
THE INFLUENCE OF FINANCIAL PERFORMANCE, LIFESTYLE, AND GOVERNMENT SUPPORT ON THE SMES BEHAVIOR IN USING P2P LENDING

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ABSTRACT

Since 2013 until Indonesia has passed the covid transition period, the evolutionary development of information and communication technology (ICT) has changed SMEs lifestyles and business activities to simple, fast-response, and efficient information technology-based financial services known as fintech. Two fintech popular in Indonesia, it's mobile payment and P2P lending. This study analyzes the influence of financial performance, lifestyle, and government support on the SMEs behavior in using P2P lending in South Sulawesi. This is quantitative research by collecting data through questionnaires distributed to respondents. This study uses a structural equation model with Smart-PLS 4.0 software. By referring to the Hair formula which is 13 x 10 indicators, the target sample in this study was 130 SMEs. But when distributing the questionnaire the number of respondents who filled out the questionnaire there were 176 respondents, so in this study the amount of data processed was 176 respondents. The result shows that financial performance and lifestyle significantly affect the SMEs behavior. While, government support does not significantly affect the SMEs behavior.

Keywords: financial performance, lifestyle, government support, SMEs Behavior, SEM-PLS

INTRODUCTION

SMEs players have contributed greatly to the economy in Indonesia. SMEs are considered to be able to grow and develop quickly because of the basic nature of SMEs that stand with low capital or investment (Alamsyah, 2020). The important role in supporting technology development through the financial industry landscape cannot be separated from the innovation process made by humans known as artificial intelligence (AI) (Business & Outlook, 2020). The existence of artificial intelligence (AI) in the business world can help the fintech industry support human needs through simple information technology-based financial services, fast-paced, and efficient (MS et al., 2022). The fintech system as a financial payment application has been used since 2013. The most use of fintech is right during the Covid-19 pandemic where limited human activities are only at home. In the development of fintech in Indonesia, there are two sectors that are mostly dominated by users, both individuals and SMEs namely digital payments and P2P lending. Peer-to-peer (P2P) lending is one of the types of fintech with funding techniques for SMEs to make a profit (Coakley & Lazos, 2020). Some other terms such as marketplace lending, crowdlending, or debt crowdfunding. Financial institutions provide P2P Loans to those who fall into the class of small businesses, SMEs or to individuals (Coakley & Huang, 2020).

The results of previous research conducted in several countries in Asia and Africa resulted in information that MSEs have obstacles in obtaining access to external funding, thus slowing down their business development (Abor & Quartey, 2010; Shinozaki, 2014; Mabonga, 2020; Rita & Huruta, 2020). Financial resources are essential in supporting the venture and stimulating the creation of opportunities for success to develop and manage businesses according to technological developments. Since 2013 until Indonesia has passed the covid transition period, the evolution and development of information and communication technology (ICT) has radically changed individual lifestyles and SMEs activities, leading to a condition influenced by behavior change focuses on technological advances. Currently, financial companies are evolving to offer change solutions to individuals and SMEs to meet the needs of the traditional economic system, complicated to apply, wastes time, and incurs high costs, towards the use of digital financial platforms (Setiawan et al., 2023).

The government has a role and continues to support the use of P2P lending through collaboration with the Ministry of Communication and Information and the Financial Services Authority through the issuance of policies and socialization to users about the importance of evolving to this digital application. The government continues to encourage SMEs players to use fintech, especially P2P lending on the advice from WHO (Brown, 2020). This is inseparable from the government's efforts as an economic regulator to succeed Indonesia's mission as the world's largest digital economy by 2024 through latest regulations, security and development of digital finance (Muzdalifa et al., 2018). Government decree through Bank Indonesia Regulation Number 18/40/PBI/2016 concerning the implementation of payment transaction processing using e-wallets as a form of government intervention in ensuring application security, maintain the stability of funding transaction traffic, and socialize and provide rewards for business actors who implement fintech (Bank Indonesia Regulation Number 18/40/PBI/2016 Concerning the Implementation of Payment Transaction Processing, 2016).

