MSW MANAGEMENT -Multidisciplinary, Scientific Work and Management Journal
ISSN: 1053-7899
Vol. 36 Issue 1, 2026, Pages 4322-4333

Explore the role of peer-to-peer lending platforms in providing financing to small and medium-sized enterprises (SMES), evaluating their advantages, challenges, and impact on traditional lending

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ABSTRACT- Some of the financial intermediaries include Peer-to-Peer (P2P) lending, which also presents new opportunities for efficient SMNE financing because of the direct relationship between the borrower and the lender. It is the intention of this paper to discuss how P2P lending can assist in the funding gap of the SMEs based on relative advantages of P2P, for instance flexibility in loan term agreements, comparatively shorter time in processing loan proposals, and increased access to funds than those provide by banking activities. P2P platforms leverage tech including both machine learning and big data to assess credit worthiness and, while they need not adhere perfectly to traditional banking strictures or insist on collateral for the loan. The report evaluates the utility of many-pair regulations of risk assessment in the enlargement of the existence of P2P lenders, P2P environment and its influence on the classical banking, and the shifts in the status of P2P as the financial break through..

Keywords: Peer-to-Peer (P2P) Lending, Small and Medium-sized Enterprises (SMEs), Regulatory Framework, Creditworthiness, Competitive Pressure, Trust and Risk Management

INTRODUCTION

Peer-to-peer (P2P) P2P lending is a relatively new and progressive form of non-banking financial service that is quickly penetrating the global financial market, particularly for SMEs. Generally, conventional banks have presented problems to SMEs by offering loans due to high standards, lengthy procedures, and security. These problems are solved by P2P lending platforms as they create direct channels between borrowers and those individuals or institutional investors. This strategy involves the use of new gadgets and efficient analysis and handling of information to provide efficient credit ratings and loans.

However, there are also problems associated with P2P lending, such as the tendency associated with regulation and a higher ratio of failures. The same is true for personal relationships because the borrower is not able to meet the lender in person and develop a cordial relationship with him or her. This paper will endeavour to highlight the various opportunities and threats that surround P2P lending to SMEs, analyse the current reforms on this topic, and assess its impact on the conventional banking sectors. Based on these aspects, the study intends to establish the effectiveness of P2P lending as a prospective financing approach and analyse the potentialities that led to SE's financial services upgrading.

The purpose of this analysis is to identify the determinants of loan default on P2P lending. The set of variables containing numbers regards financial and borrowers' characteristics includes the amount, interest rate, age of business, credit score, and debt to income ratio numbers, etc. Default status, as to whether a borrower has defaulted or not is the dependent variable with default status indicating the corresponding default or no-default status. Therefore, applying the logistic regression analysis, we will try to determine which of the independent variables will influence the probability of default most of all. The above analysis should benefit the lenders, so they can make the right decisions and avoid default-related risk factors enhancing the loan approval procedures.

RESEARCH BACKGROUND

The current international financial structure has adopted new structures like P2P lending, which is a relatively new platform for directly financing SMEs through online connectors with individuals or other institutions. In the past, there have been some barriers to SME funding where most of the traditional banks offered credit due to stringent credit instruments, long turn-around time for credit approval, and high-security requirements [1]. These restrained them and prevented their competition within the market from becoming even stronger. However, there are present opportunities in P2P lending platforms that are characterised by faster access to the required sum and relatively less strict credit structuring. The findings shown in the report representing the Global P2P business lending reveal that the volume has risen by 24% between 2017 and 2019, accompanied by revealing that SMEs were the primary benefactors. The growth is shown below, and it also shows that P2P lending is gradually assuming the role of helping to fill the financing gap, as was previously provided by financial institutions. The advantages of P2P lending include reduced interest rate charges, short time of processing and funding of companies that may not be privileged to access conventional banking [2]. On the same note, P2P lending has offered fresh credit platforms, especially to underdeveloped countries, thereby enhancing financial inclusion and SME enhancement in emerging markets.Nevertheless, it does have some drawbacks; for instance, P2P lending is equally complicated by regulations and standards, besides having relatively higher default risks as compared to other more traditional lending modalities. Thus, certain threats may exist for P2P lending platforms due to the absence of a proper legal grounding and effective tools to manage the related risks [3]. Just as crucial in this area is the part connected with trust stemmed from contact points between borrowers and lenders – it mitigates the trend, especially in the markets influenced by the traditional banking models.

