

A Study on Peer-To-Peer Crowdfunding in India

Nikita Raj¹, Dr. Karthik J P²

ABSTRACT

This study explores the adoption, awareness, and behavioural patterns related to Peer-to-Peer (P2P) crowdfunding and lending in India. Based on survey responses, it reveals that young individuals form the majority of platform users, driven by digital convenience and alternative investment opportunities. While awareness levels are moderate, a significant portion of respondents lack a clear understanding of risk assessment and platform operations.

The study highlights a gender imbalance in participation and a strong preference for traditional financial systems over emerging fintech solutions. Many users rely on self-guided decisions rather than professional advice, which may limit optimal outcomes. Concerns regarding default risk and lack of trust further affect adoption rates.

Despite these challenges, P2P lending demonstrates significant potential in enhancing financial inclusion by connecting borrowers and investors directly. The study suggests improving financial literacy, strengthening regulatory trust through the Reserve Bank of India, and developing user-friendly tools to encourage informed and confident participation in India's growing fintech ecosystem.

Types of P2P Crowdfunding

P2P crowdfunding in India can be broadly classified into:

- **Debt-based (P2P Lending):** Individuals lend money and earn interest (most common in India).
- **Equity-based crowdfunding:** Investors receive shares in a company (still restricted in India due to regulations).
- **Reward-based crowdfunding:** Contributors receive non-monetary rewards (common for creative projects).
- **Donation-based crowdfunding:** Funds are given without expectation of returns (e.g., medical or social causes).

Advantages of P2P Lending

- **Financial inclusion:** Provides credit access to underserved populations
- **Higher returns:** Investors may earn better returns than traditional savings instruments.
- **Lower interest rates:** Borrowers may get competitive rates compared to informal lending.
- **Digital convenience:** Fully online processes with quick approvals.

Risks and Challenges

- **Credit risk:** Borrowers may default.
- **Platform risk:** Failure or mismanagement of the platform.
- **Regulatory limitations:** Caps may restrict scalability.
- **Low awareness:** Many individuals still prefer traditional banking systems.
- **Data privacy concerns:** Handling of sensitive financial data.

Keywords: Crowdfunding, Peer-to-Peer Lending, FinTech, Financial Inclusion, Digital Platforms, Alternative Finance, Blockchain, Entrepreneurship, Trust, Regulation.

CHAPTER:1

INTRODUCTION

(P2P) crowdfunding and lending has emerged as an innovative financial model that connects borrowers directly with individual lenders or investors through digital platforms, eliminating traditional financial intermediaries such as banks. In India, the rapid growth of financial technology (FinTech), increasing internet penetration, and rising demand for alternative credit options have significantly contributed to the expansion of this sector.

P2P lending operates through regulated online platforms where individuals seeking loans are matched with investors willing to fund them in exchange for interest returns. This model promotes financial inclusion by providing access to credit for underserved segments such as small entrepreneurs, start-ups, students, and individuals with limited credit history.

The regulatory framework for P2P lending in India is governed by the Reserve Bank of India, which formally recognized P2P platforms as Non-Banking Financial Companies (NBFC-P2P) in 2017. This regulation strengthened transparency, risk management, and investor protection, enhancing trust in the ecosystem.

In the broader context of digital finance, P2P lending supports economic growth by mobilizing idle funds from individuals and channelling them toward productive activities. However, despite growing interest and awareness, challenges such as credit risk, default management, regulatory compliance, and investor confidence continue to influence the sector's development. Therefore, understanding the dynamics of P2P crowdfunding and lending in India is crucial for evaluating its sustainability and long-term contribution to financial inclusion and entrepreneurship development.

1.2 INNOVATIONS AND TRENDS

Digital Financial Ecosystem:

India's expanding digital infrastructure, including UPI payments and fintech platforms, has enabled seamless onboarding, digital KYC, automated credit scoring, and faster loan disbursement.

AI-Based Credit Assessment:

Platforms increasingly use artificial intelligence and alternative data analytics to assess borrower creditworthiness, reducing dependence on traditional credit scores.

Rise of FinTech Platforms:

Several platforms such as Fair cent, Lend box, and Lende Club have contributed expanding the reach of P2P lending across urban and semi-urban regions

Increased Retail Investor Participation:

With relatively higher returns compared to traditional savings instruments, more retail investors are exploring P2P lending as a diversified investment option.

1.3 GLOBAL VIEW OF P2P CROWDFUNDING AND LENDING

Globally, P2P lending gained prominence after the 2008 financial crisis as an alternative financing model. Countries such as the United States, the United Kingdom, and China witnessed rapid growth in digital lending platforms supported by strong fintech ecosystems and regulatory structures.

Globally recognized platforms like Lending Club and Prosper Marketplace demonstrated the viability of marketplace lending models.

Key components of the global ecosystem include:

Regulatory Oversight:

Clear regulatory guidelines ensure platform transparency and protect investor interests.

Technology and Data Analytics:

Advanced risk assessment tools improve borrower screening and portfolio management.

Investor Diversification:

P2P lending offers an alternative asset class for investors seeking higher yields.

1.4 DEVELOPING COUNTRY PERSPECTIVE

In developing economies like India, P2P lending plays a crucial role in bridging the credit gap, particularly for individuals and micro-entrepreneurs who face difficulties accessing formal banking channels.

Important aspects include:**Financial Inclusion:**

P2P platforms extend credit to underbanked and thin-file borrowers.

Access to Capital for MSMEs:

Small businesses benefit from faster approval processes compared to traditional bank loans.

Digital Divide Challenges:

Limited financial literacy and technological awareness may restrict participation in rural areas.

1.5 RECENT CHANGES

1. **Impact Of COVID 19** The pandemic increased digital adoption and demand for short-term credit. However, it also heightened credit risk due to income uncertainties, prompting stricter risk management practices.
2. **Regulatory Strengthening** The Reserve Bank of India introduced stricter exposure limits for lenders and borrowers, enhanced disclosure norms, and improved governance standards to ensure platform stability.

1.6 GOVERNMENT AND REGULATORY INITIATIVES

Regulatory Recognition (2017): P2P platforms were classified as NBFC-P2P under RBI regulation, providing legal legitimacy to the sector.

Digital India and FinTech Promotion: Government initiatives promoting digital payments, financial inclusion, and start-up ecosystems have indirectly supported the growth of P2P lending platforms.

Investor Protection Measures: Caps on lending and borrowing limits, escrow mechanisms, and mandatory risk disclosures enhance transparency and reduce systemic risk.

MARKETPLACE LENDING MODEL

- Connects borrowers and lenders directly via digital platforms.
- Strength: Operational efficiency and reduced transaction costs.
- Weakness: Exposure to borrower default risk.

ALTERNATIVE CREDIT SCORING MODEL

- Uses AI and non-traditional data for credit assessment.
- Strength: Expands credit access to underserved populations.
- Weakness: Data privacy and algorithm bias concerns.

REGULATORY-DRIVEN MODEL

- Strong oversight ensures transparency and risk mitigation.
- Strength: Enhances investor confidence.
- Weakness: Compliance costs may limit smaller platforms.

INTEGRATED FINTECH MODEL (Proposed Focus)

- Combines technology, regulatory compliance, risk analytics, and investor education to create a sustainable P2P ecosystem.

- Strength: Balances innovation with financial stability.
- Weakness: Requires continuous regulatory adaptation and technological investment.

