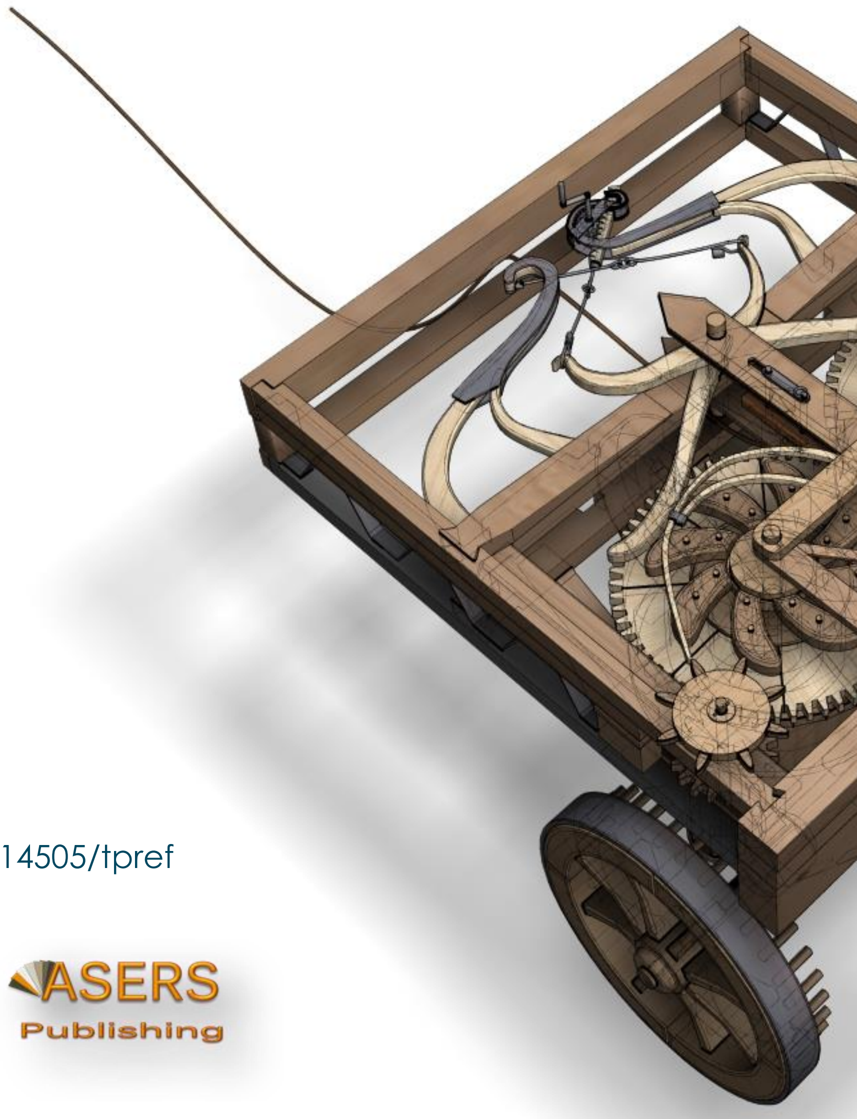
Theoretical and Practical Research in Economic Fields

Special Issue



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Theoretical and Practical Research in Economic Fields

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All the papers will be first considered by the Editors for general relevance, originality, and significance. If accepted for review, papers will then be subject to double blind peer review.

This Special Issue was created at the request of a group of researchers from Ukraine. It is a response to the challenging situation of Ukrainian scholars due to the Russian invasion as well as the growing demand for knowledge on Ukrainian issues.

We would like to express our endless thank to our colleagues, scholars from Ukraine who are working amid the war on topics that are important for all. Also, we thank all our international authors for their valuable contributions to this Issue.

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An Investigation on the Relation between Traditional Banking and Peer-to-Peer Lending from a Management Perspective

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Abstract: This research explores how P2P lending in India has impacted traditional banking. The leading influence of traditional banks has been threatened by P2P lending, a disruptive phenomenon of the lending business. In P2P financing, lenders and borrowers are linked directly together, with no need for institutions to stand as intermediaries. This method has numerous advantages, among them lower operating costs, fast approval of loans and increased access to banking services for the underprivileged. Our research was aimed at India's potential for peer-to-peer lending to disrupt existing banks or form a new market. This research not only introduces problems encountered by banks in consumer finance management, it also recognizes that these problems cannot be fully blamed on P2P lending technologies in any event. The results contribute to ongoing concerns over the dynamic interactions between traditional banking and peer-to-peer lending in emerging nations. The findings suggest a need for further research to determine the long-term impacts of these interactions on financial stability. This is crucial for policymakers and financial institutions to make informed decisions.

Keywords: qualitative study; peer-to-peer lending; financial institutions; traditional banking; FinTech.

JEL Classification: G21; G23; G28; M13.

Introduction

The banking industry holds a significant position in the global economy, with a rich history and substantial influence on modern industrialized societies. This is primarily due to a fundamental and vital service that they offer: loans. Loans provided to both corporations and consumers have played a significant role in driving the expansion and modernization of our economy (Liang and Reichert, 2006). Nevertheless, this sector has shown resistance to change and has been associated with significant economic downturns, like the 2008 financial crisis (Matthew Johnston 2021). There are doubts about whether the traditional banking system is the most suitable institutional framework to meet our financial needs. In many developing nations, the conventional banking sector remains the primary provider of financial services to the public despite these barriers. However, in recent years, the financial sector has seen a boom in innovation and new technology. This has presented a challenge to banks' traditional power. Commonly known as Fintech, has the rapid growth of financial technology placed pressure on the banking industry to innovate and stay competitive.

Fintech is an exploration of how companies can improve their financial services by using software and electronic technology. Peer-to-peer lending, mobile banking apps, and new industry innovation have all been made feasible by fintech, which has drastically transformed banks. Peer-to-peer lending is a new financial alternative introduced by fintech. (Yeo and Jun, 2020) explain about the idea of peer-to-peer lending, which is utilizing online platforms to establish a direct relationship between investors and borrowers.

Based on a recent report by Fintech report 2023, it is projected that the revenues of the fintech industry will grow at a rate almost three times faster than that of traditional banks (McKinsey and Company report, 2023). According to a recent report, the fintech industry is projected to reach a staggering value of $1.5 trillion by 2030. This growth is primarily fueled by the emerging economies in the APAC region, including India, China, and Indonesia. From 2012 to 2022, the fintech industry experienced rapid growth, with a significant increase in acceptance rates, the number of fintech start-ups, and investments (Statista report, 2023). Nevertheless, the global fintech market faced a challenging period in the first half of 2023. It encountered anticipated obstacles like high inflation, increasing interest rates, and the on-going conflict between Russia and Ukraine. Additionally, there were unforeseen difficulties, such as the collapse of multiple banks in the United States (kpmg.com, 2023). Despite these challenges, there was a significant rise in fintech financing in the Americas, with the amount increasing from $28.9 billion in the second half of 2022 to $36 billion in the first half of 2023 (deloitte.com, 2023). Upon closer examination, it becomes evident that peer-to-peer (P2P) lending is a rapidly growing industry. According to projections, the global P2P lending market is expected to experience significant growth in the coming years. It is estimated that the market will expand at a compound annual growth rate of 25%, reaching a value of USD 1024.45 billion by 2032. Following the success of micro-, small-, and medium-scale enterprises (MSMEs) in emerging economies, the trend continued to surge periodically. It is projected that by 2027 this transition will grow at a 19.5% rate, which means it is significant in terms of world popularity. The P2P lending industry has been found to be expanding in India. If various assumptions hold true, India's peer-to-peer lending industry is estimated to be worth 10.5 billion U.S. dollars. The compound annual growth rate from 2021 to 2026 is estimated at 21.6%. India's P2P lending industry is thriving because of the widespread use of smart phones and the internet combined with a population of borrower's. But they are priced out of conventional financial services. The economy is making more and more calls for credit, while its regulatory framework is helpful. In any case, with it becoming harder for more p2p in India, the Reserve Bank of India (RBI) has increased oversight over the sector. In spite of these obstacles many people think that the future must be bright for peer-to-peer lending, since several new platforms are entering the market.

