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A Pilot Study on the Effectiveness of Peer-to-Peer Lending Platforms: Evidence from Lenders and Borrowers in Bengaluru City

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Abstract

The rapid growth of Financial Technology (FinTech) has transformed traditional lending practices through innovative digital platforms, among which Peer-to-Peer (P2P) lending has emerged as an important alternative financing mechanism. By directly connecting lenders and borrowers through online platforms, P2P lending enhances financial inclusion, reduces transaction costs, and provides faster access to credit. Although the Reserve Bank of India (RBI) has established a regulatory framework for Non-Banking Financial Company–Peer-to-Peer (NBFC-P2P) lending platforms, empirical evidence regarding their effectiveness from both lenders' and borrowers' perspectives remains limited. The present pilot study evaluates the feasibility and reliability of a research instrument developed to measure the effectiveness of selected P2P lending platforms operating in Bengaluru City. A structured questionnaire consisting of multiple constructs, including platform usability, customer satisfaction, trust, processing efficiency, customer support, cost-effectiveness, perceived risk, return on investment, and adoption behaviour, was administered to **50 respondents**, comprising **25 lenders and 25 borrowers**, using convenience sampling. Reliability analysis using Cronbach's Alpha demonstrated satisfactory internal consistency for all constructs, indicating that the questionnaire is suitable for large-scale empirical investigation. Preliminary descriptive analysis suggests favourable perceptions regarding platform usability and customer satisfaction, while perceived risk remains a concern among certain respondent groups.

The findings confirm the feasibility of the research design and provide a validated instrument for conducting comprehensive research on P2P lending effectiveness. The study contributes to FinTech literature by offering an empirically validated framework for future investigations and provides practical implications for platform operators, regulators, and policymakers seeking to enhance digital lending services in India.

Keywords: Peer-to-Peer Lending, FinTech, Pilot Study, Digital Lending, Customer Satisfaction, Reliability Analysis, Bengaluru.

Introduction

The financial services industry has undergone significant transformation over the past decade due to rapid technological advancements and the emergence of Financial Technology (FinTech). Digital innovations have fundamentally altered the manner in which financial products and services are designed, delivered, and consumed. Technologies such as Artificial Intelligence (AI), Machine Learning (ML), Big Data Analytics, Blockchain, Cloud Computing, and Digital Public Infrastructure have accelerated financial inclusion while improving operational efficiency across the banking and financial services sector (Gomber et al., 2018; Murinde et al., 2022).

Among the various FinTech innovations, **Peer-to-Peer (P2P) lending** has emerged as a disruptive financing model that directly connects lenders and borrowers through digital platforms without relying on conventional banking intermediaries. Unlike traditional lending institutions, P2P platforms utilize technology-driven credit assessment, automated matching algorithms, and digital payment systems to facilitate efficient loan transactions. This alternative financing mechanism provides borrowers with quicker access to credit while offering lenders opportunities to diversify investments and potentially earn higher returns.

Globally, the P2P lending industry has experienced remarkable expansion since its inception in the United Kingdom with the establishment of Zopa in 2005. Countries including the United States, China, Singapore, and several European nations have witnessed substantial growth in digital lending ecosystems supported by technological innovation and evolving regulatory frameworks. In India, the growth of P2P lending has been accelerated by initiatives such as **Digital India**, **Aadhaar-enabled authentication**, **Unified Payments Interface (UPI)**, **Account Aggregator (AA)**, and the regulatory oversight of the **Reserve Bank of India (RBI)**. The introduction of the NBFC-P2P regulatory framework has further strengthened transparency, consumer protection, and operational governance within the sector.

Despite the rapid expansion of P2P lending, questions remain regarding the effectiveness of these platforms in meeting the expectations of both lenders and borrowers. Existing studies have largely concentrated on technology adoption, credit risk assessment, financial inclusion, or regulatory issues, while relatively few have comprehensively examined platform effectiveness through dimensions such as usability, trust, customer satisfaction, processing efficiency, customer support, perceived risk, and return on investment. Furthermore, empirical evidence from Bengaluru, one of India's leading FinTech ecosystems, remains limited.

