



TRUST DYNAMICS IN PEER-TO-PEER LENDING: ANALYZING DETERMINANTS OF WILLINGNESS TO LEND IN INDONESIA

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Abstract

The funding of P2P was relatively small, due to a significant gap between the number of lenders and borrowers. Therefore, analyzing trust determinants that affect the willingness to invest in P2P is required to formulate strategies to increase funding. This study aims to analyze the effects of trust determinants divided into trust on the borrowers and trust on the intermediaries on willingness to lend in P2P lending platforms in Indonesia. An online questionnaire was completed by 109 people. The results showed that trust in borrowers had a significant impact on the willingness to lend. On the other hand, trust in intermediaries does not significantly affect the willingness to lend but significantly affects trust in borrowers. The most important attribute to increase willingness to lend is the borrowers' trustworthiness, protection system/policy adopted in P2P, sense of security when making transactions in P2P, attractive investment returns, and quality assurance for prospective borrowers.

DINAMIKA KEPERCAYAAN DALAM PEER-TO-PEER LENDING: ANALISIS FAKTOR-FAKTOR YANG MEMPENGARUHI KESEDIAAN MEMBERI PINJAMAN DI INDONESIA

Keywords:

Kepercayaan; Kesiediaan untuk memberi pinjaman; pinjaman peer-to-peer; teknologi keuangan

Abstrak

Pendanaan pada P2P relatif masih kecil karena adanya kesenjangan yang cukup besar antara jumlah pemberi pinjaman dengan jumlah peminjam. Oleh sebab itu, diperlukan analisis terhadap faktor-faktor kepercayaan yang memengaruhi kesiediaan investor untuk berinvestasi pada P2P, sehingga dapat dirumuskan strategi yang tepat guna meningkatkan jumlah pendanaan. Penelitian ini bertujuan untuk menganalisis pengaruh faktor kepercayaan yang dibagi menjadi dua, yaitu kepercayaan terhadap peminjam serta kepercayaan terhadap perantara, terhadap kesiediaan memberikan pinjaman melalui platform P2P lending di Indonesia. Pengumpulan data dilakukan dengan menyebarkan kuesioner online yang diisi oleh 109 responden. Hasil penelitian menunjukkan bahwa kepercayaan terhadap peminjam memiliki pengaruh signifikan terhadap kesiediaan untuk menyalurkan pinjaman. Sebaliknya, kepercayaan terhadap perantara tidak berpengaruh langsung terhadap kesiediaan memberi pinjaman, namun memiliki dampak penting karena berpengaruh signifikan terhadap tingkat kepercayaan kepada peminjam. Atribut yang paling penting dalam meningkatkan kesiediaan memberi pinjaman meliputi tingkat kepercayaan terhadap peminjam, adanya sistem perlindungan atau kebijakan yang diterapkan pada P2P, rasa aman ketika melakukan transaksi, imbal hasil investasi yang menarik serta kompetitif, dan jaminan kualitas bagi calon peminjam.

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INTRODUCTION

A P2P application has been developed as an alternative funding solution for MSMEs and individuals. P2P technology can also be an excellent alternative investment instrument for people who want to diversify their portfolios. According to the Financial Services Authority (OJK, 2017), P2P lending connects lenders and borrowers directly to electronic loan agreements via the Internet. The primary loan recipient target of P2P lending in most cases is MSMEs with relatively limited access to conventional financial services because of the complex characteristics of MSMEs (Rosavina & Rahadi, 2018). MSMEs are required to adapt to existing business developments because a business that can survive is one that is responsive to time (Ariwibowo & Endaryono, 2021). In a study of MSMEs in Indonesia, Soegesty et al. (2020) find that the key factors influencing the intention to use P2P lending services include performance expectancy, effort expectancy, social influence, and hedonic motivation.

The funding portion of peer-to-peer lending is still relatively small, especially compared with bank funding in the MSME sector. This small proportion is allegedly due to the significant gap between the number of lenders and borrowers. At the end of February 2019, there were only 207.507 registered lender accounts, while the total number of registered borrowers reached 4.359.448 accounts. The accumulated loans that have been successfully funded by P2P lending registered and supervised by OJK until the end of December 2018 have reached 22.67 trillion IDR or about 2.22% of the total MSME loans channelled from bank groups, with a non-performing loan rate of 1.45%.

