

# Impact of Peer To Peer Lending Platforms in Traditional Banking Systems

Pakkurthi Siva Shankar

ARTICLE 1:

ARTICLE NAME:

PEER-TO-PEER LENDING PLATFORM: FROM SUBSTITUTION TO COMPLEMENTARY FOR RURAL BANKS

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BREIF NOTE ON ARTICLE :

The impact of p2p lending growth on rural banks loans .we divide three streams the first focus on introduction to fintect and p2p second disruptive innovation and the third focus on consumer theory.

Innovation strategy cannot be separated from technological aspects, which is also the critical element of a strategic information system, and still contains a considerable opportunity to improve an organization's performance (Hariyati et al., 2019). FinTech has a unique role in modernizing the financial system, which also helps to improve financial activity and increase profitability. FinTech could revolutionize the future of the banking industry as it will not rely heavily on brick-and-mortar branches (Azarenkova et al., 2018; Coetzee, 2018; Wonglimpiyarat, 2017). One of the fastest-growing financial services innovation through financial technology is the P2P platform, which facilitates online intermediation between those who need funding and those who have the funds (Ramlall, 2018). The banking sector has recently faced a new round with the emergence of FinTech (P2P) start-up companies (Stern et al., 2017).

1. FinTech and P2P FinTech is perceived as one of the most important innovations within the financial sector and is proliferating driven by information technology, favorable regulation, and a sharing economy (Lee & Shin, 2018).

2. Disruptive innovation Financial innovations based on technology are widely believed to have a disruptive effect on the financial sector (Zalan & Toufaily, 2017). Disruptive innovation has created a significant impact on academia and management practices and has the potential to change the way businesses operate and turn industries upside down (Lin et al., 2018; Rasool et al., 2018).

3. Consumer theory From the perspective of consumer theory, a new service will act as a complementary service when being used with other services and may replace older services that meet the same needs (Aaker & Keller, 1990; Levin & Milgrom, 2004; Phan et al., 2019).

4. Research methodology and data This study used panel data regression, where the data are spanned from February 2018 to October 2019. At the end of 2017, the Indonesian FinTech Association signed a partnership agreement with the Indonesian Rural Banks Association, mainly for increasing the amount of funding and providing technological services, so that other rural banks that do not collaborate with a P2P platform might experience some pressure.

5. Descriptive statistics Panel A in Table 3 summarizes the descriptive statistics data in 2018, where the growth data were obtained from February to December 2018 or 11 months ( $T = 11$ ), with a total observation of 363 ( $N = 363$ ), which includes 33 provinces in Indonesia ( $n = 33$ ). On average, the growth of loans in rural banks ( $\Delta\text{LoanRB}$ ) is 0.0102 and varies between  $-0.0796$  to  $0.1272$ . The average real growth of P2P lending ( $\Delta\text{P2P}$ ) is 0.2078, with a minimum value of 0.0140 and a maximum value of 0.7694. The average growth of commercial bank loans ( $\Delta\text{LoanCB}$ ) is 0.0094, ranging from  $-0.1260$  to  $0.0732$ . The average of the money supply variable ( $\Delta\text{M2}$ ) is 0.0067, with a minimum value of  $-0.0048$  and a maximum value of 0.0182. Lastly, mean of the dummy variable (DRB), the high-low indicators of the growth of rural bank loans, is 0.468

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ARTICLE 2 :

ARTICLE NAME :

Peer-to-Peer Lending and Bank Risks: A Closer Look

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YEAR :

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BREIF NOTE ON ARTICLE :

The main objective to composed two cases 1) the bench mark (single loan market) 2) the loan market segmented by boorwers 3) in which is stated insloveny risk and liquidity risk. )the competation between p2p lending platforms is more likely to reduced a)insloveny b) liquidity risk. 2) The loan market is segment by borrowers credit worthness .3) the only banks existings loan market.

Abstract: This study examined how the expansion of peer-to-peer (P2P) lending affects bank risks, particularly insolvency and illiquidity risks. We compared a benchmark case wherein banks are the only players in the loan market with a segmented market case wherein the loan market is segmented by borrowers' creditworthiness, P2P lending platforms operate only in the low-credit market segment, and banks operate in both low- and high-credit segments. For the segmented market case compared with the benchmark one, we find that, while banks' insolvency risk increases, their illiquidity risk decreases such that their overall risk also decreases.

1. Introduction : Peer-to-peer (P2P) lending—also known as FinTech credit, crowd-finance, or marketplace lending—refers to credit activities through online P2P lending platforms that provide direct matching between investors and borrowers and split loans into payment-dependent notes. (Committee on the Global Financial System (CGFS) of Bank for International Settlements (BIS) provided the differences among P2P lending business models.

2. Theoretical Background : In this study, we compared two cases: (i) the benchmark, in which only banks exist in a single loan market, and (ii) the

case wherein the loan market is segmented by borrowers' creditworthiness and P2P lending platforms operate only in the low-credit segment. Our results show that compared with the benchmark case, when P2P lending platforms and banks operate in the low-credit market the (i) insolvency individual banks increases; (ii) illiquidity risk of individual banks decreases; (iii) banks' total credit risk—the sum of both risks—also decreases.

3. Model : We follow the basic settings and notations of Freixas and Ma [11], (Freixas and Ma [11] can also be regarded as an extension of the BDD model, which is the de facto standard model and the starting point in the microeconomics of banking.) with modifications, extensions, and clarifications where necessary. 3.1. Players and Settings As per the standard Bryant–Diamond–Dybvig (BDD) model, we consider a one-good, three-period ( $t = 0, 1, 2$ ) economy wherein all agents are assumed to be risk-neutral. There are two types of investors: depositors who deposit their liquidity in banks, and P2P lenders who lend directly to entrepreneurs (borrowers) via P2P lending platforms and hold these entrepreneurs' loan notes. Similar to the BDD model, depositors are assumed to be homogeneous.

4. Comparison of Risks : Following Rochet and Vives [10] and Freixas and Ma [11], we consider only speculative runs by depositors and treat (in)solvency risk and (il)liquidity risk separately. We first use the case wherein only banks exist as a benchmark and compare the result with that of the segmented market case with both banks and P2P lending platforms; furthermore, we investigate how individual risks and total credit risk change under different circumstances. 4.1. Insolvency Risk 4.1.1. Benchmark: Only Banks Exist Insolvency occurs if the ex-post cash flow  $\theta$  from the unit loan is smaller than the total amount of bank deposits  $F + D$  that must be paid back at  $t = 2$ . That is if inequality condition,  $\theta = r - (1 - \alpha)r\gamma \geq F + D$ , (4) is not satisfied, the bank can be considered as insolvent. From Equation (4), the critical level of the loan loss for determining solvency,  $\gamma_{SR}$ , is derived as  $\gamma_{SR} = (r - (F + D))/((1 - \alpha)r)$ . (5) Note that  $\gamma$  follows a uniform distribution in  $[0, 1]$ . The (in)solvency risk, or the probability that a bank faces the solvency problem, is denoted by  $\rho_{SR}$  and derived as  $\rho_{SR} \equiv 1 - \gamma_{SR}$ . By simple rearrangement in terms of the market gross rate of return from the loan, this is expressed as  $\rho_{SR} \equiv 1 - \gamma_{SR} = (F + D - \alpha r)/(1 - \alpha)$ .

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ARTICLE 3:

NAME : The Impact of Financial Technology Peer-to-Peer Lending (P2P Lending) on Growth Credit Rural Ban.

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YEAR : 2021

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Peer to peer lending is the management of financial services in bringing to their lenders and borrowers. While lender get high investment returns implementation of fintect these to be greater impact of financial system, he various advantages that fintect peer to peer lending offered will influence indonesia in technology based on financial services it can replace by the banking functions of both commercial banks as fintect as much easier faster and efficiency.

Abstract : The competition faced by the Rural Bank (BPR) industry is getting more intensed. A few years ago, the Commercial Bank through the Micro Credit Program (Kredit Usaha Rakyat/KUR) became main competitor in distributing working capital loans or tconsumptive loans. However, new competitor is currently emerging in the financial sector, that is institution based on financial technology (fintech). Fintech can provide financial products and services that are easy, effective, efficient, and fast. The focus of this research is on fintech peerto-peer lending (p2p lending). The purpose of this study is to describe the impact of financial technology peer-to-peer lending on BPR credit growth.

I . INTRODUCTION : The development of the financial industry in the era of industrial revolution 4.0 is getting tougher. Many banking industries develop their business by releasing various types of products which facilitate customers in the use of their services. In Indonesia, many banks have innovated in providing services to customers.

RESEARCH METHODOLOGY : This research uses a descriptive qualitative approach. The qualitative approach is explained descriptively by describing an event, phenomenon, and events that occur, then

explained and described as they should [12]. According to [13], qualitative research is defined as an approach used to explore deeply and understand the meaning of several individuals or groups as a source of social problems. The method used in this research is the study of literature. The reason for researchers uses this method since Fintech is considered a new topic. A literature study is a method used to collect data and library resources related to Fintech peer to peer lending. The data and sources of literature that have been obtained are analyzed by describing the facts and provide sufficient understanding and explanation.

ACKNOWLEDGMENT: I would like to special thanks for my Rector of Muhammadiyah University of Kudus, chairperson of LPPM Muhammadiyah University of Kudus, and all lecturers who helped me a lot in finalizing this project. Secondly, I would like to very special thanks to my sister, which helped me as always.

LITERATURE REVIEW : A. Rural Bank (BPR) Rural Bank (Bank Perkreditan Rakyat, or BPR) is a business entity that the activity is to collect funds from the public in the form of deposits and distribute them to the public in the form of credit and/or other forms in term of enhancing the people's standard of living by carrying out business activities conventionally or based on sharia principles [1]. The Rural Bank activities use basic and certain principles as a reference in making necessary decisions. The basic principle used is the prudential banking principle. This principle states that banks in carrying out their business functions and activities must be prudent in protecting the public funds entrusted to them.

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#### ARTICLE 4:

NAME : Investigation of the Impact of the Peer-To-Peer Lending Market on the Membership Motivation of the MSME.

AUTHOR : Iwan Purwanto 1 \* , R. Rizal Isnanto 2, and Aris Puji Widodo

YEAR : 2023

#### BRIEF NOTE ON ARTICLE :

The main objective use to defer main p2p impact on msme on 1) MSME 2)used experinced 3)peer to peer 4) personal interaction 5)soacial interaction 6)typology of msme. the level of adoption of msme of p2p platforms based on geography , education , technology and industry. 2) MSME participation increaese access of technology financial education and risks of p2p lending help MSME from various adoptong and technology.

Abstract: FinTech has several activities in it, one of which is Peer-to-Peer lending. P2P (Peer-to-Peer lending) financing is an alternative for micro, small and medium enterprises (MSMEs) to obtain funding. This study identifies the benefits of MSME P2P lending. Analyzing credible sources through an interview process with MSME actors who have utilized peer to peer lending facilities. This study uses a qualitative method. Analysis shows that P2P lending benefits MSME. First, P2P lending offers easier and faster access to financing, which helps MSME get loans from traditional banks. Second, the P2P lending platform offers flexibility in loan terms that can be tailored to the unique needs of each MSME, increasing their chances of obtaining financing. In general, peer-to-peer lending requires very appropriate benefits for MSME actors.

1 Introduction : MSMEs in Indonesia are growing rapidly. Through the process of mentoring, training and financing, the government encourages the growth

of MSMEs. Technology and digitization have changed the concept of MSME development [1]. E-commerce and social media help more MSMEs in terms of sales, this opens access for MSMEs to be able to reach clients not only nationally but also internationally.

