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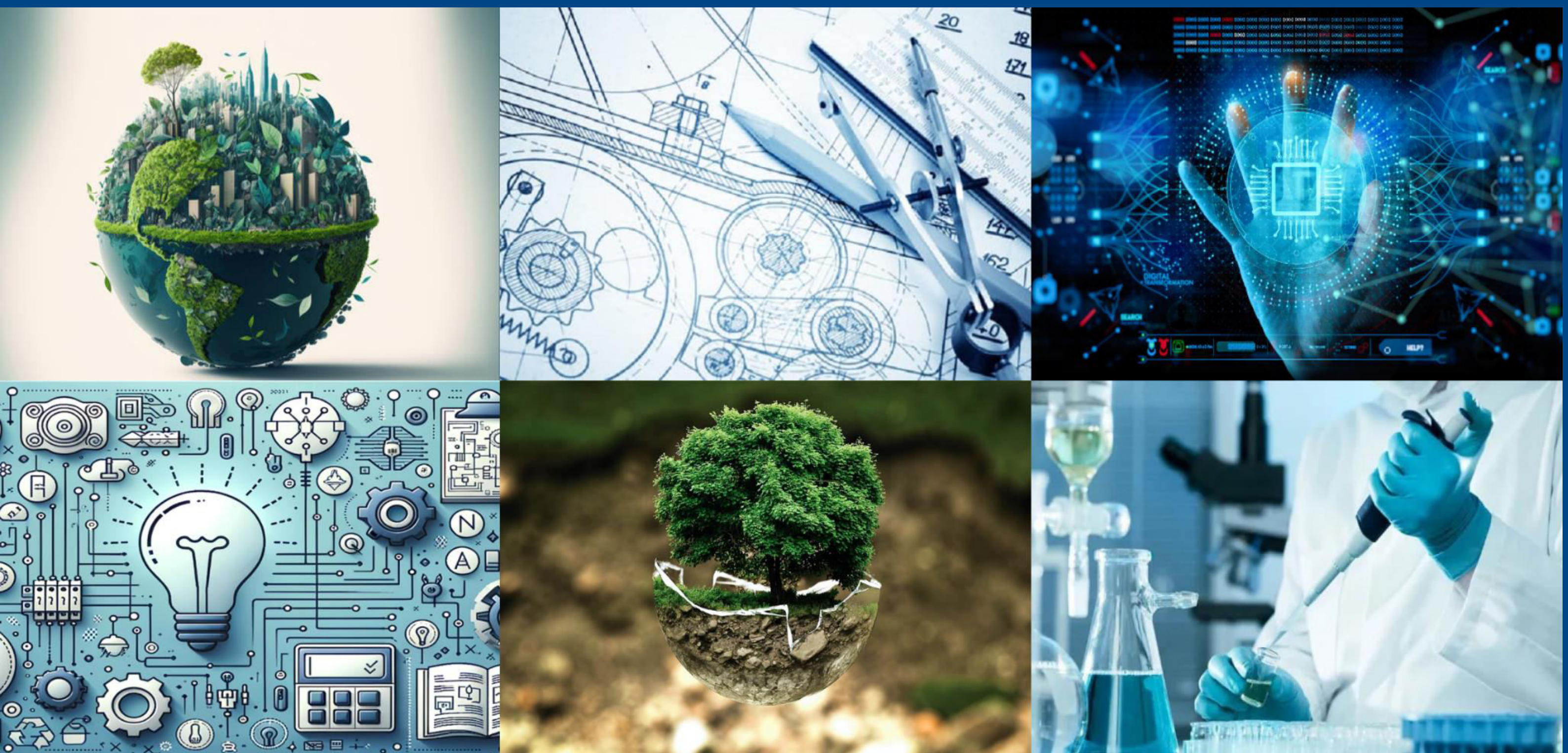

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Factors Influencing Customer Adoption of Peer-to-Peer Lending Platforms in India:

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ABSTRACT: This research paper investigates the factors that drive or inhibit customer adoption of peer-to-peer (P2P) lending platforms in the Indian FinTech context. Drawing on primary survey data from 59 respondents and anchored in Technology Acceptance Model (TAM), UTAUT, trust theory, and institutional-legitimacy frameworks, the study identifies awareness, perceived safety, transparency, ease of use, and regulatory confidence as the principal determinants of adoption. The empirical analysis employs descriptive statistics, chi-square tests, correlation analysis, logistic regression, OLS regression, and ANOVA. Findings reveal that adoption in India is fundamentally a confidence-building challenge: customers place highest importance on regulatory support, transparency, and ease of use — not on yield alone. Demographic segments differ significantly in adoption outcomes, affirming the need for segment-sensitive platform strategy. The study contributes an integrated adoption framework and practical recommendations for platform managers to shift from yield-led acquisition to trust-led conversion.

