

Exploring Awareness of Fintech-Based Peer to Peer Lending in Uttarakhand

Brajesh Singh, Assistant Professor, Department Of Commerce, H.N.B.Govt P.G.College Khatima, Udham Singh Nagar Uttarakhand mobile
Email- bhartianjali1984@gmail.com

Dr. Garima jaiswal chandra, Assistant Professor, Department Of Business Administration, S.B.S.Govt P.G.College Rudrapur, Udham Singh Nagar Uttarakhand
[email- garimain2001@gmail.com](mailto:email-garimain2001@gmail.com)

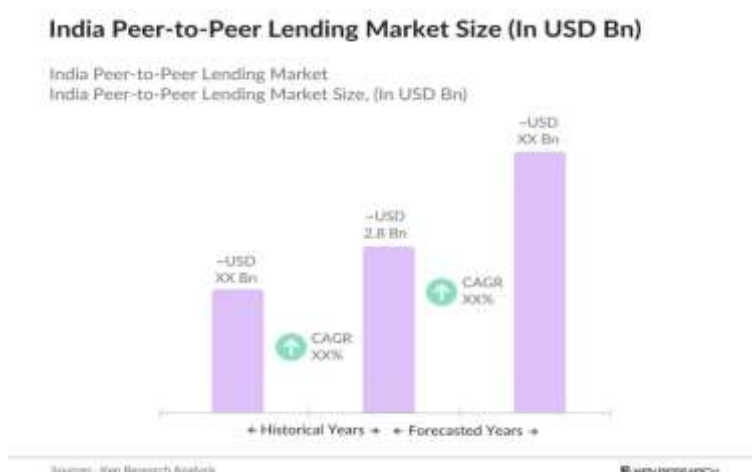
ABSTRACT

Peer-to-peer (P2P) lending has emerged as a significant fintech innovation by directly connecting borrowers and lenders through digital platforms without the involvement of traditional financial intermediaries. In India, this model has gained attention for its potential to provide faster credit access, lower borrowing costs, and greater financial inclusion. The present study examines consumer awareness of P2P lending in Uttarakhand, with a particular focus on the districts of Udham Singh Nagar and Nainital. The study investigates whether awareness varies across key demographic variables such as age, income, education, and location, and whether financial literacy is associated with familiarity with P2P lending. A quantitative research design was adopted, and data were collected through a structured questionnaire using non-probability judgmental sampling. The responses were analyzed using descriptive statistics and the chi-square test. The findings indicate a significant relationship between financial literacy and awareness of P2P lending, suggesting that financially literate individuals are more likely to be aware of such platforms. The study highlights the need for targeted awareness campaigns and financial education initiatives in Uttarakhand to promote informed participation in fintech-based lending. **This study is significant because it examines consumer awareness of fintech-based peer-to-peer lending at the district level, thereby contributing a localized understanding of how financial literacy and demographic factors shape the adoption of emerging digital credit platforms in Uttarakhand.**

Keywords: Peer-to-peer Lending, P2P, Awareness, Financial Literacy, Financial Inclusion.

INTRODUCTION

Peer-to-peer (P2P) lending was introduced in 2005 by Zopa, a UK-based company, and subsequently in 2006 by Prosper in the United States. Both organizations, along with several others, claim to have connected millions of lenders and borrowers through their platforms, maintaining a track record of effective lending over time.



source: Research Analysis

Over time, the concept expanded to Asian countries and is frequently described as an alternative or complementary function to traditional banking. P2P platforms have evolved to include a variety of business models; however, the financial industry is being genuinely disrupted by lending through P2P proponents. This leads to the central question: what exactly is peer-to-peer lending?

About P2P Platforms

Peer-to-peer lending is defined as communication between two individuals who electronically meet and interact on a shared platform without the need for a middleman or intermediary network. From a financial perspective, P2P platforms facilitate lending money to "peers"—or unrelated individuals—without requiring banks or other conventional financial institutions.

P2P lending platforms enable online lending that is easier to operate, with simple registration, less time-consuming assessment and paperwork, and quicker loan processing. The potential borrower applies for a loan and registers on the platform by providing their credentials. The platform then analyzes the information, performs a preliminary credit assessment, and produces a report summary. The decision to lend is made by the investor after reviewing the platform's credit evaluation report or after conducting additional borrower assessments.

