

***CREDIT LENDING DECISIONS TO MSMEs IN PEER-TO-PEER LENDING:
WHAT FACTORS DO INVESTORS CONSIDER?***

KEPUTUSAN PEMBERIAN KREDIT KEPADA UMKM DALAM PEER-TO-PEER LENDING: FAKTOR-FAKTOR APA SAJA YANG DIPERTIMBANGKAN INVESTOR?

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ABSTRACT

This study aims to examine and demonstrate six factors influencing the decision to grant credit loans to MSMEs on the conventional Peer-to-peer (P2P) lending platforms Investree and Koinworks. These six factors are loan amount, loan term, credit rating, loan purpose, length of business, and financial statement information. A quantitative approach and secondary data from the publications of the Investree and Koinworks applications or websites were utilized in this research. A sample of 225 MSMEs was selected from a population of 267 using purposive sampling. Logistic regression analysis revealed that loan amount, credit rating, and loan purpose affect MSMEs on the Investree and Koinworks P2P lending platforms, while loan term, length of business, and financial statement information do not. These findings suggest that both P2P lending platforms consider various factors when evaluating MSME borrowers. The differences between Investree and Koinworks indicate distinct characteristics and appeals to MSMEs on each platform, which are also discussed in this study. The results of this research can assist MSMEs in preparing loan proposals to enhance credibility with lenders, provide better insights to lenders in decision-making, and serve as a reference for other P2P lending platforms in evaluating factors necessary for credit loan decision-making processes.

Keywords: Loan Decision Making, P2P Lending, SMEs, Logistic Regression

ABSTRAK

Penelitian ini bertujuan untuk menguji dan menunjukkan enam faktor yang mempengaruhi keputusan pemberian pinjaman kredit kepada UMKM di platform *Peer-to-peer* (P2P) *lending* konvensional Investree dan Koinworks. Keenam faktor tersebut adalah jumlah pinjaman, jangka waktu pinjaman, peringkat kredit, tujuan pinjaman, durasi usaha, dan informasi laporan keuangan. Pendekatan kuantitatif dan data sekunder dari publikasi aplikasi atau situs *website* Investree dan Koinworks digunakan dalam penelitian ini. Sampel sebanyak 225 UMKM dipilih dari populasi sebanyak 267 UMKM dengan menggunakan metode *purposive sampling*. Analisis regresi logistik menunjukkan bahwa jumlah pinjaman, peringkat kredit, dan tujuan pinjaman mempengaruhi UMKM di platform P2P *lending* Investree dan Koinworks, sedangkan jangka waktu pinjaman, lama usaha, dan informasi laporan keuangan tidak. Temuan ini menunjukkan bahwa kedua platform P2P *lending* tersebut mempertimbangkan berbagai faktor ketika mengevaluasi peminjam UMKM. Perbedaan antara Investree dan Koinworks menunjukkan karakteristik dan daya tarik yang berbeda untuk UMKM di masing-masing platform, yang juga dibahas dalam penelitian ini. Hasil penelitian ini dapat membantu UMKM dalam mempersiapkan proposal pinjaman untuk meningkatkan kredibilitas dengan pemberi pinjaman, memberikan wawasan yang lebih baik kepada pemberi pinjaman dalam pengambilan keputusan, dan menjadi referensi bagi platform P2P *lending* lainnya dalam mengevaluasi faktor-faktor yang diperlukan dalam proses pengambilan keputusan pemberian kredit.

Kata Kunci: Pengambilan Keputusan Pinjaman, P2P *Lending*, UKM, Regresi Logistik

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) occupy a key role as productive economic entities, can be owned by people (individuals) or business entities, and are subject to

qualifications regulated by applicable laws and regulations. (Efriyanto et al., 2021).. The contribution of MSMEs to the economic development of a country is very important and crucial. In business operations, the existence of capital is an

important element to launch operational activities. The Government of the Republic of Indonesia has provided concrete support to MSMEs through the provision of People's Business Credit (KUR) facilities. KUR that has been distributed amounted to IDR177.54 trillion, this amount is still far from the distribution target for 2023 which amounted to IDR297 trillion, which only reached 59.78%. (Rizaty, 2023). However, most MSME players are still looking for other alternatives in obtaining funds for their business development. Kurniaditama et al. (2022) explained that many MSME actors have not been able to utilize these funds, either due to limited access or lack of knowledge regarding the availability of these funds.

