IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Peer To Peer Lending In India-A Study Of Lenden Club

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Abstract: In Modern times, financial operations of the NBFCs are far superior in terms of hassle free approach to customer, approvals of loans and accelerated disbursement of the sanctioned loans because of the Integration of Innovative financial services with the Technological solutions. One of such arrangement is peer to peer lending (P2P), an online lending platform. It can be defined as "the use of an online platform that brings lenders and borrowers together in order to provide unsecured loans. People who want to borrow money (borrowers) connect with people who have money to lend (lenders)". The main characteristic of peer-to-peer lending is that both the parties do not have any relationship existing between them and still can have a safe and successful transaction. It is a win-win situation for both, as borrowers can get credit with fewer hassles and lower interest rates, while lenders can gain higher returns on their invested capital. RBI has issued guidelines to regulate peer lending companies as non-banking financial companies (NBFCS) under section 451 (f)(iii) the RBI Act. At present, there are 26 P2P lending platforms registered with RBI. The paper is prepared to scrutiny the overview of P2P Lending, policy guidelines of RBI and performance of one of the leading P2P companies viz LenDen club. Analysis reveals that it is an upcoming sector in the Indian financial sector landscape exhibiting a growth of more than 10 times in one year since its evolution in 2012. In 2023 year, peer-to-peer lending has seen a large number of new entrants into the market. Till date, 3-3.5 million investors have opened investment accounts across various P2P lending platforms in India. Further, these Platforms have invested approximately Rs 20,000 crore in loans. This sector is playing pivotal role in bridging the gap between Traditional banking system and unmet financial needs of individuals and SME business. This alternative lending model not only enhances access to credit but also fosters financial inclusion and empowers a broader spectrum of individuals to participate actively in India's growing economy. In recent times, most of the small investors finding this sector more profitable than the equity market with less risk. Hence, RBI has to sharpen its regulating teeth to protect the small investors. Performance analysis of LenDen club reveals that more than 1 crore customers have registered with Rs. 13693 crores invested since its inception. It has been a largest P2P with an annual growth of 400%. In the forthcoming years, the platform of P2P lending will be great source of finance individuals and SME businesses. .

***Index Terms* -** P2P lending; NBFCs; RBI, Financial inclusion; Equity market; Growing economy; Performance Analysis; SME Business.

I. INTRODUCTION

In Modern times, financial operations of the NBFCs are far superior in terms of hassle free approach to customer, approvals of loans and accelerated disbursement of the sanctioned loans. This has become possible because of the Integration of Innovative financial services with the Technological solutions. This development gave birth to the Fintechs. Advancements and innovations in Technology and Web world are changing the functioning of financial markets rapidly. Online transactions including electronic wallets are causing a lot of challenges to traditional banking. One such challenge is the emergence of Peer to Peer (P2P) lending. Peer to peer lending is an alternative form of raising funds for business, especially for SMEs and individuals through online platforms. Peer to peer lending mainly aims to meet the increasing demand for working capital from borrowers and for greater yields from investors. It can also be defined as "the use of an online platform that brings lenders and borrowers together in order to provide unsecured loans. People who want to borrow money (borrowers) connect with people who have money to lend (lenders)". The main characteristic of peer-to-peer lending is that both the parties do not have any relationship existing between them and still can have a safe and successful transaction. Since peer-to-peer lending companies operate online, they can run with lower overhead cost and provide the service a lot cheaper than traditional financial institutions. As a result, lenders can earn greater returns when compared to Savings and investment plans offered by banks, while borrowers also can borrow money at lower rates of interest. The Reserve Bank of India (RBI), in the month of August 2017 regulated peer lending companies as non-banking financial companies (NBFCS) under section 451 (f)(iii) the RBI Act. Peer-to-peer (P2P) lending websites serve as marketplaces where borrowers and investors can interact with each other without depending on intermediaries like banks, NBFCs, etc. It is a win-win situation for both, as borrowers can get credit with fewer hassles and lower interest rates, while lenders can gain higher returns on their invested capital. One who wants invest in P2P lending sites needs to register as a lender and start investing. The best part is that lenders can choose whom to invest in. Borrowers are listed on such websites based on their creditworthiness, enabling lenders to invest as per their risk appetite. This paper attempts to present overview of peer to peer lending in India and to analyse the performance and growth of one of the leading peer to peer lending company LenDen club.