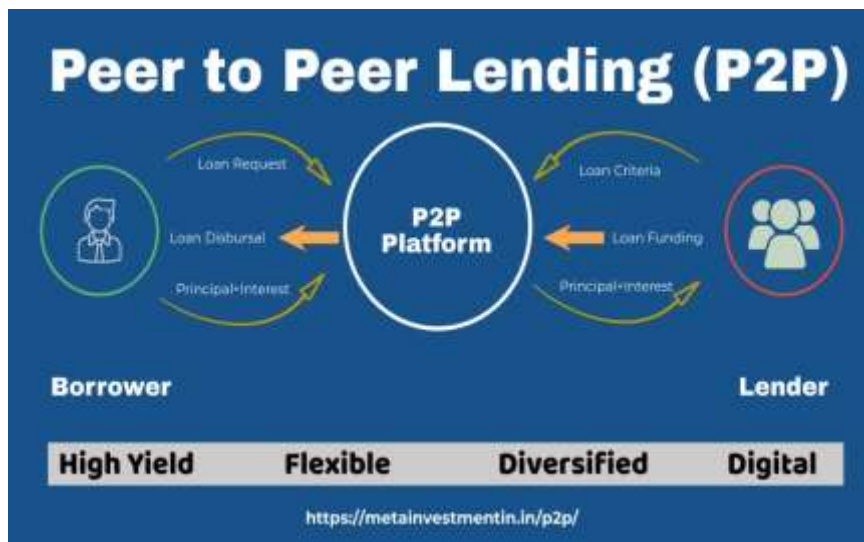
To prevent potential conflicts of interest in the platform's activities, P2P platforms do not engage in self-lending. Since the economic concept of P2P lending in India was initially unregulated, platforms must exercise caution to avoid undermining the business model or its development potential. In the dynamic environment of emerging economies, the need to keep pace with revolutionary advancements that improve people's lives and strengthen the economy's foundations is evident. In this perspective, peer-to-peer lending (P2P)—which goes by other names such as social investment, marketplace lending, direct consumer lending, and crowd lending—stands out as a major financial innovation.

By directly connecting buyers and sellers of financial services, P2P lending, which operates on web-based platforms, efficiently avoids the traditional involvement of intermediaries, brokers, or mediators and redefines the traditional financial paradigm. Despite the challenges involved in handling defaults and late payment situations, the dual promise of cost-effectiveness and rapid services is at the core of its attractiveness

P2P lending offers an appealing alternative for businesses seeking quick capital injection to take advantage of time-sensitive opportunities or handle pressing issues, due to its simplified application procedures and faster approval times that set it apart from traditional competitors. Although P2P lending is clearly on the rise globally, its trajectory in India is marked by relatively recent emergence that is progressively gaining steam as it gains favor among borrowers. The opportunity for borrowers to obtain loans at lower interest rates and gain more flexible repayment terms compared to traditional bank loans highlights the appeal of peer-to-peer lending in the Indian context.

In light of this, our study aims to explore the extent of P2P lending awareness among Indians. We seek to identify the nuances that influence the perception and uptake of P2P lending platforms by thoroughly examining demographic variables including age, income, education, and geographic location. This study intends to provide in-depth knowledge of the socio-economic milieu that determines the trajectory of P2P lending in the Indian setting, in addition to offering insightful contributions to the growing body of research on financial innovation.

The financial intermediation industry has been disrupted by P2P platforms. It has been demonstrated that borrowing can occur outside of banks and other financial organizations; hence, lending is not limited to these financial establishments. The proposal is becoming increasingly popular on both sides because it gives direct access to both the "haves" and the "have-nots." Similar to how banks and other financial institutions were unable to provide funding for unusual enterprises—which resulted in the assistance of angel investors and venture funds—this also occurred in the P2P sphere because they function in a parallel realm of financial facilitation.