The numbers confirm the optimistic forecasts of economists who say that as income levels rise, so too does demand for financial services. As of the (worldbank.org/Global Findex, 2021), the Indian adults who had bank accounts accounted for 78%, equal to the national average but 6 percentage points higher than in other developing economies (Klapper, L.et.al,2021). Millions more accounts were opened as a result of the government's Pradhan Mantri Jan Dhan Yojana financial inclusion initiative, which is responsible for the rise. In India, 35 percent of individuals currently use digital payments (Klapper *et al.* n.d.)(Yan carriere *et al.* 2021). Surprisingly, a significant portion of bank accounts in India remain unused, with a considerable number of Indian women either using their accounts sparingly or not at all (Yan carriere *et al.* 2021),(womensworldbanking.org, 2019). Although a significant number of people have bank accounts, there are still obstacles to overcome in encouraging regular use of these accounts. It is unfortunate that a significant portion of the local population is unable to access or afford basic financial services for various reasons. Even in countries where most people have bank accounts, they still lack access to other crucial financial services, with loans being the most prominent example (McKinsey and Company report, 2023). Although there has been progress in promoting financial inclusion worldwide, certain essential financial services remain inadequate in both developed and developing economies.

The issue stems from the banks themselves and their selection of consumers. Conventional financial institutions often need a credit history, proof of employment, and collateral as prerequisites for granting loans. (René M. Stulz *et al.* 2016) asserts that banks give utmost importance to the process of selecting clients and minimizing risks. Many people in developing and emerging economies may not have access to sufficient banking services because credit history, collateral, and other crucial data that banks need to accurately assess risk are not readily available to them. Getting a loan approved may be challenging and often ends in failure (Khatri, 2019). Nevertheless, this problem can also impact developed nations. Loans aren't provided to about 31% of the US population because of poor credit or insufficient collateral. 'Among the individuals who requested credit, 24 percent experienced at least one instance of denial in the year prior to the survey, while 31 percent either faced denial or were given a lower amount of credit than they initially requested' (Reserve Board, 2019). The worldwide issue of accessing financial institutions affects economies in both developed and developing countries.

When traditional lenders impose stringent risk standards, P2P lending platforms might step in to address the needs of borrowers who still need money. What are the benefits to underserved consumers of peer-to-peer lending, and how does it differ from traditional banking? By connecting borrowers and lenders (sometimes called 'investors') directly, P2P lending platforms do away with the need for banks and other conventional financial organizations. This facilitates peer-to-peer lending using the internet. Lenders have the ability to select their desired degree of risk when providing loans, which leads to the establishment of a stronger market where individuals who are ready to take on greater risk by lending to borrowers with poor credit may connect and engage in financial transactions. Lenders have the advantage of not being constrained by regulations or risk evaluation systems like banks, which allows them more freedom and the ability to reach consumer segments that banks are unable to access. (Yeo and Jun, 2020) state that peer-to-peer finance mostly focuses on borrowers who have credit ratings ranging from low to mid-level.

The innovative technology and broad appeal of P2P lending have the potential to destabilize the banking industry beyond its traditional customer base. The potential for upheaval in the rapidly expanding P2P lending sector is under discussion, owing to its reduced operational expenses and adaptability in contrast to traditional banks (Global Ventures, 2020). When it comes to comparing conventional banks with peer-to-peer lending platforms, it becomes clear that the latter may have an edge. This is because they offer lower interest rates, provide more convenient access to financial services, have quicker loan application procedures, and boast higher approval rates.

1. Problem Statement

Considering the unique aspects of P2P lending in contrast to conventional banking: In India, where banks have been around for a long time, how does peer-to-peer lending fit in? Is peer-to-peer lending seen by banks as a potential danger to the banking sector, or do P2P lending platforms establish their own market independent of banks, focusing on underserved consumer groups that banks ignore?

For the find out the relationship between traditional banks and peer to peer lending this study takes a qualitative approach, unlike previous quantitative studies, this research proposes to conducting interviews with bank and peer to peer lending professionals will offer a new viewpoint on this on-going discussion. Moreover, it will enhance the current reservoir of information regarding the topic. By focusing on India, we can conduct a thorough analysis of a developing market in a particular country, while also facilitating future investigations into similar markets that possess similar attributes, so enhancing our understanding and expanding this relation.

1.2 Research Gap

The existing literature on peer-to-peer (P2P) lending's impact on the financial sector reveals a lack in understanding about its relationship to traditional banking. According to (Lenz, 2016), peer-to-peer lending's cost-effectiveness, which results from comparatively less regulatory requirements and decrease of overheads could cause it to displace traditional banks as the primary lender. By highlighting examples of these collaborations in the US, Lenz Rainer makes the case that P2P lending businesses and banks may work together. According to (Balyuk *et al.* 2018), P2P lending and banking are closely intertwined. The author gives an example of how P2P platforms that target consumers underserved by traditional financial institutions might effectively solve issues in the credit market. (Yeo and Jun, 2020) that further study be done on the risks associated with P2P lending for banks and how it affects various economies.

The study's overarching goal is to dissect the connection between P2P lending and conventional banking in India. This study will build on previous research to examine the impact of P2P lending on the Indian credit market and its relationship to conventional banks. The choice of India as a research location is consistent with (Yeo and Jun, 2020) suggestion that an investigation be conducted into the role played by P2P lending enterprises in developing countries. The study aims to improve the current conversation by providing a thorough understanding of the interactions between traditional banking and peer-to-peer lending in the context of India.

1.3 Research Question

How does traditional banking in India relate to peer-to-peer lending? The following are two assumptions that have been made based on our previous research.

1. What ways does P2P lending significantly disrupt the traditional banking industry?. If so, how precisely?
2. Is the P2P lending industry separate from the regular banking industry? If so, how precisely?

Two hypotheses exist on the nature of the relationship between peer-to-peer lending and more conventional forms of banking: rivalry (disruption) and independence (the establishment of a new market). In order to answer the research question: How do peer-to-peer lending and conventional banking interact in India?

2. Literature Review

Based on an analysis of the 2019 annual reports from the four largest banks in the US, it appears that bank revenue may be broadly classified into three types: interest, fees, and commissions. The provision of loans by banks results in two streams of income: fees and interest. Loans account for around 50-63% of net interest revenue (NIR), according to the annual reports of major US banks at mx.com. There is room for disruption if peer-to-peer (P2P) lending can provide loan services that are faster or more cost-effective than what banks offer, as lending accounts for a significant portion of conventional banks' net interest revenue. When dealing with this issue, it is essential to keep in mind the differences in client categories. The argument might be made that the two businesses serve distinct clientele because of the underlying differences between them. P2P lenders aim for high-risk, high-reward borrowers, in contrast to banks that mostly serve low-risk, low-reward consumers. Some have argued that the unique credit market being formed by the P2P lending sector is a direct result of the wide variety of customers it serves (Yeo and Jun 2020). Also, any disturbance in the consumer lending sector probably won't have much of an impact on the profitability of traditional banks because a large percentage of their loans are mortgages, which have little to do with the P2P lending market. We divided the research streams into three separate categories for our literature review. To kick off our research, we will review the literature that supports the idea that a new market sector has emerged thanks to P2P lending. Then we will look at the research that shows how P2P lending has produced problems. Finally, we'll take a look at the research that focuses on how P2P lending has affected traditional banks in India. It should be noted that much of the literature we reviewed presented arguments for both sides of the issue, and very few provided a clear resolution to the relationship. Regardless, we have compiled data supporting both theories and presented it in the following manner.