1.2 Operational Model of P2P lending

The Modus Operandi of P2P Lending Process is listed below:

i) The platform provides assistance to the public by giving out a list of lenders and their respective terms and conditions. ii) The process begins by people signing up to the various lending platforms as a borrower or as a lender. iii) A borrower submits an application for availing a loan along with his details and KYC documents. iv) The platform then identifies the credit worthiness of the said borrower. A credit check is conducted to identify the risk involved in investing in a particular borrower and this further determines the rate of interest. v) The profiles of the borrowers are seen by various lenders. They then review these profiles and can ask further questions before deciding whether to invest in them or not. vi) Such platforms allow lenders to directly lend to other people by having them register and providing their ID and address proof. vii) Once the loan offered by the lender is accepted by the borrower, the platform then proceeds on preparing a loan agreement document which is signed by both the parties.

viii) The money is divided up into units which are generally termed as 'Notes'. However, there is no fixed value and it varies with the platform. ix) Subsequently, the lender makes an online payment of the loan amount and the borrower pays back to the lender online in equated monthly installments. x) Both the lenders and the borrowers subsequently pay an amount as commission to the platform for the said services it provides.

1.3 Benefits of P2P lending

1.3.1 Invest Seamlessly: Top P2P lending platforms are powered by AI. Thus, several tasks like choosing borrowers or reinvesting funds as soon they are received are automated leading to more seamless investing experience.

1.3.2 Higher Return on Investment: Investing in P2P lending platforms yields higher returns than traditional investment avenues like FDs. Moreover, the return rate does not fluctuate like the stock market, making P2P lending websites a viable alternative if you are looking for more stable investment options.

1.3.3 Options for Diversification: A significant benefit of investing in P2P lending websites is diversifying risks by investing across multiple borrowers. One can spread capital among borrowers with different levels of creditworthiness and minimise losses in case any of them go bankrupt.

1.4 Rationale of the Paper:

India's financial system is driven by banking system. Traditional bank led lending system characterised by complex creditworthiness checks, heavy paper work, stringent policies of bank for granting loans and having a fixed rate of interest. This has almost closed the doors of loan finance to small and medium-sized businesses (SMES) and individual borrowers as they are considered to be risky. SMES contribute around 38% to the GDP, but they face arduous challenges in accessing credit. SMEs have a disadvantage when dealing with a capital market regarding credit rationing and finance gaps. P2P lending has emerged as alternative lending instrument or platform to connect investors and borrowers to consolidate debt for lower or attractive interest rates without involvement of middlemen with greater flexibility. It helps individuals access quick funding for various personal utilities. Small, micro and medium entrepreneurs get funding for their existing business and startups. According to the CIC (Credit Information Company) Report, there are approximately 200 million credit-active individuals out of a total working population of 400 million in the country. The number of digital lenders has grown significantly in recent years and is expected to grow even more in order to fill this massive credit gap. Hence, present paper assumes significance.

2.0 Review of Literature

The scrutiny and review of earlier important Research works revealed certain specific gaps and thrust areas as well. A brief presentation of the same is done below:

Michael Klafft (2008) presented the analysis of a US P2P lending platform Prosper.com to find whether lenders are able to obtain an attractive return on their investments despite information asymmetries. Further, analysis is extended to study if borrower's information as presented on the platform reduces information asymmetries or not. Finally concluded that P2P lending proved to be unprofitable due to large number of loan defaults and suggested rules for lenders for safety of investments.

Sebastian Christoph Moenninghoff, et al. (2012) highlighted the importance of risk management in peer-to-peer due to its potential macroeconomic implications for the stability of financial system. Increased institutional funding in p2p lending lead to introduction of funded risk management. The major driving forces for growth of peer to peer financing are innovation and increased internet penetration and its may get influenced by innovations in asset transformation, information processing, liquidity and payment services.

Gordon Burtch, et al. (2013) analyzes individual lending transactions from country to country between 2005-2010 on Kiva.org (global P2P lending service). Further, study describes that lenders prefer borrowers of similar culture and from geographical proximate areas. Role of third-party institutional trust mechanism is important to mitigate the negative effects of cultural differences.

Traci L. Mach (2014) studies the patterns of peer-to-peer borrowing by small businesses on Lending club which is one of the largest P2P lending companies in the USA. Logistic regression over data from individual loans and applications establishes that loans for small businesses were more likely to be funded than the ones designated for other purposes. The policymakers are suggested to closely observe levels and terms of lending to small business owners as they are now increasingly opting for P2P platforms due to easy procedures as compared to the traditional banks.

Garry Bruton, Susanna Khavul, Donald Siegel and Mike Wright (2014) in their article "New Financial Alternatives in Seeding Entrepreneurship: Microfinance, Crowd funding. and Peer-to-Peer Innovations" have highlighted that New financing alternatives, like microfinance, crowd funding and peer-to-poer lending, have expanded a lot. Till the date of the article, some studies have investigated the antecedents and consequences of these financing mechanisms.

Pushpa BV, et al. (2016) explores the reasons for the rise of P2P lending culture in the Indian market. The study establishes that this financial innovation aims to benefit the lenders, borrowers and other players who provide ancillary services for the disintermediation of credit. The study analyzes the data collected from Faircent.com which is a leading P2P platform in India to conclude that this form of lending has huge scope.