Source: meta investment/p2p

According to one view, P2P platforms will upend the banking industry's current institutional and organizational framework. The advantage P2Ps have is that they can operate in a low-margin market, work with clients rejected by banks, and use technology to provide quick customer service because banks have low administrative overhead. However, the model also has certain drawbacks stemming from the fact that the innovation is relatively new, including concerns about the legitimacy of the business, the sustainability of the business model, the legality of operations, the transparency of business transactions, and the acceptability of technology.

These drawbacks appear limited until P2P platforms gain more experience and should eventually fade. Examples of disruptions are cited in *The Business Models and Economics of Peer-to-Peer Lending*, such as the sharing of recorded music, phone calls, or airline reservations, BitTorrent, or Airbnb (in the consumer-to-consumer market), etc. P2P platforms are now thought to complement banks and other financial institutions. Another P2P paradigm is crowd funding, in which a number of people contribute to a shared purpose. This is primarily utilized in India to make a social impact (Ketto.org, for instance).

REVIEW OF LITERATURE

Dr. Mitali Gupta and Archana (2025) Through direct digital interactions between borrowers and lenders, peer-to-peer (P2P) lending has become a game-changing FinTech breakthrough. Studies reveal that P2P systems use machine learning (ML) and artificial intelligence (AI) to improve credit scores by integrating non-traditional data sources including transaction history and social media activity.

Jha Amit Kumar (2024) The Reserve Bank of India's involvement in overseeing P2P lending platforms is examined in this paper. It emphasizes how the 2017 guidelines gave the industry legitimacy. According to the author, being classified as NBFC-P2P enhanced governance and transparency. Additionally, the study addresses lending restrictions and borrowing.

Javier Arroyo and Mario Sanz-Guerrero (2024) The use of AI in P2P lending for credit risk assessment is the main topic of this work. Natural language processing (NLP) methods are employed by the writers. To forecast risk, the study examines borrower descriptions. It emphasizes increased precision with the use of machine learning algorithms.

Sheshadri Preethi et al. (2024) This study looks at how P2P lending platforms help finance small and medium-sized businesses in India. The writers emphasize how P2P platforms fill in the credit gaps left by conventional banks. The study highlights enhanced accessibility access funding for tiny companies.

Ziegler et al. (2023) increases the availability of credit Risks associated with loan stacking The default rate is 25% greater for borrowers who use numerous platforms.

Sengupta & Sagaram (2023) SME financing solutions Recovery mechanism gaps 60% of Indian P2P loans serve SMEs excluded by banks.

Jayant Mahajan, Anukool Nigalye, and Stanny Dias (2022) The factors driving P2P lending uptake in India are examined in this study. The Technology Acceptance Model (TAM) is used by the writers. The study emphasizes perceived utility and usability as important factors.

Mildorf et al (2022) Inclusion of finances for thin-file Limited information about credit history Compared to traditional grading, psychometrics lower defaults by 18%.

Mishra & Gupta (2022) Financial inclusion in rural areas Disparities in geographic prices Borrowers in Tier 3 cities pay 15% more.

Arushi Agrawal et al., (2021) By 2020, the Indian market is predicted to grow to \$2.4 billion, but obstacles include risk management, creditworthiness evaluation, and rivalry from existing lenders.

Hera Laxmi Devi Septiani et al., (2020). The government has supported the role in encouraging P2P lending to format by offering financial incentives, regulators support the availability of this in a specific nation or reason to determine the adoption rates, and farmers are aware that P2P is important landing and its advantages for adoption.

William R. Nelson and Rajdeep Chakrabarti (2019) Fintech credit, including marketplace lending strategies, is examined in this study. It describes how P2P lending makes credit more accessible outside of banks. The authors examine credit allocation and borrower segmentation. The report emphasizes how digital platforms may increase efficiency.

Pooja Khatri, (2019). In comparison to traditional banks, peer-to-peer lending platforms offer higher returns and cheaper interest rates by directly connecting borrowers and lenders.

Elham Asgari, Hamed Namavari, and Kaveh Bastani (2018) A predictive model for credit and profitability in peer-to-peer lending is presented in this study. A two-stage scoring method is presented by the authors. Credit risk and returns prediction are combined in this study. It makes advantage of machine learning methods for increased precision.

