

THE IMPACT OF PEER TO PEER LENDING AND PAYMENT GATEWAYS ON MSME PERFORMANCE IS MODERATED BY PRODUCT INNOVATION

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ABSTRACT: This study aims to examine the effect of peer to peer lending and payment gateways on MSME performance moderated by product innovation. The population in this study were SMEs in the Tanjung Priok sub-district with a total sample of 150 and sampling using purposive sampling. Data analysis uses Smart-PLS 4 which has the result that peer to peer lending has a positive and significant effect on MSME performance. Payment gateway has a positive and significant effect on MSME performance. Product innovation has a positive and significant effect on the performance of SMEs. Innovation moderation has a positive and significant effect that strengthens the influence of peer to peer lending on MSME performance. Innovation moderation has a significant positive effect and strengthens the influence of payment gateways on MSME performance.

Keywords: MSME Performance, Peer To Peer Lending, Payment Gateway, Product Innovation.

INTRODUCTION

In Indonesia, MSMEs have an important role for economic growth as a form of accelerating regional development. The development of MSMEs cannot be separated from financial management problems where the management itself requires basic accounting skills which not all MSME actors apply. Many MSME actors feel no need to conduct performance appraisals on their businesses because they think that it is a complicated and difficult thing. Performance is generally used as a measure of health in businesses and

describes the effectiveness of asset utilization to increase business revenue. Performance is a picture of economic results that can be achieved by the company at a certain time through company activities made continuously by management (Wahyudi, 2021). MSME performance is the result of work carried out as a whole and compared with the results of work, targets, targets that have been determined and mutually agreed upon in an entity with asset and turnover criteria that have been determined by law (Lubis et al., 2022).

Tanjung Priok District is one of the sub-districts located in North Jakarta, where every year MSMEs are expanding. In 2019, the total of all MSMEs located in Tanjung Priok District amounted to 2,769. In 2020 it increased

to 2,836, in 2021 it increased by 346 to 3,182 and in 2022 to 3,439. The total number of MSMEs in Tanjung Priok District can be seen in Table I as attached:

Table I. Development of the Number of Micro, Small and Medium Enterprises Tanjung Priok District, North Jakarta.

No	Neighborhoods	Number of MSME Actors per Year			
		2019	2020	2021	2022
1.	Kebon Bawang	331	547	583	620
2.	Papanggo	224	318	348	379
3.	Sungai Bambu	212	505	570	615
4.	Sunter Agung	276	321	387	421
5.	Sunter Jaya	253	270	305	346
6.	Tanjung Priok	231	324	391	438
7.	Warakas	242	551	598	620
Total		2769	2836	3182	3439

Source: PPID of the Cooperative and MSME Office (PPKUKM), Year 2021.

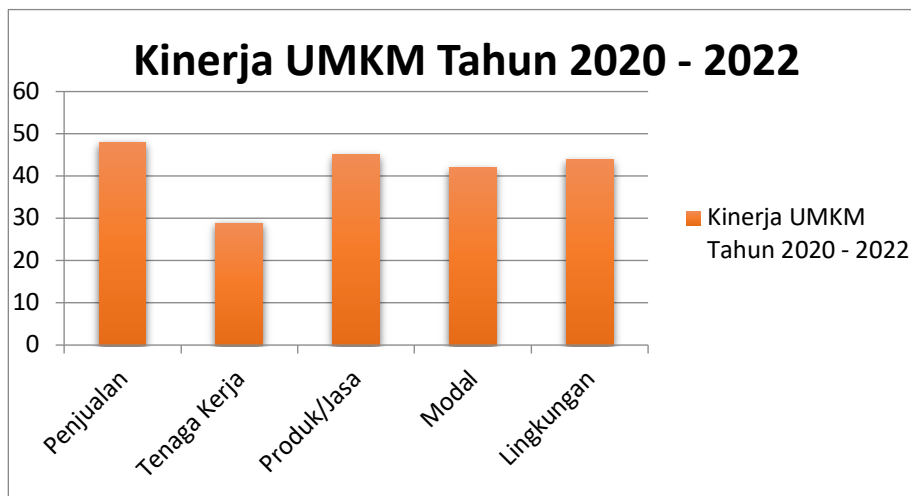


Figure 1
Development of MSME Performance in Tanjung Priok District, North Jakarta in 2020-2022.

