Eurasia: Economics & Business, 1(31), January 2020
DOI https://doi.org/10.18551/econeurasia.2020-01

UDC 334

MEASURING THE P2P LENDING SUCCESSFUL FUNDING TIME PERIOD: MICRO-BUSINESS ENTREPRENEURS IN INDONESIA

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ABSTRACT
Indonesia is a developing country which attracts investors developing their respective businesses. Business model facilitating economic activities between individuals through mediation is a peer to peer online loan. Micro-business may peruse this business model. This research was conducted to determine factors influencing the time required for successful P2P funding. Data collection was taken from online P2P sites in Indonesia with 429 samples available. Research result indicated that the loan values have a positive influence on the Successful Funding Time Period. Loan interest, loan repetition, and business age have a negative influence on the Successful Funding Time Period. The research result could be perused as a consideration for borrowers and lenders in conducting economic activities through P2P online, especially in Indonesia.

KEY WORDS
Peer-to-peer lending, successful funding time period, loan amount, loan interest, business.

Loans occur when there are people requiring funds and people possessing excess funds. Some take loans for investment purposes and others take loans for consumption purposes. A loan is a funding source for the community. The lender channels funds to the community businesses in the form of investment funds and business capital (Hadad, 2017).

In line with the technology development and internet-based technology, the financing/loan system experiences innovation. It does not demand a meeting between borrowers and the lender. From 1866 to 1987, one could purchase a product and conduct economic activity throughout the world utilizing fintech 1.0. From 1987 to 2008, the activity could be replaced with an automatic machine fintech 2.0. From 2008 until recently, the banking sector has begun to utilize information technology, as an alternative to the traditional system, perusing fintech 3.0 (Hadad, 2017). The banking system utilizing fintech technology is the Peer-to-Peer (P2P) online loan system. Lenders and borrowers could conduct loan transactions online (Truong, 2016). P2P loan service provides a platform for introducing borrowers to lenders. It offers several benefits to borrowers and lenders (Truong, 2016). Borrowers obtain loans directly from lenders, and may pay at a lower interest rate compared to commercial loans. On the other hand, lenders obtain higher rates of return compared to other types of loans such as corporate bonds, bank deposits or certificates of deposit(Mwinzi, 2014).

Peer-to-Peer (P2P) online loans are targeted at small and micro loans. P2P Online loans not only fund small-scale businesses but also provide short-term financial liquidity. Therefore it is crucial to conduct in-depth research on loan and funding information for small and micro-businesses.

Microbusiness actors often require business capital in short time period. However, there are limited access to lending institutions such as banks or cooperatives. They lack collateral to seek loan funds. P2P lending loans provide the micro-businesses an alternative in seeking venture capital forgoing lending institutions such as banks or cooperatives and the need for collateral.

P2P Loans is crucial to be studied as every business actor requires different loans. The researchers determined the time required for P2P loans to be approved and funded. The research result may be perused as consideration for micro-entrepreneurs in determining the time period required before funding approval. In addition, the P2P lending loan issue is

DOI https://doi.org/10.18551/econeurasia.2020-01

information asymmetry between the borrower and the lender. The lender does not know the credibility of the borrower. The information asymmetry may result in a poor selection of loan recipients (Shun, et., Al., 2016) and moral hazard (Peterson, 2018). Theoretically, some of these problems can be overcome by routine monitoring. However, this approach poses challenges in the online environment because borrowers and buyers do not meet physically. Fostering and increasing lenders' trust in borrowers could be applied to reduce adverse selection problems and moral hazard (Truong*.,* 2016).

This research was conducted by examining the factors that influence the Successful Funding Time Period. Based on the knowledge of researchers, this topic has never been approached in previous studies. Alexander's (2011) research, Online Peer-to-Peer Lending - A Literature Review, stated that borrower characteristics, borrower demographics, and social characteristics influence the success in online lending. Shun Cai (2018) research, Judging online peer-to-peer lending behavior: A comparison of first-time and repeated borrowing requests, examines the influence of Loan Duration, Interest Rates, Total Verification, Total Credit, Total Successful Funding, Failed Loan Requests, Successful Loan Requests, Slow Loan Payments, Repayments, Loan Ratio to the success of peer to peer lending. Previous studies examined the factors that influence the success of funding, forgoing the Successful Funding Time Period.