On the other hand, credit services from banking institutions also face a number of obstacles in solving problems faced by MSMEs, resulting in MSMEs tending to rely on financing from informal institutions. To address the capital access challenges faced by MSMEs in the digital era, stakeholders encourage the utilization of information technology-based loans as an innovative solution. This loan aims to accelerate the process of disbursing capital loans without the need to meet directly or face-to-face. (Mukhtar & Rahayu, 2019). The presence of financial technology, known as FinTech (*Financial Technology*), has changed business processes and people's lifestyles, where online financial transactions are becoming increasingly popular and favored. *Financial Technology* is one of the technological options that facilitate the implementation of *online* loan transactions.

The *online* loan model that is in demand among the public is *Peer to Peer* (P2P) *Lending*, one of the reasons is because of the ease and speed of the application and disbursement process.

(Kartika et al., 2020). The *Peer to Peer lending* system is an alternative funding system in the financial sector that connects *lenders* with *borrowers* through a sophisticated and easy-to-use digital platform. (Budiharto et al., 2019).. *Peer to Peer Lending* in Indonesia is regulated in the Financial Services Authority Regulation (POJK) Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services. P2P *Lending* emerged with the aim of reducing the level of inequality in access to loans provided by banks or other financial institutions.

Lending through the P2P *Lending* model, as a form of financial technology, is considered a potential and highly relevant option as a source of financing, especially to support financing for micro, small, and medium enterprises (MSMEs), so that it can make a greater contribution to the economy. (Aprita, 2021). P2P *Lending* in this study refers to the Investree and Koinworks platforms in providing credit loans to MSMEs. Investree and Koinworks have become the choice of MSMEs to gain access to financing, with total loans disbursed reaching 25 trillion by Koinworks and 22 trillion by Investree since its establishment in 2015 until 2023. The decision to choose these two platforms is due to their good reputation in providing loan services, the availability of accessible data, and the selection of only these two platforms can facilitate data collection and focused analysis.

The information obtained by lenders is limited to the data provided by the P2P lending platform. (Z. Wang et al., 2020). Investree and Koinworks use the data inputted by borrowers as the basis for assessment. Lenders do not have direct access to borrowers' financial data and credit history, so funding decisions are based on information

provided by the platforms. Although borrowers can provide additional information to increase the likelihood of getting funding, lenders still experience problems in analyzing these loans. As a result, they struggle to decide whether to lend. This makes funding decisions time-consuming and slows down the funding process, which in turn discourages investment.

The problem arises because of credit risk and investment return opportunities, investment criteria, doubts about the reliability of borrower data, intense borrower competition in obtaining funding makes lenders more selective in choosing loans to be funded. Lenders need to make considerations related to the potential for default by detailing information about the loan they are proposing. In the loan process through Investree and Koinworks, funding will be filled pending full investment from lenders (investors) according to the amount stated in the loan application. If the funding is full, the funds will be disbursed to the borrower.

The information provided by MSMEs (borrowers) is expected to be an important signal to obtain funding at Investree and Koinworks. Research conducted by (Dorfleitner et al., 2021; Edward et al., 2023; Huang et al., 2021) highlight that signaling theory aims to focus on mechanisms that can reduce information asymmetry between two parties. (Dorfleitner et al., 2021; Edward et al., 2023; Huang et al., 2021), highlight that signaling theory aims to focus on mechanisms that can reduce information asymmetry between two parties in a loan transaction and increase the chances of successful funding in P2P *Lending*. With this, it is important to have a good understanding of credit lending decision factors to improve access and financial support for MSMEs,

as well as assist lenders in assessing creditworthiness and developing more effective strategies on P2P *Lending* platforms.

This study examines the factors that have the potential to influence *lenders* (investors) in making credit lending decisions and how these factors affect P2P credit lending decisions. Previous research has shown that there are various factors that drive decisions related to *lending* credit through P2P *Lending* services. These factors include financial information (Andriansyah & Winarno, 2019; Megantara, 2020; C. Wang et al., 2019) loan application characteristics such as loan amount, term, loan purpose, and credit rating (Candraningrat et al., 2019). (Candraningrat et al., 2022; Fatahuddin & Sari, 2020; Syahrul & Nurdin, 2020; Z. Wang et al., 2020); borrower demographic characteristics (Chen et al., 2020; Gao et al., 2023), and risk and trust factors (Chulawate & Kiattisin, 2023)..