Before undertaking large-scale empirical investigations, it is essential to validate the research instrument and assess the feasibility of the proposed research design. A pilot study serves this purpose by identifying potential weaknesses in questionnaire design, evaluating respondent understanding, and establishing the reliability of measurement scales. Reliability assessment through Cronbach's Alpha provides evidence of internal consistency and enhances the credibility of subsequent large-scale research.

Accordingly, the present pilot study evaluates the reliability and feasibility of a structured questionnaire designed to assess the effectiveness of selected RBI-regulated P2P lending platforms from the perspectives of both lenders and borrowers in Bengaluru City. The findings are expected to provide a strong methodological foundation for future empirical research while offering preliminary insights into users' perceptions of digital lending platforms.

Review of Literature

Peer-to-peer (P2P) lending has emerged as one of the most significant innovations in Financial Technology (FinTech), offering an alternative lending mechanism that directly connects borrowers and lenders through digital platforms. Unlike traditional banking systems, P2P lending utilizes advanced technologies such as Artificial Intelligence (AI), Machine Learning (ML), Big Data Analytics, and digital payment infrastructure to simplify credit assessment, improve operational efficiency, and expand financial inclusion. Recent studies indicate that technological innovation, platform transparency, and regulatory governance are the primary factors influencing the sustainability and effectiveness of P2P lending ecosystems.

Several researchers have examined the determinants of user adoption and platform effectiveness in P2P lending. **Murinde et al. (2022)** reported that FinTech innovations have significantly transformed financial intermediation by improving credit accessibility, reducing transaction costs, and enhancing customer experience. Similarly, **Anifa et al. (2022)** observed that digital lending platforms have improved financial inclusion by providing easier access to credit for underserved individuals and small businesses. However, the authors emphasized that trust, cybersecurity, and regulatory compliance remain major challenges for sustainable platform growth.

Customer satisfaction has consistently been identified as a critical determinant of continued platform usage. Studies reveal that factors such as **platform usability, processing efficiency, customer support, transparency, and perceived security** positively influence users' satisfaction and intention to continue using P2P lending services. At the same time, **risk perception** remains an important concern for both lenders and borrowers, particularly regarding loan defaults, information asymmetry, fraud, and data privacy. Recent systematic reviews also highlight that AI-based credit scoring and stronger governance mechanisms can improve trust, although transparency and responsible regulation remain essential.

In the Indian context, the Reserve Bank of India (RBI) has established a comprehensive regulatory framework for **NBFC-P2P** platforms to enhance transparency, consumer protection, and operational stability. The introduction of Digital Lending Guidelines, the Account Aggregator framework, and the Unified Lending Interface has further strengthened the digital lending ecosystem. Nevertheless, empirical studies evaluating the **overall effectiveness of RBI-regulated P2P lending platforms from the perspectives of both lenders and borrowers are still limited**, particularly in Bengaluru City. This gap justifies the need for the present pilot study, which aims to validate the research instrument and provide preliminary evidence before conducting a large-scale empirical investigation.

Research Gap

Although P2P lending has gained significant attention in recent years, existing studies have primarily focused on technology adoption, financial inclusion, credit risk, and regulatory aspects. Limited research has simultaneously examined the perspectives of both lenders and borrowers in evaluating platform effectiveness. Furthermore, empirical evidence from Bengaluru City, one of India's leading FinTech hubs, remains scarce. Most importantly, very few studies have validated research instruments before undertaking large-scale investigations. Therefore, the present pilot study aims to validate the questionnaire and assess its reliability while providing preliminary evidence on the effectiveness of selected RBI-regulated P2P lending platforms.

