# THE ROLE OF PEER TO PEER (P2P) LENDING SYSTEM TOWARDS MICRO, SMALL & MEDIUM (MSME's) ENTERPRISES FINANCING IN IMPROVING FINANCIAL INCLUSION & LITERACY STRATEGIES IN INDONESIA

## (STUDY CASE ON MILLENNIALS & GENERATION Z)

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**ABSTRACT**

The study aims to understand the development and benefits Peer to Peer Lending in its role in supporting the growth of micro, small and medium enterprises in Indonesia which will simultaneously increase the growth of financial inclusion & literation rates in Indonesia with specific objectives is to analyze the factor that contribute to MSMEs decision in taking loans through P2P lending. By knowing factors that influence the preferences of millennials and Generation Z in choosing fintech – Peer to Peer(P2P) lending in obtaining financial support for their business financing, we can design policies and various advocacy to encourage the growth of P2P fintech in Indonesia and find out what financial products really needed by MSMEs. This study uses a quantitative approach to determine and measure the effect of independent variables on the dependent variable related to financing factors with statistical data and also used qualitative approach through a secondary data approach obtained from a literature review sourced from books, journals, related sources. The study respondent consists of 277 micro small medium enterprise in Java Island, Indonesia which domiciled in Jabodetabek and outside jabodetabek. The study focuses on micro small medium enterprise that used P2P lending to support their business, therefore, type of MSME divided into three types of industry i.e., manufacture, trading and service. Study shows that the majority type of respondent from trading industry with 53.3%, followed by service industry with 26.9% and manufacture with 19.8%. the majority respondent was domicile outside Jabodetabek with 33.9%, followed by Tangerang (27.3%), Jakarta (22.9%) and Bekasi (15.9%). The research used structural equation model (SEM) with partial least square (PLS) to find the relationship between exogenous and indigenous and also it predicts the construct variable of the study (Garson, 2016). From five hypotheses that we developed we found only two hypotheses are supported in the model which are *Performance Expectancy* and *risk appetite* which shows that the P2P lending are supporting the MSMEs financing performance, while the other three hypotheses which are *effort expectancy*, *social influence*, and *facilitating condition* are rejected.

*Keyword : Financial Inclusion, P2P Lending, MSMEs, Financial Literacy, Fintech*

## Chapter 1. Background

Micro, Small and Medium Enterprises (MSMEs) have a strategic role in national economic development, thus becoming an important part in maintaining the country's economic stability. In addition to being a solution in creating jobs, MSMEs are also an important milestone in regional economic growth. In their very large role in contributing to the national economy, MSMEs also have many obstacles in their development including in terms of business management, limited quality of Human Resources, many MSMEs who have difficulty accessing financing to various financial institutions. Based on data from the Ministry of Cooperatives and MSMEs, currently there are 64 million MSMEs in Indonesia, or about 99% of the total domestic businesses, but only about 30-50% of those have just gained access to financial institutions. Whereas the contribution of MSMEs to the national GDP has reached around 61% and is spread in almost all provinces in Indonesia.

One of the solutions by the government to solve this problem is to carry out a financial inclusion program that aims to attract the population of people who do not have a bank account into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers. credit and insurance (Hannig and Jansen, 2010). With the rapid development of technology and the internet, it affects the activities of human life, one of which is the financial sector which eventually gave birth to financial technology (fintech). One of the fintech services that is a solution to financial inclusion is peer to peer lending (P2P Lending), which is a technology platform that digitally brings together parties who need business capital with lenders (investors) who expect competitive returns.

