Jurnal Ekonomi Modernisasi

J E M
Jurnal Ekonomi Modernisasi

Challenges and critical success factor of P2P lending for SMEs in Malang

Novi Primita Sari[1*], Zainal Arifin[2]

[1,2] University of Muhammadiyah Malang, Indonesia

Abstract

The development of digital business and telecommunications has become increasingly rapid, in the last 10 years. The use of digital technology, which is growing rapidly, has also changed the perspective of society as a whole in interacting socially and has even fundamentally changed the industrial sector, especially the banking and financial industry. The presence of financial technology, where the financing process is carried out using digital economic tools known as P2PL (Peer to Peer Lending). The existence of this financing service product is believed to be able to provide a solution to increase the financial inclusion index. Based on these conditions, researchers are very interested in researching and revealing what are the challenges and tips for successful financing processes for SMEs. From the results of this study, it has a contribution to stakeholders in the future related to making decisions on P2PL financing products in particular so that they are better known to the public and successful in their distribution.

Keywords: SMEs, P2PL, Fintech, Challenge

Introduction

Currently, Indonesia is the country worst affected by the COVID-19 pandemic experienced by all countries in the world. The existence of this pandemic indirectly continues to undermine the economy of countries in the world, one of which is Indonesia. According to a report from the OECD 2020, the global economy slumped but not too badly but the recovery used took a long time which is more closely related to the prospect of economic activity which is still uncertain and this has a considerable impact on industry and trade transactions both in terms of country and abroad (DW, 2020). The banking sector has also tightened the financing conditions for the public. This tightened and complicated financing process will have an impact on the difficulty of SMEs to obtain financing loans for the continuation of their businesses, and this will exacerbate the situation of SMEs
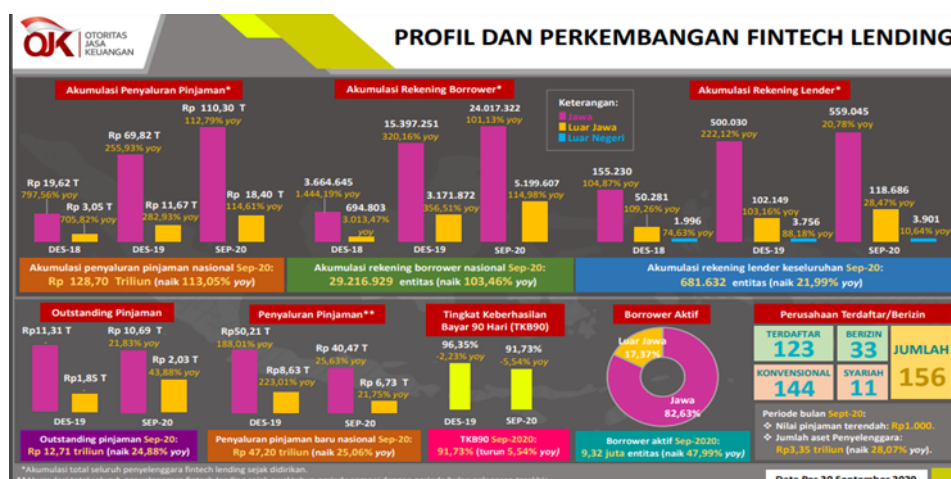
*Corresponding Author:
Universitas Muhammadiyah Malang
Jl Raya Tlogomas No 246 Malang, Jawa Timur, Indonesia
E-mail: noviprimita@umm.ac.id

Source : (OJK (Otoritas Jasa Keuangan), 2020)

Figure 1. Fintech Lending Profile and Development

(Dewi, 2020). In Malang itself, many small businesses owned by the community have started to go out of business due to the policy of regional restrictions and community activities. The education sector is also one of the contributors to the bankruptcy of SMEs in Malang because there are no students who are the main market share sector for the SME business, both food and non-food businesses (Manan, 2019).

