

Trust in Digital Era: a Study of Public Confidence in The Reliability of Peer to Peer (P2P) Lending Considering Disadvate Issues

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ABSTRACT

In the digital era, peer-to-peer lending platforms have emerged as a new means of connecting lenders and borrowers as the financial landscape continues to shift. This study is focused on investigating the effects of negative news, public confidence in peer-to-peer lending platforms, and public trust in the digital era. Questionnaires were distributed to 120 respondents in order to collect primary data for this study. The collected data will be analyzed using the SPSS software. It is expected that the research findings will be useful for educational purposes for those who plan to use the P2P lending network.

Keywords: Peer-to-peer lending, trust, issues, public confidence.

INTRODUCTION

The development of the world economy and information technology is going very fast. The era of digitalization in various sectors marks the emergence of the new economic industry era. Changes in the dynamics of the economic movements that were originally centralized in humans have experienced a slow yet sure shift by digitizing technology in moving the wheels of the economy called the industrial revolution 4.0. An innovation in the financial services sector that makes use of technology is called financial technology, or Fintech. Fintech solutions typically take the shape of systems designed to carry out particular financial transaction processes. Many innovations are obtained by launching fintech products for transactional purposes. Through this innovation, lenders can make transactions practically, channel funds easily, and increase transaction activity.

Using peer-to-peer lending as one of the platforms is one of the breakthroughs that came about as a result of the development of fintech. OJK Regulation No. 77/POJK.01/2016 defines fintech lending, often known as peer-to-peer lending or P2P lending, as an information technology-based direct loan and borrowing service in the rupiah currency between the creditor/lender and the debtor/borrower (receiver). This

business model is one of innovation important in the financing business especially in this finance digital era as it is today. Some disadvantages to take into account are the possibility of default, which could result in losses for lenders, the borrowing capacity limitation, which might not be sufficient to meet the needs of some borrowers, and the lack of regulation in P2P lending, which is not as strictly regulated as traditional lending methods and could result in possible fraud or unethical behavior. The two major hazards that customers of P2P lending services face are the possibility of default and the loss of personal information.

Until now, fintech lending, including P2P lending services in Indonesia have also received many positive responses because of the ease and short time for disbursing funds. Unfortunately, the various conveniences offered by P2P lending services are also accompanied by various risks. There are a few disadvantages to take into account, including the possibility of default, which could result in losses for lenders, the fact that P2P lending has less regulation than traditional lending methods, which could result in fraud or unethical behavior, and the limited borrowing capacity, which might not satisfy the needs of certain borrowers. The risk of default and the loss of personal data leaks are the two main hazards that customers of P2P lending services face.

The risk of default in P2P lending will have a large impact on losses, especially for lenders. This risk can then not only give rise to legal liability for borrowers, but also for P2P lending providers. P2P Lending loan interest rates will increase when creditworthiness falls, which is the main disadvantage of using P2P Lending. When borrowers are late making payments, the bill will be very significant. Where if there is a failure to pay the loan, the amount that must be paid later could skyrocket even higher. Therefore, loans are only suitable for the short term, because the longer the loan term, the bills will continue to rise. Departing from these problems, the implementation of P2P lending should pay attention to and apply the principles of consumer protection. This is intended to provide consumer protection for the possibility of default from the same borrower, and so that parties who wish to become borrowers in the future will adjust their abilities and needs when they want to borrow money in P2P lending services. In addition to default cases, the risk of data leakage in the provision of fintech services deserves special attention, including in P2P lending services. Recently there has been news

regarding the problem of bad credit that is currently haunting the peer-to-peer lending financial technology (fintech) industry.

LITERATURE REVIEW

Commitment trust theory

The study is based on the well-known commitment-trust theory of relationship marketing, which was first put forth by Shelby D. Hunt and Robert M. Morgan in 1994. Morgan and Hunt demonstrated in their groundbreaking work that "relationship marketing"—the process of creating, fostering, and preserving fruitful interpersonal interactions—represents a significant departure from conventional marketing theory and practice. In the past, the political economy paradigm emphasized that the most important component of network analysis is the ability to condition others (Thorelli, 1986). This fundamental tenet was called into doubt by the commitment-trust theory (Morgan and Hunt, 1994) in light of relationship breakdowns in strategic partnerships. The commitment-trust hypothesis, which placed more emphasis on what makes relationship marketing effective, promoted trust and relationship commitment as the essential elements in creating and sustaining successful relationships.

