

Addressing the Financial Gap: Promoting Sustainable Growth in Palestinian SMEs through P2P Lending Fintech and Business Support Services

Rabah Y. R. Abdaljawad¹, W Muhammad Zainuddin B Wanabdullah^{2*}, Nurasyikin Binti Jamaludin³

^{1,2,3} Faculty of Business Economics and Social Development, University Malaysia Terengganu, Malaysia.

*w.zainuddin@umt.edu.my

ARTICLE INFO

Received: 11 Mar 2025

Revised: 17 May 2025

Accepted: 25 May 2025

ABSTRACT

SMEs play a very crucial role in the Palestinian economy by way of generating employment and innovation. However, their long-term development and overall performance are marred by poor access to credit, especially external finance, which in most cases causes them to withdraw from the market and become less competitive. This research examines the promise of peer-to-peer (P2P) lending financial technology platforms and business support services (BSS) in closing the existing financial gap and ensuring sustainable development among Palestinian small and medium-sized enterprises (SMEs) by emphasizing the mediating effect of financial access. A deductive methodology was employed with a strong emphasis on quantitative analysis. Primary data were collected based on a non-probability sampling method, namely convenience sampling, through a questionnaire specifically prepared for this purpose. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed in the data analysis. The study targeted a heterogeneous sample of 4,374 Palestinian SMEs represented by owners, CEOs, and CFOs, with a final valid sample of 363 SMEs. The results revealed a significant mediating effect of financial access on the relationship between P2P lending, BSS, and sustainable growth. Moreover, the study recommends that Palestinian policymakers adopt P2P lending programs and business facilitation services and offer practical insights on how to utilize these instruments to enhance access to finance and promote sustainable development for SMEs in the territory.

Keywords: P2P Lending Fintech, Business Support Services, Access to Finance, SMEs Sustainable Growth

INTRODUCTION

Small and medium-sized enterprises (SMEs) are commonly known to be key drivers of economic development, innovation, and job creation within advanced and emerging market economies (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011; Beck, Demirgüç-Kunt, & Maksimovic, 2005). These enterprises play the fundamental roles of creating employment, value addition, and improving overall economic resilience and are, in that regard, pivotal in facilitating inclusive and sustainable growth (Kraemer-Eis, Lang, & Gvetadze, 2016; OECD, 2019). In Palestine, SMEs play an especially crucial role in providing job opportunities and stimulating innovation amid numerous political, social, and economic challenges (UNCTAD, 2020). Palestine's industrial sector, for example, only satisfies 20% of the domestic market's demand (Dwikat, Arshad, & Mohd Shariff, 2022) and is operating at only half capacity. If the sector is restructured to utilize 70% of its production capacity, it is predicted to create 40,000 additional jobs, thereby having huge potential for economic growth (Aburaida & Nunes, 2018; Morrar & Arman, 2020; Muhtaseb, Khoury, & Tovstiga, 2019).

Nonetheless, while playing a vital role, Palestinian small and medium enterprises are challenged in attaining sustainable development, with limited credit access being the main hindrance (World Bank, 2019). The uncertainty in the world economy caused by the COVID-19 pandemic has also exacerbated this phenomenon (Al-Fadly, 2020). Banks and other fina

ncial institutions have shown a low level of confidence in developing and underdeveloped countries, especially those politically impacted, such as Palestine (Ramadan & Ahmad, 2018; Saleh & Manjunath, 2020; G. D. Sharma, Kraus, Liguori, Bamel, & Chopra, 2022).

Empirical evidence has shown that the financial crisis has exacerbated the issues of small and medium-sized enterprises (SMEs) in accessing finance (Alkhatib, Abdul Jabbar, & Marimuthu, 2018; Cowling, Brown, & Rocha, 2020; Khan, 2022; Pedauga, Sáez, & Delgado-Márquez, 2022). Even in more advanced economies, SMEs continue to face financing challenges because of their small size and lack of access to global value chains (Alkhatib et al., 2018; Dwaikat & Queiri, 2020). The access to credit problem is a global issue affecting small and medium-sized enterprises (SMEs), with a focus on smaller enterprises (OECD, 2021). The lack of adequate financial resources hinders SMEs from undertaking crucial growth activities, such as innovation, research and development, and expansion into new markets (Beck, 2011). In recent times, innovations in financial technology (fintech), such as peer-to-peer (P2P) lending platforms, have emerged as potential solutions to help address the financing gap faced by SMEs globally (Mollick, 2014; Ziegler et al., 2018). P2P lending enables direct links between borrowers and lenders without the use of financial institutions, providing SMEs with a convenient, less expensive, and more effective credit source (Berger & Gleisner, 2021).

Along with fintech products, business support services (BSS) comprising financial consulting, training, and mentorship have been identified as essential tools for small and medium-sized enterprises (SMEs) to mitigate challenges and enhance sustainable development (Aterido, Beck, & Iacovone, 2013; Bruhn, Karlan, & Schoar, 2018).

These services can increase the managerial capacity of SMEs, expand their networks, and improve their ability to deal with complex financial contexts (Bennett & Robson, 2003; Cumming, Fischer, & Schwienbacher, 2019). BSS also indirectly enables SME formalization and simplifies taxation processes, leading to business growth and sustainability (Kulmatov, 2022). Research conducted by Cravo and Piza (2019) substantiates the notion that formal registration contributes positively to profit and productivity, thereby reinforcing the assertion that integrating financial access with customized business support services allows small and medium-sized enterprises (SMEs) to leverage growth prospects and surmount challenges associated with sustainable development.