Based on OJK data as of November 2020, there are 54 registered and licensed fintech peer to peer (P2P) lending companies, aka online lending platforms (pinjol), which recorded an accumulation growth of 102.44% yoy in October 2020 reaching IDR 137.66 trillion. Since peer-to-peer lending (P2P) helps the parties who need business capital, therefore, the MSMEs use this facilitate to increase their capital to improve their business performance. However, limited study to find the influence P2P in the MSMEs in Indonesia. Furthermore, limited study finds that MSME use P2P to increase their capital to improve their business performance. In addition to this, it rises the question why MSMEs use P2P as financial technology platform to increase their capital that led to business performance. The development of Fintech in Indonesia is followed by the development of MSMEs and the emergence of many startup companies. Fintech provides convenience in a wide range for brands that have not been touched with bank financial products. It is undeniable that Fintech also touches young people who are familiar with using and utilizing internet technology in all their needs, including the need to start a new business. Fintech can also make things easier, simpler and more efficient. Fintech helps encourage the development of business opportunities for Micro, Small and Medium Enterprises which are currently being developed by millennials to find solutions to financing problems. In addition to the ease of accessing financial products, Fintech facilitates transactions and fosters an increase in financial literacy.

One of the fintech developments that is one of the solutions to encourage financial inclusion is Peer to Peer Lending (P2P lending) which is a digital-based platform aimed at bringing together digitally between parties who need business capital and lenders (investors) who expect a return. competitive value of the investments it provides (OJK, 2016).

## Chapter 2. Literature Study

Financial inclusion aims to eliminate all forms of barriers to public access in utilizing financial services supported by existing infrastructure. On a macro level, this program is expected to support more inclusive and sustainable economic growth, and can provide welfare benefits for the entire community (Irmawati, 2013).

The World Bank (2016) defines fintech in general as an industry consisting of companies that use technology to make the financial system and implementation of financial services more efficient. Fintech is an industry consisting of several companies that use technology to conduct financial systems and provide more efficient financial services. Fintech is used to help companies, business owners and consumers to perform financial services using software such as computers and smartphones (Investopedia, 2019)

Peer to Peer Lending is a lending and borrowing activity between individuals, in fact this practitioner has been running for a long time but with current technological developments, peer to peer lending activities can use online media in the form of platforms that digitally bring together borrowers who need business capital with capital lenders who expect appropriate returns. Peer to peer lending provides convenience to the public because it is more efficient and can allocate capital or funds to all parties, in any amount, effectively and transparently and with low interest rates (Pernando, 2016). Currently Peer to peer lending helps increase product marketing in the financial industry because online product marketing is increasingly in demand by the public.

Aragon and Marin (2005) state that measuring the performance of MSMEs can refer to three aspects, namely profitability, productivity and market.

a) Aspects of profitability can be seen from the financial performance. Financial performance is an important measure of the success of a business. The measure of the success of a business policy can be in the form of large and small income or profit obtained because the main purpose of running a business is to make a profit.

b) The aspect of productivity assessment is a term in production activities as a comparison of output (output) with input (input). Where productivity is a measure that states how well resources are managed and utilized to achieve optimal results. Productivity can be used as a measure of the success of an industry in producing goods or services (Slamet and Denny, 2016).

c) Apart from being seen from the aspect of profitability and productivity, MSMEs performance measurement can also be seen from the market aspect. Marketing performance is a measure of achievement from the overall marketing process activities of a company. marketing contributes greatly to the creation of corporate value and long-term performance evaluation even though financial statements cannot measure the economic benefits. With good market performance will affect investors' expectations of the level of sales and company value