Objectives of the Study

The present pilot study has the following objectives:

1. To validate the research instrument developed for measuring the effectiveness of P2P lending platforms.
2. To examine the reliability of the questionnaire using Cronbach's Alpha.
3. To assess the preliminary perceptions of lenders and borrowers regarding P2P lending platforms.
4. To identify necessary modifications before conducting the main study.

Research Methodology

The study adopted a **quantitative research design**. A structured questionnaire was developed after reviewing relevant literature and consulting subject experts. A pilot survey was conducted among **50 respondents** comprising **25 lenders and 25 borrowers** from selected RBI-registered P2P lending platforms in Bengaluru City. Respondents were selected using **convenience sampling**. Data were collected using a five-point Likert scale ranging from **Strongly Disagree (1)** to **Strongly Agree (5)**. The collected data were analysed using descriptive statistics and **Cronbach's Alpha** to assess the reliability and internal consistency of the measurement instrument. The pilot study helped evaluate the clarity, relevance, and feasibility of the questionnaire before administering it in the main survey.

Reliability Analysis

Reliability analysis was performed using **Cronbach's Alpha** to determine the internal consistency of the research instrument. The overall reliability coefficient obtained was **0.901**, indicating excellent reliability as it exceeds the recommended threshold of 0.70. The reliability values of all individual constructs also remained above the acceptable level, confirming that the questionnaire items consistently measured their intended variables. The results demonstrate that the research instrument is reliable and suitable for conducting the full-scale empirical study.

Table 1: Reliability Statistics

Construct	Cronbach's Alpha
Platform Usability	0.872
Customer Satisfaction	0.889
Trust	0.842
Risk Perception	0.819
Processing Efficiency	0.804
Customer Support	0.847
Cost Effectiveness	0.835
Return on Investment	0.823
Overall Questionnaire	**0.901**

Source: Pilot Survey Analysis.

Preliminary Findings

Table 1: Demographic Profile of Respondents (N = 50)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	32	64.0
	Female	18	36.0
Age (Years)	21–30	14	28.0
	31–40	18	36.0
	41–50	12	24.0
	Above 50	6	12.0
Education	Undergraduate	8	16.0
	Postgraduate	28	56.0
	Professional Qualification	10	20.0
	Doctorate	4	8.0
Occupation	Salaried Employee	21	42.0
	Business	13	26.0
	Professional	10	20.0
	Others	6	12.0
Monthly Income ( )	Below 50,000	12	24.0
	50,001–1,00,000	20	40.0
	1,00,001–2,00,000	13	26.0
	Above 2,00,000	5	10.0
Respondent Type	Lenders	25	50.0
	Borrowers	25	50.0

Source: Pilot Survey Data (2026).

Interpretation

Table 1 presents the demographic characteristics of the 50 respondents who participated in the pilot study. Among them, **64% were male** and **36% were female**. The majority (36%) belonged to the **31–40 years** age group, followed by **21–30 years (28%)**. More than half of the respondents (56%) possessed a postgraduate qualification, indicating a well-educated sample. In terms of occupation, **42% were salaried employees**, while **26% were engaged in business activities**. Regarding monthly income, **40% earned between ₹50,001 and ₹1,00,000**. The pilot study intentionally included an equal representation of **lenders (50%) and borrowers (50%)** to obtain balanced preliminary insights into the effectiveness of P2P lending platforms.

The pilot study was conducted to assess the feasibility of the research instrument and obtain preliminary insights into the effectiveness of selected P2P lending platforms. The respondents included both lenders and borrowers actively using RBI-registered P2P platforms in Bengaluru City.

The descriptive analysis revealed that respondents generally expressed positive opinions regarding platform usability, ease of registration, processing efficiency, and customer support. Most respondents agreed that digital platforms provide faster loan processing and convenient access to financial services. Lenders expressed relatively higher satisfaction with return on investment, whereas borrowers appreciated the simplified loan application process.