The significant gap between the number of borrowers and lenders indicates an opportunity for P2P developers to create innovations to increase public interest in investing in P2P. An analysis of the factors affecting trust that might have potential implications for public willingness to invest in P2P lending needs to be conducted to formulate strategies to increase the funding volume from P2P loans. Research on the effects of trust on lending willingness in P2P applications has been conducted by Zhang et al. (2014) and Chen et al. (2014) in China. Zhang et al. (2014) and Chen et al. (2014) considered lenders' willingness to lend as an endogenous latent variable, with exogenous latent variables consisting of trust in the intermediary and the borrower. They designed a model to analyze the effects of trust on lending willingness from the lenders' perspective to intermediaries and borrowers. Based on their hypothesis, trust in the intermediary was presumed to be affected by familiarity, service quality, and security protection. On the other hand, trust in the borrower was assumed to be affected by the following variables: borrowers' reputation, perceived risk, and information quality.

Familiarity refers to consumers' subjective experiences of the selling entity, which is usually created through repeated interactions (Kim et al., 2008). Watson et al. (1998) defined service quality as an organization's functions and services. According to Kim et al. (2008), the definition of security protection in the e-

commerce context refers to users' perspective that the Internet-based service provider has fulfilled several security requirements, such as authentication, integrity, encryption, and non-repudiation. According to Kim et al. (2008), a borrower's reputation is a potential resource that can be accessed through social networks in the P2P platform. The quality of borrower information refers to lenders' perceptions of the accuracy and completeness of the information provided by the borrowers in the loan list (Chen et al., 2014; Zhang et al., 2014). Finally, perceived risk and benefit refer to lenders' perceptions of the potential risks and benefits obtained by making loans to recipients (Gefen et al., 2008; Kim et al., 2008).

Zhang et al. (2014) and Chen et al. (2014) use familiarity, service quality, and protection security as variables that affect trust in intermediaries. However, borrowers' trust is affected by their reputation (Zhang et al., 2014; Chen et al., 2014), information about the borrower (Zhang et al., 2014; Chen et al., 2014), and perceived risk (Zhang et al., 2014). In this study, perceived benefit was added as an additional variable, based on a survey conducted by Pavlou and Gefen (2004). Although the methodology has been implemented in China, no analogous research has been conducted in Indonesia. Therefore, this study needs to be conducted to determine the effect of trust on willingness to engage in P2P lending in Indonesia.

This study analyzes the effects of trust, divided into trust in borrowers (investors who are willing to provide the loans) and trust in the intermediary (the P2P platform that acts as a facilitating institution), on willingness to lend among P2P lending users in Indonesia. The expected benefit of this study is that it provides strategic recommendations for P2P lending developers to increase their loan volumes. Thus, it is likely that more MSMEs will have the opportunity to obtain alternative funding for both initial capital and business scale expansion.

Literature Review

Trust is a consumer's perception of a company's reputation, credibility, and ability to fulfil its expectations (Kim & Ko, 2012). Trust and trust-building mechanisms are essential in e-commerce, because of their ability to reduce perceived uncertainty and risk. Trust building is associated with anonymous online exchanges and helps consumers engage in trusting behaviors such as exchanging personal information and purchasing goods (Ba & Pavlou, 2002; Chen et al., 2004; McKnight et al., 2002; Pavlou & Gefen, 2004). Mayer et al. (1995) conceptualized trust as the willingness of a party to be vulnerable to the actions of another party, based on the expectation that the other will perform a particular action necessary for the trustor, irrespective of the ability to monitor or control that other party. Ponte et al. (2015) indicate that online purchase intentions depend on perceived value and trust. The main predictors of perceived trust are perceived information quality and security. Consumers' perceived security depends on vendor reputation, website investment, third-party assurance seals, understanding of third seals, privacy and security policies,

familiarity with the website, Internet privacy concerns, and disposition towards third-party certification. Komiak and Benbasat (2006) stated that consumers develop cognitive trust when their experiences meet their expectations. Furthermore, past purchasing experiences can increase a consumer's sense of control over the system, which remains elusive until a real experience occurs. Users are more likely to trust a system when they feel controlled (Ariely, 2000).

