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Behavioral Intention to Adopt Peer to Peer Lending: A Study on Indian MSMEs

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Abstract
The study examines critical factors that may affect peer-to-peer (P2P) lending adoption for Indian micro, small and medium enterprises (MSMEs). To determine the purpose of the study, a conceptual framework is developed by extending the Unified Theory of Acceptance and Use of Technology (UTAUT 2) theory and incorporating an additional construct of "trust". Data for the study were collected from registered Indian MSMEs through closed-ended questionnaires. The responses were analyzed using structural equation modelling (SEM) in AMOS. The study's findings indicate that behavioral intention towards the adoption of P2P lending is strongly influenced by performance expectancy (PE), price value (PV), and trust (TRU). The study suggests that managers of P2P lending platforms should enhance performance expectancy by ensuring financial access to applicants through a higher loan sanction ratio and lower loan denial rates. The price value shall be enhanced for the borrowers by providing economic benefits through cost-effective loans. Moreover, the managers of the platforms shall reach out to the MSMEs through field agents and provide first-hand experience on accessing the platform to build trust in the platforms. In addition, the study also provides valuable insights to regulators and policymakers to improve the adoption rate of P2P lending amongst Indian MSMEs. Overall, the study's results offer a comprehensive insight into the factors affecting the adoption of P2P lending among Indian MSMEs.

Keywords- FINTECH, P2P lending, Adoption, UTAUT.

1. Introduction

Micro, small, and medium (MSME) businesses play a vital role in the growth and development of economies and are considered key drivers of economic and social well-being (OECD, 2021). They are often referred to as the heartbeat of both developing and developed economies. According to an estimate, there are 358 million MSME business units worldwide (Statista, 2024). India hosts the second-largest population of MSMEs, immediately after China. It has a vast network of MSME units, with approximately 593 lakh units registered with the Ministry of MSME.

As per a report published by International Finance Corporation (2024), globally, MSME accounts for 90% of total business, providing approximately 70% of employment and contributes almost 50% of the Gross Domestic Product (GDP). They encourage inclusive economic prosperity, influence economic growth, and positively affect the country's GDP (Tumiwa & Nagy, 2021). In emerging economies, SMEs are often considered the backbone of the economy, as they enhance economic development, job creation, and innovation (Keelson et al., 2024). Moreover, the MSMEs are also considered crucial for attaining the "2030 Agenda of Sustainable Development" adopted by the United Nations (UN) in 2015, which includes 17 “Sustainable Development Goals” (SDGs) for sustainable growth. The importance of MSMEs towards the SDGs can be determined by the fact that in 2017, the United Nations designated 27 June as MSME Day to

raise awareness among the masses about the enormous contribution of MSMEs towards the SDGs. In India, MSMEs play a crucial role in the comprehensive development of the industrial economy. As per an estimate, 98% of the total business belongs to MSMEs, which constitute 45% of manufacturing output, 40% of exports, and over 28% of the GDP (Srivastava, 2020). The MSME units in India also contribute to the promotion of entrepreneurship, providing significant employment opportunities at a low capital cost and reducing regional imbalances by promoting the industrialization of rural and backwards areas. Despite the importance of MSMEs in the world, they face several operational challenges, including obtaining adequate financing.

The World Bank report indicated "access to finance" as a substantial challenge to SMEs' capacity for expansion, especially, in emerging and developing countries (World Bank SME Finance, 2019). Endris & Kasgen (2022) revealed that the inability to obtain financing due to insufficient loan size, borrowing costs, and collateral requirements hindered the expansion and advancement of micro and small businesses. The literature reveals that the credit crunch is a persistent issue faced by MSMEs worldwide, and the economic expansion of SMEs is often restricted due to limited financial access (Ziegler et al., 2018). The primary source of external financing for SMEs is banks; however, SME finance constitutes a very limited part of the bank's credit portfolio across the globe. The primary reasons for the lack of finance are information asymmetry arising due to the unavailability of stable financial indicators and credit history, challenges in getting funding from capital markets and venture capitalists, inflexible regulatory structure in developing economies to fulfil needs of financing for small firms, tightening of regulatory scrutiny of the banking industry, higher standard of lending by banks and heavy regulations on the traditional lending industry (Basha et al., 2021; Nigmonov & Shams, 2021). Financial access is a foremost constraint faced by Indian MSMEs, and they face crucial challenges in arranging required financing. A recent report addressing the financing gap of Indian MSMEs shows that the sector had an estimated credit need of $819 billion, of which only $289 billion had been met by formal credit lenders, including private banks, public banks, and NBFCs. It estimated the total credit gap to be $530 billion and revealed that the credit gap is significantly higher for small borrowers with credit needs below 1 million. The report also estimated that 70% of the demand for small loans is unmet, with an estimated credit gap of USD 120 Bn. The massive credit gap and regulatory and reporting constraints of traditional financial institutions make it difficult for Indian MSMEs to fulfil the credit requirement through traditional lending channels. Therefore, there is a dire need to reduce dependence on conventional lending sources and explore alternative financing modes to reduce the MSME credit gap (McKinsey & Company, 2023).

The recent developments in the "Fintech" sector are anticipated to significantly contribute in addressing the extensive credit gap. "Fintech" is a merger of finance with modern technology that resulted in the rise of innovative credit products such as "online peer-to-peer (P2P) lending". "P2P lending" can be understood as a form of digital lending model that links lenders with borrowers to help mobilize funds with the help of an online platform without the involvement of traditional intermediaries like banks. It offers an optimal framework for borrowers with limited or adverse credit histories to secure loans, fosters alternative financing methods, and extends access to areas neglected by traditional financial institutions. It primarily addresses the requirements of small enterprises and low-income households while offering an opportunity to support socially relevant businesses in geographically marginalized regions (Anil & Misra, 2022; Nigmonov & Shams, 2021).

The first P2P platform originated in the United Kingdom (UK) with the advent of Zopa in 2005. A year later in 2006, "Lending Club" and "Prosper" were launched in the United States. In 2007, the first Chinese platform, namely PPDAI, was started. The concept was further extended by "Smava" in Germany (2007), "Pret d'Union" in France (2008), "Popfunding" in South Korea (2010), "I-LEND" in India (2012) and

"Society One" in Australia (2012). Thereafter, P2P lending model has extended its presence in many countries globally at a robust pace particularly due to its ability to mobilize cheap credit to borrowers, higher returns to lenders, and financial inclusion of borrowers by offering credit to customers who cannot get credit from banks, by improving access to credit (Satish & Vallabhaneni, 2023).

The technological advancement is considered a prime driver behind the initial growth (Bollaert et al., 2021) and higher penetration rate of the internet and smartphones combined with providing convenient service due to the innovative use of technology are the contributing factors for further acceleration of P2P lending (Neelima et al., 2023). In India, the adoption of the internet across socio-economic structures is increasing rapidly, attributed to the launch of Digital India in 2015. It already has the second-largest number of internet users and smartphone users immediately, after China with higher internet and smartphone penetration rate, which stood at 54% in 2020 and is expected to increase to 96% in 2040 (Statista, 2024). As of 30th June 2024, a total of 26 platforms were registered by the "Reserve Bank of India" (RBI); however, the increasing internet and smartphone penetration rates in the country along with the advantages offered by the P2P lending are expected to significantly alleviate the higher growth of P2P lending in India.