With the potential of P2P lending fintech and business support services to bridge the financing gap faced by SMEs, this study aims to examine their impact on financial access and sustainable development in Palestinian SMEs. With an exploration of the mediating effect of financial access in these relationships, the study aims to contribute to the understanding of how these factors can enable Palestinian SMEs and lead to their growth. The findings of this research will have important implications for policymakers, financial institutions, and SME stakeholders in designing strategies and interventions for promoting the growth and sustainability of this vital sector.

LITERATURE REVIEW

SMEs Sustainable Growth

Sustainable growth has gained significance for SMEs as such firms attempt to align economic, social, and environmental goals with retaining their competitiveness in the global marketplace (Carvalho & de Oliveira Mota, 2010; Dangelico & Pujari, 2010). Kohl and Toha (2021) argue that the term "sustainable growth" was initially used in the 1987 Brundtland report, and it was reused in the WCED report of 1989. The meaning of this term has been under debate. Nevertheless, this research determines that business serves as the means through which the small business sector can achieve sustainable growth, as noted by Sarango-Lalangi et al. (2018). Companies can develop sustainably when they have a good attitude towards economic factors, particularly their ability to create jobs.

The attainment of sustainable growth can potentially enable SMEs to build long-term value and make them more resilient, especially in the wake of emerging issues like climate change, limited resources, and societal expectations (Eggers et al., 2017; Linnenluecke et al., 2017). Besides, the adoption of sustainability into business practices can potentially lead to innovation, enhance efficiency, and enhance brand reputation (Stubbs & Cocklin, 2008; Tariq et al., 2021). With world markets ever more integrated and stakeholders demanding ever more transparency, SMEs that prioritize sustainable development are the most likely to tame the complexities of the modern business world and

seize expansion opportunities (López-Gamero et al., 2020; Sharma et al., 2021). For the sake of achieving the objectives of this study, which is achieving sustainable growth for the small and medium enterprises sector, as argued by Sarango-Lalangui et al. (2018). The focus was on measuring the main dimensions of sustainable development (economy, environment, social dimension) by measuring growth in jobs, growth in green technologies utilized, and engagement in assisting social causes) and growth in profit and services that meet customer demand as measured by Anderson and Eshima (2013).

Peer-to-Peer Lending Fintech

The emergence of financial technology (fintech) innovations, in the form of peer-to-peer (P2P) lending platforms, has shown promise in bridging the finance gap faced by small and medium-sized enterprises (SMEs) across the globe (Mollick, 2014; Ziegler et al., 2018; Chen et al., 2020). P2P lending enables

Direct contact between borrowers and lenders allows for bypassing intermediation of traditional financial institutions, which can lead to more efficient, accessible, and cheaper sources of credit for small and medium-sized enterprises (SMEs) (Berger & Gleisner, 2021; Bruton et al., 2019). Numerous studies have confirmed the beneficial effect of peer-to-peer (P2P) lending on SME financing and development (Hornuf & Schwenbacher, 2018; Lin et al., 2015; Dorfleitner et al., 2021). Al-Najaf et al. (2022) study conducted by highlighted that specific platforms enable small businesses or newly launched projects to pay off P2P loans early or overpay without outstanding fines. Thus, P2P fintech lending provides a path for lower-level deals to obtain financial assistance from this subsidy. Suryono, Budi, and Purwandari (2021) described the function of online platforms that create a direct connection between the ones who seek to obtain loans for various reasons and those who wish to offer loans. Small and medium enterprises today tend to stay away from traditional loans from banking institutions or credit unions. Lenders' registration on the P2P platform offers the most transparency into the lender's resources to be precise (Arninda & Prasetyani, 2022). The research of Karim, Naz, Naim, and Vinny (2022) indicates that finance support operations for SMEs are nothing short of supportive aid because banks entail complex processes and the launch of this P2P FinTech lending brings more auspicious prospects for business growth.

H1: *P2P lending Fintech significantly directly contributes to Access to Finance in the Palestinian market.*

Business Support Services

Along with accessing finance, small and medium-sized enterprises (SMEs) can avail a range of business support services, including financial advisory, training, and mentoring (Aterido et al., 2013; Bruhn et al., 2018; Davidsson et al., 2020). These services have the potential to advance the managerial capacity of SMEs, ease their entry into networks, and boost their ability to cope with the sophistication of the financial environment (Bennett & Robson, 2003; Cumming et al., 2019; Manolova et al., 2021). Literature has stressed the beneficial impacts of business support services on SME performance, competitiveness, and survivability (Blackburn et al., 2013; Storey & Greene, 2010; Wennberg et al., 2020).

Small and medium business growth and sustainability are more interconnected with Business Support Services (BSS) in contemporary times. Qin's research (2021) discusses that BSS favors a broader range of services associated with business or trade over constrained support boundaries. While financial returns are emphasized, the primary function of BSS is to assist the success and development of specific businesses by improving their workers. New organizations or newly formed businesses confront different challenges, and constraints on accessing finance are some of the most significant (Pu et al., 2021). Thus, business support services aim to narrow the gap between recognized issues and provide a general contingency plan in favor of small and medium enterprises. Park & Lee's research focused on financial assistance and business support in facilitating the sustainability and growth of SMEs (Park, Lee, & Kim, 2020; Yusoff et al., 2022). Information technology development and application have been a propellant in supporting various other firms. With tremendous technological innovation and innovative trends emerging, organizations are provided and presented with technical support to help them with their operations, shipping, and other associated aspects.