2 Theoretical Background 2.1. Peer to peer Peer-to-peer (P2P) is a paradigm of direct interaction between individuals, groups, or other entities without a central authority. In technology and business, P2P refers to a system or platform where people or devices can communicate, share information, or transact directly through computer networks or the internet. [8] P2P entities play the same role as recipients and providers of resources and services. This is in contrast to the traditional approach where hierarchical networks or intermediaries facilitate interactions and transactions.[9] 2.2. MSMEs UMKM means Micro, Small and Medium Enterprises. The definition of MSMEs varies in every country, including Indonesia. However, MSMEs generally include small and mediumenterpriseswith certain criteria such as limited staff, assets, and turnover. MICRO business is a type of MSME that has a workforce of up to 5 people (including business owners) with assets of up to 50 million rupiah (not including land and buildings) or an annual turnover of up to 300 million. Small business is a type of MSME that has a workforce of between 6 and 50 people (including business owners) with assets of between 50 million and 500 million rupiah (not including land and buildings) or an annual turnover of 300 million to 2.5 billion rupiah. Medium enterprises are a type of MSMEs that have a workforce of 51 to 300 people (including business owners) and assets of 500 million to 10 billion rupiah .

METHODOLOGY: The research process begins with the identification of core research questions and appropriate problem sets. This flow of questions was triggered by an interesting phenomenon seen in the MSME user community that utilizes P2P loans. These symptoms are also known as root causes. And it is written in a satirical context. As a first step, we have collected data showing the problem of the MSME phenomenon in Indonesia. Activities in conducting research can be implemented in Figure 1, which explains the steps involved in the process.

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1 Doctoral Program of Information Systems Diponegoro University 2 Computer Engineering Department of Diponegoro University 3 Science and Mathematics Department of Diponegoro University <https://doi.org/10.1051/e3sconf/202344802037> , The Authors, published by EDP Sciences. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<https://creativecommons.org/licenses/by/4.0/>).

ARTICLE 5 :

NAME :The impact of fintech act of fintech peer-to-peer lending peer-to-peer lending and Islamic b and Islamic banks on bank anks on bank performance during COVID -19.

AUTHORS : Sri Wahyuni Abiyajid, Bustami Rinna Ramadhan, Ain Fitriah Muh Shadiqul Fajri ,AF Rizky Yudaruddin .

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BRIEF NOTE ON ARTICLE:

Objectives of this study is to investigate the impact of peer to peer lending financial technology lending on bank performance in additoion fintech on the islamic banks during covid -19 negative impact of banks perfomance piostive impact on the bank performance. this study hold important policy implications for regulations and banks espesically islamic bank indonsia banks . The collabration between p2p lending and islamic banks could help financial resilence and stability utilities benefitting the border economy.

Abstract : This study delves into the influence of Peer-to-Peer (P2P) Fintech lending on bank performance in Indonesia, with a specific focus on its effects on Islamic banks both before and during the COVID-19 pandemic. Employing a fixed-effects model, unbalanced panel data from 121 banks, including 16 Islamic banks, were analyzed. The findings unveil a significant and positive impact of growth loan disbursement to borrowers from P2P lending on bank performance, particularly in terms of return on assets. Additionally, Islamic Banks exhibit a significant and favorable effect on overall bank

performance. Conversely, the joint interaction between P2P lending and Islamic Banks demonstrates a negative and significant influence on Islamic bank performance, suggesting that while P2P lending may benefit conventional banks, it adversely affects Islamic banks. Furthermore, this negative impact is exacerbated during the COVID-19 period. These outcomes underscore the importance of collaboration or strategic alliances between P2P lending platforms and Islamic banks, particularly in the context of the COVID-19 pandemic.

#### DATA AND METHODOLOGY :

2.1. Data This study investigates the impact of Peer-to-Peer (P2P) Fintech lending on bank performance in Indonesia. Furthermore, it specifically explores the effects of P2P Fintech lending on Islamic bank performance both before and during the COVID-19 period in Indonesia. This study focuses on analyzing 121 banks, including 16 Islamic banks. P2P Fintech lending is measured using the Growth Loan Disbursement to Borrowers of all P2P Fintech lending platforms in Indonesia. Data is collected from Fintech Lending Statistics available from the Financial Services Authority of Indonesia. Meanwhile, bank-specific variables are gathered from the annual financial reports of banks during the period 2016–2022. This study divides the data into two periods: the time period preceding the COVID-19 pandemic (2016–2019) and the time period following the COVID-19 pandemic (2020–2022). The COVID-19 period is based on the first confirmed COVID-19 case in Indonesia on March 2, 2020, as reported by the Indonesia Ministry of Health. This study employs dependent, independent, and control variables. Two dependent variables reflecting bank performance are used. Following the methodology of Yudaruddin (2017, 2023c) and Defung et al. (2023), this study uses Return on Equity (ROE) and Return on Assets (ROA) to measure bank performance. Higher ROR and ROA indicate better bank performance. As for the explanatory variables of interest, Islamic Banks (IB) are used as an independent variable.

#### EMPIRICAL RESULTS :

Table 2 provides a comprehensive overview of the key descriptive statistics for the variables examined in this study. These statistics offer valuable insights into the central tendencies, variabilities, and the range of values within the dataset. For instance, when considering Return on Assets (ROA), the mean

stands at 1.2639, suggesting a positive average performance among the sampled banks. However, the standard deviation of 1.7320 indicates a considerable spread in ROA values, ranging from –5.4800 to 4.0800, revealing a notable variation in profitability. Similarly, ROE (Return on Equity) exhibits an average of 6.6691, indicating a generally favorable performance, but with a broad dispersion reflected in the standard deviation of 9.8353 and a range from –31.760 to 24.840. Other variables such as Peer-to-Peer (P2P) lending, Islamic Banks (IB), Efficiency (EFF), Size (SIZE), Equity to Total Assets (EQTA), and Concentration Ratio (CR3) are also presented, shedding light on their respective characteristics within the dataset. Overall, all variables can be used for estimation

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ARTICLE 6 :

NAME : Impact analysis of peer-to-peer Fintech in Vietnam’s banking industry

AUTHOR : CANN TRAN QUANG

YEAR : January 2022

BRIEF NOTE ON ARTICLE :

The main objective this article p2p models entered the financial markets in 2016 is now becoming a new trend in the financial market. Their operating models The results of this study can be reference for p2p fintech commercial banks in making critical strategic decision .The research sample and study author customes fintech and commercial banks.

Abstract:

This paper aims to analyze the factors affecting customer satisfaction and loyalty when using peer-to-peer (P2P) services, thereby drawing some conclusions for the banking industry. The second objective is to determine whether P2P Fintech and traditional banks should collaborate under current

circumstances or if they make for healthy competition, and collaboration is optional. The SEM model, IBM SPSS Statistics 20, and IBM SPSS Amos software are used to process data from an official survey of 254 people who have used P2P Fintech from January 5 to February 23, 2022. The results show that P2P Fintech provides products with a better customer experience, and there is a change in customer payment trends. Therefore, bank managers should create appropriate policies for the sustainable development of their banks that would involve establishing their P2P activity and ensuring their customers' satisfaction. Commercial banks need to clarify their responsibilities with service providers and clearly define the data provided to Fintech in order to avoid unintended cases: legal risk that service providers are prohibited or prevented from functioning; potential capital loss or payment delay, ... Moreover, there are risks when using a P2P fintech system, such as technology development, or when the software is discontinued, the level of risk will be very high.

#### METHODOLOGICAL APPROACH :

The study analyzes the factors affecting customer satisfaction and loyalty when using P2P services, thereby drawing some lessons for the banking industry. The second objective is to conclude whether Fintech P2P and traditional banks should collaborate due to the impact or if this is healthy competition and collaboration is optional. Convenience and ease of obtaining loans can significantly impact a customer's usage of Fintech P2P services. It is because services with convenience will improve service quality and, at the same time, usage efficiency. Moreover, P2P services can provide a more enjoyable experience for customers, thereby overcoming the limitations of traditional banking services. Therefore, it can be said that the perception of convenience and ease of use of the service can positively affect the intention of customers to use Fintech services (Ryu, 2018). This effect is also found in many studies by Tran et al. (2018) and Siek & Sutanto (2019).

- Descriptive statistics
- Testing the reliability of Cronbach's Alpha scale
- Exploratory factor analysis and confirmatory factor analysis
- Testing of SEM structural models using IBM SPSS Statistics and IBM SPSS .

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#### ARTICLE 7 :

NAME : Success Factors Influencing Peer-to-Peer Lending to Support Financial Innovation .

AUTHOR : Natnara Chulawate and Supaporn Kiattisin .

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#### BREIF NOTE ON ARTICLE :

The main objective this article is ,1)Finding success factor of p2p.2)precived risks and trust in p2p lending.3)financial innovation management. this research can help to develop principles and rationales to develop and run a business that stands the test time and their must be good goverence.

Abstract: The purpose of this study is to identify success factors that are conducive to developing the ability to create financial innovation within developing countries for the sake of sustainability. The purpose of this research is to contribute to the

identification of success factors. The case study involves a peer-to-peer lending (P2P Lending) business operator in Thailand and focuses on the lender perspective. The results consist of 13 potential factors driving financial innovation in process improvement. The study collected data from 300 respondents through a structured questionnaire. The structural equation model was used to analyze the data via Mplus version 7. In order to gain a better understanding, we emphasize that each country's financial business may show different success factors due to different situations and environments, which might pose a challenge when drawing conclusions from the survey and building sustainability in the financial industry. The research summarizes the factors of success in 3 contexts with 13 factors; namely, the risk context consists of a higher interest rate, inflation increase, macroeconomics, regulation laws, and legal, liquidity, and finance and credit status.

Perceived risk measures P2P lending reliability via a physical examination. It is a communication tool for lenders to recognize the potential for fraud. For one thing, P2P lending creates a robust foundation, and it can cause investors to lose capital and cause investment anxiety [28]. Building confidence between borrowers and lenders when using P2P lending lead to a positive relationship and gives borrowers and lenders confidence in the finance system through a solid and attractive social network [29,30]. As a result, platforms are trusted to meet the platform's funding system verification needs [30]. Another factor that causes credibility among borrowers [31] is that the borrower's online information includes a photograph [32], age, gender, and identity card [33]. Unreliability in P2P lending only occurs when payment cycles are set far apart and over large geographic distances [34]. In conclusion, studies have shown that trust in social networks is required first. However, the risk is reduced after social media is used to assess the borrower's physical characteristics [35]. Regarding the failure factors of P2P lending, the platform company provides a platform to guarantee the investment, loan amount, and interest rate, and a low-interest rate will attract borrowers who are interested in borrowing. If the credit line has a high rate, it will also attract interested people. These can affect the lender's trust, causing the failure of P2P lending [36–45].

### 2.3. Financial Innovation Management

Financial innovation management needs to be improved. An innovative process involves a thorough analysis of financial

activities, as well as economic and social development for financial sustainability. Financial innovation in each country has led to the development of innovative products and services that play an essential role in enhancing the quality of life of the people of that country. Ensuring that people are comfortable with transactions while considering the outcome of innovation is the most important aspect. Capital is the primary outcome of financial management [17]. This study provides a conceptual model that supports decision-making in P2P lending. We focus on identifying the success factors that lead to the success of financial innovation and investment considerations [34]. Although this study obtains funds on the part of lenders or investors, most research still breaks down these factors, which necessitates a focus on supporting innovation in online lending. Most analyses of different factors involved in risk and credibility only consider on one side [46]. This literature review involves the study of theories and concepts via identifying the needs of general users so that platforms can meet the needs of users as much as possible in order that developers can choose to cater to more general user needs. P2P lending necessitates the study of user behavior, user experience, and the expectations of platform users [47]. What makes online borrowing attractive is good P2P lending that must be able to control the credit risk of the loan to the lender. P2P lending reduces financial costs and eliminates the traditional financial system. The pricing strategy consists of a subscription fee and a per-transaction fee that can attract investors interested in being a P2P lender [48–50]. We aim to identify process improvements for financial innovation that can create a sustainable process for a particular country.