2.1 Evidence that Peer to Peer Lending Is Creating a Separate Market

P2P lending has been recognized as a disruptive influence in the financial sector, establishing a distinct marketplace for individuals to engage and exchange information (Wang *et al.* 2009). In order to succeed in this market, it depends on information technology and social media as a key factor. Previous studies have examined various factors that influence P2P lending such as financial, demographic, and social aspects (Bachmann and Funk 2011a). Nonetheless, the introduction of P2P has raised concerns about data authentication and regulatory measures (Suryono *et al.* 2019). Thus, the results of these investigations clearly show that while P2P lending is setting up an independent industry but it still requires close scrutiny and supervision. (Wang *et al.* 2009) posit that through this type of borrowing arrangement individuals can connect with each other in a way that creates a unique industry within finance. (Bachmann and Funk 2011b) claim that commercial online platforms for P2P lending began emerging during the year 2005 which initiated up a new market. According to them loan procedure has marked itself by its different types of financial traits from social ones. In his study (Suryono *et al.* 2019) designates China as the leading market for P2P lending platforms arguing how it is creating a prospering yet distinct commercial sector in particular, this paper argues that the employment of AI in P2P lending platforms represents a shift in dynamics, which is consistent with the notion that P2P lending establishes a separate market. In so doing, (Milne and Parboteeah 2016) acknowledges peer-to-peer financing as complementary to rather than a substitute for conventional banking, especially for small companies, thus enabling the simultaneous creation of different market. As per (Chen 2012) P2P lending provides an alternative means of borrowing and investing without reliance on traditional financial intermediaries. This emphasizes the existence of a separate market.

In her work, (Sulastri and Janssen 2022, 2023) examines the obstacles and distinctive attributes of P2P lending platforms, presenting empirical data that supports the notion of P2P lending establishing a different market with qualities that set it apart from traditional banking. (Lynn *et al.* n.d.) contend that P2P lending obviates conventional financial intermediaries, so promoting financial inclusion and engendering a distinct market. The studied literature together establishes a consensus that P2P lending is generating a distinct market through the introduction of distinctive dynamics, technologies, and structures that differentiate it from conventional banking. These studies provide in-depth understanding of the growth of P2P lending as a transformational factor in the financial industry, adding to the on-going discussion on the creation of a separate market within the larger financial environment. While it can be argued that they are not causing major changes in the industry due to their focus on specific customer segments and the inability of P2P lending to compete with mortgage loan interest rates, it is important to note that consumer lending still contributes a significant portion of revenue to traditional banks. If P2P lending manages to capture a significant market share in the consumer lending sector, it could potentially lead to disruption.

2.2 Evidence That Peer to Peer Lending Is Disrupting the Traditional Banking Industry

When it comes to small companies in the UK, P2P lending is considered by some as a great source of loans, although it only represents some part of total bank credit (Milne and Parboteeah 2016). It is perceived as a complement to traditional banking with the possibility that banks might adapt through cooperating with P2P lending platforms (Milne and Parboteeah 2016). On success in borrowing finance and characterizing features on loans as well as regulation approaches, most reviews on P2P lending are US- and China-centric. The future of financial industry may be changing due to P2P lending ensuring effective information flow and perfect markets (Wang *et al.* 2009). Nonetheless, more research is essential into the performance and determinants of P2P loan platforms; the significance of behavioural traits; and the interplay between P2P loaning and traditional financing channels (A. Basha *et al.* 2021).

There is a tangled literature on the connection between P2P lending and conventional banking with different experts having different views over whether this emerging financial innovation is disruptive. (Milne and Parboteeah 2016) claims that P2P lending is essentially supplementary to traditional banking, emphasizing how banks need to adapt to its advent. However, research conducted by (Suryono *et al.* 2019) indicates that China's P2P lending sector poses a formidable hurdle to conventional banking, therefore implying the prospect of disruptive impacts. (Wang *et al.* 2009) points out that creating a marketplace of people as opposed to things is among the constructs of P2P lending and hence challenges the existing lending models. Also, commercial peer-to-peer lending platforms are starting to emerge; this suggests a new industry according to (Bachmann and Funk, 2011b). (Chen, 2012) points out that technological change in borrowing has occurred especially on 'peer-to-peer' basis which is another form of borrowing or investment. Such a strategy involves evaluating creditworthiness in a unique way through both 'hard' and 'soft' information. (Su, 2021) asserts that the integration of blockchain technology into P2P lending resolves trust-related issues efficiently thus indicating possible major disruption. According to (Lynn *et al.* n.d.), P2P lending eliminates conventional financial intermediaries and promotes financial inclusion, allowing a new market to emerge.

Similarly, there is different borrower conduct which shows p2p has affected the banking sector in a particular way. For instance, (Ayal *et al.* 2019) discovered that irrationality levels among P2P borrowers are higher than those of people who take bank loans implying that there exist a distinct disorder in lending dynamics. On the other hand, (Stern *et al.* 2017) focus on the distribution of peer-to-peer (P2P) lending across geographic areas and found out that there is a negative correlation between outstanding balances of peer-to-peer lending and size of traditional banking sector. This implies that locations with substantial P2P borrowing can cause disruption in their economies and the wider economy as well The author examines regulatory challenges in relation to P2P loans and argues that obstacles relating to trust, education levels, and data analysis hinder inclusive P2P loan systems from being developed within any country such as China; however it may be important to add that this research has some shortcomings; In his article, (Teplý *et al.* 2021) suggests that blockchain technology will facilitate an increase in finance for peer-to-peer or P2P platforms. Therefore, financial markets could be transformed significantly by these.

The mixture of various investigations demonstrates that P2P lending does not only supplement but also disrupts traditional banking. The impact is seen in market dynamics, technological change, borrower behaviour and regulatory issues. This forces traditional financial institutions to observe and react. The changing dynamics of the financial industry need established institutions to respond proactively to this disruptive force in order to navigate effectively. Nevertheless, peer-to-peer lending has the potential to offer more competitive interest rates due to reduced operational and administrative expenses. The question now is whether it can compete with the current banking system in mortgages, where they make the most money. The problem is in how P2P lending operates. In order to compete with the low-interest mortgage loans offered by traditional banks in India—which range from 1% to 2%—investors and lenders will need to match the borrower's loans. If a loan has a maturity date between 25 and 60 years, the interest rate the lender charges must be the same or lower. It would be challenging for P2P lending to entice investors in this market because of the risk/reward ratio and the time duration, which makes it unable to compete with banks. How big of an impact peer-to-peer lending will have on banks, whether or not it will attract clients who aren't already customers of banks, and whether or not it will create a new market segment altogether are all questions that remain unanswered.

2.3 Literature Review India Specific

Peer-to-peer (P2P) lending has revolutionized the financial landscape, offering an alternative lending model that operates outside the traditional banking framework. This literature review delves into the evidence supporting the idea that P2P lending is not only creating a distinct market in India but is also disrupting the conventional banking industry.

2.3.1 Creating a Separate Market in India

According to Nitin Balwani's (2020) survey, it shows that P2P lending has la borne the potential for transformation in India. P2P lending platforms use the newest technological methods for risk management, making them popular both with lenders and borrowers. It has led to the creation of an entirely new business model where traditional financial intermediaries are completely bypassed (Balwani 2020). In direct opposition to this view, others like (A. Basha *et al.* 2021) take the view that the P2P lending market produces a special ecosystem, where strangers can borrow money from each other and carry out transactions within a social platform. (Dias *et al.* 2022) say that the business in the country is making preparations for the technology era in p2p lending.

