Shortcomings and Risks of Borrowing Funds Through online P2P Lending Applications for Trader

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ARTICLE INFORMATION

A B S T R A C T

Examining business capital as an important need. The author aims to find out the problems of Information borrowers risk of default, liquidity risk, P2P platforms, fintech in borrowing funds through online P2P loan applications for entrepreneurs other than conventional financial institutions. This research uses quantitative methods and data testing using the warp pls tool using data from questionnaires conducted by 50 lender as respondents. The results of testing and analyzing this study related to borrower information have an influence on P2P lending, the risk of default has an influence on the P2P lending platform, and liquidity risk has an influence on the P2P lending platform. This research design has limitations from its variables, only involving certain demographics. The number of respondents and characteristics of respondents are still limited. The data analysis technique used in this study is only a quantitative method. The findings can be implemented as a business strategy with good planners and P2P lenders who have a lot of knowledge and are very good. By developing a P2P platform, this study can be more useful for lenders to focus on information about borrowers, default risk, liquidity risk in Jakarta. Business strategies using this model can be used as a model for P2P platforms in Jakarta. This research focuses on the shortcomings and risks of borrowing funds through online P2P lending applications for trader.

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1. INTRODUCTION

Digital technology has fueled the evolution of Fintech (Hendershott et al., 2017; Xu & Chau, 2018). Digital platforms have gradually undergone a transformation triggering the emergence of peer-to-peer (P2P) lending platforms. This kind of platform provides a direct link between the lender holding the funds and borrowers who need funds and increase the efficiency of fundraising. Online authentication and credit scoring systems, which substantially reduce transaction costs (Liu et al., 2015; Xu & Chau, 2018). P2P lending platforms make it easier for fundraising to reach a large number of investors to raise funds for various purposes

(Macchiavello, 2015), enabling individuals and groups of small and medium-sized enterprises (SMEs) to easily access loans and investments (Duarte et al., 2012). Fintech is driven by various technological advances: the availability and affordability of infrastructure and business operations (Leong et al., 2017). There are six Fintech business models that are developing, namely payment, wealth management, crowdfunding, Peer to Peer (P2P) lending, capital markets, and insurance services (Lee & Shin, 2018). Peer to Peer Loans (P2P Lending) is a practice or method of lending money to individuals or business entities (Fang et al., 2014). P2P lending platforms have replaced some of the lending services conventionally provided by banks (Liu et al., 2015; Xu & Chau, 2018).

The huge value gained, the success of P2P lending platforms is inconsistent and uneven. Although P2P lending platforms have implemented new approaches to existing drawbacks and risks, more and more investors are becoming aware of the drawbacks and risks associated with P2P lending product. To some extent, the uneven success of P2P lending platforms around the world is a result of their operating in different regulatory environments worldwide. Therefore, platform providers sometimes fail to effectively manage each platform's risks (Moeini & Rivard, 2019).

Default risk, also called credit risk, is considered one of the most common risks in the traditional lending market, as well as in the P2P lending industry (Liu et al., 2019). Due to information asymmetry and weak information exposure on online lending platforms, lenders cannot anticipate whether borrowers are able to return the money to lenders as agreed (Fu et al., 2021). Because high interest rates set by platforms are known to increase inability to repay, loan interest rates directly reflect the risk of default: the higher the interest rate, the higher the risk of default (Markowitz, 1952). The relationship between lenders and borrowers can be characterized by information asymmetry (Liu et al., 2019). Risk arises because lenders usually have limited and limited information about borrowers (Lin et al., 2013).

In addition, regulatory governance, systems and loan market controls can also influence the risk of default on P2P lending platforms. Risks arise when there is a lack of consistent regulations in assessing credit risk, protecting the rights of lenders and borrowers, as well as monitoring P2P platform owners (Davis & Murphy, 2016). In addition, liquidity risks, both traditional lending markets and P2P lending transactions, are also exposed to this type of risk on the platform. Platform providers can create pools of funds to make private investments, resulting in an inability to repay investors (Tao et al., 2017).

