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Factors Influencing Willingness to Invest in Peer-to-Peer Lending

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Abstract. *The present study examines factors which influence willingness to invest in peer-to-peer lending. While many other studies have discussed peer-to-peer lending, few have focused on the lender's perspective or on the expected return variable. This quantitative study uses the non-probability sampling method with 157 online questionnaire respondents from Jakarta and Tangerang, along with the PLS method of analysis. The results obtained from SmartPLS show that company reputation and expected return had a positive influence on trust and that trust, in turn, had a positive influence on willingness to invest. Conversely, perceived risk was shown to have no influence on trust. From this research, it can be concluded that if a peer-to-peer lending platform desires to be more successful, it should consider focusing on improving the company's reputation and on setting a higher rate of return, rather than on the risk perceived by lenders.*

Keywords: *peer-to-peer lending platforms, lenders, perceived risk, trust, willingness to invest*

Abstrak. *Penelitian ini mengukur faktor-faktor yang mempengaruhi kemauan untuk berinvestasi pada peer-to-peer lending. Topik mengenai peer-to-peer lending sudah banyak dibahas pada berbagai studi tetapi masih sedikit yang berfokus membahas dari sisi pendana, selain itu hanya terdapat sedikit penelitian yang membahas variabel pengembalian yang diharapkan. Penelitian kuantitatif ini menggunakan metode non-probability sampling dengan 157 responden dari wilayah Jakarta dan Tangerang menggunakan kuesioner online. Dengan menggunakan metode PLS, hasil yang diperoleh dari SmartPLS menunjukkan bahwa reputasi perusahaan dan pengembalian yang diharapkan berpengaruh positif terhadap kepercayaan. Selain itu, kepercayaan juga berpengaruh positif terhadap kemauan untuk berinvestasi. Menariknya, risiko yang dirasakan tidak berpengaruh terhadap kepercayaan. Dari penelitian ini, dapat ditarik kesimpulan bahwa jika sebuah perusahaan peer-to-peer lending ingin lebih berhasil, sebaiknya lebih berfokus dalam meningkatkan reputasi dari perusahaan dan tingkat pengembalian yang lebih besar dibandingkan dengan berfokus terhadap risiko yang dirasakan oleh pendana.*

Kata kunci: *platform peer-to-peer lending, pendana, risiko yang dirasakan, kepercayaan, kemauan untuk berinvestasi*

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Introduction

According to the Internet World Stats 2020 (Miniwatts Marketing Group, 2020), Asian countries have come to dominate the top 20 in terms of Internet users globally. This indicates that Asian citizens are aware of the growth of technology. Furthermore, Indonesia's fourth position in the ranking shows that information technology is developing quickly in the country. One of the sectors experiencing major technological development is the financial sector; fintech is growing rapidly and starting to be recognized by the public (Marsudi & Widjaja, 2019).

Fintech pertains to non-bank platforms expected to provide greater convenience and efficiency (Yuniarti, 2019). A fintech feature currently in development is peer-to-peer lending. This is an online-money-lending service removing intermediaries such as banks by bringing together lenders and borrowers to make a loan agreement through an electronic system and Internet-based network. The platform collects funds from lenders and provides loans to borrowers. Usually, lenders will benefit in the form of interest, as borrowers are still asked to pay off the loan with interest.

According to the Financial Services Authority of Indonesia (2020), peer-to-peer lending has recently been on the rise: In October 2020, loan distribution in 155 peer-to-peer lending platforms reached IDR 137.65 trillion, having increased by 68.91% over the figure from December 2019. By December 2020, the number of borrowers on such platforms had reached 43.5 million, increasing 134.59% year to date; the number of lenders had reached 716,963, and it grew 18.32% year to date (The Financial Services Authority of Indonesia, 2020).

Many studies conducted on peer-to-peer lending platforms have focused on borrowers (Sukmaningsih, 2018; Sundjaja & Tina, 2019; Adityasari, Firmansyah, & Gunadi, 2020). They mostly explain loan processing variables, interest rates, loan processing costs, factors affecting the intention to borrow, perceptions, and other aspects from the borrower's point of view (Ramadhona, Hamzah, & Sofilda, 2018; Susanti, Dalimunthe, & Triono, 2019; Ghazali & Yasuoka, 2018). However, to attract lenders, and so that the lending and borrowing mechanism runs well, peer-to-peer lending platforms should understand the factors influencing a lender's decision to invest.

