

## THE INFLUENCE OF PEER TO PEER LENDING (P2P) AND ELECTRONIC MONEY ON INCREASING PROFITS OF MICRO SMALL AND MEDIUM ENTERPRISES (MSME) IN KUDUS REGENCY

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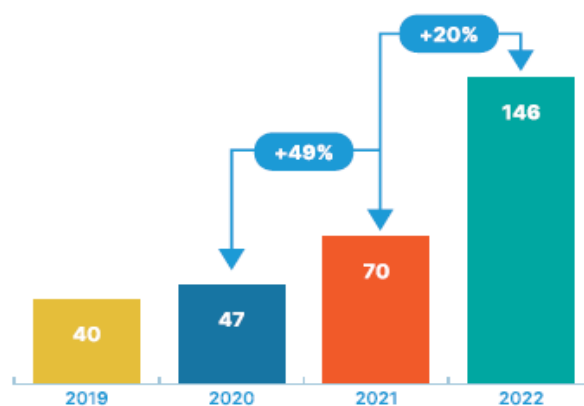
Article Info	Abstract
<p><b>Article History</b></p> <p>Received: 02 September 2022</p> <p>Accepted: 24 November 2022</p> <p>Published: 31 December 2022</p>	<p><i>Currently, MSMEs must begin to realize the importance of various digital platform services such as peer to peer lending (P2P) and electronic money. The low number of MSME business actors in Kudus Regency compared to MSME business actors in other regencies is one of the reasons for conducting this research. In addition, there is still a lack of research on Peer to peer lending (P2P) and electronic money with the use of connecting/intervening variables. The sampling technique used purposive sampling. The data was obtained using a questionnaire distributed to 91 MSME business actors in Kudus Regency. Consumer data were analyzed using multiple regression models and path analysis with SPSS. The results show that there is a direct influence of P2P and electronic money on the increase in MSME profits, the indirect influence of P2P and electronic money on the increase in MSME profits with MSME income as intervening, as well as the direct influence of P2P and electronic money on MSME income.</i></p> <p><b>Keywords:</b> <i>P2P, Electronic Money, Increased Profits, MSME Income.</i></p>

### INTRODUCTION

Financial technology or better known as fintech is one of the innovations in the field of financial services by utilizing the development of internet technology. The phenomenon of increasingly advanced and developing technology provides convenience in financial transactions, both in terms of payment and obtaining loan funds. In addition, fintech offers practicality, easy

access, convenience and more economical costs in conducting financial transactions. Fintech can also provide change to people who are accustomed to traditional financial transactions into technology-based financial transactions (Purnamasari, 2020). This is supported by the growth of internet usage in Indonesia illustrated in Figure 1 about Indonesia's internet economy

**Figure 1. Indonesian Internet Economy**



Source: OJK 2022

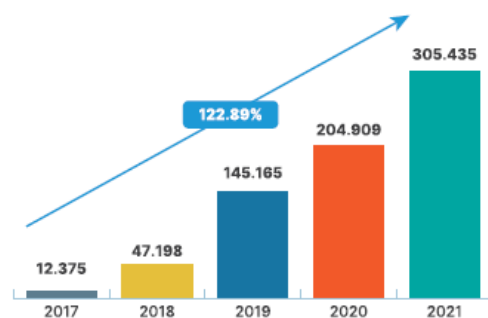
Figure 1 shows that the growth of the internet economy in Indonesia is very large every year. The Gross Merchandise Value (GMV) of the internet is estimated to reach USD 70 billion in 2021 with a growth rate of 49% since 2020. By 2025 it is estimated that Indonesia's internet economy will reach USD 146 billion, so fintech in Indonesia still has the opportunity to continue to grow and develop. The Indonesian FinTech Association (AFTECH) in 2021 explains the types of fintech including: Electronic Money, Payment Gateways, Online Loans (peer-to-peer lending), Electronic Know Your Customer/e-KYC, Credit Assessment/Rating (Innovative) Credit Scoring).

The OJK explained that there was an increase in the total online loan transactions (peer to peer lending) in Indonesia growing by 70% YoY to IDR 13.6 trillion in December 2021. This P2P is still channelled and focused on the Java island where nearly 70% of the total online loan transactions are still originating from Java, followed by 28% of foreign transactions, and 1.9% of transactions outside Java which accounted for less than 1% of the total transactions, except for North Sumatra (1.8%) and Bengkulu (1%). This P2P development is widely used by MSME actors to obtain funds easily and practically. The existence of P2P offers an effective funding solution for MSME in obtaining capital in a simple and fast manner. P2P can be used through platforms such as *AkuLaku*, *UangTeman*, *Finmas*, and so on.