The risks associated with P2P lending platforms are not yet comprehensively understood (Bao et al., 2023). The explanation above provides an understanding of the risks that arise in P2P lending, because lenders usually have limited information about borrowers, the risk of default on P2P lending platforms, in addition, liquidity risks, both traditional loan markets and P2P loan transactions, are also exposed to this type of risk. on platforms. Platform providers can create pools of funds to make private investments, resulting in an inability to repay investors. The risks associated with P2P lending platforms are not yet comprehensively understood (Indrajaya., 2024).

2. LITERATURE REVIEW

Some important things related to management strategies are (Hariadi, 2005): (a) Strategic Management is a planned process that involves all departments from top management to employees bottom. (b) In setting strategic goals, it is in accordance with the vision and mission of the company a company in order to achieve goals in the short term nor long. (c) To implement strategies to achieve the best customer value Use processes that are fit for purpose. (d) When carrying out a strategy there must be an evaluation to find out whether the results achieved are in accordance with plans and developments latest

There are five basic concepts in risk management that must be understood in the risk management process (Tampubolon, 2004): (a) Risk Management is just an approach. There are many approach in assessing the risk

and return of each transaction or instrument. Risk Management will be more effective for portfolios that large and complex. But risk management is a strategy flexible, because it is not only applied to large portfolios but it can also be a detailed approach to the portfolio small. (b) The nature and instruments used will determine the parameters a risk management strategy. Relatively speaking, there is no single strategy risk management that can be applied to all types of money markets or instrument. (c) The risk management system must be systematic and followed consistently consistent but not rigid and flexible. (d) Risk management is not a magic trick that will magically work increase returns and at the same time reduce risk. New risks, namely reduced management vigilance bank against all existing bank risks. (e) The current banking business environment has created complexity Risk management becomes very high and is a process that increasingly difficult. Increasingly volatile market tendencies, increasing global interactions, consumers are increasingly demanding, and new developments in information technology and telecommunications have further improved bank risk management

3. RESEARCH METHOD

This study uses quantitative methods and data testing using the smart pls tool using data from questionnaires conducted by 50 lenders as respondents (Hair et al., 2010). FinTech is an industry that moves very quickly and dynamically, there are many different business models (Dorfleitner et al., 2017). Financial Technology is also referred to as FinTech, is a new financial service model that is being developed through information technology innovation (Hsueh & Kuo, 2017). Peer-to-Peer Lending is the process of borrowing money between two people individuals who are not directly linked through the online platform, without interference from traditional financial intermediaries such as bank (Ge et al., 2017).

Peer-to-Peer Lending is a major innovation related to the banking sector. In the recent years, the number of platforms offering such services and the number of transactions continues to increase (Dorfleitner et al., 2016), Peer-to-Peer Lending is a model an internet-based business that meets intermediary lending needs finance. This platform is aimed at medium and small companies where they think the bank's loan terms may be too high. Peer-to-Peer lending has lower costs and more efficiencyhigher than traditional bank-based loans (Hsueh & Kuo, 2017).

Hypothesis
Information borrowers and P2P platforms
Peer-to-peer (P2P) platforms lending facilitates direct online lending and aims to provide financial inclusion and investment returns. Lenders range from for-profit to pro-social and objective information is limited, highlighting the need to examine heuristics (Gonzalez, 2023). The findings of this research are that the Logistic Regression (LR), Artificial Neural Network (ANN) and Linear Discriminant Analysis (LDA) models classify loan applications quite stably and accurately, while Naive Bayes (NB), k-Nearest Neighbor (k-NN), Classification and Regression Tree (CART), shows the worst performance when predicting borrower default risk on P2P loan data (Trinh, 2024; Teplý & Polena, 2019).

To determine the determinants of a borrower's creditworthiness and loan performance when estimating investments in a particular P2P loan, in addition, estimates to address credit risks in P2P loans and to prevent the impact of increasing defaults on the economy (Avgeri & Psillaki, 2024). P2P platforms companies also have high risks that must be considered. Lenders or investors must conduct a feasibility study on a loan application before providing a loan. P2P platforms companies must provide complete credit information and analysis regarding borrowers' conditions to reduce potential risks to lenders (Dharmastuti & Laurentxius, 2021).
Based on previous research, it can be proposed: H-1. Information borrowers has an influence on P2P lending.