Few studies have explored the elements potentially affecting lenders' readiness to invest, having instead concentrated on characteristics such as perceived ease of use, security, financial literacy, and expertise in investing (Sukmaningsih, 2018; Thaker, et al., 2019; Lestari, 2019). Consequently, we know little about other influences on lenders' investment-related decisions. Studies have neglected to gauge the ideal return lenders should have in mind before investing funds, although earning a return on investment is the most important goal in investing (Omisore, Yusuf, & Christopher, 2012).

Before putting assets such as cash on an investment platform, potential investors would surely want to assess the risk which may arise in the future. According to previous studies, perceived risk is regarded as a powerful investment tool, since individuals seem to expect risk prevention rather than utility maximization when making investment decisions (Trang & Tho, 2017). Therefore, perceived risk is an important factor to be studied.

Furthermore, a firm's reputation is crucial for lenders to consider before trusting and engaging with the firm. Customers are more likely to trust a company with a positive reputation than one with a bad or inexistent reputation; after all, the cost of untrustworthy behavior is considered smaller for companies that already have a good reputation (Yasin & Bozbay, 2011). Companies with a positive reputation are thought to be low-risk, which increases the trust of investors, and trust is precisely what motivates them to invest their money and be willing to pay a greater price for it. Investors tend to prefer believing that good investment opportunities lie with businesses with a high-reputation ranking (Jao, Hamzah, Laba, & Mediaty, 2020). Hence, they would not easily invest on a platform if they had a trust issue.

Researchers have identified lack of trust as the major problem in terms of consumer intention in online trading (Huang, Wan, Xu, & Wei, 2014). Trust facilitates investors' transactions, since they do not have to worry about the security of their own interests, money, or the financial items they have purchased or plan to acquire. Customers with a high level of trust tend to be certain that a platform is looking out for their interests; and, to some extent, a high level of trust acts as a barrier against unfavorable experiences clients may have (Schmid, 2020).

Trust is an important variable for the present study, since the likelihood of investing is positively linked to investors' level of trust, where trust remains relative (Bottazzi, Rin, & Hellman, 2016). In this study, we explore the variables which potentially affect people's propensity to invest in peer-to-peer lending, filling a void left by earlier studies that tended to focus on variables driving borrowers to these types of platforms. In this manner, we aim to provide a conceptual model to help guide peer-to-peer lending platforms' strategies to attract lenders' money.

Literature Review

Theory of Reasoned Action (TRA)

One of the paradigms for human behavior is the Theory of Reasoned Action (TRA). According to social psychology research, a person's behavioral intention toward a certain conduct is a deciding factor in whether that person engages in that behavior (Fishbein & Ajzen, 1975). TRA maintains that beliefs may influence attitudes and social norms, changing the form of individuals' desire to conduct themselves in a directed or unguided manner. This emphasizes the importance of an individual's intentions in deciding whether to engage in a particular conduct.

Perceived Risk

Risk is generally referred to as the perceived likelihood that an individual will incur a loss. Individuals perceive risk differently based on product type (Wanda, Kusumawati, & Sanawiri, 2018). When money and lenders' information are stored and exchanged digitally, and lenders are unable to see the physical goods, they may perceive a greater risk, as they do not have much control over security. Amid high perceived risks, consumers' feeling of being in control declines, particularly regarding businesses linked to finance, which impacts their willingness to rely on online product or service providers (Yang & Lee, 2016). In other words, one tends to be motivated not to use a product or service to avoid a perceived high risk (Wanda, Kusumawati, & Sanawiri, 2018).

Lenders in online peer-to-peer lending platforms face a number of potential risks, including failure to obtain the desired benefits, monetary loss due to opportunistic behaviors, loss of confidence from being disappointed in not achieving the ideal benefits, and loss of control over personal information (Yang & Lee, 2016). Further increasing lenders' perceived risk is the fact that peer-to-peer lending platforms usually do not disclose borrowers' entire history.

Company Reputation

Company reputation pertains to perceptions of the shareholders and stakeholders of a company. Stakeholders include banks, consumers, citizens, governments, and the media (Wulandari & Rasipan, 2017). Reputation can also be said to be the character that represents the company (Wulandari & Rasipan, 2017).