In addition to P2P, Bank Indonesia issues Bank Indonesia Regulation (PBI) regarding the payment system No. 22/23/PBI/2020 and PBI No. 23/6/PBI/2021 and PBI No. 23/11/PBI/2021. This regulation can be used as a payment license and regulates the technology

payment business so that it increases technology-based payments in Indonesia in an efficient and conducive manner. The following figure 2 shows the total digital transactions in Indonesia.

**Figure 2. Total digital payment transactions**



Source: AFTECH 2021

Technology-based payment transactions have increased annually by 122.89% from 2017 to 2021. This proves that technological developments can provide changes to traditional financial transactions. In addition, the emergence of the COVID-19 pandemic since the beginning of 2020 has encouraged individuals and businesses to make payment transactions through technology through the cardless movement, non-cash payments and so on.

MSME as one of the motors of the economy spreading widely in people's lives, needs to recognize and use fintech services to be more advanced. MSME actors are required to be more aware and ready for the available payment solutions. Payment providers will develop to meet people's needs with QR-code-based or link-based payments or can be said to be electronic money. This fintech development can help MSME control business cash flow so that it can be more productive and efficient. In addition, it is possible through fintech to increase sales which will then be followed by high profits. Electronic money has been widely used by MSME actors through platforms such as *LinkAja*, *Dana*, *shopee pay*, *go-pay*, *OVO*, *e-money*, and so on.

Currently, the number of MSME in Kudus Regency has reached 989 business units spread across various sub-districts. Meanwhile, the number of MSME in surrounding cities, among others: (1) Demak has reached 13,018 units; (2) Pati has reached 1,821 units; (3) Jepara has reached 1,912 units; (4) Semarang has reached 11,908 units; and (5) Rembang has reached 931 units (Dinas KopUKM Jawa Tengah, 2022). Berdasarkan data jumlah MSME yang telah terdata, rasio MSME di Kota Kudus ternyata masih tergolong rendah bila dibanding dengan jumlah MSME di kota lainnya. Based on data on the number of MSME that has been recorded, the ratio of MSME in Kudus is still relatively low when compared to the number of MSME in other cities. Many factors cause the number of MSME practitioners in Kudus to be relatively low. One of the factors is the failure experienced by many business actors in carrying out their business, making it an obstacle

for the community not to do business, limited capital, and so on. The use of fintech has been shown to have a significant effect on MSME's financial and operational performance (Suryono et al., 2019; Rahardjo et al., (2019).

In addition, Ningsih (2020) also explains that the existence of fintech provides many financial solutions, especially for MSME who want to develop, play a role in business financing, increase financial inclusion, and increase financial literacy in the development and development of MSME. Electronic money and P2P have an effect on increasing MSME income in Palembang City. Lestari et al., (2020) also shows that electronic money has an effect on the financial performance of MSME at Palembang Indah Mall as measured by sales revenue. Evienia et al., (2019) explains that the existence of electronic money, namely go-pay, had a significant influence on CBD MSME in Jakarta. P2P pioneered by the company PT Investree Radhika Jaya or Investree has had an impact on MSME engaged in services in Surabaya and has become an alternative solution for borrowing capital that is easy, fast, safe for MSME (Mukhtar & Rahayu, 2019). Digital payments via electronic money are able to have an impact on customers and MSME Roti Kasur actors in Sidoarjo City (Hardiky et al., 2021). The previous researchs are conducted only to find the effect between peer to peer lending and electronic money, there is no research showing this effect with the intervening variable.

Besides, the phenomenon of increasing use of P2P and electronic payment transactions that has been explained, can be shown to be a difference with the number of MSME in Kudus Regency which tends to be low. Researchers consider that this research is important for MSME business actors in Kudus because it can show MSME business actors in Kudus how peer to peer lending and electronic money influence their MSME business profits. This is in line with the aim of this study, to determine the effect of P2P and electronic money on increasing the profits of MSME business actors in Kudus Regency by adding the MSME income variable as an intervening variable.