This research is important because many MSMEs in Indonesia (recorded until August 2023 as many as 19 million MSMEs) are interested in applying for *online* loans, especially through P2P *Lending* platforms. (Financial Services Authority, 2023). The novelty of this research lies in the analysis conducted on two P2P *Lending* platforms in Indonesia, namely Investree and Koinworks simultaneously. Understanding the current perspective of the P2P *Lending* situation in Indonesia can contribute as a reference for policy makers and fintech industry players to develop better policies and practices in supporting MSME financing. In addition, the results of this research are expected to be the main consideration for lenders (investors) in making funding decisions through P2P *Lending*. Therefore, the main objective of this study is to test and prove various factors that can influence

credit lending decisions, especially on the Investree and Koinworks platforms. Hopefully, the results of this study can make a meaningful contribution in supporting the fintech ecosystem and empowering MSMEs in Indonesia.

Signaling Theory

Signaling theory was first introduced by Spence (1973) and then further developed by Ross (1977). Basically, the concept of signal theory states that every action carries certain information. (Ratrini & Suartana, 2021). Signal theory can generally be explained as a sign or message given by the company to investors, the signal given can be positive or negative. (Tapokabkab & Rosyati, 2023).. The relationship of signal theory in the context of P2P *Lending* refers to the way in which information or "signals" sent by borrowers and investors influence interactions and decisions on P2P *Lending* platforms. Signaling theory explains how borrowers send signals to indicate their eligibility to be backed by loans to reduce information asymmetry that may occur (Dorfleitner et al., 2021). On the other hand, investors will respond to these signals by assessing financial and non-financial aspects.

The information provided is of concern to investors to avoid information asymmetry and adverse selection. In this case, signal theory also highlights the role of creditor (borrower) motivation to convey information that can affect the amount of lending to the debtor (investor). (Mukti Dian S et al., 2020). It is the responsibility of the borrower to provide the information needed to make a loan on the *Peer to Peer lending* platform. The focus is on reducing information asymmetry between borrowers and potential investors, especially in how borrowers communicate information through

signals and how investors interpret these signals (Huang et al., 2021). (Huang et al., 2021).

Credit Lending Decision

Credit lending decisions refer to the process by which a lender makes a decision to grant or deny a borrower's loan request. The goal is to avoid losses in its lending activities. (C. Wang et al., 2019). Lending must be done carefully and based on a mature assessment. According to Cashmere (2004) cited by (Anggraini & Widyastuti, 2020) assessment can be done using the 5C principle, namely: *Character, Capacity, Capital, Collateral, and Condition of Economy*. In the context of the P2P *Lending* platform, these principles should be used by lenders as a guide to assess borrower eligibility and assist in making credit lending decisions. Lenders need to evaluate the potential for default by paying attention to detailed information about the loan. Credit lending decisions are based on quantitative analysis and qualitative analysis that contains financial information and non-financial aspects. (Candraningrat et al., 2022).

Loan Amount

The loan amount is the amount of loan value proposed by the borrower or the amount of funds lent by the lender. (Chen et al., 2020). The amount of the proposed loan can be considered as an indicator that signals to the lender about the potential success of the loan (Wibi & Agung, 2019). Business needs are the main factor affecting the loan amount. Borrowers will apply for a loan with an amount that suits their business needs. In the context of P2P *lending*, the loan amount requested by borrowers will be recorded on the P2P *Lending* platform (Wulandari et al., 2019). (Wulandari et al., 2021)..

H1: Loan amount influences P2P lending decisions.

Loan Term

The loan term is the period of time when the funds borrowed by the borrower must be returned to the lender. In the context of *Peer to Peer* (P2P) *Lending* practices, lenders can use the loan term as a benchmark to project the turnover of the capital they lend. (Fatahuddin & Sari, 2020). Therefore, loan term information becomes a signal in providing funding, where lenders choose short-term financing with borrowers needing to gain investor trust by showing better credit performance such as making payments on time to reduce uncertainty (Edward et al., 2023). (Edward et al., 2023).

H2: The loan term affects the decision to grant P2P credit loans.

Credit rating

Funding on the P2P *Lending* platform, *credit rating* or also known as credit score shows an indicator for lenders to assess financing risk. (Fatahuddin & Sari, 2020). *Credit rating* in P2P *Lending* has an important role in protecting lenders from credit risk. By knowing the borrower's *credit rating*, lenders can make more informed decisions in providing loans. Credit rating has a strategic role in managing the risk of loan default and maintaining platform sustainability (Edward et al., 2023). (Edward et al., 2023). Huang et al. (2021) described that credit rating signals are used to convey information about borrowers and influence funding outcomes. Credit ratings in P2P *Lending* have an important role in protecting lenders from loan defaults.

H3: *Credit rating* influences P2P lending decisions.

