Original Article | **Peer Reviewed** | **⊜Open Access**

Exploresearch

Peer-to-peer Lending in India:
Evolution, Challenges and Future Prospects

Archna[1*] & Dr. Mitali Gupta[2]

[1]Research Scholar, IIS (deemed to be) University, Jaipur.
[2]Senior Assistant Professor, Department of Accounting and Taxation, IIS (deemed to be) University, Jaipur.

Corresponding author: archnadhalia87@gmail.com

Abstract: *This study examines the development of Peer-to-Peer (P2P) lending, a revolutionary fintech innovation that facilitates direct borrowing and lending between individuals without traditional financial intermediaries like banks. Originating in the mid-2000s, P2P lending has grown rapidly, driven by digitalization, lower interest rates for borrowers, and higher returns for investors In India, regulatory support from the Reserve Bank of India (RBI) since 2017 has led to the formalization of P2P lending platforms as Non-Banking Financial Companies – Peer-to-Peer Lending Platforms (NBFC-P2P). P2P platforms leverage technology to assess borrower creditworthiness through alternative data, enabling financial inclusion while managing risk. Using a qualitative methodology grounded in secondary data and thematic analysis, the paper explores the regulatory landscape, technological innovations, and market dynamics of Indian P2P lending. Findings reveal that while P2P platforms promote financial inclusion and offer competitive returns, they also face challenges including credit risk, liquidity constraints, and regulatory compliance. The paper concludes with insights into future trends and policy implications for sustainable development of the sector.*

Introduction

Peer-to-peer (P2P) lending is a financial innovation that connects borrowers directly with lenders through online platforms, bypassing traditional financial intermediaries like banks (Chen & Han, 2021). P2P lending, also known as marketplace lending, facilitates loans for individuals and small businesses by leveraging technology to assess creditworthiness and match lenders with borrowers (Mildorf et al., 2022). Peer-to-Peer (P2P) lending in India has emerged as a viable alternative credit system characterized by technology-driven efficiency, regulatory backing, and financial inclusivity. P2P platforms facilitate direct borrower-lender interaction, bypassing traditional financial intermediaries, resulting in competitive interest rates for borrowers and better returns for lenders (Wei & Lin, 2017). The Reserve Bank of India (RBI) regulates these platforms under its NBFC-P2P framework, enforcing guidelines on capital requirements, lending limits, transparency, and grievance redressal to protect investors and ensure operational integrity (RBI, 2017). Most platforms leverage alternative data and digital credit scoring models to assess borrower creditworthiness, expanding access to individuals with thin or no formal credit histories (World Bank Group, 2019). Interest rates are risk-based, offering a personalized lending experience (Wei & Lin, 2017), while investors can mitigate risk by diversifying capital across multiple borrowers, often aided by

auto-investment tools (Decentro, 2025). Regulatory mandates ensure transparency in borrower profiles, loan status, and fees, with escrow accounts managed by trustee banks securing fund transfers (RBI, 2017). By bridging gaps in formal credit channels, P2P lending enhances financial inclusion for underserved segments, including small businesses, self-employed individuals, and rural borrowers.

Literature Review

Peer-to-peer (P2P) lending has emerged as a transformative FinTech innovation, reshaping traditional credit systems through direct digital connections between borrowers and lenders. Research demonstrates that P2P platforms leverage artificial intelligence (AI) and machine learning (ML) to enhance credit scoring by incorporating non-traditional data sources like social media activity and transaction history (Wei & Lin, 2017; Fuster et al., 2019), improving risk assessment while expanding financial inclusion. These platforms often outperform traditional banks in serving underserved populations through algorithmic underwriting (Balyuk& Davydenko, 2020), though challenges like asymmetric information persist (Iyer et al., 2016). The sector faces regulatory scrutiny globally, with entities like India's RBI implementing guidelines to balance innovation with consumer protection (RBI, 2017; Huang et al., 2020), while excessive regulation risks stifling growth (Zetzsche et al., 2018). P2P lending significantly promotes financial inclusion for SMEs and low-income borrowers (Bruton et al., 2021), yet concerns about predatory lending remain (Vallee & Zeng, 2019). Emerging technologies like blockchain are enhancing transparency and security (Cumming et al., 2021), with decentralized finance (DeFi) poised to further disrupt the sector (Makarov & Schoar, 2022). Future advancements will likely focus on AI-driven innovations, cross-border lending solutions, and adaptive regulatory frameworks to sustain growth while addressing risks in this rapidly evolving financial landscape. As P2P lending matures, collaboration between Fintech's, regulators, and traditional banks will be crucial to balance innovation with stability, ensuring sustainable growth in India's alternative credit ecosystem. The P2P lending sector in India faces significant credit assessment challenges, primarily due to the lack of integration with traditional credit bureaus—most platforms cannot fully access CIBIL scores and instead rely on alternative credit scoring methods (Mildorf et al., 2022), contributing to higher default rates (Ziegler et al., 2023). Compounding this issue, many borrowers, particularly in Tier 2 and 3 cities, have thin or non-existent formal credit histories (Chen & Han, 2021),

