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Service quality in peer to peer lending customer

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Article Info	ABSTRACT
Keywords: Service Quality, Customer Failed to Pay, Peer to Peer Lending	According to a Financial Services Authority (OJK) report, funding through Fin Tech peer-to-peer (P2P) lending has grown significantly in the last five years. Fin Tech peer-to-peer (P2P) lending does provide many benefits to its users. Apart from the ease of making loans compared to conventional banks which provide many requirements, Fin Tech peer-to-peer (P2P) lending can provide solutions for its users to apply for loans with various conveniences. But currently many Indonesians cannot pay their Peer to Peer Lending (Online Loan) bills. This can be seen from the bad credit ratio of various platforms. For various reasons and backgrounds, they are said to have failed to pay or not paid their bills. This is interesting because many literature studies explain the benefits of Fin Tech peer-to-peer (P2P) lending, but no one has written a scientific article from the user's perspective, let alone users who fail to fulfill their obligations to pay bills. Therefore, the author wants to conduct research from the consumer side, especially those who fail to fulfill their obligations. This research is qualitative research and the method that will be carried out is in-depth interviews. The long-term goal of this research is to educate readers to be wiser in using Fin Tech peer-to-peer (P2P) lending. The specific target is to serve as reference material for formulating policies on how Fin Tech peer-to-peer (P2P) lending can improve service quality not only for users who regularly pay their bills but also for users who fail to fulfill their obligations.
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INTRODUCTION

Based on a report from the Financial Services Authority (OJK), the value of fintech lending, in Indonesia reached IDR 20.53 trillion in August 2023. The amount of loan distribution increased slightly by 0.78% from the previous month (month-on-month)/mom) which amounted to IDR 20.37 trillion. Meanwhile, when compared with August 2022, national loan distribution in August 2023 increased by 6.87% (year-on-year/yoy). Loan distribution in August 2023 will be given to 13.37 million loan recipient accounts. The number of borrowers fell 6.37% monthly (mom). The majority or 10.47 million borrowers come from the Java Island region, equivalent to 78.3% of the total national borrowers. Of the total loan value, IDR 8.01 trillion or 39.05% of loans were given to the productive sector. In detail, IDR 3.25 trillion was loaned to the wholesale and retail trade sectors; IDR 305.23 billion to the agriculture, forestry and fisheries sectors; IDR 157.68 billion to the processing industry sector; and IDR 702.47 billion to the accommodation and food and drink provision

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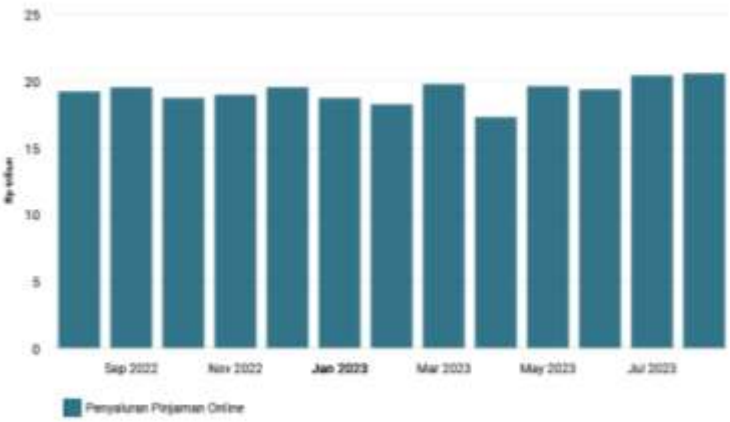
sector. Meanwhile, distribution cooperation by institutional lenders (super lenders) in August 2023 will come from 2,196 conventional financial service institutions with a value of IDR 5.92 trillion.[1]



