

The Second Economics, Law, Education and Humanities International Conference (ELEHC-2021)



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This collection contains selected papers from the **Second Economics, Law, Education and Humanities International Conference (ELEHC-2021)** held in Padang, Indonesia on the 14th and 15th of October 2021. This event was hosted by the Universitas Bung Hatta, Indonesia.

The conference was held to discuss the latest evidence and perspectives on topics spanning across business, education, literature and the use of technology therein, the key theme being the implications of COVID-19 on finance, businesses and education in Indonesia.

This KNE Social Sciences collection contains 36 peer-reviewed papers on a wide range of topics. Several researchers investigate the teaching methodologies adopted by Indonesian schools during the pandemic and their effectiveness. Others discuss challenges faced by businesses, specifically SMEs, and an ideal business strategy to cope with the situation. One of the researchers assesses the usage and meanings of metaphors in a television series, while another explains the influence of euphemism and dysphemism on the Malay dialect of Kampar, Malaysia.

These papers will be of interest to academics, students and professionals researching or working in the fields of education, linguistics, politics, economics and finance.

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The Effect of Different Pair-Work Types on Students' Writing Quality

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHC-2021)

Pages 1–10 • Joni Alfno, Mohammad Adnan Latief, Utami Widiati, Ali Saukah

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Critical Reading Skills of the Descriptive Genre Through E-Learning

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHC-2021)

Pages 11–19 • Gusnetti Gusnetti, Yetty Morelent, Olin Nita

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Knowledge, Attitudes and Skills of Science Teachers Regarding ICT in West Sumatra

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Pages 20–28 • Erman Har, Rona Taula Sari

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The Effect of Age, Ethnicity and Financial Expertise of Female Directors on Earnings Quality in Indonesia

[Back to top](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHC-2021)

The "New Normal" in Education and the Future of Schooling

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 40–47 • Harold John D. Culala

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The Impact of Payment Systems and Peer-to-Peer Lending on the Performance of SMEs in Indonesia

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 48–58 • Rika Desiyanti, Nor Azilah Husin, Aza Azlina Md Kassim, Rini Elvira

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Impacts of Macroeconomic Factors on Stock Returns in the Property Sector

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 59–68 • Erna Garnia, Deden Rizal, Tahmat Tahmat, Auliya Ayu Febianti Lebeharia

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Information System Development Using the Technology Acceptance Model to Increase State Tax Revenue

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

[Back to top](#)

Predictors of Social Entrepreneurial Intention in Undergraduate Students in Padang City

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 83–91 • Purbo Jadmiko, Eflitra Azliyanti, Reni Yuliviona

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Antecedents of Tourist Satisfaction With Marine Tourism in West Sumatra

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 92–99 • Reni Yuliviona, Eflitra Azliyanti, Evi Susanti Tasri, Purbo Jadmiko

166 DOWNLOADS

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Is Financial Literacy Associated With SME Sustainability During COVID-19?

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 100–115 • Zaitul Zaitul, Desi Ilona

481 DOWNLOADS

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Comparing the Effectiveness of a Matching Quiz and Half-Minute Paper as Formative Assessment Tools

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 115–123 • Lely Refnita, Jufi

[Back to top](#)

[Analysis of Directive Speech in the Novel The Village Boy by Damien Dimatra](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 124–133 • Elvina A. Saibi

174 DOWNLOADS

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[Implications of Learning About Japanese Language and Culture for the Japanese Department Alumni Living in Japan](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 134–146 • Dewi Kania Izmayanti, Syahrial Syahrial, Nolia Sri Wahyuni

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[Tehpai as an Expression of Filial Piety](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 146–153 • Hermina Sutami, Assa Rahmawati Kabul

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[The Leading Sector for West Sumatera in Facing the ASEAN Economic Community](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 154–159 • Deswita Rosra

[Back to top](#)

[The Effect of Regional Finance in Improving the Quality of Human Resources in West Sumatra](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 160–168 • Ega Guspita, Erni Febrina Harahap

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[Minangkabau Women in the Novel Mengurai Rindu by Nang Syamsuddin](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 169–180 • Aimifrina Aimifrina

98 DOWNLOADS

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[The Prosodic Aspects of Politeness in Instructional Interactions of Elementary School Teachers in Surabaya](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 181–195 • Agung Pramujiono, Taufik Nurhadi, Nunung Nurjati, Ferra Dian Andanty, Amelia Widya Hanindita

185 DOWNLOADS

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Speech Acts of Protest Expressed by Followers of the World Health Organization Instagram Account

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 196–206 • Sanita Tri Utami, Yusrita Yanti

182 DOWNLOADS

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Hospital Service Quality and Behavioral Compliance: The Role of Patient Satisfaction as Mediator

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 206–212 • Sefnedi Sefnedi, Wiry Utami