CHAPTER 2

LITERATURE REVIEW

1. Archna & Dr. Mitali Gupta (2025)

Peer-to-peer (P2P) lending has emerged as a transformative FinTech innovation, reshaping traditional credit systems through direct digital connections between borrowers and lenders. Research demonstrates that P2P platforms leverage artificial intelligence (AI) and machine learning (ML) to enhance credit scoring by incorporating non-traditional data sources like social media activity and transaction history (Wei & Lin, 2017; Fuster et al., 2019), improving risk assessment while expanding financial inclusion. These platforms often outperform traditional banks in serving underserved populations through algorithmic underwriting (Balyuk & Davydenko, 2020), though challenges like asymmetric information persist (Iyer et al., 2016). The sector faces regulatory scrutiny globally, with entities like India's RBI implementing guidelines to balance innovation with consumer protection (RBI, 2017; Huang et al., 2020), while excessive regulation risks stifling growth (Zetsche et al., 2018). P2P lending significantly promotes financial inclusion for SMEs and low-income borrowers (Bruton et al., 2021), yet concerns about predatory lending remain (Vallee & Zeng, 2019). Emerging technologies like blockchain are enhancing transparency and security (Cumming et al., 2021), with decentralized finance (DeFi) poised to further disrupt the sector (Makarov & Schoar, 2022).

2. Sarasanabelli Prasanna Kumari & Madhusmita Mohanty (2024)

This study provides a comprehensive overview of global and Indian research trends in P2P lending. It shows a significant increase in academic interest over the past decade. The authors identify key themes such as financial inclusion, risk management, and fintech innovation. The study highlights that India is an emerging market in this domain. It also points out that most research is concentrated in developed economies. The authors suggest the need for more India-specific empirical studies. The study uses bibliometric tools to map research evolution. It identifies gaps in behavioural and policy-related research. The findings indicate growing interdisciplinary interest. Overall, the study provides a strong foundation for future research.

3. Bhargav K. Revankar et al. (2024)

This study examines the level of awareness of P2P lending among individuals in India. It finds that awareness is increasing, especially among young and urban populations. The authors highlight the role of digital media and fintech platforms in spreading information. The study shows that many users still lack complete understanding of risks. It identifies financial literacy as a major determinant of adoption. The research also discusses trust issues related to online platforms. It suggests that transparency and user education are essential. The study emphasizes the importance of regulatory backing. It concludes that awareness alone is not sufficient for adoption. Behavioural factors also play a crucial role.

4. Amit Kumar Jha (2024)

This study analyses the role of the Reserve Bank of India in regulating P2P lending platforms. It highlights that the 2017 guidelines brought legitimacy to the sector. The author explains that classification as NBFC-P2P improved transparency and governance. The study also discusses limits imposed on lending and borrowing. These measures helped reduce systemic risk. It emphasizes that regulation increased investor confidence. However, it also notes that compliance costs rose for platforms. The study suggests that

balanced regulation is necessary for growth. It concludes that regulatory intervention was crucial for market stability. The findings support the importance of institutional frameworks.

5. Md. Saifuddin Mujaddidi & Arushi Mehta (2024)

This study further explores the impact of regulatory frameworks on P2P lending. It finds that clear guidelines improve platform credibility. The authors argue that regulation reduces fraud and mismanagement risks. The study also highlights the importance of disclosure norms. It discusses how investor protection mechanisms enhance participation. The research notes that over-regulation may limit innovation. It suggests a flexible regulatory approach. The study emphasizes the need for continuous monitoring. It concludes that regulation is essential but should not hinder growth. The findings contribute to policy discussions.

6. Preethi Sheshadri et al. (2024)

This study examines the role of P2P lending platforms in financing SMEs in India. The authors highlight how P2P platforms bridge credit gaps left by traditional banks. The research emphasizes improved access to capital for small businesses. It discusses how digital platforms simplify the lending process. The study identifies cost efficiency as a major advantage. It also highlights the role of fintech in reducing operational barriers. The authors discuss competition between banks and P2P platforms. The research points out risks such as credit default and lack of regulation. It concludes that P2P lending enhances financial inclusion. The study suggests integrating P2P with formal financial systems.

7. Mario Sanz-Guerrero & Javier Arroyo (2024)

This study focuses on credit risk assessment using AI in P2P lending. The authors use natural language processing (NLP) techniques. The research analyzes borrower descriptions to predict risk. It highlights improved accuracy using machine learning models. The study addresses information asymmetry in lending platforms. It discusses the role of large language models (LLMs). The authors identify transparency and bias challenges. The research emphasizes ethical considerations in AI adoption. It suggests regulatory improvements for AI-based lending. The study concludes that AI enhances risk prediction but requires oversight.

8. R.U. Madhu & P.M. Chinnaiah (2024)

This study explores the emergence of P2P platforms in India. It highlights increasing adoption among borrowers and investors. The authors explain how higher returns attract lenders. The research emphasizes the lack of sufficient Indian studies. It identifies risk, interest rates, and platform trust as key factors. The study discusses economic benefits for small borrowers. It also addresses concerns about default risk and fraud. The authors stress the need for stronger regulatory frameworks. The paper suggests increased awareness and financial literacy. It concludes that P2P lending has strong growth potential in India.

9. Henry K. Dambanemuya et al. (2023)

This study explores herding behaviour in P2P lending platforms. The authors analyse how lenders imitate others' investment decisions. The research distinguishes between rational and irrational herding. It highlights the influence of experienced investors. The study uses large datasets from lending platforms. It shows that expert-led herding improves loan performance. The research emphasizes social influence in

decision-making. It also discusses risks associated with blind imitation. The authors highlight implications for platform design. The study concludes that behavioural factors significantly impact lending outcomes.

10. Mustafa Raza Rabbani et al. (2022)

This study examines how fintech innovations are transforming financial services globally, including India. It highlights that P2P lending is a major component of the fintech ecosystem. The authors argue that digital platforms reduce transaction costs and improve efficiency. The study also explores how data analytics and automation enhance credit evaluation. It emphasizes that emerging economies benefit more due to financial inclusion gaps. However, it identifies risks such as cybersecurity threats and regulatory challenges. The authors suggest that innovation must be balanced with governance. The research also discusses the global expansion of digital lending models. It concludes that fintech-driven P2P lending is reshaping traditional finance. The study recommends stronger policy frameworks.

11. Jyotirmoy Koley (2022)

Numerous studies have been conducted on crowdfunding in India in recent years by various academics and researchers examining different facets of the subject. This review presents some of the most pertinent studies. Usha et al. (2022) [9] studied crowdfunding in India, defined as raising small funds from multiple investors through online platforms for projects, ventures, or causes. This study examines the evolution, types, platforms, and framework of crowdfunding in India to suggest improvements. This study discusses crowdfunding types and benefits, such as faster fundraising and reduced costs, while noting the risks of fraud and low awareness. This study finds the growing popularity of reward- and donation-based crowdfunding in India, emphasizing the need to balance investor protection with economic development through equity markets. Maheswari and Kathirvel (2024) [10] studied how well people in Coimbatore City, India, understand crowdfunding and conscious marketing. They found that many young adults were involved, with 67.2% aged 18-24, and 57.4% male. Most (54.1%) lived in cities, indicating that city residents know more about crowdfunding.

12. Kanwal Anil & Anil Misra (2022)

This study explores the role of artificial intelligence in Indian P2P lending platforms. The authors use a multi-case study approach involving NBFC-P2P firms. The research highlights how AI enhances credit risk assessment and decision-making. It shows that AI reduces information asymmetry between borrowers and lenders. The study identifies improved efficiency in loan processing. It also discusses predictive analytics in evaluating borrower credibility. The authors highlight the role of machine learning in fraud detection. The study reveals that AI adoption improves platform scalability. However, it also raises concerns about data privacy and bias. The research concludes that AI is transforming the future of P2P lending in India.

13. Stanny Dias, Anukool Nigalye & Jayant Mahajan (2022)

This study investigates factors influencing the adoption of P2P lending in India. The authors apply the Technology Acceptance Model (TAM). The research highlights perceived usefulness and ease of use as key determinants. It also considers demographic factors such as gender and occupation. The study finds that awareness levels significantly impact adoption. It emphasizes the role of digital literacy in fintech usage. The authors highlight trust as a major influencing factor. The research also discusses behavioural intention toward P2P platforms. It concludes that user perception drives adoption more than financial incentives. The study suggests strategies for increasing platform adoption.