The government supports funding traffic through financial and non-financial services provided to SMEs (Rita et al., 2021). In previous research, financial performance of SMEs which shows the results that fintech provide convenience for MSEs, especially in carrying out payment, loan, and investment activities. The ease of financial transactions requires knowledge and skills in good financial management. This research is aimed at examining whether financial performance, lifestyle and government support affect the SMEs behavior. Grand theory in this study is based on resource-based theory and the entrepreneurship of resource-based theory that is considered potential to increase the success of SMEs. To obtain sustainable profits, companies must seek and grow specific capabilities from all resources that may not have been optimally utilized and can be transformed into unique productive opportunities

LITERATURE REVIEW

Resource Based Theory

One way to achieve business development is through the theory of resource-based strategies. Resource-based strategy theory pioneered by Mahoney and Pandian (1992) is a resource-based theory that is considered potential to develop and provide opportunities for success in small businesses. This theory illustrates that to develop and provide opportunities for success in small businesses and their competitiveness entrepreneurs are required to develop superior internal resources, which are not transparent, difficult, innovative and have a good pricing strategy and have strong long-term competitiveness (futuristic) and exceed current demands in volatile markets and external sites. To obtain sustainable profits, companies must seek and grow specific capabilities from all resources that may not have been optimally utilized and can be transformed into unique productive opportunities, through the continuous dilution of new ideas or broader management insights, model approach, model justification, model-solving algorithms, and solving techniques. The theoretical foundation contains basic phenomena, the development of the relationship of the studied phenomenon with its fundamentals.

The Entrepreneurship of Resource-Based Theory

Applying resource-based entrepreneurship theory encourages businesses to discover entrepreneurial skills and creativity, and builds on a resource-based approach. The theory is also considered important for establishing links between entrepreneurship. Creativity and entrepreneurial intuition and imagination so as to determine economic decisions to continue evaluating opportunities for market expansion so as to encourage entrepreneurial performance (Alvarez & Busenitz, 2007). This research contributes to the relevance of the entrepreneurship of resource-based theory. This theory explains the balance between the dynamic and mutually necessary development of entrepreneurial heuristics and business institutions based on entrepreneurial experience and knowledge of actors, which are supported by a technology-oriented strategy. This theory is in line with seeing the situation where the development model of the internet and information technology, increasingly

becomes the choice of entrepreneurs to use strategy development platforms so that they can compete in the market (Lumpkin, Steier & Wright, 2011).

Financial performance

Financial performance is an analysis or picture that can be used or used as a reference to evaluate the extent to which a person or company in carrying out its duties in managing its finances. According to Setiawan, one of the many ways to overcome it, it can be done by improving financial performance is to increase financial literacy or education. The success or failure of a business is seen from the financial performance of its business by looking at financial statements. With the financial performance of a company, it can be with It is easy to find out the financial condition of the business. The benchmark of the success of a business can be seen from the aspect of financial performance. After a certain period of time, the business will experience an increase in capital, business scale, and type of business (Winbaktianur and Siregar, 2021).

Lifestyle

Lifestyle is a behavior that reflects what problems actually exist in a person's mind that tends to blend with things related to emotional problems and psychological problems. Lifestyle is a person's personality which is one of the external factors influencing the purchase decision of products and services in general likes something easy and practical so that it will cause satisfaction in making a purchase decision.

Government Support

The government as an economic regulator because it has full authority in formulating and ratifying policies into a law that is obeyed by all groups under its control. The duties of the government are broad and include 3 main functions that synergize with each other, namely executive government functions, legislative functions and judicial functions.

Fintech (peer-to-peer) lending

Fintech (financial-technology) is one of the most popular methods of financial services in the community. And digital payments are the most developed sector in Indonesia, globally the fintech industry continues to grow rapidly.

METHODS

The study used primary data collected using survey methods through questionnaire distribution to obtain information from the research sample. The sample determination in this study was SMEs in the South Sulawesi. Data analysis method using Structural Equation Model through partial least squares 4.0 (SEM-PLS) software. Using the non probability sampling technique, data were collected from SMEs in South Sulawesi. By referring to the Hair formula which is 13 x 10 indicators, the target sample in this study was 130 SMEs. But when distributing the questionnaire the number of respondents who filled out the questionnaire there were 176 respondents, so in this study the amount of data processed was 176 respondents.

RESULTS

Respondent Characteristics

The characteristics of respondent can be seen in table 1, the overall respondents in the study as many as 176 SMEs consisted consists of SMEs owners with male gender, 32,9%, while SMEs owners females are 67.1%. The dominant SMEs owners in this research range in age from 17 to 25 years old (69.5%). Those between 26 to 35 years old (17,0%). Only 10,7% of age respondents ranged from 36 to 45 years old and 2,8% are above 46 years old. The income level of the respondents and more than 30% are earning a monthly income of less than 1 million. About 27.0% of the respondents income between 1 million to 2 million. Only 2% of the income level more than 10 million. All respondents have used fintech P2P lending. Modalku is one of the financial technology companies popular in Indonesia focuses on peer-to-peer lending service. It aims to provide financial support to Indonesia SMEs.

