

A Study on the Role of Risk and Trust Factors Influencing P2P Lending and Digital Payment Usage by MSMEs

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ABSTRACT

The rapid growth of financial technology (FinTech) has transformed the financial ecosystem, especially for Micro, Small, and Medium Enterprises (MSMEs). Peer-to-Peer (P2P) lending platforms and digital payment systems have emerged as important financial solutions that improve accessibility, speed, and convenience in financial transactions. However, the adoption and usage of these technologies are highly influenced by risk perception and trust factors among MSME users. This study examines the role of risk and trust factors influencing P2P lending and digital payment usage among MSMEs. The study focuses on understanding how security, privacy, reliability, transparency, and technological trust affect the adoption behavior of MSMEs. The research adopts a descriptive research design using both primary and secondary data. Data was collected from 150 MSME respondents through a structured questionnaire. Statistical tools such as Percentage Analysis, Correlation Analysis, and Regression Analysis were used for interpretation. The findings reveal that trust, security, and ease of use significantly influence the adoption of digital financial platforms, while perceived financial and cybersecurity risks negatively impact user confidence. The study concludes that strengthening trust mechanisms and reducing perceived risks can enhance digital financial inclusion among MSMEs.

Keywords: P2P Lending, Digital Payments, MSMEs, Trust Factors, Risk Factors, FinTech, Financial Technology.

INTRODUCTION OF THE STUDY

The advancement of digital technologies and financial innovations has significantly changed the traditional financial system. Financial Technology (FinTech) solutions such as Peer-to-Peer (P2P) lending platforms and digital payment systems have become increasingly popular among Micro, Small, and Medium Enterprises (MSMEs). These technologies provide MSMEs with faster financial services, easy access to credit, secure payment mechanisms, and improved operational efficiency.

P2P lending platforms directly connect borrowers and lenders through online platforms, eliminating traditional banking intermediaries. This enables MSMEs to obtain quick financing with simplified procedures and lower transaction costs. Similarly, digital payment systems such as UPI, mobile wallets, internet banking, QR-code payments, and online transaction platforms support cashless transactions and improve business convenience.

Despite these benefits, MSMEs often face concerns related to cybersecurity, fraud risks, data privacy, transaction reliability, and technological trust. Risk perception plays a major role in influencing user behavior toward digital financial systems. Trust factors such as transparency, security, service reliability, and user experience determine whether MSMEs are willing to adopt and continuously use these digital platforms.

Therefore, this study focuses on analyzing the role of risk and trust factors influencing P2P lending and digital payment usage among MSMEs.

STATEMENT OF THE PROBLEM

MSMEs increasingly rely on digital financial technologies such as P2P lending platforms and digital payment systems to improve business operations and access financial services. However, concerns related to financial fraud, cybersecurity threats, privacy issues, transaction failures, and lack of trust create barriers to adoption and usage. Many MSMEs hesitate to fully utilize digital financial systems due to perceived risks and uncertainty regarding platform reliability and security.

Therefore, there is a need to examine how risk perception and trust factors influence the adoption and usage of P2P lending and digital payment systems among MSMEs. This study aims to analyze the relationship between trust, risk, and digital financial technology usage among MSMEs.

LITERATURE REVIEW

Sharma and Gupta (2023) examined the adoption of digital payment systems among small businesses in India. The study found that trust in payment security and ease of transaction significantly influence digital payment adoption.

The Deloitte FinTech Report (2024) highlighted the growing role of P2P lending platforms in supporting MSME financing. The report emphasized that transparency, data protection, and trustworthiness are major determinants of customer adoption.

Kumar and Priya (2022) studied the impact of cybersecurity risks on digital financial services. Their findings revealed that fear of fraud and data misuse negatively affect user confidence in digital financial platforms.

The Reserve Bank of India (RBI) survey (2024) indicated that MSMEs are increasingly adopting digital payments due to convenience and faster transaction processing. However, concerns regarding security and technical reliability continue to influence usage behavior.

Wilson and Thomas (2025) analyzed trust-building mechanisms in FinTech applications and concluded that customer trust significantly enhances long-term usage and customer retention in digital finance platforms.

RESEARCH GAP

Previous studies mainly focused on digital payment adoption and FinTech growth. However, limited studies have specifically examined the combined impact of risk perception and trust factors influencing both P2P lending and digital payment usage among MSMEs.

OBJECTIVES OF THE STUDY

The major objectives of the study are:

1. To examine the role of trust factors influencing P2P lending and digital payment usage among MSMEs.
2. To analyze the impact of perceived risks on the adoption of digital financial services.
3. To understand the relationship between trust, security, and digital financial usage behavior.
4. To evaluate the effectiveness of P2P lending and digital payment systems in improving MSME financial operations.

SCOPE OF THE STUDY

1. The study focuses on MSMEs using P2P lending platforms and digital payment systems.
2. The study examines trust factors such as security, reliability, transparency, and privacy.
3. The study analyzes risk factors including fraud risk, financial risk, cybersecurity risk, and operational risk.
4. The study evaluates user perception and adoption behavior toward digital financial technologies.
5. The study provides recommendations for improving FinTech adoption among MSMEs.

RESEARCH METHODOLOGY & DESIGN

The study adopts a descriptive research design to analyze the role of risk and trust factors influencing P2P lending and digital payment usage among MSMEs during the financial year 2025–26.