However, respondents also highlighted concerns relating to perceived financial risk, data privacy, and loan default risk. These findings indicate that while P2P lending platforms have gained acceptance, strengthening transparency, cybersecurity, and customer awareness remains essential for sustainable growth.

Overall, the pilot findings demonstrate that the questionnaire effectively captures respondents' perceptions and is suitable for large-scale empirical investigation.

Table 2: Preliminary Mean Scores

Variable	**Mean**	**Interpretation**
Platform Usability	4.18	High
Customer Satisfaction	4.06	High
Trust	3.94	Moderate to High
Processing Efficiency	4.22	High
Customer Support	3.88	Moderate
Cost Effectiveness	4.15	High
Risk Perception	3.42	Moderate
Return on Investment	4.10	High

Source: Pilot Survey Analysis.

Discussion

The findings indicate that the research instrument possesses satisfactory reliability and is appropriate for the main study. High mean scores for platform usability and processing efficiency demonstrate the increasing acceptance of technology-enabled lending among respondents. These observations are consistent with recent FinTech literature, which emphasizes convenience, accessibility, and operational efficiency as important determinants of customer satisfaction.

Although respondents expressed confidence in digital lending services, concerns regarding financial risk and data security continue to influence user perceptions. Therefore, P2P lending platforms should focus on improving transparency, strengthening cybersecurity measures, and providing adequate financial awareness programmes to increase user confidence.

The pilot study also confirmed that the questionnaire items were easily understood by respondents and required only minor modifications before the main survey.

Conclusion

The present pilot study successfully validated the research instrument developed to measure the effectiveness of Peer-to-Peer lending platforms. The reliability analysis confirmed excellent internal consistency, while preliminary findings demonstrated positive user perceptions regarding platform usability, customer satisfaction, and operational efficiency.

The pilot study further established the feasibility of conducting a large-scale empirical investigation among lenders and borrowers in Bengaluru City. The validated questionnaire can therefore be confidently used for the main research without substantial modifications.

The findings also provide preliminary insights for platform operators and regulators to enhance customer trust, improve digital lending services, and strengthen financial inclusion through technology-driven lending platforms.

Practical Implications

- The findings of the pilot study have several practical implications.
- The validated questionnaire can be adopted in future P2P lending research.
- Platform operators can improve customer satisfaction by enhancing platform usability and reducing processing time.
- RBI and policymakers may use the findings to strengthen consumer protection measures.
- Financial institutions can develop awareness programmes to improve trust in digital lending.
- Researchers may replicate the instrument in other cities or FinTech sectors.

Limitations

The study has certain limitations.

- The pilot survey included only **50 respondents**.
- The study was confined to **Bengaluru City**.
- Convenience sampling limits the generalizability of the findings.
- Only preliminary descriptive analysis and reliability testing were performed.

Future Scope

Future studies may consider:

- Conducting the survey with a larger sample size.
- Comparing multiple metropolitan cities.
- Applying Structural Equation Modelling (SEM) to identify determinants of platform effectiveness.
- Examining the role of Artificial Intelligence and Digital Public Infrastructure in P2P lending.
- Performing comparative studies across different FinTech lending models.

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SURVEY QUESTIONNAIRE

QUESTIONNAIRE

Section A: General Information

(Please tick (✓) the appropriate option.)

1. Gender

☐ Male
☐ Female
☐ Prefer not to say

2. Age

☐ 21–30 years
☐ 31–40 years
☐ 41–50 years
☐ Above 50 years

3. Highest Educational Qualification

☐ Undergraduate
☐ Postgraduate
☐ Professional Qualification
☐ Doctorate
☐ Others ____________

4. Occupation

☐ Salaried Employee
☐ Business
☐ Professional
☐ Self-employed
☐ Others ____________

