. What makes eFishery's case unique is how the company is positioned – or positioned itself – in the grand narratives surrounding tech startups.

eFishery's fraud hid behind a compelling mission: empowering marginalised fish farmers and boosting micro, small and medium enterprises (MSMEs). This narrative resonated deeply with Indonesian stakeholders, casting the company as a socially driven innovator.

This feel-good social mission was further hyped by eFishery's public narratives conveyed during the onset of tech winter in 2022. During that challenging period that also affected other companies, many Indonesian tech startups underwent extreme downsizing and struggled to secure funding.

Surprisingly, eFishery stood out and seemed to be weathering the storm well.

It was able to secure Series C funding worth US$90m. Furthermore, **the company brought forth the narrative that it contributes to 1.5% of total aquaculture GDP in 2022, prompting one of its key investors to say that the company was more profitable than GoJek, an Indonesian decacorn.**

Later in 2025, the same investor changed his tone and called the eFishery situation "embarrassing".

This blend of noble intent and apparent success made eFishery a poster child for tech startups, but it only amplified the shock when the scandal broke. eFishery's financial scandal extinguished the dreams of many of its innocent employees who just want to work for a company with commendable socioeconomic missions, at least on paper.

What the Investors Missed

Early warning signs – like rapid scaling and outrageous revenue projections – are often dismissed amid Indonesia's tech boom. Yet, fraud is hardly a rarity in business—its nature and scale varies widely.

One of our sources, a former global banker with insider knowledge on eFishery's case, told us that he knows at least two other major Indonesian startups that have manipulated accounts. What makes the eFishery case particularly concerning is that, according to various reports, its investors had adhered to standard due diligence protocols yet still failed to detect the fraud.

At least four firms reportedly have conducted financial audits and due diligence on eFishery: PwC, Grant Thornton, EY and KPMG. PwC later denied such report. Investors also engaged six surveyor firms to validate eFishery's market position. Additionally, Kroll was tasked with conducting background checks on the company's executives.

Yet, despite extensive research and investigations, the fraud went undetected. eFishery's investors reportedly interviewed former CFO and found no red flags. However, the departure of a key executive responsible for overseeing cash flow should have raised concerns—at the very least, a yellow flag.

It appears that the investors primarily focused on verifying numbers, figures and data found in company documents. While they did attempt to assess its market position by hiring survey firms, they failed to investigate whether eFishery had actually produced almost half a million fish feeder machines.

The investors likely understand the importance of thorough due diligence—not just financial, but also reputational and on-the-ground investigations. However, these procedures are often overlooked because they are considered time-consuming and expensive. Moreover, fund managers often operate under tight deadlines, making deep scrutiny difficult.

Nevertheless, the outcome of these instances of oversight is significant.

The magnitude of eFishery's deception highlights the need for enhanced scrutiny on tech startups. **Worse, it suggests that standard due diligence practices may not be sufficient for Indonesian businesses, especially in high-growth sectors like tech**. A more investigative, forensic approach – one that includes independent verification of production claims, supply chain audits and anonymous employee interviews – may be necessary to truly assess risks.

Damage

Notably, this scandal is not an isolated case; similar failures, such as those of Theranos and WeWork, have occurred elsewhere in the globe. These incidents underscore the need for investors to balance optimism with scepticism, ensuring that due diligence processes are robust and comprehensive.

eFishery's collapse, however, hit hard and wide. Employees uninvolved in the fraud activities face job insecurity and market stigma—social media posts already suggest some employers shun ex-staff from recent layoffs. Meanwhile, investors appear incompetent, creditors worry about repayment, and farmers grapple with disrupted orders and loans.

For risk-averse investors, the eFishery debacle serves as a stark reminder of the importance of stringent due diligence. Traditional investors may adopt more rigorous evaluation processes, incorporating investigative methods and reputational due diligence – usually employed alongside financial and legal due diligence – to uncover potential risks that may be hidden underneath piles of the company's documents.

Conversely, while venture capitalists are accustomed to the high-risk nature of startup investments, the eFishery incident may prompt a reevaluation of risk assessment frameworks.

Moving forward, it is best that tech startups are also subjected to thorough operational audits, such as via site visits and employee interviews to determine a company's procedures, processes, and management practices. These on-the-ground due diligence should be conducted openly or discreetly.

An example for the latter is to covertly investigate how many trucks or cargo vehicles come and go from a company's site to determine its activities. A case from 2016 supports this. Then, a Singapore-listed company was caught red-handed attempting to mislead potential investors by falsely asserting that its FnB products were widely available in China—claims that were easily debunked by visiting retail outlets in key cities in the mainland.

The real victim, however, is Indonesia's business ecosystem and economy, particularly pertaining to FDI. **The erosion of trust caused by eFishery's misconduct may deter foreign investors, especially major banking institutions, from considering Indonesia as a destination country due to heightened concerns over risk management.** This scepticism could lead to a more cautious approach towards investing in Indonesia as a whole, not just its tech sector.

Moreover, this could weaken investor confidence beyond the tech industry, which could slow down mergers and acquisitions (M&A) as well as business partnership. This is because foreign investors would prioritise risk management and governance, which could hinder Indonesia's efforts to attract FDI in higher value-added industries beyond raw materials.

Therefore, **eFishery's scandal would likely lead to a slowdown in investment activities as investors require more thorough due diligence encompassing financial, legal, operational and reputational aspects**. This heightened scrutiny could extend decision-making timelines and increase transaction costs.