Purpose of Loan

The purpose of borrowing is the reason for borrowing stated by the borrower (Gao et al., 2023).. In general, companies choose to take credit to finance their business operational needs. The purpose of the loan will provide information regarding the purpose of applying for a loan is a signal to obtain funding support from the lender, the extent of the amount of funds to be channeled. (Fatahuddin & Sari, 2020). The purpose of borrowing is a key factor considered by lenders to assess whether the use of loan funds will be carried out wisely and effectively. (Megantara, 2020). Companies apply for loans with specific purposes, and one of the common purposes is to finance business operational needs.

H4: The purpose of the loan influences P2P lending decisions.

Length of business

Length of business refers to the duration or period of time when a business activity has been active or operating. (Suparnoh et al., 2021). A business that has been running for a longer period of time is considered a positive sign or signal to lenders, reflecting reliability and lower risk, thereby increasing the borrower's chances of getting credit approval (Megantara, 2020). The experience gained from a long business journey can be valuable capital in making strategic decisions, managing risks, and responding to changes in the business environment. The duration of the establishment of a business has the potential to affect the level of income, because the length of time a business actor is immersed in his field can affect his productivity and expertise, contributing to increased business success and reduced production costs

relative to sales results (Bustami et al., 20). (Bustami et al., 2022)..

H5: Length of business influences P2P lending decisions.

Financial Statement Information

The availability of financial statement information is a factor considered by lenders in credit lending decisions because it provides information about the financial condition of the company to be financed. (Candraningrat et al., 2022).. In this case, the financial statements serve to present information about the financial performance and financial condition of a company that is used to provide signals to lenders to assess the risk and potential returns of P2P loans. From the financial statement information, it can help in understanding the extent to which the debtor's ability to receive and manage credit properly. (Zebua, 2021).

H6: Financial statement information influences P2P lending decisions.

RESEARCH METHODS

This research uses a quantitative method approach. Sugiyono (2019: 16) defines quantitative methods as research methods based on the philosophy of

positivism, used to examine certain populations or samples, with data collection using research instruments and quantitative / statistical data analysis. This research was conducted on Micro, Small and Medium Enterprises (MSMEs) who applied for credit loans at Investree and Koinworks in November-December 2023. The population in this study are MSMEs that apply for loans through the *Peer to Peer Lending* platform at Investree and Koinworks totaling 267 MSMEs. Through *purposive sampling* technique, 225 MSMEs were selected as samples in this study. Specifically, the sample on Investree had 203 MSMEs who applied for loans, while on the Koinworks platform there were 22 MSMEs who applied for loans. In this study, the data collection method includes documentation techniques and the data used is secondary data. The analysis method used is logistic regression with IBM SPSS 26 *software*. The logistic regression equation model is as follows:

$$\ln \frac{p}{1-p} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Table 1. Operational Definition and Measurement of Variables

Variables	Dimension/Concept Variable	Indicator	Measurement Scale
Use of platforms chosen by MSMEs.			
Dependent Variable			
Credit Lending Decision (Y)	Approval or rejection of credit loan applications.	Credit lending using binary variables. 1 = Funded 0 = Not Funded	Nominal
(Chen et al., 2020; C. Wang et al., 2019)			
Independent Variable			
Loan Amount (X ₁)	The loan value applied by the borrower.	(in Rupiah) 1 = 1 Million-50 Million 2 = 51 Million-100 Million 3 = 101 Million-500 Million 4 = 501 Million-1 Billion 5 = >1 Billion	Ordinal
(Fatahuddin & Sari, 2020)			

Variables	Dimension/Concept Variable	Indicator		Measurement Scale
Loan Term (X ₂) (Fatahuddin & Sari, 2020)	The period of time required to repay the loan.	The loan term is based on the platform. 1 = Under 60 days 2 = 61-90 days 3 = 91-120 days 4 = 121-180 days 5 = Above 180 days		Ordinal
Credit rating (X ₃) (Edward et al., 2023; Huang et al., 2021)	Assessment of creditworthiness or credit risk.	Investree 1 = A+ 2 = A 3 = B 4 = C 5 = C-	Koinworks 1 = S 2 = A 3 = B 4 = C 5 = D 6 = E	Ordinal
Purpose of Loan (X ₄) (Gao et al., 2023; C. Wang et al., 2019)	Indicates the purpose or intended use of borrowed funds.	Investree 1 = Invoice financing 2 = Pre invoice financing 3 = Account payable financing 4 = Buyer financing 5 = Working capital term <i>loan</i> . Koinworks 1 = Invoice financing 2 = Supply chain financing 3 = Working capital 4 = Inventory purchase 5 = Machinery purchase 6 = Other		Nominal
Length of Business (X ₅) (Suparnoh et al., 2021)	Length of business establishment.	1 = 1-10 years 2 = 11-20 years 3 = 21-30 years 4 = >30 years		Ordinal
Financial Statement Information (X ₆) (Fitriyah et al., 2021)	Availability of business financial statement information.	Using dummy variables. 1 = There is a financial report 0 = There is no financial report		Nominal

Source: Processed by Researcher

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are a way to describe quantitative data by considering the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness. (Ghozali, 2021: 19).