Zhang et al. (2014) and Chen et al. (2014) concluded that trust in the intermediary was affected by familiarity, service quality, and security, whereas borrowers' trust was affected by their reputation, perceived risk, and information quality. Next, online purchase intentions were not only influenced by customer trust in vendors but also by their trust in intermediaries. The study results also apply to virtual communities (Lu et al., 2010). Wen et al. (2017) show that loan interest rates and the number of borrowers' historical failures harm the loan success rates. On the other hand, loan amount, borrowers' past amount, credit score, and number of audit items positively affect loans. Regarding the trust factor, Kim et al. (2008) showed that Internet-based trust and perceived risk substantially affect purchasing decisions. Finally, Hanum's (2018) research shows a significant and positive influence of service quality on customer satisfaction and service quality on trust.

Chen et al. (2014) state that trust in borrowers increases interest in providing loans more efficiently than trust in intermediaries. The quality of information on loan applications is the most crucial factor affecting borrowers' trust. In contrast, service quality and security are essential factors in determining intermediaries' lenders' trust. Zhang et al. (2014) found that trust in borrowers positively influences the willingness to lend. However, trust in the intermediary did not directly affect willingness to lend. Service quality and security positively affected trust in the intermediary, whereas familiarity did not affect trust in the intermediary. Risk factors and information quality positively impact borrowers' trust. These two studies concluded that a borrower's reputation had no significant effect on trust in the borrower. As a result, it can be argued that the readiness to grant loans is influenced by both the intermediary's and the borrower's trust. Other studies also show a significant influence of trust on organizers' trust in borrowers (Chen et al., 2014; Zhang et al., 2014).

METHOD

The scope of this research is limited to Indonesian citizens who have been lenders of P2P lending applications officially registered in the Indonesian Financial Services Authority (OJK). Therefore, purposive sampling was used to select the samples. Unfortunately, only 109 of the 326 respondents met the criteria established in this study. According to Tabachnick and Fidel (2001), samples between 100 and 150 are the minimum number of samples required to conduct SEMs.

Data were collected by distributing an online questionnaire using Google Forms. Both closed- and open-ended questions were included in this study. The questionnaire was divided into screening, profiling, and preliminary inquiries related to research variables. Open-ended questions were included at the end of the questionnaire to confirm the validity of the responses. Online questionnaires were distributed through several channels, including online advertisements through P2P lending groups on social media (including Facebook, Instagram, and LinkedIn) and direct messages to P2P lending official account followers.

The endogenous variable (Y) in this study is willingness to lend (WL). The exogenous variables (X) in this study consist of Trust in the Intermediary (TI) and trust in the borrower (TB). The scale used was a Likert scale with the following five levels: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. Table 1 presents the variables used in this study. Data were analyzed by Structural Equation Modeling (SEM) using Smart PLS software (version 3.0).

Following the description of the research, accompanied by references for explanations to be scientifically accepted, this includes a chronological overview of the research process, including the research design, research procedures (in the form of algorithms, pseudocode, or others), testing, and data collection.

Table 1
Latent Variables and Indicators

Latent Variable	Code	Measurement	Sources
Familiarity (FM)	FM1	Familiar with the available features	Kim et al. (2008)
	FM2	Know how to display a list of prospective borrowers and display loan details	
	FM3	Know how to deposit/withdraw	
	FM4	Know how to view P2P investment portfolios on the site	
Service quality (SQ)	SQ1	The intermediary offers a reliable service	Watson et al. (1998); Chen et al. (2014)
	SQ2	Can access features in the platform whenever needed	
	SQ2	Customer service is always ready to help	
	SQ4	The intermediary guarantees the quality of prospective borrowers	
Security protection (SP)	SP1	Sense of security when making transactions in the P2P application	Kim et al. (2008)
	SP2	The intermediary applies adequate security measures	Watson et al. (1998)
	SP3	Sense of security with the available electronic payment systems	