Although, P2P lending is a relatively novel concept, the difficulties encountered by SMEs in securing financing from traditional sources, attributed to insufficient collateral and poor financial data, have created a market niche (Kholidah et al., 2022). The development and expansion of P2P lending platforms are predicted to substantially reduce financial bottlenecks and expand financial access to MSMEs (Abbasi et al., 2021). However, the adoption of P2P lending remains an important concern, particularly due to limited financial literacy, restricted access to digital technologies, and limited reach of P2P platforms (Ravishankar, 2021). Hence, exploring the factors that motivate MSMEs to adopt P2P lending as a credit source is critical. While P2P lending services have been extensively studied in developed economies, with an emphasis on user adoption and behavioral intention (BI), there remains a dearth of empirical research in developing nations, specifically on Indian MSMEs. Therefore, the study proposes to address this gap by elucidating the determinants affecting the BI of Indian MSMEs to borrow through P2P lending. The remaining article is organized as follows: Section 2 comprises a synopsis of the literature covering the conceptual framework, theories, and hypothesis. Section 3 highlights the research methodology and focuses on a brief description of the methods used for the collection of data and the research instruments used for data analysis. The results of the analysis are shown and discussed in Section 4. Lastly, Section 5 concludes the article with outcomes of the study, constituting implications and suggestions for the platform managers, policymakers, and regulators.

2. Literature Review

The literature review provides a systematic analysis of theoretical frameworks and empirical studies pertinent to the current research. It integrates previous research to pinpoint deficiencies, confirm constructs, and substantiate the incorporation of variables utilized in the proposed model. This section is thematically structured, first with an examination of specific constructs and subsequently exploring their interrelationships as evidenced by extant research. Each subsection rigorously examines a certain construct, providing both theoretical foundation and empirical support.

2.1 MSME Financing and P2P Lending

MSMEs are crucial for growth and development of an economy, especially developing and emerging economies. They are even more important for highly populated countries like India, as they contribute significantly in providing mass employment. India is home to a large number of MSMEs. The number of MSME units and composite classification criteria in India are shown in **Table 1**.

Table 1. Composite criteria for classification and number of MSME units.

Type of enterprise		Micro	Small	Medium	Total number of units
Criteria of classification	Investment	Upto Rs. 1 crore	Upto Rs. 10 crore	Upto Rs. 50 crore	
	Turnover	Upto Rs. 5 crore	Upto Rs. 50 crore	Upto Rs. 250 crore	
Numbers of units (in lakhs)		584.94	7.37	0.69	593.00

Source: *Based on notification REGD. NO. D. L.-33004/99 dated 1st June 2020 and the Ministry of MSME website* (*MSME Dashboard*) *as on February 7th, 2025.*

MSME financing is an extensively researched topic and the literature identified that the MSMEs face crucial challenges in obtaining required financing due to the need for collateral, rigid policies, elevated interest rates, convoluted procedures, inefficient deployment of capital by banks and lack of financial awareness of pertinent schemes among entrepreneurs. Moreover, elevated risk perception among banks for the MSME sector, increased processing costs for loan assessment, asset quality concerns resulting in capital constrained and reduced credit growth, minimal loan amount, inflated service cost, restricted capacity to provide fixed collateral, lack of credit from banks, high cost of credit, difficulty in arranging credit from formal financing institutions due to low capital in the country, unwillingness to sanction loans to small businesses or information asymmetry added to the woes of MSMEs in India (Mund, 2020; Rajamani et al., 2022; Singh, 2021). The literature reveals that MSMEs tend to rely on personal sources of finance due to the inability to obtain credit from formal financing channels. Similar findings were suggested by Tarihoran et al. (2023), who emphasized that only 16% of the MSMEs receive timely support and hence, the MSMEs are forced to rely on personal resources (Vasani & Abdulkareem, 2024).

The emergence of P2P lending offers an opportunity to address the wider gap of MSME financing. It is a formal extension of obtaining loans from family and friends to create a marketplace of borrowers and lenders (Dhand et al., 2008). It can be understood as a crowd-financing model utilized to secure loan that is repaid with interest through an online platform. **Figure 1,** shows the functionality of the P2P lending platform.

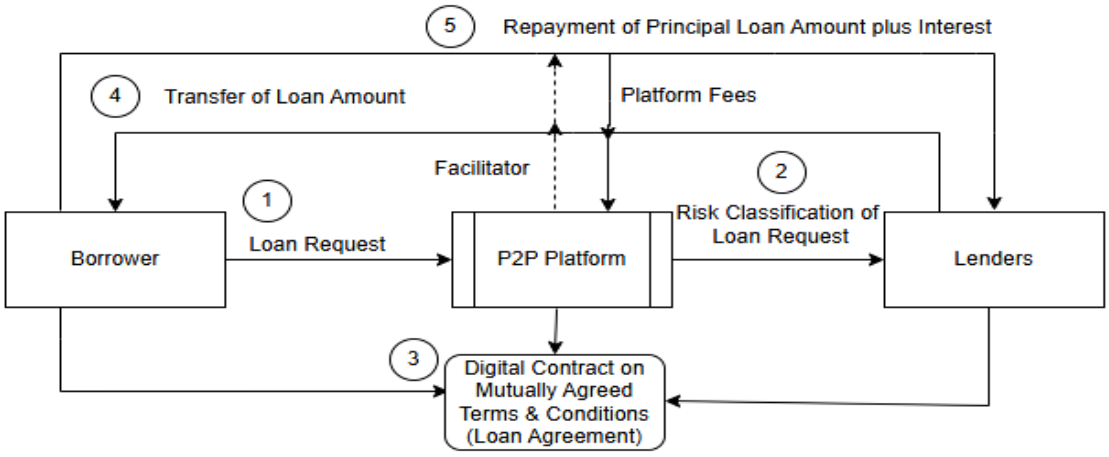

Figure 1. Functionality of online P2P lending, source: author's contribution.

As depicted in **Figure 1**, borrowers apply for loans on a P2P platform, and after initial risk classification, the list of borrowers approved by platforms is published to lenders with the required loan details and risk classification. Lenders make funding decisions based on their preferences for mutually agreed loan

conditions. Thereafter, the approved loan amount is transferred to the borrower directly by the lenders. Finally, the principal loan amount with interest (after deduction of the platform fee) is transferred to the bank account of the lenders through the P2P platform as per the agreed terms and conditions.