### 3. Methodology

Our methodology starts with a literature review .

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*Sustainability* 2023, 15, 4028.

<https://doi.org/10.3390/su15054028>

ARTICLE 8 :

NAME : Peer-to-Peer Lending in India: An Industry Analysis.

AUTHOR : ARNAB CHAKRABORTY

YEAR : 2020 AUGUST

BRIEF NOTE ON ARTICLE:

This article main objective 1) industry overview 2) undersating the industry 3)competitor analysis 4) competstive advantageS. through this research we can find out flexible terms of returns and how it is different from competativity oppourtunity of ownership and lender funds.

Competitive Advantage :

The two keynote opportunities that can be capitalize on are: a) To make liquid cash available at a cheaper rate to the middle-class segment of the society. The average salary of a graduate student from college who has joined work in the IT industry in India earns a mere €700 a month. In case of emergency situations or marriage etc., he/she seeks a loan which is hard to get due to a lack of credit history. Hence, he/she seeks a P2P lending platform where the seeker gets a loan at a 19% interest rate which approximately would consume half the monthly salary thereafter. b) An alternative investment tool for the middle-class. Uniquely poised, this business will act as an instrument allowing the middle-class earner with an opportunity to make money by depositing €100 of their regular income at a cumulative month on month interest rate of 7%, marginally higher than the interest rates available on recurring deposits in traditional banking systems. Mentioned below in Table 5 is a comparison of the different characteristic features of the service providers in the P2P lending space in India.

SWOT Analysis : India's Fintech industry is one of the top five markets by the estimation of capital subsidizing and investments in the sector(Anand and Bhatia, 2017). Below is the SWOT analysis of the PayLab P2P Lending platform positioned for the Indian market.

Findings summary : In the competitive landscape of India, while competitors such as Monexo, and i2ifunding follows a product differentiation strategy to a broad market segment, a competitive business model can aim to provide a cost leadership through efficient use of technology and merge it with a high customer service level in a narrow market segment. In contrast with the competitors, the business model needs to link the borrower's performance with their credit score, interest rates, and lending quality so that a good customer can have an advantage over the long-term. In addition to the general advantages provided by other p2p lending platforms, Also, it

needs to put customers at the center of its operations with flexible terms of returns. Moreover, different from the competitors, an opportunity lies in taking the ownership of the lender's funds, its distribution across the borrowers, and its returns.

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See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/344375962>.

ARTICLE 9 :

NAME :Peer-To-Peer Lenders and Banks: Compete or Complement?

AUTHOR : Jul Aidil Fadli\* Faculty of Economic and Business University of Esa Unggu.

YEAR : 2022

BRIEF NOTE ON ARTICLE : through this research we can find out the banks engage in market segments such as housing financing , commercial and corporate financing p2p lenders move to niche accesble SME financing . the main objective of this articles financial services ecosystem banks have long served as intermediers among both fund creativity and fund users.

Abstract : This paper is a position paper that aims to identify whether the presence of P2P lending is a problem for banking companies or vice versa. We answer this question through three approaches: in terms of business models, SWOT analysis, the risks faced by them, and market segmentation. Our

identification shows that due to its easy communication channel (the Internet) and affordable infrastructure, P2P lenders are a competitive rival. P2P lenders should move to a niche market that is still available, namely SME financing. These SMEs are then expected to become more mature and bankable so that they can get financing from banks to grow bigger. They have qualified capabilities for this segment and capable technology. This could be their competitive advantage over banks. Banks operate in safe segments for them to avoid bank panics, bank runs, and economic instability. Meanwhile, banks can engage in other market segments, such as housing finance, commercial, and corporate financing. This synergy will have a harmonious impact on economic progress.

Research Method : Both peer-to-peer lending and banks take advantage of the needs of both parties, surplus unit and deficit unit in their business model [17]. The peer-to-peer lending company's established model allows the requirement for excess units and deficit units [18]. Borrowers post loan listings stating the amount and purpose of the loan they need [19]. Investors review loan listings and invest in those meeting their criteria [20]. P2P lenders act as middlemen between borrowers and investors. As a purely online platform, P2P also enables the implementation of quick and convenient loans. Compared to traditional banks, P2P platforms' substantial digitalization of procedures and specialized knowledge may result in lower transaction costs and more convenience for end customers.

This is contrasts with banking, which has highly rigorous regulations. Regulations have been very tight when it comes to bank lending, from the conventional. Loan to Deposit Ratio (LDR) to several more recent measures like the Net Stable Funding Ratio (NSFR) and Loan Coverage Ratio (LCR), which the Basel Committee just proposed in 2019. In order to keep bank funding and liquidity at a high standard, this is done. This regulation's requirement is to preserve the standard of bank liquidity and financing. Because the interest rate applied to the low-credit market segment would be greater than that applied to the benchmark case, borrowers in the low-credit segment would choose higher-risk, higher-return projects when there was an insolvency risk on the bank's side. Therefore, there is a higher chance that borrowers in the low-credit sector may default on specific bank loans, which raises the bankruptcy risk.

Second, in terms of illiquidity risk, when banks supplant P2P lending platforms, the percentage of protected deposits in a bank's deposit portfolio would rise with loan market fragmentation. This would reduce the amount of crucial cash flow needed to avert a bank run, which would lessen the danger of illiquidity. Third, the aggregate credit risk of a bank is lower in the segmented market situation than it is in the benchmark case, suggesting that the lower illiquidity risk would be sufficient to offset the higher bankruptcy risk. The platform's funding source is another drawback on the P2P side. They ultimately rely on investors' continued confidence in the platform to keep lending rates stable. P2P systems that allow early withdrawal of funds are susceptible to large withdrawals if investors lose trust because they cannot rely on deposit protection. Investor protection in the case of a platform failure is still up in the air, and a badly handled, widely publicized failure may not only result in losses for Jul Aidil Fadli Jurnal Informatika Ekonomi Bisnis – Vol. 4, Iss. 4 (2022) 269-272 271 investors but also undermine the trust that investors need to continue borrowing.

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ARTICLE 10 :

NAME : The Relationship Between the Development of P2P Platforms and Economic Stability.

AUTHOR : Yuxi Liu<sup>1,a,\*</sup> 1 Suzhou North America High School, Suzhou, China a. 20151015640@mail.sdufe.edu.cn \*corresponding author.

YEAR : 2023

BRIEF NOTE ON ARTICLE :

The main objective of this research is effects of national economic growth and financial market in short run and long run and comparison between china and other counting . through this article we can find the challenges and stable development of financials sectors and impersive of chinese government of regulatrly unchecked growth of peer to peer platforms.

Abstract: The rapid development of China's peer-to-peer (P2P) lending platforms has not only injected new vitality into the financial market but also had a profound impact on the traditional banking system. With its efficient information matching and capital circulation mechanism, the P2P platform has solved the traditional loan problem and promoted the financing convenience of small and medium-sized enterprises. However, its rapid development has also brought a series of risks and challenges, such as economic stability problems, potential risk spread, etc. Compared with other countries, especially the United States, we find that the development of P2P platforms in different countries presents different characteristics. To meet these challenges, we need to strengthen supervision, regulate the operation behavior of P2P platforms, ensure the safety of funds, and prevent risks. At the same time, we should also pay attention to its interactive relationship with the traditional banking system, to achieve complementary development, and jointly promote the prosperity and stability of the financial market. To sum up, the development of the P2P platform has brought new opportunities and challenges to China's financial market. We need to deal with it with a prudent attitude and innovative thinking to ensure its healthy and orderly development.

Introduction : With the rapid development of Internet technology, global financial demand is continuously rising. The forms of financial services have become diversified and intelligent, and the traditional banking system can no longer meet people's basic pursuit of financial services. FinTech, also known as financial technology, is a modern technology that combines financial services and has replaced many traditional

financial services. It has revolutionized the way finance and finance research are conducted through the use of technological advancements such as big data, cloud computing, and artificial intelligence. One of the most prominent examples of FinTech in the early 21st century is peer-to-peer (P2P), a small internet lending model that connects borrowers with investors through online platforms. This model provides a wide range of loan and financial services to individuals and businesses, particularly low- to middle-income households. While P2P lending was popular in the Chinese financial market, it also brought about potential risks and challenges. The lack of reliable lenders and secure sources of finance has significantly altered the mainstream of Chinese finance services.

2. Effects on National Economic Growth and Financial Market in Short-run / Long-run : Since the beginning of the 21st century, using per capita GDP as a measure of economic growth; according to World Bank data, China's economic growth has been in a stable and gradual growth state [6]. It is important to mentioning that after the introduction of P2P platforms to China in 2007, China's per capita GDP experienced a shock. The growth rate plummeted from 13.6% to 9.1%. And since 2010, it has been continuously experiencing with decreasing growth. Meanwhile, after the country cleared all P2P platforms by the end of 2020, the growth rate increased from 2% to 8.4% the following year. With its impact of P2P, the country's economic growth will inevitably be affected. From 2019 to 2021, the emergence of COVID-19 has caused serious economic impact and depression to countries around the world. People have increased their demand for digital financial services, and P2P loan platforms have become the means of livelihood for most people. By the end of 2021, the global debt ratio was still nearly 19% higher than before the pandemic, posing a challenge for policymakers worldwide. The reason for the unusually significant change in debt ratio is due to the post-pandemic economic recovery and the subsequent rapid rise in inflation. Most countries have started to reduce their citizens' debt ratios through policy measures to alleviate economic problems. The decline in debt ratios in emerging markets (excluding China) in 2021 was almost 60% of the increase in debt ratios in 2020.

3. The P2P financing model originated in the United States and has developed relatively maturely compared to China. However such advantages also provide inspiration for the development of China's

unstable P2P platforms. P2P platforms originated in developed countries such as the United States as early as 2005. After 2009, it rapidly developed to meet the loan needs of low - and middle-income families. Nowadays, foreign P2P platforms are more complete compared to domestic ones, with huge borrowing funds, a wide range of participants, and mature risk control measures. Taking the Prosper platform in the United States as an example, the P2P model in the United States has developed rapidly and is divided into two types: for-profit platforms and non-profit platforms. In profitable platforms, Prosper and Lending Club are represented. According to statistics from China National Research Network, the transaction volume of these two companies accounts for approximately 80% of the US market. In 2012, Prosper's new loans increased by 91% year-on-year, while Lending Club's new loans increased by 179% year-on-year. In 2013, the business volume and loan amount of these two platforms continued to increase rapidly. Prosper was founded in 2005 and connects loans between individuals through online platforms, serving as an intermediary between lenders and borrowers. This platform has the following characteristics: Anonymous registration, without using real-name registration, using account names to maintain anonymity between both parties. Having an independent credit score evaluation system, borrowers are required to have a credit score of at least 640 points. Portfolio investments can be made, and lenders can browse and select investment targets, using automated portfolio tools to select lending portfolios.

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ARTICLE 11 :

NAME : GLOBAL PEER-TO-PEER LENDING MARKET

AUTHOR : Neslihan Turguttopbas1 , Ihsan Erdem Kayral2 IOSTIM Technical University, International Trade and Finance Department, Ankara, Turkiye.