5. Monthly Income

☐ Below ₹50,000

☐ ₹50,001–₹1,00,000

☐ ₹1,00,001–₹2,00,000

☐ Above ₹2,00,000

6. Respondent Category

☐ Lender

☐ Borrower

7. P2P Lending Platform Used

☐ LenDenClub

☐ Faircent

☐ Lendbox

☐ i2iFunding

☐ RupeeCircle

☐ Others ____________

8. Duration of Using the Platform

☐ Less than 1 year

☐ 1–3 years

☐ 3–5 years

☐ More than 5 years

Section B: Perception Towards P2P Lending Platforms Response Scale

Strongly Disagree

Disagre e

Neutra l Agre e

Strongly Agree

1 2 3 4 5

Construct 1: Platform Usability (PU)

No.	Statement
PU1	The platform is easy to navigate.
PU2	Registration on the platform is simple.

PU3 Loan/investment information is presented clearly.

PU4 Transactions can be completed without difficulty. PU5 The mobile application/website is user-friendly.

Construct 2: Customer Satisfaction (CS)

No. **Statement**

CS1 I am satisfied with my overall experience. CS2 The platform meets my expectations.

CS3 I would recommend this platform to others.

CS4 I intend to continue using this platform. CS5 Overall service quality is satisfactory.

Construct 3: Trust (TR)

No. **Statement**

TR1 I trust the platform for financial transactions.

TR2 The platform protects my personal information.

TR3 The platform is transparent in its operations. TR4 I believe the platform follows RBI regulations. TR5 I feel secure while using the platform.

Construct 4: Processing Efficiency (PE)

No. **Statement**

PE1 Loan approval is quick.

PE2 Documentation is minimal.

PE3 Funds are transferred promptly.

PE4 The platform saves time compared to traditional lending.

PE5 Overall processing is efficient.

Construct 5: Customer Support (CSP)

No. Statement

CSP1 Customer support is easily accessible. CSP2 Queries are resolved promptly.
CSP3 Staff are knowledgeable and helpful. CSP4 Complaint handling is satisfactory.
CSP5 Customer service enhances my experience.

Construct 6: Cost Effectiveness (CE)

No. Statement

CE1 Transaction charges are reasonable. CE2 Interest rates are competitive.
CE3 Platform fees are transparent.

CE4 The platform provides good value for money.

CE5 Overall costs are lower than traditional lending.

Construct 7: Risk Perception (RP)

No. Statement

RP1 I am concerned about loan default risk.

RP2 I worry about cyber security while using the platform. RP3 Data privacy is a concern for me.
RP4 Online fraud is a potential risk.

RP5 Overall financial risk is manageable. *(Reverse coded if required.)*

Construct 8: Return on Investment (ROI) *(For Lenders)*

No. Statement

ROI 1 Returns meet my expectations.
ROI 2

Risk and return are balanced.

ROI 3

ROI 4

ROI 5

P2P lending provides better returns than traditional investments.

I am satisfied with repayment performance.

I intend to increase my investments in the future.

Construct 9: Borrowing Experience (BE) *(For Borrowers)*

No. **Statement**

BE1 Obtaining a loan was easy.

BE2 Interest rates are affordable.

BE3 Loan repayment terms are convenient. BE4 The loan fulfilled my financial needs.

BE5 I would use the platform again for future borrowing.

Section C: Overall Effectiveness

1. How would you rate the overall effectiveness of your P2P lending platform?

☐ Very Poor
☐ Poor
☐ Average
☐ Good
☐ Excellent

2. What is the biggest advantage of P2P lending?

3. What improvements would you suggest for P2P lending platforms?

Summary of the Instrument

Section	Number of Items
Demographic Profile	8
Platform Usability	5
Customer Satisfaction	5
Trust	5
Processing Efficiency	5
Customer Support	5
Cost Effectiveness	5
Risk Perception	5
Return on Investment (Lenders)	5
Borrowing Experience (Borrowers)	5
Overall Evaluation	3
Total Items	**56**