KEYWORDS: peer-to-peer lending; NBFC-P2P; customer adoption; trust; perceived safety; RBI regulation; financial literacy; FinTech; India

I. INTRODUCTION AND BACKGROUND

India's financial landscape has undergone a rapid transformation driven by widespread smartphone penetration, the Unified Payments Interface (UPI) ecosystem, and a growing appetite for alternative financial products. Peer-to-peer (P2P) lending — regulated in India under the Reserve Bank of India's (RBI) NBFC-P2P Master Direction — represents one of the most structurally significant innovations within this landscape. It eliminates traditional balance-sheet intermediation by directly connecting borrowers and lenders through a digital matching platform, potentially offering higher returns to investors and faster credit access to borrowers.

Despite these structural advantages, adoption of P2P lending platforms in India remains far from universal. The category is visible in the public conversation but not yet fully legitimised in the retail consumer's mind. A potential user encountering a P2P platform must simultaneously overcome two unfamiliar shifts: moving away from the institutional comfort of banks and regulated deposit-takers, and trusting a digital marketplace that does not itself absorb credit risk. This makes customer adoption a confidence-allocation problem, not merely a marketing or pricing challenge.

The RBI's 2024 review of NBFC-P2P guidelines specifically highlighted market violations including the promotion of P2P lending as an assured-return investment product and the offering of liquidity features inconsistent with the platform model. These regulatory clarifications sharpen the managerial question: how can platforms grow adoption while operating within a framework explicitly designed to prevent mis-selling? Understanding which factors drive or suppress adoption is therefore of immediate academic and practical relevance.

II. RESEARCH PROBLEM

The central research gap this study addresses is the limited empirical understanding of what drives customers across the adoption threshold in India's evolving NBFC-P2P market. Existing commentary is predominantly supply-side — explaining platform business models, return structures, or regulatory architecture — but does not adequately explain the demand-side conversion chain. Studies that do address adoption either rely on international contexts with different institutional conditions or remain descriptive without integrating inferential testing.

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Specifically, there is no unified framework that links awareness, trust, safety perception, regulatory confidence, financial literacy, and demographic heterogeneity into a single empirically testable adoption model for India. Platforms that lack such a framework may focus solely on yield-led acquisition strategies, missing the legitimacy gap that prevents most aware-but-unconvinced users from converting to active participants.

This study therefore investigates: Which factors most strongly influence customer adoption of P2P lending platforms in India, and how should those factors be interpreted through an integrated framework combining technology acceptance, trust, perceived financial risk, and institutional regulation?

III. OBJECTIVES OF THE STUDY

The main objective of this study is to identify and analyse the factors that influence customer adoption of peer-to-peer lending platforms in India.
The specific objectives are:
1. To map the customer adoption pathway of P2P lending platforms, from awareness through to actual usage.
2. To assess the role of trust and perceived safety in influencing adoption intention and behaviour.
3. To examine the impact of RBI regulation and institutional legitimacy on adoption readiness.
4. To analyse how demographic and behavioural factors — including age, income, occupation, financial literacy, and digital comfort — affect adoption outcomes across different user segments.

IV. RESEARCH QUESTIONS AND HYPOTHESES

Based on the objectives above, the study tests the following hypotheses:
- H1: Awareness of P2P lending platforms is positively associated with actual adoption.
- H2: Higher trust in P2P platforms is positively associated with adoption intention and usage.
- H3: Positive safety perception is positively associated with actual adoption.
- H4: Higher perceived importance of RBI regulation, transparency, and regulatory support strengthens adoption intention.
- H5: Financial literacy and digital comfort positively influence adoption readiness.
- H6: Demographic and occupational segments display materially different adoption outcomes, indicating that adoption is segment-sensitive rather than uniform.

