Peer-to-Peer Lending Platform: A Fully Digitalized Green Financial Platform

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Abstract

P2P lending is a form of loan lending in which individuals lend to one another. The "Peer-to-Peer lending" platform is a unique green business model because it is an online sustainable business model that connects borrowers to investors paperless to fulfil their financial (loan) needs. Borrowers get hassle-free funds at a comparatively lower interest rate, and investors get a high return. The P2P platform acts as a mediator (intermediary) who matches lenders with borrowers and helps them with their financial activity by providing necessary information. The RBI guidelines show that P2P lending platforms are known as NBFC-P2P, but investors and borrowers both must pay a specific rate of tax (GST 18%) for availing of this facility. All transaction on this platform is transparent no any hidden charges are taken by this platform. This platform helps borrowers and investors fulfil their financial needs. Borrowers get loans, and investors earn interest. Growth in the P2P market is increasing due to the transparency system in P2P lending, which can be attributed to the implementation of technology such as block chains and smart contracts into lending platforms. The aim of this paper is to find out the level of awareness among people regarding this platform and how this fully digitalized green branch is contributing towards green banking, an environmentally friendly financial platform. The sample size was 140 respondents from Jaipur city. The respondents were selected based on judgmental sampling. The result shows that people prefer to avail loans through P2P lending. The major challenges of the P2P lending platform are the security concerns of investors and borrowers. The NBFC-P2P does not provide any kind of guarantee for repayment of loans to the lenders. The paper also suggests that the RBI should make a policy regarding deposits with NBFC-P2P lending to provide security to investors' money. Thus, RBI should make certain mandatory disclosures about security aspects. This will allow the platform to grow rapidly. This platform already contributes to sustainable development by doing all work paperless, which is termed "branchless" or "green banking," in order to save the environment and meet the commitment made at COP26 to make India net zero emission by 2070.

Introduction

Peer-to-peer lending services are abbreviated as P2P, which stands for "individual to individual." It is contributing to the "green banking" or "branchless banking" system. P2P has been a route or platform for finance between individuals since the advent of the Internet. It's a private small loan mode and business model that collects little amounts and lends them to persons in need of capital. It is also a type of Internet financial goods, private microlending, and related financial behaviors and financial services that utilize the Internet, mobile Internet technology, a network credit platform, and associated financial behaviors and financial services. The third-party intermediary platform connects investors and borrowers via the Internet in order to complete a loan transaction.

P2P lending is a crowd-funding model (online platform). Crowdfunding is a technique for obtaining funds that enlists the help of customers, friends and family, or individual investors. Crowdfunding is a type of online fundraising that involves a large number of individuals working together on a project using social media or crowdfunding sites without a physical visit to the place to increase their visibility and effect through the network, where people looking to invest their money can do so and people who want to borrow money can do so. In contrast to a bank, where people have a financial institution lending money, here it is the financial institution that can lend money to the public, but on a P2P platform, which helps to save the environment and also makes a contribution to the green initiative to save the environment. The lender can either be an individual, a business, or a financial institution. Borrowers receive capital, while investors receive interest and income.

P2P companies are registered under the 2013 Companies Act and have been given the status of NBFCs (non-banking financial companies). These companies are regulated by the RBI.

As per findings, people in India have different perceptions about this platform, and many who have a positive perception of it are not willing to invest in it because of a lack of security and trust. Also, this platform does not provide fixed interest to the lenders and does not charge fixed interest from borrowers; instead, it keeps fluctuating depending on demand and supply.

Crowd (P2P) lending, or the process of connecting borrowers with the lenders directly by digital loan services, initially it started from USA in the year 2005 with platform name Zopa.

As compared to developing countries, the P2P market has started in developed countries, which have a comparatively developed financial market, a mature credit rating system, and effective law enforcement. Indian P2P platforms, on the other hand, are far more essential for borrowers as well as lenders because this platform plays a far larger role in society, particularly for individuals and SMEs whose financing needs are not adequately met by traditional Indian financial institutions.

For small businesses and individuals, the P2P economy serves as an important alternative finance source. Individuals and small businesses find it difficult to borrow from commercial banks due to an immature credit scoring system, information asymmetry, and scale diseconomies.

According to investors, the P2P market is an exciting new investment avenue for Indians. The most common investment vehicles for Indian households are those where they get fixed income and have very limited risk, which are the real estate market, portfolio management, and equities. The average fixed deposit return that was offered by Indian banks is roughly five percent annually, and the return on bank savings accounts is around four percent annually, whereas "peer-to-peer lending" platforms have an investment return of over ten percent annually, which is higher than traditional lending platforms and typical fixed-income investing methods.