## Chapter 3. Research Problem, Objectives & Outcomes

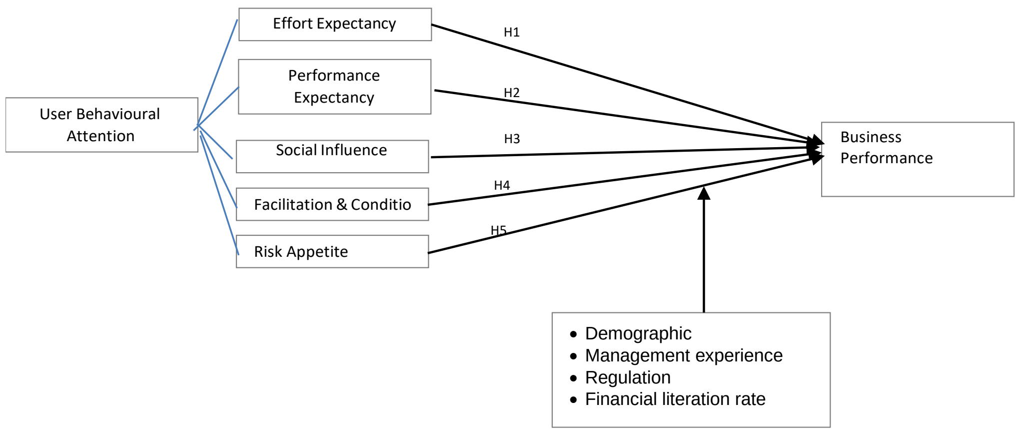
### Research Problem

This research aims to answer these research questions: What factor that contribute to MSMEs decision in taking loans through P2P lending.

To answer this question general research objective is to analyze the factor that contribute to MSMEs decision in taking loans through P2P lending. In addition, two specific research objective is 1. Analyze the factors that contribute to MSMEs decisions in taking loans through P2P Lending. 2 Analyze the MSMEs decision-making process in taking loans through P2P Lending
The outcome of the study give insight and designing policy recommendations and advocacy for the development of P2P Lending in Indonesia and creating a communication strategy in socializing P2P lending in order to increase the growth of MSMEs that aimed at equitable financial inclusion and literacy programs.

## Chapter 4. Research Methods

To answer these research question, the research is used a quantitative approach. The quantitative approach is a method used to examine a particular population or sample. Thus, the quantitative approach to determine and measure the effect of independent variables on the dependent variable related to financing factors with statistical data. The population in this study are MSME in Java Island which domiciled in Jabodetabek and outside Jabodetabek which consist of 277 micro small medium enterprise. Thus, type of MSME divided into three types of industry i.e., manufacture, trading and service. One of objective research method is to test the hypotheses constructed base on related theories and previous studies on the relationships of the constructs and can be seen in Figure 4.1 below.



The study examines relationships of Effort Expectancy, Social Influence, Performance Expectancy, Facilitation & Benefits, with the following hypotheses based on the literature review:

H1: Effort Expectancy as one of Behavioral attention effect to business performance
H2: Performance Expectancy as one of Behavioral Attention effect to business performance
H3: Social Influence as one of Behavioral Attention effect to business performance.
H4: Facilitating Conditions as one of Behavioral Attention effect to business performance
H5: Risk Appetite as non-behavioral attention effect to business performance

In order to test the hypothesis, measurement of the variable is developed. Table 4.1 below shows the measurement of the variable

| Variable | Indicator | Source | Scale |
|---|---|---|---|
| Effort Expectancy | Easy to use P2P lending platform<br>The benefit use P2P lending platform<br>P2P operation system is user friendly | Venkantesh. V et al., (2012) | 5-point scale<br>1 = Very low and 5 = Very high |
| Performance Expectancy | Perceived usefulness<br>Extrinsic motivation<br>Relative Advantage<br>Outcome expectations | Venkantesh. V et al., (2012) | 5-point scale<br>1 = Very low and 5 = Very high |
| Social Influence | People & Environment influence<br>Social media influence | Venkantesh. V et al., (2012) | 5-point scale<br>1 = Very low and 5 = Very high |
| Facilitation& Condition | P2P platform provides financial information for the lenders<br>P2P platform provide help for the lenders<br>P2P platform provides the overview and knowledge about P2P | Venkantesh. V et al., (2012) | 5-point scale<br>1 = Very low and 5 = Very high |
| Risk Appetite | Quantitative measure<br>Qualitative measures | Richard Barfield (2007) | 5-point scale<br>1 = Very low and 5 = Very high |
| Business Performance | Financial performance<br>Non-financial performance | Denny (2016)<br>Sukarno (2011) | 5-point scale<br>1 = Very low and 5 = Very high |

## Chapter 5. Results Achieved

This section discusses the survey results which are divided into four sections. Firstly, it discusses the profile of respondents. Secondly, it describes descriptive analysis of the study. Thirdly, it explains the results of study by using SEM-Partial Least Square and finally, the hypothesis testing