Latent Variable	Code	Measurement	Sources
Borrowers reputation (SC)	SC1	Borrowers actively interact on social media / other internet-based communication media	Chen et al. (2014)
	SC2	Lenders can interact with borrowers both directly and through the media	
	SC3	Borrowers have a good reputation and are respected	
Information quality (IQ)	IQ1	Borrowers provided reliable information	Chen et al. (2014); Kim et al. (2008)
	IQ2	Borrowers provided sufficient information as a basis for decision making	
	IQ3	Lenders satisfaction on all information provided by the borrower	
Perceived risk (PR)	PR1	Investing in borrowers within P2P poses a higher risk of financial loss	Kim et al. (2008)
	PR2	There is a high risk of losing investment due to the inability of the borrower to repay the loan	
	PR3	Assessment of investing risks in borrowers registered with P2P (scale 1-5, the higher, the riskier)	
Perceived benefit (PB)	PB1	Investing in borrowers within P2P brings higher benefits	Kim et al. (2008)
	PB2	The loan period proposed by the borrower is as expected	
	PB3	Investment returns on borrowers registered with P2P are more attractive	
Trust on intermediary (TI)	TI1	The P2P system being used can protect the lenders' interests	Chen et al. (2014); Watson et al. (1998)
	TI2	Policies implemented in P2P applications are believed to protect the interests of lenders	
	TI3	P2P platforms that are used always try to meet the needs of its users	
Trust on the borrower (TB)	TB1	Borrowers on P2P platforms that can be trusted	Chen et al. (2014); Lu et al. (2010)
	TB2	Borrowers give the impression that they will keep their promises	
	TB3	Lenders believe the purpose of the borrower to apply for the borrower is for good	

Latent Variable	Code	Measurement	Sources
Willingness to lend (WL)	WL1	Interest in lending on P2P platforms	Chen et al. (2014)
	WL2	Borrowers are reliable and lenders will bid on loan applications	
	WL3	Submitting a loan on the list of prospective borrowers is eligible for funding	

RESULTS AND DISCUSSIONS

Evaluation of Structural Model Fit

The data processing results obtained using Smart PLS software (version 3.0), including standardized loading factor values and R-squared values, are shown in Figure 2.

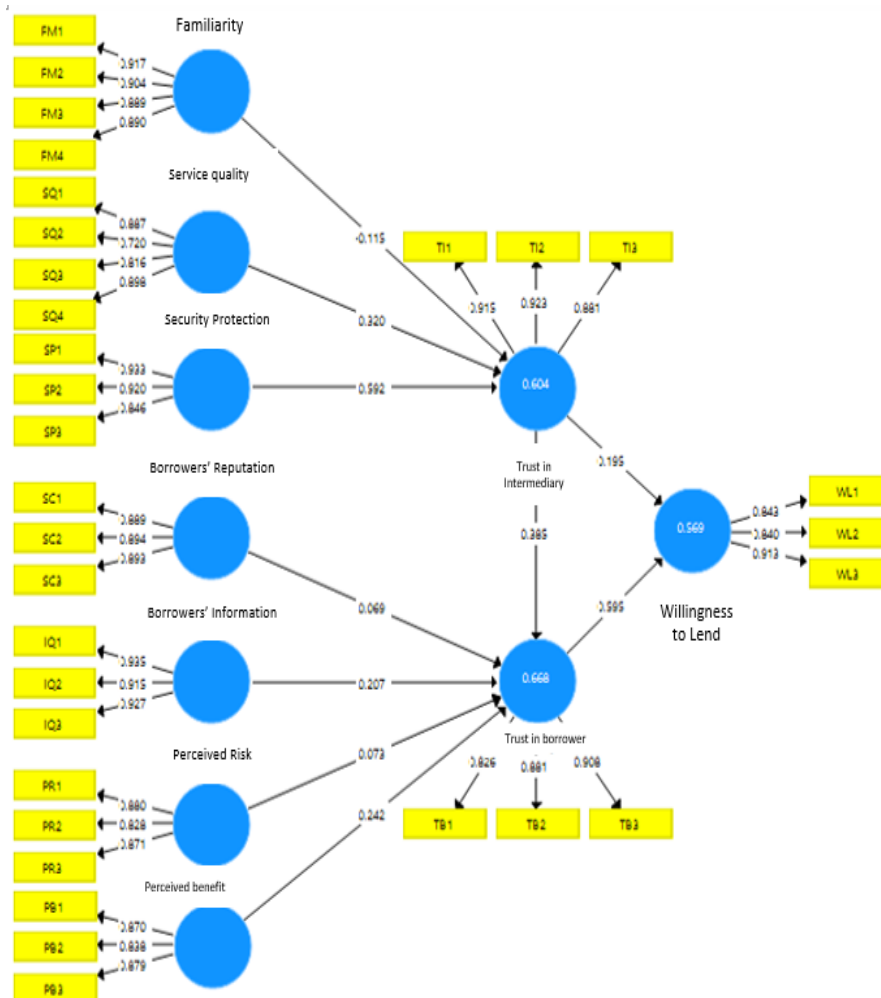


Figure 1. Standardized Loading Factor
Source: Primary data analyzed using SmartPLS