Business-to-business (B2B), social services, and business-to-consumer (B2C) services are emerging methods of enhancing business services, as indicated by Cunningham and McGuire (2019) and Pulka, Ramli, and Mohamad (2021).

H2: *Business Support Services play an important role in the supply of financial resources in the Palestinian market.*

Access to Finance

Among the key constraints to SME survival and growth, access to finance has been identified as a key stumbling block, different business studies have found that SMEs' ability to manage their finances and access financing are essential to their survival and growth (IFC, 2010; OECD, 2006).

Despite the importance of SMEs. SMEs typically face significant barriers to growth, finance being a primary obstacle (World Bank, 2019; Cowling et al., 2020). Inadequate access to finance can prevent SMEs from engaging in investment in activities critical to development, such as research and development, innovation, and internationalization to new markets (Beck et al., 2008; Fatoki, 2014; Lee & Persson, 2020). Traditional banks have been risk-averse in lending to SMEs because they feel that they are exposing themselves to high risks and are prone to information asymmetries, thus the long-standing financing gap (Berger & Gleisner, 2021; Block et al., 2021). SMEs are unable to access bank credit because of various factors, one of which is the lack of ability to supply the information that financial institutions require to determine the creditworthiness of an application in loan application analysis (De Haas et al., 2010). Banks incur greater monitoring costs as a result of information opacity and data scarcity, according to Wasiuzzaman et al. (2020). This financing gap affects SMEs' sustainable growth most adversely.

Among the key impediments to SME survival and growth has been access to finance, but numerous business studies have determined that SMEs' capacity to manage their finances and access funding are key to their survival and growth (IFC, 2010; OECD, 2006).

In Malaysia, the impact of SMEs' creditworthiness on the availability of finance was investigated by Wasiuzzaman et al. in 2020. Some of the categories into which the access to finance concept is further divided include adequacy, cost, quality, range, accessibility, availability, flexibility, and recurrence of finance. Moreover, in the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) and CCA (Caucasus and Central Asia) area, Fouejieu et al. (2020) examined access to finance by SMEs. The result confirmed the negative association between the share of employment by SMEs and access to finance. Conversely, the ability of SMEs to obtain access to finance is positively affected by the presence of credit information and property rights.

Access to finance has now become a reality-based verification promise to facilitate P2P Fintech lending when an SME wants to attain sustainable growth (Pena & Breidbach, 2021). Access to finance is thus crucial for any business to attain sustainable development. (Lina, Nani, & Novita, 2021) Elucidated that P2P lending is also a necessary element since it enables sustainable economic growth for any organization to become possible and accessible. If the firm defaults or is unable to repay its obligations, access to funding opens fruitful avenues for such sinking companies. Moreover, finance access is a fundamental element of the linkage because assistance by itself cannot accompany the sustainable development of any company. However, finance access for multiple opportunities to meet the needed business requirements is also a necessity (Homocianu, Sireteanu,

Dospinescu, & Airinei, 2019). Moreover, business support services today provide long-term expansion of any business (Saadat & Siegfried, 2022). This is to promote trade between producers and final consumers. Any type of business support system assists in the long-term sustainable growth of SMEs, and money access to different opportunities to meet needed business demands is also critical (Homocianu, Sireteanu, Dospinescu, & Airinei, 2019).

H3: Access to Finance significantly influences SMEs' Sustainable Growth in the Palestinian market.

H4: Access to finance plays a mediating role between peer-to-peer lending and the sustainable growth of SMEs in the Palestinian market.

H5: Access to finance plays a mediating role between business support services and the sustainable growth of small and medium enterprises in the Palestinian market.

METHODOLOGY

The research design takes a deductive approach using quantitative methodology following the positivist philosophy design to investigate the extent to which the adoption of P2P lending fintech and business support services can solve the financial access problem for Palestinian SMEs in attaining sustainable growth. The research design enables relationships among variables to be examined and hypotheses tested via the gathering and analysis of numerical data. The target population in this study is Palestinian SMEs in the industrial sector, classified by the number of employees into small enterprises (5-19 employees) and medium enterprises (20-49 employees). Convenience sampling was used in this study to obtain a representative sample of SMEs of various sizes and industries. This kind of sampling gives precise access to targets within a small geographical area, but because there are no pre-existing lists, self-selection outliers can be high. (Musa Aitkan, & Al- Kassim 2016). Furthermore, a questionnaire for the survey was prepared to gather data on the research variables. The inquiry in the questionnaire on independent variables and mediators was modified through an exhaustive study of the available pertinent literature, complemented by input from academic and field experts, in addition to the fact that the EFA and CFA were examined to establish validity and reliability. Cross-checking, involving examining the factors to ascertain that they are efficient and accurate, was the final test in the creation of the tool. The majority of the tool's methods were executed as per Abdullah et al., 2022. The study follows the Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the data, which is extremely suitable to explore the proposed conceptual framework and test the hypotheses. The study population is the manufacturing SMEs in the Gaza Strip, and the total number of companies is 4374. The study targeted the Owners, CEOs, and CFOs, and thus the population size turned to 13,122 respondents. The sample size was determined to be 354 by using Krejcie & Morgan's formula, and the final valid dataset consisted of 363 respondents.