Based on pre-survey research data conducted on 50 respondents, MSME actors in Tanjung Priok sub-district experienced an increase in MSME performance for the 2020-2022 period. Where as many as 48 respondents

admitted to experiencing an increase in sales, 29 respondents added labor, 45 respondents implemented a sales target system, 42 respondents admitted to getting additional capital, and as many as 44 respondents admitted that the

environment affects the level of business performance.

According to Sanistasya *et al.*, (2019) that out of 60 million MSMEs, only around 11 million MSMEs receive capital funding from banks. This is because many MSME players find it difficult with the procedure for applying for loans to banks. MSMEs still face obstacles in MSMEs still face obstacles in increasing capital, both for working capital and investment capital. Business capital is one of the supporting factors for MSME performance. The capital obtained for the establishment of MSMEs can be from business people's own savings, bank loans, assistance from the government, grants, assistance from investors, or credit.

In this 4.0 era, there is already a *fintech platform*, namely *peer-to-peer lending* that can make it easier for an entrepreneur to borrow money and use it as business capital. *Peer-to-peer lending* offers easy lending services as per lending requirements and procedures. Borrowers can apply for loans anywhere without having to come to the *Peer to Peer Lending (P2P) Lending office* because *loan applications are made online or using the internet* (Setyaningsih *et al.*, 2020). This advancement in financial technology itself can improve performance, especially *fintech* itself is not limited to *Peer to Peer (P2P) Lending* as a lender, but there is a *digital* payment media called a *payment gateway*.

Payment gateway is a service that authorizes payments for digital transactions via credit, debit, bank transfer, or *e-money*. *Digital Payment* helps people like to shop online and people who like to use *digital transactions*. *Digital Payment* is carried out automatically and facilitates the transaction process. All financial transactions are processed securely and *in real time* (Setyaningsih *et al.*, 2020). This digital payment method is widely realized by several product innovations such as Gojek, Shopee and so on. Product innovation itself is an online shopping medium that is thought to be able to improve the performance of MSMEs themselves (Maysaroh, 2022).

Based on the background above, several problems can be formulated in this observation, namely: (1) Is there an influence of Peer To Peer Lending (P2P) Lending on the performance of MSMEs?, (2) Is there an influence of *Digital Payment* on the performance of MSMEs?, (3) Is there an influence of product innovation on the performance of MSMEs?, (4) Is there an influence of *Peer To Peer Lending (P2P) Lending* on the performance of MSMEs with product innovation as moderation?, (5) Is there any influence of *Digital Payment* on MSME performance with product innovation as moderation? The author's intention in conducting this study is to obtain data and information on the influence of *Peer To Peer Lending (P2P) Lending* and *Digital Payment* on MSME

Performance Moderated by Product Innovation.

LITERATURE REVIEW

MSME Performance

Performance is an achievement of company achievements in a certain period that describes the company's financial health condition with indicators of capital adequacy, liquidity and profitability (Trianto, 2018). Performance is as a determination of certain measures that can measure the success of a company in generating profits. Based on the above understanding, it can be concluded that the performance of MSMEs is an achievement of a business in generating profits (Hidayatulloh, 2020). According to Munizu in the research of Ali et al., (2017), MSME performance has the following indicators: (1) Sales and income; (2) Number of manpower; (3) The products/services produced; (4) Business capital; and (5) Work environment.

Peer To Peer Lending and MSME Performance

Peer to Peer Lending (P2P) *Lending* is a technological advancement that brings together lenders to someone who needs funds digitally in the hope that lenders will get comparable *returns*. *Peer to Peer Lending* services have the advantage of being more flexible because they can provide funds to anyone and anywhere without limited area and time, do not have complicated requirements like traditional banks, have fast disbursement of funds and lighter

interest rates than through traditional banks (Kurniawan, 2021).