14. Divya Ramesh et al. (2022)

This study analyses algorithmic accountability in digital lending platforms in India. The authors focus on user-platform relationships in fintech systems. The research highlights issues faced by financially stressed borrowers. It discusses ethical concerns such as data misuse and privacy violations. The study reveals power imbalances between users and platforms. It highlights behavioural dependence on digital lending services. The authors emphasize the need for transparency in AI systems. The research also identifies risks of exploitation and over-indebtedness. It suggests policy interventions for user protection. The study concludes that accountability is essential in fintech ecosystems.

15. Shikha Singh & Ritu Gupta (2022)

This study analyses investor perception of P2P lending. It highlights risk awareness among users. The research identifies return expectations as a key factor. The study discusses trust in fintech platforms. It highlights influence of digital literacy. The authors analyse demographic factors affecting adoption. The research emphasizes importance of transparency. It suggests awareness campaigns for investors. The study identifies barriers to adoption. It concludes that perception influences participation.

16. Basha, S. A., Elgammal, M. M. & Abuzayed, B. M. (2021)

This literature review synthesizes research on online P2P lending globally. It identifies key themes such as credit risk, platform governance, and investor behaviour. The authors highlight the rapid growth of fintech lending in emerging markets. They note that India is becoming a significant player in this space. The study emphasizes the role of big data and machine learning in credit evaluation. It also discusses regulatory frameworks across countries. The authors identify gaps in research related to default prediction. They suggest more empirical studies focusing on developing economies. The study provides a strong theoretical base for Indian research. It concludes that P2P lending will continue evolving with technology.

17. Ariza-Garzón, M. J. et al. (2021)

This paper focuses on risk-return modelling in P2P lending markets. The authors analyse trends and future research directions. They highlight the importance of predictive models for default risk. The study emphasizes machine learning techniques in credit scoring. In India, similar approaches are being adopted by fintech startups. The authors discuss challenges related to data quality and bias. They also examine investor decision-making behaviour. The paper suggests improving transparency in risk assessment models. It highlights the need for regulatory support. The study concludes that advanced analytics will shape the future of P2P lending

.Sarkar, S. (2020)

This research models P2P lending as a matching market between borrowers and lenders. The author applies algorithmic decision-making techniques to optimize matches. It explains how preferences of both parties influence lending outcomes. The study highlights competition among lenders in platform environments. It also examines learning behaviour over time. The findings are relevant for Indian platforms using automated matching systems. The paper suggests improving allocation efficiency to maximize returns. It also discusses fairness in lending decisions. The study contributes to the theoretical understanding of platform design. It concludes that algorithmic models can enhance P2P efficiency.

18. Anirban Bhattacharya & Anmol Chopra (2019)

This study explains how P2P lending platforms help bridge the credit gap in India by connecting borrowers directly with lenders. The authors highlight that traditional banking systems often exclude individuals with low credit scores or informal income sources. P2P platforms provide an alternative by using flexible credit assessment methods. The research emphasizes the role of digital platforms in democratizing access to finance. It also shows that small borrowers and MSMEs benefit significantly from faster loan processing.

However, the study points out that lack of regulation initially created trust issues. With regulatory improvements, the sector gained credibility. The authors conclude that P2P lending contributes to financial inclusion and economic participation. They recommend stronger risk assessment systems. Overall, the study positions P2P lending as a complementary financial system.

19. Rajdeep Chakrabarti & William R. Nelson (2019)

This study examines fintech credit including marketplace lending models. It explains how P2P lending expands access to credit beyond banks. The authors analyse borrower segmentation and credit allocation. The study highlights efficiency gains from digital platforms. It discusses the role of data analytics in risk evaluation. The research identifies systemic risks associated with fintech lending. It emphasizes regulatory oversight for financial stability. The study also highlights global trends influencing emerging markets. It suggests that fintech complements traditional banking. The paper concludes that P2P lending improves financial intermediation.

20. Claessens, S., Frost, J., Turner, G. & Zhu, F. (2018)

This study explores fintech credit markets, including P2P lending, across countries. It highlights how digital platforms are transforming credit delivery systems. The authors note that emerging economies like India benefit from rapid fintech adoption. The paper emphasizes data-driven credit scoring and alternative data usage. It identifies regulatory challenges related to consumer protection and systemic risk. The study also discusses competition between fintech firms and traditional banks. In India, similar trends are observed with NBFC-P2P platforms. The authors stress the importance of balanced regulation to encourage innovation. They also highlight financial stability concerns. The study concludes that fintech credit will continue to grow globally.

21. John Armour & Luca Enriques (2018)

This study explores regulation of fintech and P2P lending. It highlights legal frameworks governing digital finance. The research discusses investor protection mechanisms. It emphasizes risk management in online lending platforms. The study identifies regulatory arbitrage challenges. It highlights need for global regulatory coordination. The authors discuss platform accountability. The research links regulation with market stability. It suggests flexible policy frameworks. The study concludes that regulation is key to fintech growth.

22. Kaveh Bastani, Elham Asgari & Hamed Namavari (2018)

This research proposes a predictive model for credit and profitability in P2P lending. The authors introduce a two-stage scoring system. The study combines credit risk and returns prediction. It uses machine learning techniques for improved accuracy. The research highlights challenges in traditional credit scoring models. It emphasizes the importance of profitability prediction for investors. The study uses real-world data for validation. It shows improved performance over conventional methods. The authors highlight the role of AI in lending decisions. The study concludes that advanced analytics enhances investment outcomes.

23. Milne, A. & Parboteeah, P. (2016)

This paper analyses the role of P2P lending within the broader fintech ecosystem. The authors argue that P2P lending enhances financial inclusion by providing credit access to underserved populations. In the Indian context, this is particularly relevant for MSMEs and informal borrowers. The study highlights regulatory challenges and the need for oversight. It discusses how platforms reduce intermediation costs compared to banks. The authors also examine risks such as platform failure and fraud. They emphasize the importance of investor protection mechanisms. The paper suggests that proper regulation can boost

market confidence. Indian regulators like RBI have followed similar recommendations. The study concludes that P2P lending can complement traditional banking systems.

24. Douglas W. Arner, János Barberis & Ross P. Buckley (2016)

This study provides a foundational understanding of fintech evolution. It highlights P2P lending as a major fintech innovation. The authors explain how technology disrupts financial services. The study discusses regulatory challenges in digital finance. It identifies opportunities for financial inclusion in developing economies. The research highlights India as a growing fintech market. It emphasizes innovation-driven financial ecosystems. The authors stress the importance of adaptive regulation. The study links fintech growth with economic development. It concludes that P2P lending is a key fintech component.

25. Ashta Arvind & Assadi Djamchid (2016)

This study examines P2P lending from a strategic perspective. It explains the business model of marketplace lending. The research highlights advantages over traditional banking. It identifies cost efficiency and accessibility benefits. The study discusses credit risk and default concerns. It emphasizes importance of trust in platforms. The authors analyse investor decision-making. The research links P2P lending to financial innovation. It suggests improving platform governance. The study concludes that P2P lending is a disruptive model.

26. Emekter, R., Tu, Y., Jirasakuldech, B. & Lu, M. (2015)

This study examines risk and returns dynamics in P2P lending markets using Lending Club data. Although not India-specific, its findings are widely applied in Indian research. The authors show that higher interest rates are associated with higher default risk. They highlight the importance of credit grading systems in reducing uncertainty. The study explains how investors can diversify portfolios to mitigate risks. It emphasizes the role of borrower characteristics such as income and credit score. Indian platforms have adopted similar risk-based pricing models. The paper also discusses information asymmetry between borrowers and lenders. It concludes that proper risk evaluation improves investment outcomes. The findings are highly relevant for Indian fintech platforms. It provides a theoretical base for risk management in P2P lending.

27. Belleflamme, P., Omrani, N. & Peitz, M. (2015)

This paper discusses the economics of crowdfunding platforms, including lending-based models. The authors explain how platforms act as intermediaries between funders and fund seekers. They highlight pricing strategies and platform competition. The study emphasizes network effects in crowdfunding ecosystems. In India, similar dynamics are observed in growing fintech platforms. The paper also discusses trust-building mechanisms such as ratings and reviews. It explains how platform design influences funding success. The authors highlight the importance of transparency and regulation. The study is useful for understanding business models of Indian P2P platforms. It concludes that platform efficiency determines long-term sustainability.

