THE IMPACT OF PERSONALIZATION FEATURES TOWARD CUSTOMER TRUST ON PEER TO PEER LENDING PLATFORM

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Abstract. Background: Customer trust in the intermediary becomes an essential things in the development of peer to peer lending platform regarding the existing of danger of virtual environment. One of the factors which influence customer trust is service quality which one of them is refers to personalization. In implementing personalization, there will be perceived efficiency which is a form of better service. However, there is still no research about these factors which is necessary for peer-to-peer development. Objective: The primary objective is to analyze how personalization impact customer trust in the peer-to-peer lending platform. Method: This research using quantitative method through distributed online questionnaire to the population in Bandung, in the range of age 20-24 years old with the requirement of having an Indonesian ID and bank account. After that, all collected data were analyzed using PLS-SEM. Results: Personalization has significantly influences efficiency and trust in intermediary as well as efficiency to trust in intermediary. In addition, there's an indirect effect from personalization to trust in intermediary through efficiency eventhough it's not as strong as direct effect. Conclusion: Personalization is positively and significantly affect customer trust in intermediary, both in direct form and in indirect form through perceived efficiency. However, indirect effect is not as strong as direct effect.

Keywords: Peer-to-Peer Lending; Personalization Features; Trust in Intermediary

INTRODUCTION

According to the study of Gomber, Koch, and Siering (2017), in recent years, the application of digital technology has generated new ways in the financial sector with the emergence of the financial technology industry (fintech). Based on the data of OJK (*Otoritas Jasa Keuangan*), the number of fintech companies in Indonesia is dominated by fintech in the field of payment and loan systems. The number reaches 63% of the total existing fintech companies. In loan systems, peer-to-peer lending (P2P) scheme become one of fintech that developing rapidly in Indonesia (Franedya & Bosnia, 2018). However, there are only a few numbers of peer-to-peer lending companies that capture the market and grow with significant numbers such as Amartha, KoinWorks, Investree, Akseleran, and Modalku (KPMG, 2018). Then in this research, Amartha is chosen to be the representative of peer-to-peer lending in Indonesia, because Amartha is the winner in InnovationXchange (iXc) among 700 other participants as a company who brings strong social impacts in the Indo-Pacific region (KPMG, 2018). Discussing about peer-to-peer development, Yang and Lee (2016) addressed that there are some factors that influence customer trust in the intermediary and one of them is, service quality. Service quality which reflects the reliability, responsiveness, assurance and personalization has been disclosed as an important factor for trust building in the e-commerce area, online banking and mobile financial services (Yang and Lee, 2016).

In terms of peer-to-peer lending, personalization is choosen to reflects service quality because, in the context of peer-to-peer lending, a loan service has required to be customized to meet users needs regarding of the absence of financial institutions in transferring the traditional idea of loan into the internet. In addition, during the transaction process, the services should ensure the efficiency, effectivity, and flexibility of the whole transaction (Yang and Lee, 2016). Therefore, personalization is suitable to reflect service quality in peer-to-peer lending. However, the existing research is only discussing general factors that affect lending intention in the peer-to-peer lending platform (Yang and Lee, 2016; Chen, Lai, and Lin, 2014). So there is still no in-depth research on the factors, particularly about personalization and perceived efficiency as a part of service which makes it necessary to conduct research about it. As explained in the study of Joen (2009), personalization can increase customer's perception toward the service quality of the platform, and it will make the customer return to the platform in the future. Thus, by focusing on personalization, the concern is to know how personalization impacts customer trust in the peer-to-peer lending platform.

LITERATURE REVIEW

Peer-to-peer Lending
Peer-to-peer lending refers to unsecured loans between creditors and debtors through online structures without the intermediary of any financial institutions (Chen and Han, 2012). Therefore, it's become a concern that peer-to-peer lending faces a variety of risks such as implicit uncertainty using advanced technology infrastructure and uncertainty of borrowers behavior in the platform (Krauter and Kaluscha, 2008). Concerned to those things, prior studies addressed that trust become an important

role in online transaction (Morgan and Hunt, 1994; Chen, Lai, and Lin, 2014; Yang and Lee, 2016)

Customer Trust on Peer-to-Peer Lending Platform
According to Chen, Lai, and Lin (2014), trust grows to be the essential role in lending goal because of the danger of virtual environment in the peer-to-peer lending platform. As stated by Morgan and Hunt (1994), a trust will arise when trustor (lender) is confidence that trustee (intermediary) is reliable and has high integrity which refers to qualities as consistent, competent, honest, fair, responsible, helpful and benevolent. Discussing about trust, according to the conceptual model of Chen, Lai, and Lin (2014), one of the factor that influence trust in intermediary is service quality. According to the study of Yang and Lee (2016), service quality reflects the reliability, responsiveness, assurance, and personalization. In terms of peer-to-peer lending, personalization is chosen to reflects service quality because, in the context of peer-to-peer lending, a loan service has required to be customized to meet user's needs regarding the absence of financial institutions in transferring the traditional idea of loan into the internet. In addition, during the transaction process, the services should ensure the efficiency, effectivity, and flexibility of the whole transaction. Therefore, personalization is suitable to reflect service quality in peer-to-peer lending.