5.1. Profile Respondent

Respondent profile is formed to observe the characteristic of the study's respondent. the study respondent consists of 277 micro small medium enterprise in Java Island, Indonesia. Table 1 shows the response rate of micro small medium enterprise which domiciled in Jabodetabek and outside jabodetabek. Since the study focuses on micro small medium enterprise that used P2P lending to support their business, therefore, type of MSME divided into three types of industry i.e., manufacture, trading and service. Study shows that the majority type of respondent from trading industry with 53.3%, followed by service industry with 26.9% and manufacture with 19.8%. the majority respondent was domicile outside Jabodetabek with 33.9%, followed by Tangerang (27.3%), Jakarta (22.9%) and Bekasi (15.9%). It indicates that business in scale of MSMS is dominated in outside Jabodetabek. The establishment of MSME mostly less than 2 year (40.1%) which means the respondent just start their business, followed by 2 to 5 years (32.6%), 6 to 10 years (20.3%) and more than 10 years (7%). The position held by respondent is used to determine the reliability of answer provided in the questionnaires. The questionnaires are mostly answered by respondents with position employee staff (33%) and the owner (32%), following owner and employee (21.6%) and the management (13.2%). It indicates that employee staff and the business owner have insight knowledge about affect P2P in their business compare others positions. The respondent who works less than 2 years is dominant with 40.1%, following 2 until 5 years (35.2%), 6 until 10 years (20.3%) and more than 10 years (8.4%). It shows that it is in line with establishment of their MSME business. Respondent with high school graduated is dominant with 43.6%, following with undergraduate 37%, diploma 14.5%. Master and Phd are less participate in the study with 3.5% and 1.3%. it shows that majority respondent starts their own MSME business after they graduate of high school.

Table 1.1 Profile Respondent

| *Type of MSME* | *Frequency* | *Percent* |
|---|---|---|
| Manufacture | 45 | 19.8 |
| Trading | 121 | 53.3 |
| Service | 61 | 26.9 |
| MSME - Domicile | | |
| Jakarta – Capital Region | 52 | 22.9 |
| Tangerang | 62 | 27.3 |
| Bekasi | 36 | 15.9 |
| Outside Jabodetabek | 77 | 33.9 |
| MSME - Establishment | | |
| Less than 2 Years | 91 | 40.1 |
| 2 to 5 Years | 74 | 32.6 |
| 6 to 10 Years | 46 | 20.3 |
| More than 10 Years | 16 | 7.0 |
| *Position* | | |
| Owner | 73 | 32.2 |
| Management | 30 | 13.2 |
| Employee | 75 | 33.0 |

| | | |
|---|---|---|
| Owner & Employee (both) | 49 | 21.6 |
| *Working Tenure* | | |
| Less than 2 years<br>2 until 5 Years<br>6 until 10 Years<br>More than 10 years | 91<br>80<br>37<br>19 | 40.1<br>35.2<br>16.3<br>8.4 |
| *Education Background* | | |
| Phd<br>Master<br>Undergraduate<br>Diploma<br>Highschool - equivalent | 3<br>8<br>84<br>33<br>99 | 1.3<br>3.5<br>37.0<br>14.5<br>43.6 |

## 5.2. Descriptive Analysis

Table 5.2 is descriptive analysis for profile respondent. from the table the actual range for each variable is within the theoretical range showing there is an absence of errors in data entry. The education background provides emphasize of the participant of the study with mean value 3.96 following MSME- domicile, position, type of MSME, MSME establishment and working tenure with mean value 2.61, 2.44, 2.07, 1.94 and 1.93. It shows that education background of respondent plays significant role to answer the question in the questionnaire since they have practice knowledge about role of P2P that affect to their business. Meanwhile, position support the education background to shows their involvement and manage the MSME business.