309 DOWNLOADS

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Technology Adoption in Mediating the Effect of Leadership Succession on Family Business Sustainability in West Sumatra

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 213–225 • Dahliana Kamener, Norasekin Ab. Rashid, Nor Azilah Husin, Irda Irda

191 DOWNLOADS

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Metaphors and Their Meanings in Lady Whistledown's Utterances in the Television Series Bridgerton

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 226–233 • Ummi Shafira Ramadian, Diana Chitra Hasan

[Back to top](#)

[The Influence of Euphemism and Dysphemism on Politeness in the Malay Dialect of Kampar](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 234–245 • Yetty Morelent, Bambang Irawan

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[Economic Competitiveness and Quality of Human Resources in West Sumatra](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 246–253 • Erni Febrina Harahap, Helmawati Helmawati, Siti Rahmi, Zaqiah Ramadhani, Mora Mora

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[The Identities of Second-Generation Indonesian Diaspora Communities](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 254–264 • Dewicynthia Stümer

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[Strategy for Strengthening the Business Management of Joint BUM Desa/BUM Desa and its Business Units](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 265–274 • Suamperi .

[Back to top](#)

[Open-Ended Online Module to Improve Creative Thinking of Elementary School Students](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 275–283 • Zulfa Amrina, Vita Nova Anwar, Joni Alfino

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[Contextual Problem Presentation in Students' Mathematics Book and Students' Perceptions](#)

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 284–298 • Syukma Netti, Khairul Khairul, Listy Vermana, Anisa Amaz

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[Tube Volume in the Malamang Tradition](#)

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Pages 299–305 • Fauziah Fauziah, Yusri Wahyun, Rieke Alyusfitri

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[The influence of economic energy consumption, poverty and population on Indonesia's environmental quality in](#)

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[Back to top](#)

Theme, Characterisation, Background, Plot, and Social Class in the Novels Gadis Pantai and Para Priyayi: An Intertextual Review

THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 320–328 • Hasnul Fikr, Syofiani ., Dilaila Setiwati

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THE SECOND ECONOMICS, LAW, EDUCATION AND HUMANITIES INTERNATIONAL CONFERENCE (ELEHIC-2021)

Pages 329–338 • Temmy Thamri, Diana Chitra Hasan, Nova Rina, Maulid Hariri Gani, Maulid Hariri Gani, Anisa Maharani Miranda

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The Business Strategy of Small Enterprises in the Digital Period in West Sumatra

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Pages 339–354 • Teti Chandrayanti

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PAYMENT SYSTEM AND PEER TO PEER LENDING ON SMEs PERFORMANCE IN INDONESIA

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Abstract

SMEs' performance has contributed to the development and sustainability of the country's economy. Performance is the result of attaining someone and organization in one period. This paper has the purpose to analyze the effect of payment systems and peer-to-peer lending on SME's performance. A questionnaire survey has been allocated among SMEs in Sumatra, Indonesia. Based on 387 respondents, an area random sampling technique was used. The data is analyzed by using Statistical Product and Service Solutions (SPSS). The study finds that payment systems and peer-to-peer lending do affect SMEs' performance.

Keywords: Payment system, Peer to Peer Lending, SMEs Performance

INTRODUCTION

SME's performance associates with the company's work standard. The ability to manage a business by the SMEs is important for performances and their continuity. SMEs are crucial in the development of a strategic and national economy. According to (1) a good foundation and performance support a positive effect on the economic sustainability of a nation. Good performance will increase business development. The poor performance is indicated by unplanned work, low sales, unstable production, increase in fixed costs, and unable to serve customers.

Therefore business to have the ability to run good performance, the business performance needs to comprehend definition and goal them. Some of the previous studies give some business performance definitions. For instance, (2) and (3), define business performance as an outcome of company activities or investment in one term. Business performance is also defined as a particular business measured by normative, comprehensiveness, and expense. The performance is also a result of corporate strategies to engage to get market-oriented and finance(4). In the study, business success is sometimes used to show a company's performance (5).

According to the Enterprise Survey 2015 and 2018, between 2012 and 2016, SMEs Indonesian had negative annual sales growth, and worst performance namely; high cost, poor profit, and annual sales growth, and less production. The literature on entrepreneurship suggests that financial technologies (payment system and peer-to-peer lending) are appropriate predictor performances of SMEs (6)(7–11).



According to (12), payment systems and peer-to-peer lending are part of financial technology. Financial technology has function as payments, remittances advice, loans payable, and investments. Technology gives high emphasis on SMEs' performance (13). Financial technology is a mix of financial services with information technology. Broadly, financial technology is defined as a produce income beyond the existence of technology and financial services (14).

SMEs are easy to accessing financial technology. To optimize the function of payment systems and peer-to-peer lending, the government must interfere in financial institutions and business communities related transactions and improve financial technology. Financial technology is becoming more modern.