RESEARCH MODEL

The subsequent sections will be about the underlying model. The structure and pecking order theory as well as the (RBV) resource-based view theory form a part of the related theories. According to the resource-based view theory (RBV), the importance of resources to create a competitive advantage for any company has been emphasized. Whether weaker or stronger, more or less vital, access to finance has an enormous impact on the growth and sustainability of any organization (Freeman, Dmytriiev, & Phillips, 2021). The way and the extent to which these resources (Access to financing, business support services, P2P lending) are used and molded facilitates the firm/SMEs to perform and ensure a differentiated competitive advantage (Terziovski, 2010). Further, the pecking order theory is based on the argument that the firm, or any other agent for that matter prioritizes their sources of finance, the theory maintains that any firm/SME would opt for internal sources rather than external sources (Frank, & Goyal, (2003). The current study commands access to finance as the mediator of the survey because, from every point of view, it is the most influencing factor for SMEs to consider their long-term sustainable development. Pecking order theory and resource-based view theory would be effective in being the foundation of describing the relationship between the variables of independent variables peer-to-peer lending, business support services, mediator variable access to finance, and dependent variable SMEs sustainable growth. The research framework is presented in Figure 1.

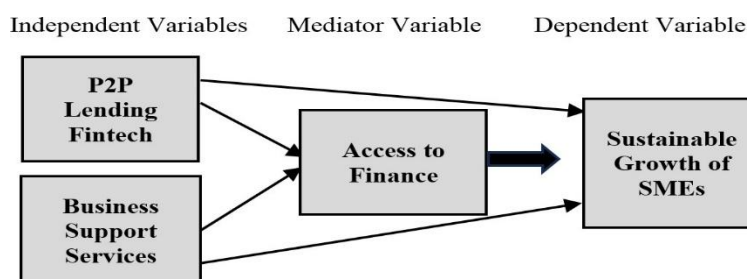


Figure 1: Research Model

RESULTS

The results presented in Table 1 reflect the process of screening the data conducted for this research. Out of 430 distributed questionnaires, a high response rate of 91.4% was achieved, and 393 questionnaires were received.

Following the exclusion of 15 incomplete answer questionnaires (3.5%), 378 valid collected answers (87.9%) were left. Further screening using univariate analysis (Z2) and multivariate analysis (Mahanobis D2) excluded 10 (2.3%) and 5 (1.2%) cases respectively, leaving a final valid database of 363 respondents (84.4%). This trustworthy dataset forms the empirical analysis background and aids in the guarantee of reliability and validity of findings in the research.

Table 1: Data Screening

Process	Number of Surveys	Percentage (%)
Distributed Questionnaire	430	
Collected Questionnaire	393	91.40%
Uncompleted Answers	15	3.50%
Valid Collected Answers	378	87.90%
Univariate Analysis (Z2)	10	2.30%
Multivariate Analysis (Mahanobis D2)	5	1.20%
Final Valid Dataset	363	84.40%

Table 2 presents the demographic profile of the 363 respondents from the study. In firm size, the dataset has a fairly even split with 49.6% (180) of the respondents coming from small firms and 50.4% (183) from medium-sized firms. The gender distribution is predominantly male (98.1%, 356 respondents), with an insignificant percentage of female respondents (1.9%, 7 respondents). The age ranges are sufficiently represented with the largest percentage of respondents falling under the 41-50 years category (40.2%, 146 respondents), followed by those under the 31-40 years category (32.5%, 118 respondents). The information includes a broad range of educational levels, with the majority of the respondents holding a university degree (58.1%, 211 respondents), followed by high school graduates (20.9%, 76 respondents), graduate studies (10.2%, 37 respondents), and professional diplomas (10.7%, 39 respondents). This broad demographic representation ensures that the research findings are representative and generalizable to the target population of manufacturing companies in the Gaza Strip.

Table 2: Demographic Analysis

		Frequency	Percent
Company Size	Small	180	49.6
	Medium	183	50.4
Gender	Female	7	1.9
	Male	356	98.1
Age	21 - 30 Years	25	6.9
	31 - 40 Years	118	32.5
	41 - 50 Years	146	40.2
	51 Years and Above	74	20.4
Qualification	High School	76	20.9
	Professional Diploma	39	10.7
	University Degree	211	58.1
	Graduate Studies	37	10.2
	Total	363	100.0

Table 3 presents a summary of descriptive statistics for the main variables under investigation in this study: P2P Lending Fintech, Business Support Services, Access to Finance, and Sustainable Growth of SMEs. The mean score of

P2P Lending Fintech is 3.6422 and the standard deviation is 0.66241, and it varies between a minimum of 1.29 and a maximum of 5.00. Business Support Services has a higher mean score of 4.0927 with a smaller standard deviation of 0.50028 on a scale of 3.00 to 5.00.

Access to Finance has a mean of 3.8416 and a standard deviation of 0.63598, varying from 2.00 to 5.00.

Finally, the Sustainable Growth of SMEs has a mean value of 3.8687 and a standard deviation of 0.60195, varying from 2.00 to 5.00.

These descriptive statistics provide a full representation of the central tendencies and dispersions for all variables, which will serve as the foundation for further inferential analysis and hypothesis testing in the study.

Table 3: Descriptive Statistics

IV	Min.	Max.	Mean	Std. Deviation
P2P Lending Fintech	1.29	5.00	3.6422	0.66241
Business Support Services	3.00	5.00	4.0927	0.50028
Access to Finance	2.00	5.00	3.8416	0.63598
Sustainable Growth of SMEs	2.00	5.00	3.8687	0.60195

Table 4 presents the reliability and validity test findings of the measurement model for each of the study variables. According to Hair et al. (2010), the rule of thumb for acceptable Cronbach's Alpha and Composite Reliability is above 0.7, AVE above 0.5, and VIF below 5. For P2P lending Fintech, the outer loadings range from 0.727 to 0.881, with one item (P2P6) removed due to low factor loading. The Cronbach's Alpha is 0.886, Composite Reliability is 0.912, and Average Variance Extracted (AVE) is 0.635.