28. Bachmann et al. (2011)

This foundational study provides an early literature review of P2P lending systems. The authors explain the emergence of online lending platforms. The research highlights benefit such as lower transaction costs. It discusses risks including default and information asymmetry. The study emphasizes the role of digital platforms. It identifies key drivers of platform growth. The authors highlight investor motivations. The research provides a theoretical base for later studies. It also discusses regulatory challenges. The study remains a key reference in P2P research.

CHAPTER: 3 RESEARCH DESIGN

3.1 STATEMENT OF PROBLEM:

Peer-to-peer (P2P) crowdfunding and lending in India has emerged as a promising alternative financial model that enhances financial inclusion by connecting borrowers directly with individual lenders through digital platforms. Despite its rapid growth and regulatory recognition by the Reserve Bank of India, the sector continues to face several critical challenges that hinder its full potential.

While many individuals and small businesses show strong interest in using P2P platforms for borrowing and investment, there exists a significant gap between awareness and actual participation. Potential users often hesitate due to concerns such as credit risk, lack of trust, limited financial literacy, and uncertainty regarding returns.

Moreover, P2P platforms face operational issues such as borrower default risk, inadequate credit assessment mechanisms, and regulatory compliance burdens. The absence of widespread awareness and understanding of platform functioning further limits adoption, especially in semi-urban and rural areas.

Existing research has largely focused on growth trends, regulatory frameworks, and technological aspects of P2P lending, but there is limited empirical evidence on user behaviour, decision-making processes, and factors influencing adoption in the Indian context. Therefore, there is a need to examine the key determinants that influence participation in P2P crowdfunding and lending and to understand the barriers that restrict its widespread acceptance.

3.2 NEED FOR STUDY:

This study is essential to understand the underlying factors affecting the adoption and growth of P2P crowdfunding and lending in India. Although the sector has gained momentum with the rise of fintech platforms and digital finance, its penetration remains limited compared to traditional financial systems.

The study aims to identify the key drivers such as technological accessibility, expected returns, ease of use, and financial inclusion benefits that encourage individuals to participate in P2P platforms. Simultaneously, it seeks to analyse the barriers such as risk perception, regulatory concerns, lack of awareness, and trust issues that discourage participation.

The findings will be useful for policymakers, financial institutions, and fintech companies in designing effective strategies to enhance user confidence and participation. It will also contribute to improving regulatory frameworks and strengthening risk management practices.

Additionally, the study will bridge the gap between theoretical understanding and practical implementation of P2P lending by focusing on real user behaviour and market dynamics. It will also help in promoting financial literacy and awareness among potential users, thereby supporting the growth of digital financial ecosystems in India.

3.3 OBJECTIVES:

1. To critically analyse the factors influencing the adoption of peer-to-peer (P2P) crowdfunding and lending among individuals in India.
2. To examine the key determinants affecting the decision-making behaviour of lenders and borrowers on P2P platforms.
3. To evaluate the influence of technology, trust, and financial literacy on user participation in P2P lending.
4. To assess the major risks and challenges associated with P2P crowdfunding and lending in the Indian context.

5. To analyse the impact of regulatory frameworks on the growth, stability, and functioning of P2P lending platforms.

3.4 RESEARCH QUESTIONS:

- What factors significantly influence the adoption of P2P crowdfunding and lending among users in India?
- What motivates lenders and borrowers to participate in P2P platforms?
- What are the major risks and barriers affecting user participation in P2P lending?
- How do trust, technology, and financial literacy impact decision-making in P2P platforms?
- How does the regulatory framework influence the growth and sustainability of P2P lending in India?

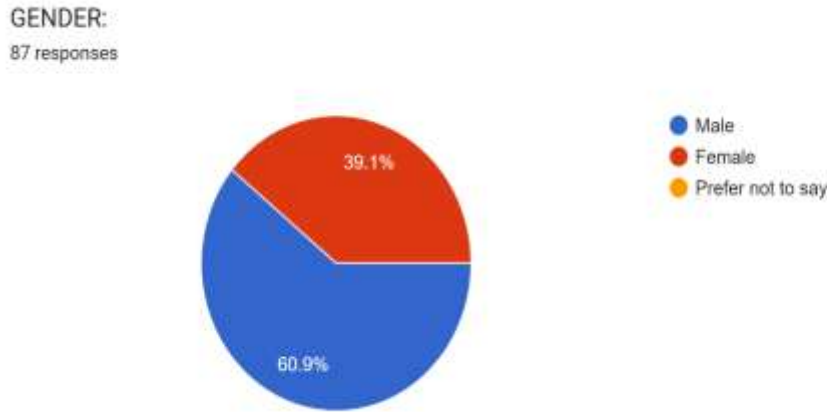
APA:

1. Archna & Dr. Mitali Gupta (2025) examined the rapid growth of financial technology (FinTech) and its transformative impact on the traditional financial services industry. <https://www.bhumipublishing.com/wp-content/uploads/2025/07/Contemporary-Perspectives-in-Commerce-and-Management.pdf>
2. Sarasanabelli Prasanna Kumari & Madhusmita Mohanty (2024) conducted a bibliometric analysis showing rapid growth in P2P lending research and platforms globally and in India. <https://doi.org/10.17010/pijom/2024/v17i7/173637>
3. Bhargav K. Revankar et al. (2024) found that awareness of P2P lending is increasing in India due to digital platforms and fintech adoption. [Awareness of P2P Lending in India](#)
4. Amit Kumar Jha (2024) emphasized that RBI regulation significantly improved trust and growth prospects of P2P platforms in India. <https://doi.org/10.48047/CU/54/02/338-344>
5. Md. Saifuddin Mujaddidi & Arushi Mehta (2024) analysed RBI regulations and concluded that NBFC-P2P classification enhanced market stability and investor confidence. <https://doi.org/10.47191/ijmei/v10i6.01>
6. Preethi Sheshadri et al. (2024) This study examines the role of P2P lending platforms in financing SMEs in India. <https://jier.org/index.php/journal/article/download/1509/1265/2601>
7. Mario Sanz-Guerrero & Javier Arroyo (2024) This study focuses on credit risk assessment using AI in P2P lending. The authors use natural language processing (NLP) techniques. <https://arxiv.org/abs/2401.16458>
8. R.U. Madhu & P.M. Chinnaiah (2024) This study explores the emergence of P2P platforms in India. It highlights increasing adoption among borrowers and investors. <https://doi.org/10.34293/sjash.v12iS1-Oct.8293>
9. Henry K. Dambanemuya et al. (2023) This study explores herding behavior in P2P lending platforms. The authors analyse how lenders imitate others' investment decisions. <https://arxiv.org/abs/2306.15684>
10. Mustafa Raza Rabbani et al. (2022) highlighted that fintech-based lending models, including P2P, are transforming financial services globally with strong implications for emerging economies like India. Google Scholar
11. Jyotirmoy Koley examined the development of crowdfunding as an alternative financing mechanism in India. <https://www.doi.org/10.33545/26179210.2025.v8.i2.561>
12. Kanwal Anil & Anil Misra (2022) This study explores the role of artificial intelligence in Indian P2P lending platforms. <https://doi.org/10.1108/ijjoem-05-2021-0822>