## **LITERATURE REVIEW**

### **Financial Technology**

Purnamasari, (2020) explains that financial technology is an innovation carried out in the field of technology-based financial services that can maximize the use of technology in order to change or accelerate financial services, such as in payment methods, transfers, credit loans, collection of deposit funds, insurance, and asset management as investment. AFTECH, (2021) explains that the use of fintech can make it easier for consumers to make payment transactions without having to meet, obtain loans without having to go to a banking office, choose and know financial products that suit their needs, and invest easily and quickly. In addition, this fintech plays

an important role in assisting financial institutions in the process of identifying consumers digitally so that they can improve MSME in obtaining loans or financial services quickly. The types of fintech services are:

1. Electronic Money: kinds of payment in electronic form where the monetary value is stored in certain electronic media
2. Payment Gateway: payment authorization services for both credit and direct debit card users as well as electronic wallets (e-wallet).
3. Peer-to-peer lending: MSME to obtain loan funds.
4. Electronic Know Your Customer/e-KYC: the process of identifying consumers that is done electronically.
5. Innovative Credit: credit assessment services carried out using artificial intelligence and utilizing alternative data such as e-commerce data, cell phone usage to consumption (production patterns).

According to Rahmah et al., (2020) the use of information technology has a positive effect on MSME income levels. Significant use of information technology will lead to an increase in MSME revenue because businesses can promote or sell their wares online (Aji & Listyaningrum, 2021).

### **Peer-to-peer lending**

Ge, Feng, Gu, (2017) explains that P2P is a process for carrying out money loans between two individuals who are not directly related through an online platform in a simple and fast manner. With P2P, MSME actors as borrowers of funds do not need to provide collateral in the form of assets such as land and houses and can be done in the short term. Several P2P platforms include Investree, KoinWorks, and Taralite. This trend of collaboration between financial institutions and fintech (Yunus, 2019) makes it easier for MSME to obtain sources of capital through electronic systems using only the internet network (Hidayat et al., 2020). Through P2P, an MSME actor as a borrower can get loans from many individuals (Hidayat et al., 2020).

P2P has advantages such as fast processing, easy terms, flexibility, available credit calculators, and a variety of products (Santi, 2019). Various parties compete to offer convenience in the process of applying for and disbursing loan funds (Pradnyawati et al., 2021). P2P administrative requirements are relatively easier when compared to formal financial service loans (Wahyuni & Turisno, 2019).

### **Elektronik Money**

The definition of electronic money according to Bank Indonesia Regulation Number 20/6/PBI/2018 concerning electronic money is a payment instrument that must meet several elements issued on the basis of the value of money deposited in advance to the issuer, the value

of money is stored electronically in a media server or chip, the value of electronic money managed by the issuer is not a form of deposit

Tazkiyyaturrohmah (2018) explains that electronic money simplifies and speeds up payments during transactions. The existence of electronic money can make it easier for MSME actors to minimize returns to buyers, as well as buyers can pay for transactions with the right money without having to carry large amounts of money in their wallets. Electronic money include Dana, LinkAja!, OVO, ShopeePay, Go-pay, e-money (AFTECH, 2021). This electronic money has a high enough influence during the Covid-19 pandemic because this electronic money is used as a means of payment in electronic form where the value of money is stored in certain electronic media such as applications that can be downloaded and used via mobile phones.

Efforts made by MSME with the current sales system lead to a cardless culture. All transactions can be done via a smartphone that includes e-money. This effort is suggested as a form of promotion, MSME actors can easily introduce, offer, and sell their products (Pramelia & Erawati, 2022) while facilitating payment and bookkeeping of MSME business transactions

### **MSME Revenue**

Revenue is the result of all sales of goods or services of a commodity (Laili & Setiawan, 2020). Revenue is an important object because the main goal of the company in carrying out its business activities is to always experience an increase in income. An increase means an increase in degree, level, quality and quantity in a certain goal (Fauzan Haqiqi et al., 2020).

According to Haryani & Cita, (2021) to increase income, MSME actors need to pay attention to aspects of running their business, including: 1) Ownership Status of MSME Business Location, 2) Type of Business and 3) Length of Business. Features of MSME income can be seen from several aspects such as 1). Main and supporting sources of income; 2) Main products and company operations; 3) Total income and Rupiah matching (Hamanay et al., 2021).

The Neo-Classical Theory initiated by Geotge H. Bort explains that the economic growth of a region is largely determined by the ability of that region to increase its production activities. If it is related to the Indonesian economic crisis in 1997-1998, MSME was still able to survive without a collapse. Conditions are different when there is the Covid-19 pandemic at the beginning of 2020, MSME experiences a decline in sales revenue and many even collapse (Purnamasari, 2020). The presence of fintech and e-money during the covid-19 crisis is the right momentum for MSME to transform its business.