Risk of default and P2P platforms.
A selection method for identifying models with relatively few parameters that can help predict the risk of default on P2P platforms. LQR logistic quantile regression estimation shows that some variables increase the probability of default and show significant

turnaround at certain quantile levels (Chen *et al*., 2019). P2P platforms face many hidden risks. In addition to the risk of default which not only reduces the lender's investment income but also disrupts the normal operation of the platform (Wan *et al*., 2019).

European borrowers using peer-to-peer P2P lending platforms, currently based in Estonia, Finland and Spain, will default on their loans. Uses a Logit model to calculate the ex-post probability of default for factors derived from Principal Component Analysis as well as original variables provided by the database (Aliano *et al*., 2023). This study examines the relationship between interest rates and platform risk of non-performance on Chinese peer-to-peer (P2P) lending platforms. In this study, weekly data from 76 platforms from December 3, 2017 to October 6, 2019 were used, However, the positive correlation between interest rates and risk is not significant for platforms with too high interest rates, whose interest rates are more determined by the type of ownership (Ya & Lin, 2023). Based on previous research, it can be proposed: H-2. Risk of default has an influence on P2P lending.

Liquidity risk and P2P platforms.
Evidence of liquidity risk exposure in the P2P lending market. Further analysis based on recording results and loan characteristics shows that there is a negative relationship between COVID-19 risk and the portion of loans that have matured as well as the average days due for listing on the secondary market. This results in significant liquidation costs for investors in the form of higher premiums (Nigmonov *et al*., 2024). This paper uses loan application rate data from peer-to-peer lending platforms. Provides evidence of the impact of monetary policy on the risk taking of nonbank financial institutions. We find that liquidity changes. Easing monetary policy is associated with a higher likelihood of lending to riskier borrowers and riskier credit allocation (Huang et al., 2021).

Involving peer-to-peer lending (P2P Lending) business actors in Thailand and focusing on the lender's perspective. This research summarizes the context of liquidity risk (Chulawate &

Kiattisin, 2023). How does the expansion of peer-to-peer (P2P) lending affect banking risk, especially liquidity. For the segmented market case compared with the benchmark case, it is found that the liquidity risk decreases so that the overall risk also decreases (Yeo & Jun, 2020). Based on previous research, it can be proposed: H-3. Liquidity risk has an influence on P2P lending.

4. RESULT AND DISCUSSION
Measures Sample
The method in this study with quantitative methods used to test hypotheses also includes developing a questionnaire to measure. The data collected will be tabulated and will be tested and analyzed with wrap pls. The scale used is a Likert scale to measure the attitudes of surf athletes. This study uses a Likert scale which is used to measure session attitudes as instruments or measuring instruments. The sampling method in this study is proportional sampling. The tabulated and analyzed data were 50 respondents (Table 1).

Table 1. Measures sample

Classification	Type	%
Gender	Men	45
	Women	55
Age	21-30	15
	31-40	44
	40-60	40
	>60	5

(Sources: Indrajaya, 2024)

Measures Questionnaire
Information borrowers, Risk of default, Liquidity risk, P2P platforms were measures questionnaire in their indicators as well as their reliability and validity (Table 2).

Table 2. Measures questionnaire

Variables	Indicators	Loadings
Information borrowers	IB1	0.738
	IB2	0.723
	IB3	0.731
	IB4	0.721
	IB5	0.733
	IB6	0.735
	IB7	0.729
Risk of default	R1	0.745
	R2	0.737
	R3	0.741
	R4	0.730
	R5	0.739
	R6	0.737
	R7	0.735
	R8	0.734
Liquidity risk	L1	0.741
	L2	0.756
	L3	0.730

