

CHAPTER I

INTRODUCTION

1.1 Background

Technological advancements are penetrated to every aspect of human life. It has changed the way we live and work. In few years ago we used mobile phone only for communication function, but today it can be used in many kinds of human task such as ordering some foods, asking for home services, monitoring investment portfolios, and others anytime and anywhere. It caused by the development of mobile Internet. According to Manyika, Chui, Bughin, Dobbs, Bisson, & Marrs (2013), mobile Internet is the most disruptive technology that has the greatest potential to drive substantial transformation in human life, business, and the global economy by 2025.

The technology of the mobile Internet is evolving rapidly by new and interactive features. It has applied across businesses and public sector. Manyika et. al (2013) stated that mobile internet enables more efficient delivery of many kind of services and creating opportunities to increase productivity. One of supporting innovation in the enhancement of mobile Internet utilization is cloud technology. It provides greater flexibility and responsiveness since our data is available on an as-needed basis. The collaboration of mobile Internet and cloud computing bring a huge benefit for business and economic development.

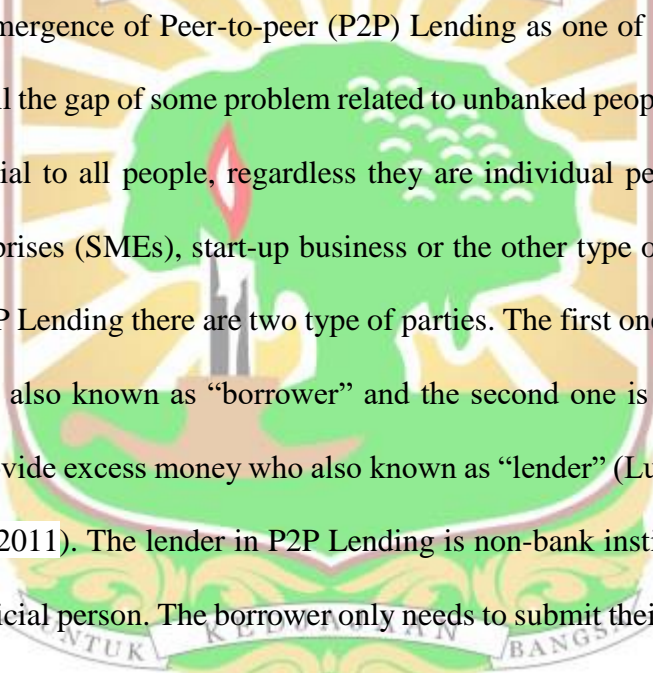
One of the enormous products as a result of collaboration of mobile Internet and cloud computing used in economic activity is called as “Fintech”. According to Troung (2016) Fintech is an abbreviation of Financial Technology which refers to the company that running business in financial service by utilizing the technology. It is a phenomenon that is catching significant attention from many parties, especially who are involve in financial industry and as well as government since financial services are the backbone of any economy.



As the largest economy in Southeast Asia, Indonesia is a big market for Fintech penetration. The development of Fintech will support three targets of Indonesia’s master plan of financial services 2015-2019 as stated by Hadad (2017). First, contribute to optimizing the role of the financial services sector in supporting acceleration of national economic growth. Second, to ensure the stabilization of financial system for sustainable development. Third, inclusive, which open access to financing sources that hopefully can improve the welfare of Indonesian society. Financial Service Authority (OJK) of Indonesia (2017) reported that type of Fintech services that exist in Indonesia are Digital Payment, Financing and Investment, Account Aggregator, Information and Feeder Site, and Personal Finance (OJK, 2017). According to Hadad (2017) the main popular financial service of Fintech is online payment by 43% and then followed by Fintech lending for 17%, and the rest are in the form of aggregators, crowdfunding and others.

The existence of Fintech services in Indonesia is expected to be one of solution of limited access to financial service and increase financial inclusion of

Indonesian people. As stated in The Global Findex Database 2017 released by World Bank (2018), approximately 95 million adults in Indonesia are still lack of account at a financial institution or through an online money provider. The main obstacle to have account ownership is lack of enough money to create an account. The other reasons are remoteness, lack of necessary requirement, lack of trust, religious reason and so on. The financial industry has to accommodate the needs of unbanked individual or SMEs as well.

The logo of Universitas Andalas is a shield-shaped emblem. At the top, a banner reads "UNIVERSITAS ANDALAS". The central part of the shield features a green tree with a red flame-like shape at its top, set against a yellow sunburst background. Below the tree, there is a white figure that appears to be a person or a stylized symbol. At the bottom of the shield, a banner contains the motto "UNTUK KEMAJUAN BANGSA".

The emergence of Peer-to-peer (P2P) Lending as one of Fintech services probably can fill the gap of some problem related to unbanked people and it perhaps will be beneficial to all people, regardless they are individual people, Small and Medium Enterprises (SMEs), start-up business or the other type of business. Like its name, in P2P Lending there are two type of parties. The first one is investee that need fund who also known as “borrower” and the second one is investor are the people who provide excess money who also known as “lender” (Luo, Xiong, Zhou, Guo, & Deng, 2011). The lender in P2P Lending is non-bank institution. It can be a private or judicial person. The borrower only needs to submit their application via P2P online platform and then if some people interested to the application, they can finance all or part of loan (Qian, Stern, and Makinen, 2017). Therefore, P2P lending can be considered as alternative financing for borrower and alternative investment for investor or lender.