About 50,5% respondents have used Modalku (fintech P2P), and only 13.7% respondent not used Fintech services (P2P lending) such as KoinWorks, Amarnya dan Investree.

Table 1. Respondent Characteristics ($N=176$)

Characteristics		F	%	Characteristics		F	%
Gender	Male	58	32.9	Income (Rp in Million)	<1	54	30.6
	Female	118	67.1		1 s.d 2	48	27.0
Age	17-25	122	69.5		2 s.d 4	36	23.4
	26-35	30	17.0		4 s.d 6	14	7.0
	36-45	19	10.7		6 s.d 8	9	5.0
	46-55	5	2.8		8 s.d 10	7	3.0
Types of P2P Lending	KoinWorks	21	11.9		10 s.d 15	4	2.0
	Modalku	89	50.5		15 s.d 20	4	2.0
	Amartha	15	8.0		>20	0	0.0
	Investree	28	15.9				
	Others	23	13.7				

Source: Author Analysis (2023)

Descriptive Statistics

Table 2 presents the results of the descriptive statistics for each variable, the behavior SMEs using P2P Lending, and independent variables such as financial performance (X_1), lifestyle (X_2) and government support (X_3). The average value of financial performance is 3.97, which provides a conclusion that the study is safe and can continue. The minimum value of this variable is 1.00 and the maximum value is 5.00. Standard deviation value less than 0.91.

Table 2. Descriptive Statistics ($N=176$)

Construct	Min.	Max.	M	SD
SMEs Behavior	1.00	5.00	4.15	.79
Financial Performance	1.00	5.00	3.97	.90
Lifestyle	1.00	5.00	4.02	.91
Government Support	1.00	5.00	4.19	.78

Source: Processed data, 2023

Note. M = Mean, SD = Standard Deviation.

Results of the SEM Analysis and Discussion

Data analysis using the structural equation model, the first of all 2 types of validity tests, namely convergent validity and discriminant validity. Convergent validity is used to determine the validity of each relationship between indicators and their latent constructs or variables. The acceptable convergent validity is the loading factor value > 0.70 . Meanwhile, discriminant validity is used to ensure that each concept of each latent model is different from other variables. The acceptable discriminant validity is the AVE value > 0.50 . Table 3 will summarise the findings.

The analyses follow several steps. The first, item reliability was assessed by examining the loadings factors between latent construct and indicators items. The loading factor value indicates convergent validity test with the criteria the value should be higher than 0.7, thus satisfying the 0.7 recommendation by (Carmines & Zeller, 1982). Table 3 presents the results that almost all the indicators item of each latent construct show a value exceeding 0.7, except FIPER3, LISTY1, GOSUP1, GOSUP3, GOSUP4, and GOSUP5. But, in this research from the development of measurement model loading factor value between 0.5 to 0.6 is considered sufficient (Jogiyanto & Abdillah, 2009). Second, the Cronbach alpha value is significant more than 0,6. It means that there are intercorrelations among the variables. Moreover, the outer model analysis is used to observe the measure of internal

consistency of a construct by the composite reliability (CR) measures. This was indicated by the composite reliability value measures indicating strong internal consistency > 0.6 (Bagozzi & Yi, 2012). Further, Discriminant validity test is used to checking the value (AVE) to assess the error-free variance of the set of items associated with the construct. The AVE value describes the magnitude of the free variance or variable diversity of the set of items associated with the latent construct (Fornell & Larcker, 1981). Variance Extracted (AVE) value of all the interpreted constructs acceptable is the AVE value > 0.50 means that the variables pass the validity test. As shown in Table 3, the AVE values for construct variables exceed 0.5, except variable government support 0.467. According to Tenenhou (2004), to requirement for discriminant validity can use the Goodness of Fit (GoF) value. The Goodness of Fit value formula is $\sqrt{\text{GoF}} = \sqrt{(\text{AVE} \times R^2)}$. The goodness of fit value in scale of small is 0,1, the GoF value in scale of medium is 0,25 and the GoF value in scale of big is 0,38 (Hussein, 2015). The result shows goodness of fit value in scale of big 0,549. The last step in the outer model, showing the multicollinearity test by looking at the value of the variance inflation factor (VIF) less than 5 (Hair et al., 2010).