YEAR : 2022

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**BREIF NOTE ON ARTICLE :**

the main objective of this article is credit risk and other platforms to rank is credit risk cognitive map consistency the mutual inflows and feedback between the indicators. we can find out this article the development of information technology and funding with less cost the p2p lending platform applies a limited amount of fee for their interest mediation online banks.

**ABSTRACT Purpose-** : The purpose of this study is to elaborate the current impressive standing of the market in order to pave the way for future academic work. **Methodology-** The study employs primary data analysis of the P2P lending market. Also a detailed update literature analysis is realized. **Findings-** The analysis reveals that the financial conditions prevailing in global markets also contributed to the growth of P2P lending sector in the past. The low interest rate environment since the global financial crisis of 2007-2008 made P2P lending as a better alternative for small investors looking for higher yields. **Conclusion-** It may be concluded that the P2P market lending will be a fruitful area of financial research in the future especially in the field of the credit assessment procedures, default tendency analysis and regulatory structures of the regional markets. **Keywords:** Fintech, crowd lending, P2P, Peer-to-peer lending, platformS.

**3. DATA AND METHODOLOGY :** Table-1 shows the developments in the P2P lending market in the period 2013-2018. It should be noted that as the P2P platforms generally operate in the country they established, the collective global market volume data is not available. The professional reports and the studies of some specific institutions perform their own analysis. The data in the Table 1 is reported by Cambridge Centre for Alternative Finance. On November 27, 2020, the China Banking and Insurance Regulatory Commission (CBIRC) announced that the number of P2P platforms had fallen to zero. **Table 1: Total Amount of P2P Lending (million USD)**

	2013	2014	2015	2016	2017	2018
China	5.520	23.820	97.580	201.310	327.800	207.590
USA	3.176	8.742	21.282	23.420	17.340	27.420
UK	751	2.135	3.667	4.810	6.005	6.359
Japan	79	108	326	171	236	873
Germany	48	116	205	227	448	813
France	57	227	181	277	431	494
Australia	2	16	70	165	365	321
New Zealand	14	245	178	242	222	9.633
Total	9.633	35.178	123.556	230.558	352.867	244.092
Rate of Growth	265%	251%	87%	53%	-31%	

**Sources:** Cambridge Centre for Alternative Finance. Although

a classical P2P lending platform serves as only an information intermediary that provides information about borrowers without taking liability for borrower default, by time especially after 2012, the role of P2P platforms in China started to change as the competition among platforms became increasingly intense. They began to promise to repay the principal to lenders even if borrowers defaulted. Although each professional center different but comparable numbers **global Peer to Peer (P2P) Lending Market:** is valued at USD 83.8 Billion in 2021 and is expected to reach USD 705 Billion by 2030 with a CAGR of 27.4% over the forecast period. The Figure 1 stipulates the forecasted market development during 2021-2030 period.

**P2P Lending by Type -** It is a fact that P2P market is immature and dominated by retail investors with no specific qualification to price consumer (personal) loans. The asymmetry of information is potentially larger than in traditional lending schemes, as verified information on the borrower is scarce and personal interaction impossible. P2P loans started out as personal unsecured loans and they may be used for any reason such as debt consolidation, a new car, home improvements, or starting a business. In the last decades, the changing consumption patterns of individuals has resulted with small and medium sized funding needs for individuals for purchasing especially IT equipment such as mobile phones, laptops etc. Germany leads in consumer lending among other European countries referring to the conservatism of the banking sector for such loans. A similar situation is observed in France, where loan approval can take about a month. Another reason for the steady growth in the popularity of the P2P lending is online access to finance. In Germany, the Internet penetration reaches 96%, which allows the majority of the population to use online services and significantly save time. The UK is the leader in business lending. The priority here is still the speed of service provision, reduced requirements and carrying out processes online. This is important, since the main clients of P2P lending are small and medium-sized businesses that develop innovative projects and new products. Such processes require significant funding and implementation in a short time<sup>3</sup>.

**ARTICLE 12 :**

**NAME :** Peer to Peer Lending: The Revolution of Finance

AUTHOR : Kim Minh Duong, Jennifer Giles, Katherine Ngo ,Sarah Band.

YEAR : Research · April 2015 DOI: 10.13140/RG.2.2.12005.14562

BRIEF NOTE ON ARTICLE :

we can find out this article the peer to peer lending is more accesance because everybody of any gender can access this out break in the past few years has lead worlds wide economics as well a small business to a new financing methods. the main objective of this article is 1) peer to peer lending on person on losns 2) ecommerce and profit conditions 3) crowd funding their impacts in their sectors.

Abstract: In the 21st century, globalization has made it possible for the world to come together as one. The outbreak of peer-to-peer (peer to peer) lending has led worldwide economies as well as small businesses to a new financing era. This research paper discusses the mechanism and level of influence that this new financing method has brought on. Through various professional research papers, articles and statistics, this paper examines the concepts of peer to peer lending, evaluates its impact on both micro- and macro-level of business, and studies the differences between various regulations and viewpoints. Despite being a new and developing concept, peer-to-peer lending has brought remarkable changes to the evolution of international as well as domestic business.

Globalization in the 21st century has tremendously influenced our lives in each and every way. Endless effort has been made to improve living standards and technology, for people that are even half way across the globe can now reach each other in the blink of an eye. However, technology has made it possible for not only people to cross boundaries but also money. Individuals now has the ability to transact money internationally without going through any financial intermediaries such as a bank or any other financial institution. This method is called: Peer to Peer Lending. Throughout the rest of this research paper, readers will gain an insight into how peer to peer lending is revolutionizing the finance industry. The term peer to peer lending itself is self-explanatory. "Peer-to-peer" indicates an ongoing relationship between two individuals and "lending", according to Dictionary.com, means "to give money on condition that it is returned and that interest is paid for its temporary use". Therefore, the term as a whole refers

to the act of borrowing and lending money between two individuals, with the borrower paying money back with interest. The peer to peer lending industry has been around for roughly a decade; it began to flourish during the global financial crisis, when many banking and financial services had to shut down. Since traditional services were closing a number of investors went in search for an alternative financing strategy and started taking a great interest in the peer to peer lending sector. Before peer to peer lending appeared, individuals in the need of borrowing money had to go to the bank or other financial institutions to get a loan, which is considered by most to be a rather complicated and time-consuming process. Therefore, peer to peer lending has been designed to maximize the efficiency in the borrowing and lending process. It is less time-consuming and reduces cost because of it's online platform. The use of peer to peer lending greatly influences a number of individuals as online personal loans have outweighed credit cards (Clements). It is incredibly easy to have access to short term credit through personal loans. Borrowers can choose a price, and compare interest rates and fees between different loans and immediately tell what is best for them. This has resulted in the exponential growth of personal loans in 2015 (Clements). According to J.D Roth, an expertise in personal finance for Time Magazine, peer to peer Lending is more beneficial than one may think. Looking from a borrower's perspective,a borrower may not always get a lower interest rate from a bank as that from peer to peer lending site . From a lender's perspective, they earn a bigger amount in return through higher interest rates from lending than they would from interest rates in a savings account. Furthermore, it is also beneficial for the company controlling the loan because it skims money off the transactions.

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ARTICLE 13 :

NAME : Peer-to-Peer lending – opportunities and risks

AUTHOR : Rainer Lenz

YEAR : All content following this page was uploaded by Rainer Lenz on 29 July 2018.

BRIEF NOTE PON ARTICLE :

the main objectives of this article is 1) p2p lending market 2) the lenders perspective 3) the borrowers perspective 4) european regulation of p2p lending. this article deals with the topic on peer to peer lending from a purely technical points of view and neglects the fundamental social aspects in lenders .

ABSTRACT :

Web-based financial intermediation on a peer-to-peer (P2P) basis will eventually prevail as an economically superior form of organisation compared to the traditional banking business model. P2P lending is the most popular type of crowdfunding, whereby an internet platform collects small amounts of funds from individuals in a crowd to finance collectively a larger loan to individuals or businesses. Unlike a commercial bank, the platform does not take risk through its own contractual positions. Whereas banks accumulate risks by taking positions on their balance sheet, platforms decentralise the risks by spreading them to their users. The emergence of financial platform businesses challenges legislators and regulators in several respects: the “easy way” of modifying existing finance and banking laws is inadequate; the internal organisation and knowledge of staff is not well suited to regulating crowdfunding; and capital mediation by crowdfunding platforms requires a different regulatory approach than banking. Finally, there is no doubt that P2P-lending platforms will in the long run need a dedicated, single European regulatory framework.

The P2P lending market Crowdfunding is used as an umbrella term and stands for any type of web-based

collection of small quantities of funds from platform users to finance a project. It could be commercial, where 1 M. Carney, “Enabling the FinTech transformation: Revolution, Restoration, or Reformation?” speech given 16 June 2016, available at <http://www.bankofengland.co.uk/publications/Pages/speeches/default.aspx> (accessed 10 July 2016). 3 funders expect some kind of financial return, or non-commercial and based on donations. Crowdfunding is one of the commercial types of crowdfunding, whereby an internet platform collects small amounts of funds from individuals in ‘the crowd’ to finance collectively a loan of a higher amount to individuals or businesses. Legally speaking the underlying instrument is a loan agreement (debt) which contains the lender’s credit claim to receive interest and redemption payments in the future. The terms crowdfunding and peer-to-peer lending are used synonymously, indicating that users of the platform are lending capital directly to their peers, mediated by a platform without a bank standing in between. Besides crowdfunding, two other commercial types of crowdfunding exist: (1) crowdinvesting, where crowd funds are invested in a start-up company and the expected return is linked to the company’s profits. It is a kind of mezzanine finance as it has features of equity as well as of debt capital; and (2) reward-based crowdfunding, where funds are used to finance specific projects and the expected return is of a non-monetary nature linked to the project.

1: Types of Crowdfunding The market volume of peer-to-peer lending exceeds by far those of other crowdfunding types. Based on 2015 data, P2P lending accounts for more than 75% of the total crowdfunding market in the UK and more than 50% of other European markets. The UK plays a leading role in the crowdfunding business and especially in the P2P lending segment. In 2015, the P2P lending market in the UK had a volume of around €4.4 billion, while in Europe excluding the UK the

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0 Capital requirements regulation and directive – CRR/CRD IV, Directive 2013/36/EU and Regulation (EU) No 575/2013, available at [http://ec.europa.eu/finance/bank/regcapital/legislation-in-force/index\\_en.htm](http://ec.europa.eu/finance/bank/regcapital/legislation-in-force/index_en.htm) (accessed 06 July 2016). 11 J. Rifkin: “The Zero Marginal Cost Society: The Internet of Things, the Collaborative Commons, and the Eclipse of Capitalism. 2014.

ARTICLE 14 :

NAME : The financial intermediation role of the P2P lending platforms<sup>1</sup>

AUTHOR : Olena Havrylchyk<sup>2</sup> , Marianne Verdier<sup>3</sup>  
Forthcoming in Comparative Economic Systems

YEAR : All content following this page was uploaded by Olena Havrylchyk on 01 September 2019.

BREIF NOTE ON ARTICLE :

through this article we can find out p2p lending platforms brokerage functions intermediaries by matching lenders supply and borrowers demand of funding. the main objective of this article 1) the business model of p2p 2) the brokerage role of p2p 3) the market place platforms and loans 4) towards maturity and risks transformation.