The careful screening and selection of borrowers registered on a peer-to-peer lending platform help ascertain that borrowers match lenders' risk appetite, tending to result in satisfied customers and a boost to the company's image . A peer-to-peer lending platform should provide accurate and clear information to avoid misunderstandings, adverse selection, default transactions, as well as lenders' dissatisfaction with these outcomes, and hence protect the company's reputation (Zaehira, Dalimunthe, & Triono, 2020). Moreover, a good reputation engenders customer trust (Wang, Wang, Kang, & Sun, 2014), and can minimize uncertainty.

Among company reputation indicators are credibility, reliability, and company name (Zalni & Abror, 2019). Other related research indicators include competence and credibility (Wulandari & Rasipan, 2017).

Trust

Trust is one of the fundamental steps in every lender's decision on whether to invest in a product. *Cognition-based trust* pertains to users' initial impression of, for instance, an online peer-to-peer platform, rather than their judgment after first-hand experience. It comprises user evaluations based on public advertising or word of mouth (Yang & Lee, 2016).

Initial trust in relation to peer-to-peer lending platforms can be divided into two parts. First is the platform, as lenders often look into the platform's reputation and amount of money it manages; and second is the borrower, with regard to the purpose of the loan application and the individual's credit score (Sukmaningsih, 2018). Lenders on such platforms bid on unsecured loans other individuals request, and since the online loan procedure is nearly faceless (anonymous), information asymmetry is exacerbated in the highly fragmented market. Therefore, trust is used to reduce uncertainties (Frederiksen, 2014).

Trust may also be described as a party's willingness to relinquish their rights to monitor another party's actions. This is based on the assumption that others will properly execute a certain vital activity for the trustor, regardless of their capacity to monitor or control the entrusted party.

Expected Return

Return is the investment profit, and hence a major reason to invest in a portfolio. It follows that expected return is one of the factors determining willingness to invest.

Return is divided into expected and actual return. *Expected return* is the return the investor projects (for the future), while *actual return* is the return that materialized (now in the past). The value of the actual return can be calculated in the future (Sunaryo, 2019). Discrepancy may occur between the expected and actual return rate received from investments, and is a risk which should always be kept in mind in the process of investing. Thus, investors need to closely pay attention to the level of return and consider the risk level in a portfolio (Tandelilin, 2010).

The indicators for the expected return variable comprise interest of the return, profitable and competitive return, profitability based on risk, investment profit, investment decision, risk, and return (Aini, Maslichah, & Junaidi, 2019). It is worth noting here that peer-to-peer lending return may reach up to 18% per year (Ikhsan & Wardhana, 2020).

Willingness to Invest

The main goal of peer-to-peer lending platforms is to persuade lenders to invest (Yang & Lee, 2016). We derive the definition of *willingness to invest* from the theory of *willingness to pay*, which refers to the maximum price consumers are willing to pay for a product (Stobierski, 2020). We can assume willingness to invest is present when an investor lends their money to a borrower through a peer-to-peer lending platform, with private investors being individuals who engage in a variety of financial practices while having diverse levels of experience, anxiety, and desire to invest. Moreover, for the context of this research, investors may be interested in investing in a specific platform only if they have the time and expertise to assess it, as well as the financial resources available to do so (Ali, 2011).

Financial expertise and personality traits have been introduced into the foundation of the theory of planned behavior to measure investment intentions among prospective investors (Elfahmi, Solikin, & Nugraha, 2020). In light of this, lenders' evaluation is a critical step for decision-making on whether to invest on a platform—in this case, peer-to-peer lending. A lender often evaluates whether this will be beneficial or cause them loss or harm instead (Chandra & Aksari, 2016).

Hypothesis Development

Many researchers have found perceived risk to negatively affect trust (Wanda, Kusumawati & Sanawiri, 2018; Yang & Lee, 2016; Sipangkar & Wijaya, 2020; Kresno & Wahyono, 2019). These findings are applicable in many business contexts, such as in cases of perceived risk that affects platform trust in peer-to-peer lending (Yang & Lee, 2016).

Lenders tend to build good initial trust toward a platform when the risk is not too great (Sipangkar & Wijaya, 2020). Since lenders are prone to several risks on peer-to-peer lending platforms, we aim to investigate whether lenders' perception of risk influences their initial trust. We expect that the higher the perceived risk is, the lower their trust in lending money online via peer-to-peer lending platforms will be.

The research thus yields the following hypothesis:
H1: Perceived risk negatively affects the lender's trust.