The R-squared values of trust in an intermediary, trust in the borrower, and willingness to lend were 0.604, 0.668, and 0.569, respectively. The R-squared value of trust on the intermediary of 0.604 indicates that the variance explained by familiarity, service quality, and security protection was 60.4%. The R-square value of trust on the borrower, which is described by the variable borrowers' reputation, borrowers' information, perceived risk, perceived benefit, and trust on the intermediary, is 0.668, which means that the model can explain 66.8% of the variance. Finally, the R-squared value for willingness to lend represented by trust in the intermediary and trust in the borrower is 0.569, which means that the variance explained by the model is only 56.9%.

Hypothesis Testing

The hypothesis is accepted if the statistical significance value (t-value) is above the t-table value (α 0.05; t-table 1.96) and vice versa. Table 2 presents the significance of the test results.

Table 2
Latent Variables and Indicators

Effects between Variables	Path coefficient	t-value	Results
H1: Familiarity (FM) → Trust on the Intermediary (TI)	-0.115	1.183	Unsupported
H2: Service Quality (SQ) → Trust on the Intermediary (TI)	0.320	2.988*	Supported
H3: Security protection (SP) → Trust on the Intermediary (TI)	0.592	4.809*	Supported
H4: Borrowers reputation (SC) → Trust on Borrower (TB)	0.069	0.587	Unsupported
H5: Borrowers Information (IQ) → Trust on Borrower (TB)	0.207	1.690	Unsupported
H6: Perceived risk (PR) → Trust on Borrower (TB)	0.073	1.195	Unsupported
H7: Perceived Benefit (PB) → Trust on Borrower (TB)	0.242	2.951*	Supported
H8: Trust on the Intermediary (TI) → Trust on Borrower (TB)	0.385	3.896*	Supported
H9: Trust on Borrower (TB) → Willingness to Lend (WL)	0.595	4.733*	Supported
H10: Trust on the Intermediary (TI) → Willingness to Lend (WL)	0.195	1.525	Unsupported

*Significance level $p < 0.05$.

Source: Primary data analyzed by the researcher (2023)

Effect of Familiarity on Trust on the Intermediary

The latent variable Trust in the Intermediary determinants consisted of familiarity (FM), Service Quality (SQ), and security protection (SP). Based on the results of the hypothesis test listed in Table 2, only the service quality and security protection offered by the organizer are determinant factors that significantly influence Trust on the Intermediary. Meanwhile, lenders' familiarity with P2P applications had no significant effect. These results reject the first hypothesis. However, this finding is consistent with the study results conducted by Zhang et al. (2014) and Chen et al. (2014). Although, based on the results of the descriptive analysis, it was concluded that the majority of respondents were familiar with the P2P lending application used, it was allegedly not enough to get the trust of lenders in the organizers.

In the context of traditional e-commerce, familiarity plays a significant role in users' trust in websites being used (Kim et al., 2008). However, P2P lending is not the case because other variables such as service quality and security protection are more critical in building Trust on the Intermediary (Chen et al., 2014). In traditional e-commerce, users prioritize convenience and ease of transaction because C2C e-commerce users, especially buyers, are already protected by an escrow mechanism, where the seller can only receive payments after the buyer confirms. On the other hand, in this case, lenders in P2P lending are more exposed to default risk or the risk of loss due to the failure of the borrower to repay the loan. Thus, P2P lending users no longer consider familiarity as an essential factor but are more inclined to consider security and service quality before trusting the intermediary.

Effects of Service Quality on Trust on the Intermediary

The service quality variables in this study significantly affect the latent variable Trust on the Intermediary with a coefficient value of 0.32 and a t-value of 2.988 higher than the t-table. Thus, the second hypothesis proposed in this study was supported. These results are consistent with those of previous studies that showed that service quality has a significant effect on trust in the professional service environment (Caceres et al., 2007). The results of other studies that specifically discuss the impact of service quality on P2P lending are consistent with the findings (Chen et al., 2014; Zhang et al., 2014). As previously stated, service quality, security, and safety are preferred over other variables, such as familiarity, in creating user trust towards intermediaries in the context of P2P lending over other variables such as familiarity (Chen et al., 2014). Thus, to increase lenders' trust in the intermediary, the service quality factor should be considered seriously, given its significant effect on trust in the intermediary.