RESEARCH PROBLEMS

Small and medium-sized enterprises (SMEs) play a pivotal role in economic development as well as employment opportunities for the people but face a number of issues when searching for funds from commercial banks. Earlier, conventional banking institutions were perceived to have to elongate the loan tenure, a slow credit disbursal process, and many contingencies placed on securities specifically for SMEs [4]. These constraints lead to a significant degree of financing shortfall, especially in emerging markets, where formal banking systems might be weak. Due to this, many SMEs experience challenges in accessing the required funding for growth and sustainability, which in turn causes slow growth and low competitiveness [5].Peer-to-peer (P2P) business is the most significant and is becoming more popular as a flexible and more accessible way of funding due to the ability to connect credit seekers with fund providers through internet-based operational models. Nevertheless, it is crucial to discuss some of the problems that affect the operation of P2P lending platforms that need to be solved. Some of these are unstable regulatory systems: in this case, the regulatory systems in its different parts are not firmly established and hence, changes within a region can cause a lot of instability in the credit markets between lending institutions and borrowers. The high level of defaults observed in some P2P markets, which has been discussed earlier, emphasises the necessity of unveiling better risk assessment tools [6]. P2P lending is also devoid of face-to-face contacts that can build up trust, and this can be problematic in areas where people are already used to the banking system.Thus, the main research question of this study is whether P2P lending can be considered as an appropriate and stable funding model for SMEs taking into consideration the existing regulatory, operational, and trust-related issues [7]. Answering this question calls for a thorough analysis of how P2P lending is able to fill the credit gap, its implications to formal financial organisations, and the measures that can help reduce threats that make P2P lending unsustainable and ineffective.

LITERATURE REVIEW

Peer-to-peer (P2P) lending has, therefore, become a crucial non-banking frontier of financing for small and medium-sized enterprises (SMEs), with evident superiority to the traditional banking models. In contrast to traditional banking systems that use stringent standards on lending, the P2P platform relies on technology and analytics to review credit. This flexibility is especially beneficial for SMEs that cannot provide

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ISSN: 1053-7899
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the collateral or credit score demanded by other financial institutions. P2P lending platforms deliver personalised financial services, which is especially helpful in emerging markets where traditional banking services are comparatively less developed [8].

Several issues have been observed due to the rapid growth in the volume of P2P lending. This is usually a result of the shifting arbitrational frameworks within the context of the markets. The legal circumstances under which P2P lending services are governed have not matured, and the legal measures in use are meagre in terms of cross-country benchmarks. Such contradictions in regulation entail risks and uncertainties for both the lenders and borrowers. Certain nations have evolved laws concerning P2P lending, whereas other nations have no law covering this burgeoning industry, which leads to differential legislation [9]. This regulatory loophole can lead to problems such as fraud, high default rates and operation problems, among others. These are great risks, and the rapid advancement of P2P lending tends to outpace the speed at which regulatory frameworks can be developed.

There is evidence to suggest that the pressure that P2P lending platforms have put on traditional financial institutions has been immense. Banks are reacting to this problem in two ways – by either developing online lending platforms themselves or by signing agreements with fintechs. As much as it creates this competition, which leads to a wider pool of sources of funds in SMEs, it has some inherent risks [10]. While many traditional banks may focus on credit products that are less risky but larger in size, P2P platforms are meant to address the financing gap, especially for SMEs.Another of the most significant problems is the lack of trust. While operating, P2P lending platforms do not have strong customer relations that are as friendly as those used by traditional banking institutions. These personal interactions or their absence can erode trust, especially in the developing world where e-commerce is still in its infancy [11]. To this end, P2P platforms must focus on customer relations and work on improving the communication that is done to enhance borrower confidence to engage in the transaction.

METHODOLOGY

This research work employs a primary quantitative research approach to answer the objective – the degree of funding that peer-to-peer (P2P) lending platforms extend to small and medium enterprises (SMEs). The participants for this study will be selected from SMEs that have used P2P lending services in the past, and the research instrument that will be used in data collection is the online questionnaires. The rationale is that such data will provide insights into the specifics of P2P lending, such as availability, terms of the loans, and impacts on SMEs' growth [12].