Trust in adoption of financial technology

The way financial transactions are conducted has changed as a result of the application of fintech. Because FinTech offers speed and flexibility, its implementation in the corporate world will enable it to compete. FinTech development is evident in Indonesia, where several parties are competing to offer these services. As a result, many FinTech developers are motivated to offer users the greatest services possible. To expand the number of FinTech service customers, the organization needs to pay attention to and comprehend the behaviors and perceptions. Businesses need to give customers confidence and perceived risk considerations. Thus, the researchers are interested in examining how these aspects relate to one another and whether or not it can affect a person's desire to use the company's FinTech services, particularly its peer-to-peer lending platforms.

The concept of trust is associated with an entity's capacity, dependability, integrity, self-assurance, and hope. For a user, a foundation of trust in something is the primary issue. One example would be the confidence in utilizing FinTech. The organization must

build connections with users through effective communication in order to boost their confidence. According to another study, trust is a crucial factor in determining whether FinTech services are adopted.

Financial technology

According to Bank Indonesia, financial technology is the result of collaboration between services finance with technology that makes business activities possible modern and practical where previous transaction activities were good. However, loans and payments are made directly with fintech, everything can be done anytime and anywhere without must come directly. Fintech is a modern platform in digital technology which aims to act as an internal link safe and practical finance (Aaron et al., 2017: 3). Whereas according to (Rahardjo, 2017:225-229) Fintech or financial technology is a technological advancement that creates various things new activity models that are easier and safer for consumers access financial technology.

Based on several definitions that have been explained, It can be concluded that fintech is an innovation, platform or finance application that provides financial services easily, safely and practical things that can help society and improve economy. Fintech also has a role in expanding the range of finance services quickly by prioritizing the use of technology in every transaction, where financial transaction activities are more modern, safe and practical (Mawarni, 2017:2). There are general types of fintech that develop in Indonesia, namely digital banking, digital insurance, crowdfunding, and peer-to-peer lending.

Peer-to-peer lending

Fintech P2P lending is currently expanding quickly and is easily available to those who still have trouble obtaining loans, as well as to MSME players that require funds to expand their businesses. In addition to MSME owners, P2P lending fintech companies also offer loans to persons in need of money for medical or educational expenses. These companies set their own requirements for loans, ranging from interest rates to security levels to loan creditworthiness and nominal and tenor. Fintech lending, peer-to-peer lending, or P2P lending is defined as a direct loan and borrowing service in rupiah between the creditor/lender (lender) and the debtor/borrower (receiver), in accordance with OJK Regulation No.77/POJK.01/2016. information technology-based loans).

Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi (LPMUBTI) is another term for fintech financing. When compared to traditional financial institutions, fund borrowers can apply for credit directly from fund owners with simpler terms and a quicker turnaround time. Fintech P2P lending establishes an online platform that gives fund owners the ability to lend money directly to debtors with higher returns. P2P lending investments can yield substantial annual returns, but they must be made in line with our risk tolerance and profile. Thus, comprehending the dangers is the first stage in the P2P loan investment procedure. Don't allow us to invest money without informing us of the kind and extent of the risk involved.

The advantage of peer-to-peer lending for borrowers is the expedited and simplified loan application process, which eliminates the requirement for collateral. But keep in mind that there are hazards associated with borrowing through P2P lending, such as relatively high interest rates and penalties for late payments. People have to make sure to borrow according to your individual needs and ability to pay. Meanwhile, for lenders/lenders, using the P2P lending system will make it easier for people to diversify funding, thus increasing opportunities to reap profits. However, if the lender has allocated money through P2P lending, the lender cannot withdraw the funded money whenever we want and there is a possibility that the borrower will experience default, so the funds lent are at risk of default. For this reason, diversification is very necessary so that people do not only place funds with one borrower but also with several other borrowers to minimize risk.

Hypothesis

H₁: The trust in digital era has effect in the reliability of using P2P Lending platforms.

H₂: Public confidence has effect in the reliability of using P2P Lending platforms.

H₃: Disadvate issues has effect in the reliability of using P2P Lending Platforms.

Research Framework

Sekaran (Suglyono, 2017:00) defines a framework as a conceptual model that explains how relationships function with different components that have been identified as significant issues.