Table 3. Measurement Model ($N=176$)

Construct	Factor Loading	CA	CR	AVE	VIF
SMEs Behavior		.821	.870	.528	
BEHAV1	.711				1.601
BEHAV2	.733				1.605
BEHAV3	.704				1.486
BEHAV4	.707				1.531
BEHAV5	.766				1.718
BEHAV6	.737				1.621
Financial Performance		.741	.838	.564	
FIPER1	.803				1.604
FIPER2	.786				1.538
FIPER3	.675				1.273
FIPER4	.735				1.387
Lifestyle		.741	.838	.565	
LISTY1	.668				1.255
LISTY2	.753				1.422
LISTY3	.771				1.556
LISTY4	.807				1.604
Government Support		.810	.859	.467	
GOSUP1	.638				1.399
GOSUP2	.740				1.602
GOSUP3	.641				1.396
GOSUP4	.663				1.414
GOSUP5	.675				1.439
GOSUP6	.713				1.475
GOSUP7	.708				1.584

Source: Processed data, 2023

Note. CA = Cronbach's Alpha, CR = Composite Reliability, AVE = Average Variance Extracted, VIF = Variance Inflation Factor

After testing the outer model at the first step, the next step is testing the inner model (structural model). The structural model was formed by testing the hypotheses. We used structural equation modeling (SEM) with Smart PLS 4.0 software. The test results of structural models are obtained from the assessment of coefficients, T-statistical values and hypothesis testing. These three tests can be seen in Figure 1 and Table 4 below.

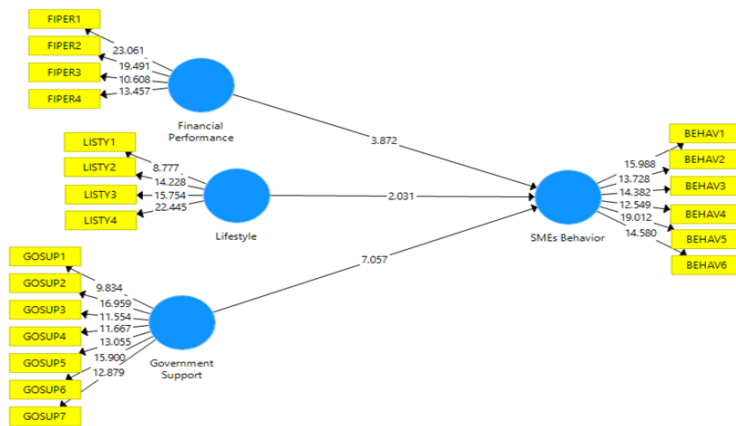


Figure 1. Bootstrapping Results
Source: Processed data, 2023

Table 4. Hypothesis testing (N=176)

Hypothesis	T-statistics	P-values	Decision
Financial Performance -> SMEs Behavior	4.006	0.000	Supported
Lifestyle -> SMEs Behavior	7.497	0.000	Supported
Government Support -> SMEs Behavior	1.360	0.174	Not Supported

Source: Processed data, 2023

The Smart-PLS bootstrapping output at 176 samples showed that the first and the second hypotheses were accepted. But the third hypothesis was not accepted. Table 4 shows the p-value of financial performance is 0.000 (<0.05) and the t-statistic value is 4.006 (>1.96), meaning that financial performance has a significant positive effect on SMEs behavior. This is line with the theory of planned behavior, the desire to run a business well is reflected in the behavior of SMEs and affects business performance to be good (Ningtyas & Siskawati, 2022). The ease of financial transactions requires knowledge and skills in good financial management. So it can be concluded that p2p lending has a positive and significant effect on the financial performance of SMEs in South Sulawesi. Information considerations influence the desires and changes in behavior of individuals (Fishbein & Ajzen, 2005).

The second hypothesis, the p-value of lifestyle is 0.000 (<0.05) and the t-statistic is 7.497 (>1.96), meaning that lifestyle has a significant positive effect on SMEs behavior. Not only in the addition of one's capital makes an online loan, but the environmental factors are driven by SMEs' lifestyle influenced by the development of an all-technological era.

The third hypothesis, the p-value of government support is 0.174 (>0.05) and the t-statistic is 1.396 (<1.96), meaning that government support has not a significant effect on SMEs behavior. This means that government support does not have a significant influence on financial institutions that offer P2P lending facilities and MSEs as P2P lending users to obtain funding. Government support is very meaningful in forming and ratifying policies with the issuance of laws and government regulations related to P2P lending and protection of user data security (MS et al., 2022).

DISCUSSION

In this paper, we introduce factors affecting SMEs behavior in using P2P lending activities; financial performance and lifestyle as internal factors. Then government support as external factors. The financial performance affects the SMEs behavior in South Sulawesi.

The greater the impact the SMEs behavior in using P2P lending, the greater the financial performance of SMEs.