Tabular representation of Literature Review

No.	Year	Study (Authors)	Opportunities	Challenges	Key Findings
1	2023	Ziegler et al.	Expands credit access	Loan stacking risks	Borrowers using multiple platforms have 25% higher default rates
2	2023	RBI Report	Rapid market growth (35% YoY)	High defaults (~15%)	Indian P2P lending reached ₹5,000 Cr AUM
3	2023	CRISIL	High-growth market (50% CAGR)	Investor concentration risk	Top 5 Indian platforms control 70% market share
4	2023	Sengupta &Sagaram	SME financing solutions	Recovery mechanism gaps	60% of Indian P2P loans serve SMEs excluded by banks
5	2022	Mildorf et al.	Financial inclusion for thin-file	Limited credit history data	Psychometrics reduce defaults by 18% vs traditional scoring
6	2022	Bachmann et al.	Increased market liquidity	Retail investor crowding out	68% of US P2P volume from institutional investors
7	2022	PwC India	AI/ML adoption benefits	Data governance needs	UPI data improves scoring for 62% of thin-file borrowers
8	2022	Mishra & Gupta	Rural financial inclusion	Geographic pricing disparities	Tier 3 city borrowers pay 15% higher rates

9	2021	Chen & Han	Reduced human bias	Data privacy concerns	AI decreases approval bias by 40%
10	2021	RBI	Regulatory framework development	High compliance costs	₹20Cr capital requirement introduced
11	2020	Wei et al.	Dynamic pricing models	Investor liquidity crunches	Institutional platforms show 30% less volatility
12	2020	Thakor	Lower-cost credit channel	Profitability concerns	Only 20% of platforms profitable after 5 years
13	2020	Kumar & Sharma	Alternative credit channels	Thin-file borrower risks	45% of Indian borrowers lack formal credit history
14	2019	Tang	High-growth emerging markets	Fraud management	Chinese platforms had 12% fraud rates pre-crackdown
15	2019	Vallee & Zeng	Complementary to banks	Regulatory arbitrage	60% borrowers maintain bank relationships
16	2019	Ravina	Social trust mechanisms	Behavioral biases	Attractive borrowers get 22% more funding
17	2019	Chakraborty & Ravi	Digital footprint utilization	Identity verification	Social media-verified defaults 30% less
18	2018	Berger & Gleisner	Serving unbanked	Higher operational costs	Inclusion loans default at 8-12% vs 5-7% prime
19	2018	Hornuf et al.	Cross-border lending	Jurisdictional conflicts	40% European platforms face regulatory uncertainty
20	2017	Freedman & Jin	Disintermediation benefits	Adverse selection	Defaults 2-3× higher than banks
21	2017	Wei & Lin	Efficient price discovery	Information asymmetry	Borrowers save 1.5-2.5% vs banks
22	2016	Iyer et al.	Superior risk assessment	Model transparency	ML predicts defaults 35% better than FICO
23	2016	Hildebrand et al.	Democratized investing	Cognitive limitations	73% investors ignore risk metrics
24	2015	Serrano-Cinca et al.	Enhanced due diligence	Text mining complexity	Sentiment analysis improves prediction by 22%
25	2013	Lin et al.	Trust through transparency	Verification costs	Verified borrowers raise funds 3× faster
26	2011	Bachmann et al.	Early mover advantages	Trust building period	Social network loans default 28% less
27	2011	Pope & Sydnor	Market efficiency potential	Discrimination risks	African-Americans pay 1.8% higher rates

Purpose of the Study

The purpose of this study is to critically examine the evolution, regulatory framework, technological innovations, and market dynamics of peer-to-peer (P2P) lending in India. The research seeks to evaluate the sector's role in promoting financial inclusion, improving credit accessibility, and fostering sustainable growth, while also identifying the operational and regulatory challenges that must be addressed to ensure its long-term viability.