13. Stanny Dias, Anukool Nigalye & Jayant Mahajan (2022) This study investigates factors influencing the adoption of P2P lending in India. The authors apply the Technology Acceptance Model (TAM). https://doi.org/10.2991/978-94-6463-080-0_11
14. Divya Ramesh et al. (2022) This study analyzes algorithmic accountability in digital lending platforms in India. <https://arxiv.org/abs/2205.05661>
15. Shikha Singh & Ritu Gupta (2022) The research identifies return expectations as a key factor. <https://www.ijcert.org/papers/IJCRT2203456.pdf>
16. Basha, S. A., Elgammal, M. M. & Abuzayed, B. M. (2021) This literature review synthesizes research on online P2P lending globally. <https://doi.org/10.1016/j.elerap.2021.101069>
17. Ariza-Garzón, M. J. et al. (2021) This paper focuses on risk-return modelling in P2P lending markets. The authors analyze trends and future research directions. <https://doi.org/10.1016/j.elerap.2021.101079>
18. Sarkar, S. (2020) This research models P2P lending as a matching market between borrowers and lenders. <https://arxiv.org/abs/2011.04400>
19. Anirban Bhattacharya & Anmol Chopra (2019) found that P2P lending helps bridge India's credit gap, especially for retail borrowers and MSMEs underserved by banks. <https://doi.org/10.17010/ijf/2019/v13i11/148413>
20. Rajdeep Chakrabarti & William R. Nelson (2019) This study examines fintech credit including marketplace lending models. https://www.newyorkfed.org/research/staff_reports/sr898
21. Claessens, S., Frost, J., Turner, G. & Zhu, F. (2018) This study explores fintech credit markets, including P2P lending, across countries. <https://doi.org/10.1093/rfs/hhy032>
22. John Armour & Luca Enriques (2018) It highlights legal frameworks governing digital finance. <https://doi.org/10.1093/oxfordhb/9780199935352.013.38>
23. Kaveh Bastani, Elham Asgari & Hamed Namavari (2018) This research proposes a predictive model for credit and profitability in P2P lending. <https://arxiv.org/abs/1810.03466>
24. Milne, A. & Parboteeah, P. (2016) This paper analyzes the role of P2P lending within the broader fintech ecosystem. <https://doi.org/10.1016/j.jfs.2016.03.001>
25. Douglas W. Arner, János Barberis & Ross P. Buckley (2016) This study provides a foundational understanding of fintech evolution. <https://doi.org/10.2139/ssrn.2676553>
26. Ashta Arvind & Assadi Djamchid (2016) It explains the business model of marketplace lending. The research highlights advantages over traditional banking. <https://doi.org/10.1016/j.strueco.2016.01.001>
27. Emekter, R., Tu, Y., Jirasakuldech, B. & Lu, M. (2015) <https://doi.org/10.1016/j.jbankfin.2015.04.008>
28. Belleflamme, P., Omrani, N. & Peitz, M. (2015) This paper discusses the economics of crowdfunding platforms, including lending-based models. <https://doi.org/10.1016/j.infoecopol.2015.08.003>
29. Bachmann et al. (2011 – cited in recent literature) This foundational study provides an early literature review of P2P lending systems. The authors explain the emergence of online lending platforms. <https://doi.org/10.1016/j.elerap.2021.101069>

CHAPTER 4
DATA ANALYSIS AND INTERPRETATION

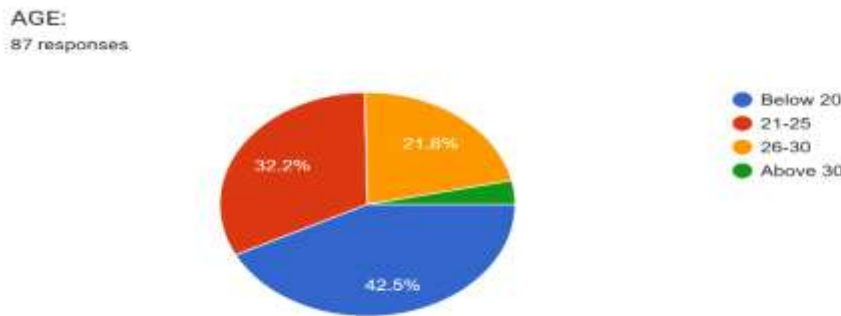
Table 1.



INTERPRETATION

The survey shows that most respondents are male (60.9%), while females account for 39.1%. This suggests higher male participation in the study. It may indicate slightly greater interest or awareness among males about P2P lending. However, a significant number of female respondents shows that both genders are engaging with modern financial platforms. Overall, financial awareness is growing, though there is still scope to increase female participation.

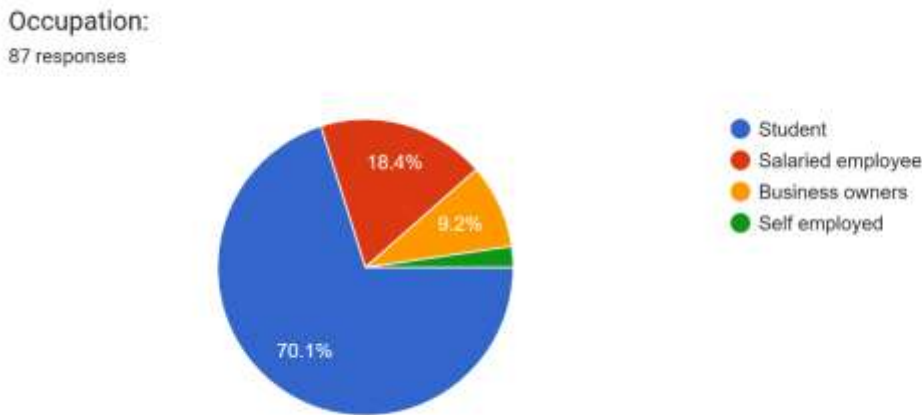
Table 2.



INTERPRETATION

The age distribution shows that most respondents are young, with 42.5% below 20 and 32.2% in the 21–25 group. A smaller share falls in the 26–30 range, and very few are above 30. This indicates that younger individuals are more aware of and interested in P2P lending. Their higher exposure to digital platforms likely contributes to this trend. Overall, P2P lending appears more popular among youth, with lower engagement from older age groups.

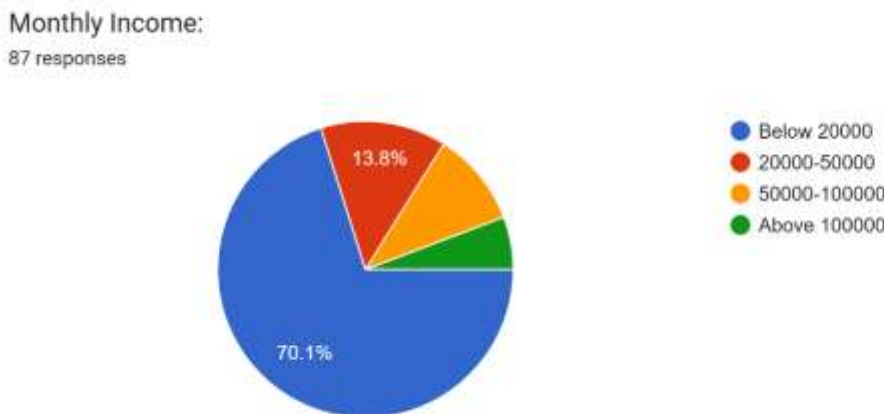
Table 3.



INTERPRETATION

The data shows that most respondents are students (70.1%), followed by salaried employees and a smaller number of business owners. This indicates that the survey is mainly dominated by a younger population. Students are generally more exposed to digital platforms, which may increase their awareness of P2P lending. However, the presence of working professionals shows that awareness is gradually spreading. Overall, P2P lending awareness is strongest among students, with limited involvement from other groups.

Table 4.



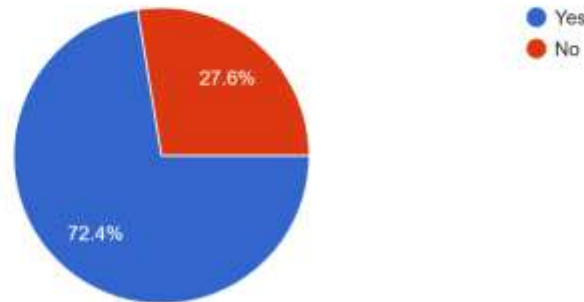
INTERPRETATION

The data shows that most respondents (70.1%) earn below ₹20,000, with very few in higher income groups. This aligns with the earlier finding that many participants are students. It suggests that P2P lending awareness is higher among lower-income individuals. Such users may prefer P2P platforms for borrowing due to easier access. Overall, P2P lending has strong potential among low-income and young users, mainly for borrowing

Table 5.