### **Profit Increase of MSME**

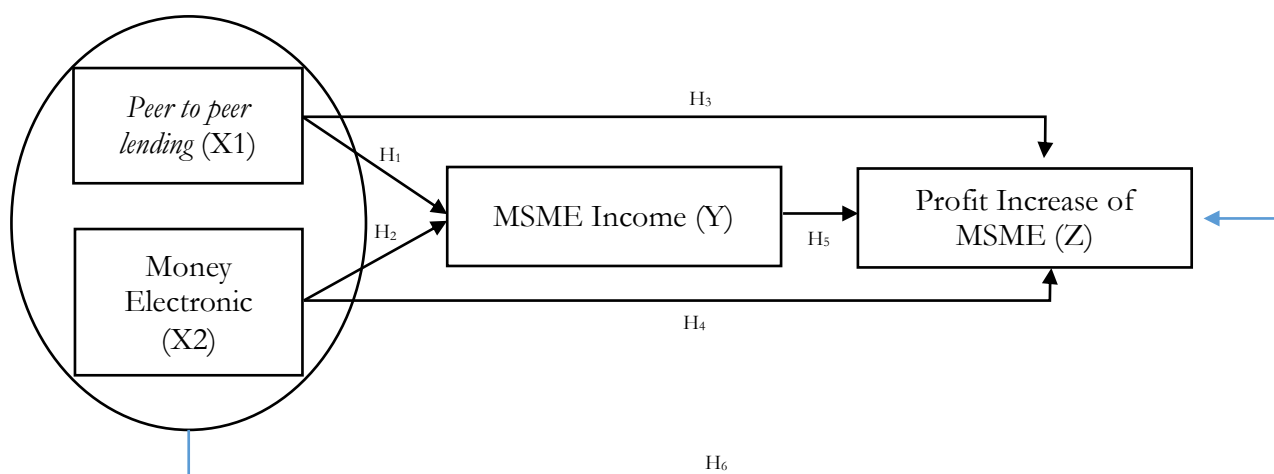
Every business must have online transactions in order to expand the market and increase sales. The increase in sales is also expected to be accompanied by an increase in profit. Profit is

the excess of total revenue compared to total expenses. Net profit is presented in the profit and loss statement by juxtaposing revenue with costs (Setyorini et al., 2019).

Revenue and profits received by MSME are not always stable, there may be an increase or decrease depending on the aspects or factors that influence it. These factors are both internal and external. Internal factors include owner's discretion, facilities, competitiveness, and production capacity, while external factors include people's income levels, economic conditions, and technological advances (Pramelia & Erawati, 2022). The need for working capital and production/service efficiency to keep up with the times must be a priority agenda for MSME to survive.

The research framework in this study is:

**Figure 3. Research Framework**



Hypothesis Development of this Research are:

H1: Peer to Peer Lending has a significant positive effect on MSME Revenue

H2: Electronic Money has a significant positive effect on MSME Income

H3: Peer to Peer Lending has a significant positive effect on Increasing MSME Profits

H4: Electronic Money has a significant positive effect on Increasing MSME Profits

H5: MSME's income has a significant positive effect on increasing MSME's profits

H6: The use of peer to peer lending and Electronic Money together has a significant positive effect on increasing MSME profits.

H7: Peer to Peer Lending has a significant effect on Increasing MSME Profits through MSME Income

H8: Electronic Money has a significant effect on Increasing MSME Profits through MSME Income

## METHODOLOGY

This research was conducted to determine the effect of the variable peer to peer lending (X1) with indicators of how to submit collateral. Electronic money variable (X2) with an indicator

of how to pay, the profit earned. Meanwhile the MSME income variable in Kudus Regency (Y) acts as an intervening variable with the indicators used, namely ownership status of the MSME business location, type of business and length of business. The increase in profits of MSME actors in Kudus Regency is used as a variable (Z) with indicators of facilities, competitiveness, production capacity and technological progress. This study aims to see the effect of P2P (X1) and electronic money (X2) on increasing MSME perpetrators' profits (Z) through MSME income (Y).

The type of data in this study was primary data. Sources of research data were interviews and questionnaires given to MSME actors in Kudus Regency. The sampling technique used a purposive sampling technique, namely MSME registered with the Cooperative and MSME Office of Kudus Regency and the MSME business has been established for at least 3 (three) years. Determining the number of samples used the Slovin formula obtained 91 MSME, namely 30 (thirty) MSME actors in the service sector, 30 (thirty) in the fashion sector, and 31 (thirty one) in the culinary sector taken by distributing questionnaires. This research method was quantitative. The analysis technique used validity test, reliability test, normality test, coefficient of determination test (R2), path analysis and hypothesis testing using SPSS version 26.