2.3.2 Disrupting the Traditional Banking Industry in India

A P2P lending revolution in the traditional banking industry is very evident from found among many well-written pieces of literature. Balwani (2020) says that new technology adoption coupled with more and more popular among borrowers and lenders make P2P lending platforms look like a quick, hassle-free alternative to the usual banks. Moreover, Wang *et al.* (2009) have noted how P2P lending could easily bypass financial intermediaries in favour of a more direct marketplace between individuals--an initiative that should only serve to disturb the traditional banking model. (Bachmann and Funk 2012) place it well these observations with regard to how P2P lending affects the overall changes in borrowers' behaviours. According to Bachmann and Funk (2011b), the Internet of Finance describes the P2P lending industry as a rapidly growing credit source that cuts out traditional intermediaries and hints at a major transformation in finance.

The literature review furnished strong evidence that P2P lending is producing not just another market in India, but remodelling the entire traditional bank industry. The financial landscape in India is being transformed by P2P lending platforms, as they are becoming more popular with new technology and business models.

2.4 Theory

The impact of innovation on the conventional banking sector may be better understood with the help of Clayton Christensen's Theory of Disruptive Innovation. The conventional banking sector faces competition from peer-to-peer lending, a kind of disruptive innovation, due to its many negative traits. These include catering to niche markets, providing an unusual combination of features, and being unable to innovate because of the profit margins obtained by catering to these niches. There are five steps to the disruption process: 1) Incumbent businesses innovate to satisfy their most profitable and demanding customers. 2) While the incumbents ignore this market segment, new entrants meet their needs at a lower cost and gain traction. 3) The incumbents do not respond to the new entrant. 4) Eventually, the new entrants move upmarket and appeal to the incumbent's ‘mainstream’ customers. 5) Once the new entrant starts attracting the incumbent's mainstream customers, disruption happens.

Legitimacy theory emphasizes the importance of corporations adapting to new societal demands to survive and avoid bankruptcy. It emphasizes the importance of maintaining a well-established legitimation strategy to manage existing challenges and pressures, which influences the perception of an organization by stakeholders.

Knowledge sharing as a means of gaining an advantage in a competitive market is central to the cooperation concept put out by Larsen *et al.* (1998). It frequently involves cooperation between two organizations that compete with one another. Strategic alliances are often formalized through mutual benefit. A win-win situation in which both organizations team up and reap the benefits. In game theory, it combines competition and cooperation. (Brandenburger and Nalebuff 1996) brought the co-opetition theory out into the open for public consumption and economic research scholars to notice. They observed how it governs many business interrelationships and supply chains.

When looking at the connection between P2P lending and India's conventional banking system, Clayton Christensen's idea of disruptive innovation becomes quite pertinent. An explanation of disruptive change and its mechanism to create in the traditional banking business is provided by Christensen's thesis. A peer-to-peer lending industry is just around the corner, thus conventional banks' loans should be seen as risks.

The link between traditional banking and the P2P lending business in India is better understood via the perspective of co-opetition theory, which this study employs. The study's methodology makes Christensen's thesis of disruptive innovation stand out for its predictive potential and significance.

3. Research Methodology

3.1 Research Method

The study utilizes a qualitative approach to examine the connection between P2P lending sites and traditional banks, providing valuable insights into the viewpoints of industry professionals regarding the disruptive potential of P2P lending.

3.2 Research Design

With a focus on bank and peer-to-peer lending top management, this exploratory study design seeks to examine the connection between P2P lending and traditional banking in India. It uses descriptive, explanatory, exploratory, and predictive elements to provide new insights and make predictions. The study's philosophical assumptions are interpretivist, requiring an exploratory mindset to fully comprehend the phenomena.

3.3 Practical Method

Using a qualitative technique for in-depth interviews and subjectivist perspectives, together with pilot research for efficient data gathering, the study follows the interpretivism paradigm in methodology.

3.4 Sample Method

Small sample sizes enable more efficient data gathering and faster results when researchers gather information from companies such as banks and P2P lending companies. The two types of sampling methods are non-probability and probability. Non-probability sampling was selected for this study because it fits well with the interpretivist philosophical research perspective. In-depth interviews and pertinent social actors will be the main subjects of the study.

3.5 Interview Design and Data Collecting Technique

A conversation between two or more persons to collect information for a research question is called an interview. Structured, semi-structured, and unstructured are the three categories. We will employ a semi-structured interview style with standardized questions for management of P2P lending platforms and banks in our study. This approach allows for greater flexibility in inquiry and is consistent with our interpretivist research attitude.

3.6 Pilot Testing

Pilot testing is essential for gathering data since it helps to improve interview guidelines and eliminates errors. Improvements were made after a pilot interview with a banking sector expert revealed flaws. For greater openness, fewer questions were asked, and timed interviews were discussed in order to get better answers.

3.7 Interview Conducting

After completing developing and testing of our interview method, we began gathering information about professionals working in banks and loan applications.

Table 1. Detailed information of Interviews

S.NO	Financial Institutions	Interviewee	Position	Interview method	Interview duration	Date
1	SBI Bank	Respondent 1	Branch Manager	Online	1 hour	45275
2	HDFC Bank	Respondent 2	Deputy sales Manager	Online	55 Min	45275
3	ICICI Bank	Respondent 3	Area Sales Manager	Online	1 hour 10 min	45277
4	Axis Bank	Respondent 4	Branch Manager	Online	53 min	45280
5	Kotak Mahindra Bank	Respondent 5	Asst. Branch Manager	Online	45 min	45280
6	Bank of Baroda	Respondent 6	Branch Manager	Online	50 min	45283
7	Home credit, India	Respondent 7	Senior Operations Manager	Online	1 hour	45275
8	Zest Money, India.	Respondent 8	Risk Analyst	Online	50 min	45280
9	EarlySalary (Fibe), India	Respondent 9	Business Development Manager	Online	55 min	45282
10	QuickCredit India	Respondent 10	Customer Service Manager	Online	45 min	45284

Source: Generated by the authors (interview information)

Data was gathered from peer groups and social media accounts. We reached out to them by means of a telephone conversation. Ultimately, we have compiled a definitive roster of interviewee information. We obtained a total of 10 participants, with 6 representing banks and 4 representing peer-to-peer lending applications. The following Table 1 contains data related to our interviews. Traditional banks are included before P2P lending platforms in the sequence of interview dates.

3.8 Data Analysis Method

Examining qualitative data involves a methodical procedure as outlined by (Miles *et al.* 1994). Data collection is the first phase, involving the gathering of information through interviews. Afterwards, data reduction is utilized to filter and discard unnecessary or redundant data, concentrating on what is crucial for the study question. Visualization methods, such as tables, assist in condensing and arranging intricate data. Thematic coding is next utilized to identify key words or phrases, followed by thematic analysis, which entails constructing an organized table to document noteworthy discoveries from each participant by NVivo software. The last stages involve deducing and forming conclusions by amalgamating the structured data, employing applicable theories, and summarizing the most significant findings. This methodical technique guarantees a thorough and perceptive examination of qualitative data, so enhancing an in-depth understanding of the topic under research.

4. Empirical Findings

4.1 Overview of Empirical Findings

The answers that we got were from a total of ten participants, six of whom represented banks and four of whom represented peer-to-peer lending applications. The responses were categorized according to the following topics: lending, risk profile, challenges, cooperation and competition, regulations, and future outlook as shown in Table 2. We have created a summary of all of the responses received from respondents for the various themes. As shown in Table 3, we summarized every single response from each and every responder in a theme-based manner.