The emergence of financial technology is currently an oasis and is predicted to be and provide solutions for SME capital which is often constrained when applying for financing in the banking sector (Manurung & Rahardjo, 2019). P2PL (Peer to Peer Lending) is one of the fintech known to the public today as an alternative to financing with a technology system. P2PL (Peer to Peer Lending) is a marketplace model which is a place for lenders and also as recipients of loans with various needs without any legitimate financial institution intermediaries (Manurung & Rahardjo, 2019). This financing activity that uses P2PL (Peer to Peer Lending) is carried out by utilizing digital technology, can use computer devices and even smartphones supported by the internet network, so that this can be easily accessed by people who need working capital loan quickly and

efficiently compared to requesting a loan. Loans to other financial institutions such as banks, rural banks or cooperatives which are always hampered by administrative processes.

This ease of access to working capital through the P2PL (Peer to Peer Lending) process is expected to continue to help grow the SME sector considering that the SME sector is one of the sources of the economy in Indonesia (Mukhtar & Rahayu, 2019). The SME sector has been able to have a positive impact on the economy of people in Indonesia in general because this sector is also able to reduce the number of unemployment rates. The formulation of the problem in this study is that there are still many SMEs who do not know and also have not been able to access the existence of this P2PL (Peer to Peer Lending) fintech, so researchers are interested in researching on what are the challenges and success factors for financing using the P2PL (Peer to Peer Lending) platform. Peer Lending) especially for SMEs engaged in the food sector in Malang.

Method

This qualitative descriptive research uses a social approach as well as phenomenology. The study was conducted

```
┌─────────────────────────────┐
│        Start Research        │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│  Problem Identification Stage │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│     Background Research       │
│  formulation and potential    │
│          problems             │
└─────────────────────────────┘
              │
              ▼
┌──────────────────┐      ┌─────────────────────────┐
│  Collecting Data  │ ───▶ │       primary data       │
└──────────────────┘      └─────────────────────────┘
                                      │
                                      ▼
                          ┌─────────────────────────┐
                          │     secondary data       │
                          └─────────────────────────┘
                                      │
                                      ▼
                          ┌─────────────────────────┐
                          │  data processing and     │
                          │       analysis           │
                          └─────────────────────────┘
                              │              │
                              ▼              ▼
              ┌─────────────────────┐  ┌─────────────────────────┐
              │  data presentation  │  │  final report preparation │
              └─────────────────────┘  └─────────────────────────┘
                                              │
                                              ▼
                          ┌─────────────────────────────┐
                          │ publication in reputable     │
                          │         journal              │
                          └─────────────────────────────┘
```
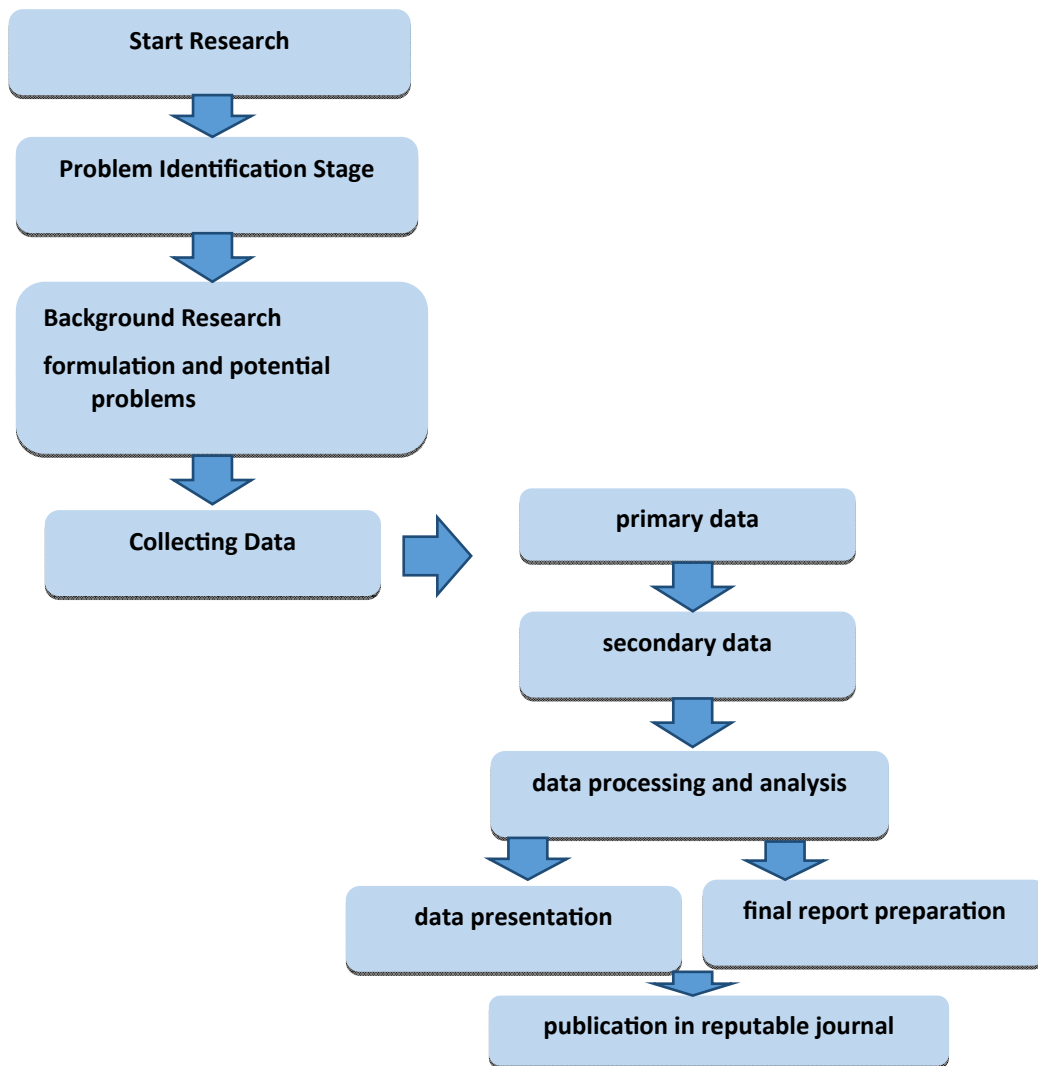
Figure 2. Conceptual Framework