T. Anun (2017) in his article "A Stuty on Peer to Peer Lending in India with reference to Faircent Company" has highlighted that Peer to peer lending is gaining attraction over the recent few years and it seems to become more popular in future. India is still in a growing stage of peer to peer lending finance. By 2020 India will be having more than 1 billion internet users. They will be having 24/7 online loaning facility. So, undoubtedly there will be a different future for peer to peer lending in India.

Gaddam Naresh Reddy et al. 2020 presented an overview of peer to peer lending position in india along with the performance of first p2p lending company Faircent in India.

3.0 Objectives of the Study

The present paper is guided by the following objectives:

i) To present the overview of P2P lending in India since its inception,
ii) To evaluate the P2P lending regulation in india
iii) To analyse the performance of one of the leading P2P company "LenDen club"

4.0 Methodology

The present study is descriptive and analytical in nature and based on secondary sources. The data is obtained from various Journals, News papers and Websites kind of secondary data sources. For performance analysis of LenDen club, data from January – December,2023 collected.

5.0 An Overview of the Peer to Peer Lending Industry of India

Globally, rapid growth in volume and number is witnessed in P2P lending activities. USA, UK and China have been dominating the World in terms of P2P lending. UK was the first country to start a P2P lending online platform named *Zopa*. But, in India this concept emerged in the year 2012. As an Industry, is at very nascent stage with limited operating history, P2P lending has already established itself as a viable and regulated alternative lending option in India. Faircent is the first P2P lending platform registered with RBI and received the NBFC-P2P license the year 2013. At present, there are 26 P2P lending platforms such as LenDenClub, Faircent and LiquiLoans IndiaP2, registered with RBI. Then there are financial technology companies, or fintechs, such as BharatPe's 12% Club and MobiKwik Xtra that have tied-up with NBFC-P2Ps to offer lending services to their customers. It is an upcoming sector in the Indian financial sector landscape exhibiting a growth of more than 10 times in one year since its evolution. Consolidated financial analysis cannot be undertaken due to non-availability of such data. However, various P2P platforms have reported an average return of 12% -30% for their lenders. Broadly speaking, low risk borrowers will get an interest rate of 12% - 13% while rate for high risk borrowers is 25%-30%. It is evident that the average risk of investing in P2P is less. Also, the returns are at par or even higher compared to the equity market. Over the last calendar year, 2023 peer-to-peer lending has seen a large number of new entrants into the market. P2P lending firms such as LenDen Club and Faircent have estimated the number of new joiners to be in lakhs. "Till date, at least 3-3.5 million investors have opened investment accounts across P2P lending platforms. While this may seem small compared with mutual funds, it is significant. P2P lending platforms in India have invested approximately Rs 20,000 crore in loans, with a combined outstanding AUM (assets under management) of around Rs 4,000 crore," says Bhavin Patel, Co-founder and CEO of LenDenClub.

Though P2P lending is an attractive deal for borrowers and lenders, these platforms charge one-time registration charges and a processing charge for every transaction. The processing charges can vary between 1% to 10% which usually dependent on the platform and loan amount.(*Source: Bankbazar.).* Personal loans constitute major proportion in P2P loans but other reasons for borrowing are financing of education, buying real estate, debt refinancing, getting secured business loan and loan for machinery. Each platform use different criteria to select borrower. These criteria include credit score, subpar credit scores, special category of customers like small and medium enterprises.

"We use an advanced, technology-driven process of verification that assesses a potential borrower on more than 120 criteria and over 400 data points, based on the personal or financial information and documentation provided. We also undertake physical verification at both the residence and the workplace of the borrower," says Rajat Gandhi, Founder and Chief Executive Officer of Faircent. All the data collected is then processed with an algorithm to evaluate the borrower, categorize them based on risk (low, medium, high and very high risk borrower) and determines the amount, tenure, and interest rates to be assigned for each loan.

How do these platforms decide interest rates to be paid to investors? The math goes something like this: If the money is lent to the borrower at an annual interest rate of 23 per cent, assuming the average loan tenure is six months and non-performing asset (NPA) rate for every cycle of around 4 per cent, and platform facilitation fees of 3 per cent per annum, then the returns for lenders or investors works out to 12 per cent per annum (23-8-3=12).

These platforms encounter with risks like fraud, platform failure, and loan default. Use of Robust artificial intelligence and machine learning algorithms helps hyper-diversification investment funds to as low as Re. 1 which tremendously mitigates risk while enabling the lender to earn high returns on their investment. For example, if Rs 1 lakh is divided into 50,000 loans with just a Rs 2 exposure per loan, it will not impact the returns of the portfolio.