Table 2. Overview of Interview Responses

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
SBI Bank	Balance between the efficiency of digital banking and the importance of personal information, ensuring a smooth and customer-centric loan application experience.	The bank's risk-averse business model and diligent risk assessment practices have minimal concerns about customers using alternative financing methods.	SBI bank faces challenges such as a digital business model shift, rising interest rates, and expanding digitally signed documents due to technological advancements and changing customer preferences.	SBI plans to crowd fund project investments for individuals with excess funds to engage in business ventures, aiming to mitigate the perceived rivalry from Peer-to-Peer (P2P) lending platforms.	They acknowledge RBI's credit risk assessments and documentation as crucial. However, they acknowledge the challenges of implementing new regulations in the rapidly growing sector. They emphasize the need for a balance between innovation and safeguards to prevent financial crises.	Traditional banks will continue to play a crucial role in society, adapting to the evolving financial landscape. P2P lending systems, while not posing a direct threat, may gain prominence in providing alternative borrowing options.
HDFC Bank	The bank values personal contact and leverages branch staff to	HDFC uses a comprehensive rating system. Concerns about	HDFC faces challenges in adapting to digital business model, rising	HDFC plans a crowdfunding initiative to connect private customers	Respondent 2 advocates for regulations to protect customers	Traditional banks like HDFC remain crucial in the financial sector, despite digital advancements.

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
	enhance customer experience, catering to both digital-savvy and traditional clients.	alternative financing methods are minimal due to diligent risk assessments.	interest rates, and expanding digital document signing, while P2P lending remains unaddressed due to traditional services.	and business ventures, despite P2P lending being a potential competitor, focusing on risk-to-return ratio and potential benefits.	from predatory lending, acknowledging challenges in implementing new regulations, while HDFC emphasizes the need for a balanced regulatory framework.	P2P lending systems may evolve, catering to specific borrower segments seeking alternative financing options.
ICICI Bank	The bank values the human touch and leverages branch staff for customer satisfaction.	Concerns about alternative financing methods are minimized through diligent risk assessments and emphasis on collateral.	ICICI faces challenges in adapting to digital business model, rising interest rates, and expanding digital document signing, prioritizing continuous digital innovation to meet customer expectations.	ICICI plans to launch a crowdfunding initiative to connect private customers with business ventures, despite P2P lending being a potential competitor, focusing on risk-to-return ratio.	Respondent 3 advocates for regulations to protect customers from predatory lending practices, acknowledging existing RBI regulations and ICICI's need for a balanced regulatory framework.	Traditional banks, like ICICI, will continue to shape society's financial landscape, despite digital challenges. They will adapt by embracing digitalization while maintaining personalized services. P2P lending systems may play a role in the evolving financial ecosystem.
Axis Bank	The bank values personal contact and utilizes branch staff to enhance customer experience.This approach caters to both the digitally inclined and those preferring face-to-face interactions.	Axis Bank employs a unique creditworthiness assessment methodology, allows local branches to make educated judgments, distinguishes itself from digital rivals, reduces concerns about alternative financing options, and stresses collateral.	Axis Bank faces challenges in transitioning to a digital business model, adapting to rising interest rates, and expanding digital document signing, despite prioritizing continuous digital innovation.	Axis Bank explores crowdfunding for private customers to connect with business ventures, focusing on risk-to-return ratio and potential future dynamics, despite P2P lending's uncertain benefits in India.	Respondent 4 advocates for regulations to protect customers from predatory lending, acknowledging existing RBI regulations and challenges in implementing new regulations.	Traditional banks, like Axis Bank, will continue to dominate the financial landscape due to their extensive experience, infrastructure, and customer trust. P2P lending systems may impact the financial ecosystem.

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
Kotak Mahindra Bank	The bank values the human touch and leverages branch staff for customer satisfaction.	Kotak Mahindra Bank employs a thorough grading system, explicit rejection reasons, risk evaluations, and collateral focus to allow local branches to make educated judgments while reducing worries about alternative funding sources.	Kotak faces challenges in adapting to digital business model, rising interest rates, and expanding digital document signing, prioritizing continuous digital innovation to meet customer expectations.	Kotak plans a crowdfunding initiative to connect private customers and business ventures, focusing on risk-to-return ratio and potential future dynamics, despite P2P lending's less favorable benefits in India.	Respondent 5 advocates for regulations to protect customers from predatory lending practices, acknowledging existing RBI regulations and recognizing challenges in implementing new regulations.	Kotak Mahindra Bank, will continue to shape society's financial landscape, despite digital challenges. They will adapt by integrating digital solutions while maintaining physical presence. P2P lending systems may influence the financial ecosystem,However, they emphasize the risk-to-return ratio and cautious approach. The benefits of
Bank of Baroda	The bank values personal contact and utilizes branch staff to enhance customer experience. This approach caters to both the digitally inclined and those preferring face-to-face interactions.	Bank of Baroda has a distinctive creditworthiness evaluation approach, enabling local branches to make well-informed judgments, distinguishing itself from digital rivals, alleviating worries about alternative sources of funding, and placing emphasis on collateral.	Bank of Baroda faces challenges in transitioning to digital business model, adapting to rising interest rates, and expanding digital document signing, despite prioritizing continuous digital innovation.	Bank of Baroda explores crowdfunding for business ventures, focusing on risk-to-return ratio and potential future dynamics, despite P2P lending's perceived disadvantages in India.	Respondent 6 advocates for regulations to protect customers from predatory lending practices, while Bank of Baroda acknowledges existing RBI regulations and challenges in implementing new regulations.	Bank of Baroda, will continue to play a crucial role in society's financial system, despite digital competition.The bank is also considering collaboration with P2P lending platforms to enhance their service offerings. P2P lending in India may become more apparent over time.
Home credit, India	We provide loans to individual borrowers by matching them with the lenders on our platform. We emphasize the credit check and risk identification in lending.	We provide our risk score of borrowers using the credit score and income verify and the propriety algorithm to categorize customers into risk profiles. We provide the rejection reasons and	The Operations Manager faces regulatory uncertainties and adapting to fintech, while traditional banks pose challenges. Healthy competition encourages	P2P lending platforms face competition from traditional financial institutions and fintech companies. They are exploring partnerships with banks to create synergy and	Regulations are essential for the stability and integrity of the P2P lending industry. Regulations safeguards the lenders and borrowers, build trust and	P2P lending systems are expected to revolutionise the way financial services are currently delivered and democratise access for those who don't find themselves as the demographic of traditional banks. The traditional banks will also

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
		how to improve to become creditworthy.	innovation and customer-centric solutions.	benefit both parties. The banks face stiff competition from the fintech platforms. However, both the sector believes it caters to a different clientele and prefer to see it as a complementary rather than competing dynamic.	encourage innovation. The traditional banking regulators may not be suitable for P2P lending. P2P lending requires a specific regulatory framework for fair competition and sustainable growth.	compete and emerge as bigger banks with the help of fintech companies. They will collaborate with P2P lending platforms to continue to stay on the mainstream choice of customers'.
Zest Money, India.	We emphasize transparency and ethical lending practices. Loan Breakdown: Currently, our lending portfolio is skewed towards private loans, constituting about 70% of our total loans.	Customer risk evaluation uses credit scoring, behavioral analysis, and machine learning algorithms to classify customers into risk categories. Rejected customers receive detailed explanations, highlighting the need for alternative financial solutions and financial inclusion.	Challenges include regulatory adaptation, cybersecurity concerns, risk management, and traditional bank challenges, requiring innovation and personalized lending experiences to stay ahead in the market.	The company is considering collaboration with traditional banks to leverage the strengths of both P2P lending platforms and traditional banks. This could involve data insights, technological integration, or co-developing innovative financial products. While there may be competition, both platforms can create a more diverse and inclusive financial ecosystem.	Regulations are crucial for consumer protection, market integrity, and trust, and can support P2P lending growth. A balanced approach considering both sectors' needs and challenges is essential for a fair financial landscape.	P2P lending systems are expected to result in the overall financial inclusion and challenge the current banking models. The traditional banks also will collaborate with fintech and incorporating P2P lending platforms and using their technology to increase their offerings to the market and become 'bigger banks' and become available to a broader customer base
EarlySalary (Fibe), India	Loan Breakdown: Approximately 65% of our lending portfolio comprises	The customer risk's evaluation is done in traditional credit scoring and alternative	The P2P lending sector faces challenges in technology adoption and regulatory	The two categories can use P2P lending technology and lending systems at	Rules and regulations in the P2P lending sector will keep it secure and	The P2P lending platforms, with the expected democratization of finance and gap-inclusivity, embracing