Objectives

- To analyze the role of P2P lending in reshaping India's credit ecosystem through fintech innovation.
- To examine the regulatory evolution of the P2P sector through various models and its implications for market stability and investor protection.

- To assess the advantages and challenges of P2P lending for borrowers, lenders, and platform operators.
- To explore the potential impact of emerging technologies such as artificial intelligence (AI) and blockchain on the growth and governance of the P2P lending sector in India.

Research Methodology

This study employs a qualitative research design, utilizing exclusively secondary data to conduct a thematic analysis of the Peer-to-Peer (P2P) lending landscape in India. The methodology is based on a comprehensive review of diverse sources, including regulatory documents from the Reserve Bank of India (RBI), academic literature, industry reports from CRISIL and the World Bank, and credible media publications. The data analysis proceeds in two interconnected stages: first, a thematic analysis identifies key patterns in regulatory evolution, technological adoption, and market dynamics; second, these themes are examined through established analytical frameworks like FinTech credit evaluation and RBI compliance, supplemented by descriptive case studies of major Indian and global P2P platforms. This approach ensures a nuanced and robust understanding of the sector's opportunities and challenges, facilitating informed insights for policy formulation and sustainable industry innovation.

Role of P2P Lendingin reshaping Credit Systems Through FinTech Innovation

- **Disintermediation of Traditional Banking**

Peer-to-peer (P2P) lending platforms are reshaping traditional credit systems by directly connecting borrowers and lenders via digital marketplaces, bypassing banks and NBFCs (Wei & Lin, 2017). By eliminating physical branches, they reduce costs, offer borrowers lower interest rates (12–18% vs. 18–24% for unsecured bank loans), and provide investors higher returns (10–16% vs. 6–8% from fixed deposits) (CRISIL, 2023). AI-driven underwriting further speeds up approvals to as little as 72 hours, compared to 7–14 days for traditional banks (PwC India, 2022).

- **Technology-Driven Credit Assessment**

Peer-to-peer (P2P) lending platforms leverage FinTech innovations to enhance risk assessment, using alternative data such as GST filings, UPI transactions, and social media activity to evaluate thin-file borrowers (Kumar & Sharma, 2020), as seen in LenDenClub's use of PhonePe data for scoring. Advanced AI/ML models predict defaults with 35% greater accuracy than traditional credit bureaus (Iyer et al., 2016), while platforms like Faircent adjust interest rates in real time based on borrower behavior. Emerging blockchain applications, including smart contracts for loan agreements, are also being piloted to improve transparency and security (Cumming et al., 2021)

- **Financial Inclusion**

Peer-to-peer (P2P) lending is expanding financial inclusion by serving underserved segments, with SMEs accounting for 60% of Indian P2P loans (Sengupta &Sagaram, 2023). Loan volumes in Tier-3 cities have grown 200% year-over-year (Mishra & Gupta, 2022), and platforms also cater to young professionals and gig workers through collateral-free products (Ziegler et al., 2023). This democratization of credit bridges critical gaps in India's financial ecosystem.
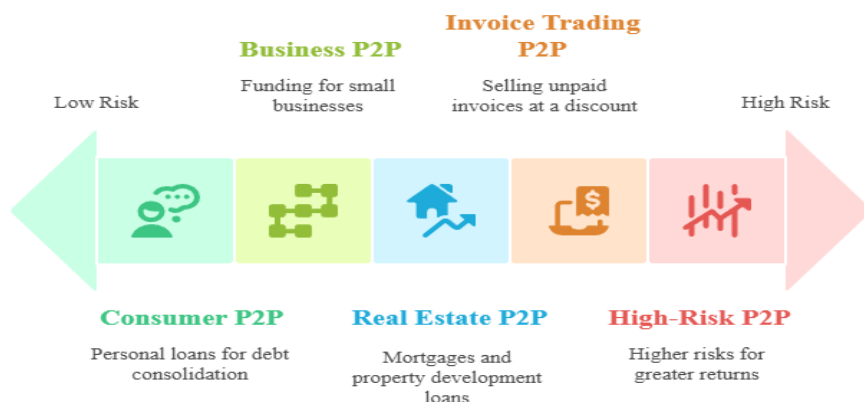
- **Regulatory Challenges and Adaptations**