Abstract : The objective of our paper is to explore the role of P2P lending platforms through the prism of the theory of financial intermediation. P2P lending platforms perform the brokerage function of financial intermediaries by matching lenders' supply and borrowers' demand of funding, according to the risk and the maturity of their needs. Unlike banks, P2P lending platforms do not create money and do not perform risk and maturity transformation. However, they can organize secondary markets to trade loan contracts before maturity and some P2P lending platforms aim at providing a fixed income to lenders. To ensure efficient and sustainable financial intermediation, P2P lending platforms need to ensure that they are not subject to principal-agent problems and that their incentives coincide with those of lenders. The possibility of orderly resolution of P2P lending platforms failures might decrease moral hazard problems that are inherent in the modern financial intermediation.

The business model : of the P2P lending platforms P2P lending platforms create value by connecting borrowers on one side and lenders on the other side. Unlike a bank where depositors do not have any visibility of how their money is used, a defining

feature of P2P platforms is the possibility of retail investors to choose to which borrowers they would like to lend (Figure 1). This decision can be made by analysing risk and return, but also the objective of the project. Indeed many lenders are attracted to this new market because it could give a sense of moral purpose by allowing them to invest in local businesses as well as socially and environmentally responsible projects. Platforms attribute a risk score to every project, but lenders can also analyse financial and non-financial information published online by potential borrowers. As the minimum investment per project starts at 1-20 euros, lenders can diversify their portfolio by investing only in a fraction of every debt contract. Most platforms do not invest in debt contracts that they originate and, hence, they do not take risk onto their balance sheets. Credit risk is borne by lenders. Platforms generate profits from the origination and servicing fees that they charge from borrowers and/or lenders. Similar to other industries (AirBnb, Uber, payment cards), lending platforms are considered to be a two-sided market. In such markets, a platform creates value by connecting two (or more) distinct groups of users.<sup>4</sup> It facilitates interactions between them by lowering transaction costs and search costs. In the online lending market, the platform connects borrowers and lenders. A borrower's decision to apply for a loan on a platform depends on how many lenders are willing to lend through this funding channel and on its probability of being funded. Similarly, a lender's decision to fund a loan on a platform depends on how many projects are available and on their expected quality. More generally, there is a positive mutually reinforcing relationship between the number of borrowers and lenders. The number and quality of borrowers that the platform manages to attract has a positive impact on the number of lenders that are willing to invest via the platform. Conversely, the presence of a large volume of funds offered by many lenders has a positive impact on the number of borrowers that seek funding on the platform. Belleflamme et al. (2016) describe in detail all the types of externalities that can be observed in lending platforms (i.e. between lenders and borrowers or between borrowers themselves).<sup>5</sup> Online lending platforms face similar chicken-and-egg issues as in other platform industries. For example, several platforms had to interrupt accepting funds from lenders because there were not enough borrowers. The business model of the P2P platform is applied to a number of distinct specialized lenders.

The value added of the P2P lending platforms Given the above differences between banks and lending platforms, what is their value added? Are P2P lending platforms more cost-efficient and have better screening models than traditional banks? What funding gap do they fill? How to limit agency costs inherent in the financial intermediation? Could P2P lending platforms enhance financial stability? Cost-efficiency Philippon (2016) and Bazot (2013) demonstrate that the unit costs of financial intermediation<sup>9</sup> have remained at 2% since the end of the 19th century. Despite an impressive progress in the communication and information technologies (telephone, computer and internet), banks have not lowered the costs of financial intermediation, which might be reflected in higher prices for the end-users. In this context, one could hope that P2P lending platforms could be more costefficient than traditional banks because they do not have brick-and-mortar branches and automate the screening process as much as possible. At this stage, it is too early to compare cost-efficiency of banks and P2P lending platforms, because few P2P lending platforms have achieved scale efficiency and profitability. Moreover, banks rely on cross-subsidization strategies, which renders comparison of costs for each product difficult. Filling the funding gap P2P lending platforms appear to fill the funding gap left by traditional banks in the wake of the crisis. Studying consumer credit market in US counties, Havrylchuk et. al (2017) find that the development of P2P lending was higher in counties with overleveraged banks and low penetration of bank branches. Koetter and Blaseg (2015) show that bank instability in Germany has pushed businesses to use equity crowdfunding as a source of external finance. Survey evidence for the US and UK suggests that online finance is used by smaller, younger, and less profitable firms that do not have collateral (Wiersch et. al. 2016; Pierrakis and Collins, 2013).

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ARTICLE 15 :

NAME : The role of P2P platforms in enhancing financial inclusion in US – An analysis of peer-to-peer lending across the rural-urban divide.

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YEAR : All content following this page was uploaded by Emre Kuvvet on 27 November 2023.

BREIF NOTE ON ARTICLE :

the main objective this articles is p2p lending to crowd funding genere on internet platforms acts as two side markechts of financing by participate of large crowds in the borrowers in the lendres in the platforms. this study focused of p2p platform is role in enchancing financial inclusion from borrwers point of view the rural and urban dimentation and lending across the dimdensionS.

Abstract : In this paper, we examine the role of P2P platforms in enhancing financial inclusion from the borrowers' point of view across the rural-urban dimension. We show that when number of bank branches decrease in a rural community, the P2P loan requests increase if there is at least one bank branch in the community allowing people to participate in the P2P market. We also find that the number of P2P loan requests from urban areas are higher when such areas have fewer pawnshops per capita. Our results suggest that P2P enhances financial inclusion of those lacking traditional institutions in rural communities and offers an alternative to those with fewer fringe banks in urban communities.

Given the unique capability of P2P platforms to transcend geographical limitations we study whether P2P platforms improve financial inclusion by providing loans to communities without ready access to traditional or fringe institutions. We find that when banks and credit unions (hereafter, BCUs) open a new branch in a community that did not have access to one before, the number of P2P loan requests decrease.

This suggests that P2P lending meets the financial needs of banking desert communities till services from traditional institutions become available. When number of BCU branches decrease in a rural community, the P2P loan requests increase as long as there is at least one BCU branch in the community allowing people to participate in the P2P market. We also show that the number of P2P loan requests from urban areas are higher when such areas have fewer pawnshops per capita. Our results suggest that P2P enhances financial inclusion of those lacking traditional institutions in rural communities and offers an alternative to those less proximate to fringe banks in urban communities. We also find that both rural and urban communities in the top quartile of P2P borrowing activity had significantly higher employment and income growth over the last 10 years than communities with low P2P activity. The literature on the role of P2P platforms in providing financial access is sparse and the few studies on the subject have sometimes produced seemingly contradictory results. For example,

I. Hypothesis Development Borrowing on a P2P lending platform such as Prosper requires borrowers to have a bank account. Households with geographic proximity to financial institutions are more likely to have one (Celerier & Matray, 2019; Friedline, Despard, & West, 2019) and the effects are strongest for households on the margin of bank account ownership (Butler, Cornaggia, & Gurun, 2017; Goodstein and Rhine, 2017). There are fewer bank branches per square mile in rural areas. This implies that rural communities are less likely to participate in P2P lending. In addition, participation in the P2P market requires access to internet and involves learning costs (Havrylchuk et al., 2019). Rural communities are less likely to have ready access to internet. The learning costs associated with use of FinTech services are also more likely to be burdensome for those in rural communities. We therefore hypothesize as below: H1: Rural areas are less likely to participate in the P2P lending market. For the purposes of eligibility to participate in the P2P market, having a bank account is the same as having an account at a credit union. Market size and growth potential are among the primary determinants of BCU presence, especially in rural communities (Feinberg 2008; Feinberg, 2009). However, Deller & Sundaram-Stukel, 2012 contend that credit unions cluster around common bonds of association and serve niche markets. They do not follow the ‘herd’ mentality but rather fill void in spatial financial

markets. Credit unions are more likely to be located in low-income zip code areas than banks (Mohanty, 2006; Mook, Maiorano, & Quarter, 2015). If, as we contend in our justification for hypothesis H1, lack of a bank account results in lower likelihood of P2P participation for rural communities, rural banking deserts with credit union presence should have higher likelihood of P2P participation. This leads us to our second hypothesis.

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Fintech Disruption in Peer-to-Peer Lending: Transforming the Digital Banking Landscape

Objective 1: To investigate the disruptive technologies driving fintech innovation in peer-to-peer lending.

- Dependent Variable:
  - Level of innovation in P2P lending (e.g., number of new P2P platforms, adoption rates of P2P services).
- Independent Variables:
  - Availability and use of disruptive technologies (e.g., blockchain, artificial intelligence, machine learning).
  - Regulatory changes enabling or restricting technology use.
  - Investment in financial technology startups.

Objective 2: To analyze the impact of fintech-driven P2P lending on the operational models of traditional and digital banks.

- Dependent Variable:
  - Changes in operational models of traditional and digital banks (e.g., service offerings, cost structures, business model transformation).
- Independent Variables:
  - Growth of fintech-enabled P2P lending platforms.
  - Consumer adoption of P2P lending over traditional banking services.
  - Financial performance metrics of traditional and digital banks (e.g., profit margins, return on equity).

Objective 3: To evaluate the competitive dynamics between fintech-enabled P2P lending platforms and traditional banks.

- Dependent Variable:
  - Market share and competitiveness of traditional banks versus P2P lending platforms.
- Independent Variables:
  - Interest rates and loan approval times in P2P lending versus traditional banks.
  - Customer acquisition costs for P2P platforms versus traditional banks.

- Technological advancements adopted by P2P platforms (e.g., faster credit scoring mechanisms).

Objective 4: To assess the role of fintech in enhancing the user experience in P2P lending compared to digital banking services.

- Dependent Variable:
  - User experience metrics (e.g., satisfaction, ease of use, trust).
- Independent Variables:
  - Fintech features (e.g., user interface, speed of transactions, personalized recommendations).
  - Accessibility of platforms (e.g., mobile apps, omnichannel support).
  - Security measures implemented by fintech companies (e.g., encryption, fraud prevention).

Objective 1: Evaluate the Effect of P2P Lending on Consumer Borrowing Patterns

Data Collection Method: Questionnaire

Tool: Online survey platforms (e.g., Google Forms, SurveyMonkey)

Content: Questions about borrowing preferences, reasons for choosing P2P lending over traditional banks, and satisfaction levels with both lending types.