Peer to Peer Lending is a form of financial service that provides funding to individuals and organizations that have the aim of improving the economy, this funding is specifically for people who want to start their business by developing MSMEs (Rezeki, 2022). *Peer to Peer Lending* has several indicators as follows: (1) Save time, cost and energy, (2) Borrower convenience, (3) Data security, (4) Fast process, (5) Ease of use, (6) Billing according to schedule and conditions, (7) Application is fully in accordance with the policy (Syarifa et al., 2020).

Based on research conducted by Maysaroh, (2022) in her research entitled the influence of *Peer to Peer Lending and payment gateways on MSME performance during the Covid-19 pandemic: e-commerce moderation has the result that* *Peer to Peer Lending* has a significant effect on MSME performance. According to the presentation, hypotheses can be drawn, namely: **H1: *Peer To Peer Lending (P2P) affects MSME performance.***

Payment Gateway and MSME Performance

Payment Gateway is a *platform* that provides payments through the internet network, where consumers can pay for products on the website or in other product innovations (Wahyudi, 2021). *Payment Gateway* is a *digital payment medium* that runs automatically and all transactions in *real*

time. This payment system greatly facilitates various groups because it reduces the rate of financial errors or crimes such as counterfeit money (Maysaroh, 2022). There are five indicators to measure the use of *digital payments*, namely: (1) Ease of operation, (2) Flexible, (3) On time, (4) Simplify work, (5) Right on target, (6) Produce good service (Saputra, 2019).

Based on research conducted by Pangestu and Rita, (2022) on the use of the "Go-Pay" payment gateway *and MSME performance: a study on coffee shops in Salatiga City has results if gopay has a significant effect* on the financial performance of MSMEs. According to the presentation, a hypothesis can be drawn, namely **H2: Payment Gateway affects the performance of MSMEs.**

Product Innovation and MSME Performance

Product innovation is the implementation of product renewal to adapt to consumer demand (Dalimunthe, 2017). Product innovation is a process in which there is a way to solve problems (Nizam et al., 2020). Product innovation has 5 indicators, namely: (1) Creativity, (2) New product launch, (3) Design changes, (4) Changes in distribution facilities, (5) Payment systems (Dalimunthe, 2017).

Based on research conducted by Rachmasari and Suprapti, (2022) in the

role of product innovation in mediating the influence of market orientation on the business performance of coffee shop SMEs Product innovation has a significant effect on performance. According to this presentation, a hypothesis can be drawn, namely **H3: Product Innovation affects MSME Performance.**

Moderation of Product Innovation over Peer To Peer Lending to Performance

Product innovation is an effort by business people to maintain their business in the form of making changes to a product so that their products have different values than their competitors. Based on the description above, a hypothesis can be drawn, namely **H4: Peer To Peer Lending (P2P) affects the Performance of MSMEs with Product Innovation as Moderation.**

Moderation of Product Innovation on Digital Payment on Performance

Understanding product *innovation* has been explained in the previous discussion, where product innovation that is used properly will affect performance. Based on the description above, a hypothesis can be drawn, namely **H5: Payment Gateway affects MSME Performance with Product Innovation as Moderation.**

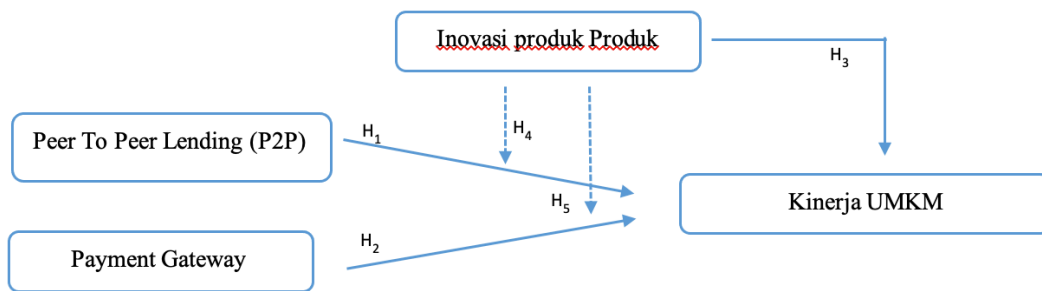


Figure 2. Research Model.