The existing body of research on P2P lending can broadly be categorized into three primary perspectives: lenders, borrowers, and platforms. However, the current research on P2P lending is skewed toward lenders' perspectives, primarily focusing on reducing the default risk and ascertaining the factors that influence the lenders' decision-making processes. Zhou & Wei (2020) demonstrated that joint loans are less risky than those with a single borrower, yet they do not qualify for lower interest rates. Saiedi et al. (2020) discovered that amid higher public distrust in banks in the United States, P2P lending is more likely to occur, especially in small financing or for borrowers with restricted access to banking. Liu et al. (2024) discovered that borrowers possessing greater network centrality demonstrate less credit risk, underscoring the significance of social network analysis in enhancing credit risk evaluations in P2P lending. Avgeri et al. (2023) advanced this discussion by integrating macroeconomic indicators into default prediction models for P2P loans. Their results show that a lower likelihood of delinquency is linked to favorable changes in the "House Price Index, Consumer Sentiment Index, and S&P 500 Index". At the same time, default rates increase with rising unemployment and GDP growth.

Moreover, research addressing platform-related aspects is often confined to technological advancements and infrastructure. Conversely, there is limited research from the borrower's perspective (Kumra et al., 2021). Furthermore, the existing research from the borrower's perspective includes determining the awareness level of p2p lending platforms. In this vein, Ghazali & Yosuka (2018) ascertained the awareness and perception analysis toward fintech Instruments among Malaysian SMEs and start-ups and found limited awareness about fintech products, including P2P lending. Similarly, in the Indian context, Mathur & Sharma (2025) also revealed that only a smaller percentage of MSMEs were informed of the availability of P2P lending services as a mode of financing. Some studies focused on the processes of adoption and the factors that influence borrowing decisions. In this regard, Rosavina et al. (2019) reported that the loan cost, the loan amount, the flexibility in terms and conditions, and the interest rate are the determinants that promote SMEs to engage in P2P financing inside Indonesian markets. Xiang et al. (2021) posited that the ownership of the business is a critical factor, and non-family and state-owned businesses are the most likely to seek financing from fintech. Najaf et al. (2022) investigated the effects of "COVID-19" on loan quantity, loan terms, and interest and suggested that P2P lending has emerged as the most viable alternative credit option for borrowers. Khan et al. (2025) evaluated the influence of "Financial literacy, Digital literacy, and Digital Financial literacy" on the utilization of P2P lending platforms and disclosed that although "Financial and Digital literacy" substantially enhances "Digital financial literacy", however, they do not directly influence the BI to adopt P2P lending platforms.

Globally, the researchers agree that P2P lending remains a relatively nascent field, with a predominant research focus on the US and China (Basha et al., 2021), and limited studies concentrate on developing economies. Moreover, despite the increasing popularity of P2P lending in India, research on the subject is limited (Anil & Misra, 2022). Additionally, research on P2P lending associated with SMEs is in its early stages, mainly due to the lack of consistent and authentic data (Coakley & Huang, 2023). Among the limited work in this domain, Dias et al. (2022) examined the role of "perceived usefulness" (PU) and "perceived ease of use" (PEOU) among salaried and non-salaried users using the "technology acceptance model" and indicated that both are valid antecedents of BI, but recommended that future research may include other variables, such as HM, FC, PV, etc., from the UTAUT model. However, due to the limited availability of research on the topic, we found no significant research that determined the BI of Indian MSMEs towards P2P lending platforms. Consequently, to bridge this gap, the study advocates for identifying the factors

influencing the BI of Indian MSMEs towards adopting P2P lending platforms. In addition, our research will supplement the scarce data on P2P lending from the perspective of MSMEs in India.

2.2 UTAUT 2

The research framework for the study was built by referring to the "UTAUT 2" model as a reference. One of the key theories for adoption of technology was the "Technology Acceptance Model". It used two constructs, namely "perceived ease of use" and "perceived usefulness", to determine the users' acceptance of technology (Davis, 1989). The model was expanded to UTAUT, which included four fundamental constructs: "Performance Expectancy (PE)", "Effort expectancy (EE)", "Social Influence (SI)", and "Facilitating conditions (FC)" (Venkatesh et al., 2003). The framework was augmented by incorporating three constructs: "Hedonic motivation (HM)", "Price Value (PV)", and "Habit (HB)" from Motivation Theory (ME) to elucidate BI from the consumer's viewpoint. The modified model "UTAUT 2" incorporated the relationship of new components and expanded the previous UTAUT connection (Venkatesh et al., 2012). It is regarded as a comprehensive model as it encompasses numerous theories such as "Theory of Reasoned Action" (TRA), "Theory of Technology Acceptance Model" (TAM), "Theory of Planned Behavior" (TPB), "Innovation Diffusion Theory" (IDT), "Motivational Model" (MM), and "Social Cognitive Theory" (SCT). Since UTAUT was created by reviewing and analyzing eight earlier research models with many constructs, it was considered a rather comprehensive theory. Earlier researchers popularly used technology adoption theories to study P2P lending amongst different types of users in varied geographical areas. Putri et al. (2023) analyzed the financial technology acceptance of P2P lending using extended TAM and Khezrian et al. (2024) examined determinants that influence the intention to involve in P2P lending combining the UTAUT, and the TPB.

2.2.1 Extension of UTAUT 2 Model with "Trust" Construct (Contextual Relevance)

The technology adoption theories were used extensively in the previous research, however, despite the usage of these theories in many studies, it was pointed out that the model still requires further research on country-specific factors related to current technological advancements (Venkatesh et al., 2012). The evidence from the literature suggest that "trust" plays a vital role in the adoption, especially for financial services. Arrow (1974) pointed out that "*virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over some time*", and trust is at the heart of every economic transaction. Moreover, Thakor & Merton (2019) also pointed out that user's trust plays an important role in the success of financial services such as P2P lending, as these services require more transparency due to the involvement of calculation processing and record-keeping. Prior researchers also utilized trust as an additional variable with the existing models for examining the BI towards fintech adoption and revealed trust as a crucial factor in adoption of P2P lending services (Mulyana et al., 2024). Further, Bajunaied et al. (2023) investigated consumers BI toward fintech services using the extended UTAUT method, including trust in Saudi Arabia. Zhao et al. (2024) constructed a trust-theoretic user acceptability model and assessed the impact of trust on the intention to use fintech. The findings of the study indicated that "customer trust" in fintech is paramount compared to other factors in influencing technology adoption. Therefore, based on the prior literature, users' "trust" is considered an important factor while studying the BI towards P2P lending, and hence, to meet the desired objective of the study, we incorporated "Trust" as an additional independent variable to the variables of UTAUT 2. **Figure 2,** illustrates the proposed framework employed in this study.

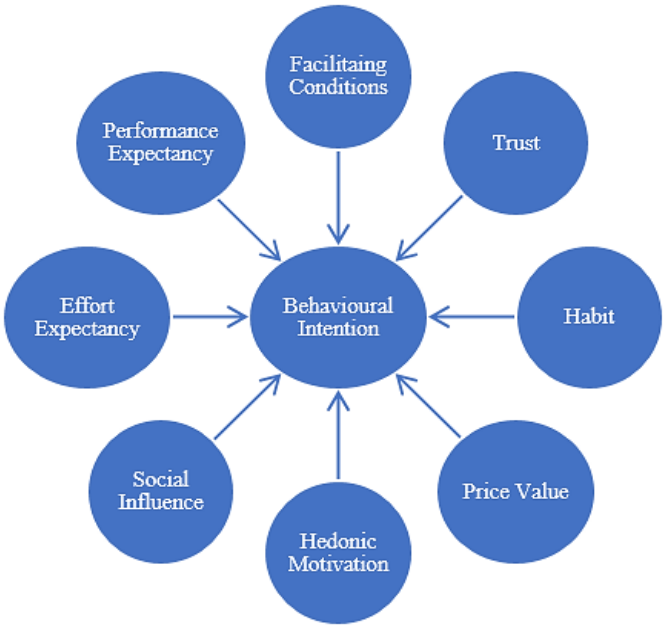

Figure 2. Proposed framework.