Target Audience: Borrowers who have used P2P platforms and traditional banks. prepare questionnaire for research paper

Questionnaire: Evaluating the Effect of P2P Lending on Consumer Borrowing Patterns

Section 1: Demographic Information

1. Age:

- 18–24
- 25–34
- 35–44
- 45–54
- 55+

2. Gender:

- Male

- Female
  - Other
  - Prefer not to say
3. Employment Status:
- Employed full-time
  - Employed part-time
  - Self-employed
  - Unemployed
  - Student
  - Retired
4. Annual Income:
- Less than \$20,000
  - \$20,000–\$50,000
  - \$50,000–\$100,000
  - Over \$100,000

Section 2: Borrowing Preferences

5. Have you previously borrowed money from a P2P lending platform?

- Yes
- No

6. Have you previously borrowed money from a traditional bank?

- Yes
- No

7. Which borrowing method do you prefer?

- P2P lending
- Traditional banks
- No preference

Section 3: Reasons for Choosing P2P Lending Over Traditional Banks

8. If you have used P2P lending, what was your main reason for choosing it over a traditional bank? (Select all that apply)

- Lower interest rates
- Easier application process

- Faster approval times
- More flexible terms
- Peer-based lending experience
- Better customer service
- Other (please specify): \_\_\_\_\_

9. How important was each factor in your choice of P2P lending over traditional banks? (1 = Not important, 5 = Very important)

- Interest rates: 1 2 3 4 5
- Application process: 1 2 3 4 5
- Approval times: 1 2 3 4 5
- Flexibility of terms: 1 2 3 4 5
- Customer service: 1 2 3 4 5

Section 4: Satisfaction Levels

10. Rate your satisfaction with P2P lending on the following aspects (1 = Very Dissatisfied, 5 = Very Satisfied):

- Interest rates: 1 2 3 4 5
- Application process: 1 2 3 4 5
- Approval time: 1 2 3 4 5
- Flexibility of terms: 1 2 3 4 5
- Customer service: 1 2 3 4 5

11. Rate your satisfaction with traditional bank lending on the following aspects (1 = Very Dissatisfied, 5 = Very Satisfied):

- Interest rates: 1 2 3 4 5
- Application process: 1 2 3 4 5
- Application process: 1 2 3 4 5
- Flexibility of terms: 1 2 3 4 5
- Customer service: 1 2 3 4 5

Section 5: Borrowing Experience and Feedback

12. How likely are you to recommend P2P lending to others?

- Very likely
- Somewhat likely
- Neutral

- Somewhat unlikely
- Very unlikely

13. In your opinion, what are the main advantages and disadvantages of P2P lending? (Open-ended)

14. Do you think P2P lending has changed your borrowing behavior or habits? Please explain. (Open-ended)

15. Any additional comments or suggestions related to P2P lending or traditional bank lending? (Open-ended)

objective 2: Analyze the Competitive Impact of P2P Lending on Traditional Banks.

Data Collection Method: Secondary Data Analysis

Tool: Financial reports, industry analyses, and market research studies.

Content: Collect data on interest rates, loan offerings, market share, and customer acquisition strategies of traditional banks before and after the emergence of P2P lending.

Source: Financial statements of banks, industry reports from consulting firms (e.g., McKinsey, Deloitte), and government publications. prepare secondary data analysis from above information for research paper.

#### 1. Interest Rates Analysis

1. What were the average interest rates for personal and small business loans offered by traditional banks before the emergence of P2P lending?
2. How did the interest rates of traditional banks change after P2P lending platforms began to grow?
3. What are the current interest rate ranges on loans from major P2P platforms compared to traditional banks?
4. How do banks justify their interest rate adjustments in response to market competition, specifically from P2P lending?
5. Are there specific customer segments where traditional banks' interest rates remain higher or lower than P2P rates?

#### 2. Loan Offerings and Customer Profiles

1. What types of loans (e.g., personal, SME, educational) were traditionally offered by banks before P2P lending's popularity, and how has the loan portfolio changed since?
2. Which loan segments have seen the greatest increase in competition due to P2P lending?
3. How do P2P lending platforms differ in terms of loan types and offerings compared to traditional banks?
4. What are the typical credit score ranges and income levels of customers for bank loans versus P2P loans?
5. Are traditional banks offering new or adjusted loan products that mirror P2P offerings to maintain market share?

#### 3. Market Share and Growth Trends

1. What was the market share of traditional banks in consumer and small business lending before the advent of P2P platforms?
2. How has the market share of traditional banks changed since the growth of P2P lending platforms?
3. In which specific loan sectors (e.g., personal loans, SME loans) have traditional banks lost or gained market share due to P2P competition?
4. What percentage of total lending volume does P2P lending now represent compared to traditional banks?
5. Are there notable differences in growth rates between traditional banks and P2P lenders over the past few years?

#### 4. Customer Acquisition Strategies

1. How have traditional banks' customer acquisition strategies evolved with the rise of P2P lending platforms?
2. What digital marketing and customer outreach methods are being used by traditional banks that were previously associated with P2P platforms?
3. Have banks reported an increase in marketing budgets or digital transformation initiatives in response to P2P competition?

4. What incentives or loyalty programs have traditional banks introduced to retain customers in the face of P2P competition?

5. Are there any documented partnerships or collaborations between traditional banks and P2P platforms to expand customer acquisition?

Example of Quantitative Data from Bank Financial Reports :

SBI BANK :

Interest rates	2015	2016	2023	2024
Personal loan	12%	17%	11.45%	14.60%
Fixed deposits	5.5 %	8.5%	2.70	7.00%
Housing loans	9.5%	10.5%	8.50%	9.3%
Agriculture loans	4.65%	5.2%	5.77%	6.35%

HDFC BANK:

Interest rates	2015	2016	2023	2024
Personal loan	12%	20%	10.50%	24.58%
Fixed deposits	4 %	8%	3%	7.40%
Housing loans	9.5%	10.5%	8.50%	9.7%
Agriculture loans	3.65%	4.2%	4.77%	5.35%

ICICI BANK:

Interest rates	2015	2016	2023	2024
Personal loan	12%	18%	10.80%	16.25%
Fixed deposits	4 %	8%	7.25%	7.80%
Housing loans	9%	10.5%	8.75%	9.3%
Agriculture loans	3.56%	4.5%	4.77%	5.76%

PUNJAB NATIONAL BANK:

Interest rates	2015	2016	2023	2024
Personal loan	12%	18%	10.95%	17.95%
Fixed deposits	4 %	8%	7.25%	7.80%
Housing loans	9%	10.5%	8.0%	8.59%
Agriculture loans	3.88%	4.8%	5.77%	6.7%

Fixed Deposits:

- 2015-2016: Fixed deposit interest rates during this period varied based on tenure and deposit amount. For example, in 2015, PNB offered interest rates ranging from approximately 4% to 8% for general customers, with senior citizens receiving an additional 0.50%.
- 2023-2024: As of November 16, 2024, PNB offers fixed deposit interest rates for domestic deposits below ₹2 crore as follows:
  - General Citizens:
    - 7 to 14 days: 3.50%
    - 1 year: 6.75%

- 444 days: 7.25%
- Above 2 years and up to 3 years: 7.00%
- Above 5 years and up to 10 years: 6.50%
- Senior Citizens:
  - 7 to 14 days: 4.00%
  - 1 year: 7.25%
  - 444 days: 7.75%
  - Above 2 years and up to 3 years: 7.50%
  - Above 5 years and up to 10 years: 7.00%

Traditional banks in india in 2015 and 2016 year :

In 2015 and 2016, major Indian banks such as State Bank of India (SBI), Punjab National Bank (PNB), HDFC Bank, and ICICI Bank offered a variety of financial products and services. Below is an overview of their interest rates, loan offerings, market share, and customer acquisition strategies during this period:

#### Interest Rates and Loan Offerings:

- SBI: In April 2015, SBI reduced its home loan interest rates to 10.10% for women borrowers and 10.15% for others.

#### State Bank of India

- HDFC Bank: Offered competitive home loan rates, though specific figures for 2015-2016 are not detailed in the available sources.
- ICICI Bank: Provided home loans with interest rates comparable to market standards; however, exact rates for this period are not specified in the available sources.
- PNB: Offered home loans with interest rates aligned with industry norms, but specific rates for 2015-2016 are not detailed in the available sources.
- Fixed Deposits (FDs):
  - SBI: Offered FD interest rates ranging from 3.50% to 7.10% for tenures spanning 7 days to 10 years.

#### The Times of India

- HDFC Bank: Provided FD interest rates between 3% and 7.20% for general citizens.

#### The Times of India

- ICICI Bank: Offered FD interest rates ranging from 3% to 7.10% for general citizens.

#### The Times of India

- PNB: Provided FD rates ranging from 3.50% to 7.25% for the general public.

#### The Times of India

#### Market Share:

- SBI: As India's largest bank, SBI held a dominant position with a substantial share in both deposits and advances.

#### State Bank of India

- HDFC Bank and ICICI Bank: Recognized among India's "too-big-to-fail" banks, indicating significant market presence.

#### LiveMint

- PNB: As one of the leading public sector banks, PNB maintained a considerable market share during this period.

#### Customer Acquisition Strategies:

- Digital Initiatives:
  - SBI: Focused on enhancing digital banking platforms, becoming the market leader for mobile banking services in India with 1.77 crore users and a market share of 35.97% in terms of transaction value.

#### State Bank of India

- HDFC Bank and ICICI Bank: Invested in digital platforms to provide seamless banking experiences, though specific user metrics for 2015-2016 are not detailed in the available sources.
- PNB: Implemented digital solutions to improve customer service, but specific data for this period is limited.
- Product Diversification:
  - All Banks: Introduced tailored loan products and competitive interest rates to meet diverse customer needs, including concessions for women and students.
- Financial Inclusion:
  - SBI: Expanded its reach in rural and semi-urban areas through business correspondents and village coverage.

#### State Bank of India

- PNB: Focused on financial inclusion initiatives to bring unbanked populations into the formal banking system.

Quantitative data of Traditional banks in india in 2024 year:

1.State Bank of India (SBI): SBI's total loan portfolio in 2024 is around ₹34.5 lakh crore. Retail loans, such

as housing and personal loans, account for a significant portion, with the bank reporting steady growth across segments. Housing loans alone contributed about ₹6 lakh crore to this portfolio. National Bank (PNB): PNB has increased its retail credit by approximately 12.6%, reaching ₹2.22 lakh crore in March 2024. Within this, housing loans grew by 14.5%, vehicle loans by 25.6%, and personal loans by 14.4%. The total advances, including MSME and agriculture, reached over ₹5 lakh crore. Bank of Baroda (BoB): BoB's loan book as of 2024 stands at approximately ₹8.5 lakh crore. Retail advances include housing and personal loans, with around 16-17% annual growth in personal loans, and their corporate loans segment has also grown robustly.

2. Punjab National Bank (PNB): PNB, another major public sector player, has seen an increase in its loan portfolio, particularly through retail lending, driven by competitive interest rates. As of 2024, PNB's home loan interest rates are positioned between 7.40% to 7.55%. Punjab National Bank (PNB), here is a breakdown of its loan portfolio as of the most recent fiscal year:

1. Retail Loans: PNB's retail credit saw a strong growth of 12.6%, totaling ₹2,22,574 crore. Key segments within this category included:
  - Housing Loans: Grew by 14.5% to ₹93,694 crore.
  - Vehicle Loans: Increased by 25.6%, reaching ₹20,692 crore.
  - Personal Loans: Rose by 14.4% to ₹20,766 crore.
2. Agriculture Loans: The agricultural segment grew by 11.3% year-over-year, totaling ₹1,58,188 crore. PNB also offers a significant number of Agriculture Gold Loans, which experienced a steady rise in sanctioned amounts.

3. MSME Loans: The MSME sector advances saw a 7% increase, amounting to ₹1,39,288 crore as of March 2024. Within this sector, PNB also achieved its targets under the Pradhan Mantri Mudra Yojana (PMMY) and the Stand-Up India initiative.

4. Corporate Loans: This segment, which includes advances to large and medium enterprises, continued to form a substantial part of PNB's loan book but saw a comparatively slower growth rate.

6. Axis Bank offers home loans with floating rates starting around 7.60%, accommodating both salaried and self-employed individuals. Axis Bank's loan portfolio for the fiscal year 2024 showcased significant growth across various lending sectors, with a total loan book standing at approximately ₹9,65,068 crores, marking a 14% increase year-over-year. The bank's retail loans, which constitute 60% of its advances, grew by 20%, reaching ₹5,83,265 crores. Within this category, secured retail loans formed a substantial share, with home loans accounting for 28% of the retail loan book. Notable growth areas included personal loans (up 31% year-over-year) and rural loans, which grew by 30%, reflecting the bank's continued expansion in these high-demand sectors. Corporate loans also grew by 7%, while small and medium enterprise (SME) lending saw a 17% year-over-year increase, showing Axis Bank's strong presence in diverse segments.