Effects of Security Protection on Trust on the Intermediary

Consistent with previous studies, the hypothesis test results listed in Table 2 state a significant effect of the security protection variable on Trust on the Intermediary, with a path coefficient of 0.592 and an at-value of 4.809, higher than t-table 1.96.

According to Yazdanifard et al. (2011), security protection is an absolute requirement for Internet-based service providers. In the context of transacting through the internet, users decide to make payments or purchases at a certain level of trust. As a result, the decision to conduct electronic transactions must be based on trust between the seller and buyer, the user and the transaction's mediator, and the system.

According to Kim et al. (2008), consumers' perceptions of privacy and security protection significantly influence their trust in e-Commerce. Consumers independently respect and want privacy and security when transacting online. The higher the perceived value of the security provided, the higher the trust of service users in completing Internet-based electronic transactions. The security aspects that must be considered are the security of the available automated payment system, and the guarantee that the organizer has implemented adequate security measures.

Effects of Borrowers Reputation on Trust on the Borrowers

Based on the hypothesis test results listed in Table 2, the borrowers' online reputation variable has no significant effects, which causes the fourth hypothesis of this study to be unsupported. These findings indicate that borrowers' currently available reputations cannot be considered a good indicator of willingness to lend on P2P lending platforms in Indonesia. The results of this study are consistent with those of the studies conducted by Zhang et al. (2014) and Chen et al. (2014).

A descriptive analysis of the variable borrowers' reputation states that 12% of respondents disagree that borrowers actively interact on social media. However, after further research, it turns out that only a small group of P2P lending providers in Indonesia provides social media information for prospective borrowers. In addition, other aspects such as lenders' perceptions of the potential benefits received are considered more than online borrowers' reputations.

Effects of Borrowers Information on Trust on the Borrowers

In contrast to the findings of Zhang et al. (2014) and Chen et al. (2014), the effect of borrower information on borrowers' trust in this study was considered insignificant. Based on the hypothesis test results in Table 2, the t-value for the borrowers' information (IQ) variable was 1.690, which is smaller than the t-table value of 1.96. These findings are assumed to result from the limited information available on the borrower. Detailed information about the borrower can be used to determine the eligibility for a loan application. However, information about borrowers available on the P2P lending platform in Indonesia generally includes only the necessary business information (address, how long the business has been running, and type of business). In addition, simple financial statements (usually consisting only of a simple, often incomplete, cash flow report), business assets, and borrower contact details. More detailed information such as the specific purpose of the loan

application, project description, historical loan data, and payment history is generally unavailable.

The descriptive analysis results indicated that most respondents were satisfied with the borrower's information provided by the organizers, and agreed that the information was sufficient as a material consideration to give loans rationally. However, more research needs to be conducted on factors other than rational ones that might significantly affect borrowers' trust. Zhang et al. (2014) conducted a post-survey interview with lenders and concluded that most lenders were dissatisfied with the features and services provided by P2P websites in general.

Similar results were also found for several P2P lending intermediaries registered and supervised by OJK in Indonesia. It requires the lender to make a judgment regarding the prospective borrower's business feasibility, and this is not affected by the lenders' familiarity with the P2P application or the website provided by the organizer.

Effects of Perceived Risk on Trust on the Borrowers

The hypothesis test results in Table 2 show that perceived risk has no significant effect on borrowers' trust. Thus, the sixth hypothesis of this study is unsupported. This is contrary to the results of Kim et al. (2008), who found that perceived risk harms trust and purchase intention in the e-commerce context. This result is also inconsistent with the results of Zhang et al. (2014), who find a significant negative effect of the perceived risk variable on borrowers' trust. However, according to a study conducted by Chen et al. (2015) on the relationship between perceived risk and trust in P2P lending and its influence on willingness to lend, the transaction process in P2P lending has unique features that make lenders consider the benefits of risk. Perceived risk is not as harmful as e-commerce transactions in determining the intention to conduct transactions because of the unique risk-benefit relationship in P2P lending. The compensation effect resulting from perceived benefits is so significant that it mitigates the negative influence of lenders' perceptions of potential risk (Chen et al., 2015). In other words, lenders consider potential benefits in the form of relatively high interest rates and tend to ignore the potential risks that follow.