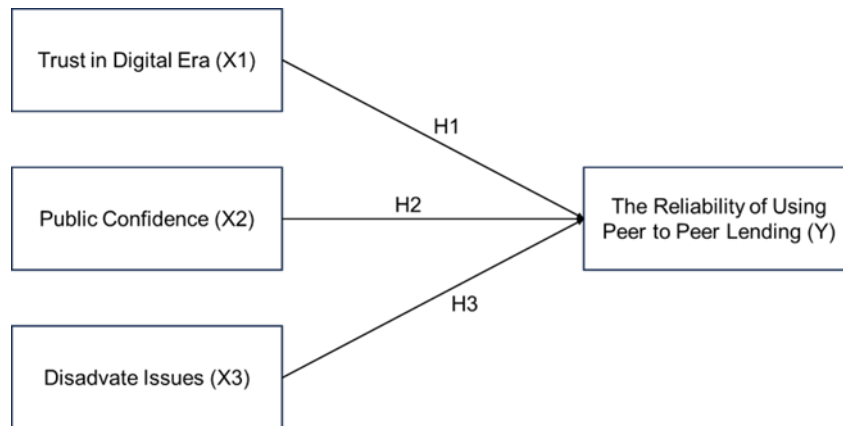


Figure 1 Research Framework

METHODS

Quantitative approaches are employed in this study. Primary data is what is used. Primary data, in the words of Sugiyono (2019:222), is the data source that sends information straight to data collectors. Data was collected directly by researchers from original source or location where research was conducted through interviews or field questionnaire. Determining the sample used was the Hair et al (2010) method by multiplying $\geq 5 \times$ the number of indicators. In this study there were 15 indicators which could be formulated into 15×8 which obtained results were 120 respondents. Primary data sources are used to produce the required data sources. The research tool in this study uses SPSS.

RESULTS

Researchers obtained information in this research by distributing questionnaires to respondents. Respondent characteristics are used to provide a description of their identity according to the research sample, providing a comprehensive picture of the sample in this study. Respondent characteristics are presented in Table 1.

Tabel 1. Respondent characteristics

Gender	Number of Respondents	Percentage (%)
Male	69	57%
Female	51	43%
Total	120	100%
Domicile	Number of Respondents	Percentage (%)
Denpasar	58	48%
Gianyar	20	17%
Bangli	11	9%
Tabanan	10	8%
Singaraja	9	8%
Karangasem	6	5%
Klungkung	6	5%
Total	120	100%
Age	Number of Respondents	Percentage (%)
19 – 24 years	39	34%
25 – 30 years	68	55%
31 – 35 years	11	9%
> 35 years	3	2%
Total	120	100%

Validity and reliability test results of research instruments**Table 2.** Validity test result

Variable	Questionnaire Item	Pearson Correlation	Sig.	Result
Trust in Digital Era (X ₁)	X _{1.1}	0,842	0,000	Valid
	X _{1.2}	0,853	0,000	Valid
	X _{1.3}	0,866	0,000	Valid
Public Confidence (X ₂)	X _{2.1}	0,733	0,000	Valid
	X _{2.2}	0,808	0,000	Valid
	X _{2.3}	0,779	0,000	Valid
Disadvate Issues (X ₃)	X _{3.1}	0,818	0,000	Valid
	X _{3.2}	0,821	0,000	Valid
	X _{3.3}	0,631	0,000	Valid
The Reliability Using P2P Lending (Y)	Y ₁	0,631	0,000	Valid
	Y ₂	0,627	0,000	Valid
	Y ₃	0,677	0,000	Valid
	Y ₄	0,625	0,000	Valid
	Y ₅	0,706	0,000	Valid
	Y ₆	0,615	0,000	Valid

Because the total significance of the results is 0.000 or less than 0.05 (Table 2), it can be concluded that the questionnaire was able to reveal something that would be measured or that the research data is reliable.

Table 3. Reliability test result

Variable	Cronbach's Alpha	Result
Trust in Digital Era (X ₁)	0.812	Reliable
Public Confidence (X ₂)	0.662	Reliable
Disadvate Issues(X ₃)	0.611	Reliable
The Reliability Using P2P Lending (Y)	0.717	Reliable

The Cronbach's alpha value for the results is more than 0.60 (Table 3). Consequently, it can be said that every research tool used in this study is trustworthy or effectively satisfies the dependability requirements.

Multiple linear regression

This research's regression model has met the classical assumption tests (normality, multicollinearity, and heteroscedasticity). The results of the multiple linear regression test are presented in Table 4.