on 87 SMEs in the city of Malang in the food business sector and by using the snowball sampling method, it will be seen which SMEs have made the loan process by utilizing P2PL (Peer to Peer Lending) especially shoppepaylater, and SMEs that will be deepened. become the object of this research. In addition to using primary data from questionnaires and in-depth interviews with a list of qualitative questions, this study also uses literature studies from research journals that discuss similar topics. The conceptual framework in this study can be seen in figure 1.

Basically, this research wants to raise specific issues so that a non-probability sampling technique is needed, one of which is snowball sampling. Sampling using the snowball sampling technique was chosen because this technique is very useful for finding and identifying as well as having and taking sampling in a network or chain of relationships (Nurdiani, 2014). The data in this study used is qualitative data from in-depth interviews that were found and collected and then analyzed using the NVIVO 12 software which from the output results will answer the research objectives, namely finding what are the challenges and success factors for P2PL financing (Peer to Peer Lending) for SMEs in Malang City.

Population

The population in this study is SMEs in Malang City who use and utilize financing through P2PL lending. Some of the SMEs taken as samples are SMEs based in the food sector which feel the economic benefits of the existence of financial technology as evidenced by repeated use (Firmansyah et al., 2021).

Analysis Techniques

The analytical technique used in this research is through in-depth interviews with several sources related to the purpose of this research. This study uses primary data combined with secondary data and also uses the library method using a statutory, conceptual approach. Primary data will be obtained through interviews and filling out questionnaires for SMEs which are taken as sampling, especially SMEs in Malang City. For P2PL (Peer to Peer Lending) data, use published data from the OJK or BI. The data processing method will use the NVIVO device which is very possible to answer the objectives of this research.

Result

This study seeks to unravel what are the success factors and challenges of the existence of the P2PL program in SMEs, especially the city of Malang. From the sample obtained from this research conducted on several MSMEs in Malang City, the realization of the existence of fintech peer to peer lending is still experiencing several obstacles, which can be seen in the table 1.