V. REVIEW OF LITERATURE

Davis (1989) introduced the Technology Acceptance Model (TAM), establishing perceived usefulness and perceived ease of use as the central drivers of technology adoption. For P2P lending platforms, these constructs translate directly into whether users believe the platform delivers value and whether the interface is navigable without excessive cognitive load.

Ajzen (1991) extended behavioral theory through the Theory of Planned Behavior, demonstrating that adoption intention is shaped by attitude, subjective norms, and perceived behavioral control. In the P2P lending context, social norms and peer recommendations function as informal legitimacy signals, particularly important in a market where institutional familiarity is still developing.

Venkatesh et al. (2003) consolidated multiple adoption theories into the Unified Theory of Acceptance and Use of Technology (UTAUT), identifying performance expectancy, effort expectancy, social influence, and facilitating conditions as joint determinants of behavioral intention. Venkatesh, Thong and Xu (2012) extended this to UTAUT2, adding hedonic motivation and price value — dimensions relevant to the dual lender-borrower proposition of P2P platforms.

Gefen, Karahanna and Straub (2003) demonstrated that trust materially complements TAM in online environments, directly applicable to P2P adoption where users cannot independently verify borrower quality or underwriting models. Pavlou (2003) further linked perceived risk to transactional intention, providing the theoretical bridge between digital acceptance and financial decision-making under uncertainty.

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Milne and Parboteeah (2016) analysed P2P business models and economics, clarifying the platform's role as a matching intermediary — a distinction with direct implications for how customers should understand (and misunderstand) the product. Claessens, Frost, Turner and Zhu (2018) positioned FinTech credit as a structurally significant innovation while emphasising regulatory design as a critical determinant of market stability and consumer confidence.

Recent Indian literature increasingly converges on the view that P2P adoption is blocked less by demand absence than by risk interpretation and legitimacy deficits. Studies highlight awareness, perceived usefulness, trust, perceived risk, and regulatory confidence as recurrent explanatory variables. The cumulative implication is that no single theoretical lens is sufficient — technology acceptance, institutional trust, regulatory legitimacy, and financial literacy must be combined into an integrated adoption framework, which this study seeks to build and empirically test.

The identified research gap is fourfold: (i) few studies connect the full adoption chain from awareness to actual usage in one coherent sequence; (ii) international findings do not map cleanly onto India's NBFC-P2P regulatory environment; (iii) research rarely translates explanatory variables into actionable platform-design and trust-communication implications; and (iv) most MBA-level studies rely on descriptive methods without advancing to inferential tests that clarify which variables are most actionable.

VI. RESEARCH METHODOLOGY

6.1 Research Design

The study adopts a descriptive-analytical survey design with explanatory ambition. It is descriptive in documenting respondent demographics, awareness, usage patterns, trust levels, and factor importances. It is analytical in moving beyond frequencies to test associations, compare group means, and estimate directional multivariate relationships. This mixed quantitative approach is appropriate for a moderately sized primary dataset in a behavioural finance context.

6.2 Data Source and Sample

Primary data were collected through a structured questionnaire yielding 59 valid responses across 28 variables. The questionnaire covered demographics, awareness, usage history, source of discovery, trust ratings, concern categories, perceived safety, five platform-attribute importance scores, return motivation, RBI-regulation importance, platform preference, adoption catalysts, financial-literacy role, growth expectations, and digital comfort. The sample is digitally accessible rather than nationally representative, weighted toward younger adults (54% below 25 years), students and salaried employees, and lower-to-middle income brackets — precisely the segments most likely to engage with FinTech adoption in India.

6.3 Variables

The dependent variables are: (i) a binary actual adoption indicator (coded 1 if the respondent has used P2P as a lender, borrower, or both) and (ii) a composite adoption-intention index (average of five readiness items). Key independent variables include awareness (Yes/No), trust (1–5 scale), perceived safety (No/Not Sure/Yes), importance scores for returns, reputation, ease of use, transparency, and regulatory support (all 1–5), financial literacy role (ordinal), digital comfort (1–5), and demographic attributes (age, income, occupation, gender).