The Variance Inflation Factor (VIF) is 1.015. Hence, the P2P lending Fintech construct is adequately reliable and valid. For Business Support Services, outer loadings are between 0.716 and 0.811. The construct has a Cronbach's Alpha of 0.847, Composite Reliability of 0.886, AVE of 0.566, and VIF of 1.015.

These values meet the rule of thumb criteria, indicating good reliability and validity of the Business Support Services construct. Access to Finance has outer loadings ranging from 0.740 to 0.926. Cronbach's Alpha is 0.908, Composite Reliability is 0.929, AVE is 0.688, and VIF is 1.000. All values are above the cutoff values, indicating good reliability and validity of the Access to Finance construct. Finally, for Sustainable Growth of SMEs, outer loadings range from 0.742 to 0.900.

Cronbach's Alpha is 0.896, Composite Reliability is 0.921, and AVE is 0.661. All these values meet the recommended criteria, indicating sufficient reliability and validity for the Sustainable Growth of the SMEs construct. In total, all constructs in the study demonstrate acceptable reliability and validity based on the rule of thumb guidelines recommended by Hair et al. (2010).

Table 4: Reliability and Validity Results of (Measurement Model)

Variable	Item	Outer Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted	Variance Inflation Factor
P2P lending Fintech	P2P1	0.881	0.886	0.912	0.635	1.015
	P2P2	0.727				
	P2P3	0.81				
	P2P4	0.823				
	P2P5	0.745				
	P2P6	0.788				
Business Support Services	BSS1	0.811	0.847	0.886	0.566	1.015
	BSS2	0.743				
	BSS3	0.767				
	BSS4	0.733				
	BSS5	0.738				

Access Finance	to	BSS6	0.716	0.908	0.929	0.688	1
		ATF1	0.926				
		ATF2	0.74				
		ATF3	0.835				
		ATF4	0.771				
		ATF5	0.853				
		ATF6	0.839				
Sustainable Growth SMEs	of	SGSME1	0.9	0.896	0.921	0.661	
		SGSME2	0.798				
		SGSME3	0.843				
		SGSME4	0.813				
		SGSME5	0.742				
		SGSME6	0.774				

Table 4 displays the measurement model reliability and validity results of each variable in the study. A guideline by Hair et al. (2010) for valid Composite Reliability and Cronbach's Alpha is greater than 0.7, AVE greater than 0.5, and VIF less than 5. For P2P lending Fintech, outer loadings range from 0.727 to 0.881 and an item (P2P6) is excluded due to low factor loading. The Cronbach's Alpha is 0.886, the Composite Reliability is 0.912, and the Average Variance Extracted (AVE) is 0.635.

The Variance Inflation Factor (VIF) is 1.015. Thus, the P2P lending Fintech construct reflects sufficient reliability and validity. For Business Support Services, outer loadings are from 0.716 to 0.811. The construct has a Cronbach's Alpha of 0.847, Composite Reliability of 0.886, AVE of 0.566, and VIF of 1.015.

These values fulfill the rule of thumb criteria, implying high reliability and validity for the Business Support Services construct. Access to Finance has outer loadings ranging from 0.740 to 0.926. Cronbach's Alpha is 0.908, Composite Reliability is 0.929, AVE is 0.688, and VIF is 1.000. All these figures are higher than the cut-off values, which implies high reliability and validity for the Access to Finance construct. Finally, for Sustainable SMEs Growth, outer loadings range from 0.742 to 0.900.

The Cronbach's Alpha, Composite Reliability, and AVE are 0.896, 0.921, and 0.661, respectively. All of these are within the advisable levels, indicating good validity and reliability for the Sustainable Growth of SMEs construct. Generally, all the constructs of the study show appropriate reliability and validity based on Hair et al.'s (2010) rule of thumb guidelines.

Table 5: Fornell-Larcker Criterion Results of Measurement Model

Variable	P2P	BSS	ATF	SGSM
P2P	0.797			
BSS	0.12	0.752		
ATF	0.331	0.427	0.829	
SGSM	0.203	0.234	0.644	0.813

Table 6 presents the structural model predictive power findings for Access to Finance and Sustainable Growth of SMEs. The R Square values indicate that 26.2% of the variance in Access to Finance and 41.5% of the variance in Sustainable Growth of SMEs are accounted for by the model. Both constructs possess moderate predictive power according to the provided standards (Hair et al., 2010). Table 7 shows the results of the structural model relationships between the constructs. All the hypotheses are significant, as can be concluded from their p-values ($p < 0.05$).

H1: P2P lending Fintech has a significant direct effect on Access to Finance (path coefficient = 0.283, $p < 0.05$), confirming Hypothesis 1.

H2: Business Support Services also directly contribute notably to Access to Finance (path coefficient = 0.393, $p < 0.05$), supporting Hypothesis 2.

H3: Access to Finance also directly contributes notably to the Sustainable Growth of SMEs (path coefficient = 0.644, $p < 0.05$), supporting Hypothesis 3.

H4: P2P lending Fintech has a significant indirect influence on the Sustainable Growth of SMEs through Access to Finance (path coefficient = 0.283, $p < 0.05$), in support of Hypothesis 4.

H5: Business Support Services have a significant indirect influence on the Sustainable Growth of SMEs through Access to Finance (path coefficient = 0.393, $p < 0.05$), in support of Hypothesis 5.