According to a study on e-commerce, company reputation has a significant effect on trust (Zalni & Abror, 2019). Another study uncovered how consumer trust was positively affected by company reputation (Wulandari & Rasipan, 2017). Moreover, research conducted in China on peer-to-peer lending demonstrated that company reputation greatly impacted trust (Wang, Wang, Kang, & Sun, 2014).

Hence, this hypothesis can be constructed:
H2: Company reputation positively affects the lender's trust.

As mentioned earlier, expected return is a well-known, crucial aspect of investment. Lenders should have trust in the expected return formulated by a platform to be willing to invest on it. Accordingly, a previous study indicated that consumer confidence affected consumer willingness to purchase (Allenby & Jen, 1996), while research in the food industry confirmed the relationship between consumer confidence and consumer trust (Jonge, Trijp, Renes, & Frewer, 2007).

Moreover, consumer confidence is believed to drive loyalty differently for each consumer, due to different levels of expectations for competing firms/brands. Consumer trust enables a company to develop and maintain consumer loyalty, since trust is usually linked to consumer expectations regarding how a company can fulfill its obligations and promises (Nguyen, Leclerc, & Leblanc, 2013).

Due to the absence of studies, we decided to build our own assumptions informing this hypothesis:
H3: Expected return positively affects the lender's trust.

Trust is one of the most important factors in individuals' decision to invest in a peer-to-peer lending platform, as they will lend money willingly to borrowers on the platform, having assessed their borrowers, directly and indirectly, from their first impression (Chen, Lai, & Lin, 2014). Borrowers' information also tends to be critical in determining lenders' willingness to invest.

Based on research on Renrendai, a Chinese peer-to-peer lending platform, we can observe that not only is information about the peer-to-peer lending firm essential, but also information on the integrity and reputation of the borrowers (Yang & Lee, 2016). Peer-to-peer lending platforms even provide and share data such as the borrower's credit score, obtained from the scoring company as a means to boost the lender's trust.

Another study has linked lenders' willingness to invest to trust in a platform; the value-added the platform provides, such as accurate information and service meeting lenders' expectations; and structural assurance to protect lenders' benefits (Yang & Lee, 2016).

Therefore, we argue that trust in the intermediary and borrower impacts one's willingness to lend money. This leads to the following hypothesis:

H4: Trust positively affects the lender's willingness to invest.

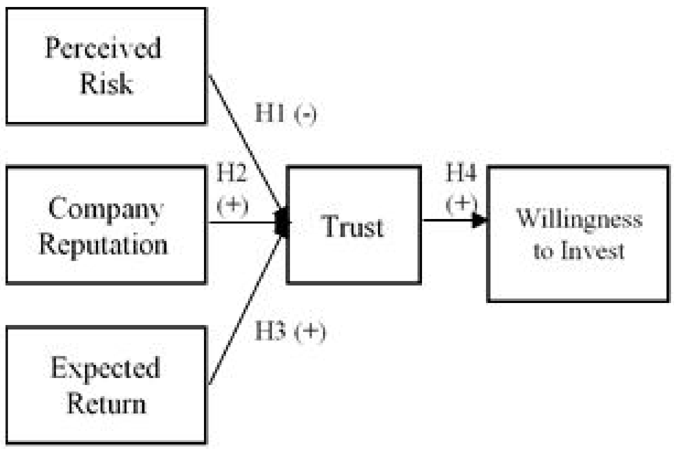

Figure 1.
Theoretical Framework

Research Methodology

We used a quantitative research method for this study, conducted cross-sectionally within a certain time, rather than at different times for comparison. The data was obtained via an online survey with questions modified from multiple sources, to evaluate factors in guaranteeing the scales' validity and reliability. Adapted were four items about perceived risk (Davis, 1989; Sipangkar & Wijaya, 2020); five items on company reputation (Sipangkar & Wijaya, 2020; Lee & Turban, 2001; Jarvenpaa, Tractinsky, & Vitale, 2000); five items on expected return (Aini, Maslichah, & Junaidi, 2019; Scarborough, Wilson, & Zimmerer, 2008); six trust-variable items (Wang, Wang, Kang, & Sun, 2014; Sipangkar & Wijaya, 2020); and five items on willingness to invest (Sipangkar & Wijaya, 2020; Lu, Zhao, & Wang, 2010).