Top P2P lending Platforms in India in 2023

Platform Name	Value Proposition	Return
Faircent	India's first P2P lending platform	8.25%- 12%
Finzy	Highly customer-centric with flexible repayment options	10.99%
LenDenclub	India's largest P2P lending platform	15.00%
LendBox	Flexible liquidity options allow you to withdraw even before the loan term ends	14.00%
Liquiloans	Capital is distributed across 200+ borrowers, reducing risk to a bare minimum	10.50%
Cash Kumar	Offers flexible tenures and high liquidity	12.00%
i-Lend	A unique borrowing model allows investors and borrowers to decide the loan terms	15.00%
Paisa Dukaan	Attractive rate of interest ranging from 12% to 24% [Now Shut]	12%-24%
Rupee Circle	Offers high returns of up to 22.5% per annum	12%-30%

Source: https://decentro.tech/blog/top-p2p-lending-platforms/

5.1 India P2P Lending Market Drivers: Significant Drivers feeding P2P are presented below.

i) Online Payment Infrastructure

High penetration of smartphone combined with infrastructure such as Adhar, UPI, Digilocker, eKYC, eSign, BHIM and Indiastack made easy for many lenders to enter into P2P platform. The security of these transactions is ensured using modern encryption technology and even blockchain and smart contracts. The soaring popularity of UPI is evident from its impressive transaction value of INR 12.82 Lakh Cr in December 2022, with added benefits like real-time checks of account balance and transaction history, further enhancing the appeal of P2P lending.

ii) Demand from SMEs and consumer credits

P2P lending is seeing increased demand from small and medium businesses and consumer credits due to strict credit policies followed by banks. This is driving customers to turn to P2P social lending platforms that have relatively faster credit approvals. According to statistics from the Peer to Peer Finance Association (P2PFA), the net lending flow to small and medium enterprises on P2P platforms has seen significant growth compared to net lending by banks.

iii) Block chain based P2P Lending

Block chain technology eliminates intermediaries from Peer to Peer lending process. Hence, adoption of block chain in P2P lending will make the entire process transparent and reliable for both lenders and borrowers. The increased transparency is expected to increase demand from Individuals, SMEs and others.

iv) Increased Gross Domestic savings rate

India's higher gross domestic savings rate, standing at 26.2% in the first half of FY23, further bolsters the growth of P2P lending. Compared to countries like the US (approximately 17%) and the UK (approximately 15%), India's elevated savings rate enables investors to lend on P2P platforms at more favorable rates and shorter terms, creating a favorable landscape for the expansion of the P2P lending market in India.

5.2 India P2P Lending Market Overview

According to IndustryARC™ (The Leading Provider of Market Research Reports, Custom Consulting Services, Data Analytics and Industry Analysis) research, the India P2P lending Market size forecast is to reach **$10.5 billion by 2026 and** growing at a **CAGR of 21.6%** during the forecast period 2021-2026. This growth is attributed to increasing transparency in P2P lending with technologies such as **Block Chain** and **Smart Contracts** being incorporated into lending platforms. The Indian Government's enthusiastic promotion of cashless technologies has also managed to restructure the financial sector, disrupting the long-held monopoly of traditional institutions like banks. Platform-based lending will invariably gain huge momentum over the forecast period. P2P lending is gaining market growth from the risk-averse investor's standpoint due to the fact that this business has progressed governing this type of social lending.

The Real Estate application is expected to witness the fastest growth at a CAGR of 25.7% during the forecast period 2021-2026. The real estate industry is looking at Peer to Peer lending as the best alternative to traditional financial institutions. Real estate projects often require large amounts of investment which makes it difficult for real estate developers to acquire loans from financial institutions. This is a major reason driving developers to opt for P2P social lending platforms. Additionally, restricting credit regulations in banks and other financial institutions is anticipated to benefit the growth of the market, as the demand from the SMEs and consumer credit front increases.

5.3 Challenges of P2P Lending

i) The most significant risk in P2P lending is **credit risk** that borrowers may fail to repay their loans. Further, no insurance support for lender to the mitigate loss on default. In case of a default, P2P platforms may use a combination of soft and hard collections to collect missed payments on the lender's behalf. Soft collections may include contacting the borrower to remind them of their payment due date or sending them a letter or email. Hard collections may include taking legal action against the borrower or working with a collection agency to recover the debt.

ii) Perils of **fraudulent activities**: Among the most pressing concerns is the threat of identity theft, where fraudsters fabricate borrower identities or misuse legitimate information to secure loans, thereby jeopardizing the integrity of lending transactions.

iii) The **vulnerability of platform** security systems which can lead to unauthorized access to sensitive data and financial loss. Additionally, the risk of collusion between borrowers and lenders to exploit the platform for unfair gains further exacerbates the complexities of managing fraud.