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
	private loans, showcasing the diverse lending opportunities available on our platform.	data analysis for lenders' decision.The customers, who get rejected, get detailed explanations to engage them in risk and explain the borrowing process to increase financial literacy, hoping to get them responsible customers as well. Challenging the traditional banks to engage with a flexible solution. The two kinds of platforms – P2P lending and traditional banks/ fintech platforms, the traditional banks can provide a solution for both kinds..	compliance, while traditional banks present regulatory challenges but also offer collaboration and complementary services.	the back end to lend money. Aside from competition, the banks could collaborate to create a more diverse and inclusive financial ecosystem. They have the opportunity to create more flexible solutions for the customer. They avail each other's computing opportunities.	reliable as a source of venture financing. These rules will protect customers and encourage creativity. The more dynamic the criteria are, the more helpful they can be to a P2P platform, as traditional banks might benefit from predictable and stringent rules and regulations.	technology and regulations, are anticipated to provide personalized financial aid to any individual. It is our belief that innovation is good for the credit industry and the society it serves.
QuickCredit India	Loan Breakdown: Private loans dominate our lending portfolio, constituting around 80% of our total loans.	Risk evaluation is an approach that includes credit scoring, income confirmation and behavioural analysis to offer the knowledge necessary for a customer to make well-informed judgments. Picked and verified customers	The role involves adapting to evolving customer expectations and technological advancements, while addressing regulatory challenges from traditional banks to enhance personalized lending experiences.	P2P lending platforms are competitors to digital lenders and traditional banks, but they also see potential for collaboration. They envision a dynamic relationship where P2P platforms can offer agility and innovation, complementing traditional banks'	Regulations are crucial for a fair and secure environment for borrowers and lenders, building trust and setting clear standards for transparency, ethical practices, and responsible lending. They can be flexible and impact both	P2P lending systems are expected to enhance financial inclusion, offering tailored solutions to those unable to access traditional channels. Traditional banks, despite facing challenges from fintech and P2P platforms, are expected to embrace digital transformation and collaborate with innovative players.

Financial Institutions/ Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
		receive a comprehensive elucidation to support good borrowing activities and offer the local branches a method of reasoning. The sample technique should help consumers whose applications are refused completely and allay concerns related to traditional financial institutions.		stability and customer base. This could involve co-lending, allowing both parties to create diverse financial products. They see themselves as potential collaborators rather than a secondary market	traditional banks and P2P lending platforms, ensuring fair competition and consumer protection.	

Source: Generated by the authors from Interviewee responses

5. Discussion

The analysis performed on its main findings and implications, tackling the influence of P2P lending on traditional banking and potentials for disruption; and challenges and opportunities for financial inclusion in India. Moreover, it is given insights from bank managers, decision-makers as well as P2P lending platform representatives that were helped to comprehend the continuing discussion about the association between traditional banks and P2P lending. To distinguish P2P lending, this discussion will highlight some of them such as low operational costs, quick loan approvals, increased accessibility to banking services among the less privileged. It will also tackle whether P2P lending can develop a separate market segment and problems that commercial banks have while managing consumer finance. Also, it will look at the effects of P2P lending on financial inclusion with regard to banks adapting to the rise of such practices.

India's financial landscape is being transformed extensively with both traditional bankers as well as P2Plending platforms making changes in their respective loaning practices. This discourse examines some of the themes that are connected to how loans are granted, risk control, problems, teamwork and rivalry existing among the banks in India.

5.1 Themes

5.1.1 Lending Practices

Digital efficiencies and relationships need to be balanced. Their lending practices include thorough credit evaluations as well as risk assessments - both are crucial. They are willing to take the risk for private borrowers, not for bad loans.

5.1.2 Risk Management

In HDFC, Axis Bank, Kotak Mahindra Bank, and Bank of Baroda, they follow an extremely conservative model, using credit scoring, income comparative methods, and debt service ratios. They also have to also fight an AI algorithm for customer risk assessment. Applicants who are not approved will receive a detailed breakdown of their application, helping to improve literacy. Similarly, Home Credit, Zest Money, EarlySalary, and QuickCredit belong to P2P lending platforms. These companies are equally responsible for lending. But they catch up with you in technology adoption issues as well as such a challenge for regulatory compliance.

Table 3. Summary of Interview Responses

Financial Institutions /Themes	Lending	Risk profile	Challenges	Cooperation and Competition	Regulation	Future Outlook
Summary	The bank balances digital efficiency with personal connections for a smooth mortgage application experience. It leverages branch staff to enhance customer experience, catering to both digital and traditional clients. The bank facilitates loans by matching consumers with potential lenders, ensuring responsible lending through thorough credit checks and risk assessments. The lending portfolio is predominantly private, with 65% and 80% of total loans being private loans.	HDFC, Axis Bank, Kotak Mahindra Bank and Bank of Baroda have outlets implementing careful risk-averse business module and risk evaluation techniques to reduce concerns over alternative financing methods along with several ways used to maximize the chances of an individual loan or proposal getting accepted. For instance, SBI bank, HDFC, ICICI, Axis Bank, Kotak, and Bank of Baroda are also using methods focused on risk-averse business models and risk evaluation techniques..	SBI Banks, HDFC, ICICI, Axis Bank, Kotak, and Bank of Baroda have embraced digital business model changes and the rise in rates and digital document signing. Traditional banks face challenges in implementing recent situations, while peertopeer lending faces the issues of tech adaptation and regulatory compliance.The Operations Manager faces regulatory uncertainties and fintech adoption, while traditional banks face cybersecurity concerns and risk management. The role requires adapting to evolving customer expectations and addressing regulatory challenges to enhance personalized lending experiences.	SBI, HDFC, ICICI, Axis Bank, Kotak, and Bank of Baroda are exploring crowdfunding initiatives to connect private customers with business ventures Peer to peer lending faces a competition from both banks and fintech companies for collaborations. It explores banking opportunities and creates a win-win situation for both the banks and the P2P lending industry. This can be data insights, fintech integration, or both parties developing products together to make a sturdy financing system.	RBI's credit risk assessment, documentation is highly demanding for the P2P lending sector. However, implementation of new regulations could be difficult. P2P lending is a necessity to save from loan sharks, and implementation of new rules is crucial. The current RBI policies have already been acknowledged. Regulations are necessary for customer protection and market integrity and to trust on which P2P lending can grow. Traditional banks also benefit from the same rules; however, P2P lending systems may be hindered for massive funding unless a clear, dynamic governing system is formulated for responsible lending.	Traditional banks like chase HDFC and ICICI will continue to have a significant role in the world as we adapt to the new financing changes, and P2P lending may be significant in the league providing alternative funding to borrowers catering to new segments of borrowers.Despite digital challenges, traditional banks like Axis Bank, Kotak Mahindra Bank, and Bank of Baroda will continue to dominate the financial landscape. P2P lending systems are expected to revolutionize financial services, democratize access, and increase financial inclusion. As technology advances, traditional banks can collaborate with fintech and P2P lending platforms to expand offerings and meet evolving consumer expectations.