The Reserve Bank of India's 2017 NBFC-P2P guidelines formalized the sector with measures like a ₹50 lakh lender exposure cap but posed hurdles for smaller platforms through the ₹2 crore minimum capital requirement (RBI, 2021). Globally, approaches vary—China's post-2019 crackdown followed high fraud and 12% default rates (Tang, 2019), while the EU's fragmented rules cause jurisdictional conflicts (Hornuf et al., 2018). These contrasts underscore the need for India to balance innovation with financial stability.

Emerging technologies of Peer-to-Peer Lending

P2P lending platforms cater to diverse borrower needs and investor risk appetites by offering specialized lending models. These can be categorized based on borrower profiles, loan purposes, and risk structures**.** There are several types of P2P lending models based on borrower profiles, loan purposes, and risk structures.

P2P lending models vary by risk and potential return.

Business P2P
Funding for small businesses

Invoice Trading P2P
Selling unpaid invoices at a discount

Low Risk   High Risk

Consumer P2P
Personal loans for debt consolidation

Real Estate P2P
Mortgages and property development loans

High-Risk P2P
Higher risks for greater returns

- **Consumer P2P Lending**

Consumer P2P lending in India has emerged as a popular alternative financing channel, offering personal loans for debt consolidation, education expenses, medical emergencies, and other retail borrowing needs (RBI, 2023). Leading Indian platforms like Faircent, Lendbox, and Liquiloans facilitate these loans by connecting individual borrowers with lenders through digital marketplaces (CRISIL, 2023). Unlike traditional banks, P2P platforms leverage alternative data and AI-driven credit scoring to serve thin-file borrowers, particularly young professionals and self-employed individuals (Kumar & Sharma, 2020). The RBI regulates this sector under its NBFC-P2P framework, mandating exposure limits (₹50 lakh/lender) and requiring platforms to maintain escrow accounts for secure transactions (RBI, 2021). Studies show Indian P2P consumer loans typically carry interest rates of 12-18%, with default rates around 10-15% - higher than banks but lower than informal lenders (Mishra & Gupta, 2022).

- **Business P2P Lending (Small and Medium Enterprises – SMEs**

P2P lending has become a crucial financing solution for Indian SMEs, bridging the credit gap left by traditional banks due to stringent collateral requirements and lengthy approval processes. Platforms like Faircent, Lendbox, and LenDenClub enable SMEs to secure unsecured loans (₹1-50 lakh) within 3-5 days using alternative credit scoring models that analyse GST filings, UPI transactions, and digital footprints (CRISIL, 2023; Kumar & Sharma, 2020). While interest rates (14-24% p.a.) are higher than banks, they remain lower than informal lenders, making P2P an attractive middle ground. The RBI regulates this sector through measures like a ₹50 lakh exposure cap per lender and mandatory escrow accounts to mitigate risks, though default rates remain elevated at 12-18% (RBI, 2023). Success stories, such as a Jaipur-based exporter securing a ₹15 lakh loan in 4 days (Mishra & Gupta, 2022), highlight P2P's role in supporting India's MSME growth despite challenges like risk assessment complexities for thin-file borrowers.

- **Real Estate P2P Lending**

Real estate P2P lending is emerging as an innovative financing solution in India, connecting investors with property developers and homebuyers through digital platforms like Strata, Assetmonk, and PropShare. This model offers short-term, high-yield investment opportunities (typically 12-24% annual returns) for lenders while providing developers and individuals quicker access to capital compared to traditional bank loans (CRISIL, 2023). Borrowers can secure loans against residential or commercial properties for purposes like construction finance, bridge funding, or property acquisition, with loan-to-value ratios usually capped at 60-70% to mitigate risks (RBI, 2023). The RBI's P2P lending guidelines apply to these platforms, ensuring transparency through mandatory escrow accounts and proper documentation. However, challenges like project delays, legal disputes over collateral, and market volatility keep default rates higher (8-12%) than conventional housing loans (JLL Research, 2023).