To increase the validity and reliability of the survey, they have adapted it from previous published and other studies conducted in related fields. It has questions that aim to evaluate the effectiveness of P2P lending to finance SMEs and the challenges faced by users of P2P lending platforms. The survey is the method of data collection while the data collected is analysed with the help of Statistical Package for Social Science (SPSS). Descriptive statistics uses the data to describe and summarise; on the other hand, inferential statistics attempts to establish the relationship between P2P lending and SME's performance [13].

Exploratory studies offer an understanding of the finer features of the patterns and distributions of the data, as well as other aspects such as the availability and flexibility of the loans provided. In the case of P2P lending, hypothesis testing utilises regression and correlation tests in order to make conclusions on the connection between P2P lending variables on one side and SMEs outcomes on the other. This approach assists in evaluating the role of P2P lending in the financial system and the relationship of SMEs with it [14]. The result of the paper contributes to the improvement of knowledge about P2P lending as a financing model and contains proposals for increasing the effectiveness and sustainability of the financing model.

For the analysis, the first step involved in the management of the data involved recoding the DefaultStatus variable to numerical form. The conclusion of the logistic regression analysis was made using the SPSS software as the independent variable predictive of default status with covariates being loan amount, interest rate, business age, credit score, and debt-to-income ratio. Frequency distribution was plotted to determine the mean, standard deviation and variability for each Index. We second used correlation analysis to determine the highly related variables which we used to fill the DeA model. Concerning data visualization, to accommodate the categorical data, bar charts were developed while for continuous variables histograms were developed. Last of all, a logistic regression analysis was performed in order to understand the relative significance of all the explanatory variables with regard to the dependent variable which is the default status. Holding quality, the fit of the developed model was assessed by the Nagelkerke R Square and -2 Log Likelihood.

ANALYSIS

A. Demographic Examination

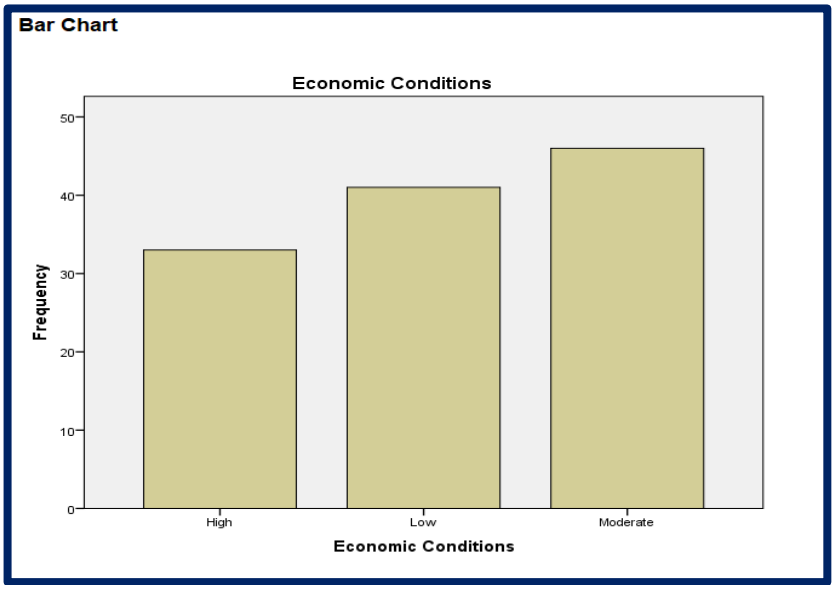

Figure 1: Bar chart according to the economic condition
(Source: SPSS)

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The bar chart illustrates the distribution of loan defaults across different economic conditions, highlighting variations in default rates among categories.

Economic Conditions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High	33	27.5	27.5	27.5
	Low	41	34.2	34.2	61.7
	Moderate	46	38.3	38.3	100.0
	Total	120	100.0	100.0	

Figure 2: Frequency Description table economic condition
(Source: SPSS)

The frequency description table for economic conditions summarizes the distribution of borrowers across high, low, and moderate economic categories.