Source: Generated by the authors from Interviewee responses using NVivo

5.1.2 Risk Management

In HDFC, Axis Bank, Kotak Mahindra Bank, and Bank of Baroda, they follow an extremely conservative model, using credit scoring, income comparative methods, and debt service ratios. They also have to also fight an AI algorithm for customer risk assessment. Applicants who are not approved will receive a detailed breakdown of their application, helping to improve literacy. Similarly, Home Credit, Zest Money, EarlySalary, and QuickCredit belong to P2P lending platforms. These companies are equally responsible for lending. But they catch up with you in technology adoption issues as well as such a challenge for regulatory compliance.

5.1.3 Challenges

Banks and p2p lending platforms as well encounter a few challenges in the digital era such as requirements of digital models to be fulfilled, high-interest rates, use of e-signature system. These problems rise, enforcing people to law and also raise concirns of security and risks. Regulatory uncertainty, Internet security issues and risk concerns are the common thing both the sector have to phase simultaneously.

5.1.4 Cooperation and Competition

There is a current increase in trend of conventional banks and recom and p2p platforms with social networking and banking one of the aims of p2p platforms. They are also trying to co-operate with banks. Peer to peer lending and traditional banks are also struggling against already set-up competitions and language barriers, time gaps, regulatory restrictions on sharing of sensitive information. Birding enforcement agencies in various jurisdictions in various ways like formal agreements, regional enforcement co-operation, and official interaction.

5.1.5 Regulation

The regulatory environment, notably the function of the Reserve Bank of India (RBI), influences the actions of both conventional banks and peer-to-peer lending platforms. Unlike conventional banks, peer-to-peer (P2P) networks need dynamic and explicit regulations that incentivize prudent lending practices. The purpose is to guarantee interoperability, which means that several legal laws function effortlessly together to accomplish the same result. International cooperation on digital markets must ensure that competition cases and laws around the world are consistent. A toolbox for international cooperation in competition enforcement already exists, but it does not include cooperation in competition policy and has flaws in relation to current and proposed legislation.

5.1.6 Future Outlook

HDFC and ICICI banks will continue to be vital in the ever-changing financial space. In this regard, alternative borrowing options such as P2P lending systems are expected to become more widely used thereby contributing towards financial inclusion. Moreover, increased offerings resulting from partnership between traditional banks with fintech or P2P lending companies would help them match emerging customer preferences.

5.2 P2P Lending Disruption

P2P lending platforms' empirical findings indicate that the banking industry may not be as disrupted as previous research has suggested. The Indian banks interviewed did not raise their risk thresholds due to P2P lending, which is different from the expectation. There is thus a coexistence between banks and P2P lending platforms who appear to concentrate on diverse customer segments.

The platform's technological benefits, such as real-time transactional information for credit assessments, might attract clients who are too dangerous for conventional banks. As far as the younger generation who favour online banking services are concerned, geographical factors that come into play include accessibility of the service through the internet. There seems to be no disruption in the mortgage market but traditional banks have adapted and innovated in order to remain competitive in a wider fintech industry including P2P lending. However, consumer lending has been bit disrupted by P2P lending platforms lowering interest rates because of lower operational costs. But there is a big change for building a separate new market in consumer lending from unserved and underserved consumers as their segments.

For example, traditional banks have had to adapt and innovate as a result of digitalization and lower operational costs that characterize the broad fintech industry other than only P2P lending for it to survive current competition dynamics.

5.3 P2P Lending: A Separate Market

Empirical results confirm that banks of traditional nature select their customers with regard to low-risk lending through regulatory and financial constraints. On the other hand, P2P lending has created a distinct credit market by targeting people from traditional banks who have been overlooked due to different risk parameters. The variation in risk appetites between banks and p2p lending platforms shows in Stulz's work and studies also back it up allowing P2P lending to address the riskier customer segments. However, P2P lenders have regulatory constraints which allow them to be flexible in whatever they do whereas some concerns may arise among traditional banks as a result of regulatory differences. Whereas mortgage loans still remain the fortresses for traditional banks, there is potential for disruption in the future. P2P lenders, who are coming up with new products and services, may become threats especially when banks focus on profitable customer segments. Co-opetition is a concept that suggests competition together with cooperation between P2P lending and traditional banks.

This demonstrates how peer-to-peer lending creates a new market by targeting consumers deemed too risky by conventional banks. Disparities in rules and technology advancements have contributed to the spread of peer-to-peer lending. Traditional banks continue to dominate some areas, but there is plenty of room for disruption and co-opetition, indicating a dynamic future for the financial industry.

Conclusion

The traditional banks know to adopt the digitisation is necessary and change in financial environment. The trend of P2P lending system also faces similar situations. However, as several tactics like crowd funding are used, they finally adapted to adjust.

To tackle the issues of digitisation, suggestions given by these parties include developing a comprehensive regulatory framework that, while prioritizing the safety of clients, tries to maintain the integrity of the market. In contrast, the P2P platforms see opportunities to co-partner with the traditional banks to make use of their strengths and combat the common obstacles.

The traditional banks as the peer-to-peer lending platforms and expect that the consumers in India are receiving the sub-served or under-served formal credit giving the loans to everyone. This friendship between the traditional banks and the P2P lending platforms will help them in building more inclusive financial landscape; it is the ultimate aim of India in the consumer credit sector. The traditional banks and the P2P lending platforms can have a friendly relationship to have a more financial and a fairer environment. Some of the points to remember in this friendship between the two includes:

Consumers want an easier way and whole digital process to avail private banking services. It is crucial to have a thoughtful regulatory framework with the customer and market integrity to the P2P lending platform. The traditional banks and P2P lending platforms can work together to make acquisitions, partnerships, or any other business linkages. Banks using fintech solutions for improving consumer experiences and making digital agility to have separate resources. There have been using some of the analyses to make the financing options facing people more inclusive in the formal sort of credit. Consumer credit sector intends to create a more inclusive financial landscape and a more reliable environment. Read also Investments that are getting popular for the lenders and the borrower.

Future Research Directions

Future research in the financial sector needs to concentrate on various domains if it is to come up with a better comprehension of the changing financial landscape. Regulatory dynamics are among the areas that are worth studying further since they will be crucial in striking a balance between promoting innovation and protecting consumer interests in both traditional banking and peer-to-peer lending. Among other things, researchers must investigate effective responses and adaptation of regulators to rapid technological advances – these insights will be invaluable for developing an integrated and flexible regulatory framework. Also, it is highly important to examine the shifting preferences of customers at this era of technology. This will help us highlight what factors influence borrowers when choosing between traditional banks and peer-to-peer lending platforms. This means that financial institutions can use this information to tailor their services accordingly so that they meet the emerging demands of consumers. Conversely, it is inevitable that there will be a great deal of research into possible mechanisms for collaboration between traditional banks and P2P lending platforms. For more integrated and robust financial system, some specific strategies, advantages, challenges and risks should be considered when deciding about cooperation. In terms of digital era risk management strategies, there is another area which needs to be dealt with urgently; this is effective measures in relation to cyber security as well as data protection and technology acceptance for both conventional banks and P2P lending platforms. However they raise other concerns such as their efficiency in connecting private clients with corporate organizations or addressing competition worries amid others. Comparative global perspectives will help to understand how the same challenges and opportunities are approached in different jurisdictions by financial institutions and lending platforms; this will give insight into the future direction of the finance industry.

Credit Authorship Contribution Statement

Madhusmita Mohanty Supervised the research process to ensure its excellence and validity. Provided expert knowledge of NVivo software qualitative analysis methodologies. Verified the analytical methodologies and supervised the study.

Sarasanabelli Prasanna Kumari conducted a literature review and data collection process. Data was analyzed using NVivo software for qualitative analysis. Interpreted the findings and contributed to the article.

Declaration of Competing Interest

The authors declare that there are no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies during the preparation of this work.