Successful cases include Mumbai-based developers completing stalled projects using P2P funds raised within weeks, demonstrating this model's potential to address the ₹40,000 crore+ real estate credit gap (Knight Frank, 2023).

- **Invoice Trading P2P Lending**

Invoice trading enables businesses to sell unpaid invoices to investors at a discount for immediate cash flow (Bachmann et al., 2022). Platforms like MarketInvoice and Fundbox facilitate these transactions, connecting SMEs needing liquidity with investors seeking short-term returns (Chen & Han, 2021). This model helps businesses avoid traditional financing delays while offering investors collateral-backed opportunities. Risks include default and invoice fraud, requiring strong verification systems. In India, RBI regulations ensure transparency through escrow accounts and credit checks. Future growth may depend on automated underwriting and blockchain solutions for enhanced security.

- **High-Risk (High-Yield) P2P Lending**

This model caters to investors seeking elevated returns by financing subprimeborrowers or startups with higher default risks (Mildorf et al., 2022). While offering potentially greater yields than traditional P2P loans, it involves significant credit risk due to borrowers' weaker financial profiles (Bachmann et al., 2022). Platforms mitigate risks through diversified portfolios and higher interest rates (15-25%+). Suitable for sophisticated investors, it requires careful risk assessment and portfolio allocation. Regulatory scrutiny is increasing to protect investors from predatory lending practices while maintaining market accessibility for non-traditional borrowers.

Fintech Companies Providing Peer-to-Peer (P2P) Lending Services in India

Peer-to-peer (P2P) lending has grown significantly with the rise of fintech, offering alternative lending solutions to individuals and businesses. Below is a list of prominent fintech companies that provide P2P lending services across different regions and market segments.

Platform	Key Features	Returns for Investors	Regulatory Status
Faircent	India's first P2P platform, connects borrowers & lenders transparently.	Competitive rates	RBI-registered
IndiaP2P	Secure marketplace for borrowers & investors; risk-reduced portfolios.	Up to 16%	RBI-registered
LenDenClub	India's largest P2P platform; fixed-maturity plans, partnerships with BharatPe, PhonePe.	Varies	RBI-registered
Lendbox	RBI-certified NBFC-P2P; flexible investments, partnered with Mobikwik Xtra.	Varies	RBI-registered (NBFC-P2P)
Finzy	High-yield opportunities for investors, accessible loans for borrowers.	Up to 16%	RBI-registered
i2iFunding	Detailed risk assessment, focuses on minimizing defaults.	Attractive returns	RBI-registered (NBFC-P2P)
Liquiloans	Diversified borrower base, reduces risk for investors.	Competitive returns	Likely RBI-registered (implied)

Sources:https://www.rbi.org.in

Global P2P Lending Platforms

Lending Club (USA) is one of the largest P2P lending platforms in the U.S., offering personal loans, business loans, and auto refinancing while utilizing AI-driven credit scoring to match borrowers with investors (Chen & Han, 2021). Prosper (USA), a pioneer in P2P lending, provides personal loans for debt consolidation and home improvement, allowing both retail and institutional investors to fund loans (Bachmann et al., 2022). Among regional platforms, Mintos (Europe, Global) operates as a marketplace for investing in consumer, mortgage, and SME loans worldwide (Bachmann et al., 2022), while Auxmoney (Germany, Europe) focuses on consumer credit using alternative credit scoring models (Mildorf et al., 2022). RateSetter (UK, Australia) offers personal and business loans and is known for its "Provision Fund" to protect lenders from defaults (Bachmann et al., 2022). Niche-specific platforms include PeerStreet (USA), which connects investors with short-term real estate loans (Mildorf et al.,

2022), and Funding Societies (Southeast Asia), operating in Singapore, Indonesia, and Malaysia to provide working capital loans for small businesses (Chen & Han, 2021).