	L4	0.736
	L5	0.741
	L6	0.739
	L7	0.744
	L8	0.740
P2P platforms	P1	0.743
	P2	0.746
	P3	0.730
	P4	0.742
	P5	0.731
	P6	0.737
	P7	0.745

Measurement Outer and Inner model
Outer model that is often used is the reflective model. The criteria tests used include validity and reliability testing. The validity test is used to measure whether the indicators used correctly measure the variables studied. Meanwhile, the reliability test looks at the consistency of the answers related to the indicators being asked, if done repeatedly. Validity testing includes individual and simultaneous convergent validity as well as discriminant validity. Meanwhile, reliability testing includes Cronbach alpha and composite reliability. The assessment of individual convergent validity values can be seen from the outer loading value, with the expected minimum value being > 0.7. Meanwhile, simultaneously from the average variance extract (AVE) value, with a minimum limit of 0.5. The AVE value describes the large variance or diversity of manifest variables that a latent construct can have, the reliability measure is seen from the Composite Reliability and Cronbach's alpha values, with a value limit of 0.7 (Hair *et al.,* 2010).

Inner model includes R square, Q square, F square and goodness of fit (GoF). R square, Q square is used to determine prediction capability using the blindfolding procedure, with a value limit of 0.3. F square or sometimes called effect size is used to determine the goodness of the model, with a value limit of 0.2. And the GoF value, which is the square root of multiplying the average r sqaure and the average AVE of the independent variable. GoF also looks at the goodness/fitness of the model with a value limit of 0.38 (Ghozali, 2018). Analysis of several groups was carried out to test the measurement of physical system quantities that are fixed transformation functions, this series of tests is for measuring the differences in the chi-square statistics were analyzed to be able to ensure that the measurements were in participants. Each hypothesized path evaluates the difference in chi-square statistics. Statistical analysis was calculated using smart pls.

Tests carried out on external models: Convergent validity, discriminant validity, composite reliability, average variance extracted (AVE), cronbach alpha (Kock, 2012). Validity to measure what should be measured. Discriminant validity is carrying out and ensuring that each concept of each model is different from other variables. The validity test is used to determine how precisely a measuring instrument carries out its measurement function (Ghozali, 2016).

Confirmatory factor analysis (CFA) was used to establish measurement validity and reliability. Measurement reliability can be tested with Cronbach's alpha $\alpha > 0.70$ (Nunnally, 1978) and composite reliability (CR). The average variance extracted (AVE) value can be assessed for convergent validity > 0.50 (Fornell and Larcker, 1981). The correlation between the measured and tested variables was also compared to ensure that the correlation was smaller than the square root value of each AVE (Fornell and Larcker, 1981). Model fit was evaluated with the following fit indices: normed model fit $\chi^2/df < 5.0$ (Bollen, 1989), comparative fit index (CFI) > 0.90 (Hu and Bentler, 1999), standardized root mean square residual SRMR$<0, 10$ (Kline, 2005) and the RMSEA root mean square error of approximation < 0.080 (Hair *et al*., 2010).

Convergent Validity.
Value < 0.5 is in accordance with the requirements for reflective indicators. External models: Convergent validity, discriminant validity, composite reliability, average variance extracted (AVE), cronbach alpha (Table 3,4,5,6,7). External model: Convergent validity, discriminant validity, composite reliability, average variance extracted (AVE), Cronbach alpha in Tables 3,4,5,6,7 are appropriate and meet the requirements. *Outer Loading*

Can be defined as the correlation between latent variables (constructs) and the indicators that measure them. In path analysis using the pls method, indicator quality is measured by looking at the outer loading. Outer loading is calculated as a regression coefficient between measurement variables (indicators) and latent variables (constructs) estimated in the Wrap PLS model. Outer loading can be seen as an indicator of the validity and reliability of the indicator (Kock, 2012)**.** The outer loading value is between -1 to 1. A positive value shows the direction of a positive relationship between the measurement variable and the latent variable, while a negative value shows the direction of a negative relationship.

The closer the outer loading value is to 1 for a positive relationship and the value -1 for a negative relationship, the stronger the relationship between the indicators and the constructs they represent.