Parboteeah, P., and A. Milne (2016) The function of P2P lending in the larger fintech ecosystem is examined in this study. The authors contend that by giving underprivileged groups access to credit, peer-to-peer lending improves financial inclusion. Within this is especially important for MSMEs and informal borrowers in the Indian environment.

According to Qin Yang et al. (2016), Structural adjustments are necessary to reduce risks and increase investor confidence in order to prosper online peer-to-peer lending is a novel financial intermediary system in which borrowers and lenders are unrelated.

Belleflamme, P., Peitz, M., and Omrani, N. (2015) The economics of crowdfunding platforms, especially lending-based approaches, are covered in this research. The authors describe how platforms serve as go-betweens for funders and money seekers. They draw attention to platform rivalry and pricing tactics.

Bachmann and associates (2011) An early literature review of P2P lending systems is presented in this fundamental work. The authors describe how online lending platforms came to be. Benefits including reduced transaction costs are highlighted in the study. It talks about dangers including information asymmetry and default.

Analysis of Gap:

Although peer-to-peer lending has been increasingly discussed in the context of fintech and financial inclusion, most existing studies focus on the national level or on broader urban markets. Very limited empirical research has examined consumer awareness of P2P lending in the specific context of **Uttarakhand**, particularly in the districts of **Udham Singh Nagar and Nainital**. The literature also shows a lack of district-level comparative analysis that explores how awareness differs across demographic groups and geographic regions within the state. In addition, most studies emphasize platform performance, credit risk, or regulatory issues, while awareness and financial literacy remain underexplored. Therefore, there is a clear need for localized research that assesses the level of awareness, identifies influencing factors, and informs region-specific policy and outreach strategies.

OBJECTIVE OF THE STUDY

1. To determine the extent of respondents' current knowledge about peer-to-peer lending systems in Uttarakhand.
2. To examine any significant variations in awareness levels according to age groups, economic status, educational attainment, and district-level location.

HYPOTHESIS

H0: The degree of financial literacy and familiarity with peer-to-peer lending do not significantly correlate.

Ha: The degree of financial literacy and familiarity with peer-to-peer lending are significantly correlated.

RESEARCH METHODOLOGY

Research Design

The study adopted a **quantitative, descriptive, and correlational research design**. The descriptive component was used to measure the level of consumer awareness of peer-to-peer lending, while the correlational component was used to test the relationship between financial literacy and awareness. This design is appropriate for identifying patterns, relationships, and differences among variables in a structured manner.

Population of the Study

The population of the study consisted of economically active individuals residing in **Udham Singh Nagar and Nainital districts of Uttarakhand**. Respondents were selected from the working-age group and individuals with exposure to digital financial services, as they are more likely to be aware of fintech-based lending platforms.

Sample Size

The sample size of the study was **385 respondents**. This was determined using **Cochran's formula** at a 95% confidence level and 5% margin of error, with $p=0.5$ assumed due to the absence of prior information regarding the exact level of awareness in the population. The calculated minimum sample size was 384.16, which was rounded up to 385.

Sampling Technique

The study used **non-probability judgmental sampling** to select respondents who were considered relevant to the research objectives. This method was suitable because the study focused on individuals likely to possess at least basic familiarity with digital financial services.

Data Collection Method

Primary data were collected through a **structured questionnaire** developed specifically for this study. The questionnaire included items measuring awareness, familiarity, and perceptions regarding P2P lending. Secondary data were gathered from books, journals, RBI publications, reports, and online sources to support the theoretical framework.

Research Area

The study was conducted in **Udham Singh Nagar and Nainital districts of Uttarakhand**. These districts were selected to provide a comparative perspective on awareness in two distinct regional settings within the state.