Key New RBI Guidelines for P2P

The Reserve Bank of India (RBI) has tightened regulations for NBFC P2P lending platforms to enhance transparency and protect stakeholders. Assured return claims are now banned, ensuring lenders and borrowers acknowledge the risks involved. Platforms must provide clear disclosures, eliminating misleading guarantees of liquidity or fixed returns. Additionally, P2P platforms can no longer cross-sell unrelated insurance products, such as credit guarantees, keeping the focus solely on lending. This prevents unnecessary complexity and potential mis-selling. To promote fairness, the RBI mandates board-approved lender-borrower matching policies, banning closed user groups that could enable preferential treatment. This ensures an open and inclusive lending environment. Strict exposure limits are also enforced: individual lenders cannot exceed ₹50 lakh across all platforms. Those with exposures above ₹10 lakh must submit CA-certified net worth proof (minimum ₹50 lakh), ensuring only financially capable participants engage in high-value lending.

The RBI has introduced stringent regulations for NBFC-P2P platforms, prohibiting participant matching within restricted groups (including those introduced by affiliates) to ensure fair access. Platforms must disclose accurate information on their websites, including monthly portfolio performance reports with NPA breakdowns by age, and prominently display disclaimers clarifying that the RBI doesn't verify claims or guarantee repayments. A transparent pricing policy is mandated, requiring upfront disclosure of all charges (fixed amounts or percentages of principal) unaffected by repayment behavior. The escrow account mechanism requires two separate accounts (for lender funds pre-disbursement and borrower repayments), with strict segregation preventing fund diversion between accounts and enforcing T+1 settlement via bank transfers only (no cash transactions). These measures enhance transparency but may reduce liquidity, prompting investors to seek more regulated alternatives

The impact of AI, blockchain, and financial inclusion of major P2P platforms

In India, P2P lending platforms increasingly use artificial intelligence (AI) and big data analytics to expand financial inclusion by assessing creditworthiness through alternative data such as UPI transactions, GST filings, and digital footprints, enabling access for those without traditional credit histories (TechSci Research, 2024; Mishra, 2024). Platforms like Lendingkart, Cred, and FlexiLoans employ AI to automate underwriting and speed up disbursements, while public schemes like CGTMSE leverage AI for improved risk assessment and fraud detection (Financial Insights, 2024; Wikipedia, 2025). Blockchain is explored by players like Faircent for transparency, but adoption is limited due to scalability challenges (The Economic Times, 2016; Investopedia, 2024). Regulated under the NBFC-P2P framework, the RBI enforces strict lending limits, mandatory KYC, and bans on credit risk assumption, with August 2024 reforms increasing default transparency (Agrud Partners, 2024; Reuters, 2024). After peaking at ₹10,000 crore in 2023, the market fell to ₹3,000 crore by 2025, though innovators like FatakPay are expanding inclusion by integrating microcredit with insurance and digital investments (The Economic Times, 2025).

Future Trends of P2P Lending in India

India's P2P lending sector is transforming rapidly, fueled by digital adoption, AI-driven credit assessment, and regulatory evolution. Rising smartphone penetration in tier-2/3 cities enhances financial inclusion (World Bank Group, 2019), while AI/ML algorithms improve risk evaluation using alternative data, enabling personalized rates and reducing defaults (Wei & Lin, 2017). Integration with neobanks (e.g., PhonePe) and blockchain adoption promise efficiency and transparency. However, tighter RBI oversight—stricter KYC norms, investment caps (RBI, 2017), and AML/data privacy rules (Nair & Menon, 2024)—will shape sustainable growth. The sector's expansion into rural/MSME segments (Joshi & Khanna, 2023) aligns with financial inclusion goals but faces challenges in balancing innovation with regulation.

Findings

The study finds that peer-to-peer (P2P) lending in India is rapidly transforming credit delivery by directly connecting borrowers and lenders through digital platforms, significantly enhancing financial inclusion for underserved segments such as SMEs, rural borrowers, and gig workers. Technological advancements including AI/ML-driven credit scoring, use of alternative data sources like GST filings, UPI transactions, and social media, along with real-time interest rate adjustment have improved underwriting

accuracy and loan processing speed. Borrowers benefit from lower interest rates compared to unsecured bank loans, while investors achieve higher returns than traditional fixed-income products. RBI's NBFC-P2P guidelines have formalized the sector and improved transparency, though high capital requirements pose challenges for smaller platforms. Global comparisons reveal divergent regulatory approaches, from China's restrictive post-crisis measures to the EU's fragmented framework, highlighting India's relatively balanced but evolving stance. Looking ahead, the adoption of emerging technologies such as blockchain offers opportunities for greater transparency and security, but sustainable growth will depend on continued regulatory clarity, robust risk management, and strong investor protection mechanisms.