Pls analysis with wrap pls, testing the significance of outer loading using the t test. A significant t-statistic value means that the outer loading is significantly different from zero, so the indicator can be considered valid and reliable and can be used to measure the construct in question (Kock, 2012) (Table 8).

Table 3. AVE roots and correlation coefficient

Variable	Information borrowers	Risk of default	Liquidity risk	P2P platforms
Full collinearity VIFs	3.575	3.372	3.379	3.359

Table 4. Cronbach's alpha

Variable	Score			
Information borrowers	0.761	0.759	0.767	0.757
Risk of default	0.759	0.768	0.761	0.757
Liquidity risk	0.765	0.771	0.757	0.747
P2P platforms	0.760	0.767	0.753	0.761

Table 5. Composite reliability

Variable	Information borrowers	Risk of default	Liquidity risk	P2P platforms
Cronbach's Alpha	0.772	0.769	0.775	0.770

Table 6. Composite reliability coefficients

Variable	Information borrowers	Risk of default	Liquidity risk	P2P platforms
Composite Reliability	0.775	0.763	0.757	0.791

Table 7. Full collinearity VIFs

Variable	Information borrowers	Risk of default	Liquidity risk	P2P platforms
Composite reliability coefficients	0.779	0.792	0.788	0.790

Table 8. t value and P value

Variables	Indicators	t value	P value
Information borrowers	IB1	0.045	0.001
	IB2	0.043	0.001
	IB3	0.042	0.001
	IB4	0.041	0.001
	IB5	0.045	0.001
	IB6	0.044	0.001
	IB7	0.042	0.001
Risk of default	R1	0.043	0.001
	R2	0.046	0.001
	R3	0.044	0.001
	R4	0.042	0.001
	R5	0.041	0.001
	R6	0.043	0.001
	R7	0.044	0.001
	R8	0.041	0.001
Liquidity risk	L1	0.042	0.001
	L2	0.043	0.001
	L3	0.044	0.001
	L4	0.041	0.001
	L5	0.043	0.001
	L6	0.045	0.001
	L7	0.043	0.001
	L8	0.045	0.001
P2P platforms	P1	0.042	0.001
	P2	0.044	0.001
	P3	0.043	0.001
	P4	0.045	0.001
	P5	0.046	0.001
	P6	0.043	0.001
	P7	0.044	0.001

(Sources: Indrajaya, 2024)

Table 8 shows that the t value is below < 0.05 and the P value is 0.001 in accordance with the requirements for reflective indicators.

Hypothesis Testing

Hypothesis testing has several functions. One

of them is to assist in making decisions based on objective statistical evidence, as well as a statistical test which is useful for validating a statement or assumption that has been defined (Kock, 2012) (Table 9).

Table 9. Hypothesis testing

Relations between variables (Explanatory variable -- → Response Variable)		Coefficient of Path	*p-value*	Information
Information borrower	P2P platforms	0.763	p < 0.01	Highly Sig
Risk of default	P2P platforms	0.769	p < 0.01	Highly Sig
Liquidity risk	P2P platforms	0.767	p < 0.01	Highly Sig

(Sources: Indrajaya, 2024)

Structural Path Model
The Warp pls analyzer can be used to carry out path analysis and also test hypotheses. The sample size of this study were 50 lender as respondents, this size is quite large. This research focuses on P2P platforms. This research was tested for validity & reliability which met the requirements and also tested 3 hypotheses with acceptable results. This research tested the validity and reliability which met the requirements and also tested 3 hypotheses with acceptable results. This research had 50 entrepreneurs as respondents who were tabulated and tested using the wrap pls tool and gave positive and significant results for all relationships between variables in this research.