4. HDFC Bank and ICICI Bank have increased their lending rates in line with the RBI's policies, with HDFC's rates around 7.70% to 8.05% and ICICI's benchmark rate at approximately 8.60% for housing loans.

5. Canara Bank: loan portfolio demonstrated significant growth across various segments. The bank's gross advances reached ₹960,602 crore, marking an 11.34% year-over-year increase. Retail lending expanded by 11.68% to ₹156,414 crore, with housing loans alone accounting for ₹93,482 crore, showing a 10.81% rise. Additionally, Canara Bank's agricultural and allied sector lending increased by 18.69%, amounting to ₹253,206 crore.

Canara Bank maintained robust asset quality, with its Gross Non-Performing Assets (GNPA) ratio decreasing to 4.23% and Net NPA ratio down to 1.27%. The bank's Provision Coverage Ratio (PCR) improved to 89.10%, supporting its stability in the face of potential credit risks. This lending portfolio and asset quality enhancement are also complemented by Canara Bank's increased capital adequacy ratio, which stood at 16.28.

	Traditional banks	P2p platforms
Loan Approval Rates	64%	78%
Default Rates	3.5%	5%

Use of Alternative Data in Credit Scoring	30%	85%
Credit Scoring Methodologies	8%	15%
Time to Approve Loans	10days	3days
Frequency of Risk Assessment Updates	Yearly only 1 time	Quarterly 4 times ayear
Factors Considered in Risk Assessment	30%	40%
Customer Satisfaction Ratings Regarding Credit Assessment	3.5	8.5
Model Effectiveness Ratings	3.2	4,2

Loan Approval Rates

- 19. P2P Lending Platforms:
- 20. Average loan approval rate: 78%
- 21. Traditional Banks:
- 22. Average loan approval rate: 64%
- 23. 2. Default Rates
- 24. P2P Lending Platforms:
- 25. Average default rate: 5%
- 26. Traditional Banks:
- 27. Average default rate: 3.5%
- 28. 3. Use of Alternative Data in Credit Scoring
- 29. P2P Lending Platforms:
- 30. Percentage of platforms using alternative data: 85%
- 31. Traditional Banks:
- 32. Percentage of banks using alternative data: 30%
- 33. 4. Credit Scoring Methodologies
- 34. P2P Lending Platforms:
- 35. Average number of data points used in credit scoring: 15
- 36. Traditional Banks:
- 37. Average number of data points used in credit scoring: 8
- 38. 5. Time to Approve Loans
- 39. P2P Lending Platforms:
- 40. Average time from application to approval: 3 days

- 41. Traditional Banks:
- 42. Average time from application to approval: 10 days
- 43. 6. Frequency of Risk Assessment Updates
- 44. P2P Lending Platforms:
- 45. Average frequency of risk model updates: Quarterly (4 times a year)
- 46. Traditional Banks:
- 47. Average frequency of risk model updates: Annually (1 time a year)
- 48. 7. Factors Considered in Risk Assessment
- 49. P2P Lending Platforms:
- 50. Percentage of platforms considering social media activity: 40%
- 51. Traditional Banks:
- 52. Percentage of banks considering social media activity: 10%
- 53. 8. Customer Satisfaction Ratings Regarding Credit Assessment
- 54. P2P Lending Platforms:
- 55. Average customer satisfaction rating (on a scale of 1-10): 8.5
- 56. Traditional Banks:
- 57. Average customer satisfaction rating (on a scale of 1-10): 6.5
- 58. 9. Model Effectiveness Ratings
- 59. P2P Lending Platforms:
- 60. Average effectiveness rating of credit scoring models (on a scale of 1-5): 4.2

61. Traditional Banks: lending volume in consumer sectors, which includes personal and SME loans.
62. Average effectiveness rating of credit scoring models (on a scale of 1-5): 3.5
6. 1. Average Interest Rates (by Loan Type)
7. Personal Loans: Banks generally report the average interest rates for unsecured personal loans, which often see competition from P2P lenders.
8. Example :
9. 2019: 10.5%
10. 2020: 10.2%
11. 2021: 9.8%
12. 2022: 9.6%
13. 2023: 9.4%
14. Small and Medium Enterprise (SME) Loans: Interest rates for SME loans may reflect competitive changes, especially in smaller business loans.
15. Example:
16. 2019: 8.2%
17. 2020: 8.0%
18. 2021: 7.8%
19. 2022: 7.6%
20. 2023: 7.5%
21. Auto Loans: Though less impacted by P2P, auto loan rates provide context for changes across lending portfolios.
22. Example:
23. 2019: 6.0%
24. 2020: 5.9%
25. 2021: 5.8%
26. 2022: 5.7%
27. 2023: 5.6%
28. 2. Loan Volume and Segment Growth Rates
29. Total Consumer Loans Issued (in USD billions): This measures the growth or decline in total
30. Example:
31. 2019: \$250 billion
32. 2020: \$265 billion
33. 2021: \$280 billion
34. 2022: \$300 billion
35. 2023: \$315 billion
36. Growth Rate of Personal Loans (Year-over-Year): Observing growth rates can show if traditional banks are losing market share to P2P lending.
37. Example:
38. 2019: 5%
39. 2020: 4.5%
40. 2021: 3.8%
41. 2022: 3.5%
42. 2023: 3.0%
43. 3. Net Interest Margin (NIM) by Segment
44. Net Interest Margin (NIM) provides insight into profitability from lending, which can be impacted by changes in competitive interest rates.
45. Example for Consumer Loans:
46. 2019: 4.2%
47. 2020: 4.0%
48. 2021: 3.8%
49. 2022: 3.6%
50. 2023: 3.5%
51. NIM for SME Loans:
52. 2019: 3.8%
53. 2020: 3.6%
54. 2021: 3.5%
55. 2022: 3.3%
56. 2023: 3.2%

57. 4. Customer Acquisition Cost (Estimated)

58. This can indicate if banks are investing more in marketing or digital channels due to P2P competition.

59. Example:

60. 2019: \$150 per customer

61. 2020: \$170 per customer

62. 2021: \$190 per customer

63. 2022: \$200 per customer

64. 2023: \$210 per customer

65. 5. Digital Customer Acquisition Percentage

66. Shows banks' shift toward digital methods, often in response to P2P lending's online model.

67. Example:

68. 2019: 20%

69. 2020: 30%

70. 2021: 40%

71. 2022: 50%

72. 2023: 60%

Objective 3: Examine the Risk Assessment and Credit Scoring Practices in P2P Lending versus Traditional Banking.

Data Collection Method: Interviews and Comparative Analysis .

Tool: Semi-structured interviews with financial analysts, P2P lending platform representatives, and traditional bank officials.

Content: Gather insights on risk assessment methodologies and credit scoring techniques used by both lending models.

Target Audience: Industry professionals with experience in P2P lending and traditional banking.

Questionnaire

Section 1: Background and Professional Role

1. Could you describe your role and experience in the financial industry?

2. How familiar are you with risk assessment and credit scoring processes in your organization?

Section 2: Risk Assessment Methodologies

3. How does your organization approach risk assessment for lending?

4. What key factors are evaluated in your risk assessment process?

5. Are there any unique risks associated with your lending model (P2P or traditional banking)? How do you address them?

6. How frequently are risk assessment models updated, and what factors drive these updates?

Section 3: Credit Scoring Techniques

7. Could you outline the credit scoring techniques employed in your organization?

8. Are there any distinct credit scoring criteria used by your organization that differ from traditional credit bureaus?

9. How do you incorporate non-traditional data (e.g., social media activity, transaction history) into credit scoring, if at all?

10. Do you consider alternative data sources to assess creditworthiness? If yes, what type of data and why?

Section 4: Challenges and Opportunities

14. What are the primary challenges in assessing credit risk for your specific lending model?

15. How does your organization address the risks of default or loan non-performance?

16. In your opinion, what advantages or disadvantages does your model have over the other in terms of managing credit risk?

Section 5: Future Trends and Recommendations

17. How do you see risk assessment and credit scoring evolving in the next five years for your lending model?

18. What improvements would you recommend for risk and credit assessment practices in both P2P and traditional banking models?

Closing Questions

63. Is there anything else you would like to share about your organization's approach to risk and credit scoring?

64. Do you think collaboration between P2P lenders and traditional banks could enhance credit risk assessment practices? If so, how?

Traditional banks Risk Assessment and Credit Scoring PracticesData for 2010 to 2016 years :

Credit Scoring Practices:

- **Traditional Credit Scoring Models:** Banks primarily relied on statistical methods such as logistic regression and decision trees to assess credit risk. These models utilized structured data, including borrowers' payment histories, credit utilization, and other financial behaviors, to generate credit scores.

ResearchGate

- **Emergence of Alternative Data Sources:** During this period, there was a growing interest in incorporating alternative data sources, such as mobile phone usage and other digital footprints, into credit scoring models. This approach aimed to enhance the accuracy of credit assessments, especially for individuals lacking traditional credit histories.

World Bank Open Data

Risk Assessment Practices:

- **Concentration Risk Management:** Financial institutions recognized the importance of managing concentration risk, defined as any single exposure or group of exposures with the potential to produce significant losses. Guidelines emphasized the need for banks to identify, measure, monitor, and control such risks to maintain financial stability.

National Credit Union Administration

- **Credit Risk Assessment Models:** Research during this period explored various models to assess credit risk. For instance, a study proposed a model based on factor analysis of retail clients to ensure predictive control of credit risk, highlighting the ongoing efforts to refine risk assessment methodologies.

ResearchGate

Quantitative Data:

- **Credit Scoring Model Accuracy:** Studies comparing different credit scoring models indicated that no single statistical technique was universally superior. The effectiveness of models varied depending on the context and data used, underscoring

the need for banks to tailor their credit scoring approaches to specific circumstances.

ResearchGate

- **Impact of Alternative Credit Scoring:** The adoption of alternative credit scoring methods, incorporating non-traditional data sources, showed potential in expanding credit access. However, quantitative assessments of their effectiveness during this period were limited, as these practices were still emerging.

Traditional banks Risk Assessment and Credit Scoring PracticesData for 2017to 2023 years :

IN years 2017 to 2023, traditional banks enhanced their risk assessment and credit scoring practices by integrating advanced analytics, AI/ML technologies, and alternative data sources. These innovations, coupled with evolving regulatory frameworks, contributed to more accurate credit evaluations and improved financial stability.

Integration of Advanced Analytics:

- **Predictive Analytics:** Banks increasingly adopted predictive analytics to improve credit risk management. A comprehensive review highlighted the dynamic landscape of predictive analytics in the banking sector, emphasizing its role in enhancing risk assessment accuracy.

- **Artificial Intelligence (AI) and Machine Learning (ML):** The European Banking Authority's 2023 report indicated that 74% of banks employed neural networks, 87% utilized decision trees/random forests, and 86% applied regression analysis for various applications, including creditworthiness assessments. Additionally, 81% of banks used natural language processing techniques.

Enhanced Credit Scoring Models:

- **Factorization Machine Models:** Research demonstrated that factorization machine models, combined with feature selection, achieved higher accuracy in credit risk assessment compared to traditional machine-learning models on real-world datasets.

- **Alternative Data Utilization:** Banks explored incorporating alternative data sources, such as mobile phone usage and digital footprints, into

credit scoring models to enhance the accuracy of credit assessments, especially for individuals lacking traditional credit histories.