Source: databoks, 2023

Picture 1. Online Loan Distribution

The Financial Services Authority (OJK) report shows that the distribution of national fintech lending was dominated by Java during January-August 2023. It was recorded that the amount of loan distribution in Java reached IDR 15.97 trillion in August 2023. This number increased slightly 0 .12% from the previous month (month-to-month/mtm) of IDR 15.95 trillion. The number of loan distributions in Java in August 2023 is also the highest since the beginning of the year. Meanwhile, online loan distribution in January 2023 only reached IDR 14.77 trillion. Based on the province, West Java received the largest online loan distribution in August 2023 with a value reaching IDR 5.67 trillion. Meanwhile, distribution to DI Yogyakarta is the lowest on this island, namely only IDR 308.77 billion. In terms of trends, online loan distribution in Java has tended to increase since the beginning of the year in the range of IDR 14 trillion-IDR 16 trillion per month. Meanwhile, loan distribution outside Java is still much lower. In August 2023, loan distribution outside Java will only be IDR 4.55 trillion or around 22.16% of the total value of national loan distribution which was IDR 20.53 trillion in the same period. [2]

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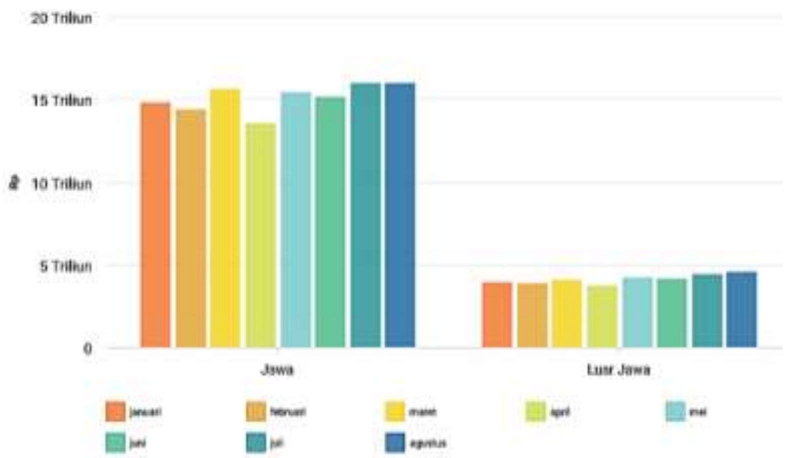
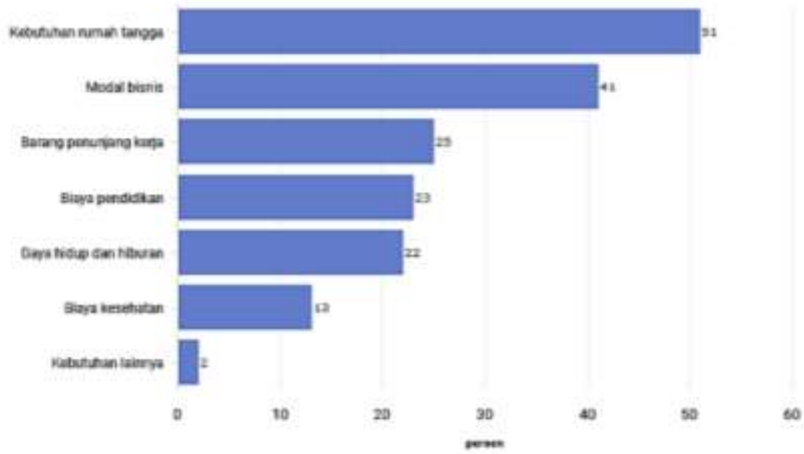


Source: databoks, 2023

Picture 2. Online Loan Distribution in Java and Outside Java



Source: databoks, 2023

Picture 3. Respondents' Motivation for Using P2P Lending

Based on the latest Populix survey entitled Unveiling Indonesia's Financial Evolution: Fintech Lending and Paylater Adoption, it reveals a number of Indonesian people's motivations for using online loans. As a result, the majority or 51% of respondents admitted to using peer to peer lending to meet their household needs. The next biggest motivation for using peer to peer lending is for business capital with a proportion of 41%. Then 25% of respondents used peer to peer lending to meet their work support needs and 23% of respondents for education costs. There are also 22% of respondents who are motivated to use peer to peer lending to fulfill lifestyle and entertainment, 123% for health costs and 2% for other needs. This survey was conducted on 15-18 September 2023 among 420 respondents using peer to peer lending applications, out of a total of 1,017 respondents who are assumed to represent the entire Indonesian demographic.