Implications

The implications of this study on P2P lending in India are multifaceted, affecting financial systems, investors, borrowers, and regulators. By bypassing traditional banks, P2P platforms democratize credit, offering new avenues for underserved populations such as SMEs and rural borrowers. This promotes financial inclusion and fosters entrepreneurial growth. For investors, P2P lending opens up a high-yield asset class, though not without elevated risks, including default and platform insolvency. On a regulatory front, the study highlights the delicate balance the RBI must maintain—encouraging innovation while enforcing compliance to protect consumer interests. Furthermore, the integration of AI, alternative data, and blockchain shows that P2P lending is not just a financial model but a technology-driven solution to systemic credit gaps. However, challenges like cybersecurity, lack of secondary markets, and legal ambiguities must be addressed. These findings urge policymakers to prioritize transparency, investor awareness, and regulatory evolution to sustain and scale P2P lending effectively.

Conclusion

Peer-to-peer (P2P) lending has emerged as a transformative force in India's financial landscape, leveraging FinTech innovations, alternative data analytics, and AI-driven risk assessment to enhance credit access, reduce costs, and improve efficiency. By bridging gaps left by traditional banking, especially for SMEs, rural borrowers, and gig economy participants, P2P platforms are significantly advancing financial inclusion. However, the sector's rapid growth brings regulatory and operational challenges, including compliance with RBI's NBFC-P2P guidelines, capital requirements, and the need for robust investor protection mechanisms.A comparative analysis with global markets reveals diverse regulatory responses—from China's stringent crackdowns to the European Union's fragmented framework—underscoring the importance of a balanced, evidence-based policy approach in India. Future growth will depend on regulators fostering innovation while ensuring systemic stability, platforms adopting transparent and ethical practices, and continued integration of emerging technologies such as blockchain. Ultimately, a harmonized strategy that aligns technological advancements with sound governance can position India's P2P lending sector as a sustainable driver of inclusive economic growth.

References

Bachmann, A., Becker, A., &Grobys, K. (2022). *Peer-to-peer lending: A review of the   literature*. Journal of Financial Technology, *6*(2), 45–67.

Balyuk, T., & Davydenko, S. A. (2020). *Reintermediation in fintech: Evidence from online lending*. Review of Financial Studies, 33(5), 1981-2020.

Bruton, G., Khavul, S., Siegel, D., & Wright, M. (2021). *New financial alternatives in seeding entrepreneurship: Microfinance, crowdfunding, and peer-to-peer innovations*. Entrepreneurship Theory and Practice, 45(1), 7-19.

Chakraborty, S., & Ravi, S. (2019). Trust signals in online lending: Evidence from Indian P2P platforms. *Journal of Behavioral and Experimental Finance, 22*, 100-110.

CRISIL Ratings. (2023). *India P2P lending market report: Growth trends and risk assessment*. https://www.crisil.com

Cumming, D., Johan, S., & Zhang, Y. (2021). *The role of blockchain technology in peer-to-peer lending*. Journal of Corporate Finance, 68, 101940.

Decentro. (2025). *9 Top and Upcoming P2P Lending Platforms in India in 2025*. Retrieved fromhttps://decentro.tech/blog/top-p2p-lending-platforms/

Fuster, A., Plosser, M., Schnabl, P., & Vickery, J. (2019). *The role of technology in mortgage lending*. The Review of Financial Studies, 32(5), 1854-1899.

https://www.investkraft.com/blog/list-of-p2p-lending-companies-india-2024

Huang, R., Lin, Z., & Peng, Y. (2020). *Fintech credit risk assessment for SMEs: Evidence from China*. Journal of Banking & Finance, 118, 105908.

Inventiva. (2024). *Top 10 Best Digital Lending Companies In India 2024*. Retrieved from https://www.inventiva.co.in/trends/digital-lending-companies-2024/

Iyer, R., Khwaja, A. I., Luttmer, E. F., & Shue, K. (2016). *Screening peers softly: Inferring the quality of small borrowers*. Management Science, 62(6), 1554-1577.