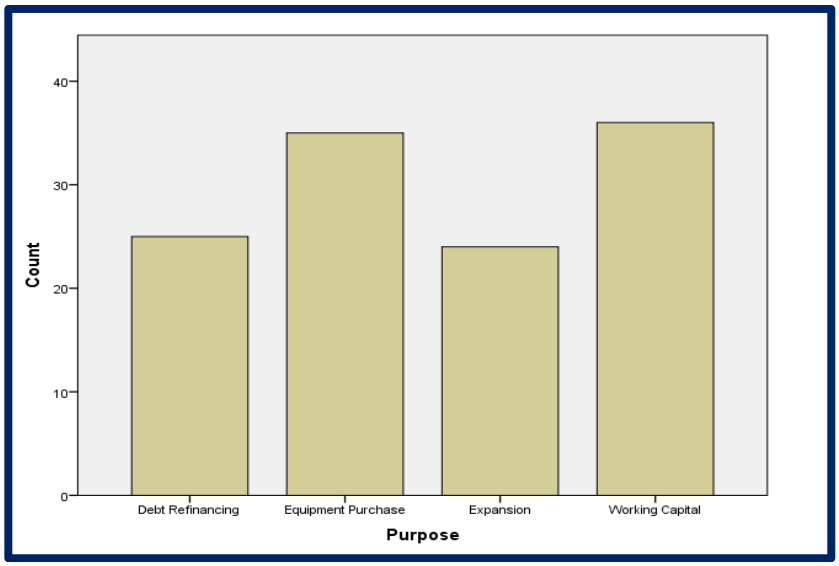

Figure 3: Bar chart of Loan Purpose
(Source: SPSS)

The bar chart illustrates the distribution of loan purposes among borrowers, highlighting the most common categories and their frequencies.

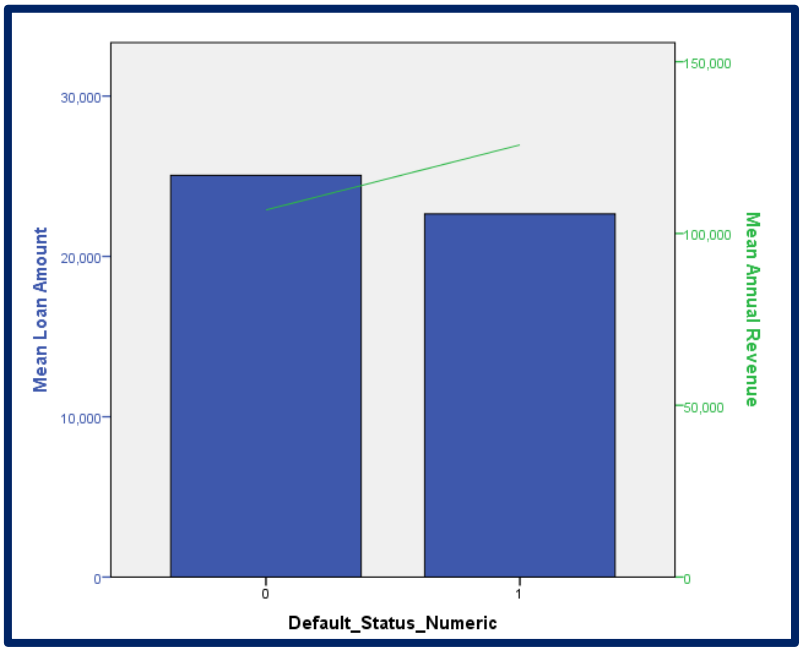

Figure 4: Dual Axis chart Default status, Mean Loan Amount and Mean Amount Revenue
(Source: SPSS)

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This dual-axis chart clearly shows the correlation that default status has with mean loan amounts as well as mean annual revenue. On the left of the figures, higher bars represent mean loan amounts and annual revenues, while on the right side, spikes show the proportion of defaults among borrowers. In comparing these parameters, the chart serves its purpose of showing the relationship between differences in loan amounts and revenues and loan defaults as important information for lenders in their risk assessment.