iv) **Balancing between user convenience with stringent security measures** is a big challenge, therefore, P2P platform has to devise a system that is both robust against threats and fluid enough to facilitate a hassle-free user journey, ensuring that security enhancements do not deter potential users but rather instill confidence in the platform's reliability.

v) **Data breaches** are a critical threat to the trust and security foundational to P2P lending platforms. When sensitive information is compromised, it not only poses a direct financial risk to users but also erodes confidence in the platform's ability to safeguard personal and financial data.

vi) Some **Business practices** adopted by NBFC_P2P are not in line with the regulatory guidelines. RBI Deputy Governer Rajeshwar Rao made it clear that breach of licensing conditions and Regulatory guidelines is non-acceptable. He called out NBFC-P2Ps for underplaying risks through various means such as promising high or assured returns, structuring the transactions, providing anytime fund recall facilities, etc.

vii) Over the last two years, large P2P platforms with captive user base started to see higher volume and in turn better customers. But in the effort to acquire customers quickly, some of them started **selling risky P2P loans** as attractive investment opportunities, which irked the regulator.

viii) The RBI is unhappy with **return-based rates** offered by certain platforms on P2P investments. Perhaps the regulator wants the industry to go back to fixed rates on loans disbursed.

6.0 RBI Guidelines for regulating Peer to Peer lending in India

The Reserve Bank of India (RBI) classifies peer-to-peer (P2P) lending platforms under the Non-Banking Financial Companies (NBFCs) category. Best P2P lending platforms are an integral part of the Indian financial ecosystem. The Indian financial ecosystem has seen major shifts in the way banking entities and NBFCs are choosing to raise debts. Now, let's explore the regulations that shape India's P2P lending ecosystem. Under RBI's Master Directions for NBFC Peer-to-Peer Lending Platform, the following guidelines were issued in 2017:

6.1 Registration process

All prospective P2Ps are required to get themselves registered as NBFC by submitting an application to the Department of Non-Banking Regulation, Mumbai. The then existing NBFC-P2Ps were given three months from the date of issuance of directions to comply with the registration process. The P2P platforms thus obtain the Certificate of Registration (CoR) from RBI to commence and carry P2P business. The entity should submit a plan for a robust and secure IT system along with a viable business plan. Such CoR can also be canceled by the RBI on the failure of NBFC-P2P to comply with required conditions.

6.2 Requirement of a certain amount of Net Owned fund:

The P2P lending platforms seeking registration should have net owned funds of at least Rs.20 million or such higher as may be specified. This is to ensure long-run protection of the interests of the lenders and borrowers and increase the industry's credibility.

6.3 Scope of activities:

An NBFC-P2P is allowed to act as an intermediary to provide an online marketplace to participants of P2P lending, take due diligence, undertake credit assessment and risk profiling, take prior consent of borrowers to access their credit information, undertake documentation, and provide assistance in disbursement and repayment of loans. The NBFC-P2Ps are not allowed to raise deposits, lend on their own.

6.4 Leverage ratio:

The NBFC-P2Ps are required to maintain a leverage ratio of 2:1. It is the ratio of debt against owned capital and not against the lending made on the platform to ensure higher financial stability.

6.5 Cap on lending and borrowing:

RBI requires that the aggregate exposure of a lender to all borrowers across all P2Ps should not exceed Rs. 10 lakhs at any point in time. The aggregate loans taken by a borrower across all P2Ps should also not exceed Rs. 10 lakhs at any time. Not just this but the exposure of a single lender to the same borrower across all P2Ps is also capped at Rs. 50,000. All such loans should have a maturity of maximum 36 months.

6.6 Operational guidelines:

NBFC-P2Ps are required to have board-approved policies to set eligibility criteria for participants, determine the price of services and set rules for matching lenders and borrowers. No loan should be disbursed unless the lender approves the recipient of the loan and both parties have signed the legal contract. The board should approve a business continuity plan for safekeeping of information and documents for all tenure in case of platform closure.

6.7 Escrow accounts:

RBI requires all fund transfers on P2P lending platforms through escrow accounts mechanism operated by a trustee which shall be promoted by the bank maintaining such accounts. At least two escrow accounts are mandatory; one for funds received from lenders and pending disbursal, and another one for collections from the borrower. All fund transfersare to be made through bank accounts and no cash transactions are allowed at all. It has made the financial transactions faster, smoother and much more secure.

6.8 Data submission to Credit Information Companies (CICs):

All NBFC P2Ps are required to become a member of all CICs and submit data to them including any historical data. NBFC-P2Ps are also required to keep credit information maintained by it and update it regularly on monthly basis or at any such interval as agreed.