Tools of Analysis

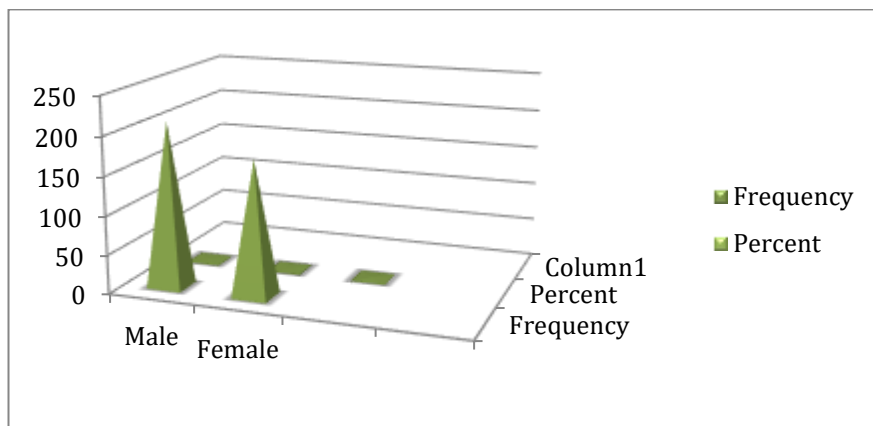
The collected data were analyzed using **descriptive statistics** and the **chi-square test**. Descriptive statistics were used to present the demographic profile of respondents, while the chi-square test was applied to examine the association between financial literacy and awareness of peer-to-peer lending.

DATA AND DISCUSSION

Table 1: Gender

		Frequency	Percent
Valid	Male	212	55%
	Female	173	45%
	Total	385	100%

Source: Compiled from Primary data

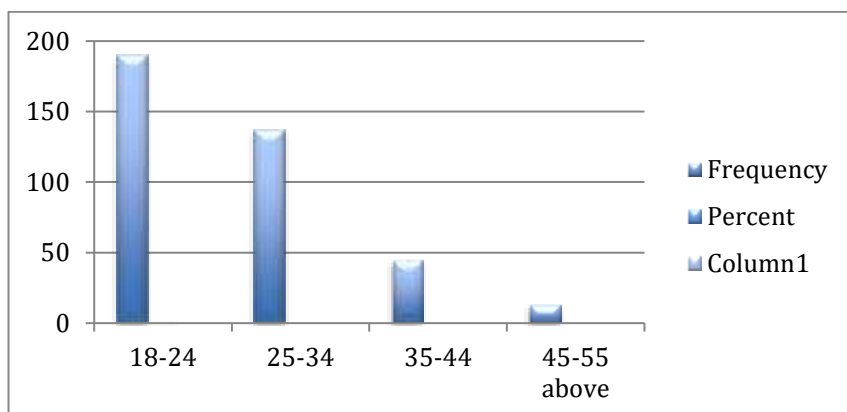


According to the frequency analysis, 55% of the 385 respondents were men and 45% were women, suggesting a largely male gender profile.

Table 2: Age Group

		Frequency	Percent
Valid	18-24	190	49.3%
	25-34	137	35.5%
	35-44	45	11.6%
	45-55 above	13	3.3%
	Total	385	100%

Source: Compiled from Primary data

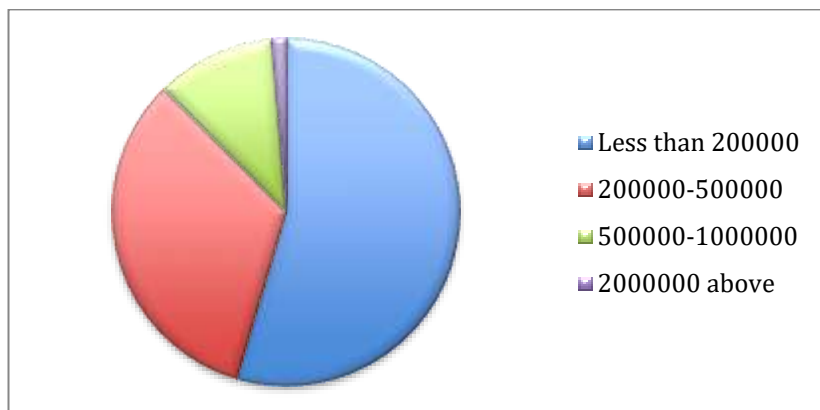


Four age categories comprised the respondents: 18–24 (49.3%), 25–35 (35.5%), 35–44 (11.6%), and 45–55 and over (3.3%).