2.3 Variable Description

The research framework for the study comprises 8 independent variables analyzed for their effect on BI. This section provides a concise overview of the variables and the proposed hypothesis for the study:

2.3.1 Performance Expectancy (PE)

It is related to how well a user performs when using or applying any new technology; it is similar to relative advantage (IDT) and PEOU (TAM). It is a level of belief of the user that using the service will lead to achievement of specific performance (Venkatesh et al., 2003). It is a "degree to which the innovation can benefit the users". Performance expectation suggests that using fintech services could benefit users by increasing productivity and performance when completing domestic and international financial transactions and activities. In the context of current research, PE can be understood as getting access to financing through P2P lending as a mode of business borrowing. Thus, the proposed hypothesis:

H1: PE positively influences the BI of Indian MSMEs to use P2P lending.

2.3.2 Effort Expectancy (EE)

It represents how the user perceives the difficulty associated with using technology. It was developed using pre-existing concepts like PEOU (TAM/TAM2) and complexity (IDT). It is associated with the convenience factor in the acceptance of specific technology. The convenience of using the technology can affect the intention of the user to use the technology. Therefore, the ease of using the technology may result in higher BI to adopt the technology. In the context of current research, the ease and convenience of using the P2P lending platform are expected to affect the BI of Indian MSMEs who use P2P lending. Thus, the proposed hypothesis is:

H2: EE substantially influences the BI of Indian MSMEs to use P2P lending.

2.3.3 Social Influence (SI)

It is a "degree to which a user believes that others in their social network acknowledge and approve the use of offered technology". It has been proposed that SI is a fundamental factor in people's decision-making (Davis, 1989; Venkatesh et al., 2003). Numerous theories, including TAM2, IDT, and the TPB, have attempted to capture it. In the context of P2P lending, it can be understood that opinions and recommendations from social contacts can affect the BI of Indian MSMEs to use P2P lending. Thus, the proposed hypothesis is:

H3: SI has a significant impact on the BI of Indian MSMEs to use P2P lending.

2.3.4 Facilitating Conditions (FC)

It can be understood as a "degree to which an individual believes that an organizational and technical infrastructure exists to support the use of the system" (Venkatesh et al., 2003). The construct was developed based on the perceived behavioral control of TPB and the compatibility of IDT. It is a "level of confidence that the required organizational and technical infrastructure is available to use the offered technology". For Instance, in the case of using a P2P lending platform, the conditions required are the availability of smartphones and internet access to enable the users to use the offered service. Thus, the proposed hypothesis is:

H4: FC are positively associated with the BI of Indian MSMEs to use P2P lending.

2.3.5 Hedonic Motivation (HM)

The term hedonic refers to a "pleasant sensation". It can be understood as a "degree of pleasure a user feels in using a specific technology" (Venkatesh et al., 2012). This variable was not a part of original UTAUT, however, was added in UTAUT 2. In P2P lending context, if a user is having a "feel good" while using the P2P lending services, the feel-good factor will encourage the user to use the service. Thus, the proposed hypothesis is:

H5: HM has a positive influence on the BI of Indian MSMEs to use P2P lending.

2.3.6 Price Value (PV)

It can be understood as the economic significance of using a technology. It refers to the "difference between the benefits of the app and the monetary cost" (Venkatesh et al., 2012). This construct was not a part of the original UTAUT, however, looking to the significance of the economic perspective the construction was added in UTAUT2. In the context of P2P lending, the price value can be the difference in interest rate of borrowing, procedural charges, etc. Thus, the proposed hypothesis is:

H6: PV substantially influence BI of Indian MSMEs to use P2P lending.

2.3.7 Habit (HB)

It can be defined as the "extent to which people tend to behave automatically" (Venkatesh et al., 2012). This construct was not part of the original UTAUT, however, was added in UTAUT2. The repeated usage of P2P lending can motivate the users to continue the P2P lending services. Thus, the proposed hypothesis is:

H7: HB positively affects the BI of Indian MSMEs to use P2P lending.

2.3.8 Trust (TRU)

It is an important aspect that influences the intention to use fintech applications. Although trust is considered crucial from the lender's perspective as they lend their hard-earned money to unknown users, trust on the platforms is important from both the lender's and borrower's perspectives. Earlier, many researchers, such as Mulyana et al. (2024), utilized trust as a variable to study fintech adoption among Indonesian MSMEs.

Thus, the proposed hypothesis is:
H8: TRU significantly influences the BI of Indian MSMEs to use P2P lending.

3. Methodology

The research intends to investigate the BI of Indian MSMEs to adopt P2P lending as a mode of business financing. This section outlines the employed methodology for conducting the research. The study follows a comprehensive process, incorporating data collection, sampling technique, method design, implementation, evaluation, and validation. This section provides an analysis of the population, the sample selection method employed in the study, and the data collection procedures, as well as the techniques implemented for data analysis to verify the reliability, validity, and applicability of the findings. **Figure 3**, shows the flowchart for the methodology used for this study.

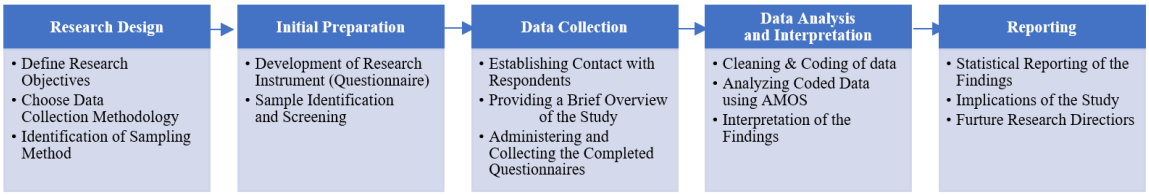

Figure 3. Research methodology.

3.1 Data Collection

A robust data collection and sampling methodology was utilized to meet the study's goals and ensure the validity and reliability of its results. This research utilized a quantitative survey methodology to gather data from MSMEs across India. A purposive sampling technique was utilized, targeting respondents officially registered on the Udyam portal maintained by the Ministry of MSMEs. Despite being non-random, purposive sampling utilizes a sampling frame derived from the official government database, providing a pertinent and significant subset of the MSME population. This methodology reinforces the legitimacy of conclusions derived from the data, particularly with digitally registered and financially engaged MSMEs. Moreover, to improve the quality and scope of the data, MSMEs were chosen to represent diversity in business sizes, geographic regions, and industry sectors.