Individuals were asked to participate in an online survey via Google Forms, and judgmental sampling procedures were conducted, toward producing a sample which could logically be considered representative of the population at hand. Eligible respondents should 1) be lenders on a peer-to-peer lending platform, 2) live in Jakarta or Tangerang. We selected those areas because 2018 data from the Central Bureau of Statistics of Indonesia listed Jakarta and Tangerang as the two cities with the largest economic scale in the country, based on total gross regional domestic income (Aditiya, 2020).

We used a Likert scale for variable measurement in the questionnaire. This scale measures the variables and converts them into variable indicators ranging from 1 (strongly disagree) to 5 (strongly agree). From the online questionnaire distributed, 199 individual surveys were gathered; 42 of those were invalid and discarded, with 157 being analyzed. We employed the reflective measurement model for all variables.

This study set out to evaluate the quality of the data through convergent validity, discriminant validity, and a reliability test (Sekaran & Bougie, 2016). Furthermore, our research is an extension of a structural theory which adopts formative constructs. Its structural model is complex, including several components and indicators. We found PLS-SEM to be adequate for data analysis (Hair, Ringle, & Sarstedt, 2011).

Results and Discussion

Descriptive Analysis

This section depicts the questionnaire respondents' 12 fundamental features, namely their gender; age; education level; employment; marital status; average monthly income; length of time as lenders; frequency of investing in peer-to-peer lending platforms in the previous year; length of time to be invested in peer-to-peer lending platforms; percentage of investment money allocated to peer-to-peer lending platforms; introduction into peer-to-peer lending platforms; and most used peer-to-peer lending platform.

The sample was 58% male and 42% female, with most respondents (70.7%) being between the ages of 21 and 30. In terms of education, most participants were undergraduates (93, which accounted for 59.3%), and 40.8% were students at the time. Additionally, 77.7% of lenders had not been married. Many (64, or 40.8%) had monthly earnings below IDR 5,000,000, and more still (94, or 59.9%) had registered to become lenders less than a year prior.

Among the respondents, 52.3% had lent money 1–3 times in the past year, and 44% planned to invest in peer-to-peer lending platforms for less than a year. Moreover, 40.1% of the lenders allocated 1–5% of their investment funds to peer-to-peer lending platforms. Hence, 51.6% of lenders were introduced to peer-to-peer lending platforms through social media, and the most used among such platforms was Asetku, by 35% of the lenders. Table 1 shows the detailed descriptive statistics.

Data Analysis Results

Some questionnaire items were found to be invalid based on the factor-loading validity test, and were therefore excluded from the analysis results; 14 of the items were found to be valid. After items had been discarded, the factor loadings of the remaining ones ranged from 0.734 to 0.995, which was greater than 0.7 and thus passed the indicator reliability test. The composite reliability values ranged from 0.850 to 0.913, also greater than 0.7 and therefore adequately dependable. All AVE were larger than 0.5, indicating that convergent validity was acceptable. Lastly, for discriminant validity, we followed the Fornell–Larcker criterion (Hair, Ringle, & Sarstedt, 2011)

Table 1.
Descriptive Statistics

Items		**Number**	**Percentage**
Gender	Male	91	58%
	Female	66	42%
Age	Below 20 years old	9	5.7%
	21–30 years old	111	70.7%
	31–40 years old	24	15.3%
	41–50 years old	9	5.7%
	51–60 years old	4	2.6%

Table 1. (Continued)
Descriptive Statistics

Items		**Number**	**Percentage**
Education	Junior high school	2	1.3%
	Senior high school	39	24.8%
	Academy/diploma	9	5.7%
	Undergraduate	93	59.3%
	Graduate	12	7.6%
	Postgraduate	2	1.3%
Occupation	Government employee	7	4.5%
	Private employee	58	36.9%
	Entrepreneur	21	13.4%
	Student	64	40.8%
	Housewife	5	3.2%
	General practitioner	1	0.6%
	Freelancer	1	0.6%
Marital status	Single	122	77.7%
	Married	35	22.3%
Average income per month	Below IDR 5,000,000	64	40.8%
	IDR 5,000,000 – 10,000,000	55	35%
	IDR 10,000,001 – 15,000,000	24	15.3%
	IDR 15,000,000 – 20,000,000	4	2.5%
	IDR 20,000,001 – 25,000,000	2	1.3%
	Above IDR 25,000,000	8	5.1%
Period since having become a lender	Below 1 year	94	59.9%
	1–3 years	58	36.9%
	4–6 years	5	3.2%
	Above 6 years	0	0%
Frequency of lending in the past year	Not lending	17	10.8%
	1–3 times	82	52.3%
	4–6 times	19	12.1%
	Above 6 times	39	24.8%
Period planned to invest in peer-to-peer lending platform	Below 1 year	69	44%
	1–3 years	65	41.4%
	4–6 years	9	5.7%
	Above 6 years	14	8.9%
Allocation of investment funds to peer-to-peer lending platform	1–5%	63	40.1%
	6–10%	40	25.5%
	11–15%	21	13.4%
	Above 15%	33	21%