Table 3: Annual Income

		Frequency	Percent
Valid	Less than 200000	210	54.5%
	200000-500000	127	32.9%
	500000-1000000	43	11.1%
	2000000 above	5	1.2%
	Total	385	100%

Source: Compiled from Primary data



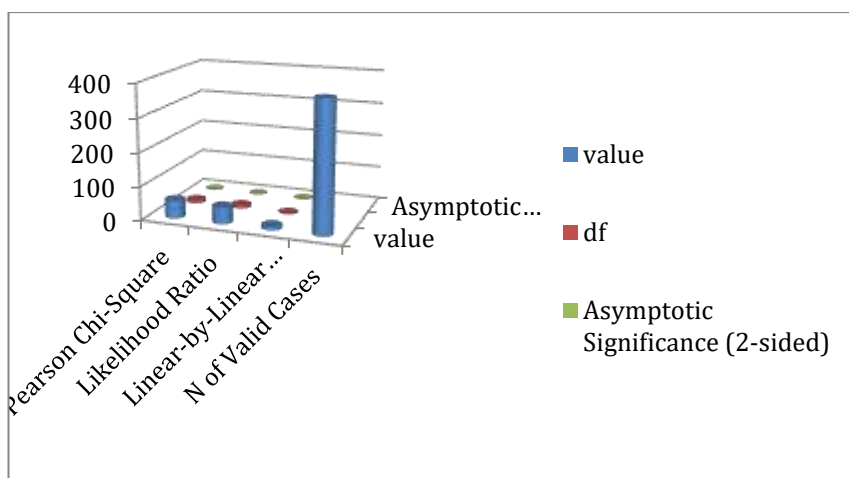
The annual income of the respondents was divided into four groups: below Rs. 200,000 (54.5%), between Rs. 200,000 and Rs. 500,000 (32.9%), between Rs. 500,000 and Rs. 1,000,000 (11.21%), and above Rs. 2,000,000 (1.2%).

H₀: The degree of financial literacy and familiarity with peer-to-peer lending do not significantly correlate.

Table 4: Chi- Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	53.449	9	.000
Likelihood Ratio	50.026	9	.000
Linear-by-Linear Association	11.152	1	.001
N of Valid Cases	385		

Source: Compiled from Primary data



We obtain a Pearson Chi-square value of 53.449 with degrees of freedom of 9 and $p = 0.000 < 0.005$ from the Chi-square test table number 04. Therefore, the alternative hypothesis that there is a significant correlation between financial literacy and familiarity with peer-to-peer lending is accepted.

FINDINGS OF THE STUDY

The analysis of the study produced several important findings. First, the overall awareness of peer-to-peer lending among respondents was limited, indicating that P2P lending is still a relatively unfamiliar financial concept for many individuals in Uttarakhand. Second, a significant association was found between financial literacy and awareness of P2P lending, confirming that respondents with greater financial knowledge were more likely to be aware of fintech-based lending platforms. Third, demographic variables such as age, income, and location appeared to influence awareness levels, suggesting that awareness is not evenly distributed across population groups. Fourth, the comparative focus on Udham Singh Nagar and Nainital indicates that district-specific socio-economic conditions may

shape consumer exposure to digital financial services. Finally, the findings suggest that awareness-building efforts should be designed in a targeted manner rather than applying a uniform strategy across the state.

CONCLUSION

Peer-to-peer lending benefits society in a number of ways. First of all, it makes credit more accessible to people who might have trouble getting loans through conventional banking channels, such as those with bad credit records or low incomes. Second, because these platforms usually offer cheaper interest rates, P2P lending helps borrowers save money rates in contrast to traditional banks. Thirdly, it fosters equal opportunities for success by making credit accessible to those who might find it difficult to qualify for conventional loans.

Peer-to-peer lending is also essential for certain businesses. For example, it has been crucial in helping small enterprises expand financially. P2P lending platforms remove the complications of typical bank loan procedures by providing quick and simple access to funds. Additionally, P2P lending has been crucial in financing sustainable energy initiatives like wind and solar farms. This gives investors the chance to profit from their investments while taking part in and financially supporting sustainable initiatives.

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