6.9 Transparency and disclosure requirements:

An NBFC-P2P is entitled to disclose details about the borrowers, any terms and conditions regarding fees, taxes or return to the lenders. The borrowers should also be informed about the lenders, proposed amount, the interest rate offered but not the personal identity. The platforms are required to put on its website an Overview of the Peer to Peer Lending Industry of India, credit assessment methodology, facilities for data usage and protection, grievance redressal mechanism, portfolio performance, and broad business model.

6.10 Grievance Redressal:

NBFC-P2Ps have to put in place a board-approved grievance redressal policy to address participant's grievances. Complaints should be handled and disposed of within one month of the date of receipt in such manner as specified in its policy.

6.11 IT framework and data security:

NBFC-P2P's business model should be primarily IT-driven and such IT capabilities should be scaled up according to the size of business growth. There should be adequate safeguards to provide protection against unauthorized access, alteration, destruction, and dissemination of records.

6.12 Supervision and exemptions:

RBI can cause inspection of any NBFC-P2P at any time by its officers or employees. RBI can also exempt any NBFC-P2P from any of the provisions of the regulations. The RBI regulations have brought more legitimacy to the system along with the promotion of a structure and levelled field for all financial institutions.

Further, the Central Bank is introducing new regulations, such as strict creditworthiness, assessments, and know-your-customer (KYC) checks, to enhance transparency and combat fraudulent activities within the sector.

7.0 Analysis of Performance and Growth of One of the Leading Peer to Peer Lending Company "LenDen club"

LenDenClub is a largest Indian P2P lending platform owned and operated by Innofin Solutions founded in 2015, the company's headquarters are situated in Mumbai. It was started by Bhavin Patel(CEO,) and Dipesh Karki (CTO) in 2015 as a web-based platform. In 2016, the company received funding in a seed round led by Venture Catalysts and launched an Android-based application to connect borrowers with individual lenders. As on today, it has more than 1 crore registered customers base with Rs. 13693 crores invested since its inception. It has been a largest P2P with an annual growth of 400%. LenDen club team received the "Best Use of AI in Email Management" award at Quantic India's Data Analytics and AI Show 2024 for its Technology driven efforts. Core values of the platform are adoption of 100% digital process, greater fund diversification, no withdrawal fee and Zero account opening fee. It has entered into partnership by working closely with fintechs like Cred and BharatPe to source borrowers and lenders. LenDenClub has scaled down its partnership with BharatPe and has almost run down the portfolio by 70%, said cofounder Bhavin Patel. According to data shared by the company, its assets under management halved to Rs 944 crore in January 2024 from Rs 2,018 crore a year earlier.

This platform allows a borrower to take a loan starting from Rs. 1 to Rs. 10 Lakhs based on borrowers' risk profiling. Any investor on the platform can invest up to 5% of the loan amount to give a loan to a borrower. The investor uses auto investment algorithms to take an exposure of 5% per borrower or lesser. The capital matching algorithm enables the investor/lender to automatically invest his/her money into borrowers of the bucket/criteria chosen by him/her. This club charges fees from the investors/lenders varying between 0% to 5% unless specified otherwise in the borrower profile.

In any research work collected data presentation, analysis and interpretation for informed decision making through proper data presentation techniques plays a dominant role to provide clarity and content to the reader community. In this direction, a modest attempt is made to present the overall performance of the company on parameters like Disbursement of loans, rate or returns, NPA, Investment duration, Investment amount etc. The analysis is carried out on the database pertaining to calendar year 2023.

Table: 1

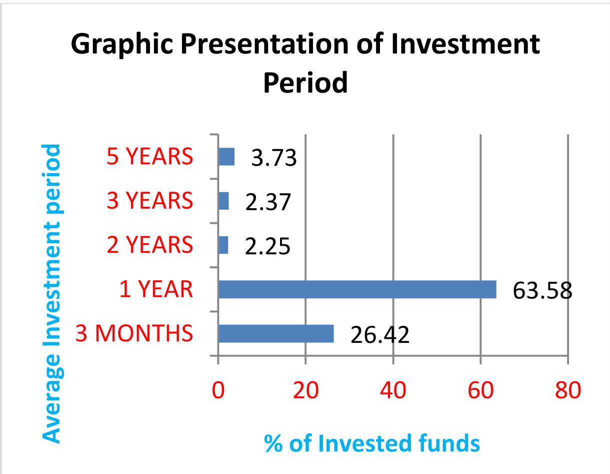
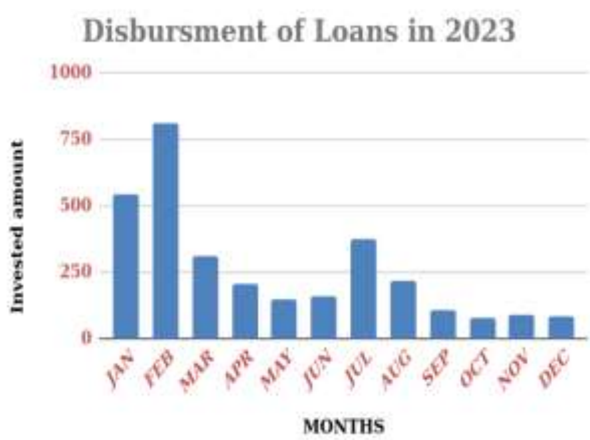