Respondents were dominated by women with a proportion of 51%, while men were 49%. The majority of respondents were on Java Island (79%) followed by Sumatra Island (12%) and other islands (9%). Respondents came from the 17-55 year age group, dominated by the 17-15 year age group (55%) and the 26-35 year age group (315). Respondents were divided into workers (56%), students (21%), entrepreneurs (11%), housewives (6%) and other professions (6%). [3]

In terms of operandi, Peer to Peer Lending really needs to be reviewed. The way they target the market and the way they collect their obligations has deviated far from feasible values. The collaboration that started well turned into a disaster. As long as the money lent can be returned, Peer to Peer Lending collects it in various ways. Starting from involving collectors who are said to be professionals, terrorizing customers, the customer's family and even the customer's friends. A list of names that are used as references when submitting an application are sought. In the end, the customer's character is killed. Customers feel cornered and humiliated. For customers with thin ears, they become discouraged. Not a few take the shortcut of committing suicide, resigning from work because of the immeasurable shame. Peer to Peer Lending has been around for almost 10 years. Both licensed and unlicensed. They appear because of market needs. The market requires fast and hassle-free credit services. Apply now and if possible, within minutes the funds can be disbursed. [4]

In its operations, Peer to Peer Lending also deviated. The applied rate is much higher than the market rate. It could be said that the interest applied by Peer to Peer Lending is much more expensive than loan sharks. The interest is so high that only 50% of the total credit disbursed could be collected. Peer to Peer Lending can already get a thick margin. [4]

From the explanation above, it can be concluded that apart from increasing lending, there are also customers who fail to fulfill their obligations. For customers who fail to pay, Peer to Peer Lending usually take certain steps so that customers or users of Peer to Peer Lending continue to pay their obligations. The steps taken by Peer to Peer Lending are not always sympathetic even though there has been a restriction from the government, in this case the OJK, not to carry out billing practices in an unsympathetic way, but there are still DCs (Debt Collectors) from several Peer to Peers Lending both legal and illegal which do detrimental things to Peer to Peer Lending users.

Fintech is a very fast-moving and dynamic industry where there are many different business models. [5] Financial technology also referred to as Fintech is a new financial service model developed through information technology innovation. [6] It can be concluded that Financial Technology is a service that combines technology and finance where this service provides innovation in business.

Peer to Peer Lending is a process of borrowing money between two unrelated individuals directly through an online platform without interference from traditional financial intermediaries such as banks.. [7] *Peer to Peer Lending* is a major innovation related to the banking sector. In recent years, the number of platforms offering such services and the number of transactions have continued to increase. Peer to Peer Lending is an internet-based business model that meets lending needs between financial intermediaries. The platform is aimed at medium and small companies where they think bank loan requirements may be too high. Peer to peer lending has lower costs and higher efficiency than traditional bank-based loans. [6] It can be concluded that peer to peer lending is a business model that brings together lenders and borrowers through a platform where this model is more profitable than traditional financial platforms..

METHODS

This type of research is qualitative research. The qualitative method is a research method used to examine the condition of natural objects where the researcher is the key instrument. The data collection technique was carried out using triangulation (combination), data analysis was inductive/qualitative and the results of qualitative research emphasized the meaning of generalizations. [8]

The research approach used in this research is descriptive qualitative because this research produces conclusions in the form of data that describes in detail, not data in the form of numbers. This is because the qualitative approach is a research procedure that produces descriptive data in the form of written or spoken words from people and observed behavior. Qualitative research is a scientific approach that uncovers certain social situations by describing reality correctly, formed by words based on relevant data analysis collection techniques obtained from scientific situations. [8]

The informants in this research were those who were legal or illegal peer to peer lending customers who experienced default. There were 6 informants who were unable to fulfill their obligations to make online loan payments for approximately six months.