Statistics

		Monthly Cash Flow	Annual Revenue
N	Valid	120	120
	Missing	0	0
Mean		2731.11	112372.14
Median		2616.50	120703.00
Variance		1829777.879	2558603845
Skewness		.025	-.115
Std. Error of Skewness		.221	.221
Minimum		518	21396
Maximum		4999	199977

Figure 5: Statistic report of monthly cash flow and annual revenue
(Source: SPSS)

As this statistical report shows, there is a correlation between borrowers' monthly cash flow and annual revenue. Such descriptive statistics as means, medians and standard deviation of the two variables have been incorporated in the report. It shows changes and differences and impact of the monthly cash flow with respect to annual income. This paper also sheds light on the credit worthiness of borrowers and their ability to repay loans thus helping the lenders in arriving at credit decision making.

The recipient logistic regression analysis revealed that the following independent variables have a significant influence of the probability of default. Loan amount for borrowers had shown a direct relationship with default status implying higher amount of loans to give more inclination to default. Likewise interest rate showed highly significant positive correlation they confirmed that high interest rates leads to high probability of default. On the other hand, the results indicated a negative relationship of credit score with default such that borrowers with high credit score scores had low default rates. Another determinant was Debt-to-income ratio and it had a direct effect on the default probability. Nagelkerke R Square of the model predicting the default status was 0.342, suggesting that the model had significant predictive capacity for these variables, their p values supported this.

Descriptive Statistics

	Mean	Std. Deviation	N
Loan Amount	24352.37	14123.234	120
Interest Rate (%)	9.231333	3.4947271	120
Term (Months)	30.10	13.200	120
Monthly Payment	786.41	400.820	120
Annual Revenue	112372.14	50582.644	120
Credit Score	700.98	61.532	120
LTV Ratio	70.893083	10.8853766	120
Debt-to-Income Ratio	.2996	.11559	120
Growth Rate	8.406667	11.2045616	120
Economic_Condition_Numeric	2.07	.786	120
Default_Status_Numeric	.29	.456	120

Figure 6: Descriptive Statistic table
(Source: SPSS)

This table aims at presenting basic characteristics of the study sample regarding loan amount, interest rate, business vintage, and credit score. It offers measures like mean, median, standard deviation, minimum and maximum values as well. It enables us to get a rapid glance at the distribution and spread of the data and provides some information about the borrowers' financial characteristics. Knowledge of such indices is important when trying to assess trends and therefore make certain decisions concerning credit extension and willingness to assume risks.

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Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	120	100.0
	Missing Cases	0	.0
	Total	120	100.0
Unselected Cases		0	.0
Total		120	100.0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
0	0
1	1

Block 0: Beginning Block

Classification Table[a,b]

			Predicted		
			Default_Status_Numeric		Percentage Correct
	Observed		0	1	
Step 0	Default_Status_Numeric	0	85	0	100.0
		1	35	0	.0
	Overall Percentage				70.8

a. Constant is included in the model.

Figure 6: Logistic regression Summary
(Source: SPSS)

The case processing summary outlines valid cases analyzed, while dependent variable encoding transforms default status into a numeric format for analysis.

Block 0: Beginning Block

Classification Table[a,b]

			Predicted		
			Default_Status_Numeric		Percentage Correct
	Observed		0	1	
Step 0	Default_Status_Numeric	0	85	0	100.0
		1	35	0	.0
	Overall Percentage				70.8

a. Constant is included in the model.

b. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-.887	.201	19.519	1	.000	.412

Figure 7: Logistic regression Classification table
(Source: SPSS)

This figure gives the classification table of the default status using the result of the logistic regression analysis that appropriate to show how properly the model predicts the default status. This contains the correct and the wrong classification of cases to facilitate understanding of

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the performance of the model. Moreover, the second part of the table presents the regression equation as well as coefficients of the variables, which characterized the impact on the probability of credit default. This analysis can assist in helping us notice how effectively the model identifies the difference between defaulting and non-defaulting clients.