Furthermore, the data was obtained through a closed-ended questionnaire employing a “five-point Likert scale (where, 1 signifies strong disagreement and 5 indicates strong agreement)”. The questionnaire was classified into two major parts, i.e. Part A and Part B. Part A contains questions related to the personal demographics (Age, Gender, Education, etc.) of the respondents and questions in Part B were fundamentally grounded in the UTAUT 2 model, incorporating an additional "Trust" variable to address financial nature and its importance in the acceptance of financial services such as P2P lending platforms. Similarly, Mulyana et al. (2024) used a model to study the adoption of fintech services in Indonesia. Comprehensively, the questions in Part B were based on eight variables that include "PE", "EE", "PV", "SI", "FC", "HM", "HB" and "TRU". In the initial phase, a pilot study was conducted to test the feasibility and effectiveness of the instrument before conducting a full-scale investigation. The pilot analysis included respondents from 60 MSMEs, and inputs received from this pilot study were utilized to enhance the structured questionnaire. The data for the study final study were gathered offline, mainly through industrial visits, shops, fairs organized by the Ministry of MSMEs, chain contacts, etc., from September 2024 to January 2025. A total of 250 responses were obtained from the representatives of MSME enterprises and used for the analysis.

3.2 Data Analysis

The data gathered from the representatives of the MSMEs were analyzed in three steps. In the first step, a validity test was performed to check the internal uniformity of different elements. The validity of an instrument is essential for accurately reflecting the actual findings of the investigation. The instrument's validity was tested using Average Variance Extracted (AVE). It is a widely utilized statistical indicator in structural equation modelling (SEM) for evaluating the convergent validity of questionnaire constructs, as it evaluates how much of the variance caused by measurement error is captured by a concept. A greater AVE indicates the construct's ability to explain its indicators' variance. In the second step, the reliability of the instrument was tested through "composite reliability" (CR). The CR test is designed to observe whether the observed data fit into a specific distribution or model. The research instrument's validity and reliability were assessed to determine whether the instrument used in the research, i.e., the questionnaire, is appropriate. Finally, quantitative research employs structural equation modelling (SEM) to analyze responses collected through a questionnaire and to identify the critical components explaining the behavior pattern of the variables to understand the BI to adopt P2P lending among Indian MSMEs. The SEM was conducted to calculate the association of independent variables between each set of dependent variables with the help of the IBM SPSS AMOS program. This software is widely used in empirical studies because of its flexibility and appropriateness for this kind of investigation. It helps the researchers to methodically examine, measure, and elucidate interactions between variables due to the application of the explanatory technique in this quantitative design.

4. Results and Discussion

This section delineates the findings obtained from data analysis and contextualizes them within the framework of the research objectives and hypotheses. The process commences by demonstrating the demographic profile of the respondents, succeeded by the outcomes of the statistical techniques employed for the research. It synthesizes statistical data with pertinent literature to underscore consistencies, discrepancies, and ramifications. Every outcome is meticulously examined to derive significant conclusions, enhancing both theoretical comprehension and practical knowledge.

4.1 Respondent's Demographic Profile

The data is collected from 250 respondents of MSMEs registered with the Udyog Portal through purposive sampling method. **Table 2,** depicts the demographic profile of the respondents.

Table 2. Respondent's demographic profile.

Particulars	Category	Frequency	Percentage %
Designation	Owner	229	91.60
	Manager	21	8.40
Gender	Female	27	10.80
	Male	223	89.20
Age	18-24 years	19	7.60
	25-35 years	107	42.80
	36-50 years	97	38.80
	50 and above	27	10.80
Education	No formal education	7	2.80
	Up to 12^{th} class	104	41.60
	Graduate and above	134	53.60
	Any other	5	2.00

As depicted in **Table 2**, amongst a total of 250 respondents, 229 respondents were owners and 21 were managers in the organization. The majority of the respondents, numbering 223 (89.20%), were males, and only 27 (10.80%) respondents were females.

4.1.1 Gender wise Distribution

The gender wise distribution of the respondents is shown in **Figure 4**. It shows that the majority of 223 (89.20%) of the respondents were males, and only 27 (10.80%) were females.

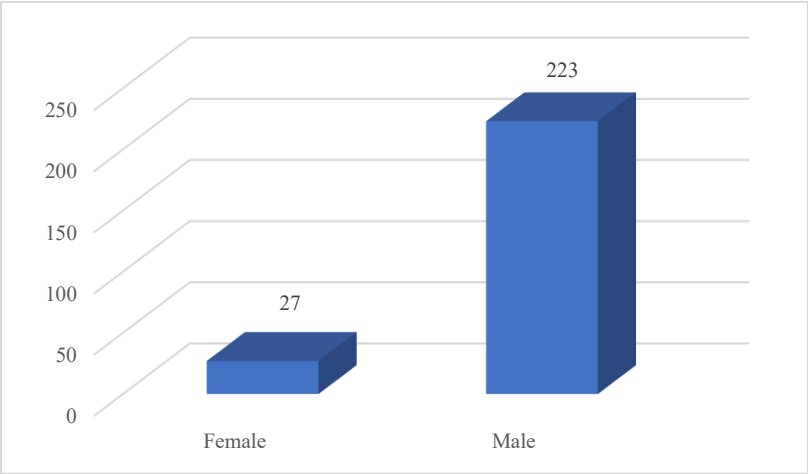

Figure 4. Gender wise distribution of the respondents.

4.1.2 Age-wise Distribution

As depicted in **Figure 5**, the age-wise distribution of the respondents shows that a total of 19 respondents (7.60%) were in the Age group of 18-24 years, 204 respondents (81.60%) were between 25 and 50 years of age, and 27 (10.80%) respondents were 50 years and above.

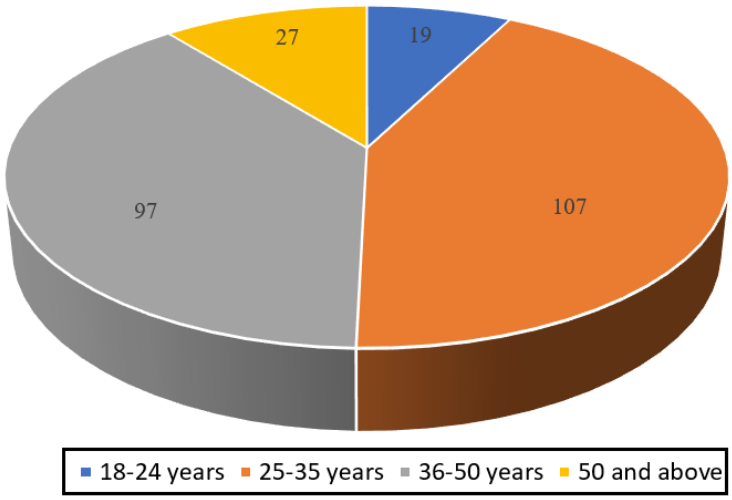

Figure 5. Age-wise distribution of the respondents.

4.1.3 Education

Figure 6, presents the data concerning the educational qualifications of the respondents. The data shows that the majority of respondents hold educational qualifications of graduate or above, constituting 53.60% of the total respondents, and 104 (41.60%) respondents were educated only up to the 12th class. It shows that the majority of the sample is educated, with more than half of the respondents holding graduate-level qualifications or higher, and about 95.20% having formal education.