The information and data obtained in this study flow in one direction so that it is easier to conduct in-depth interviews to reveal what the research objectives are (Sayogo & Yuli, 2018). From the results of the table above, it is clear that there are several important points that are a factor in the success of P2PL financing in Malang City SMEs, namely Technology, Trust, Payment Systems, Accessibility, and Companies. Almost all of the informants in the study mentioned the same points so that in order to achieve greater success in the future, all the important factors mentioned can be improved and strived to

Table 1. P2PL Success Indicators in Malang

Category	Success Indicators
Technology	• Easy in the application and transaction process
	• Many SMEs are already using the digital economy platform
	• All information and the financing application process can be accessed easily through the internet network
Trust	• Many people already believe in the existence of P2PL and can help business development
System of payment	• Easy and practical installment payment system compared to commercial banks
Accessebility	• Easily accessible from anywhere, most importantly there is internet network access
Company	• The larger the fintech company as an organizer, the more trusted its financing products will be.
	• The SME community in Malang is already familiar with fintech companies.

Source : data processed by NVIVO12, 2021

Table 2. Challenges of P2PL SME Financing in Malang City

Category	Explanation of the P2PL Challenge
Laws and Regulations	• The unclear rules and laws related to P2PL implementation companies have made SMEs reluctant to apply for financing through the fintech. • Many data leaks uploaded by P2PL companies are able to access all of the user's contacts.
Technology	• Too complex for some tech-savvy SMEs • Lots of activation processes to go through so some find it too long. • If the internet network is not stable, it interferes with all transaction activities so that sometimes it stops in the middle of the road
Education	• Many people are tempted by illegal P2PL so that they are trapped in a very large debt. • Lack of inclusive financial literacy, especially for new SMEs which are still very small and have minimal capital.

Source : data processed by NVIVO12, 2021

be better in the future so that the community, especially SMEs using P2PL financing, will be more comfortable and loyal.

Government and OJK supervision in the financial technology industry is very important considering there are so many incidents related to data theft and the rise of illegal fintech companies so that many cases of the community, especially SMEs, are becoming increasingly difficult when using P2PL products of illegal fintech companies (Aprita, 2021). The following are some of the points that challenge P2PL for SMEs in Malang City.

From the results of in-depth interviews and data analysis using NVIVO12, there are several important points that challenge the implementation of P2PL financing in SMEs in Malang,

Source: data processed by NVIVO12, 2021

Figure 3. World Cloud NVIVO12

including P2PL Laws and Regulations, Technology and Education. Fintech is one of the new breakthroughs for banking companies and the government in responding to the needs of the community in the field of financing, where the convenience is without the need for any guarantees (Destiya, 2019). Because of this convenience, sometimes many people are not educated about the dangers that threaten if they are tempted by illegal fintech companies so that the role of inclusive financial literacy education by the government is very necessary, especially for new SMEs and minimal capital to remain vigilant.

In addition to the three important points that are P2PL challenges for SMEs in Malang City, there is another factor that is no less important, namely knowing who our consumers are so that sometimes fintech companies that act as lenders experience losses.

Discussion

This study uses documentation analysis and in-depth interviews with research informants that are structured and clear about what are the success factors and the hands of the P2PL (Peer to peer lending) program for SMEs in Malang City in particular. There are several points that determine the success of P2PL for SMEs in Malang, including technology, trust, payment systems, accessibility and companies (lenders).

The informant said that the first thing that became the success factor for this P2PL financing was the technology itself. Technology here refers to how the financing application process is concise and not difficult and all the information needed is available in one platform so that users will find it easy and effective when applying for their business capital financing. This is in line with research conducted by (Kitri, 2019), which suggests that Cibaduyut shoe entrepreneurs prefer the P2PL alternative because the requirements are not too complicated compared to applying for credit at commercial banks, the process is carried out using the internet network, cheaper administration and also fast process.

As for the success factor, the two interviewes agreed and chose that trust is also a benchmark in the success of this P2PL. The trust here is evident from the increase in P2PL users in the city of Malang in particular, and this is in line with research conducted by (Syarifah, 2019), that there continues to be an increase in fintech lending users and providers as evidenced in the OJK statistical data report which explains that every month period there is always an increase. for users of the P2PL financing program with the highest loan value at Rp. 10,000,000,000,-.

For the third success factor is the payment system and the fourth is accessibility, this includes the ease of transactions carried out by borrowers when making their installment payments, which is a very easy process and doesn't take long to have to queue like in commercial banks, they simply press through a smartphone. and use the internet. This is in line with research conducted by (Manurung & Rahardjo, 2019), which suggests that many SMEs choose P2PL financing because according to consumer assessments the process is very fast and efficient and accessibility is easy to reach so that at any time they need an injection of venture capital. they can easily get the funding.