P2P platforms data Risk Assessment and Credit Scoring Practices in 2017 to 2023 years :

Advanced Credit Scoring Models:

- **Factor Clustering Approach:** Research demonstrated that applying factor clustering to segment borrowers improved credit scoring accuracy. By analyzing financial performance ratios of small and medium-sized enterprises (SMEs) involved in P2P lending, this method achieved higher predictive performance in default assessments.
- **Explainable Artificial Intelligence (XAI):** P2P platforms adopted XAI techniques to enhance credit risk assessment. A study utilizing data from an Estonian P2P lending platform showed that XAI models improved the transparency and accuracy of credit evaluations, leading to better risk mitigation.

Risk Mitigation Strategies:

- **Enhanced Risk Assessment Models:** P2P platforms implemented sophisticated risk assessment models to better evaluate borrower creditworthiness. These models incorporated various data analytics techniques to improve the accuracy of credit scoring systems.

Quantitative Outcomes:

- **Improved Default Prediction:** The adoption of advanced credit scoring models, such as factor clustering and XAI, led to more accurate default predictions. For instance, the factor clustering approach applied to over 15,000 SMEs across Europe resulted in better default predictive performance compared to traditional methods.
- **Enhanced Risk Management:** The integration of advanced risk assessment models enabled P2P platforms to better manage credit risk, contributing to the overall stability and reliability of the lending process.

Objective 4: Assess the Financial Performance of Traditional Banks in Response to P2P Lending Growth

Data Collection Method: Quantitative Data Analysis Tool: Statistical software (e.g., SPSS, Excel) for data analysis.

Content: Gather financial metrics such as loan origination volumes, default rates, and profitability ratios from financial statements of traditional banks over a specified period.

Source: Publicly available financial statements, banking industry reports, and financial databases (e.g., Bloomberg, S&P Capital IQ).

1. **Loan Origination Volumes**
  - Total dollar amount of loans originated by traditional banks each year.
2. **Default Rates**
  - Percentage of loans that defaulted within a year, measured annually.
3. **Profitability Ratios**
  - Return on Assets (ROA): Net income divided by total assets.
  - Return on Equity (ROE): Net income divided by shareholder equity.
  - Net Interest Margin (NIM): Difference between interest income generated and interest paid out relative to total assets.
4. **Market Share of Loan Origination**
  - Percentage of total loans in the market originated by traditional banks compared to P2P lenders.
5. **Customer Deposits**
  - Total deposits held by traditional banks, indicating customer trust and capital availability.
6. **Operating Expenses**
  - Total operating expenses, including administrative and interest expenses, to evaluate cost management.
7. **Capital Adequacy Ratio**
  - A measure of a bank's available capital expressed as a percentage of its risk-weighted assets.

Sources

- **Publicly Available Financial Statements:** Access annual reports and financial statements of traditional banks.
- **Examples:** Bank of America, JPMorgan Chase, Wells Fargo, etc.

- **Banking Industry Reports:** Look for comprehensive reports published by banking associations or financial research firms.
  - Examples: American Bankers Association, Federal Reserve reports, Deloitte banking reports.
- **Financial Databases:** Utilize databases to gather financial data, including:
  - Bloomberg: Access comprehensive financial data on banks and financial institutions.
  - S&P Capital IQ: Provides detailed financial information and analytics on public companies.
  - FactSet: Another financial data and analytics provider offering extensive banking data.
- Quantitative data for 2014 to 2018 :
  - Loan Origination Volumes:
    - Mortgage Originations: The U.S. mortgage market experienced fluctuations during this period. In 2014, total mortgage originations were approximately \$1.2 trillion, increasing to around \$1.9 trillion by 2016, and then declining to about \$1.3 trillion in 2018. This volatility was influenced by changing interest rates and housing market dynamics.
    - Commercial and Industrial (C&I) Loans: Banks' C&I loan portfolios grew steadily, with total C&I loans in U.S. commercial banks rising from approximately \$1.7 trillion in 2014 to over \$2.1 trillion by 2018, reflecting economic expansion and increased business investment.
  - Default Rates:
    - Non-Performing Loans (NPLs): The ratio of NPLs to total loans for U.S. banks showed improvement, decreasing from about 2.2% in 2014 to 1.5% in 2018, indicating enhanced credit quality and economic conditions.
  - Residential Real Estate Loans: Default rates on residential real estate loans declined during this period, influenced by stricter lending standards and improved borrower credit profiles.
  - Profitability Ratios:
    - Return on Equity (ROE): The global banking industry's ROE remained relatively stable, hovering around 9.5% from 2014 to 2016. However, variations existed across regions and institutions, with some banks achieving higher profitability through strategic initiatives.
    - Net Interest Margin (NIM): U.S. banks experienced a slight decline in NIM, from approximately 3.1% in 2014 to 3.0% in 2018, due to prolonged low-interest-rate environments and competitive pressures.
  - Additional Insights:
    - Impact of Lending Standards: Stricter lending standards implemented post-2008 financial crisis contributed to lower default rates, particularly in residential real estate loans. Tighter credit assessments and regulatory measures enhanced overall loan performance.
    - Nonbank Competition: The period saw a rise in nonbank financial institutions' market share in mortgage origination and servicing, influencing traditional banks' strategies and market dynamics.
- Non-Performing Loans (NPLs): The ratio of NPLs to total loans for U.S. banks showed

Quantitative data for 2019 to 2023 :

Year	Loan Origination Volumes (\$B)	Default Rates (%)	ROA (%)	ROE (%)	NIM (%)	Market Share (%)	Customer Deposits (\$B)	Operating Expenses (\$B)
2019	150	2.5	1.1	10.5	3.5	90	1500	30
2020	145	2.8	1.0	10.0	3.3	88	1525	32
2021	140	3.0	0.9	9.5	3.0	86	1540	34
2022	135	3.5	0.8	9.0	2.8	83	1560	36
2023	130	4.0	0.7	8.5	2.5	80	1570	38

Data Analysis

1. Trend Analysis: Use statistical tools to identify trends over time in loan origination volumes, default rates, profitability ratios, and market share.
2. Correlation Analysis: Analyze the relationship between the growth of P2P lending and changes in traditional bank metrics.
3. Visualization: Create graphs and charts to visually represent trends and comparisons, making the data more accessible and comprehensible.

Quantitative Data for Objective 4 :

4. 1. Loan Origination Volumes (in billions)

5. 2019:

6. Traditional Banks: \$150 billion

7. P2P Lending: \$15 billion

8. 2020:

9. Traditional Banks: \$145 billion

10. P2P Lending: \$20 billion

11. 2021:

12. Traditional Banks: 140 billion

13. P2P Lending: \$30 billion

14. 2022:

15. Traditional Banks: 135 billion

16. P2P Lending: \$40 billion

17. 2023:

18. Traditional Banks: 130 billion

19. P2P Lending: \$55 billion

20. 2. Default Rates (%)

21. 2019:

22. Traditional Banks: 2.5%

23. P2P Lending: 5.0%

24. 2020:

25. Traditional Banks: 2.8%

26. P2P Lending: 6.0%

27. 2021:

28. Traditional Banks: 3.0%

29. P2P Lending: 7.5%

30. 2022:

31. Traditional Banks: 3.5%

32. P2P Lending: 8.0%

33. 2023:

34. Traditional Banks: 4.0%

35. P2P Lending: 9.0%

36. 3. Profitability Ratios (Return on Assets - ROA %)

37. 2019:

38. Traditional Banks: 1.1%

39. 2020:

40. Traditional Banks: 1.0%

41. 2021:

42. Traditional Banks: 0.9%

43. 2022:

44. Traditional Banks: 0.8%

45. 2023:

46. Traditional Banks: 0.7%

47. 4. Net Interest Margin (%)

48. 2019:

49. Traditional Banks: 3.5%

50. 2020:

51. Traditional Banks: 3.3%

52. 2021:

53. Traditional Banks: 3.0%

54. 2022:

55. Traditional Banks: 2.8%

56. 2023:

57. Traditional Banks: 2.5%

58. 5. Market Share of Loan Originations (%)

- 59. 2019:
- 60. Traditional Banks: 90%
- 61. P2P Lending: 10%
- 62. 2020:
- 63. Traditional Banks: 88%
- 64. P2P Lending: 12%
- 65. 2021:
- 66. Traditional Banks: 86%
- 67. P2P Lending: 14%
- 68. 2022:
- 69. Traditional Banks: 83%
- 70. P2P Lending: 17%
- 71. 2023:
- 72. Traditional Banks: 80%
- 73. P2P Lending: 20%
- 74. 6. Customer Deposits (in billions)
- 75. 2019:
- 76. Traditional Banks: \$1,500 billion
- 77. 2020:
- 78. Traditional Banks: \$1,525 billion
- 79. 2021:
- 80. Traditional Banks: \$1,540 billion
- 81. 2022:
- 82. Traditional Banks: \$1,560 billion
- 83. 2023:
- 84. Traditional Banks: \$1,570 billion

P2P lending platforms in India :



Finzy - Bridge FinTech



LenDenClub



Faircent



Lendbox | High Return Investments & P2P Lending



RNVP Technology Private Limited



Liquiloans



RupeeCircle- India's Most Trusted Peer-To-Peer (P2P) Lending Platform



Fello



Cashkumar - Personal Loan and P2P lending in India



IndiaP2P

Top 10 P2P Lending Companies in India

List of P2P Lending Companies in India (2024)

P2P Lending Platform	Minimum Investment Amount (In INR)	Interest Rate Offered Per Annum (in % age)
i2i Funding	1000/-	36
Lendbox	10,000/-	30
Cashkumar	1000/-	24
Finzy	1000/-	22
IndiaP2P	5000/-	16
Fello	500/-	15.5
LenDenClub	50,00,000/-	15
Lendingkart	50,000/- to 20,000,000/-	15
13 Karat	500/-	13
Faircent	30,000/-	12
12% Club	1000/-	12
Mobikwik Xtra	1000/-	12
Rupee Circle	25,000/- to 5,00,000/-	12 to 30
LiquiLoans	1,00,000/-	10.5
Cred Mint	1,00,000/-	9

Peer-to-peer lending or P2P lending offers a way for individuals to borrow and lend money without involving traditional financial institutions like banks. This direct connection through the P2P platforms can result in faster loan approvals and lower interest rates for borrowers, while potentially offering higher returns for lenders compared to other investments. While P2P lending can be beneficial, it is important to consider the risks associated with it.

The fintech industry in India is experiencing rapid growth, particularly in the P2P lending sector. In this particular blog, we aim to showcase the top 10 P2P lending platforms in India for 2024. We will delve into their unique features, advantages and impact on the ever-changing financial landscape.

1. LenDenClub: As of early 2024, LenDenClub has achieved a cumulative disbursement exceeding ₹13,794 crore, with an average return of around 10.13% for lenders through its Fixed Maturity Peer Plan (FMPP) for one-year products. The platform's assets under management (AUM) are approximately ₹941 crore, with a low non-performing asset (NPA) rate of 2.98%. Additionally, LenDenClub has over 1 lakh active loans with an average borrower age between 25 and 34 years

2. Faircent: Faircent, which operates under Fairassets Technologies, has approved loan amounts of ₹435.55 lakh as of 2024. It supports a large user base with over 9,552 active investment proposals and offers interest rates as low as 12% for borrowers

while allowing lenders to earn returns up to 12%. The majority of Faircent's borrowers seek personal and business loans.

3. Liquiloans: Specializing in personal and merchant loans, Liquiloans maintains a return range similar to its competitors, aiming to provide returns up to 11% per annum for lenders, with a high focus on risk assessment and lower NPA rates than other platforms. The platform's disbursements and AUM have been on a consistent growth trajectory as P2P adoption increases among retail investors.