This research is a development of previous research that aimed to analyze the implications of the loan value, loan interest, loans repetitions, and business age to the Successful Funding Time Period. The object of research is micro-businesses in Indonesia. Research on this topic was first conducted on micro-entrepreneurs in Indonesia. The Successful Funding Time Period was previously examined on the success of funding. Current research added new variables business age.

In Peer-to-Peer (P2P) consumer loans, individuals post their required loans and personal profiles on the P2P loan platform (Hadad, 2017). Individual investors and other institutions can see and fund consumer loans directly through the platform. Investors can diversify their asset allocation with additional fixed income instruments and have access to consumer loans without having to go through asset-supported security markets. In addition, P2P loans open up the asset classes mentioned above for smaller investors.

LITERATURE REVIEW

Peer-to-Peer (P2P) loans can be defined as "financial exchanges" that occur directly between individuals without direct intermediary traditional financial institutions (Anna, 2018).

Finance technology refers to the use of digital software and platforms to provide services or financial services to consumers. Finance technology has unlimited potential (Limpanadusadee, and Li, 2017). Related to new tools and technology, as well as challenges faced by old business models, these financial services could be improved with more speed, reliability, and efficiency. (Peterson, 2018).

One of the problems that need to be considered in P2P lending is information asymmetry. When decision-makers are faced with information asymmetry, signaling theory is used to explain that the attributes of observable entities can function as quality signals. Spence (1973) states that the formulation of the labor market signaling theory utilizes education factor to model the signaling function. The signaling theory can be used in electronic commerce research, investor decisions, and P2P lending. The review and assessment of the existing literature on the application of signaling theory exhibit that there are three main focuses: signal sender, signal, and receiver. In this study, the signal sender in a P2P loan are borrower, P2P website, or another potential lender. The signal are various pieces of information available to potential lenders. The receiver are a potential lender looking at the value of the loan, loan interest, business age, and Successful Funding Time Period (Cai et al, 2016).

The signal usefulness for the receiver depends on the extent of the signal that matches the quality the signal sender is looking for and the extent to which the receiver is interpreting the signal. The signal sender and receivers often compete for interest. The weaker signal sender has an incentive to "cheat," by deliberately generating false signals to the recipient.

Loan Value Influence to Successful Funding Time Period. Risk analysis is carried out before the loan is made. In financial technology, analysis is based on previous loan history (Hadad, 2017). Guangyou (2018) states that the greater the value of the loan, the greater the risk received. The loan value has a positive influence on the Successful Funding Time Period.

H_1 = The Loans Value Has a Positive Influence on the Successful Funding Time Period at Fintech Danamas.

Loan Interest Influence to Successful Funding Time Period. Loan interest is the value of services that must be paid by borrowers to loan service providers, according to Shun Cai (2016) a higher amount of loan interest in online lending will increase the likelihood of successful funds. Loan interest has a negative influence on the Successful Funding Time Period.

H_2 = Loan Interest has a negative influence on the Successful Funding Time Period at Fintech Danamas.

Loan Repetition Influence to Successful Funding Time Period. Borrowers who have made loans with good and timely repayment records will facilitate the search for further loans. Shun Cai (2016) states that previous failed loans will reduce the likelihood of successful funding. The loan value repetitions has a negative influence on the Successful Funding Time Period.

H_3 = Loan Repetition has a Negative Influence on the Successful Funding Time Period at Fintech Danamas.

Business Age Influence to Successful Funding Time Period. The credibility of an entrepreneur can be seen through business age. Longer business age exhibits the ability of an entrepreneur in surviving business competition (Hadad, 2017). The business age has a negative influence on the Successful Funding Time Period.

H_4 = Business Age has a Negative Influence on the Successful Funding Time Period at Fintech Danamas.