**RESULT & DISCUSSION**

**Statistic Descriptive of Respondent**

**Table 1. Statistic Descriptive of Respondent**

<b>Characteristics</b>	<b>Description</b>	<b>Frequency</b>	<b>Presentage</b>
<b>Sector of MSME</b>	Service	30	33%
	Fashion	31	34%
	Culinary	30	33%
<b>Length of Standing Business</b>	Service		
	<3-6 years	8	26,7%
	7-10 years	16	53,3%
	>10 years	6	20%
	Fashion		
	<3-6 years	9	29%
	7-10 years	7	22,6%
	>10 years	15	48,4%
	Culinary		
<3-6 years	14	46,7%	
7-10 years	11	36,7%	
>10 years	5	16,6%	
<b>Peer to peer Lending</b>	Service	19	63,3%
	Fashion	28	90,3%
	Culinary	25	83,3%
<b>The Use of Electronic Money</b>	Service	29	96,7%
	Fashion	27	87%
	Culinary	30	100%

Source: processed data in 2022



Based on table 1, 91 MSME in Kudus consisting of the service sector, the fashion sector and the culinary sector have established their businesses in various periods of time. The length of business establishment in the service sector is 7-10 years in which there are 16 MSME. Fashion sector as many as 15 MSME has been established for more than 10 years. In the culinary sector, 14 MSMEs have been established for 3-6 years. Regarding peer to peer lending, all three sectors have P2P on various lending platforms, with the highest percentage of 90.3% in the fashion sector. Then the three sectors also use electronic money such as Dana, LinkAja, OVO, Shopee-pay, Go-Pay and e-money. The percentage is 100% which means that 30 MSME in the culinary sector have used electronic money as a payment medium. 96.7% has been used in the service sector and 87% in the fashion sector.

### Validity Test and Reliability Test

To test whether each indicator is valid or not, it can be seen in the display of the Pearson correlation output in table 2.

**Table 2. Test of Variable Validity**

Variable	Items of Question	Pearson Corellation ( $r_{hitung}$ )	r table	Cronbach Alpha	Standard Cronbach Alpha	Description
Peer to Peer Lending (X1)	X1.1	0,290	0,268	0,796	0,6	VALID & RELIABLE
	X1.2	0,275		0,686		
Money Electronic (X2)	X2.1	0,482	0,268	0,785	0,6	VALID & RELIABLE
	X2.2	0,630		0,743		
MSME Income (Y)	Y.1	0,677	0,268	0,862	0,6	VALID & RELIABLE
	Y.2	0,299		0,695		
	Y.3	0,333		0,850		
Profit Increase of MSME (Z)	Z.1	0,512	0,268	0,811	0,6	VALID & RELIABLE
	Z.2	0,667		0,757		
	Z.3	0,655		0,775		
	Z.4	0,348		0,868		

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: processed data 2022

The results of the instrument validity test for each indicator on the independent and dependent variables are declared valid. By comparing the value of r count with r table for degree of freedom ( $df = n - 2$ ; n is the number of samples  $91 - 2 = 89$ ). The r calculated value is greater than the r table (0.268) and a positive value with a significance level of 1% or 0.01 means that each of these indicators is declared valid. Then the Cronbach alpha reliability test aims to see whether the questionnaire has consistency if measurements are carried out with the questionnaire repeatedly. The Cronbach alpha value between 0.60 and 1 is categorized as good reliability

(Ferdinand, 2013). The results of the reliability test on the independent variables (peer to peer and electronic money) and the dependent variable (MSME income) and the intervening variable (increased MSME profits) have a Cronbach alpha value of  $> 0.6$ . These results explain that the instrument questions used to measure P2P variables, electronic money, MSME revenue and MSME profit increase are reliable or consistent.

### **Test of Classic Assumption**

#### ***Normality Test of Kolmogorov Smirnov***

The Kolmogorov-Smirnov normality test is part of the classic assumption test which aims to find out whether the residual values are normally distributed or not (Ghozali, 2010). The Kolmogorov-Smirnov (KS) normality test is seen from the Asymp. Sig. (2-tailed) at an absolute value of 0.069. When compared with the Kolmogorov table for sample  $N = 91$ , namely 0.141, then  $0.069 < 0.141$ , which means that the data is normally distributed. Based on the results of the normality test, it is known that the significance value (Asymp. Sig. (2-tailed) is  $0.224 > 0.05$ , so it can be concluded that the residual values are normally distributed so that they can proceed to regression analysis.