Table 1. (Continued)
Descriptive Statistics

Items		**Number**	**Percentage**
Introduction to peer-to-peer lending platforms	Invited by friends/family	74	47.1%
	Peer-to-peer lending platform advertising	36	22.9%
	Social media	81	51.6%
	Investment influencers	52	33.1%
	Seminar/webinar	19	21.2%
	News	10	6.4%
	Cashback	1	0.6%
	Economic portals and books	2	1.3%
Most used peer-to-peer lending platforms	Investree	22	14%
	Batumbu	5	3.2%
	KoinWorks	22	14%
	Amartha	10	6.4%
	UangTeman	3	1.9%
	Asetku	55	35%
	Danamas	5	3.2%
	Akseleran	7	4.5%
	Modalku	4	2.5%
	TaniFund	10	6.4%
	Other	14	8.9%

Table 2.
Validity and Reliability Test

Variable	**Item**	**Factor Loading**	**Composite Reliability**	**Average Variance Extracted**
Perceived Risk	PR1	0.832	0.913	0.674
	PR2	0.995		
Company Reputation	CR1	0.846	0.850	0.739
	CR2	0.873		
Expected Return	ER1	0.765	0.797	0.567
	ER2	0.734		
	ER3	0.759		
Trust	TR1	0.831	0.912	0.674
	TR2	0.829		
	TR3	0.793		
	TR4	0.833		
	TR5	0.818		
Willingness to Invest	WI1	0.886	0.865	0.762
	WI2	0.860		

Table 3.
Discriminant Validity Test

	CR	ER	PR	TR	WIP
CR	**0.859**				
ER	0.564	**0.753**			
PR	-0.11	-0.181	**0.917**		
TR	0.688	0.692	-0.188	**0.821**	
WIP	0.463	0.582	-0.077	0.639	**0.873**

Table 4.
Hypothesis Testing

Hypothesis	Beta Coefficient	T Statistic	P-Value	Conclusion
H1 Perceived Risk → Trust	-0.061	1.092	0.275	Not Supported
H2 Company Reputation → Trust	0.436	5.949	0.000	Supported
H3 Expected Return → Trust	0.435	6.600	0.000	Supported
H4 Trust → Willingness to Invest	0.639	10.943	0.000	Supported

Table 5.
Indirect Effects

Path	Beta Coefficient	T Statistic	P-Value	Significant / Not Significant
Perceived Risk → Trust → Willingness to Invest	-0.039	1.077	0.282	Not Significant
Company Reputation → Trust → Willingness to Invest	0.278	5.807	0.000	Significant
Expected Return → Trust → Willingness to Invest	0.278	4.902	0.000	Significant

From hypothesis testing (Table 4) by the 5% significance level, the t-statistic obtained from the data was compared with the critical t-values of 1.96, and the p-value with 0.05. First, the findings indicate that perceived risk did not negatively affect trust (coefficient=-0.061, p>0.05, t-values<1.96). Thus, H1 is not supported. Second, company reputation had a positive effect on trust (coefficient=0.436, p<0.05, t-values>1.96), which means H2 is supported. Third, expected return was shown to have a positive impact on trust (coefficient=0.435, p<0.05, t-values>1.96). Hence, H3 is supported. Fourth, trust positively affected platform willingness to invest (coefficient=0.639, p<0.05, t-values>1.96). Therefore, H4 is supported.

In addition, the results from indirect-effect testing (Table 5) indicate the following: perceived risk did not negatively affect trust toward willingness to invest (coefficient=-0.039, p>0.05, t-values<1.96); company reputation had a positive effect on trust toward willingness to invest (coefficient=0.278, p<0.05, t-values>1.96); and expected return had a positive impact on trust toward willingness to invest (coefficient=0.278, p<0.05, t-values>1.96).

Discussion

We analyzed lending intentions regarding online peer-to-peer lending platforms via an integrated research approach. The key results are presented as follows.