Recent instability in the Indian stock market has resulted in low returns, and regular swings in home prices have made real estate investments less tempting. Unsurprisingly, many people are interested in P2P lending services as a new crowdfunding investment channel, and it may be a "better" option. It is, however, dangerous when compared to typical fixed income, stock, and real estate investments.

In the United Kingdom, the United States, Germany, Singapore, China, and other countries, such platforms are widely used. In India, it first came in 2012, and corresponding laws were published by the RBI in 2017.

Objectives:

1. To identify the perceptions of investors and borrowers towards the "peer-to-peer lending" platform.
2. To analyse the effectiveness of a "peer-to-peer lending platform" for investors and borrowers.

Literature Review

A. Basha, S., Elgammal, M. M., & Abuzayed, B. M. (2021) suggest that "peer-to-peer lending" literature is primarily focused on the United States and China. Financial, demographic, and social determinants are the subject of empirical determinant research. The distortion could be owing to a lack of data from P2P lending services, such as Kickstarter.

Loan information is required to be available in the public domain in the United States.

Wang, Q., Xiong, X., & Zheng, Z. (2021) Platforms with strong qualities, such as venture capital background, greater registered capital, longer running duration, good rank, and active trading, are often more appealing to lenders. The quantity of counterparties is the most essential factor for both lenders and borrowers, implying positive externality. Lenders have a larger influence on borrowers than borrowers have on lenders, and lenders are more concerned with platform security than return on investment. As a result, platforms should place a high premium on attracting investors. For both borrowers and lenders, the interest rate isn't the most important factor. Between the average interest rate and the number of investors, there is an inverted U-shaped relationship, with no quadratic influence on the borrower side. Interest rates can be modified by platform characteristics, which are largely determined by the demand and supply of money.

Wang, H., Kou, G., & Peng, Y. (2021) Based on publicly accessible data from lending clubs, this study created a misclassification cost matrix for P2P credit grading those accounts for real losses and opportunity costs associated with P2P lending. Traditional classifiers outperformed their cost-sensitive counterparts in terms of accuracy, but the cost-sensitive classifiers drastically reduced total expenses, which is crucial for the survival and profitability of P2P lending systems. One downside of this study project is that administrative expenditures were not included because this information is not publicly available on the lending club.

Jiang, J., Liao, L., Wang, Z., & Zhang, X. (2021) study looked at a variety of P2P platforms throughout their rapid expansion phase, as well as how platform performance differed with and without government connections. It presented a few noteworthy empirical conclusions based on unique, hand-collected platform-level data. According to the study, P2P networks linked to SOEs (state-owned enterprises) have higher trading volumes and attract more investors. Second, peer-to-peer systems with SOE links have a stronger chance of survival, particularly during the Chinese stock market downturns of 2015–2016. Third, lending rates on SOE-affiliated platforms are much lower than on other platforms. Finally, it demonstrated that SOE affiliation is an essential signal for P2P market participants by leveraging peer-to-peer platforms with fictitious SOE affiliations. This has clear implications for investors when choosing amongst thousands of P2P platforms that use SOE membership as a signal.

Zhao, H., Ge, Y., Liu, Q., Wang, G., Chen, E., & Zhang, H. (2017) this article provides a comprehensive survey of peer-to-peer lending. It specifically described some of the world's most popular P2P lending systems and presented a systematic taxonomy for them. In the meantime, it contrasted various forms of work. Details on mechanisms also analyzed and organized the most recent developments from a variety of perspectives.

Stern, C., Makinen, M., & Qian, Z. (2017) Carries out a descriptive study to look into the variables that influence peer-to-peer lending in different parts of China. P2P lending is more prevalent in locations with higher mobile phone subscriptions, lesser fixed asset investments, and a smaller traditional banking industry, according to the report. In China, the rise of P2P platforms follows an inverted U-shaped trend. It also discusses China's financial system, as well as the introduction of numerous other fintech advances.

Barasinska, N., & Schäfer, D. (2014) According to this study based on US responses, traditional banking lenders frequently discriminate against female borrowers. Female borrowers, on the other hand, have a better likelihood of receiving funds on a "peer-to-peer lending platform" than male borrowers. The success of female borrowers on a large German "peer-to-peer lending platform" was investigated in this paper. Several robustness checks back up the conclusion that gender has no bearing on a borrower's chances of receiving funds on this platform, ceteris paribus. As a result, the "wisdom of the lending crowd" appears to alleviate female prejudice. Finally, it is concluded that when people choose to use a "peer-to-peer lending platform", there is no gender discrimination.