#### ***Test of Multicollinearity***

The multicollinearity test is part of the classic assumption test in multiple linear analysis aiming to determine whether there is intercorrelation (strong relationship) among the independent variables (Ghozali, 2010). The tolerance value for the P2P variable is  $0.912 > 0.10$ , the electronic money variable is  $0.756 > 0.10$  and the MSME income variable is  $0.734 > 0.10$ , meaning that there is no multicollinearity. Then, the VIF value on the P2P variable is  $1.096 < 10$ , the electronic money variable is  $1.323 < 10$  and the MSME income variable is  $1.363 < 10$ , it means that there is no multicollinearity. So that these two things illustrate that there is no intercorrelation between the independent variables.

### **Test of Multiple Linear Regression**

#### ***Coefficient of Determination***

The coefficient of determination serves to determine the percentage of the influence is simultaneously given by variable X on variable Y. Based on the calculation results, the adjusted R square test value of 0.661 means that the influence of the P2P variable, electronic money and MSME income is 66.1% on the increase in MSME profits. From this number, it means that there are independent variables outside of this regression model that affect the increase in MSME profits, namely 33.9%.

**Test of Simultaneous (F Test)****Table 3. Result of F Test**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52,445	2	26,223	15,477	,000 <sup>b</sup>
	Residual	421,313	88	4,788		
	Total	473,758	90			

a. Dependent Variable: MSME's Profit Increase

b. Predictors: (Constant), Electronic Money, P2P

Source: processed data (SPSS v.26)

Multiple test (F test) is carried out by determining the magnitude of  $F_{table}$  with sample size (n) of 91 respondents with  $\alpha = 0.05$  so that the degree of freedom (df) =  $n-k-1 = 91-5-1 = 85$  is obtained. Based on  $\alpha = 0.05$  and  $df = 85$ , then  $F_{0.05} = 3.10$ . To determine the magnitude of the significance value by comparing if the Sig. > 0.05, the effect can be said to be insignificant. The magnitude of  $F_{count} = 15.477$ . Based on the values of  $F_{count}$  and  $F_{table}$ , it turns out that  $F_{count} > F_{table}$  ( $15.477 > 3.10$ ) then the alternative hypothesis ( $H_a$ ) is accepted, and the value of Sig. smaller than 0.05 ( $0.000 < 0.05$ ), meaning that the independent variable consisting of P2P (X1) and electronic money (X2) has a significant effect on increasing MSME profits (Z).

**Path Analysis**

Path analysis explains the indirect effect of the independent variable through the intervening variable on the dependent variable.

**Table 4. Coefficients of Model Path I**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,093	,972		7,301	,000
	Peer to Peer Lending	,181	,095	,343	1,906	,007
	Electronic Money	,443	,093	,446	4,756	,000

a. Dependent Variabel: MSME's Income

Source: processed data of 2022

**Table 5. Coefficients of Model Path II**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,447	2,074		3,108	,003
	P2P	,114	,163	,128	2,914	,005
	Electronic Money	,206	,176	,184	2,710	,002

□	MSME's Income	,773	,180	,561	4,302	,000
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a. Dependent Variable: MSME's Profit Increase

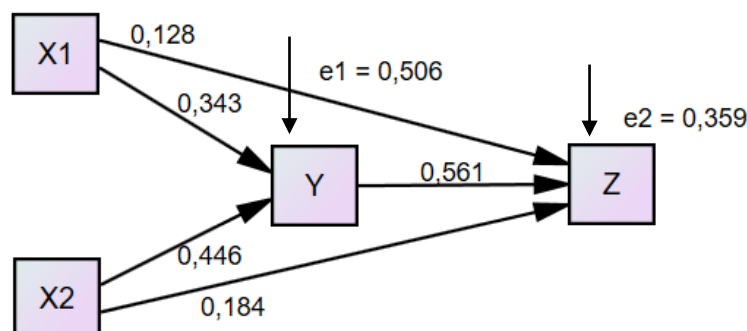
Source: processed data of 2022

Calculating the regression path coefficient of model I in the table 5 Coefficients section, it is obtained a positive t-count value and a significant value for the two variables, namely P2P (X1) = 0.007 and the Electronic Money variable (X2) = 0.000, which is less than 0.05 (0.007 < 0.05 and 0.000 < 0.05). These results conclude that the Regression Model I, namely the P2P variable (X1) and Electronic Money (X2) has a positive and significant effect on MSME Revenue variable (Y). The R Square value contained in the summary model is 0.494. This indicates that the contribution of P2P (X1) and Electronic Money (X2) to MSME revenue (Y) is 49.4%, while the remaining 50.6% is a contribution from variables not included in the study. Meanwhile, the value of e1 can be found using the formula of  $e1 = \sqrt{1 - 0,494} = 0,506$ .