The conceptual scheme of this study is presented in the following figure:

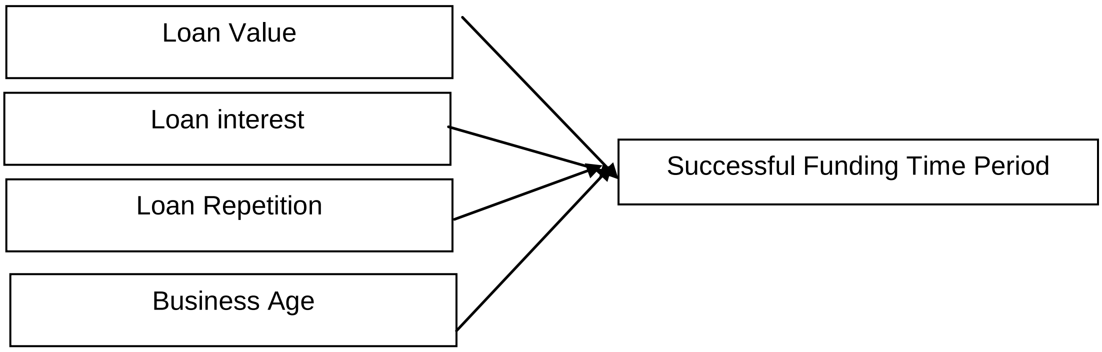

Figure 1 – Conceptual Scheme (Source: Shun Cai, 2018, Guangyou, 2018)

METHODS OF RESEARCH

This study used a descriptive quantitative approach. Data was collected from the Danamas P2P platform. The platform was observed through Successful Funding Time Period, and looking at influencing factors such as the loan value, loan interest, loan repetitions and the business age in the form of figures. The data were processed and analyzed to obtain a picture and relationship between the variables (Miles, et., al., 2013).

The population in this study was owners of micro-businesses and loans to Danamas fintech. The sample criteria used in this study entrepreneurs who conduct loans to Fintech Danamas from August to September possessing micro-businesses in Indonesia. Based on

DOI https://doi.org/10.18551/econeurasia.2020-01

existing data from August to September 2019, 429 respondents obtained loans from Fintech Danamas.

This study used several variables to determine the factors that influence the Successful Funding Time Period on online loans in P2P lending. The operational definitions of each variable are as follows:

In this research, the Successful Funding Time Period on P2P lending is the dependent variable, the Successful Funding Time Period is the time period before a loan is financed by investors, which is measured in seconds. The independent variable is described as follows: Loan value is the sum of money borrowed, measured in the IDR currency. Loan interest is the amount of interest offered by the borrower to investors; loan interest is measured in %. Loan repetition is the total previous loans conducted by a borrower; the loan repetition is measured in numeric. The last independent variable is the business age, which is the length of time the business has been operating measured in years.

This research is a descriptive statistical study. This type of study provided a description or description of data exhibited from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution inclination) (Ghozali, 2005). The classic assumption test is a test to determine the feasibility of the regressed model whether it meets the classical assumptions which include multicollinearity, autocorrelation, heteroscedacity, and normality. However, in this study, the autocorrelation test was not carried out, because this study was not a time-series study. Neither can the linearity test be carried out for the same reason.

Hypothesis testing measures the strength of the relationship between two or more variables. It exhibited the direction of the relationship between the dependent variable and the independent variable. After the regression model met the classical assumption test requirements, the following step was to analyze the results of multiple regression to analyze the factors that influence the Successful Funding Time Period. The multiple regression models were used and the following functional models were formulated:

$$Y = \alpha + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4 + e$$

Where: Y - Successful Funding Time Period (in Seconds); X1 - Loan Amount (in Rupiahs); X2 - Loan Interest (in %); X3 - Loan Repetition (numeric); X4 - Business Age (in years).

RESULTS AND DISCUSSION

This study used multiple linear regression and SPSS program to verify this study. All data for the independent variables were normalized before conducting a regression analysis. All variables indicated that there was no evidence of multicollinearity.