Table 5.2 Descriptive Analysis

| Variable | Theoretical Range | Actual Range | Mean | Standard Deviation |
|---|---|---|---|---|
| Type of MSME | 1-5 | 1-3 | 2.07 | 0.681 |
| MSME – Domicile | 1-5 | 1-4 | 2.61 | 1.175 |
| MSME – Establishment | 1-5 | 1-4 | 1.94 | 0.941 |
| Position | 1-5 | 1-4 | 2.44 | 1.152 |
| Working Tenure | 1-5 | 1-4 | 1.93 | 0.947 |
| Education Background | 1-5 | 1-5 | 3.96 | 1.034 |

## 5.3. SEM – Partial Least Square

The research is used structural equation model (SEM) with partial least square (PLS). According to Byrne (2010), structural equation modelling (SEM) is a statistical method that takes a confirmatory i.e., hypothesis-testing approach to analyses structural theory bearing on some phenomenon. This study used PLS-SEM to find the relationship between exogenous and indigenous and also it predicts the construct variable of the study (Garson, 2016). Partial least square (PLS) enables to analysis simultaneously up to 200 indicator variables and also allowing the examination of extensive interactions among moderator and latent predictor variable indicator (Al-Ghatani, Geoffrey, & Wang, 2007). PLS-SEM be able to handle multicollinearity among the independents; robustness in the face of data noise and missing data; and creating independent latent variables directly on the basis of cross-products involving the response variable(s), making for stronger predictions. Furthermore, PLS-SEM serves prediction purposes better when sample size is small (Garson, 2016). The study measures the effect the entrepreneurship education attributes that lead to effectiveness the implementation of entrepreneurship education.

General standard of PLS-SEM must be achieved to access the indicator of good fit. There is parameter to test validity of the variables in the PLS-SEM (Chin, 2010)

1. Convergent validity with factor loading (Outer loading) must be greater than >0.7
2. Composite reliability is greater than >0.6
3. Discriminant validity that indicates by AVE (Average Variance Extracted) must be greater than >0.5
4. The parameters to measure the reliability i.e., cross loading must be greater than >0.7 in one variable
5. Cronbach alpha is greater than >0.6

#### 5.3.1. Outer Model Analysis

The outer model is the measurement model consisting of the indicators the paths connecting them to their respective factors. There are two models namely, outer model loading and outer model weights and Both weights and loadings are output for both reflective and formative models (Garson, 2016). Outer model loadings appear in the table below. They may be considered a form of item reliability coefficients for reflective models: the closer the loadings are to 1.0, the more reliable that latent variable. By convention, for a well-fitting reflective model, path loadings should be above .70 (Hair, Hult, Ringle, & Sarstedt, 2014). Note that a loading of .70 is the level at which about half the variance in the indicator is explained by its factor and is also the level at which explained variance must be greater than error variance. On the value 0.70 as a criterion for minimum measurement loadings.

5.3.1.1. Outer loading (factor loading) uses to measure convergent validity of the variable in the research model. According to Chin (2010) the outer loading should exceed than 0.70. If the items do not comply with these criteria, the items must be deleted and a new analysis is re run. The same process is repeated until clean factors are derived. discriminant validity or outer loading indicates that construct variable should be reflective and representative of the overall underlying construct and it should be different from others indicators. In addition, all variables should exceed 0.70. There are 2 stages of outer loading analysis were conducted for all variables of the study. Stage 1, the indicator in the variable management experience was eliminated i.e., position. Once that indicator eliminated then process of re run is conducted (stage 2).

##### 5.3.1.2. Reliability and Validity

Cronbach Alpha, Composite Reliability, Discriminant Validity and Cross Loading scores that measure the reliability of the variables to find a good results. Accordingly, cronbach's alpha of construct variable is greater than 0.6 as well as composite reliability. Meanwhile, discriminant validity that indicated by the average variance extracted (AVE) should be exceed than 0.5 and cross loading should be greater than 0.7 in one variable. the results shows that none construct variable below 0.5 (Werts et al., 1974, Salisbury et al., 2002). Table 1.4 shows all of the variables have good reliability.