Based on the output of Regression Model II in table 6, it is known that the calculated t value for all positive variables and the significance value of the three variables namely P2P (X1) = 0.005, Electronic Money (X2) = 0.002 and MSME income (Y) = 0.000 is less than 0.05 (0.005 < 0.05; 0.002 < 0.05 and 0.000 < 0.05). These results conclude that the regression model II, namely the variables Peer to Peer Lending (X1), Electronic Money (X2) and MSME income (Y) simultaneously or together have a positive and significant effect on increasing MSME Profits (Z). The R Square value contained in the summary model is 0.641, this indicates that the contribution of P2P (X1), Electronic Money (X2) and MSME Income (Y) to MSME Profit Increase (Z) is 64.1% while the remaining 35.9% is the contribution of other variables not included in the study. Meanwhile, the value of e2 can be found by using the formula of  $e2 = \sqrt{1 - 0,641} = 0,359$ .

The indirect effect of X1 through Y on Z is the multiplication of the beta value of X1 on Y and the beta value of Y on Z, namely:  $0.343 \times 0.561 = 0.192$ . Then the total effect is  $0.128 + 0.192 = 0.32$ . Meanwhile, the indirect effect between the value of beta X2 on Y and the value of beta Y on Z is:  $0.446 \times 0.561 = 0.250$ . Then the total effect that X2 has on Z is:  $0.184 + 0.250 = 0.434$ . Thus, it obtains the diagram of the structure model I and II as follows:

**Picture 4. Diagram Path**



### Test of Hypothesis

Testing for the first hypothesis (H1) shows that the Sig value for the effect of the P2P variable (X1) on the MSME income variable (Y) is  $0.007 < 0.05$  and the t-count value is  $1.906 > 1.661$  so it can be concluded that the P2P variable (X1) is directly positive and significant influence on increasing income (Y). This is because P2P makes it easy to obtain loans to MSME players because they are more efficient, fast and transparent. Currently, P2P is helping to improve product marketing in the midst of the financial industry because online product marketing is increasingly in demand by the public.

This is in line with a research by Syarifah (2019) claiming that the community is assisted by financing so that it can increase labor and capital materials which will later improve the quality and quantity of performance. Research conducted by Purnamasari (2020) reveals that P2P can change people's traditional financial transaction habits into technology-based financial transactions so as to increase income. MSME actors or respondents in the Kudus are greatly helped by the financing provided. With financing from P2P, MSME actors can add new branches for their business so as to increase their promotion and sales in the market (Harp et al., 2021).

It is noticed that the Sig value for the effect of the Electronic Money variable (X2) on the MSME income variable (Y) or H2 is  $0.000 < 0.05$  and the t-count value is  $4.756 > 1.661$  so that the Electronic Money variable (X2) has a direct positive and significant effect on the increase income (X2). This is because of the reason for choosing electronic money compared to cash payments, people want everything practical and easy. The use of electronic money is driven by several factors such as fast-paced changes in people's lifestyles, economic growth, and the level of development of a country. This means that the benefits of having electronic money are directly proportional to the needs and changes in people's lifestyles (Nasution, 2021).

In line with research conducted by Putri et al., (2022) that electronic money has a positive impact on the level of business income. In addition, the majority of businesses have implemented electronic money in their payment systems. Research by Saputri (2021) revealing that the existence of electronic money has a positive effect on the income level and productivity of MSME. This is due to the high public interest in the use of electronic money. Namira (2022) in her research results states that people take advantage of the application of electronic money because it can provide convenience and speed in making payment transactions. Regarding to the results of previous research, it can be said that the use of technology in relation to the realm of business has many benefits for business owners in increasing MSME revenue. Most MSME in Kudus Regency have used electronic money as a payment medium because it provides benefits to users and various

conveniences in making payments such as being more effective and efficient (Zada & Sopiana, 2021).