Table 2. Investree Descriptive Statistical Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Credit Lending Decision (Y)	203	0,00	1,00	0,8621	0,34568

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Loan Amount (X ₁)	203	1,00	5,00	1,3842	0,97501
Loan Term (X ₂)	203	1,00	4,00	2,2759	1,11815
Credit Rating (X ₃)	203	1,00	5,00	1,3399	0,86616
Loan Purpose (X ₄)	203	1,00	5,00	3,6158	0,92819
Length of Business (X ₅)	203	1,00	4,00	1,4286	0,70960
Financial Statement Information (X ₆)	203	0,00	1,00	0,1478	0,35576
Valid N (listwise)	203				

Source: Data Processed by Researchers (2024)

Based on Table 2, the results of descriptive statistical analysis, the decision to grant credit loans on the Investree platform shows an average of 0.8621, which means that around 86.21% of all loan applications are approved, indicating a fairly high loan approval rate. The average loan amount applied for and approved is between category 1 (1 million - 50 million rupiah), which is 1.3842. The average loan term falls between category 2 (61-90 days), with an average value of 2.2759. The average *credit rating* is around category 1 (A+), with an average value of 1.3399. The purpose of the loan has an average around category 4, i.e. *buyer financing*, with an average value of 3.6158. The average length of business is around category 1 (1 to 10 years), with an average value of 1.4286. Only about 14.78% of all borrowers provided financial statement information, with an average of 0.1478.

Table 3. Results of Descriptive Statistical Analysis of Koinworks

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Credit Lending Decision (Y)	22	0,00	1,00	0,4091	0,50324
Loan Amount (X1)	22	1,00	5,00	2,8636	0,94089
Loan Term (X2)	22	1,00	2,00	1,1364	0,35125
Credit Rating (X3)	22	2,00	5,00	3,3636	1,09307
Loan Purpose (X4)	22	1,00	6,00	2,6818	1,39340
Length of Business (X5)	22	1,00	3,00	1,3182	0,56790
Financial Statement Information (X6)	22	0,00	1,00	0,9545	0,21320
Valid N (listwise)	22				

Source: Data Processed by Researchers (2024)

Based on Table 3, which contains the results of descriptive statistical analysis, the Koinworks platform shows a relatively low loan approval rate, with an average funding of only 40.91% or 0.4091. This means that more than half

of the loan applications did not get funded. The average funded loan amount falls between category 3 (101 million - 500 million rupiah), at 2.8636. The average loan term tends to be below 60 days, with an average value of 1.1364, indicating that most loans are short-term. The average *credit rating* is around category B, with an average value of 3.3636. The average loan purpose is in category 3, *working capital*, with an average value of 2.6818. The average length of business is in the range of 1-10 years, with an average value of 1.3182, indicating that most businesses are relatively new. Interestingly, 95.45% of MSMEs at Koinworks provide financial statement information, with an average of 0.9545.

Logistic Regression - Cox Snell's Test and Nagelkerke R Square

Cox and Snell's R Square is a metric designed similarly to *R Square* (coefficient of determination) in multiple regression analysis, based on maximum *likelihood* estimation techniques that do not exceed 1. On the other hand, *Nagelkerke R Square* is an adaptation of the *Cox and Snell coefficient*, designed to ensure that the range of values lies between 0 and 1. (Ghozali, 2021: 357).

Table 4. Cox Snell's and Nagelkerke R Square Results

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
139.148 ^a	0,282	0,460

Source: IBM SPSS 26 Researcher Processed Data (2024)

Logistic regression analysis of *Cox Snell's* test and *Nagelkerke R Square* in Table 4 shows that the model used is able to explain 46% of the variation in credit lending decisions at Investree and Koinworks. This conclusion is based on the *Nagelkerke R²* value of 0.460. This

means that 46% of the variability in credit lending decisions at Investree and Koinworks can be explained by the independent variables included in the model. The remaining 54% of the variability is influenced by other factors not included in this model.