Personalization
Personalization is the process of preparing an individualized communication for a specific person based on stated or implied preferences (Roberts, 2003). The implementation of personalization creates some values to the customer and one of them is a better service (Vesanen, 2007). In the context of peer-to-peer lending, this value is perceived by the customer through various kind of personalization. Then as a part of service quality of peer-to-peer lending, the type of personalization needed in the platform is instrumental personalization. Instrumental personalization is a type of personalization that refers to the utilization of information systems to increase the efficiency and personal productivity by providing, enabling and delivering useful, usable, user-friendly tools that meet individual's unique needs in a way that meets the needs of the user (Fan, 2007). It's accordance with the needs of service quality in the peer-to-peer lending that requires a service which can meet user's individual needs by providing a system that focuses on efficiency, effectivity, and flexibility (Yang and Lee, 2016).

RESEARCH MODEL

Based on several studies in the previous part, below is the proposed research framework in this study. However, in this case, the author chooses efficiency as the variable to be used to reflect better service value because efficiency has a similarity with the word "better" in better service. Regarding the Oxford dictionary, efficiency and better have the same synonym that is 'effective'. So, efficiency is judged as one of the dimensions of better service. Thus, the figure of the research framework is shown below:
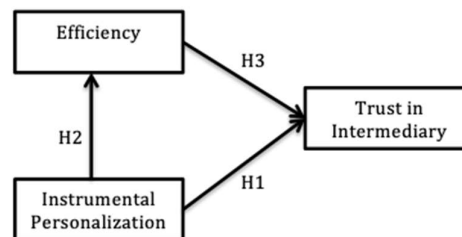

Figure 1. Research Framework

Hypothesis 1: *Instrumental personalization is positively and significantly associated with customer trust in the intermediary*
Hypothesis 2: *Instrumental personalization is positively and significantly associated with efficiency*
Hypothesis 3: *Efficiency is positively and significantly associated with customer trust in the intermediary*

METHODOLOGY

This research is using quantitative method by distributing online questionnaire towards 400 respondents who indicated as a potential lender in peer-to-peer lending. The respondents are the population in Bandung in the range of age 20-24 years old who has an Indonesian ID Card and bank account as the requirement of registered lender in peer-to-peer lending. The questionnaire begin with the explanation about Amartha, personalization in general, instrumental personalization, and personalization feature that applied in Amartha. Then it following by the measurement of three variables which are instrumental personalization, efficiency, and trust in intermediary. The instrumental personalization consist of 5 items that adapted from Fan (2007). While efficiency consist of 4 items from Laugwitz, Held, and Schrepp (2008). Then trust in intermediary is consist of 7 items from Kim,

Feeein, and Rao (2008); Pavlou, Liang, and Xue (2007); and Bansal, Irving, and Taylor (2004). Each of items is using 7-likert scale and it's processed by using SmartPLS Software. In SmartPLS, the author using PLS-SEM method for model fit analysis, reliability test, validity test, and hypothesis test. In addition, the result from PLS-SEM is also used to run sobel test to find indirect effect in the model.

FINDINGS AND ARGUMENT

1. Direct Effect

Table 1. Direct Effect

Structural Path	Path Coefficient	t-Values (bootstrap)
IP → EF → TI	0.088	2.75
IP → TI	0.516	10.520

Based on the table above, each path coefficient value has a positive number which means that they all have a positive relationship. Because the value closer to +1 indicates a strong positive relationship, while the closer value to -1 indicates a strong negative relationship (Hair, *et al*, 2014). Then, t-Values of each structural path are above 1.96 which means a significant relationship. It should be above 1.96 because it is identified as significant for a two-tailed test with a 5% significance level. According to table above, the coefficient of determination for efficiency and trust in intermediary respectively are 0.394 and 0.377. That means instrumental personalization is explaining 39.4% of the variance in efficiency. While efficiency and instrumental personalization explain 37.7% of the variance in trust in the intermediary. Cross-validated Redundancy (Q^2) is used to evaluate the predictive validity of a large complex model using PLS (Akter, D'Ambra, and Ray, 2011). Then based on data are shown above, cross-validated redundancy value of efficiency and trust in intermediary respectively are 0.212 and 0.221.

2. Indirect Effect
So, according to the result of the calculation using Sobel test, the indirect effect has a path coefficient of 0.088 and t-Values of 2.75 which is positive and significant because t-Values is greater than 1.96. However, in comparison with the direct effect which is the structural path of instrumental personalization to trust in intermediary, the result of the indirect effect is not as strong as direct effect. Thus, the indirect effect of this model is weak. It's shown as in the table below

Table 2. Indirect Effect

Structural Path	Path Coefficient	t-Values (bootstrap)	Coefficients of Determination (R^2)	Cross-validated Redundancy (Q^2)
IP → EF	0.628	20.081	0.394	0.212
EF → TI	0.140	2.743	0.377	0.221
IP → TI	0.516	10.520		

CONCLUSION

Theoretical Implications
This research has contribution in theoretical implication by constructing a new framework which combines customer trust beliefs framework of Chen, Lai, and Lin (2014) and personalization framework of Vesanen (2007) in exploring and finding the factors that influence trust in intermediary. So, this research has a new contribution in finding the deeper factors that influence trust in intermediary.The previous research mostly discuss about general factors that affect lending intention such as the study of Chen, Lai, and Lin (2014).

Practical Implications
In practical, peer-to-peer lending in Indonesia should put a further concern on implementation of instrumental personalization especially filter feature in their platform, because with the system functionality of intstrumental personalization, the customer will perceive efficiency and more trust in using the platform in the future which can lead to lending intention.

Limitations and Further Research
For the enhancement of research in the future, the author recommends the future research to the real user of Peer- to-Peer

Lending to have an actual result. And also it needs to expand wider to other locations to have a better result. Beside that, future research needs to be conducted to find the remaining 60.6 % of efficiency and the remaining 62.3% of trust in the intermediary by exploring the other aspects .

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