Duarte, J., Siegel, S., & Young, L. (2012) The conclusion of this article is whether appearance-based judgments regarding individual borrowers' trustworthiness influence investors' loan decisions. It has been discovered that borrowers who appear more trustworthy have a better probability of success. Borrowers who appear to have a better chance of getting a loan and paying lower interest rates should consider less dependable It was also discovered that borrowers who appear more trustworthy have higher credit scores. Credit scores and default rates are lower for borrowers who appear less qualified trustworthy.

Klafft, M. (2008) analyzes loan profitability data from Prosper.com, a "peer-to-peer lending" network in the United States, to determine whether lenders can earn a good return on their investments despite potentially severe information asymmetry. The research looks into whether the platform's presentation of borrower information reduces information asymmetries. Due to a large number of loan defaults, P2P lending did not appear to be helpful for private lenders, according to the survey. The research suggests some simple rules for lenders to follow when assessing potential borrowers in order to ensure the success of their investments.

Adams, R., Dore, T., Greene, C., Mach, T., & Premo, J. (n.d.). According to this research, use of marketplace financing were the focus of this study. Despite the growth of marketplace lending, researchers discovered that just 25% of U.S. customers have knowledge of the word or of a specific type of marketplace loan. According to the findings, customers who are wealthier and better educated, as well as those with more revolving credit card debt and those who have experienced financial hardship, are more likely to have knowledge of marketplace lenders. While higher-income, better-educated customers have more knowledge of marketplace loans, lenders-conscious individuals with lower wealth and more outstanding credit card debt are more likely to use them.

P2P lending Platform in India

India's central bank, the Reserve Bank of India, now oversees "peer-to-peer lending" in India. It launched a consultation paper on the regulation of peer-to-peer lending in 2017, and the final recommendations were published in 2018. In 2016, there were around 30 peer-to-peer lending platforms in India. Even with first-mover advantage, numerous companies were unable to obtain market share and increase their user base due to a lack of trust or expertise on the part of Indian investors in this type of loan funding. P2P lending platforms in India, on the other hand, are supporting a large number of borrowers who had previously been refused or failed to qualify for a bank loan.

Crowd (P2P) lending, or the process of connecting borrowers with lenders directly through digital loan services, began in the United States in 2005 with the platform name Zopa, and it made its first appearance in India in 2012 with the platform name I-lend. Now there are various leading and growing platforms in India, such as Faircent, Finzy, I-Lend, i2IFunding, Lend-Box, and many more.

Functioning of "P2P lending platform in India"

One of the ways to receive funds is through "peer-to-peer lending," commonly known as P2P lending. As this online platform provides multiple borrowing and lending options that are convenient and flexible for both the borrowers and lenders, the lender can invest his amount among multiple borrowers; i.e., if a lender wants to invest Rs. 10,000 on this platform, then he has the option of giving a loan to 20 borrowers at a time by giving Rs. 500 to a single borrower. In the case of borrowers, they can take loans for any purpose, whether it is medical, holiday, car, festival, gift, or

many more, with minimum documentation and in less time as compared to traditional banks. The P2P model brings together both lenders and borrowers via this platform, making it easier for both lenders and borrowers to fulfil their needs. Borrowers can acquire cash at a lower interest rate than banks, while lenders can earn higher interest than bank deposits.

Methodology

The current study investigates several aspects of the Indian "online peer-to-peer lending market." It's an exploratory study that aims to provide insight into the perceptions of investors and borrowers of this platform. The study identifies how effective this P2P platform is for investors, borrowers, and the government and also provides insight into which socio-demographic parameters have the most significant impact on the perception of investors and borrowers for the adoption of P2P services. Data is gathered through the completion of a questionnaire in order to

determine public knowledge of the platform, which socio-demographic characteristics influence its use in general, and whether respondents have knowledge about different charges and GST paid by them. The survey's sample size is 140 people, taken by applying a formula for sample size calculation, and respondents are selected on the basis of judgmental sampling. The reliability of the questionnaire is 0.939. The data was analyzed using SPSS software. The research is based on both primary and secondary sources of information.