Section: B Awareness and knowledge about P2P lending 1. Have you heard about Peer-to-Peer (P2P) lending platforms in India?

87 responses



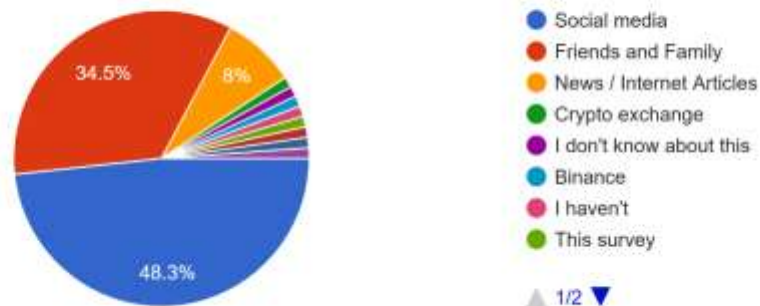
INTERPRETATION

The data shows that a majority of respondents (72.4%) are aware of P2P lending, while 27.6% are not. This indicates that awareness of P2P platforms is fairly high, especially among younger and digitally active individuals. However, a notable portion is still unaware, showing a gap in knowledge. Overall, awareness is growing but has not yet reached everyone.

Table 6.

2. How did you learn about P2P lending?

87 responses

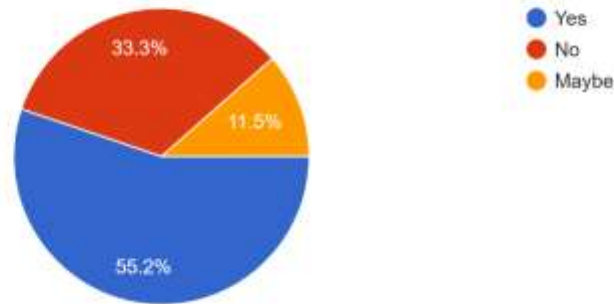


INTERPRETATION

The data shows that social media (48.3%) is the main source of awareness about P2P lending, followed by friends and family (34.5%). This highlights the strong role of digital platforms in spreading information. Traditional sources like news have a much smaller impact. It also shows that word-of-mouth still plays an important role. Overall, awareness is largely driven by modern digital channels.

Table 7

3. Do you know that P2P lending platforms are regulated by the Reserve Bank of India?
87 responses

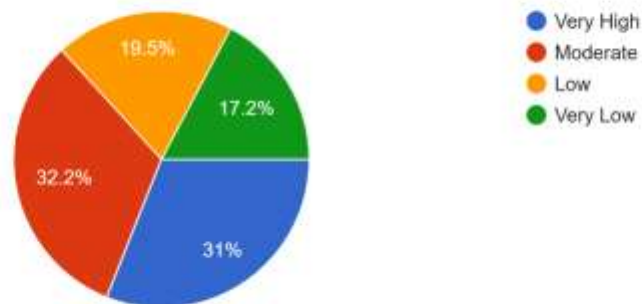


INTERPRETATION

The data shows that 55.2% of respondents are aware that P2P platforms are regulated by the RBI, while many are either unaware or unsure. This indicates moderate awareness of the regulatory framework. Knowledge about regulation helps build trust and confidence among users. However, the gap in awareness shows a need for better financial education. Overall, understanding of regulation is present but not complete.

Table 8

4. How would you rate your knowledge of P2P lending?
87 responses

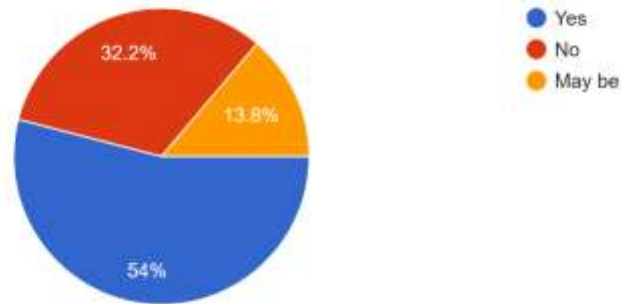


INTERPRETATION

The data shows that 32.2% of respondents have moderate knowledge and 31% have very high knowledge of P2P lending. However, 19.5% report low knowledge and 17.2% very low knowledge. This indicates that while many people are somewhat aware, a significant portion still lacks proper understanding. Overall, awareness exists but is not deeply developed among all respondents.

Table 9

5. Are you aware that P2P lending platforms are regulated by the Reserve Bank of India?
87 responses

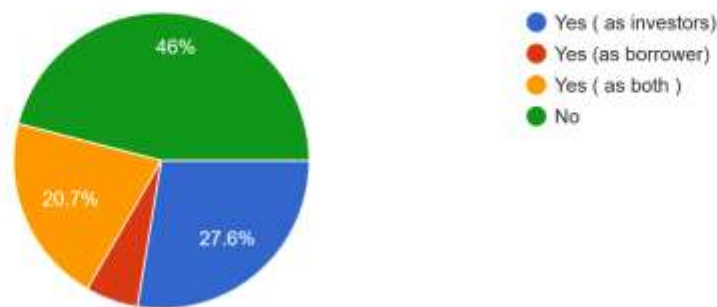


INTERPRETATION

The data shows that 54% of respondents are aware that P2P lending is regulated by the RBI, while 32.2% are not aware and 13.8% are unsure. This indicates that just over half have knowledge about regulation. However, a significant portion still lacks clarity, which may affect their trust in such platforms. Awareness of regulation is important for building confidence. Overall, there is a need for better education regarding the legal aspects of P2P lending..

Table 10

Section: C Usage and opinions on P2P lending 1. Have you ever used a P2P crowdfunding or lending platform?
87 responses

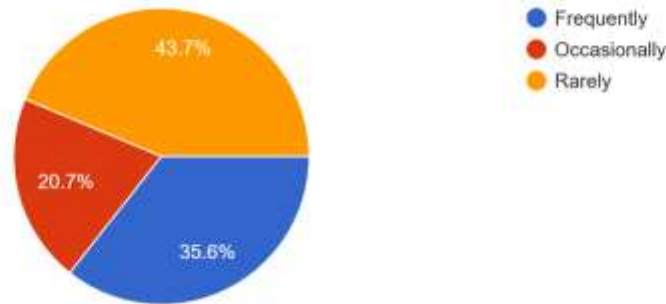


INTERPRETATION

The data shows that a majority of respondents (46%) have not used any P2P lending platform. However, a noticeable portion has experience, with 27.6% using it as investors and 20.7% as both borrowers and investors. Only a small number have used it purely as borrowers. This indicates that while awareness exists, actual usage of P2P platforms is still developing among people.

Table 11

3. How frequently do you use P2P platforms?
87 responses

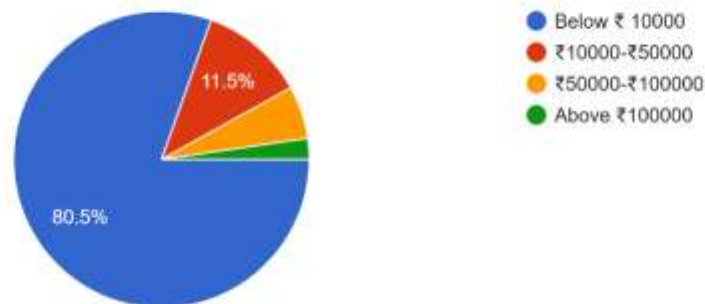


INTERPRETATION

The data shows that most respondents use P2P platforms rarely (43.7%), while 35.6% use them frequently. A smaller group (20.7%) uses them occasionally. This suggests that although people are aware of P2P lending, regular usage is still limited. Overall, P2P platforms are not yet a routine financial choice for most users.