Table: 2

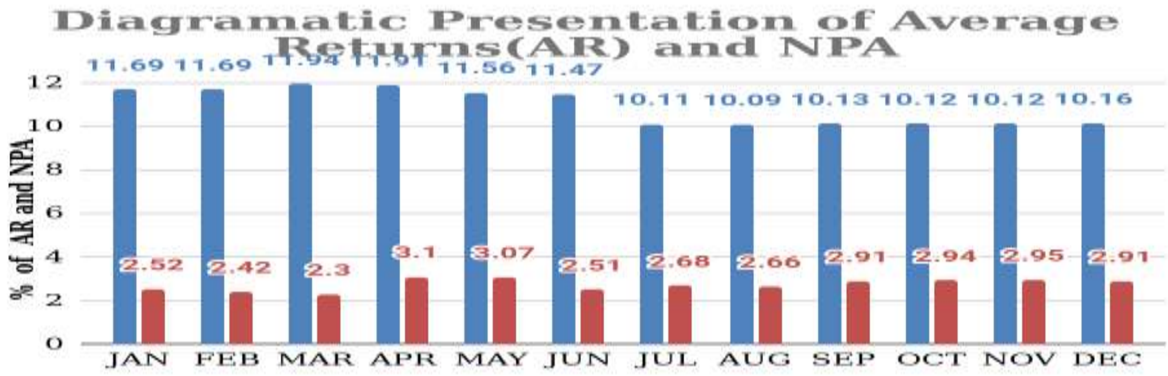


source: LenDen club website

Table :1 Presents quarterly disbursement of loans from 2020 – 2023. During this period maximum loan disbursement took place in Q3 and Q4 in 2022. This increase may be attributed to revival of economy after pandemic effect. A gradual increase in loan disbursement is observed from Q2, 2020 and reached a maximum of Rs. 2744.74 crores in Q3, 2022 followed by a decreasing trend in 2023 calendar year. **Table: 2** on observing the disbursement of loans in 2023 calendar year, Feb, 2023 touched the maximum disbursement amount by Rs.810 crores followed by Jan, 2023 with Rs. 542 crores as against Oct, 2023 registered with meager loan disbursement of Rs. 78 Crores. On the whole, a decreasing trend is noticed throughout the year with few exceptions.

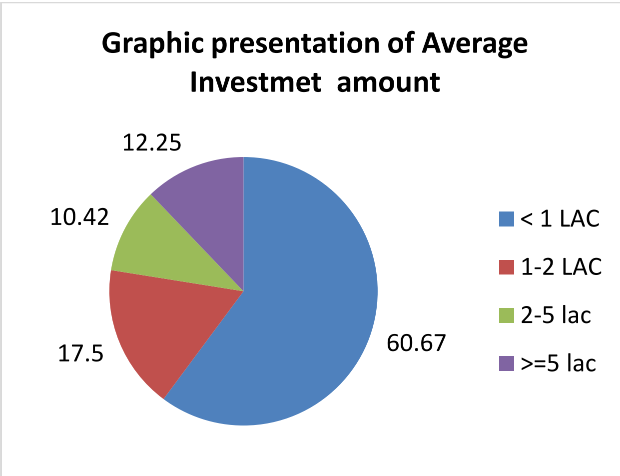
The field of financial services is much affected positively with Average Rate of Return (AR) and negatively with the NPA. As per RBI guidelines on any loan, 3 consecutive EMIs comprising of the principal amount and interest component is not collected means, it is to be declared as an NPA (Non performing asset). On this aspect, **Table: 3** present Average Return and NPA position during 2023 and reveals following results. The Minimum average return fetched is 10.09% and the Maximum is 11.94% as against the NPA at minimum of 2.3% and maximum of 3.1% which is within the RBI deadline thereby certifying that there is no alarming position of NPA's.