In addition, it might also cast a shadow over tech-centric business models, leading to increased scepticism and potentially hindering the growth as well as adoption of technological innovations. Tech startups might find themselves in a more difficult situation to secure funding, which could push them to come up with new buzzwords and "strategies" in an attempt to make themselves look credible in front of investors. Alternatively, they may need to go the "anti-startup" route, i.e. developing a more disciplined and accountable approach to its business model as well as adopting a more prudent approach to using investors' money.

Fraud is Here to Stay

Despite the uproar, there is a potential that not many changes will take place when the dust finally settles.

While venture capitalists might take a pause and hold back, other investors might quickly put aside their concerns and explore the next new opportunities. The root cause of eFishery's fraud is investors' expectation of ultrafast and accelerated growth, which is a common phenomenon in the tech startup scene. Bear in mind that this is the industry that attracts moneyed individuals with such jingoism as "growth hacking" or "blitzscaling".

So long as the expectation for an unrealistic growth pace rules the game, the eFishery debacle is unlikely to be the last of its kind.

Venture capitalists have an advantage over others because this is their playing field. They know the funding game and inherent risks attached to tech startups such as eFishery. Those who parked their money under eFishery would not have bet all their money on this one company, as they understand the importance of portfolio diversification. **As such, it is difficult to believe that all of these big names acted so surprised in unison after the news broke**.

Meanwhile, the reputation of the founders is tarnished. They have become a subject of ridicule in social media and discussed as a case study of a company-gone-wrong in MBA classes. They are also engulfed in legal suits.

The people, on the other hand, would eventually move on. Given Indonesians' forgiving nature and tendency to forget history, eFishery's case would likely be forgotten soon, especially by those who were not directly impacted. The case might be different for the company's employees, beneficiaries and MSMEs attached as part of its supply-chain ecosystem.

If there is one thing that we could learn from eFishery's case, it is that history tends to repeat itself and we always struggle to learn from it to avoid a recurrence in the future. **Just as past financial crises were fuelled by speculation, overvaluation and reckless risk-taking, we also see overvaluation, overspeculation, and overreliance on debts and external capital in eFishery's case.**

So long as these remain the practices in the business, we can expect similar cases to happen in the future.

Aftermath

In the short term, eFishery's collapse would ripple through Indonesia's tech sector, making funding – already scarce – even harder to secure. The fallout may also affect non-tech industries seeking foreign partnership, M&A or investment due to diminished trust. Additionally, the traditional tech mantra of "move fast, break things" might face greater scrutiny, with businesses promoting this approach viewed with scepticism.

Yet, this fallout opens doors for change. The eFishery's debacle presents a multitude of opportunities, not only for the betterment of investment in the tech sector but also for new businesses to thrive and Indonesia's chance to increase its reputation as a trustworthy FDI destination. **The case could pave the way for the rise of firms specialising in business investigation – equipped with local knowledge and strong on-the-ground investigative skills – to strengthen investors' due diligence process.**

Ironically, the smallest victim might be the fishery sector itself, which eFishery tried to disrupt in the first place. **While eFishery's collapse is significant, it is unlikely to disrupt the overall farmed fish supply.** eFishery is just a small fish in a big pond of Indonesia's giant aquaculture industry, one of the largest in the world that employs more than six million people.

The case also presents opportunities for less popular players with integrity in the aquaculture sector to rise and fill the gap left by eFishery. Several startups are also engaged in the fishery sector, some of which have developed breakthrough aquaculture technologies such as an inland farming system for highly commercial saltwater fish like grouper.

We are aware of another fishery startup that competed with eFishery for a contract to supply fish to one of the country's largest mining companies. Its approach to technology development and deployment is more conventional (focusing on hardware development rather than software) with less emphasis on digital tech.

With the lessons provided by eFishery's case, these players can establish and execute a more feasible and balanced business model while still empowering local aquaculture farmers across the archipelago. **Through the case, eFishery – inadvertently – might also provide a valuable experience and knowledge for their honest, hard-working employees who might even take up the mantle left by their employers and start their own high-impact, social-driven startups that continue to empower marginalised communities in Indonesia**.

Looking up and beyond, this case can serve as an inflection point for Indonesia to seriously build a reputation as a trustworthy FDI destination. Starting in tech, particularly in tech investment, **policymakers and stakeholders in this sector should utilise this momentum to create a healthier tech ecosystem, one that is grounded in governance and sustainable growth, not just hype and made-up numbers**.

TAGS: INDONESIA

The views expressed are those of the authors and do not necessarily reflect those of STRAT.O.SPHERE CONSULTING PTE LTD.

Authors

Rahmad Budi Harto

Rahmad Budi Harto blends engineering acumen with a decade of media experience covering diverse public interest issues. His expertise extends to media consulting for institutions like the Ministry of Finance and Bank Indonesia. In public affairs, he's skilled in strategic communications and crisis management. Rahmad also has experience leading business intelligence services across Southeast Asia, bringing a unique and insightful perspective. He holds degrees in Aeronautics Engineering and Defense Management.

View all posts

Beringin Kusuma

Beringin Kusuma is a public affairs specialist at Kiroyan Partners. He specializes in political-economy and public policy analyses. He can be reached on LinkedIn at https://www.linkedin.com/in/beringin-kusuma/

View all posts