Sample size is selected as follows:

$N = Z2*p(1-q)/e2$

The sample size is taken at a 95% confidence level as the data is collected accurately, so the probability is taken at 90% and the error margin is 5%. From this, the researcher gets 138 as a sample size, so the sample size for this research paper is 140.

Descriptive Statistics: -Table:1

		Frequency	Percent
Age of Respondents	**Below 25**	5	3.6
	Between 25 to 35	97	69.3
	Between 35 to 50	29	20.7
	Above 50	9	6.4
	Total	140	100.0
		Frequency	Percent
Gender of Respondents	**Male**	82	58.6
	Female	58	41.4
	Total	140	100.0
		Frequency	Percent
Qualification of Respondents	**Professional Course**	25	17.9
	Masters	50	35.7
	Bachelors	27	19.3
	Others	38	27.1
	Total	140	100.0
		Frequency	Percent
Designation of Respondents	**Student**	18	12.9
	Professional	48	34.3
	Housewife	14	10.0
	Job Seeker	31	22.1
	Businessman	29	20.7
	Total	140	100.0

Table 1 shows some of the respondent's demographic variables, such as age, gender, designation, and qualification. It clearly indicates that most of the respondents in the survey are professionals who belong to the age group of 25 to 35. As this shows, 69.3% of respondents belong to the age group between 25 and 35. They are a younger generation, and this generation mostly believes in new platforms and tries these platforms, so respondents are chosen by keeping all these things in mind. Among the respondents, 58.6% are males, 35.7% have completed their masters, and 34.3% belong to professions. One of the research papers based on US responses finds that traditional banking lenders frequently discriminate against female borrowers. Female borrowers, on the other hand, have a better likelihood of receiving funds on a peer-to-peer lending platform than male borrowers. The success of female borrowers on a large German peer-to-peer lending platform was investigated in this paper. Several robustness checks back up the conclusion that gender has no bearing on a borrower's chances of receiving funds on this platform, ceteris paribus. As a result, the "wisdom of the lending crowd" appears to alleviate female prejudice (Barasinska& Schäfer, 2014). Finally, it is concluded that when people choose to use a peer-to-peer lending platform, there is no gender discrimination. So now, women who are busy with their lives or who want to invest in their savings or borrow money for their necessities can do so through this platform, earning interest on their savings while indirectly generating revenue for the government.

Inferential Statistics

The objectives of research paper have been analyzed based on the following table.

Objective 1: To identify the perception of investors and borrowers towards Peer-to-Peer lending platform.

The following table helps to identify the perception of them:

Table: 2

S. No	Perception will be measured based on these variables	Items
1st Variable	Services of P2P lending platform effect the perception of Investors and Borrowers	Availing Loan from "Peer-to-Peer lending platform"
		"Peer-to-Peer lending platform" is the most preferred platform for financial requirement
2nd Variable	Availing Loan from Peer-to-Peer lending platform	Frequency of Loan from Peer-to-Peer Lending Platform
		Recommendation about platform to others

Table: 2.1

Services of P2P lending platform effect the perception of Investors and Borrowers * Availing Loan from Peer -to-Peer lending platform Crosstabulation				
		Availing Loan from Peer-to-Peer lending platform		
		Yes	No	Total
Services of P2P lending platform effect the perception of Investors and Borrowers	Yes	88	8	96
	No	0	44	44
Total		88	52	140

In the above table, the researcher applied crosstabulation between the respondents whose perception is being affected by this loan lending platform and the respondents who are taking loans through this platform. It was found that 96 respondents agreed that this platform affected their perception of loan preference platforms. 88 respondents' perceptions changed in a positive way, and they availed loans from this platform, whereas 52 respondents' perceptions were that this platform does not affect their perceptions of borrowing and investing on this platform.

The same is said in one of the research papers based on the Chinese P2P platform that says P2P lending is more prevalent in locations with higher mobile phone subscriptions, fewer fixed asset investments, and a smaller traditional banking industry, according to the report (Stern et al., 2017). This is also the reason that the responses collected from respondents showed a positive effect on their perception and that they took loans through this platform. This is also a positive sign for government revenue generation.