The aim of this research is to test the model for information borrowers, risk of default, liquidity risk to P2P platforms. This research analyzes and tests and further examines the in Jakarta. This research uses 4 variables with 30 indicators, where the model variable has variable information borrowers has 7 indicators, risk of default variable has 8 indicators, liquidity risk has 8 indicator and the P2P platforms has 7 indicators. This research takes advantage of previous research gaps, by including different variables and the relationships between different variables in this research. The results of testing the influence of each variable and the following test results were obtained:

Information borrowers and P2P platforms
The Path coefficient obtained is 0.763 and p-value <0.01 with Very High Sig results, which means the model variable has a strong influence on entrepreneurs. The results of this research strengthen and are in line with previous research conducted by Trinh, (2024); Teplý & Polena, (2019); Tsai *et al.*, (2014), Dharmastuti & Laurentxius, (2021).

Risk of default and P2P platforms
The Path coefficient obtained is 0.769 and p value <0.01 with Very High Sig results, which means the model variable has a strong influence on networks. The results of this research strengthen and are in line with previous research conducted by Chen *et al.*, (2019); Wan *et al.*, (2019); Aliano *et al.*, (2023); Ya & Lin, (2023).

Liquidity risk and P2P platforms
The Path coefficient obtained is 0.767 and p-value < 0.01 with Very High Sig results, which means entrepreneurship variable has a strong influence on sustainability. The results of this research strengthen and are in line with previous research conducted by Nigmonov *et al.*, (2024); Huang et al., (2021); Chulawate & Kiattisin, (2023); Yeo & Jun, (2020).

5. CONCLUSION
This research develops an analytical model regarding the information borrowers, risk of default, liquidity risk to P2P platforms more specifically, the proposed model is in accordance with risk, P2P platform and strategic management theory, where lender in Jakarta are the target objects, and demographic factors such as gender, age. The aim of this research is to find out, analyze and test and further study the P2P platforms. These findings show that the analysis shows that model has a very strong influence on information borrowers, risk of default, liquidity risk to P2P platforms. These results show that demographic factors such as gender, age and variables information borrowers, risk of default, liquidity risk, P2P platforms is a determining factor in P2P lender in Jakarta. According to the theory that supports this

research, the risk, P2P platform and strategic management theory is a clear predictor that causes this to be fulfilled. Very good opinion among P2P lender regarding information borrowers, risk of default, liquidity risk, P2P platforms, which are good indicators and prerequisites for P2P lender in Jakarta.

Theoretical implications
To our knowledge, research on the entrepreneurship education combined with information borrowers, risk of default, liquidity risk, P2P platforms is still research that has rarely been carried out by previous researchers. This adds to the literature by showing that the model variable has a big influence on information borrowers, risk of default, liquidity risk has a big influence on P2P platforms.

This research uses a method that presents good techniques, namely by using direct sample selection of lender in Jakarta covering various research fields and gender, age. The new research model in this study for the relationship between the model variables combined with information borrowers, risk of default, liquidity risk, P2P platforms is presented based on risk, P2P platform and strategic management theory. We hope that this model can help future researchers in conceptualizing the various factors that influence P2P lender events and encourage further research in this important area.

Practical implications
This research provides a better understanding of the sustainability approach. Following the basic principles of the model for information borrowers, risk of default, liquidity risk that can fulfill the desires and expectations of lender in Jakarta. This research provides a better understanding of the approach regarding the variables information borrowers, risk of default, liquidity risk have a big influence on P2P platforms. This provides the best path for lenders in Jakarta. The findings above can be implemented as a business strategy with a good planner and a P2P lender who has a lot of knowledge and is very good. By developing P2P platforms, this research can be more useful for lenders to focus on information on borrowers, risk of default, liquidity risk in

Jakarta. A business strategy using this model can be used as a P2P platforms model in Jakarta. In addition, business location characteristics can include places that support technology, networks, operations, control which are more attractive to lenders in Jakarta. The aim is to encourage lenders to continue doing business in Jakarta.

Limitations and future research
This research design has limitations that can be corrected and perfected by future researchers. Future researchers can add other variables for further research. In new response characteristics research involving other demographics. Future researchers can increase the number of respondents and other characteristics of respondents for other ongoing research. The data analysis technique used in this research is only a quantitative method, but methods for future researchers can be complemented by qualitative methods which can make it easier to obtain phenomena and identify their characteristics and can facilitate a more focused understanding of the topic.

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