To answer the problems and test the hypotheses in this study, statistical analysis of the data obtained is necessary. The statistical analysis used in this study was regression analysis. Based on the results of multiple linear regression analysis using the SPSS program, the following results were obtained:

Table 1 – Results of Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Sig.
C	41.163	4.668	8.818	.000
X1	3.215E-6	.000	9.128	.000
X2	-.809	.219	-3.699	.000
X3	-.039	.009	-4.466	.000
X4	-.134	.135	-.996	.320
R-squared	0,306			
Adjusted R-squared	0,299			
F-statistic	46,653			
Prob (F-statistic)	0,0000			

Y = 41,163 + 3,215 X1 - 0,809 X2 - 0,039 X3 – 0,134 X4 + e

Where: Y = Successful Funding Time Period; X1 = Loan Amount; X2 = Loan Interest; X3 = Loan repetition; X4 = Business Age.

Table 2 – Variable Ranking

Variable	P	Rank
Loan Amount	0,000	1
Loan Interest	0,000	2
Loan Repetition	0,000	3
Business Age	0,320	4

Based on the analysis in Table 2, The Loan value has the greatest influence on the Successful Funding Time Period in P2P lending. The following factors were loan interest, loan repetition, and the business age. The analysis result supported the hypothesis that the loan values has the greatest influence on the Successful Funding Time Period in P2P lending in Indonesia. Based on the results of the regression test between the loan value to the time of success, it obtained a probability value of 0,000. It exhibited a 0.05 significance level. The loan value has a positive and significant influence on the Successful Funding Time Period, which indicates that higher loan value requires longer time before the loan to be funded or vice versa. This is reinforced by Guangyou (2018) stating that the greater the value the greater the risk received. The greater the risk received, investor would require more time before funding. The test result on loan interest exhibited probability value 0,000, which indicates that this variable has a negative and significant influence. The higher the loan interest rate, the shorter the time for loans to be funded. Shun Cai et al (2016) stated that higher interest rates will increase the likelihood of successful online loans being funded. Loan repetitions against the Successful Funding Time Period obtained a probability value of 0,000 which indicates a significance value of 0.05 and has a negative influence. This indicates that higher loan repetitions, reduces time needed for the loan to be funded by investors. This is consistent with the opinion of Shun Cai (2016) stating that loans that have failed in the past will reduce the likelihood of successful funding. Therefore higher amount of loan history indicates a successful loan. Subsequently, the investors do not hesitate to provide funding. The business age to the Successful Funding Time Period obtained a probability value of 0.320. It indicates no significant value with a significance value of 0.05 and has a negative influence. The longer the business operates, reduces the time required before a loan is funded. This is in accordance with the opinion of Hadad (2017), namely the longer a business operates exhibits the ability of an entrepreneur in surviving the business competition. The investor believes the money would be in capable hands and can be returned, then the funding process will require a short time. This is supported by caimei research (2018) which states that the longer the operation of a business, the better the process of operating the business. Therefore, increasing investors in funding the business. However, in this study, business age does not affect in significant manner because investors are more inclined to look at other factors such as the loan values, loan interest, and loan history rather than looking at business age. In online loans business, data can be falsified without any control from platforms providing online loan services.

CONCLUSION

Based on data analysis and discussions that have been done previously on the influence of factors that influence the timing of funding success in P2P lending Indonesia, it can be concluded that the loan values has a positive influence on the Successful Funding Time Period in P2P lending in Indonesia. The higher the loan values, the longer the Successful Funding Time Period in P2P lending. The loan interest has a significant negative influence on the Successful Funding Time Period in P2P lending in Indonesia. The higher the loan interest rates offered, the shorter the Successful Funding Time Period. Loan repetition has a significant negative influence on the Successful Funding Time Period. The higher loan value repetitions shorten the Successful Funding Time Period. The length business has no significant negative influence on the Successful Funding Time Period, therefore the longer the business is run, and the shorter the Successful Funding Time Period despite it does not significantly affect the P2P lending in Indonesia

Based on the conclusions of the research, the following suggestions were drawn. The borrowers should possess experience as it will draw investor confidence. The borrowers should pay attention to the loan amount and interest rates offered to obtain funds in a short time period. The investors may use this research as a reference in perusing the P2P lending platform. The investors must pay attention to the loan values, loan interest, loan repetitions and business age to minimize the risks in the future.

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