The development of payment systems is driven by the volume of transactions made by the community encouraging the development of payment systems. Payment systems evolved from commodity cash and non-cash payment systems. Payment systems are an important component of the economy. Payment transactions, payment systems, and economic transaction patterns are constantly changing in times.

Lack of knowledge about the latest production technologies and product quality control affects the poor performance of SMEs. The ability to read the needs of the market is still low worsening performance as well. SMEs have not been able to capture what consumers want, want, and need. Therefore, online promotion through social media needs to be done. It takes good management, administration, and a financial system. SMEs need to pay attention to limited facilities and infrastructure, especially related to financial technology tools. Previous studies have been conducted on performance in Indonesia (15)(16)(17)(18)(19).

The company's achievements are important in the company's performance in one period. The company's performance is important for all stakeholders, namely investors, managers, creditors, governments, and other communities. They will assess the company by a financial standard following the objectives of the company concerned. The assessment of the company's performance is done through the ratio of financial statements displayed by the company. (20) A company's performance consists of ratios: liquidity ratio, leverage ratio, activity ratio, profitability ratio, growth ratio, and valuation ratio which: 1) Liquidity ratio aims to measure a company's ability to pay the short-term debt. 2) The leverage ratio measures total debt. 3) Asset management, the activity ratio aims to measure the effectiveness of the company's founding. 4) Profitability ratio measured by effectiveness management. 5) Growth ratio to measure company capacity 6) Goal valuation ratio measures the company's overall performance because this ratio is the return ratio.

HYPOTHESES DEVELOPMENT

Financial technology is guided by a combination of financial services and information technology. Financial technology is defined as a company that provides credit through financial technology services (21). Today banks pay full attention and invest in financial technology to improve the efficiency of financial technology system innovations such as electronic funds transfer sales.

Payment System on SMEs Performance

The application of finance technology affects SMEs' performance. Companies need to adapt the environmental change. His findings found that the timeframe of digital



innovation increased its network correspondence (22)(23). (24) posit that there are shocking results concerning the performance of small banks and SMEs. SMEs play a necessary role in job creation in the community. There are surprising results regarding the performance of small banks and SMEs.

The existence of financial technology affects the performance of SMEs. Companies need to adjust to changing environments. His findings found that digital innovation improved his network correspondence (22) (23). (24) think that financial technology experience has a positive impact on the performance of SMEs. Payment systems will achieve the highest performance in finance(25).

According to (26) and (21), there is a positive impact on the Indonesian economy and performance due to the advancement of financial technology developments in Indonesia. So that it can encourage the welfare of the community equally. Technology companies generate payment revenue from transactions. This will improve performance. (9) (27)(28) indicates that online financial developments have a positive impact on profitability (performance), the hypotheses that can be proposed are as follows:

H1: There is a positive effect of the payment system on the performance of SMEs

Peer to Peer Lending on SMEs Performance

(29) found that loan repayments affected performance. The interest rate on peer-to-peer lending is low. This will encourage SMEs to lend money rather than borrowing to other institutions. With the loan, SMEs will do profit-generating activities so that it ultimately improves performance. Loans for small businesses are difficult to obtain from banks (30). The proposed credit is rejected by the lending institution because it is not eligible to meet the requirements. This is one of the real weaknesses in small business financing that is related to performance. Another alternative to lending can be easily obtained through advances in financial technology i.e. peer to peer lending. Online loan funds make it easy to make a business. In turn, gaining profits and improving performance.

(31) found that profitability can be improved by running some simple investment rules of the portfolio and providing a good return on credit, however, lenders are careful to lend money to borrowers with some selection criteria. Thus, online loans have a chance of long-term success (27) (32). The following hypothesis:

H2: There is a positive effect of peer to peer lending on SMEs performance

METHODOLOGY

Population and Sample

The SME population was selected in Sumatra. This island becomes the island with the lowest SMEs among the other 5 major islands (Java, Kalimantan, Sulawesi, Papua, and Nusa Tenggara) in Indonesia. The sample is part of the population. Sumatran regions are: Aceh Nangroesalam, North Sumatra, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Lampung, Bangka Belitung Islands and Riau Islands. According to (33) a minimum sample of 384 respondents is sufficient for $\geq 1,000,000$ populations. The sample was taken through area random sampling. Area random sampling is a geographic cluster, namely research related to populations within an identifiable geographic area such as city block states or certain boundaries.



Measurements

SME performance is a dependent variable. Measurements of SME performance for the study were taken from (34) (15) (18) (35). The measurement scale for performance is the Likert scale which is 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Furthermore, the payment system and peer to peer lending also consist of five Likert scale points used; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree (36) (37) (30).