Based on the analysis results of open-ended questions on the research questionnaire distributed online, more than 50% of the respondents had prior investment experience and were aware of the potential risk of impairment in investment. In peer-to-peer lending, if the borrower fails to make payments, the investment value is likely to fall. However, some P2P lending platforms in Indonesia have implemented policies to protect lenders from the total losses in investment value. One applied mechanism is the guaranteed return on lender assets in the event of default risk with a certain percentage following the risk profile. An algorithm determines the risk profile of the P2P lending platform, which determines the interest rate and protection value provided from 100% to 50% of the lenders' initial capital. For example, a

protection value of 100% return on lenders' capital is assigned to an application for A-grade loans with annual interest rates ranging from 15% to 17%. For a B-grade loan with an interest rate ranging from 17 to 19% annually, the guaranteed return of lenders' capital will be reduced to 90%. Similarly, for grades C, D, and E, the loans are. The higher the interest rate, the lower the protection value by up to 50%.

Effects of Perceived Benefit on Trust on the Borrowers

The seventh hypothesis tested in this study is based on the impact of perceived benefits on borrowers' trust. The significance of lenders' recognized benefits in this study is shown in Table 2. The seventh hypothesis in this study was supported by a t-value of 2.951, which was higher than the t-table value of 1.96. This result is consistent with previous research on the influence of consumers' perceptions of the potential benefits offered to trust service providers in the context of traditional e-commerce and P2P lending (Chen et al., 2014; Kim et al., 2008). In addition, most respondents agreed that investing in P2P lending brings higher profits with loan terms that match their expectations.

Effects of Trust on Intermediary toward Trust on Borrower

The influence of trust on the intermediary on Trust on the Borrowers is the subject of this study's ninth hypothesis. Based on the hypothesis test results listed in Table 2, Trust on the Intermediary variable significantly affects trust in borrowers, as indicated by the value of the path coefficient (0.385) and the t-value (3.896), which is more significant than the t-table. Thus, the eighth hypothesis of this study is supported.

Despite their insignificant direct effects on willingness to lend, P2P organizers still need to consider aspects that affect lenders' trust in the intermediary, especially those that show significant effects, such as service quality and security protection. Considering that there is no possible direct interaction between lenders and borrowers, poor service quality and security protection may negatively affect trust, which significantly and directly affects the lenders' willingness to lend.

Effects of Trust on Borrower toward Willingness to Lend

The ninth hypothesis testing in this study is based on the impact of Trust on Borrower variable on willingness to lend. The hypothesis test results in Table 2 show a significant value, indicated by the value of the path coefficient of 0.595 and the t-value of 4.733, which is higher than that in the t-table. Thus, the ninth hypothesis of this study is supported. These results are consistent with those of Zhang et al. (2014) and Chen et al. (2014), who conduct similar research on P2P lending service providers in China. According to Chen et al. (2014), trust in the borrower is a better factor than trust in the intermediary in driving lending interests more efficiently. It also carries the effect of trust on the intermediary's willingness to lend. Therefore, prospective borrowers and intermediaries must prioritize the aspects that

significantly influence the variables of trust in the borrower. The intended elements are perceived benefit and other factors that substantially influence trust in the intermediary, including service quality and security protection, considering the indirect effects these aspects carry, which has positive implications for willingness to lend.

Effects of Trust on the Intermediary on Willingness to Lend

The last hypothesis testing, which is the tenth hypothesis in this study, concerns the impact of Trust on the Intermediary's willingness to lend. Based on the hypothesis test results in Table 2, trust has no significant effect on the intermediary's willingness to lend. The path coefficient was 0.195 with a t-value of 1.525, which was less than the t-table value, indicating a minor influence. Thus, the tenth hypothesis of this study is unsupported. In this study, the latent variables Trust on the Intermediary (TI) and Trust on the Borrower (TB) represented willingness to provide loans. However, based on the hypothesis test results listed in Table 2, only trust in borrowers has a significant direct effect on the willingness to lend. Although there is no significant direct effect of Trust on the Intermediary's lending willingness, Trust on the Intermediary directly and significantly affects trust in the borrower, which directly affects the lenders' willingness to lend. Therefore, it can be concluded that trust has an indirect effect on the intermediary's willingness to lend.