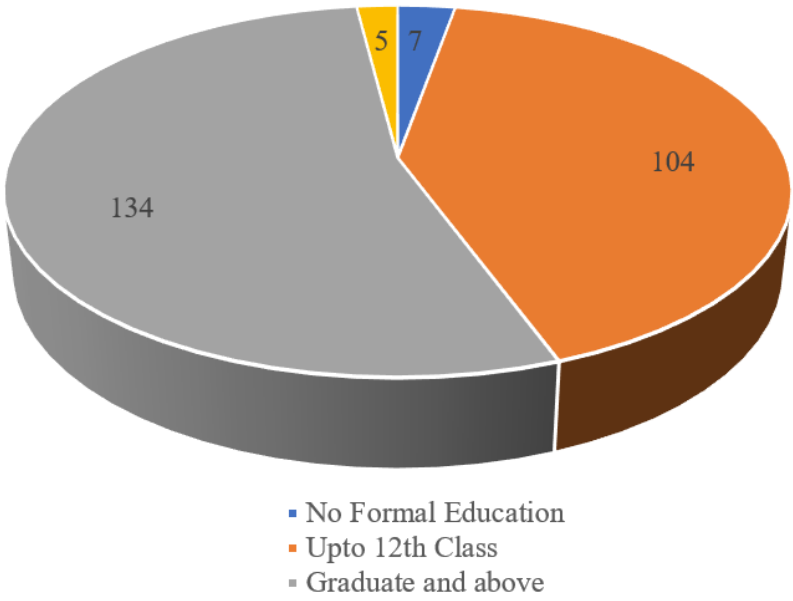

Figure 6. Education wise distribution of the respondents.

4.2 Statistical Modelling

This section emphasizes the statistical approaches employed to validate the measurement and structural components of the proposed research model. It outlines the procedures utilized for data screening, as well as the assessment of reliability and validity, and model estimation. The use of statistical methods and software is justified by their suitability for analyzing complex relationships among latent factors. It encompasses the assessments of validity and reliability, succeeded by the evaluation for common method bias (CMB). It additionally assessed the measurement and structural models to confirm robustness and ascertain the model's overall explanatory power. The hypothesized hypotheses were ultimately tested using SEM, and the results were presented and analyzed.

4.2.1 Validity and Reliability Test

In survey methodology, the validity and reliability assessments are fundamental to the analysis. The validity of an instrument is crucial for accurately reflecting the true results of the study. The Average Variance Extracted (AVE) is a commonly employed statistical metric in SEM for assessment of convergent validity of the questionnaire constructs. Moreover, the purpose of the "Composite Reliability" (CR) test is to observe whether the observed data fit into a specific distribution or model. It is one of the first and most widely utilized methods to ascertain whether the research model aligns with the sample data. **Table 3** shows the results for validity and reliability of the eight latent variables used for the study.

Table 3. AVE and CR of variables.

Variables	AVE	Composite reliability
Performance expectancy	0.682	0.864
Effort expectancy	0.637	0.835
Social influence	0.604	0.820
Facilitating condition	0.744	0.897
Hedonic motivation	0.713	0.880
Price value	0.751	0.900
Habit	0.669	0.856
Trust	0.636	0.769
Behavioral intention	0.674	0.859

AVE and CR can be utilized to assess validity and reliability. AVE should be greater than 0.5, indicating that a minimum of 50% of the variance in the observed variables is accounted by the latent construct. Hence, the variable with AVE of 0.5 and above indicates adequate convergent validity and are considered acceptable. Moreover, the threshold for the CR is considered equal to or greater than 0.7, which suggest adequate internal consistency (Hair et al., 2010). **Figure 7**, shows the graphical representation of values for AVE and CR along with the threshold values.

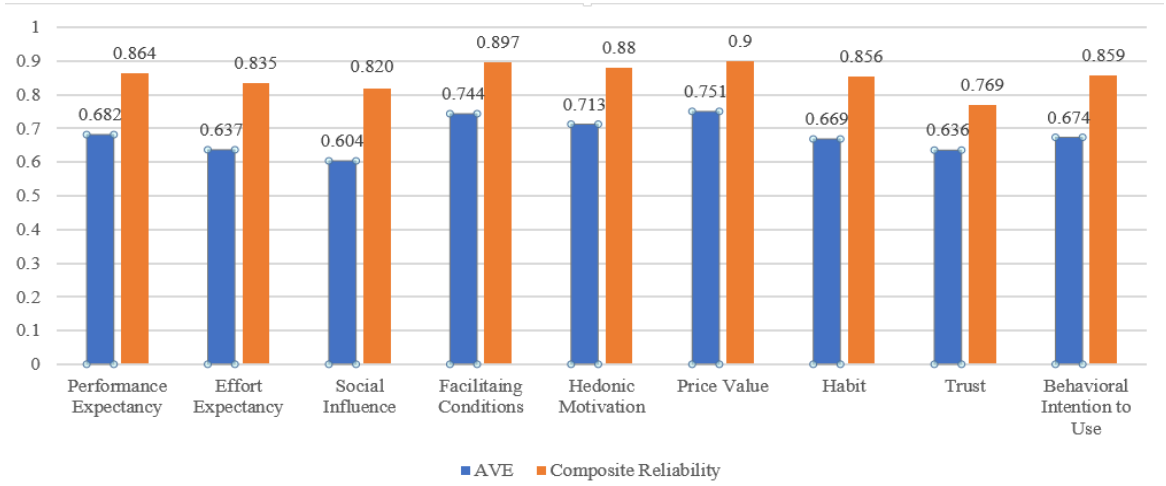

Figure 7. AVE and CR values of study variables.

As depicted in **Figure 7**, the AVE and CR values for all eight latent variables are above the acceptable thresholds of 0.5 and 0.7, respectively, which implies that all the variables passed the validity and reliability test. It shows that every sign is trustworthy, and hence the developed theoretical model fits the field conditions.

4.2.2 Common Method Bias

Common method bias (CMB) presents a significant concern for researchers utilizing survey-based methods. The "Harman's single factor" method was utilized to assess the potential risk of CMB. The CMB indicates potential common method bias if a single factor accounts for more than 50% of the total variance, however, if it is below 50%, CMB is not a major concern. The results indicated that the cumulative variance extracted for the single factor is 35.57%. Since, this value falls below the 50% threshold, the CMB issue is not a concern in this research. (Podsakoff et al., 2003).

4.2.3 Model Fit Measures

The model's fitness was evaluated using widely accepted structural equation modeling indices. The results are shown in **Table 4**.

Table 4. Model validity measures.