METHOD

In this study, the author conducted research on the performance of MSMEs. The population in this study is the entire MSME actors in Tanjung Priok district, North Jakarta, the sample in this study amounted to 150 respondents. The method used in this study is *purposive sampling*, which is a technique that determines samples with various considerations (Sugiyono, 2016). The criteria for respondents in this study are: MSMEs are general, have applied *fintech* to their business, have at least been running a business for approximately 3 years, are at least 20 years old, are in the Tanjung Priok sub-district. Data collection uses primary data with the distribution of questionnaires to obtain correspondent opinions. The scale used to measure opinion uses a 5-point Likert scale.

The type of research used is a test of validity and reliability, validity is a measuring tool used to determine the feasibility of a question on the questionnaire in defining a variable. The test is said to be valid if the results match the criteria (V. Wiratna, 2012). While reliability is an *instrument* that when

used many times to measure the same object will give the same results (Hayati and Lailatussadah, 2016).

Variable Operational Definition

The following is the definition and measurement of research variables:

1. Independent Variable (X): is a variable that affects the dependent variable. In this study, the independent variables are:
 - a. Peer To Peer Lending: is an electronic media financial service that provides loans to organizations in real time with easy terms using internet media.
 - b. Digital Payment : is a non-cash payment instrument made by utilizing the internet.
2. Dependent variable (Y): is a variable that is influenced by the independent variable. In this study, the variable is MSME Performance, which is a measure of MSME health where it can be seen its effectiveness in utilizing assets.
3. Moderating Variable (Z): the variable in this study is product innovation, updates to a product to increase

people's buying attractiveness and improve MSME performance.

RESULT AND DISCUSSION

The model used in this study is in accordance with the operational parameters and feasibility of the model with the data processing process using

Smart PLS SEM 4. The use of Smart PLS is because the samples owned are limited, which is under 200 samples. *The outer model* is used to test the validity and relationship between indicators, here is a picture of the variable path in the study:

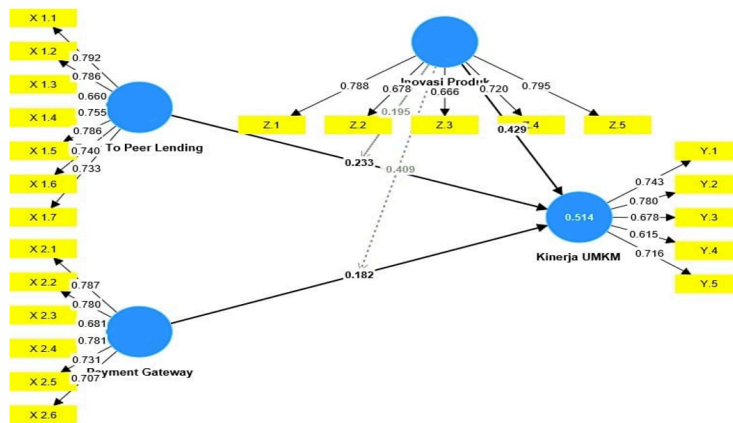


Figure 3. Structural Model.
Source: SmartPLS4 output, 2023.

Outer Model Measurement

The outer model defines the relationship between indicators and

other latent variables. Here's the outer model in this study :

Tabel II. Outer Loading Overview

Pertanyaan	Kinerja UMKM	Peer To Peer Lending	Payment Gateway	Inovasi Produk
Y.1	0,743			
Y.2	0,780			
Y.3	0,678			
Y.4	0,615			
Y.5	0,716			
X.1.1		0,792		
X.1.2		0,786		
X.1.3		0,660		
X.1.4		0,755		
X.1.5		0,786		
X.1.6		0,740		

X.1.7	0,733
X.2.1	0,787
X.2.2	0,780
X.2.3	0,681
X.2.4	0,781
X.2.5	0,731
X.2.6	0,707
Z.1	0,788
Z.2	0,678
Z.3	0,666
Z.4	0,720
Z.5	0,795

It can be observed based on table II based on the validity test, all *factor loading indicator values* for MSME Performance variables, *Peer to peer lending*, *Payment gateway* and product

innovation have a value of < 0.05 which means that all indicators are declared valid. If all indicators pass the validity test, then the next step is to conduct a reliability test.