The challenge factors raised by the resource persons included laws and regulations, technology and education. The laws and regulations that are meant here are the existence of P2PL as an alternative capital which is expected to provide solutions for SMEs and people who need funding rather than increasing life welfare, sometimes making people forget that the power of law and the protection of the community, especially users, are no less important. This is evidenced by the number of people who have been
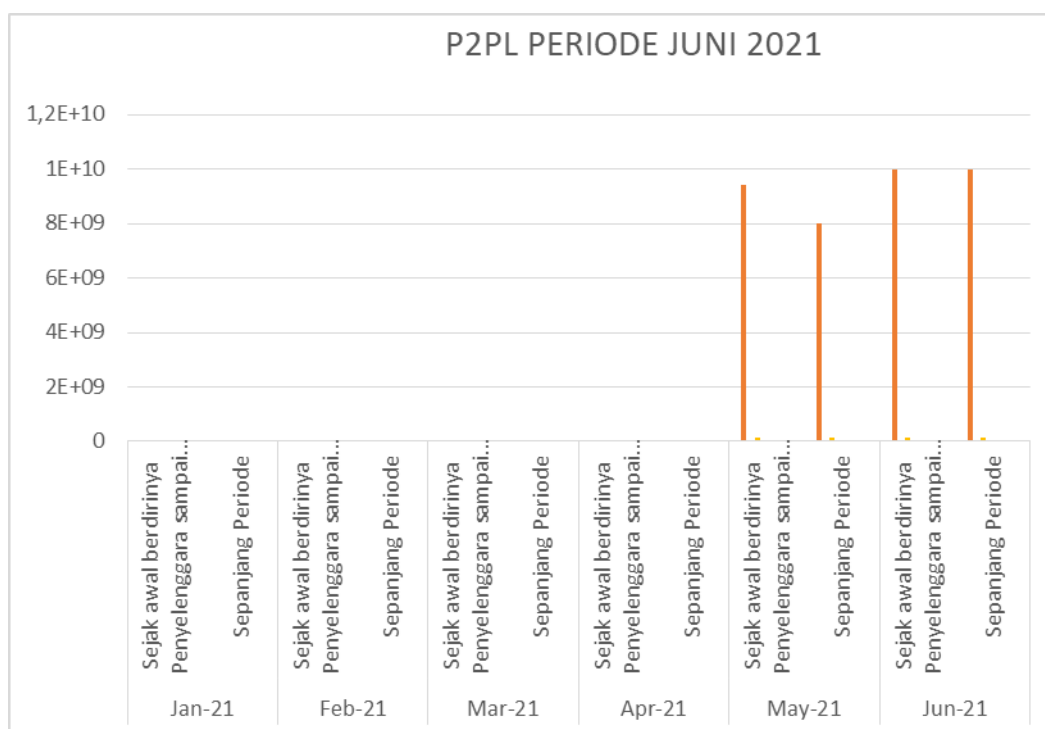
Source : (OJK, 2020)

Figure 4. P2PL Period June 2021

entangled in debt with a very large value and in line with research conducted by (Rahadiyan & Sari, 2019) which states that the biggest challenge of P2PL is legal protection for lenders and users as well as security of user data.

Conclusions

This study seeks to analyze what are the success factors and challenges of P2PL (Peer to peer lending) financing for SMEs in the city of Malang. And based on the results of the analysis it was found that P2PL financing is very popular with the community, especially SMEs in the city of Malang because of the ease of use of technology, trust in the image of fintech companies that act as lenders, accessibility and ease of payment systems and this is very in line with the needs of people who want things that are easy and simple. practical especially for small SMEs which are considered not to burden them because there is no guarantee for the loan they are

applying for (Farraz, 2019). Of course, success in P2PL is also followed by a challenge which is none other than the strength of legal and regulatory protection for lenders and consumers as evidenced by the large number of people who are entangled in online loans (loans) so that in addition to the strength of the law and clear rules, financial literacy education must continue to be carried out. inclusion of small communities, especially SMEs so that they are not easily ensnared by the seduction of easy credit applications that actually harm them in the future so that this can suppress and even reduce the cases of people who are entangled in cases of online loans (loans) with high interest. From the results of this study, it has a contribution to stakeholders in the future related to making decisions on P2PL financing products in particular so that they are better known to the public and successful in their distribution.