First, trust was insignificantly impacted by perceived risk. The sample' demographics could explain this finding, with most of the respondents being lenders aged 20–30. Lenders in this age range tend to be risk-takers (Rolison, Hanoch, Wood, & Liu, 2013). This shows that millennials may dare to take risky actions, such as investing in peer-to-peer lending platforms, without hesitation. Those in this age range mostly use digital technology and commonly make lending decisions after previous research (Lissitsa & Kol, 2016). This finding can be further explained by the model of attitude formation (Ajzen, 1991).

This result is confirmed by another study showing that perceived risk had no significant effect on trust (Sipangkar & Wijaya, 2020). Another research also stated perceived risk also has an insignificant effect toward trust (Wanda, Kusumawati, & Sanawiri, 2018). While the respondents in the present study may have believed that investing in peer-to-peer lending carried some risk, it probably did not matter so much, since they were likely risk-takers. Moreover, most respondents were not married, which probably meant they could have more independence in allocating investment; and their lack of dependents may have enabled them to take riskier actions, investing their money with higher risk as long as it could offer them a big return.

The second finding is that company reputation positively and significantly affected trust among the lenders. A peer-to-peer lending platform with a good reputation tends to increase lenders' trust; lenders therefore tend to be more loyal and invest more in the opportunity, given that they expect such a platform to generate consistent profits and potential growth (Eccles, Newquist, & Schatz, 2007). Peer-to-peer lending platforms could considerably boost their reputation by evaluating and selecting their registered borrowers to ensure their quality and give lenders clear and precise information.

Perhaps most importantly, in the absence of previous studies, this study shows that expected return affected trust positively and significantly. As mentioned, expected return is crucial to investment, as lenders' goal is to get a return. If they determine the return on a peer-to-peer lending platform to be unattractive, they could switch to other investment platforms. One of the biggest peer-to-peer lending platforms in Indonesia, Investree has a quite high rate of return around 10–15% (Investree, 2015). If the investment selection provides acceptable return value, lenders are likely to make more investments. This could increase lenders' trust, since it is essentially an estimate of how much interest the lender can foresee; when the estimated return meets lenders' expectations, it is likely to positively affect their trust toward investing on the platform.

This study also indicates that trust was significantly influential toward willingness to invest. According to the demographics and empirical results at hand, lenders planned to use the peer-to-peer lending platform as their long-term investment platform. 56% of lenders in our sample planned to invest around 1–more than 6 years on a peer-to-peer lending platform, and 94 respondents allocated between 6% and above 15% of their investment fund to such a platform. Previous research presented similar findings (Sipangkar & Wijaya, 2020). Lenders tend to only be ready to invest in peer-to-peer lending platforms which they trust.

Furthermore, perceived risk did not negatively affect trust toward willingness to invest. Based on the findings, the lenders were willing to accept risk by investing money in a peer-to-peer lending platform. Thus, these investors trust and are willing to invest in peer-to-peer lending.

Another thread in the present study revealed that company reputation positively and significantly affected trust toward willingness to invest. In other words, the better the platform's reputation is, the more likely it is to boost lenders' trust and willingness to invest in peer-to-peer lending. Lastly, expected return had a positive impact on trust towards willingness to invest. Expected return is one of the reasons why people lend their money as an investment. If lenders feel dissatisfied with the rate of return, they tend to switch onto another investment platform. Otherwise, if they are satisfied with the rate of return, they tend to trust the platform more, which leads to a boost in willingness to invest, in this case in peer-to-peer lending.

Conclusions

We obtained our results by expanding on a structural theory to analyze the driving factors for lenders to invest on peer-to-peer lending platforms. The model was evaluated using data from 157 online peer-to-peer lenders in the Indonesian cities of Jakarta and Tangerang.

In the peer-to-peer lending industry, trust is essential, because it attracts individuals to willingly start investing on a certain platform and continue with the loan mechanism. Having used PLS-SEM in our analysis, we put forward factors potentially influencing lenders' willingness to invest. We draw at least three conclusions from our results.

First, the trust variable had a significant impact on willingness to invest, while trust itself was influenced by company reputation and expected return. These results imply that the action of investing is determined by a platform's high return rate and performance.

It is also worth noting that trust had the largest effect on respondents' willingness to invest, in all the variables. This is quite logical because the platform is seamless, whereby investors can only trust the peer-to-peer lending platform to manage their money correctly, toward the appropriate borrower, to get the money and interest back. Thus, to maintain the company's credibility, trust is essential in transactions; indeed, the company will not be able to continue without it. In other words, maintaining this trust aspect is critical for peer-to-peer lending platforms.