Table 6: Predictive Power Results of Structural Model.

	R Square	Prediction Rate	Status
Access to Finance	0.262	26.20%	Mediator
Sustainable Growth of SMEs	0.415	41.50%	Mediator

Table 7: Relationships Results of Structural Model

#	Relationship	Path Coefficient	S.D	T. Stati.	P Value	Status
H1	P2P-lending Fintech -> Access to Finance	Direct 0.283	0.05	5.708	0	Significant
H2	Business Support Services -> Access to Finance	Direct 0.393	0.056	6.987	0	Significant
H3	Access to Finance -> Sustainable Growth of SMEs	Direct 0.644	0.047	13.785	0	Significant
H4	P2P lending Fintech -> Access to Finance -> Sustainable Growth of SMEs	Indirect 0.283	0.05	5.708	0	Significant
H5	Business Support Services -> Access to Finance -> Sustainable Growth of SMEs	Indirect 0.393	0.056	6.987	0	Significant

Briefly Figure 2 "Measurement Model", explains the result of the structural model indicating that P2P lending Fintech and Business Support Services have a significant influence on Access to Finance, which too has a significant influence on the Sustainable Growth of SMEs in the Palestinian market.

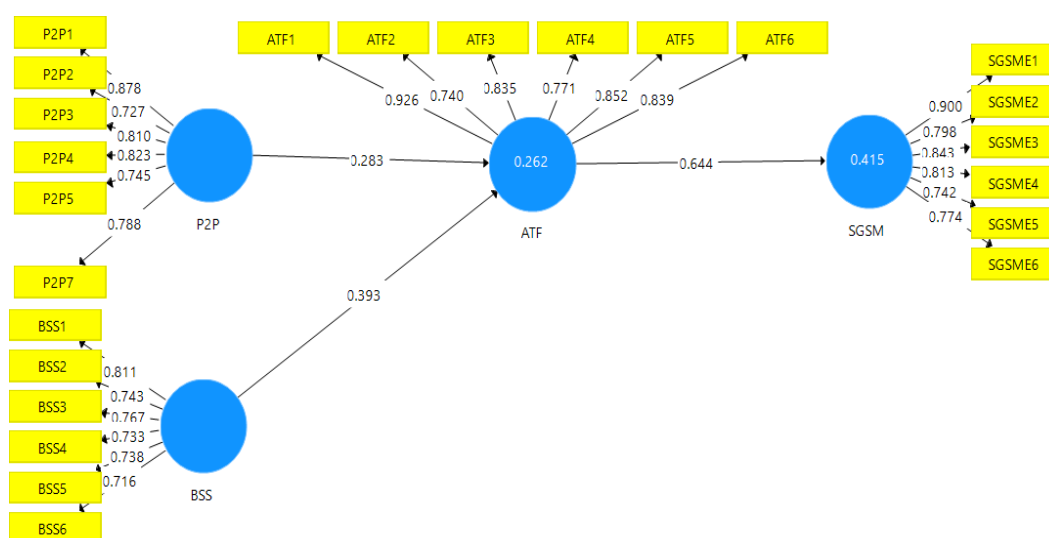


Figure 2: Measurement Model

DISCUSSION

This study highlights the essential role of access to finance in fostering entrepreneurship and promoting the growth of small and medium-sized enterprises (SMEs) in Palestine, which contributes to local economic development. To enhance SMEs' ability to leverage financial resources, policymakers should implement targeted strategies that focus on improving creditworthiness, reducing information asymmetry, easing collateral requirements, and simplifying loan processes. Additionally, providing financial advisory services and facilitating access to financial technology solutions can help address financial challenges faced by SMEs.

The study's practical implications suggest that improving access to finance is crucial for the effectiveness of financial services, including Peer-to-Peer (P2P) lending fintech and business support services, in promoting SME growth. The relationships between these services and SME growth were found to be mediated by access to finance, with direct effects being insignificant. This underscores that without adequate financial access, even innovative services cannot effectively drive growth.

Theoretically, the findings support existing literature on the importance of access to finance for SME development and confirm its role in mediating the relationship between financial services and SME growth. However, the study challenges the optimistic view of fintech's potential, particularly in Palestine, suggesting that technological barriers, regulatory constraints, and a lack of trust may limit its effectiveness. Furthermore, it indicates that business support services may not currently contribute significantly to SME growth due to issues with service design, delivery, and accessibility. These findings align with other studies that report mixed or limited effects of such services on SME development.

CONCLUSION

In conclusion, this study emphasizes the critical importance of improving access to finance as a key driver of sustainable growth for small and medium-sized enterprises (SMEs) in Palestine. The findings underscore that access to finance enables SMEs to effectively utilize financial services, such as Peer-to-Peer (P2P) lending fintech and Business Support Services, to foster growth. However, the study also challenges the assumption that these services can independently drive SME development without a solid financial foundation. This highlights the need for further research to explore the barriers and conditions that affect the effectiveness of these services in different contexts. To fully unlock the potential of SMEs in contributing to economic development, the study calls for targeted policy interventions and a more supportive financial ecosystem. The research findings further indicate that innovative financing mechanisms, such as P2P lending fintech and business support services, are necessary for facilitating the sustainable development of Palestinian SMEs. These services can help SMEs overcome financial challenges, realize growth opportunities, and contribute to the diversification and stability of the Palestinian economy. The study has significant implications for a wide range of stakeholders, including policymakers, financial institutions, and business development service providers. Policymakers should work to create an enabling regulatory environment that promotes fintech innovation and incentivizes the use of P2P lending platforms. Additionally, collaboration between business development service providers and financial institutions is essential to design tailored support services that enable SMEs to leverage fintech tools. Financial institutions can benefit from partnering with fintech companies to offer more accessible and flexible financing options for SMEs, while business development service providers should focus on offering comprehensive support, such as financial advice, training, and mentoring, as well as simplifying formalization processes and taxes to enhance SMEs' managerial capacity and access to finance. While the study provides valuable insights, it is limited by its focus on medium and small-scale Palestinian businesses in the industrial sector located in the southern region, which may affect the generalizability of the conclusions. Future research could expand this analysis to other regions or countries and explore the impact of emerging fintech innovations, such as blockchain technology, mobile banking, or crowdfunding, on SME access to finance and sustainable development. Longitudinal studies would also provide deeper insights into the long-term effects of P2P lending fintech and business support services on SME performance and adaptability, particularly in the face of challenges like climate change, resource scarcity, and societal pressures. By addressing these limitations, future research can contribute significantly