Table:2.2

Services of P2P lending platform effect the perception of Investors and Borrowers * "Peer-to-Peer lending platform" is the most preferred platform for financial requirement Crosstabulation					
		"Peer-to-Peer lending platform" is the most preferred platform for financial requirement			
		Agree	Disagree	Neutral	Total
Services of P2P lendingplatform effect the perception of Investors and Borrowers	**Yes**	88	0	8	96
	No	0	44	0	44
Total		88	44	8	140

From the above table, it is clearly seen as a good sign for the government. It indicates that out of 96 people who said that their perception is being affected by this loan lending platform, 88 agreed with this, meaning that they mostly prefer this platform for their loan purposes, whereas 44 people who said that this platform does not affect their perception totally denied that most of the time, they prefer this platform. But still, the majority of youngsters prefer this platform as they find benefits in it, and they also contribute to the GDP of India by paying taxes to the government.

Table:2.3

Availing Loan from Peer-to-Peer lending platform * Frequency of Loan from Peer-to-Peer Lending Platform Crosstabulation					
		Frequency of Loan from Peer-to-Peer Lending Platform			
		One time	More than one time	Not Applicable	Total
Availing Loan from Peer-to-Peer lending platform	**Yes**	41	47	0	88
	No	0	0	52	52
Total		41	47	52	140

The above table finds that if people are availing loans through this platform, then how frequently are the respondents using this platform? to gain the trust of lenders and to make both borrowers and lenders knowledgeable of each and every aspect of P2P platforms. This platform provides transparent help and makes people feel that they are providing loans to the person of their choice, so more

people will be attracted to it. Instead of charging a commission, this platform collects various service fees that are listed on their websites and conducts legal business under the supervision of the RBI. So, the government gets more indirect revenue as more investors and borrowers conduct frequent transactions on transparent loan lending platforms.

Table: 2.4

Availing Loan from Peer-to-Peer lending platform * Recommendation about platform to others Crosstabulation					
		Recommendation about platform to others			
		Yes	**No**	**Not Applicable**	Total
Availing Loan from Peer-to-Peer lending platform	**Yes**	82	6	0	88
	No	0	0	52	52
Total		82	6	52	140

The above table indicates that out of 88 people who are availing loans through this platform, 82 people recommend it to others too. It is clear from this that more and more people are availing loans through this platform, and they are

recommending it to others. So, if people find this platform to be simple and transparent, they will invest in or borrow legally through it, thereby contributing to the country's development.

Table:2.5

Correlations			
		Services of P2P lending platform effect the perception of Investors and Borrowers	**Availing Loan from Peer-to-Peer lending platform**
Services of P2P lending platform effect the perception of Investors and Borrowers	Pearson Correlation	1	.881**
	Sig. (2-tailed)		.000
	N	140	140
Availing Loan from Peer-to-Peer lending platform	Pearson Correlation	.881**	1
	Sig. (2-tailed)	.000	
	N	140	140
**. Correlation is significant at the 0.01 level (2-tailed).			

The above table indicates that the services of P2P lending platforms affect the perception of investors and borrowers, and the loans availed by them from P2P platforms are highly correlated, as the correlation between them is 0.881, which lies between +1 and +0.75, which indicates a high

degree of correlation between them. So, it is clear and true that as more people get to know about this platform at a rapid pace, lenders and borrowers use it to fulfil their financial needs, and the government gets revenue from it in the form of GST.

Table:2.6

Correlations				
			Services of P2P lending platform effect the perception of Investors and Borrowers	"Peer-to-Peer lending platform" is the most preferred platform for financial requirement
Services of P2P lending platform effect the perception of Investors and Borrowers	Pearson Correlation		1	.645**
	Sig. (2-tailed)			.000
	N		140	140
Peer-to-Peer lending platform is the most preferred platform for financial requirement	Pearson Correlation		.645**	1
	Sig. (2-tailed)		.000	
	N		140	140
**. Correlation is significant at the 0.01 level (2-tailed).				

From the above table, the researcher can say that respondents' most preferred platforms for financial requirements and the services of P2P lending platforms affect the perceptions of investors and borrowers in a moderately correlated manner. The correlation between them is 0.645, which lies between +0.75 and +0.25, indicating a moderate degree of correlation between them. One of the researchers investigated many other decisions that lenders make when investing on this platform by polling 109 Indonesians about the characteristics of lenders and their perspectives on familiarity, service quality, security protection, borrowers' reputations, borrowers' information, perceived benefits, perceived risk, trust to the borrower, trust to the intermediary, and willingness to lend in P2P lending applications. This research implies that attractive investment returns and prospective borrowers' quality assurance are the most critical factors influencing lenders' willingness to lend (Abdullatif et al., 2020). So, this platform has to make an effort to maintain these choices so the people use this platform and contribute to society by paying proper tax on the service provided to them.