Table 12

4. What amount have you invested or borrowed through P2P platforms?
87 responses



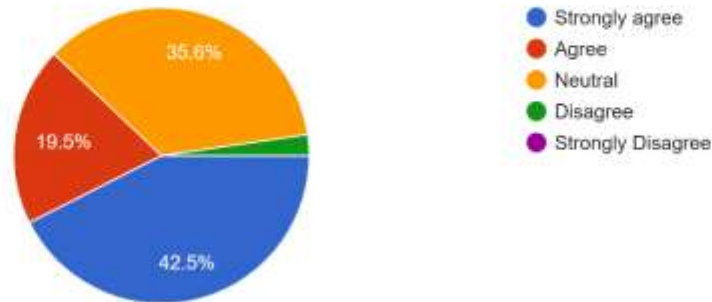
INTERPRETATION

The data shows that a large majority of respondents (80.5%) have invested or borrowed amounts below ₹10,000 through P2P platforms. Only a small percentage have dealt with higher amounts. This suggests that most users prefer to start with smaller investments or loans. It reflects cautious behavior and limited financial risk-taking in P2P lending.

Table 13

Section:D Perception and Attitude 1. P2P lending offers higher returns than traditional investments.

87 responses



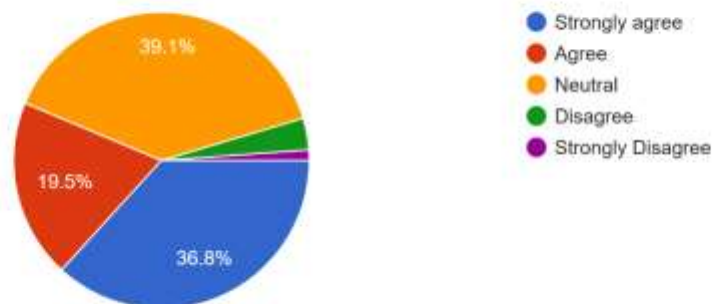
INTERPRETATION

The data shows that a large majority of respondents (80.5%) have invested or borrowed amounts below ₹10,000 through P2P platforms. Only a small percentage have dealt with higher amounts. This suggests that most users prefer to start with smaller investments or loans. It reflects cautious behaviour and limited financial risk-taking in P2P lending.

Table 14

2. P2P lending platforms are easy to use.

87 responses



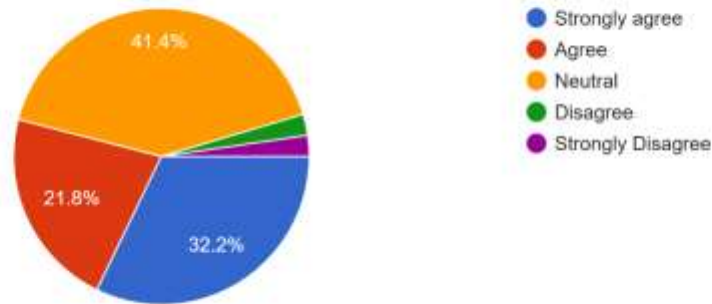
INTERPRETATION

The data shows that a majority of respondents believe that P2P lending offers higher returns, with 42.5% strongly agreeing and 19.5% agreeing. However, a significant portion (35.6%) remains neutral, indicating uncertainty. Only a very small number disagree with the statement. This suggests that while many people see P2P lending as profitable, some are still unsure about its returns.

Table 15

3. I trust online platforms for financial transactions.

87 responses



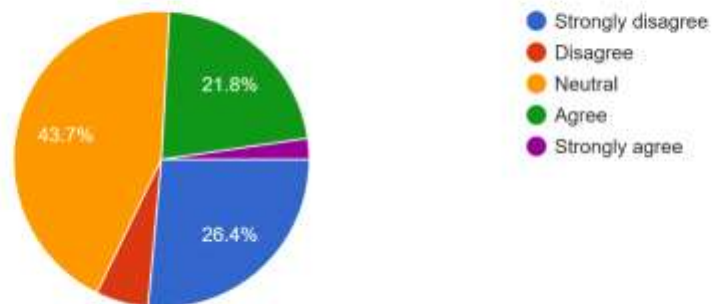
INTERPRETATION

The responses show that trust in online financial platforms is moderate, with 32.2% strongly agreeing and 21.8% agreeing. However, a large portion (41.4%) remains neutral, indicating uncertainty among users. Only a small number of respondents express distrust. This suggests that while many people are comfortable with online transactions, complete trust is still developing.

Table 16

4. P2P lending provides easier access to loans than banks.

87 responses

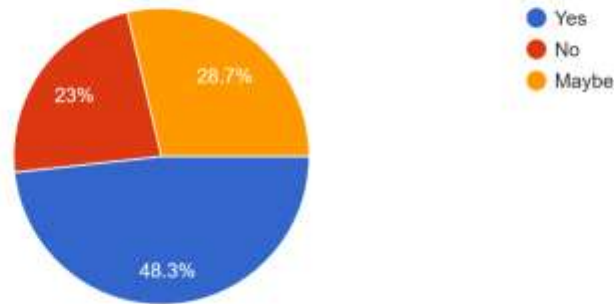


INTERPRETATION

The responses show mixed opinions about whether P2P lending provides easier access to loans than banks. While 21.8% agree, a significant 43.7% remain neutral, indicating uncertainty or lack of experience. Around 26.4% disagree, suggesting some scepticism about its advantages. Overall, people are still unsure about how convenient P2P lending is compared to traditional banking.

Table 17

5. Would you consider P2P lending as a good alternative to bank loans?
87 responses

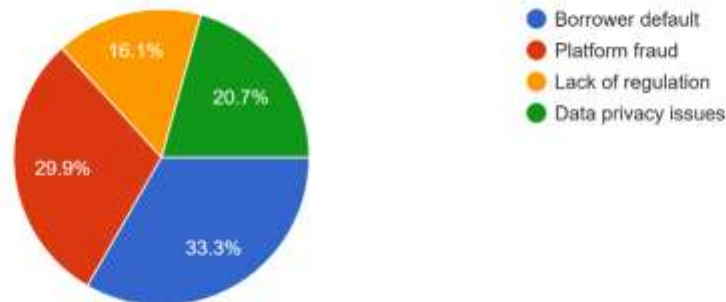


INTERPRETATION

Nearly half of the respondents (48.3%) consider P2P lending a good alternative to traditional bank loans. However, a notable 28.7% are uncertain, showing hesitation or lack of full confidence. About 23% do not see it as a viable option. Overall, while acceptance is growing, trust and clarity about P2P lending still need improvement.

Table 18

Section: E Risk Perceptions 1. What do you think is the biggest risk in P2P lending?
87 responses

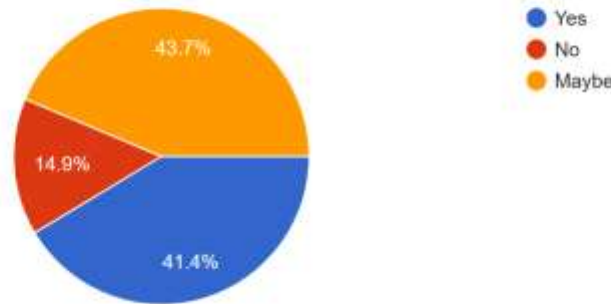


INTERPRETATION

The biggest concern among respondents is borrower default (33.3%), showing fear of losing money. Platform fraud (29.9%) is also a major worry, reflecting trust issues with online platforms. Data privacy (20.7%) and lack of regulation (16.1%) are additional concerns. Overall, financial risk and security are the key barriers to adopting P2P lending.