Measure	Estimate	Threshold	Interpretation
CMIN	481.108	---	---
DF	288.00	---	---
CMIN/DF	1.671	Between 1 and 3	Excellent
CFI	0.944	>0.95	Acceptable
SRMR	0.050	<0.08	Excellent
RMSEA	0.052	<0.06	Excellent
PClose	0.343	>0.05	Excellent

The results shows that the ratio of "Chi-square to degrees of freedom" (CMIN/DF) was 1.671, which falls within the recommended range of 1 to 3, indicating an "acceptable" model fit. The "Comparative Fit Index" (CFI) was 0.944, slightly below the ideal cutoff of 0.95 but still within an acceptable range. The "Standardized Root Mean Square Residual" (SRMR) value of 0.050 and "Root Mean Square Error of Approximation" (RMSEA) value of 0.052 were both within the suggested thresholds of <0.08 and <0.06, respectively, reflecting a good approximation of the model to the data (Wijaya et al., 2024). Further, the PClose value of 0.343, exceeding the 0.05 benchmark, supports the assumption of close model fit (Putri et al., 2023). These results collectively confirm that the measurement model demonstrates sufficient validity for subsequent structural analysis.

4.2.3 Structural Model Evaluation

The structural model was assessed using "Covariance-Based Structural Equation Modelling" (CB-SEM) via AMOS and the proposed relationships affecting BI of Indian MSMEs to embrace P2P lending platforms were analyzed. The model consisted of eight exogenous latent constructs, namely PV, FC, HM, TRU, PE, EE, SI, and HB, which predict the endogenous component, BI. **Figure 8**, shows the structural model using the UTAUT 2 framework extended with Trust to predict BI towards adoption of P2P lending.

As depicted in **Figure 8**, all measurement items had strong standardized factor loadings, between 0.72 and 0.94, which exceeds the recommended threshold of 0.70. These values confirm adequate convergent validity of the measurement model. Hence, affirming the adequate convergent validity for the measurement model. Moreover, the comprehensive structural model accounts for a significant part of variance in the dependent variable (R^2 = 0.84 for Behavioral Intention), demonstrating robust predictive validity. Subsequently, hypothesis testing was conducted to evaluate the direction and significance of the structural relationships between dependent and independent variables.

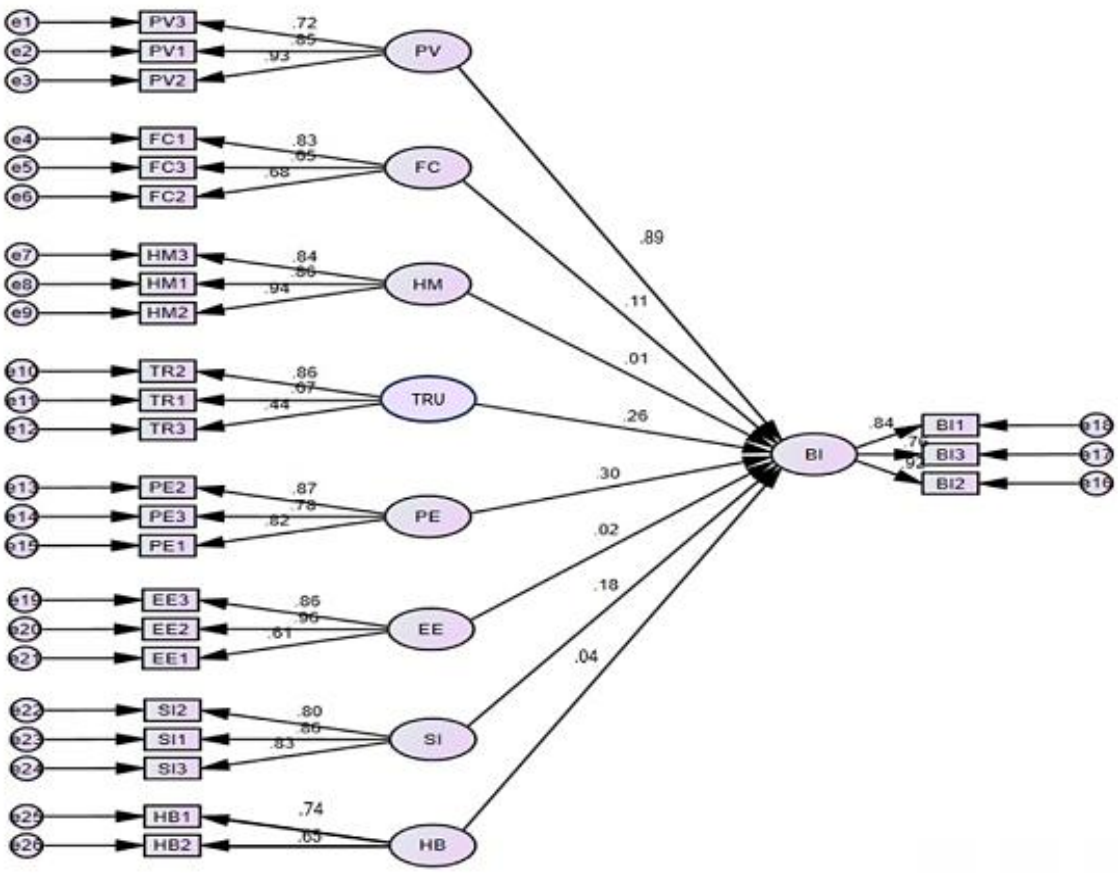

Figure 8. Structural model.

4.2.4 Hypothesis Testing

The hypothesis and the connection among the variables were examined through SEM. The method enables the concurrent assessment of various connections between hidden variables, all while considering measurement inaccuracies (Hair et al., 2010). The details of hypothesis verification and the impact of independent factors on BI to adopt P2P lending are shown in **Table 5**.

Table 5. Results of hypothesis verification.

Factors	Original sample (O)	Test statistics (t-score)	Probability value (p-value)	Decision
PE ⇒ BI	0.30	2.125	0.034	Significant
EE ⇒ BI	.02	-1.180	0.238	Insignificant
SI ⇒ BI	0.18	0.344	0.730	Insignificant
FC ⇒ BI	0.11	-0.853	0.394	Insignificant
HM ⇒ BI	0.01	-0.329	0.742	Insignificant
PV ⇒ BI	0.89	2.588	0.010	Significant
HB ⇒ BI	0.04	-0.730	0.465	Insignificant
TRU ⇒ BI	0.26	2.213	0.027	Significant

Based on estimated parameters, Hypothesis 1 (H1) suggests that performance expectancy favorably impact BI, and the analysis supports this claim. With a "p-value" of 0.034, a significant relationship between BI and PE was indicated. The findings are in consensus with Bajunaied et al. (2023), who identified a robust and affirmative connection between PE and consumers' BI to adopt Fintech services. Hypothesis 6 (H6) states that price value influences BI to adopt P2P in a favourable way, and is accepted. Price value and BI to use P2P lending were significantly correlated, as indicated by the "p-value" of 0.010. This indicates that MSMEs are sensitive to pricing for adoption of technology, and the advantages in terms of price value would outweigh the expenses. Similarly, Appiah & Agblewornu (2025) also indicated that fintech adoption can be promoted by enhancing the benefit factor. Hypothesis (H8), states that trust influences BI to adopt P2P favorably, is accepted. The connection between trust and BI is significant, with a "p-value" of .027. It indicates that MSMEs are sensitive towards trust, and it will positively influence the BI. Similar, results are shown in studies by Mulyana et al. (2024), which show that higher price value and trust along with other variables will lead to improved BI.