Logistic Regression - Omnibus Test of Model Coefficient

The Omnibus Test of Model Coefficient (OTMC) test is a statistical method used to assess overall whether all independent variables in the regression model have a significant influence on the dependent variable. This test is similar to the F Test used in *Ordinary Least Square* (OLS), but is specially adapted for logistic regression. (Ghozali, 2021: 358). If the p -value < 0.05 , it means that at least one independent variable has an effect on the dependent variable.

Table 5. Omnibus Test of Model Coefficients Results

	Chi-square	df	Sig.
Step	74,487	6	0,000
Block	74,487	6	0,000
Model	74,487	6	0,000

Source: IBM SPSS 26 Researcher Processed Data (2024)

The results of the *Omnibus Tests of Model Coefficients test* in Table 5 show that the logistic regression model used in this study is a fit model. This is evidenced by the *Chi-square* value of 74.487 and a significance value of 0.000. The significance value of 0.000 which is smaller than 0.05 indicates that there is at least one independent variable that significantly affects the dependent variable. In other words, this model is able to significantly explain variations in credit lending decisions at Investree and Koinworks.

Logistic Regression - Variables in the Equations Test

The Variables in the Equations test, also known as the Regression Coefficient Significance Test or hypothesis test, is a statistical method used in regression analysis to assess whether the independent (explanatory) variables individually in the regression model have a significant influence on the dependent (outcome) variable. If the p -value $< \alpha$ (significance level) means that there is a significant relationship between the independent and dependent variables. (Sari & Husadha, 2020).

Based on the results in Table 6, the logistic regression equation is as follows:

$$Ln \frac{p}{1-p} = 9,284 - 0,989 (JP) - 0,365 (JWP) - 1,259 (CR) - 0,949 (TP) + 0,125 (LU) + 0,365 (ILK)$$

Table 6. Variables in the Equation Results

Variable	B	S.E.	Wald	df	Sig.	Exp(B)	Hypothesis
Credit Lending Decision (Y)	-0,989	0,389	6,461	1	0,011	0,372	H1 Accepted
Loan Amount (X1)	-0,365	0,212	2,948	1	0,086	0,694	H2 Rejected
Loan Term (X2)	-1,259	0,422	8,881	1	0,003	0,284	H3 Accepted
Credit Rating (X3)	-0,949	0,407	5,451	1	0,020	0,387	H4 Accepted
Loan Purpose (X4)	0,125	0,379	0,109	1	0,741	1,133	H5 Rejected
Length of Business (X5)	0,365	1,110	0,108	1	0,742	1,441	H6 Rejected
Constant	9,284	2,312	16,119	1	0,000	10759,109	

Source: IBM SPSS 26 Researcher Processed Data (2024)

Effect of Loan Amount on Credit Lending Decision

Based on the descriptive statistics in Table 2 and Table 3, there is a difference in the average loan amount between Investree and Koinworks. MSMEs applying for loans on the Investree platform tend to apply for loans with lower values in the range of 1 Million to 50 Million, while MSMEs on the Koinworks platform tend to apply for loans with higher values in the range of 101 Million to 500 Million. This may be

due to differences in investor demand, borrower preferences, or business profiles served by each platform. Meanwhile, the results of the *Variables in the Equation* in the logistic regression model in Table 6, it can be seen that the loan amount variable has a coefficient of -0.989 with a significance value (Sig.) of the Loan Amount variable of 0.011, which is smaller than 0.05. Thus, the alternative hypothesis (H1) which states that the variable loan amount has a significant effect on the decision to grant credit loans is accepted.

The results of this study are in line with signaling theory (Andriansyah & Winarno, 2019) which states that the number of loans submitted can be considered as an indicator that signals to lenders regarding the potential success of the loan. The number of loans can reflect the capacity of borrowers to manage their financial obligations. The negative coefficient on the loan amount variable indicates that borrowers who apply for loans with lower amounts are considered to have lower risk as they are less burdened by high monthly payments. In contrast, loans with larger amounts require more in-depth analysis as they pose a greater repayment risk and the lower the likelihood of the loan being approved by the lender. The results of this study are in line with the results of research (Andriansyah & Winarno, 2019; Candraningrat et al., 2022; Fatahuddin & Sari, 2020) which shows that the variable loan amount has a significant effect on the decision to grant P2P Lending loans.