Table 19

2. Do you believe P2P lending is safe?
87 responses

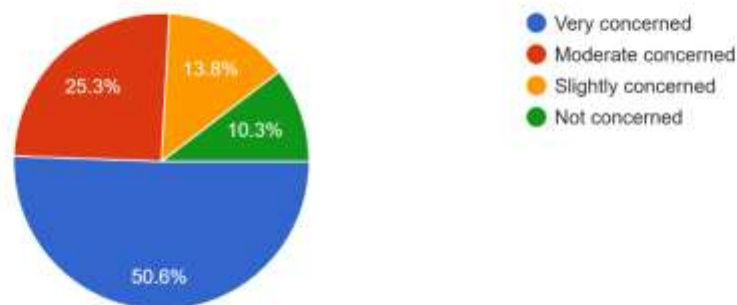


INTERPRETATION

Opinions on the safety of P2P lending are divided, with 41.4% believing it is safe. However, a larger 43.7% remain uncertain, indicating lack of full confidence or awareness. Only 14.9% consider it unsafe. Overall, the results show that trust in P2P lending is still developing among users

Table 20

3. How concerned are you about loan defaults?
87 responses



INTERPRETATION

A majority of respondents (50.6%) are very concerned about loan defaults, highlighting strong risk awareness. Another 25.3% are moderately concerned, reinforcing this worry. Only a small portion feel slightly or not concerned. Overall, fear of default is a major factor affecting trust in P2P lending.

**CHAPTER 5
FINDINGS, SUGGESTIONS AND CONCLUSION
FINDINGS**

1. **Strong Participation from Young Investors and Borrowers:** The survey indicates that individuals under 35 form the majority of users in peer-to-peer (P2P) lending and crowdfunding platforms. Their familiarity with digital platforms and willingness to explore alternative finance options drives this

trend. However, participation from older, more experienced investors remains limited, restricting diversity in investment behaviour.

- 2. Awareness Gap Among General Public:** While urban respondents show moderate awareness of P2P platforms, a significant portion of individuals—especially in semi-urban and rural areas—lack understanding of how these platforms function. Many are unaware of the risks, returns, and regulatory framework involved.
- 3. Preference for Traditional Financial Systems:** Despite the growth of P2P lending, many respondents still prefer traditional banking systems due to trust, security, and regulatory assurance. This indicates that P2P platforms have not yet fully established credibility among a wider audience.
- 4. Limited Risk Assessment Knowledge:** A large number of users invest or borrow without fully understanding credit risk, default probability, or platform-specific risk assessment methods. This can lead to poor financial decisions and potential losses, especially for first-time investors.
- 5. Increasing Role of Technology and Digital Platforms:** The findings highlight that mobile apps and fintech platforms are the primary drivers of P2P lending growth in India. Ease of access, quick processing, and minimal documentation attract users, but also raise concerns about data security and transparency.

SUGGESTIONS

- 1. Enhancing Financial Literacy on P2P Platforms:** Develop educational initiatives such as webinars, short videos, and interactive content explaining how P2P lending and crowdfunding work, including risks and returns. This will help users make informed decisions.
- 2. Building Trust Through Transparency:** P2P platforms should clearly communicate borrower profiles, risk grading, and default rates. Strengthening compliance with guidelines of the Reserve Bank of India will improve credibility and investor confidence.
- 3. Expanding Reach Beyond Urban Areas:** Efforts should be made to promote P2P platforms in semi-urban and rural areas through awareness campaigns, regional language content, and partnerships with local institutions.
- 4. Strengthening Risk Assessment Tools:** Introduce advanced credit evaluation tools, AI-based risk analysis, and diversification strategies to help investors minimize risk and optimize returns.
- 5. Encouraging Responsible Borrowing and Lending Behaviour:** Platforms should implement reminders, alerts, and incentives to promote timely repayments and disciplined investment ensuring long-term sustainability of the P2P ecosystem.

CONCLUSION

- 1. Growing Youth Participation in P2P Platforms:** The study shows strong engagement from young individuals, particularly those under 35, in P2P crowdfunding and lending platforms. Their digital familiarity and openness to alternative investments drive adoption. However, limited experience in risk management highlights the need for targeted financial education on diversification and long-term investment strategies.
- 2. Gender Gap in Participation:** The findings indicate a noticeable gender disparity, with male participants dominating the P2P ecosystem. This suggests the presence of social, awareness, or confidence barriers among women. Encouraging inclusive financial literacy programs and women-centric investment communities can help bridge this gap.

3. **Awareness vs. Understanding Gap:** While many respondents are aware of P2P lending platforms, a significant percentage lack in-depth understanding of how they function, including risk evaluation, returns, and borrower credibility. This gap emphasizes the need for simplified, user-friendly educational resources to convert awareness into informed participation.
4. **Limited Use of Professional or Expert Guidance:** A majority of participants rely on self-research or platform recommendations rather than consulting financial experts. This may lead to uninformed lending or investment decisions. Promoting accessible advisory services and transparent platform guidance can enhance decision-making quality.
5. **Risk Perception and Default Concerns:** Concerns about borrower default and lack of collateral discourage many potential investors. Limited understanding of credit scoring and risk mitigation tools further increases hesitation. Strengthening risk assessment frameworks and investor protection measures can improve trust in the system.
6. **Preference for Traditional Financial Systems:** Despite the growth of P2P platforms, many individuals still prefer traditional banking channels due to higher trust and regulatory assurance. This highlights the need for stronger credibility, regulation, and awareness about the role of the Reserve Bank of India in governing P2P platforms.
7. **Accessibility vs. Financial Inclusion Potential:** P2P lending has strong potential to promote financial inclusion by providing credit access to underserved individuals and small businesses. However, limited awareness and digital literacy barriers restrict its reach, especially in rural and semi-urban areas.

EXECUTIVE SUMMARY

This study examines the adoption, awareness, and behavioural patterns associated with Peer-to-Peer (P2P) crowdfunding and lending in India, with a focus on user demographics, decision-making tendencies, and perceived risks. The findings indicate that young individuals, particularly those in the age group of 18–35, constitute the primary user base of P2P platforms. This trend is largely driven by increased digital literacy, widespread smartphone usage, and a growing interest in alternative investment avenues beyond traditional banking instruments.

Despite the growing popularity of P2P lending, the study reveals that overall awareness remains moderate. While respondents are generally familiar with the concept, many lack a comprehensive understanding of key aspects such as credit risk evaluation, interest rate mechanisms, borrower profiling, and platform-specific operations. This knowledge gap suggests that users may be participating without fully assessing the associated financial risks.

A notable finding is the gender disparity in participation, with male users significantly outnumbering female participants. This imbalance may be attributed to differences in financial literacy, risk tolerance, and access to investment opportunities. Additionally, the study identifies a persistent preference for conventional financial systems such as banks and fixed deposits, indicating that trust in traditional institutions continues to outweigh confidence in newer fintech models.

Behavioural analysis shows that a majority of users rely on self-directed decision-making rather than seeking professional financial advice. While this reflects increased financial independence, it also raises concerns regarding suboptimal investment choices and exposure to higher risks. Key barriers to adoption include fear of borrower default, limited trust in digital platforms, lack of regulatory clarity (as perceived by users), and concerns over data security.

The role of the Reserve Bank of India is critical in shaping the regulatory environment and building trust among participants. Although the RBI has introduced NBFC-P2P guidelines to regulate platforms, the study suggests that greater awareness of these regulations is necessary to enhance user confidence.

Despite these challenges, P2P lending holds substantial potential to promote financial inclusion in India by bridging the gap between borrowers and investors, especially in underserved segments such as small businesses and individuals without formal credit histories. The model offers benefits such as faster loan processing, competitive interest rates, and improved access to capital.

The study recommends the following measures to strengthen the ecosystem:

- Enhancing financial literacy through targeted educational initiatives
- Increasing transparency in platform operations and risk assessment models
- Promoting awareness of regulatory safeguards introduced by the RBI
- Encouraging diversification strategies among investors to minimize risk
- Developing user-friendly interfaces and decision-support tools for better investment choices

In conclusion, while P2P crowdfunding and lending in India are still in a developmental stage, they present a promising alternative to traditional financial systems. With improved awareness, stronger regulatory communication, and technological advancements, these platforms can play a pivotal role in the evolution of India's digital financial landscape.