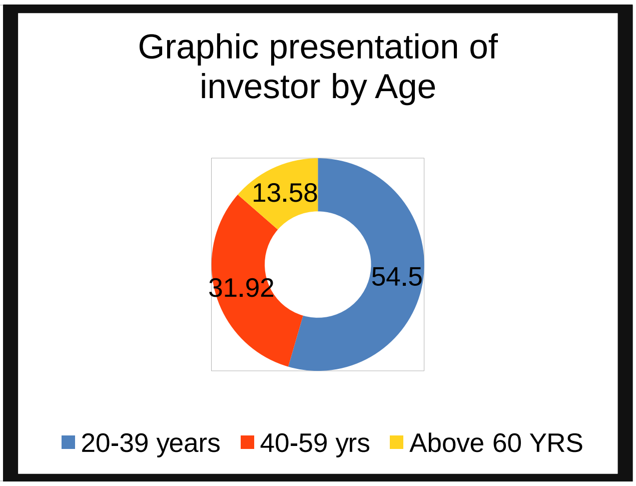
Table:3



source: LenDen club website

Table :4 **Table:5**

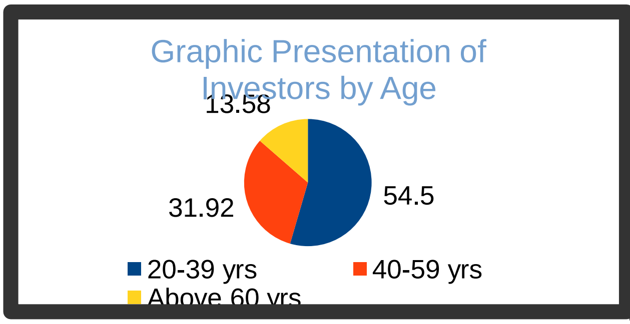


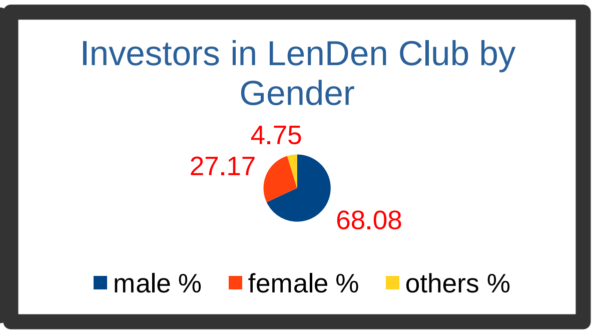


source: LenDen club website

Table: 4 presents Average investment period for the funds invested through this club. On an average, 63.58% of total funds are invested for one year duration. Reason behind this could be that short term investments are better suited for small investors and safety is ensured. Similarly, 26.42% of funds are invested for 3 months duration. **Table: 5** shows Average investment amount by participants/ investors. Approximately, 88% of investments channelised from investors with less than Rs 5 lac funding. Out of total investment, 60.67% constitute for less than one lac investment from each investor followed by 17% funds invested is ranging between Rs.1 lac to Rs. 2 lac. This phenomenon indicates that small individual investors finding this P2P lending platform as attractive investment avenue. Further, this platform catering the needs of small investor who cannot participate and neglected in organised investment system.

Table:6 **Table: 7**





Source: LenDen club website

Table: 6 : On the analysis of Investors who channelise their funds to this club, 54.5% of investors are in the age group of 20-39 years as against 31.92% are from 40- 59 years. Only 13.58% investors are of above 60 years age. This leads to conclude that young investors are investing more funds than the age old investors. **Table:7** prompts another interesting fact, that 68% investors are male and 27% are female investors actively participating. Most of investors are from western region.

On analysis of borrower's arithmetic data in 2023, age group of 25-34 years constitutes 40% in total borrowers as against 4% are from above 45 years. 52% of borrowers are male and 43% are Female. Borrowers from this club are scattered all over the India. 40% of borrowers are from southern region, 29% from northern region, 22% from Western region and 9% from Eastern region.

8.0 Conclusion:

Rapid advancement in Web based Technology has changed the functioning of financial markets. Eventually, P2P lending has emerged as Game changer in India's financial landscape offering dynamic and inclusive platform for borrowers and Investors alike. Since its inception, this sector has grown tremendously due to the factors such as wide spread adoption of UPI, high usage of smartphone, leading Fintech ecosystem, expanding lending market and higher rate of savings. AI and Machine learning has made P2P lending more secure and transparent practice safeguarding the investor against risk. This sector is playing pivotal role in bridging the gap between Traditional banking system and unmet financial needs of individuals and SME business. This alternative lending model not only enhances access to credit but also fosters financial inclusion and empowers a broader spectrum of individuals to participate actively in India's growing economy. On the other hand, investors must understand the uniqueness of each P2P lending plarform before investing in the instrument. A strong knowledge of the P2P ecosystem and viable investing strategy will help to become a successful P2P investor. The regulator RBI has to become proactive to protect the small investors. It must observe levels and terms of lending to small business owners as they are now increasingly opting for P2P platforms due to easy procedures as compared to the traditional banks. As the industry, P2P will become an integral part of financial landscape and facilitate the economic growth globally in general individual countries in particular for the years to come.

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