Table 4. Multiple linear regression result

Model	Unstandardized		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	11.882	0.911		13.04	0.00
Trust in Digital Era (X ₁)	0.447	0.061	0.435	7.33	0.00
Public Confidence (X ₂)	0.342	0.072	0.306	4.75	0.00
Disadvate Issues (X ₃)	0.343	0.068	0.317	5.04	0.00

The result obtained a multiple regression equation as follows:

$$\begin{aligned}
 Y &= a + B_1X_1 + B_2X_2 + B_3X_3 + e \\
 &= 11.882 + 0.447X_1 + 0.342X_2 + 0.343X_3 + e
 \end{aligned}$$

The results of testing the influence of trust in digital era, public confidence, and disadvate issues indicate the significance value of 0.000 where the result is below the level of = 0.05 (Table 4). Therefore, it can be concluded that partially, trust in digital era, public confidence, and disadvate issues have a significant influence on the reliability using P2P lending. The effect was simultaneously tested using the F test and coefficient determination (R²). The results are presented in the table 5-6.

Table 5. F-test result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	455.423	3	151.808		
Residual	243.168	116	2.096	72.418	0.000
Total	698.592	119			

The computed F value of 72.418 with a significance value of 0.000 is explained by the simultaneous F test findings using SPSS, which are based on Table 5. These findings indicate that the independent variables in this study—public confidence, trust in the digital age, and discriminatory issues—have a considerable impact on P2P lending reliability at the same time.

Table 6. Coefficient determination (R^2)

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate
1	0.807	0.652	0.643	1.448

The results of the R^2 analysis based on Table 6 show the value of adjusted R^2 obtained is 0.643, which indicates that 64.3% of the reliability using P2P lending (Y) variable can be explained by trust in digital era (X_1), public confidence (X_2), and disaduate issues (X_3). While the remaining 35.7% (100% - 64.3%) can be explained by other external factors.

DISCUSSION

The findings in this research indicate that customer trust in using P2P lending platforms is one of the most important things that determines P2P lending reputations. The results in this study are in line with study conducted by Dingyu Chen, Fujun Lai, Zhangxi Lin (2014) which revealed that trust in borrower plays two important roles. It drives lenders' willingness to lend more efficiently than trust in intermediary and it also carries the significant impact of trust in intermediary on lenders' willingness to lend. In the P2P platform, it must effectively inform consumers that this platform guarantees the security of transactions and personal data with the best technology, so as to achieve consumer confidence. The more advanced the technology, the smaller the risk.

Therefore, to gain public confidence security guarantees are expected to contribute to risk reduction. Public confidence refers to the trust and faith that people have in various entities, such as governments, institutions, businesses, or systems. It plays a crucial role in the stability and functioning of societies and economies. When there is public

confidence, people are more likely to participate in activities that contribute to economic growth, social harmony, and overall well-being.

Issues are debated differences of opinion, matters of fact, evaluation, or policy that are important to the parties involved. Issues also means a consequence of a person or other party's proposed action that can have an impact on personal negotiations and adjustments, civil and criminal litigation, or something that can become a matter of public policy through action. Nowadays, digital authentication offers more credible information for lenders and allows a P2P platform to access more soft information via mobile-phone-related big data, video, and social media. Such a platform uses a sophisticated algorithm to calculate and rate the credibility of a potential borrower. This process can either mitigate or enhance financial activities especially in using P2P Lending platforms. If a lot of bad and detrimental news occurs or appears, then the government can convince users by making strict laws to protect P2P Lending users. Apart from the law, potential users or platform users can filter the news they will read whether it is fake or genuine news.

CONCLUSION

Based on the formulation of the problem and discussion of the research results that have as previously discussed in the chapter, the results show that every aspect, including public confidence, trust in the digital age, and discriminatory issues, significantly affects how reliable peer-to-peer lending is. This can be related to the theory used in this research, namely Commitment-Trust Theory by Robert M. Morgan and Shelby D. Hunt in 1994 proposes that commitment and trust are reciprocally reinforcing. In other words, as commitment increases, trust tends to increase, and vice versa. This mutual reinforcement contributes to the formation of long-term, mutually beneficial relationships between parties involved. Trust has been influential in emphasizing the importance of cultivating trust and commitment to enhance customer satisfaction, gain the public confidence, loyalty, and overall relationship quality. It has applications for companies looking to establish and nurture fruitful, long-term relationships with their clientele.

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