Second, we find that perceived risk had an insignificant effect on trust. We can infer that because most respondents were aged 20–30, they tended to be risk-takers and hence not bothered by the risk associated with their decision to invest, with the most important factor for them being the high return the platform could offer.

Third, our results indicated that the lenders mostly invested between 6% and above 15% of their funds in peer-to-peer lending. This likely happens because lenders make a lending decision after doing research, since they are commonly technologically savvy when between the ages of 20 and 30, as in our sample.

On the one hand, our study reveals that, whether in a direct or indirect manner, perceived risk on willingness to invest via trust was not significant. On the other hand, company reputation on willingness to invest via trust was significant, as was the expected return on willingness to invest via trust.

Managerial Implications

Based on our results, we recommend that peer-to-peer lending platforms consider the following factors.

First, perceived risk may not significantly affect trust. Most lenders in our sample were between 20 and 30 years old, and lenders in this age range have been found to be risk-takers (Rolison, Hanoch, Wood, & Liu, 2013). Also, most lenders were not married and had no dependents, which could further enable their risk-taking actions, including aiming to gain a spectacular return without considering the risks which may arise. Hence, it will likely be beneficial to set lenders within this age range as the company's core market and target group, since they might invest in as many opportunities as possible.

Second, platform brand is a major factor for lenders. Lenders are more likely to invest in a platform if they are familiar with its brand. Using social media and investment influencers could effectively boost company reputation, by enhancing the level of awareness and engagement with prospective lenders. Also according to this study's results, word-of-mouth is likely to boost prospective lenders' willingness to invest, since an invitation from friends or family was the second most important reason lenders in our sample invested in peer-to-peer lending platforms. Such platforms should thus consider a referral program to attract prospective lenders and retain existing ones. This is likely to result in a good reputation for the platform; the number of users will grow over time, which leads to company credibility.

Moreover, peer-to-peer lending platforms should strictly screen borrowers, carefully providing quality control and clear and accurate information to maintain a good image, while considering government-related legal aspects. These platforms are likely to gain company reputation value once registered in the Financial Services Authority of Indonesia.

Third, lenders give much consideration to return on investment. They will likely evaluate and compare the rates of return among platforms; if a platform's rate is unattractive, they will seek out other platforms. Thus, if the percentage of return on a peer-to-peer lending platform is high, the platform should maintain it, and use it as a promotion tool to attract prospective lenders. Furthermore, peer-to-peer lending platforms should improve their performance in terms of return mechanism, which is the lenders' right.

Finally, our findings indicate that lenders trusted peer-to-peer lending platforms to be part of their investment portfolios. They wanted to put aside between 6% and more than 15% of their investment money for such platforms. This speaks to their eagerness to invest in peer-to-peer lending. To enhance lenders' degree of confidence, such platforms should devote more attention to service quality, as well as to fund safety and transaction security.

We find that these platforms' strategy could be more effective if they were to more clearly highlight their reputation (by showing their success rate in facilitating the settlement of lending and borrowing obligations), alongside expected return (by accentuating the rate of return offered), rather than focusing on lenders' perceived risk.

Suggestions for Future Research

Although this study contributes both to literature and practice, it has several limitations for future research to address.

First, the data gathered was exclusively from Jakarta and Tangerang. Since this may cause sampling bias, we suggest that future research use more samples and from a larger area, to diversify results.

Second, we focused on analyzing variables from lenders' perspective regarding peer-to-peer lending platforms. Future studies should aim to predict or test other factors potentially affecting willingness to invest on such platforms, which can also drive people to become lenders outside of what these companies can offer. One factor of interest would be how key opinion leaders can influence a person to become a lender in peer-to-peer lending.

The other factor that we recommend is knowledge on investment, and we learn that many people did not use peer-to-peer lending because they do not understand how to invest in this platform, the benefits, and the loan mechanism. Moreover, awareness is the other factor to consider. If the investors are aware of the peer-to-peer lending platform, the number of lenders will most certainly rise. Another factor is information quality. It will be a good fit to influence trust. The lenders must received a good, trustworthy report from the peer-to-peer lending platform to be able to trust the company, which causes them to invest more in it. Lastly, researchers should determine the most used peer-to-peer lending platform and why lenders prefer to use it, as a means to explain the platform's market dominance.

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