The third hypothesis (H3) is shown that the Sig value for the effect of the P2P variable (X1) on the MSME Profit Increase variable (Z) is  $0.005 < 0.05$  and the calculated t value is  $2.914 > 1.661$  so it can be concluded that the P2P variable (X1) has a direct influence positive and significant to MSME Profit Increase (Z). The conveniences offered by P2P such as fast processing, easy terms, flexibility and a variety of products (Santi, 2019) are the main attraction for MSME. The capital obtained can be used by MSME to increase its profit. MSME needs to maintain and even increase its working capital to be able to carry out efficiency by adopting technological developments in order to continue to survive. The Covid-19 pandemic has forced many MSME to go out of business (Haryani & Cita, 2021). On the other hand, a new market base has begun to form, namely the digital market through various shopping platforms. This needs to be a concern and an opportunity for MSME to be literate in technology and adopt it immediately.

The Sig value for the effect of the Electronic Money variable (X2) on the MSME Profit Increase variable (Z) or H4 is  $0.002 < 0.05$  and the t-count value is  $2.710 > 1.661$ , so it can be concluded that Electronic Money (X2) has a direct positive and significant influence on MSME Profit Increase (Z). Various ways are used by MSME to increase their income so that their profits also continue to increase (Haqiqi et al., 2020), including by using electronic money transaction payments. The existence of this electronic money can make it easier for MSME actors to record income or expenses and also minimize change to buyers. On the other hand, buyers can pay for transactions with the right amount of money without having to carry large amounts of money in their wallets.

Fifth Hypothesis Test (H5) reveals that the Sig value for the effect of the MSME Income variable (Y) on the Increase in MSME Profits (Z) is  $0.000 < 0.05$  and the t-count value is  $4.302 > 1.661$ , so it can be concluded that MSME Income (Y) has a direct effect positive and significant to MSME Profit Increase (Z). Urba et al., (2019) explain that there is a significant effect of MSME revenue in Palembang on increasing MSME profits after obtaining fintech funding.

Based on the values of  $F_{\text{count}}$  and  $F_{\text{table}}$ , it turns out that  $F_{\text{count}} > F_{\text{table}}$  ( $15.477 > 3.10$ ) then the sixth hypothesis (H6) is accepted, and the value of Sig. smaller than 0.05 ( $0.000 < 0.05$ ), meaning that the independent variable consisting of P2P (X1) and electronic money (X2) has a significant effect on increasing MSME profits (Z). The existence of fintech in the form of peer to peer lending and electronic money has a positive impact on the profits of MSME in NTB (Yuliana, 2019).

It is confirmed that the seventh hypothesis (H7) has a direct effect of P2P (X1) on MSME Profit Increase (Z) of 0.128. Based on the calculation results, it is known that the direct effect is 0.128 and the indirect effect is 0.192. Indirect influence > direct influence value. This shows that P2P (X1) has indirectly significant influence on increasing MSME Profits (Z) through MSME Income (Y). P2P has an impact on profits for MSME actors so that it can increase the profits of MSME businesses (Taufik et al., 2021).

Then, H8 the direct influence provided by Electronic Money (X2) on MSME Profit Increase (Z) is 0.184. The direct effect value is  $0.184 > 0.250$  which means that the indirect effect value is greater than the direct influence value. These results indicate that indirectly Electronic Money (X2) has a significant influence on Increasing MSME Profits (Z) through Increasing Income (Y). Research by Suwarni (2021) the increase in the use of electronic money has not been able to increase profit, so it still needs to be added to the variable among incomes.

## CONCLUSION

This study shows that there is a direct effect of peer to peer landing and electronic money on increasing MSME operating profits in Kudus Regency. This is because advances in financial technology provide convenience in providing funds and payment of sales proceeds. In addition, this study also proves that MSME's revenue is a link between P2P and electronic money in increasing MSME's operating profit. These results should be able to increase the enthusiasm of MSME business actors in Kudus Regency to continue to develop their businesses according to the slogan "gusjigang" which means good at trading.

The implications of this research can be used as input for the KopUKM Office or related agencies to continue to encourage the development of MSME in Kudus Regency to be aware of digital platforms through various ways, one of which is outreach and assistance. The existence of this research is expected to provide education to MSME actors so that they can keep abreast of financial technology developments on a regular basis to increase their business income. This research is limited to only one district where the number of MSME is relatively low compared to surrounding districts. Therefore, it is expected that it can be developed by further research with a wider area coverage.

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