6.4 Statistical Tools

The analytical framework comprises: descriptive statistics and frequency charts; cross-tabulation and chi-square tests for categorical association; a Pearson correlation matrix among ordinal adoption variables; logistic regression for the binary adoption outcome; OLS regression for the intention index; one-way ANOVA and Levene's variance test for intention differences across safety groups; and rolling cumulative mean charts as robustness checks for survey stability.

6.5 Limitations

The sample is moderate in size and not nationally representative. The cross-sectional design precludes causal inference. Most constructs are measured by single items rather than multi-item psychometric scales. Findings should be read as decision-supportive directional evidence within a clearly bounded evidence standard.

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VII. FINDINGS AND EXPECTED CONTRIBUTION

7.1 Key Empirical Findings

The study yields six principal findings. First, awareness is the decisive gateway variable: logistic regression confirms it as the most statistically robust predictor of actual adoption (coefficient 1.902, $p = 0.019$). Without category familiarity, other drivers have limited effect, indicating that P2P platforms still face a meaningful visibility deficit.

Second, trust levels in the sample are moderate — neither absent nor strong — forming a 'tentative' distribution centred around the midpoint of the five-point scale. This confirms that the adoption problem is one of incomplete confidence rather than active hostility. Third, safety perception is a powerful behavioural divider: chi-square tests show a significant association between safety perception and adoption ($p = 0.021$), and ANOVA demonstrates highly significant differences in adoption intention across safety groups, with Levene's test confirming heterogeneous variance across those groups.

Fourth, customers prioritise regulatory support (mean 3.53), transparency (mean 3.42), and ease of use (mean 3.15) above returns (mean 3.12) and platform reputation (mean 3.05) in their platform-selection decisions. This ranking challenges the conventional yield-first narrative and positions legitimacy and usability as the leading conversion levers. Fifth, correlation analysis confirms that adoption intention rises with ease of use ($r = 0.449$), reputation ($r = 0.396$), transparency ($r = 0.341$), trust ($r = 0.264$), literacy ($r = 0.299$), and digital comfort ($r = 0.261$), supporting a multi-causal adoption architecture. Sixth, chi-square tests confirm that adoption differs significantly by age group ($p = 0.002$), income ($p = 0.010$), and occupation ($p = 0.002$), while gender shows no significant association.

7.2 Hypothesis Outcomes

H1 is supported (directionally strong): awareness is the most actionable near-term lever. H2 is partially supported: trust shows positive directional relationships but weak direct significance in the logistic model, likely due to sample size. H3 is supported: safety perception produces significant chi-square and ANOVA results. H4 is partially supported: regulation scores highest in descriptive importance but shows mixed multivariate significance, suggesting its effect operates partly through the trust channel rather than independently. H5 is partially supported: financial literacy and digital comfort show positive descriptive and correlational roles, weaker in multivariate significance. H6 is fully supported: adoption differs significantly across age, income, and occupation segments.

7.3 Theoretical Contribution

This study contributes an integrated adoption framework in which technology acceptance (TAM/UTAUT), perceived financial risk, institutional legitimacy, and financial literacy jointly explain adoption. Traditional TAM logic is necessary but insufficient: digitally comfortable users may still hesitate if perceived safety remains unresolved or regulatory visibility is low. The study demonstrates that in digital finance, the platform interface itself functions as a trust architecture — clean design, visible underwriting logic, transparent fee explanation, and RBI-compliance communication operate simultaneously as usability features and legitimacy signals.

7.4 Managerial Contribution

Platforms should shift from yield-led acquisition to trust-led conversion. Practically, this means: (i) investing in category education through peer-referral mechanisms and awareness campaigns targeted at the sub-25 and student segments; (ii) making RBI-compliance communication visible on the platform interface, worded to explain what regulatory oversight practically means for the customer; (iii) designing onboarding journeys that include plain-language borrower-screening summaries, escrow-flow diagrams, and default-history disclosures; (iv) treating transparency as a product feature rather than a legal obligation; and (v) deploying segment-sensitive messaging — borrower-led content for younger and lower-income users, structured comparison tools for higher-income evaluators. Since word-of-mouth is the leading discovery channel, trust-bearing testimonials and referral mechanics are likely to outperform purely promotional advertising.

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