

Title of the paper: P2P Lending Platforms as a Financial tool For SMEs In India
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P2P Lending Platform as a Financial Tool for SME in India

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Abstract

Peer-to-peer (P2P) lending is a business model that matches lenders and borrowers over an online platform to provide unsecured loans, repayable with interest. At a time when banks are tightening their purse strings, P2P lending platforms are witnessing steady traction as they serve the huge section of borrowers who fail to qualify for a loan by having no or poor credit scores. Initially, there were not many takers for P2P lending platforms due to lack of awareness and ambiguity over regulations. However, with the central bank asking such companies to register themselves as NBFC, things have started looking up. The results indicate that, at present, the level of awareness amongst SMEs on Peer-to-Peer lending as alternative financing instruments is still insufficient.

In terms of digital technology adoption among Small and Medium Enterprises (SMEs) and start-ups, there is a need of proper initiatives to increase the level of technology adoption amongst SMEs and start-ups to a higher level and to change the various aspects of business practices to encourage SMEs to move into the digital space. The results suggest that there is a need to raise awareness among Small Medium Enterprises and start-ups by authorized government related body.

Keywords: P2P lending, Small and Medium Enterprises

Paper Type: Survey Research

Introduction

Peer to Peer lending, also known as P2P Lending, is a method of debt financing that enables individuals to borrow and lend money without the use of an official financial as an intermediary through online services Peer to peer.

In India, P2P Lending is gaining traction at a very fast pace and slowly becoming a very attractive investment option for investors. RBI has already taken an initiative of this innovation and come up with notifications to regulate this sector.

Currently, at a nascent stage, the P2P lending landscape in India is poised to grow into a \$4 Bn-\$5 Bn industry by 2023. The domain's origin actually dates back to 2012, when the first peer-to-peer lending company i-Lend was launched. At present, the P2P lending space is populated by more than 30 players including Faircent, LendBox, LenDenClub, Rupaya Exchange, LoanBaba, i2iFunding and many more.

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Conclusion of the Study

In terms of digital technology adoption among SMEs and start-ups, there is a need and proper initiatives to increase the level of technology adoption among SMEs and start-ups to a higher level and change the various aspects of business practices to encourage SMEs to move into the digital space. Other than that, it is obvious that a level of confidence put by most SMEs and start-ups on the financial services provided by non-banks is still very low.

The recently introduced regulations will play a hand in formally recognizing this industry. The Regulator has, perhaps, erred on the side of caution, much like the instinct of regulatory bodies around the world. The guidelines are certainly on the strict side. To be sure, there will be modifications and further clarifications added to these regulations; and they will play a large part in allowing for controlled and regulated expansion of the market.

As technology changes the ways in which we interact and transact, P2P lending is certainly a novel method which cuts the need for financial intermediation by banks and financial institutions. While our algorithms evolve to be able to accurately capture risks of default, the discretionary touch of human intervention will be important in markets as nascent as in India. While this is certainly a controlled growth phase in the market, all eyes will be on this market to see if it can evolve to become the next big disruption in the financial services industry.

Limitation of the Study

Despite all efforts and dedication towards this study, there are some limitations to this research which are as follows:

- Sample size: The sample size for this study is too small for a diversified country like India.
- Instruments for data collection: As interviews are face to face and verbal method of data collection, therefore, it is possible that with the mood the answers of the respondent may change. Businessmen were busy with their routine operations.

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Footnote

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