Sources of Data

Primary data was collected from MSME owners and employees using a structured questionnaire. Secondary data was collected from journals, research articles, RBI reports, websites, and FinTech publications.

Sampling Design

Convenience sampling method was used for selecting respondents. The sample size selected for the study is 150 respondents.

TOOLS USED FOR ANALYSIS

The collected data was analyzed using the following statistical tools:

Percentage Analysis, Mean and Standard Deviation, Correlation Analysis, Regression Analysis, Charts and Graphical Representations.

DEMOGRAPHIC ANALYSIS

Gender	Frequency	Percentage
Male	96	64
Female	54	36
Total	150	100

Source: Primary Data

The table shows that 64 percent of respondents are male and 36 percent are female. This indicates that male respondents have comparatively higher participation in MSME financial operations and digital financial service usage.

OPINION REGARDING TRUST IN DIGITAL PAYMENT SYSTEMS

Opinion	Number of Respondents	Percentage
Strongly Agree	68	45.3
Agree	49	32.7
Neutral	18	12
Disagree	9	6
Strongly Disagree	6	4
Total	150	100

Source: Primary Data

The above table indicates that the majority of respondents believe that trust and security significantly influence digital payment usage. Around 78 percent of respondents either strongly agree or agree that trust factors improve their confidence in digital financial platforms.

CORRELATION ANALYSIS

Null Hypothesis (H_0)

There is no significant relationship between trust factors, risk perception, and digital financial technology usage among MSMEs.

Alternative Hypothesis (H_1)

There is a significant relationship between trust factors, risk perception, and digital financial technology usage among MSMEs.

Variables	Trust	Risk Perception	Digital Usage
Trust	1	-0.721**	0.846**
Risk Perception	-0.721**	1	-0.785**
Digital Usage	0.846**	-0.785**	1

Source: Calculated Data

The correlation analysis reveals a strong positive relationship between trust and digital financial usage (0.846). A negative relationship exists between risk perception and digital usage (-0.785), indicating that higher risk perception reduces digital financial adoption among MSMEs.

REGRESSION ANALYSIS

Variable	Beta	t	Sig
Trust Factors	0.542	8.64	0.000
Security	0.426	6.91	0.000
Risk Perception	-0.318	-4.87	0.002

Source: Calculated Data

- $R^2 = 0.782$, which indicates that 78.2 percent of digital financial usage is explained by trust and risk factors.
- Trust factors have the strongest positive influence on digital payment and P2P lending adoption.
- Risk perception negatively affects digital financial usage among MSMEs.
- Security and reliability significantly improve user confidence and adoption behavior.

FINDINGS

Based on the analysis and interpretation of data collected from 150 respondents regarding the role of risk and trust factors influencing P2P lending and digital payment usage among MSMEs, the following findings were identified:

Demographic Findings

- The majority of respondents belong to the age group of 25–35 years.
- Male respondents constitute 64 percent of the sample.
- Most respondents are graduates and business owners actively involved in financial decision-making.
- A large proportion of respondents use digital payment applications regularly for business transactions.

Findings on Trust Factors

- Around 80 percent of respondents believe that trust plays a major role in digital payment adoption.
- Most respondents agreed that secure transactions increase confidence in digital financial services.
- Transparency and service reliability significantly improve user satisfaction.
- MSMEs prefer platforms with strong customer support and fraud protection systems.

Findings on Risk Factors

- Cybersecurity risk and online fraud are major concerns among MSMEs.
- Fear of financial loss negatively affects P2P lending adoption.
- Data privacy concerns reduce confidence in digital platforms.
- Technical failures and transaction errors create hesitation among users.

Statistical Findings

- Correlation analysis revealed a strong positive relationship between trust and digital financial usage.
- Risk perception showed a negative relationship with adoption behavior.
- Regression analysis indicated that trust factors have the strongest influence on usage intention.
- The coefficient of determination ($R^2 = 0.782$) confirms that trust and risk factors significantly influence digital financial technology usage among MSMEs.

SUGGESTIONS

Based on the findings of the study, the following suggestions are provided:

- FinTech companies should strengthen cybersecurity and fraud protection mechanisms.
- Organizations should improve transparency in P2P lending operations and digital payment systems.
- Regular awareness programs should be conducted to educate MSMEs about safe digital financial practices.
- Strong data privacy policies should be implemented to increase customer trust.
- Customer support services should be improved for resolving transaction-related issues quickly.
- Government and financial institutions should encourage digital financial literacy among MSMEs.
- Digital platforms should continuously monitor and upgrade security systems.
- FinTech applications should provide user-friendly interfaces for better accessibility and convenience.

CONCLUSION

The study concludes that trust and risk factors play a significant role in influencing P2P lending and digital payment usage among MSMEs. Trust-related factors such as security, reliability, transparency, and ease of use positively affect digital financial adoption, while perceived risks such as fraud, cybersecurity threats, and privacy concerns negatively impact user confidence.

The findings indicate that MSMEs are increasingly adopting digital financial technologies due to convenience and operational efficiency. However, reducing perceived risks and strengthening trust mechanisms are essential for improving long-term adoption and financial inclusion. Therefore, financial institutions, FinTech companies, and policymakers should focus on enhancing security, transparency, and digital awareness to encourage wider usage of P2P lending and digital payment systems among MSMEs.

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