This research will focus on how peer to peer lending customers who experience payment failure receive treatment from the online lending platform. In qualitative research, data validity is very necessary. Data validity is an effort to increase the degree of trust in the data in the research conducted. If researchers carry out checks on the validity of the data carefully in accordance with applicable techniques, then it is clear that the results of their research efforts can truly be accounted for from all aspects. The validity of the data in this research uses triangulation techniques. Triangulation is a technique for checking the validity of data that uses something other than the data for checking purposes or as a comparison of the data.[9] The research stages are:

1. Mapping the peer to peer lending user who fail to pay with depth interview. Achievement indicator is availability of an overview of Peer to Peer Lending for users who fail to pay.
2. Analyzing the Peer to Peer Lending service quality perspective with depth interview. Achievement indicator: there is an overview of the service quality perspective in Peer to Peer Lending for users who fail to pay.
3. Analyzing Peer to Peer Lending's treatment of user who fail to pay with depth interview. There is a Peer to Peer Lending model for users who fail to pay.

RESULTS AND DISCUSSIONS

The following is a table of informants' characteristics and their reasons for using peer to peer lending platforms. Also a table regarding the interview results which are summarized in the table below.

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Table 1. Respondent Characteristics

No	Age	Reasons to use Peer to Peer Lending
Sulistyawati	35	For household needs
Hartati	38	For household needs
Kiki	38	For health purposes
Rahmawati	42	For household needs
Titik Yuliani	44	For the benefit of the child's school
Ningsih	44	For household needs

Source: data processed, 2023

Table 2. Interview Results

Name	Interview Results
Sulistyawati	Receiving harsh treatment from debt collectors, either with words or via SMS.
Hartati	Only terrorized via SMS and telephone
Kiki	Received terror from debt collectors by being visited repeatedly at her house and using harsh methods
Rahmawati	Received terror from debt collectors, both neighbors and emergency contacts included when registering on the application
Titik Yuliani	All contacts were completely terrorized by debt collectors and also threatened to share data on social media accounts.
Ningsih	*Debt collectors wait for payment in front of the office until payment is made and this is done periodically. The way this was done was very embarrassing and very disturbing.*

Source: Interview results, 2023

From the interview results above, it can be seen that the majority of informants use peer to peer lending platforms for household needs. This was done to coincide with the outbreak of the pandemic and they experienced financial difficulties due to layoffs, stalled businesses and disasters.

All informants experienced delays in payments of more than 90 days, some even more than a year. And there are differences in treatment from debt collectors in terms of collection, but overall the treatment received really disturbs the privacy of peer to peer lending platform users who experience payment failure. There is collection which is only carried out via SMS and telephone or visiting residences or offices and is even by humiliating users of peer to peer lending platforms by terrorizing existing contacts..

All informants stated that when they failed to pay, the treatment they received was truly unethical and very painful. This is in contrast to when they have just become customers on a peer to peer lending platform or when their track record is good, the platform actually offers a loan that is much larger than what they have previously received.

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CONCLUSIONS

The conclusion that can be drawn from this research is that the quality of service received by users of peer to peer lending platforms is very poor when they experience payment failure. Even though this treatment is different for each platform, legal, semi-illegal or even illegal, the treatment received by users who fail to pay is very inhumane. This is proven by the results of the interview which stated that the informant felt disturbed by the billing carried out by the peer to peer lending platform directly in the field or only via cellphone.. Even though there are already regulations for debt collectors to carry out collections in more humane and ethical ways. However, in practice there are still debt collectors in the field who apply inappropriate measures to users who fail to pay. The treatment is completely opposite to what they received before they failed to pay.

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