However, several of the model's proposed relationships were statistically insignificant, the p-value was higher than the 0.05 cutoff. Hypothesis 2 (H2), which indicates that EE positively influences BI, was not supported. This implies that MSMEs' intention to use P2P lending platforms may not be significantly influenced by EE. This result suggests that the ease of use of such platforms is no longer a primary concern for MSME decision-makers. A possible explanation lies in the increasing smartphone penetration and digital adoption among Indian businesses, driven largely by national programs such as Digital India. A recent report shows that over 90% of MSMEs have adopted some form of digital tools, including online payments (Small Industries Development Bank of India, 2025). The finding aligns with research by Venkatesh et al. (2012). Purba & Candiwan (2021) also found that EE loses significance when users are already proficient in digital technology. Moreover, the rejection of Hypothesis 3 (H3), which examined the effect of SI on BI, suggests that peer recommendations or outside opinions may not have much of an influence on MSME decision-making, corroborate with research by Bajunaied et al. (2023) who found that SI was an unimportant predictor of financial technology adoption. The lack of support for hypotheses about hedonic motivation (H4), facilitating conditions (H5), and habit (H7) suggests that behavioral routines, emotional gratification, and infrastructure support may not be the major factors that influence the adoption of P2P lending among Indian MSMEs. Similar conclusions have been drawn by Purba & Candiwan (2021). Furthermore, Goswami et al. (2025), also suggested that such constructs may be less influential, particularly in early stages or functional use cases in fintech adoption. Geographical and contextual variances further underscore these findings.

5. Conclusion

This section summarizes the principal findings of the study in relation to the research objectives and theoretical framework. It examines the study's contributions to academic literature and practical applications. This section examines the consequences of the findings, delineates the limitations of the current research, and offers guidance for future investigations to build upon the existing work.

5.1 Findings of the Study

The study was conducted against the backdrop of MSMEs' comparatively low adoption rate of P2P lending. The low rate of service acceptance among Indian MSMEs necessitates further research into the elements that influence the BI to embrace P2P financing services. Understanding the reasons for MSMEs' adoption of P2P financing is important to increase their participation. Considering the importance of MSMEs to the Indian economy, the huge credit gap in the MSME segment, and limited opportunities to acquire loans, we examined the BI of Indian MSMEs regarding the use of P2P lending services. The study utilizes the extended UTAUT2 model by incorporating" trust" as an additional component and collected responses

from 250 owners/Managers. The data collected was analyzed using SEM on AMOS. Our study's findings indicate that the "BI" of Indian MSMEs to adopt P2P lending services as a mode of business financing is substantially affected by "PE", "PV", and "TRU". However, "EE", "SI", "FC", "HM", and "HB" were found to be non-significant. These results suggest that MSMEs prioritize practical benefits, perceived value, and reliability over usability, social pressure, or habitual behavior. The findings are consistent with both global and Indian fintech adoption literature. Therefore, future efforts to promote P2P lending should emphasize functionality, cost-effectiveness, and trust-building strategies tailored to digitally aware MSMEs.

5.2 Implications of the Study

The study's findings indicate significant consequences for policymakers, regulators, and managers of P2P lending platforms. Firstly, the results show a significant relationship with "PE", which indicates that access to finance is considered crucial by the MSME borrowers for adopting P2P lending. Therefore, this finding will assist policymakers and regulators in framing policies and regulations to enhance financial inclusion and provide financial access to MSME borrowers. Moreover, it will assist the managers of P2P lending platforms in designing strategies to extend financial access to the borrowers through improved loan approval ratio. Secondly, a significant relationship was found with "PV", which points out that MSMEs consider price value an important factor that points out the economic significance of taking loans from MSMEs. Hence, the policymakers and regulators should focus on limiting the administrative and regulatory burden on the platforms. This will reduce the platforms' operational expenses, ultimately lowering the borrowers' costs. Moreover, the managers of the P2P lending platforms should also focus on improving the cost-effectiveness of loans and providing economic benefits. Overall, the focus should be on providing low-cost loans compared to the currently available modes of financing, such as banks, financial institutions, moneylenders, etc. The objective findings suggested that "TRU" influences BI in adopting P2P lending. Therefore, efforts should be made to enhance the level of trust between MSMEs and improve their participation in the process. The regulators and policymakers shall make regulations and policies to safeguard the interests of the MSMEs. The mandatory registration of the P2P lending platform with the RBI is the right direction in this regard. However, regulators and policymakers should take further steps to safeguard the users' interest by including verification of lenders through social identity such as an Aadhaar card.

Although a grievance redressal of the ombudsperson for banking services is available, and the exact mechanism is also applicable to the P2P platforms, awareness drives should be conducted to make the users aware of their rights and duties to improve their trust. Moreover, the platform managers shall also step forward to improve the level of trust amongst the users by conducting training for the MSMEs. The training conducted by field agents, who frequently interface directly with MSMEs, can enhance educational effectiveness. Moreover, allowing MSMEs to see firsthand the experience of utilizing a platform can help them build trust in the platform, which may eventually encourage adoption. Also, showing the success stories of MSMEs who have embraced P2P lending for business financing can be helpful in the adoption of P2P lending services by Indian MSMEs. The comprehensive efforts by the stakeholders will help improve the adoption of P2P lending and promote financial inclusion of the credit-constrained MSME segment. In addition, the theoretical implication of the study includes the creation of a conceptual research framework that facilitates a deeper comprehension of the variables influencing Indian MSMEs BI to engage in P2P lending for business funding.

5.3 Future Research Directions

Notwithstanding its considerable contributions, the study has certain limitations that suggest further research directions and opportunities. Firstly, the current study explores the BI of MSMEs and does not account for retail consumer loans. Therefore, future studies can be extended to individuals for personal or

retail financing, such as car loans, education loans, etc. Secondly, although Indian MSMEs do not need to register on the portal to carry out business activities in the country, and many of the MSME enterprises operating in Indian markets are not registered with the Udyam portal, to ensure the inclusion of enterprises with formal recognition, we have collected responses only from registered units. Future researchers may conduct a separate or combined study for the unregistered enterprises. Thirdly, the study examines the BI of MSMEs in the existing stage of the business. Hence, this study does not explore the specific influence of various stages of business. However, the results may differ for different stages of business. Therefore, future researchers may explore measuring the BI at different stages of the business. Fourthly, owing to constraints in data collection, a relatively small number of samples in a restricted geographical area is used in this study. The results may differ for a large sample size in different geographical areas. Therefore, future researchers may test the BI by increasing the sample size in different geographical areas. Moreover, the use of "purposive sampling" limits the generalizability of the findings. Hence, future research should use the sampling techniques that could enhance representativeness and validate results across broader populations. Finally, due to limitations of data collection, the segment related to continued intention is not measured in this research currently; however, in the future, with the availability of new avenues of collecting data, the researchers may study the "continued intention" of P2P lending among MSMEs.

Conflict of Interest
The authors confirm that there is no conflict of interest to declare for this publication.

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AI Disclosure
During the preparation of this work the author(s) used generative AI in order to improve the language of the article. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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