This finding indicates that SMEs behavior in using P2P lending provides convenience for SMEs, especially in carrying out payment, loan, and investment activities. The ease of financial transactions requires knowledge and skills in good financial management. P2P lending provides alternative funding solutions that are more flexible so as to help SMEs minimize the funding gap for their startup businesses, with the hope that SMEs and startups can continue to innovate (Hervé & Schwienbacher, 2018). SMEs are easy to get funding in the short term because the P2P lending developer application is easily accessible to anyone and the location of SMEs to access this application is unlimited everywhere and everywhere, fast and efficient in time and cost.

In a funding agreement with a P2P lending platform, SMEs don't worry about getting loans through P2P lending applications because the use of P2P lending has been formally supervised by the Financial Services Authority as a representative of the Government in supporting digital platforms (Rita et al., 2021). The advantage obtained by MSEs by using P2P lending is the low level of loan interest rates. This is inseparable from the policies that have been given by the government as an economic regulator and encourage the development of MSE business innovation (Chen & Chen, 2012). Although the government has paid attention to low interest rates and maintaining the confidentiality of MSE data, this is still considered lacking. There are various internal constraints of SMEs, especially the quality and ability of available resources both manpower, operations, internal and external funding and how MSEs assess the success of other businesses (Sari & Asad, 2018).

Lifestyle was also discovered to impact the SMEs behavior in South Sulawesi significantly. The convenience felt by relying on funding from P2P lending because the transaction procedure is not complicated just using a mobile phone anytime and anywhere transacting, reducing deposit and cash withdrawal activities through banks, and minimizing transaction costs so that waste does not occur. This reason makes fintech a friendly financial service, green industry and efficient and time effective. (Cen & He, 2018). The lifestyle of MSEs is often uncontrollable because it is easy to buy goods that are not needed for the reason of credit payments and discounts. If this behavior is made a habit, it will have an impact on the management of MSE financial performance to be messy and not on target (Rofiah, 2022). The habit of MSEs by behaving in a hedonistic lifestyle will slowly trap MSEs in a loan system that harms themselves and their business (Rofiah, 2022).

This research is in line with what was done (Lubis, 2021). They stated that SMEs behavior using P2P lending has a positive influence on lifestyle because it provides fast funding to the development of his business. SMEs make loans not only based on their own will but mostly because of environmental factors where today transactions are carried out online, many people, especially MSE players, disburse funds quickly which makes MSE players feel satisfied because they are able to provide fast funds and can help their business continuity.

The results of the third hypothesis contradict the results of the previous hypothesis. The government support has not a significant effect on SMEs behavior. Government support so far has not affected South Sulawesi SMEs that use P2P lending. Therefore, the government is expected to support all aspects of the use of P2P lending. Not only limited to ensuring data confidentiality and issuing low interest rate policies, but the importance of the government also improving infrastructure through digital literacy education and equitable internet access through actively providing socialization, workshops and training to SMEs in various regions. Previous research examining the role of government on P2P lending conducted by Hua & Huang, 2021 is not in line with the findings of this study. On the other hand, the government has supported SMEs to continue and progress. Government support through the development of SMEs in the field of training and other policies that have been previously arranged is still considered lacking, they require government attention by providing awards in the form of incentives or other rewards for

MSEs that are declared successful in innovating (Patanakul & Pinto, 2014). This concept is expected to contribute to the relevance of institutional theory. This theory explains that the government as an economic regulator supports the existence of SMEs through policies it makes fairly and consistently with the aim of creating a business environment through an innovation process by synergizing between industry and academia (Chandra & Silva, 2012).

CONCLUSION

Theoretically, the current study had examined SMEs behavior with the role financial performance, lifestyle and government support. This study was conducted in South Sulawesi in Indonesia, a developing country. However, this study still lacks literature related to variables that influence SMEs behavior by exploring the benefits of MSME performance and business improvement strategies, especially financial and non-financial performance. Practically, financial performance has been discussed in the behavior of SMEs in South Sulawesi. Testing conducted with bootstrapping methods, P2P lending provides alternative funding solutions that are more flexible so as to help SMEs minimize the funding gap for their startup businesses, with the hope that SMEs and start-ups can continue to innovate. Financial performance also Financial performance is also related to the owner's lifestyle which will certainly change the behavior of SMEs. The lifestyle of MSEs is often uncontrollable because it is easy to buy goods that are not needed for the reason of credit payments and discounts. If this behavior is made a habit, it will have an impact on the management of MSE financial performance to be messy and not on target. We hope for the Future research can compare respondents from various countries by comprehensively examining the latent variables that influence the behavior of SMEs in adopting P2P lending to develop business.

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