References

Aprita, S. (2021). Peranan Peer to Peer Lending dalam Menyalurkan Pendanaan pada Usaha Kecil dan Menengah. *Jurnal Hukum Samudra Keadilan*, *16*(1), 37–61. https://doi.org/10.33059/jhsk.v16i1.3407

Destiya, J. (2019). Peluang dan Tantangan Financial Technology (Fintech) Bagi Perbankan Syariah di Indonesia (Studi Kasus PT. Bank Syariah Mandiri). In *Dissertation*. http://repository.umj.ac.id/handle/123456789/889

Dewi, M. W. H. K. (2020). *Ekonom Indef: Penurunan kualitas pinjaman P2P lending jadi tantangan bagi industri*. https://keuangan.kontan.co.id/news/ekonom-indef-penurunan-kualitas-pinjaman-p2p-lending-jadi-tantangan-bagi-industri

DW. (2020). OECD: Melemahnya Ekonomi Global akibat Pandemi Corona tidak Seburuk yang Diduga. In *Dw.Com*.

Farraz, I. Al. (2019). *Studi Dampak Fintech P2P Lending terhadap Perekonomian Nasional*. https://indef.or.id/research/download/74+&cd=2&hl=en&ct=clnk&gl=id

Firmansyah, F., Rozi, C., & Prajawati, M. I. (2021). Economic benefit, convenience dan risk benefit dalam mempengaruhi penggunaan Fintech yang berulang. *Jurnal Ekonomi Modernisasi*, *17*(2), 113–124. https://doi.org/10.21067/jem.v17i2.5578

Kitri, R. F. M. L. (2019). Peer To Peer Lending As a Financing Sources Alternatives for Msmes in Cibaduyut. *The 4th ICMEM 2019, August*, 7–9. https://core.ac.uk/download/pdf/324148432.pdf

Manan, Y. (2019). Sistem Integrasi Proteksi & Manajemen Resiko Platform Fintech peer to peer (P2P) Lending dan Payment Gateway untuk Meningkatkan Akslerasi Pertumbuhan UMKM 3.0. *Ihtifaz: Journal of Islamic Economics, Finance, and Banking*, *2*(1), 73. https://doi.org/10.12928/ijiefb.v2i1.847

Manurung, R., & Rahardjo, A. K. (2019). Faktor Pendukung Keputusan UMKM Dalam Mengambil Modal Usaha Dengan Model Peer-To-Peer (P2P) Lending. *Seminar Nasional Edusainstek*, 650–659. https://prosiding.unimus.ac.id

Mukhtar, D. F., & Rahayu, Y. (2019). Analisis Pendanaan Modal Umkm Melalui Financial Technology Peer To Peer Lending (P2P). *Jurnal Ilmu Dan Riset Akuntansi*, *8*(5), 1–16.

Nurdiani, N. (2014). Teknik Sampling Snowball dalam Penelitian Lapangan. *ComTech: Computer, Mathematics and Engineering Applications*, *5*(2), 1110. https://doi.org/10.21512/comtech.v5i2.2427

OJK. (2020). Statistik Fintech Lending Periode Juli 2020. In *Ojk.Go.Id*.

OJK (Otoritas Jasa Keuangan). (2020). *Perkembangan Fintech Lending Februari 2020. November*, 1–11.

Rahadiyan, I., & Sari, A. R. (2019). Peer landing sebagai salah satu upaya peningkatan. *Jurnal Defendonesia*, *4* (1), 18–28.

Sayogo, D. S., & Yuli, S. B. C. (2018). Critical success factors of open government and open data at local government level in Indonesia. *International Journal of Electronic Government Research*, *14*(2), 28–43. https://doi.org/10.4018/IJEGR.2018040103

Syarifah, H. (2019). Analisis pengaruh peer to peer lending terhadap kinerja UMKM (Studi kasus nasabah PT. Ammana). In *Disertasi*. Universitas Brawijaya.