According to Zhang et al. (2014), Trust in the Intermediary is not empirically related to the willingness to lend. This is supported by the fact that Trust on the Intermediary does not guarantee the security of the borrowers' investments. Generally, lenders make decisions based on their borrowers' assessments. This might seem contrary to the results of Lu et al. (2010) for traditional C2C e-Commerce providers. However, Zhang et al. (2014) argued in their search that there are differences between C2C e-commerce transactions and P2P lending mechanisms. In C2C e-commerce, an escrow mechanism is applied in which money is not transferred to the seller by the intermediary until the buyer confirms that they have received the product. Thus, the risk of sellers' opportunistic behavior can be minimized by conducting transactions only through trustworthy providers. Therefore, Trust in the Intermediary in C2C e-Commerce plays a critical role in influencing buying decisions. Unlike P2P lending, the escrow mechanism cannot be applied, because lenders can only receive their investment returns after sending money through the borrower. Thus, lenders in P2P loans carry higher risks than those in C2C e-Commerce. Lenders of P2P lending must bear the risk of default to seize opportunities to obtain relatively high investment returns. Thus, a borrower's trustworthiness is far more critical than that of the intermediary. This difference leads to the conclusion that the findings of Lu et al. (2010) cannot be applied directly in the P2P lending context, even though both cases involve intermediaries through the Internet network.

Limitations

Since this range of platforms utilized by respondents is exceptionally high, and each platform is likely to apply various tactics and policies, the findings of this study cannot be generalized to one particular P2P lending platform. In addition, due to time constraints, the study had to use a limited sample size. Furthermore, this study does not examine the legal implications of P2P lending in Indonesia. Another limitation is that trust in the intermediary did not show a significant effect on willingness to lend. This result may indicate that respondents already assume a basic level of platform reliability, so their lending decisions are driven more by borrower-related factors than by perceptions of the platform itself.

Managerial Implication

The results of this study are expected to benefit lenders, borrowers, organizers, and the government. Lenders’ willingness to issue loans is critical for both borrowers and organizers. Furthermore, peer-to-peer lending can indirectly aid a country's economic growth by assisting the development of MSMEs and community empowerment. According to the findings of this study, an essential aspect to consider in expanding the desire to lend is the borrowers' confidence. Owing to the lack of direct interaction between lenders and borrowers, P2P organizers must first focus on elements that substantially impact the lender's faith in the P2P organizer. Table 3 presents a summary of the managerial implications that can be considered based on the study results.

Table 3
Summary of Managerial Implications

Aspect	Managerial Implications
Trust to the intermediary	<ul style="list-style-type: none"> • Periodically evaluate systems and regulations intended at protecting consumers, particularly lenders. • Conduct periodic research and updates to security measures to maintain the safety of data and user assets for both lenders and borrowers. • Assuring the quality of prospective borrowers through a thorough examination of loan applications' feasibility and a thorough due diligence process. • Create the perception that the financing aim is for the betterment of the community.
Trust to the Borrower	<ul style="list-style-type: none"> • Facilitate borrowers' ability to communicate good funding aspirations and elicit sympathy from lenders, allowing them to reap additional rewards not applicable through conventional investment mechanisms.

Source: researcher’s analysis (2024)

CONCLUSION

Trust in borrowers has a significant effect on lenders' willingness to lend. Meanwhile, trust in the intermediary does not directly impact willingness to lend but has a significant effect on trust in the borrower. The determinants that significantly affect trust in the intermediary include service quality and security protection, whereas familiarity has no significant effect. The determinant factors that affect trust in borrowers are trust in the intermediary and the perceived benefits. In contrast, other factors, including borrowers' reputation, borrowers' information, and perceived risk, have no significant direct effects on trust.

Specific future research for each P2P lending provider registered and supervised by OJK is strongly recommended, considering that each organizer might implement a different strategy in terms of branding, segmentation, and policy. Furthermore, other variables need to be considered, including post-purchase experience, willingness to recommend, and evaluation of the net promoter score, to determine the extent to which lenders are interested in sharing the positive experiences gained after investing in P2P lending in Indonesia.

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