Table 5.3 Reliability and Validity

| Variable | Cronbach's Alpha | rho_A | Composite reliability | AVE |
|---|---|---|---|---|
| Effort Expectancy (EE) | 0,878 | 0,881 | 0,911 | 0,672 |
| Performance Expectancy (PE) | 0,833 | 0,836 | 0,889 | 0,666 |
| Social Influence (SI) | 0,789 | 0,795 | 0,863 | 0,612 |
| Facilitation & Condition (FC) | 0,844 | 0,847 | 0,895 | 0,682 |
| Risk Appetite (RA) | 0,865 | 0,875 | 0,903 | 0,651 |
| Demographic (CV) | 1,000 | 1,000 | 1,000 | 1,000 |
| Management Exp (CV) | 1,000 | 1,000 | 1,000 | 1,000 |
| Financial Literation Rate (CV) | 1,000 | 1,000 | 1,000 | 1,000 |
| Business/Firm Performance (FP) | 0,875 | 0,881 | 0,906 | 0,616 |

### 5.3.2. Inner Model Analysis

Inner model analysis is performed to ensure that structural models are built robust and accurate. Inner model evaluation can be seen from three indicators i.e., path coefficient, determination coefficient (R-square) and model of fit.

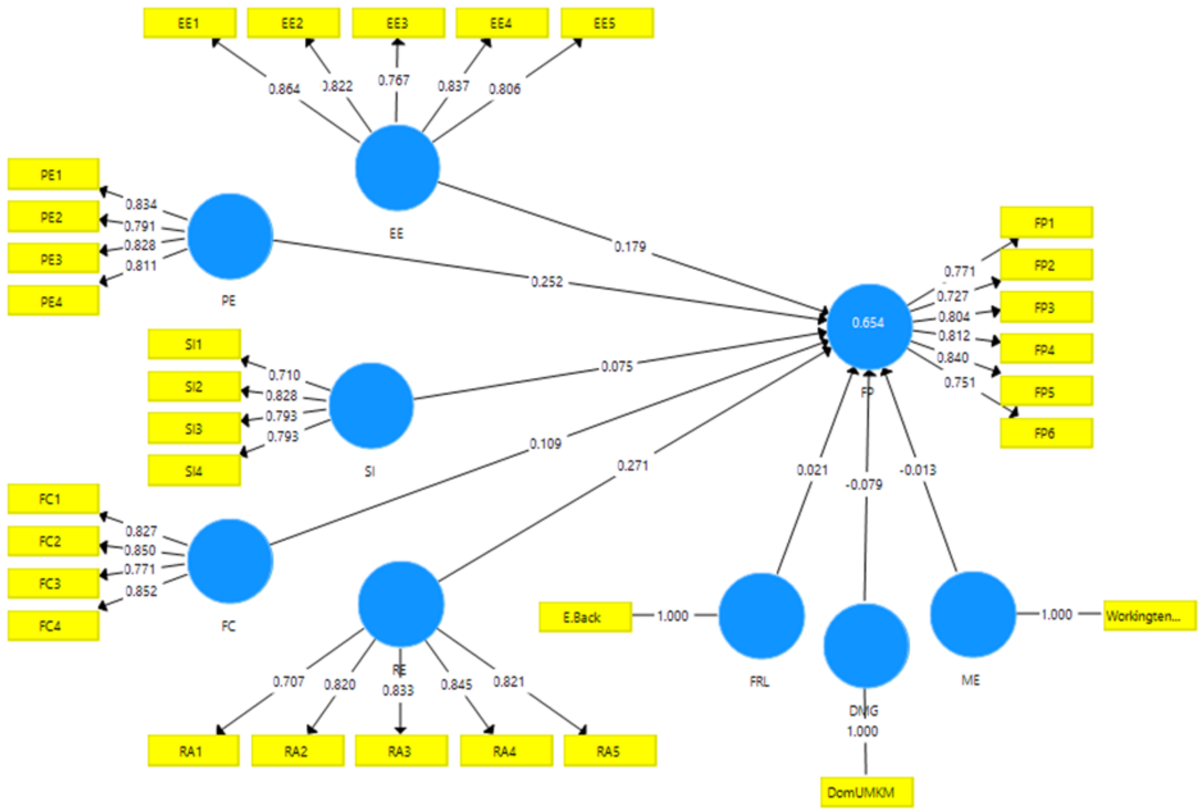
Path Coefficient & Determination coefficient (R-square)