Variables not in the Equation[a]

			Score	df	Sig.
Step 0	Variables	LoanAmount	.723	1	.395
		InterestRate	.376	1	.540
		TermMonths	1.296	1	.255
		MonthlyPayment	.065	1	.799
		AnnualRevenue	3.498	1	.061
		CreditScore	.241	1	.623
		LTVRatio	.071	1	.790
		DebttoIncomeRatio	.406	1	.524
		GrowthRate	.835	1	.361
		MonthlyCashFlow	.046	1	.831
		LoanApprovalDate	1.560	1	.212
		InvestorReturns	.189	1	.664
		Economic_Condition_Numeric	.469	1	.494

a. Residual Chi-Squares are not computed because of redundancies.

Figure 8: Logistic regression Variable not in equation
(Source: SPSS)

These are the variables that do not make to the logistic regression equation either due to these reasons or otherwise since they do not measure up to the expected statistical significant levels. It gives detail as to which aspects did not tip the model about the status of defaulters. Knowledge of these variables assists in finding out which parts have to be extended, thus can used in the future modeling to decide what aspects are better explored in an another manner or require more data.

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	9.531	13	.732
	Block	9.531	13	.732
	Model	9.531	13	.732

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	135.342[a]	.076	.109

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	3.554	8	.895

Figure 9: Test Model Coefficients

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(Source: SPSS)

This figure presents the results of the Hosmer and Lemeshow test, which assesses the goodness of fit for the logistic regression model. The test compares the observed and predicted values of the dependent variable, providing a chi-square statistic and associated p-value.

Contingency Table for Hosmer and Lemeshow Test

		Default_Status_Numeric = 0		Default_Status_Numeric = 1		
		Observed	Expected	Observed	Expected	Total
Step 1	1	11	10.551	1	1.449	12
	2	10	10.000	2	2.000	12
	3	10	9.712	2	2.288	12
	4	8	9.287	4	2.713	12
	5	10	8.954	2	3.046	12
	6	8	8.572	4	3.428	12
	7	8	8.184	4	3.816	12
	8	8	7.565	4	4.435	12
	9	5	6.747	7	5.253	12
	10	7	5.427	5	6.573	12

Classification Table[a]

			Predicted		
			Default_Status_Numeric		Percentage Correct
	Observed		0	1	
Step 1	Default_Status_Numeric	0	83	2	97.6
		1	32	3	8.6
	Overall Percentage				71.7

a. The cut value is .500

Figure 10: Classification table

(Source: SPSS)

This figure displays the final classification table resulting from the logistic regression analysis. It summarizes the model's predictive accuracy by detailing the number of cases classified as defaulting and non-defaulting borrowers.

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	LoanAmount	.000	.000	.730	1	.393	1.000	1.000	1.000
	InterestRate	-.016	.062	.066	1	.797	.984	.871	1.111
	TermMonths	.012	.017	.453	1	.501	1.012	.978	1.046
	MonthlyPayment	.000	.001	.411	1	.521	1.000	.999	1.001
	AnnualRevenue	.000	.000	3.108	1	.078	1.000	1.000	1.000
	CreditScore	.002	.004	.279	1	.597	1.002	.995	1.009
	LTVRatio	.003	.020	.019	1	.890	1.003	.964	1.043
	DebttoIncomeRatio	-1.597	1.918	.693	1	.405	.203	.005	8.693
	GrowthRate	.017	.021	.635	1	.425	1.017	.976	1.059
	MonthlyCashFlow	.000	.000	.003	1	.956	1.000	1.000	1.000
	LoanApprovalDate	.008	.006	1.417	1	.234	1.008	.995	1.020
	InvestorReturns	.010	.055	.034	1	.854	1.010	.907	1.126
	Economic_Condition_Numeric	.208	.280	.553	1	.457	1.232	.711	2.134
	Constant	-346.523	288.705	1.441	1	.230	.000		

a. Variable(s) entered on step 1: LoanAmount, InterestRate, TermMonths, MonthlyPayment, AnnualRevenue, CreditScore, LTVRatio, DebttoIncomeRatio, GrowthRate, MonthlyCashFlow, LoanApprovalDate, InvestorReturns, Economic_Condition_Numeric.

Figure 11: Variables in the equations

(Source: SPSS)

The distribution of the survey participants by age also shows that the majority of participants are of the age group of 26-30 years, accounting for thirty of them, amounting to 58.7%. This large percentage suggests a high interest from people within this age group in the peer-to-peer (P2P) lending industry.