P2P lending as the alternative financing is more flexible compare to the formal financing. Wijaya (2017) said that it can allocate capital or funds almost to

anyone, in any amount of value, effectively and transparently, and with relative low interest rate. P2P lending as an investment instrument also beneficial to people that have an excess money to get return. P2P lending provides an accessible service and affordable investment amount. In addition, according to Haryono (2019), one of the factors that makes investment in P2P lending attractive is competitive returns with lower volatility. Besides the huge advantages, P2P Lending also comes with several risks. As the online platform, P2P lending is overshadowed by cybercrime and the issue of user privacy. It challenges regulator to create policy, regulation, and something that can supervise the P2P Lending player and its activity in order to support the growth of P2P Lending in Indonesia.

Development of P2P Lending needs digital awareness. Uniquely, Indonesia is one of countries which has high mobile subscription and internet penetration rates relative to Indonesia's population (KPMG, 2018). In the next few years, Indonesia's Internet population will extremely boom due to the enhancement of accessibility of mobile Internet as well as the increasing number of inexpensive mobile phone as stated by Das, Gryseels, Sudhir, & Tan (2016) in a report entitled Unlocking Indonesia's Digital Opportunity. A massive infrastructure arranged by Indonesia's government is the next supporting equipment for digitalization. These evidences are presenting a good opportunity for P2P Lending development.

The next matters in P2P Lending are the issue of awareness and perception toward these services. P2P Lending popularity seem well burgeoned in Java Island but still low in the other region outside Java Island. This argument is confirmed by

the summary of financial data of Fintech P2P Lending which is prepared by OJK as presented in the Table 1.1. According to the table, P2P Lending player both borrower and lender is concentrated in Java Island. There are two possibility regarding this problem.

Table 1.1
Summary of P2P Lending Growth in Indonesia

Description	January 2018	January 2019
Accumulated Lender Account		
• Java	87,728	205,230
• Outside Java	26,430	60,198
Accumulated Borrower Account		
• Java	300,785	4,313,165
• Outside Java	29,369	846,955
Accumulated Loan (IDR)		
• Java	2,578,631,203,736	22,372,597,859,354
• Outside Java	423,918,733,493	3,549,120,516,756

Source: [Ikhtisar Data Keuangan Fintech \(Peer To Peer Lending\)](#)

Studies about Fintech began to attract researcher's attention and it has been growth overtime. However, this topic is relative a new issue to be scrutinized. Several research about the awareness of Fintech that had been done in recent year such as in UK, Malaysia, Latvia, Finland, and there is some report regarding the adoption of Fintech and evaluation international Fintech sector by Ernst & Young and so on. Ghazali and Yasouka (2018) found that in Malaysia, the awareness to

Fintech especially for P2P lending and crowdfunding still very limited, but for the perception, there is a good sign P2P Lending adoption in Malaysia.

Research regarding Fintech awareness especially P2P Lending seem interesting to be conducted in West Sumatera. West Sumatera can be considered as potential market for P2P Lending development. This statement is supported by index of financial inclusion in 2016 that shows the level of financial inclusion in West Sumatera is relatively low at 66.91% (OJK, 2016). According to Satria, and Marta (2015), banking sector in West Sumatera still consider the availability of collateral as the basis of credit assessment. It is probably become a big problem of SMEs which has insufficient collateral to get credit from bank. The emergence of P2P Lending perhaps can be one of solution of financial problem in West Sumatera. Meanwhile, based on Table 1.1 the number of P2P Lending player and the amount of transaction is very low in the provinces outside Java Island including West Sumatera. The research regarding this topic is very limited in Indonesia especially in West Sumatera since Fintech and P2P Lending is relatively new phenomenon.

Based on the background that has been explained above, the author is interested to explore the awareness and perception of people who lived in West Sumatera toward P2P Lending through research entitle **“Awareness and Perception Analysis toward Peer-To-Peer Lending in West Sumatera”**.

1.2 Problem Statement

Based on the background which has been described above, the formulation of problem statement for this research is: How are the awareness and perception of people who lived in West Sumatera toward Peer-to-peer (P2P) lending?

1.3 Research Objective

According to the problem statement above, the objectives of this research is: to analyze the awareness and perception of people who lived in West Sumatera toward Peer-to-peer (P2P) lending.

1.4 Research Benefit

From this research, researcher expect to:

- 1) For P2P Lending provider, it is expected to be used as information for business expansion.
- 2) For government, it is expected to be used as an evaluation material and consideration in making policies and regulations regarding P2P lending as alternative financing source in order to protect any party that involved in P2P lending.
- 3) For academics, it is expected to be a reference, literature and additional information to enhance the insight of students and probably can be a reference for further research regarding P2P lending.

- 4) For author, to get additional insight about Fintech especially P2P lending and to fulfill the requirements of the bachelor's degree of economics in Andalas University

1.5 Writing Systematic

The structure of this research is divided into several sections as follows:

CHAPTER I This chapter is an introduction part which is discussed the background, problem statement, research objectives, research benefits and writing systematic.

CHAPTER II This chapter provides literature review of an explanation of the basis for the theory used and previous related research to overcome the concept in analyzing the awareness and perception of Indonesian People and SMEs toward P2P lending.

CHAPTER III This chapter is research methods which discussed about research design, research variable, operational definition of variable, population and sample, type and source of data, data collection method, and data analysis method.

CHAPTER IV This chapter provides an explanation of the description of the object of research, data analysis, and interpretation of results.

CHAPTER V This chapter provides an explanation of the conclusions, research limitation, and recommendation.