Kumar, R., & Sharma, P. (2020). Digital disruption in lending: How P2P platforms are serving India's unbanked SMEs. *IIMB Management Review, 32*(4), 389-402.

Makarov, I., &Schoar, A. (2022). *Blockchain analysis of the Bitcoin market*. The Quarterly Journal of Economics, 137(1), 61-102.

Mildorf, T., Moro, A., & Janda, K. (2022). Peer-to-peer lending and financial inclusion. *Journal of Banking & Finance, 135*, 106–125.

Mishra, A., & Gupta, S. (2022). Bridging the rural credit gap: Evaluating P2P lending penetration in Tier-3 Indian cities. *Economic & Political Weekly, 57*(35), 45-53.

PwC India. (2022). *The future of alternative lending: AI and data-driven underwriting in India*.

Reserve Bank of India. (2017). *Master directions - NBFC - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017*. https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3164#3

Reserve Bank of India. (2017). *Master Directions - Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017*. Retrieved from https://www.rbi.org.in/

Reserve Bank of India. (2017). *Peer-to-peer lending guidelines*. RBI/2017-18/16.

Reserve Bank of India. (2023).*Master Direction on NBFC-Peer to Peer Lending Platforms*. https://www.rbi.org.in

Reserve Bank of India. (2021). *Discussion paper on peer-to-peer lending platforms*. https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51343

Sengupta, R., &Sagaram, V. (2023). Regulatory hurdles and growth potential of peer-to-peer lending in India: An empirical analysis. *Journal of Financial Regulation and Compliance, 31*(2), 145-162.

The Economic Times. (2024, April 23). *P2P lenders dial RBI for secondary market access, instant liquidity options*. The Economic Times. https://economictimes.indiatimes.com/tech/technology/p2p-lenders-dial-rbi-for-secondary-market-access-instant-liquidity-options/articleshow/112144201.cms

The Economic Times. (2024, April 29). *RBI tightens guidelines for NBFC-P2P lending*. TheEconomic Times. https://economictimes.indiatimes.com/news/economy/policy/rbi-tightens-guidelines-for-nbfc-p2p-lending/articleshow/112573403.cms

Top PR News. (2025). *India Peer to Peer Lending Market Share, Size, Analysis, Forecast, Trends & Growth*. Retrieved from https://topprnews.com/india-peer-to-peer-lending-market-share-size-analysis-forecast-trends-growth/

Top PR News. (2025). *India Peer to Peer Lending Market Share, Size, Analysis, Forecast, Trends & Growth*. Retrieved from https://topprnews.com/

Vallee, B., & Zeng, Y. (2019). *Marketplace lending: A new banking paradigm?* The Review of Financial Studies, 32(5), 1931-1982.

Wei, Z., & Lin, M. (2017). Market Mechanisms in Online Peer-to-Peer Lending. *Management Science, 63*(12), 4236–4257.

Wei, Z., & Lin, M. (2017). *Market mechanisms in online peer-to-peer lending*. Management Science, 63(12), 4236-4257.

Wikipedia contributors. (2025). *Lendbox*. In *Wikipedia, The Free Encyclopedia*. Retrieved from https://en.wikipedia.org/wiki/Lendbox

Wikipedia contributors. (2025). *RangDe*. In *Wikipedia, The Free Encyclopedia*. Retrieved from https://en.wikipedia.org/wiki/RangDe

World Bank Group. (2019). *The Global Expansion of Alternative Finance: Opportunities and Risks for Financial Inclusion*. Retrieved from https://www.worldbank.org/

Zetzsche, D. A., Buckley, R. P., Arner, D. W., & Barberis, J. (2018). *From FinTech to TechFin: The regulatory challenges of data-driven finance*. NYU Journal of Law & Business, 14(1), 87-116.

Zhang, J., & Liu, P. (2012). *Rational herding in microloan markets*. Management Science, 58(5), 892-912.

Ziegler, T., Shneor, R., Wenzlaff, K., &Odorović, A. (2023). *The global alternative finance market benchmarking report*. Cambridge Centre for Alternative Finance.

❑❑❑