RESULTS AND DISCUSSIONS

Survey respondents

The population of this study was all SMEs in Sumatera Island. They are $\geq 1.000.000$. Questionnaires sent 2.700 questionnaires to 2.700 SMEs. This number was taken due to a study of (38) and (39) who found that the average response rates of the survey are 7%-21%. which said that the possibility of the questionnaire will be sent back by the respondents is between 7% - 21 %. From the 2.700 questionnaires, there were only 387 questionnaires (14.33%) were sent back to the researcher. According to (33), if the amount of the population is $\geq 1.000.000$, the minimum sample is 384. Therefore, all of the questionnaires which were sent back by the respondents (387), are taken as the sample of this study.

Descriptive Statistic

Descriptive Statistic of SMEs Performance, Payment system, and Peer to peer Lending (N = 387)

Table 1 provides the descriptive statistic result in SMEs performance, payment system, and peer-to-peer lending. Mean of SMEs performance = 11.95, payment system = 15.52, and peer-to-peer lending 14.57. Meanwhile std deviation for SP = 1.925, PS = 3.195 dan PL = 4.831. The result shows:

Table 1: Descriptive Statistic for SMEs Performance Payment system and Peer peer Lending (N= 387)

Variables	Denoted by	Mean	Std Deviation
SMEs Performance	SP	11.95	1.925
Payment System	PS	15.52	3.195
Peer to Peer Lending	PL	14.57	4.831

Source: processed data

Result H1 and H2

The effect of the payment system and peer-to-peer lending on SME's business performance is supported. These result can see in table 2 as follow:



Table 2: Regression Model Summary Statistics of Analysis Payment System and Peer to Peer Lending on SMEs Performance

Dependent Variable	Model SMEs Performance (t statistic in parentheses)	VIF	Hypothesis
Payment System	2.413 0.000***	1,045	H1 supported at α 1%
Peer to Peer Lending	3.430 0.016***	1.045	H2 supported at α 1%
R ²	0.72		
Adjusted R	0.67		
F statistic	14.798		
Significance of F	0.000***		
Durbin-Watson	1.950		

Notes: ***, **, * indicates regression analysis is statistically significant at 1%, 5%, and 10% respectively

Source: processed data

The result in table 2 shows that two independent variables payment system and peer-to-peer lending have a significant relationship with SMEs performance. The finding indicates a positive relationship as predicted in the study. This result supports hypotheses 1 and 2. Hypotheses 1 payment system effect SMEs performance and hypothesis 2 the effects of peer to peer lending on SME's performance. H1 is supported at a significance of 1%. Hence, for H2, there is a positive effect of peer-to-peer lending on SMEs' performance as is proved by the significant result of regression analysis at a significance of 1%. In conclusion, H2 is supported.

R² is 0.72% meaning payment system and peer-to-peer lending together affect SMEs performance amount 72%. It is also shown with a significant F test on the significance of F 1%.

CONCLUSION AND RECOMMENDATION

The study examines issues related to the payment system and peer-to-peer lending on SMEs performance in Indonesia. Payment systems influence SMEs' performance and also peer-to-peer lending effect on SMEs performance.

Payment systems can replace formal financial institutions such as banks. Payment can be made using a smartphone. Mobile technology is one of the mobile payments. Hence, SMEs can borrow loans with peer-to-peer lending. SMEs can get capital immediately through peer-to-peer lending. This study is supported by (14). Indonesia's economy will increase if Indonesia's finances are good. This encourages the equitable distribution of the welfare of the population; make online payments easily, assisting with financing through peer-to-peer lending; encourage the distribution of



national financing; Improve financial inclusion and improve the performance capabilities of SMEs.

In line with the results of the study (40) perform an analysis of the payment factors of the system. (41) found that the level of benefit and comfort in payment. Payment systems have a positive influence on revenue level/business performance, e-commerce influences the positive and significant performance of SMEs. (42) (43) concluded that the increase in financial technology in Indonesia has a positive impact on economic performance.

Then, financial technology helps to level the well-being of the population. Financial technology needs business capital by providing loans and making profits. Peer-to-peer lending provides convenience to SMEs because it is more efficient, effective, and transparent as well as low-interest rate fees (44). This study also supported by found that financial technology increases SMEs performance (45).

These findings are supported by signaling theory. Signaling theory motivates companies to present good information to shareholders and disclosed excellent performance. One of the main indicators of a company's health is the company's performance. A good signal about SMEs' performance brings a positive sign for the company to increase the stock price and performance (46)(47).

With regards to future research, despite the contribution of the study, several limitations should be recorded. The limitations of this study are only using payment systems and peer-to-peer lending to the performance of SMEs. It is recommended for subsequent research to include other variables such as capital, human resources, and marketing. Respondents were limited to the island of Sumatra. There are still other islands in Indonesia that can be sampled in this study.

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