to the understanding of SME financing and sustainable growth in an increasingly dynamic global business environment.

Conflict of Interest

The authors declare no conflict of interest.

REFERENCES

- [1] Arninda, D., & Prasetyani, D. (2022, June). Impact of Covid-19 Pandemic: SMEs Financing Solutions through Fintech Lending Education. In International Conference on Economics and Business Studies (ICOEBS 2022) (pp. 25-31). Atlantis Press.
- [2] T., Demirgüç-Kunt, A., & Maksimovic, V. (2005). Financial and legal constraints to growth: does firm size matter? *The Journal of Finance*, 60(1), 137-177.
- [3] Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2008). Financing patterns around the world: Are small firms different? *Journal of Financial Economics*, 89(3), 467-487.
- [4] Bennett, R., & Robson, P. (2003). Changing use of external business advice and government supports by SMEs in the 1990s. *Regional Studies*, 37(8), 795-811.
- [5] Berger, A. N., & Gleisner, F. (2021). Small and medium-sized enterprises, bank relationship strength, and the use of venture capital. *Journal of Corporate Finance*, 66, 101741.
- [6] Berger, S. C., & Gleisner, F. (2021). Fintech lending to small and medium-sized enterprises: the impact of digitalization on lending decisions. *Journal of Small Business Management*, 59(1), 157-177.
- [7] Blackburn, R., Hart, M., & Wainwright, T. (2013). Small business performance: business, strategy and owner-manager characteristics. *Journal of Small Business and Enterprise Development*, 20(1), 8-27.
- [8] Block, J. H., Colombo, M. G., Cumming, D. J., & Vismara, S. (2021). New players in entrepreneurial finance and why they are there. *Small Business Economics*, 46(4), 529-556.
- [9] Bruhn, M., Karlan, D., & Schoar, A. (2018). The impact of consulting services on small and medium enterprises: Evidence from a randomized trial in Mexico. *Journal of Political Economy*, 126(2), 635- 687.
- [10] Bruton, G., Khavul, S., Siegel, D., & Wright, M. (2019). New financial alternatives in seeding entrepreneurship: Microfinance, crowdfunding, and peer-to-peer innovations. *Entrepreneurship Theory and Practice*, 43(1), 9-26.
- [11] Carvalho, J. C., & de Oliveira Mota, M. (2010). The role of trust in creating value and student loyalty in relational exchanges between higher education institutions and their students. *Journal of Marketing for Higher Education*, 20(1), 145-165.
- [12] Chen, D., Han, C., & Tan, B. (2020). Financing patterns of peer-to-peer lending for small and medium- sized enterprises: evidence from China. *Small Business Economics*, 55(3), 835-851.
- [13] Cowling, M., Liu, W., & Zhang, N. (2020). Did firm age, experience, and access to finance count? SME performance after the global financial crisis. *Journal of Evolutionary Economics*, 30(1), 45-73.
- [14] Cravo, T. A., & Piza, C. (2019). The impact of business-support services on firm performance: a meta- analysis. *Small Business Economics*, 53, 753-770.
- [15] Cumming, D., Fischer, E., & Schwenbacher, A. (2019). Legality and venture capital governance around the world. *Journal of Business Venturing*, 34(1), 1-21.
- [16] Cumming, D., Meoli, M., & Vismara, S. (2019). Investors' choices between cash and voting rights: Evidence from dual-class equity crowdfunding. *Research Policy*, 48(8), 103740.
- [17] Dangelico, R. M., & Pujari, D. (2010). Mainstreaming green product innovation: Why and how companies integrate environmental sustainability. *Journal of Business Ethics*, 95(3), 471-486.
- [18] Davidsson, P., Steffens, P., & Gordon, S. R. (2020). Business support services. In *Handbook of Research on Small Business and Entrepreneurship* (pp. 351-366). Edward Elgar Publishing.
- [19] Dorfleitner, G., Priberny, C., Schuster, S., Stoiber, J., Weber, M., de Castro, I., & Kammler, J. (2021). Description-text related soft information in peer-to-peer lending – Evidence from two leading European platforms. *Journal of Banking & Finance*, 122, 105991.
- [20] Eggers, F., Kraus, S., Hughes, M., Laraway, S., & Snyckerski, S. (2017). Implications of customer and entrepreneurial orientations for SME growth. *Management Decision*, 55(3), 207-524.
- [21] Fatoki, O. (2014). The financial bootstrapping methods employed by new micro-enterprises in the retail sector in South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 909-916.