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Appendix:

Interview Guide: Examining the relationship Between Traditional Banking and P2P lending

Research Problem

What the relationship exists between the conventional banking sector and peer-to-peer lending?
1. Is peer-to-peer lending disruption the established banking sector? If yes, in what manners?
2. Is peer-to-peer lending creating a new market apart from traditional banking Sector? If yes, in what manners?
General Questions

- Is it acceptable to record the interview?
- You are free to quit the survey at any moment or to retract your responses.
- We'll email you the analysis and empirical results of your responses before the release of the article.
- Could you please indicate your name, position, and company name? If not, please proceed anonymously.

Interview Questions for Banks

1. Could you briefly describe your daily duties and activities at the bank?
2. What effects has the growing use of online financial services and digital banking had on the traditional banking sector? What effect does it have for your bank?

Lending

3. How does your organization normally handle loans to individual customers?
4. In your lending portfolio, what is the percentage breakdown of private vs corporate loans?

Risk profile

5. Do you have any particular customer classifications in place, and how do you evaluate risk for your customers?
6. How do customers who are rejection for a loan proceed? Are there recommendations for reapplication or attempts at follow-up?
7. How do you feel about customers who get rejected by traditional banks going to other lenders like P2P lending? Do you anticipate that this tendency will provide any difficulties?
8. When comparing P2P lending services to regular bank lending services, what possible concerns do you see for customers using them?

Challenges

9. What are the main issues that your bank is now facing, and how do they connect to your role?
10. Do you think that peer-to-peer lending platforms provide an obstacle for your business? If so, what difficulties do they cause and how might these difficulties be decreased?

Cooperation and Competition

11. Aside from other banks, who do you consider to be your primary competitors at this time?
12. Do you currently or in the future think about collaborating with P2P lending platforms? If yes, how do you picture this collaboration taking shape?
13. How would you characterize the present state of affairs between banks and peer-to-peer lending platforms? Do you consider them to be a secondary market or competitors?

Regulations

14. Do you believe that regulations controlling the P2P lending sector should be in place to protect consumers?
15. Do you think that the banking sector benefits more from current rules than P2P lending platforms, and vice versa?

Future outlook

16. How do you see the traditional banks' place in our society going forward?
17. What do you think P2P lending systems will play in our society going forward?

Interview Questions for Peer-to-peer lending

General Questions

1. Could you describe your daily duties and activities on the P2P lending platform?
2. What effects has the P2P lending platform seen from the growing use of online financial services and digital banking?

Lending

3. How does your P2P lending platform normally handle loans to individual consumers?
4. In your lending portfolio, what is the percentage breakdown of private vs corporate loans?

Risk profile

5. How do you evaluate a customer's risk, and do you have any particular customer classifications in place? How is this different from the banking sector?
6. How do customers who are rejected for a loan proceed? Are there recommendations for reapplication or attempts at follow-up?
7. How do you feel about customers who get rejected by traditional banks going to other lenders like P2P lending? Do you anticipate that this tendency will provide any difficulties to banks?
8. When comparing P2P lending services to regular banking services, what possible concerns do you see for customers using them?

Challenges

9. What are the main issues that your organization is now facing, and how do they connect to your role?
10. Do you think that your organization faces challenges from traditional banks? If so, what difficulties do they cause and how might these difficulties be reduced?

Cooperation and Competition

11. Aside from other P2P lending platforms, who do you consider to be your primary competitors at this time?
12. Do you currently or in the future think about collaborating with traditional banks? If yes, how do you picture this collaboration taking shape?
13. How would you characterize the present state of affairs between banks and peer-to-peer lending platforms? Do you consider them to be a secondary market or competitors?

Regulations

14. Do you believe that regulations controlling the P2P lending sector should be in place to protect consumers?
15. Do you think that the banking sector benefits more from current rules than P2P lending platforms, and vice versa?

Future Outlook

16. What do you think P2P lending systems will play in our society going forward?
17. What do you think traditional banks will play in our society going forward?

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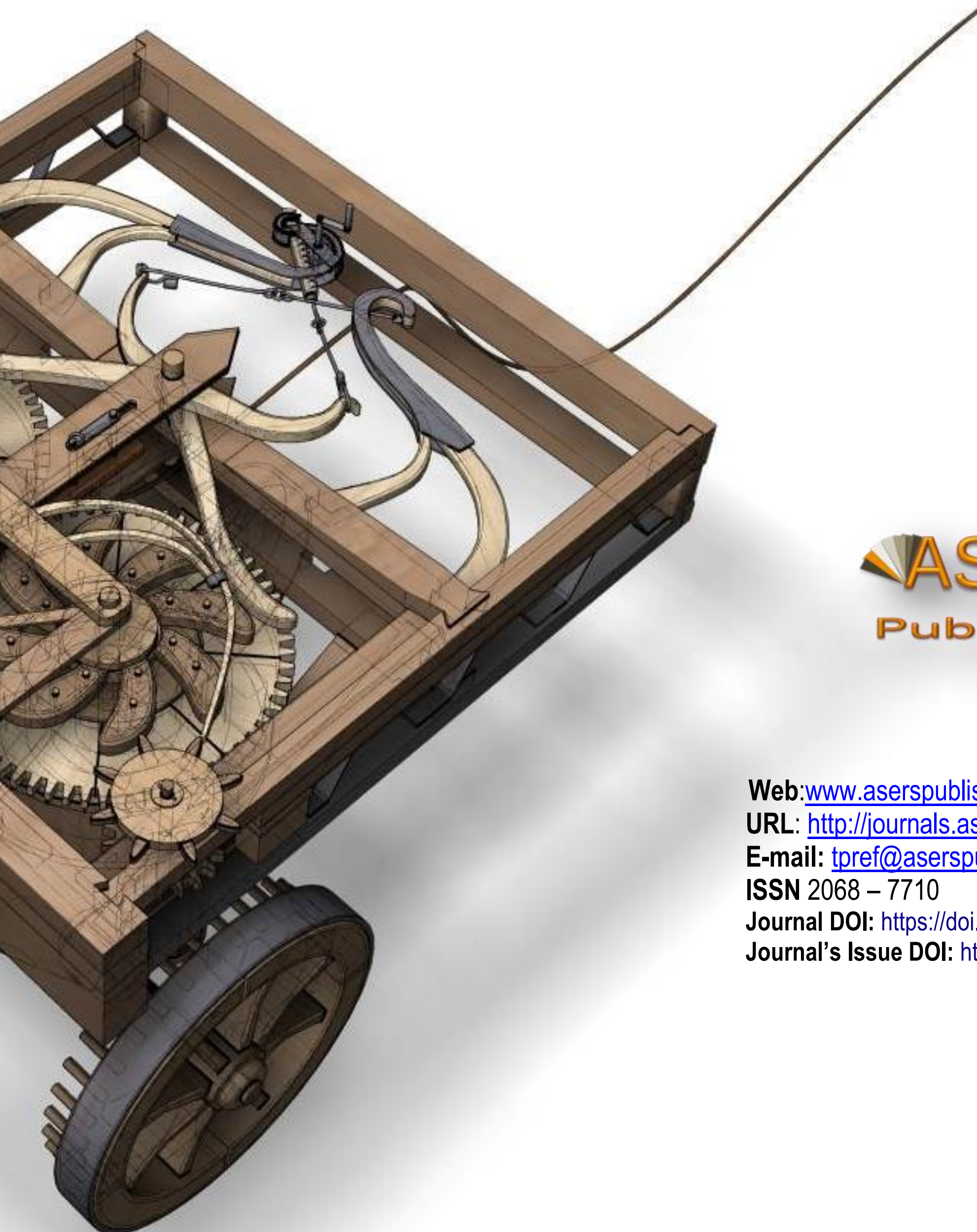

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