Path coefficient explain the relationship between the variables. Value +1 shows strong relationship while value -1 shows weak relationship between the variables. Table 1.5 shows that Demographic (-0.079) and management experience (-0.013) and financial literate (0.021) has negative effect to firm performance. While all independent variables have direct effect to Firm performance.

Table 5.4 show path coefficient of the variable

| Variable | Business/Firm Performance (FP) |
|---|---|
| Effort Expectancy (EE) | 0,179 |
| Performance Expectancy (PE) | 0,252 |
| Social Influence (SI) | 0,075 |
| Facilitation & Condition (FC) | 0,109 |
| Risk Appetite (RA) | 0,271 |
| Demographic (CV) | -0,079 |
| Management Exp (CV) | -0,013 |
| Financial Literation Rate (CV) | 0,021 |
| Business/Firm Performance (FP) | |

The figure 1 explains the relationship five independent variables to one dependent variable with three control variables. The relationship of variable risk appetite to the business performance has path coefficient value 0.271 and the variable performance expectancy to the business performance have path coefficient value 0.252. that variables are the highest path coefficient value than others independent variables. It indicates that risk appetite and performance expectancy play role affect to business performance. On the other hand, all control variables such as, Demographic (-0.079) and management experience (-0.013) and financial literate (0.021) do not influence independent variables to dependent variable.




R square explains how much exogenous variables hypothesized in equations are able to explain endogenous variables which the criteria 0,67 (Strong), 0,33 (Moderate) dan 0,19 (Weak) (Chin, 1998 & Ghozali dan Latan, 2015). The results shows that the model formed has R square value 0.654 (65.4%). It means the ability of independent variable to explain dependent variable business performance is about 65.4% and its moderate, the rest 34.6% explained by other independent variables that are not formulated in the research. It indicates variable performance expectancy and risk appetite are able to explain variable cooperative performance.

Table 5.5 – Determination coefficient (R-square)

| Variable | R. Square | R. Square adjusted |
|---|---|---|
| Business Performance (FP) | 0.654 | 0.641 |

Model of Fit Analysis

Model of fit is a measure used to validate the combined performance between measurement models and structural models. There is parameter to measure fit of the model namely, RMS Theta or Root Mean Square Theta < 0,102, SRMR or Standardized Root Mean Square <0,10 or < 0,08 and NFI > 0,9. Table 1.7 shows RMS Theta 0.124 > 0.102, NFI 0.788 < 0.9. However, SRMR 0.060 < 0.10, which means the model is fit with the data.

Table 5.6 – Model of Fit

| Measurement | Saturated Model | Estimate Model |
|---|---|---|
| SRMR | 0.060 | 0.060 |
| d_ULS | 1.809 | 1.809 |
| d_G | 0.786 | 0.786 |
| Chi-Square | 972.396 | 972.396 |
| NFI | 0.788 | 0.788 |
| rms Theta | 0.124 | |

## 5.4. Hypothesis Testing

Hypothesis testing is examined by looking at the value of probability with p-value. <0.05. SEM-PLS uses two analyses to test the hypothesis i.e., direct effect and indirect effect. There are two stages of hypothesis testing were conducted in order to find the influence of control variables i.e., demographic, management experience and financial literature rate in the study. Stage 1 of hypothesis testing was conducted without control variables and stage 2 was conducted with control variable. As a result, neither stage 1 and stage 2 found that no direct effect control variables to independent and dependent variable. It means control variables do not affect in the study. Table 1.8 shows the final result (stage 2) of hypothesis testing.