The Effect of Loan Term on Credit Lending Decisions

Based on the descriptive statistics in Table 2 and Table 3, there is a difference in the average loan tenure between Investree and Koinworks. MSMEs at Koinworks tend to apply for

loans with shorter terms (less than 60 days) than at Investree. This difference is due to the capital needs and loan amount desired by MSMEs, as well as their ability to pay on each platform. Meanwhile, the results of the *Variables in the Equation* in the logistic regression model in Table 6, it can be seen that the loan term variable has a coefficient of -0.365. This result is significant with a significance value (Sig.) of the Loan Term variable of 0.086, which is greater than 0.05. Thus, the alternative hypothesis (H2) which states that the loan term variable has a significant effect on credit lending decisions is rejected. These results indicate that on the Investree and Koinworks platforms, the loan term is not a major consideration in the decision to grant credit loans.

This finding is not in line with the *signaling* theory (Wibi & Agung, 2019) which states that the amount of loan proposed by MSMEs can be considered as an indicator that signals to lenders about the potential success of the loan. However, this finding indicates that on the *Peer to Peer lending* platforms Investree and Koinworks, the loan term is not considered a signal or a key indicator in assessing the eligibility of potential borrowers and making lending decisions. The results of this study are quite surprising because the loan tenure should be one of the main considerations in assessing the ability to repay the loan. This means that while the term of the loan may provide information about the duration of the borrower's commitment and potential long-term risk, it does not play a dominant role in the credit assessment process. While some investors may focus more attention on other factors such as *credit rating* or loan amount. The results of this study corroborate previous findings by (Ilmiddaviq, 2020; Megantara, 2020)

that the loan term has no significant effect on credit lending decision making.

Effect of *Credit rating* on Credit Lending Decision

Based on the descriptive statistics in Table 2 and Table 3, there is a difference in the average *credit rating* between Investree and Koinworks. MSMEs applying for loans on Investree tend to have an A+ *credit rating*, while on the Koinworks platform, MSMEs tend to have a B *credit rating*. Despite these differences, both platforms have something in common, namely a high average *credit rating*. This shows that the Investree and Koinworks platforms generally provide loans to MSMEs with a good level of credit risk. Meanwhile, the results of *Variables* in the *Equation* in the logistic regression model in Table 6, it can be seen that the *credit rating* variable has a coefficient of -1.259 with a significance value (Sig.) of 0.003, which is smaller than 0.05. Thus, the alternative hypothesis (H3) which states that the *credit rating* variable has a significant effect on the decision to grant credit loans is accepted.

This finding supports the signaling theory (Huang et al., 2021) outlines that credit rating signals are used to convey information about borrowers and influence funding outcomes. The *credit rating* provides instant information to the lender about the condition of the loan. This information becomes a signal for investors to determine whether the loan is considered profitable or not. A negative coefficient indicates that the lower the *credit rating* of a borrower, the less likely it is to get a loan. Conversely, the higher the *credit rating* of a borrower, the more likely it is to get a credit loan. This is in accordance with (Edward et al., 2023) which states that when a loan has a low risk rating or a high *credit rating*, the funding of the loan tends to be more

successful than a loan that has a high risk rating or a low *credit rating*. This result is in line with the research results (Chen et al., 2020; Edward et al., 2023; Zhang et al., 2017) showed that *credit rating* has a significant effect on credit lending decisions in P2P Lending.

The Effect of Loan Purpose on Credit Lending Decisions

Based on the descriptive statistics in Table 2 and Table 3, there is a difference in the average loan purpose between Investree and Koinworks. MSMEs in Investree tend to apply for loans for wholesale purchases from retail corporations (*Buyer financing*), while MSMEs in Koinworks are more likely to choose loans for *working capital* needs. This difference is in accordance with the loan objectives required by each borrower, where the loan objectives are tailored to the specific needs of their business. Meanwhile, the results of the *Variables* in the *Equation* in the logistic regression model in Table 6, it can be seen that the loan purpose variable has a coefficient of -0.949 with a significance value (Sig.) of the Loan purpose variable of 0.020, which is smaller than 0.05. Thus, the alternative hypothesis (H4) which states that the loan purpose variable has a significant effect on the decision to grant credit loans is accepted.

The results of this study are in line with *signaling* theory (Fatahuddin & Sari, 2020) which states that the purpose of applying for a loan is a signal to obtain funding support from the lender, the extent of the amount of funds to be channeled. This finding indicates that the purpose of the loan proposed by the prospective borrower is one of the important factors considered by the lender in making credit lending decisions. The purpose of the loan reflects how the loan funds will be used and provides an overview of the

prospective borrower's business prospects and ability to repay the loan. Clear loan objectives and in accordance with business needs can increase lender confidence in prospective borrowers. (Fatahuddin & Sari, 2020). The results of the study are in accordance with the results of research by (Fatahuddin & Sari, 2020; Syahrul & Nurdin, 2020; Zhang et al., 2017). which states that loan objectives have a significant effect on credit *lending* decisions in P2P *Lending*.