Inferential Statistics

The objectives of research paper have been analyzed based on the following table.

Objective 2: -To analyze the effectiveness of "Peer-to-Peer lending platform" for investors, borrowers and government.

Table:3

Variables	Objective
Availing Loan from Peer-to-Peer lending platform	Registration fee paid on various P2P platform

Table:3.1

Registration fee paid on various P2P platform * Availing Loan from Peer-to-Peer lending platform Crosstabulation				
		Availing Loan from Peer-to-Peer lending platform		
		Yes	No	Total
Registration fee paid on various P2P platform	No Fee	11	0	11
	Below 500	12	0	12

		Availing Loan from Peer-to-Peer lending platform		
		Yes	No	Total
	Between 500 to 700	38	0	38
	Between 700 to 900	22	0	22
	Above 900	5	0	5
	Not Applicable	0	52	52
Total		88	52	140

From the above table, it is said that most of the people who are availing loans through this platform pay a registration fee of between \$500 and \$700. If it is calculated that out of 140 respondents, 38 respondents who avail loans through this platform pay 18% GST, then the minimum tax collected was (500*18/100*38) = 3420. This is just the minimum tax on the registration fee. Apart from this, there are many other charges on which tax is to be paid. So, if we calculate the GST paid by the whole population of India through this loan lending platform, this will play a huge part in generating government revenue and in the growth of the country's GDP.

Table:3.2

Correlations				
			Registration fee paid on various P2P platform	Availing Loan from Peer-to-Peer lending platform
Registration fee paid on various P2P platform		Pearson Correlation	1	.868**
		Sig. (2-tailed)		.000
		N	140	140
Availing Loan from Peer-to-Peer lending platform		Pearson Correlation	.868**	1
		Sig. (2-tailed)	.000	
		N	140	140
**. Correlation is significant at the 0.01 level (2-tailed).				

The above table indicates that obtaining loans from "peer-to-peer lending platforms" and the registration fees paid by them on various platforms are highly correlated. Researchers can say that the correlation between lenders, borrowers, and the registration fee paid by them had a high degree of correlation because it resulted in +0.868, which lies between +1 and +0.75. Due to this result, we conclude that if this platform grows, it will be directly beneficial to the government. As a result, more investors invest in P2P platforms, more borrowers get their financial requirements fulfilled, and both parties pay service charges, which benefit these platforms. In addition, indirectly, the government gets revenue in the form of GST through these platforms. So, all growth is directly correlated with lenders and borrowers.

Conclusion

The goal of this research is to educate customers on the taxation policy of peer-to-peer lending as well as evaluate the effectiveness of the peer-to-peer lending platform for investors, borrowers, and the government. This totally digitalized green financial platform is beneficial to the environment as well as to society, as many people still do not have knowledge about the complete policy of this platform. As many literature reviews of international journals has been done, through that it is concluded that this platform has been successful and most of the people are totally using this platform for their financial requirements. In India, as this platform is regulated by the RBI, it will gain more trust among people and grow at a fast pace, which will

indirectly generate huge revenue for the government. At present, researchers have concluded this from a survey conducted among 140 people. Researchers found that this platform had affected the perceptions of 96 people. Borrowers who need a small amount for emergencies have to visit the traditional bank many times, but due to a lack of a CIBIL score and many other formalities, the loan is either rejected or takes too much time to pass. So, they usually prefer friends and family to fulfil their financial needs, which indirectly reduces the revenue of the government. On the P2P platform, the loans are passed too quickly, and the borrowers do not have to wait too long. In the case of lenders, those who are not ready to take a risk and are happy with a small amount of return deposit their money in FDs or save their A/Cs. Similarly, lenders who are ready to take higher risks can invest in the stock market or mutual funds, but they do not have proper knowledge of this platform, which is an indirect loss for investors, borrowers, this platform, and the government too. If this platform is regulated properly by the RBI, then it could be a great way to balance the demand and supply of money needed in less time, with minimum formalities and documentation, and with a higher rate of return to the lenders. Because it is fully digital, based on custom assessments, has adjustable lending amounts and lock-in periods, and is efficiently regulated by the RBI, P2P lending is thought to deliver more inclusive financial solutions to different sections of society in India. The industry is also gaining popularity among millennials, who believe in investing for the future and are more comfortable with digital transactions. The industry has become a popular choice for funding MSEs, holiday loans, medical emergencies, education, and so on.

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