Table III. Construct Reliability

	Cronbach's alpha	rho_A	Composite Reliability	Rata-rata varians (AVE)
Product Innovation	0,783	0,808	0,851	0,535
MSME Performance	0,751	0,759	0,834	0,502
Payment Gateway	0,844	0,865	0,882	0,556
Peer To Peer Lending	0,873	0,891	0,901	0,565

Referring to table III above, it is said that all variables pass the reliability test. This can be proven in the composite reliability score which shows a $>$ number of 0.7 and the value of cronbach's alpha

which shows a value of > 0.6 . So it can be said that all indicators are reliable and can be used in hypothesis tests.

Test the hypothesis

Table IV. Test hypothesis

	Original Sample	Mean Sample	Standart Deviation	T-Statistic	P-Value
Peer To Peer Lending -> Kinerja UMKM	0,233	0,249	0,110	2,115	0,035
Payment Gateway -> Kinerja UMKM	0,182	0,183	0,066	2,754	0,006

Inovasi Produk -> Kinerja UMKM	0,429	0,402	0,117	3,665	0,000
Inovasi Produk x Peer To Peer Lending -> Kinerja UMKM	0,195	0,186	0,081	2,400	0,016
Inovasi Produk x Payment Gateway -> Kinerja UMKM	0,409	0,398	0,134	3,046	0,002

Source: Smart PLS4 output, 2023.

Based on table IV above, it is stated that the relationship between *peer to peer lending* and MSME performance is significantly positive with a T-statistic of > 1.96 , which is 2.115. Thus H1 in this study is accepted. This is in accordance with the results of research conducted by Maysaroh, (2022) that *peer to peer lending* has a significant effect on the performance of MSMEs.

Furthermore, the relationship between *payment gateways* and MSME performance is significantly positive with t-statistics results of $2.754 > 1.96$. Thus, H2 in this study is accepted and in accordance with research conducted by Pangestu and Rita, (2022) where *payment gateways* have a significant effect on the performance of MSMEs.

Furthermore, the relationship between product innovation and MSME performance has a positive and significant effect with t-statistics of $3.665 > 1.96$. So that H3 in this study is accepted and in accordance with research conducted by Rachmasari and Suprpti, (2022), namely product innovation has a significant effect on the performance of SMEs.

Work motivation as a *peer to peer lending* moderation variable has a positive and significant effect on employee performance with t-statistics $2,400 > 1.96$. Then H4 is accepted. Motivation as a *payment gateway* moderation variable has a positive and significant effect, this is evidenced by t-statistical values of $3.046 > 1.96$ so that H5 is accepted.

CONCLUSION

Based on the analysis that has been done, the following conclusions can be drawn: (1) *Peer to peer lending* has a positive and significant effect on the performance of MSMEs, this shows that many MSME actors need fast financial assistance and peer to peer lending offers flexible access to borrowing funds. (2) *Payment* gateways have a positive and significant impact on the performance of MSMEs, this is due to changes in consumer behavior in terms of payment instruments, because *payment gateways* themselves offer many benefits compared to traditional payments. (3) Product innovation has a positive and significant effect on the performance of MSMEs, this shows that

there are updates to the product so that it will increase MSME sales. (4) Product innovation can moderate *Peer to peer lending* in MSME performance, this is because product updates require capital and P2P companies provide flexible loans. (5) Product Innovation is able to moderate payment gateways to *the performance* of MSMEs, this shows that product updates and digital payment systems can improve the performance of an MSME.

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