The Effect of Length of Business on Credit Lending Decisions

Based on the results of the descriptive statistics in Table 2 and Table 3, there is a similarity in the category of MSME business length on the Investree and Koinworks platforms. The majority of MSMEs on both platforms are dominated by relatively new businesses, with business length ranging from 1-10 years. Meanwhile, the results of the *Variables* in the *Equation* in the logistic regression model in Table 4.24 show that the length of business variable has a positive coefficient of 0.125. However, this result is not significant with a significance value (Sig.) of the Length of Business variable of 0.741, which is greater than 0.05. Thus, the alternative hypothesis (H5) which states that the variable length of business has a significant effect on credit lending decisions is rejected. The results of this study indicate that on the Investree and Koinworks platforms, the length of business run by prospective borrowers is not a major consideration in the decision to grant credit loans.

This finding contradicts signaling theory (Handayani, 2018) which states that business age is used as a signal in lending decisions to assess the credibility and ability of prospective borrowers to manage their business and repay loans.

However, the results of this study show that at Investree and Koinworks, the length of business is not considered a strong signal in the decision-making process of granting credit loans. This is because in reality, length of business does not always reflect the quality of good business management. Although a business has been operating for many years, it does not necessarily guarantee that the business is well-managed. The results of this study which show that the length of business does not have a significant effect on credit *lending* decisions in P2P *Lending* are in line with the results of research by (Megantara, 2020). (Megantara, 2020).

The Effect of Financial Statement Information on Credit Lending Decisions

Based on the results of descriptive statistics in Table 2 and Table 3, there is a difference in the average disclosure of financial statement information between Investree and Koinworks. MSMEs in Koinworks tend to display more financial statement information compared to Investree. This difference indicates the possibility that Investree and Koinworks have different policies related to the obligation of MSMEs to display financial statement information on their respective platforms. Meanwhile, the results of the *Variables* in the *Equation* in the logistic regression model in Table 6 show that the financial statement information variable has a positive coefficient of 0.365. However, this result is not significant with a significance value (Sig.) of the Financial Statement variable of 0.742, which is greater than 0.05. Thus, the alternative hypothesis (H6) which states that the financial statement information variable has a significant effect on credit lending decisions is rejected.

The results of this study are quite surprising because the financial report should be one of the main considerations in assessing the feasibility of prospective borrowers, it turns out that it has no significant effect on the decision to grant credit loans. This is not in line with signaling theory (Zebua, 2021) which states that financial statement information can be used to provide signals to lenders to assess the risk and potential returns of P2P loans as a basis for making credit lending decisions. The findings of this study actually suggest that financial statement information is not the main basis for making credit lending decisions. Chen et al. (2020) said that some borrowers may overstate the income reported in the financial statements and there may be a lack of understanding of how to interpret and analyze financial statement information effectively, causing financial statement information not to be the main focus for lenders.

However, the financial statement information variable has a positive coefficient. This suggests that even though it is not significant, it is important to continue to submit financial statement information in the *Peer to Peer lending* platform, because this information can provide added value for some investors, even though it is not the main consideration in lending decisions. The results of this study are in line with the findings of (Chen et al., 2020; Megantara, 2020; Syahrul & Nurdin, 2020) which states that the results of their research on financial statement information do not have a significant effect on P2P *Lending* lending decisions.

CONCLUSION

Overall, the results show that loan amount, *credit rating*, and loan purpose affect credit lending decisions for MSMEs on the Investree and Koinworks

platforms. Meanwhile, loan period, length of business, and financial statement information have no significant effect. There are differences between the two platforms: MSMEs on Investree tend to apply for loans with lower values, longer terms, and have higher credit ratings than Koinworks. In addition, MSMEs on Koinworks display financial statement information more frequently. This difference shows the different characteristics and attractiveness of Investree and Koinworks for MSMEs.

Based on the findings of this study, the authors provide several suggestions. Future researchers are expected to consider other variables that potentially have an influence on credit lending decisions, such as marital status, age, gender, and others. Researchers also need to use a balanced sample from both P2P *Lending* platforms for more general results, as well as expand the research period for more representative results. The limitations of this study include analyzing only a few variables, with fewer samples on Koinworks than Investree. This research helps MSMEs in preparing loan proposals to increase credibility in the eyes of lenders, provides better insights to lenders in making decisions, and serves as a reference for other P2P *Lending* platforms in evaluating factors to consider in the credit lending decision-making process.

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