- [22] Fatoki, O. (2014). The financing options for new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 748-755.
- [23] Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of marketing research*, 18(1), 39-50.
- [24] Frank, M. Z., & Goyal, V. K. (2003). Testing the pecking order theory of capital structure. *Journal of financial economics*, 67(2), 217-248.
- [25] Freeman, R. E., Dmytriiev, S. D., & Phillips, R. A. (2021). Stakeholder theory and the resource-based view of the firm. *Journal of Management*, 47(7), 1757-1770.
- [26] García-Teruel, P. J., Martínez-Solano, P., & Sánchez-Ballesta, J. P. (2020). Environmental investment and firm valuation: The role of financing constraints. *Business Strategy and the Environment*, 29(4), 1757-1769.
- [27] Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Prentice Hall.
- [28] Homocianu, D., Sireteanu, N. A., Dospinescu, O., & Airinei, D. (2019, June). An Analysis of Scientific Publications on 'Decision Support Systems' and 'Business Intelligence' Regarding Related Concepts Using Natural Language Processing Tools. In *Proceedings of the IE 2019 International Conference*, Bucharest (pp. 99-104).
- [29] Hornuf, L., & Schwienbacher, A. (2018). Market mechanisms and funding dynamics in equity crowdfunding. *Journal of Corporate Finance*, 50, 556-574.
- [30] Kraemer-Eis, H., Lang, F., & Gvetadze, S. (2016). *European Small Business Finance Outlook*. EIF Working Paper 2016/35.
- [31] Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607-610.
- [32] Lee, N., & Persson, M. (2020). Innovation and SME finance: Evidence from developing countries. *International Small Business Journal*, 38(3), 213-227.
- [33] Lin, M., Prabhala, N. R., & Viswanathan, S. (2015). Judging borrowers by the company they keep: Friendship networks and information asymmetry in online peer-to-peer lending. *Management Science*, 59(1), 17-35.
- [34] Lina, L. F., Nani, D. A., & Novita, D. (2021). Millennial Motivation in Maximizing P2P Lending in SMEs Financing. *JOURNAL OF APPLIED BUSINESS ADMINISTRATION*, 5(2), 188-193.
- [35] Linnenluecke, M. K., Birt, J., Griffiths, A., & Parsons, R. (2017). The role of accounting in supporting adaptation to climate change. *Accounting & Finance*, 57(3), 759-783.
- [36] López-Gamero, M. D., Molina-Azorín, J. F., & Claver-Cortés, E. (2020). Antecedents, outcomes, and mediating effects of proactive environmental strategies: A study of small and medium-sized enterprises. *Business & Society*, 59(7), 1449-1477.
- [37] Manolova, T. S., Brush, C. G., Edelman, L. F., & Shaver, K. G. (2021). Unique Pathways to High- Growth: A Comparative Analysis of SMEs in Developed and Developing Countries. *Journal of Business Venturing Insights*, 16, e00245.
- [38] Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1-16.
- [39] Moritz, A., & Block, J. H. (2016). Crowdfunding: A literature review and research directions. In *Crowdfunding in Europe* (pp. 25-53). Springer, Cham.
- [40] OECD. (2019). SMEs, entrepreneurship, and innovation. In *OECD Science, Technology, and Industry Scoreboard 2019: The digital transformation* (pp. 203-224). OECD Publishing.
- [41] OECD. (2021). *Financing SMEs and entrepreneurs: An OECD Scoreboard*. OECD Publishing.
- [42] Pena, M. V. T., & Breidbach, C. F. (2021). On emergence in service platforms: an application to P2P lending. *Journal of Business Research*, 135, 337-347.
- [43] Polzin, F., Migendt, M., Taube, F. A., & von Flotow, P. (2021). Public policy influence on renewable energy investments—A panel data study across OECD countries. *Energy Policy*, 80, 98-111.
- [44] Sharma, A., Leung, T. Y., Kingshott, R. P., Davcik, N. S., & Cardinali, S. (2021). Managing uncertainty during a global pandemic: An international business perspective. *Journal of Business Research*, 124, 237-242.
- [45] Shinozaki, S. (2021). *Financing small and medium enterprises in Asia and the Pacific*. Routledge.
- [46] Silvestre, B. S., Țîrcă, D. M., & Silva, R. F. (2021). Innovations for sustainable development: Moving toward a sustainable future. *Journal of Cleaner Production*.

- [47] Suryono, R. R., Budi, I., & Purwandari, B. (2021). Detection of fintech P2P lending issues in Indonesia. Heliyon, 7(4), e06782.
- [48] Suryono, R. R., Budi, I., & Purwandari, B. (2021). Detection of fintech P2P lending issues in Indonesia. Heliyon, 7(4), e06782.
- [49] Terziovski, M. (2010). Innovation practice and its performance implications in small and medium enterprises (SMEs) in the manufacturing sector: a resource-based view. Strategic management journal, 31(8), 892-902.
- [50] UNCTAD. (2020). The Palestinian economy: Beyond aid-driven growth. United Nations Conference on Trade and Development.
- [51] World Bank. (2019). Enterprise Surveys - What Businesses Experience. Retrieved from <https://www.enterprisesurveys.org/en/enterprisesurveys>
- [52] World Bank. (2019). The World Bank in West Bank and Gaza. Retrieved from <https://www.worldbank.org/en/country/westbankandgaza/overview>.
- [53] Ziegler, T., Shneor, R., Wenzlaff, K., & Odorovic, A. (2018). Alternative finance for SMEs and household financing: Baltic Sea Region 2018. Cambridge Centre for Alternative Finance, Cambridge Judge Business School, University of Cambridge.