### 5.4.1. Direct Effect

Table 5.7 shows that risk appetite has p-value less than <0.05 (0.008) and performance expectancy have p-value less than <0.05 (0.008). it shows that risk appetite and performance expectancy have significant effect to firm performance. On the other hand, others independent variables such as, effort expectancy (p-value 0.092), social influence (p-value 0.304), facilitation and condition (p-value 0.342) have no significant effect to firm performance with the p-value exceed than <0.05. it is similar with three control variables namely demographic (0.063), management experience (0.780) and financial literation rate (0.541) have no significant effect to firm performance. It means control variable do not influence in study

Table 5.7 Direct effect

| | Original sample | Sample Mean | Standard deviation | T-Statistic | P-Value |
|---|---|---|---|---|---|
| Effort Expectancy (EE) → Firm Performance | 0,179 | 0,179 | 0,106 | 1,686 | 0,092 |
| Performance Expectancy (PE) → Firm Performance | 0,252 | 0,244 | 0,094 | 2,681 | 0,008 |

| | | | | | |
|---|---|---|---|---|---|
| Social Influence (SI) → Firm Performance | 0,075 | 0,077 | 0,073 | 1,030 | 0,304 |
| Facilitation & Condition (FC) → Firm Performance | 0,109 | 0,127 | 0,115 | 0,951 | 0,342 |
| Risk Appetite (RA) → Firm Performance | 0,271 | 0,260 | 0,101 | 2,673 | 0,008 |
| Demographic (CV) → Firm Performance | -0,079 | -0,080 | 0,043 | 1,866 | 0,063 |
| Management Exp (CV) → Firm Performance | -0,013 | -0,008 | 0,048 | 0,280 | 0,780 |
| Financial Literation Rate (CV) → Firm Performance | 0,021 | 0,020 | 0,034 | 0,611 | 0,541 |

### 5.4.2. Indirect effect

No results of indirect effect which mean that the control variables have not effect to independent variable and dependent variable

**Summary of Hypothesis Testing**

| Hypothesis | Assumption | Results |
|---|---|---|
| H1. Effort expectancy as one of behavioral attention effect to business performance | + | Rejected |
| H2. Performance expectancy as one of behavioral attention effect to business performance | + | Supported |
| H3. Social influence as one of behavioral attention effect to business performance | + | Rejected |
| H4. Facilitating condition as one of behavioral attention effect to business performance | + | Rejected |
| H5. Risk appetite as non-behavioral attention effect to business performance | + | Supported |

## Chapter 6. Plan for Next Stage of Research

This study only focuses on the impact of P2P lending to MSMEs business performance and conducted with quantitative research, we suggest to continue this research with appropriate qualitative methods in order to explore more findings from the MSMEs that can’t be captured only with quantitative method. Base of samples must be also extended , if possible to cover the whole provinces in Indonesia to see if there any significant difference in financial literacy among MSMEs in western, central and eastern region of Indonesia.

## Chapter 7. Conclusion and Recommendation

From five independent variables that we use, only two variables are supported which are Performance Expectancy and Risk appetite. These findings conclude that Peer to Peer (P2P) lending is very useful and beneficial for MSME in order to boost up their business performance, as we know that funding is one of dominant factors for MSME to grow their business, in this term not only because of lack of collateral that MSME could provide to get financing from financial institution but also the financial literacy is still quite low among the MSMEs. They found that P2P lending is useful to settle their financial transaction (PE1), to speed up financial transaction (PE2), to increase company's productivity (PE4) and also they feel that Government has implemented sufficient regulation to secure their transaction through P2P financial services (PE4).

In term of risk appetite, MSMEs surprisingly have been able to measure the particular risk associated with P2P services. They have enough literacy in using P2P lending services. We also conclude that effort expectancy such as ease of use and experience do not influence the business performance of MSMEs. This is quite contradictory with the theory and need to be explored further. The same condition also concluded from variables social influence and facilitating condition do not affect the MSMEs business performance. These findings confirm that the MSMEs have already been familiar with the P2P lending financial services and their business performance can't be associated with the social influence and also their digital technology literacy.

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