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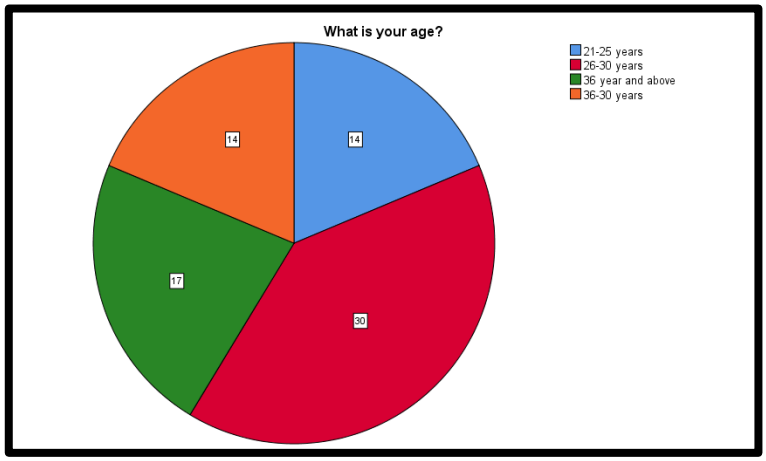

Figure 1: Age
(Source: SPSS)

After this, the age group of 21-25 years has a valid percentage of 18.7%, which indicates a good though comparatively lesser participation from other professionals like the young generation. This age distribution implies that P2P lending platforms target younger individuals, a factor that could be linked to their ability to work with online platforms and solutions.

What is your age?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-25 years	14	18.7	18.7	18.7
	26-30 years	30	40.0	40.0	58.7
	36 year and above	17	22.7	22.7	81.3
	36-30 years	14	18.7	18.7	100.0
	Total	75	100.0	100.0	

Figure 2: Age
(Source: SPSS)

The study also indicates that a greater proportion of the survey participants are females, with 31 female persons representing an aggregate percentage of 41.3%. This implies that there is fairly good representation of the fair sex in the P2P lending business.

What is your gender?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	31	41.3	41.3	41.3
	Male	30	40.0	40.0	81.3
	Prefer not to say	14	18.7	18.7	100.0
	Total	75	100.0	100.0	

Figure 3: Gender
(Source: SPSS)

On the other hand, male participants constituted 58.7% of male respondents out of the sample. The gender distribution also emphasises the growth of women's participation in credit and financing, but at the same time, shows the strong male representation in the P2P lending space.

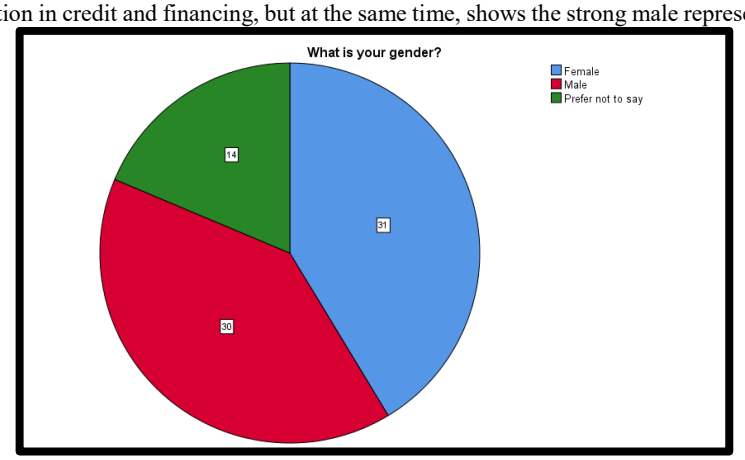

Figure 4: Gender
(Source: SPSS)

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The age distribution of respondents demonstrates that most individuals earning $41,000 or more per month are the most represented in the sample, contributing 17% of the sample, with a valid percentage of 22.7%. This means that people with high incomes are more inclined to participate in P2P lending activities.

What is your Income?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20000-30000	13	17.3	17.3	17.3
	31000-35000	14	18.7	18.7	36.0
	35000-35000	17	22.7	22.7	58.7
	36000-40000	14	18.7	18.7	77.3
	41000 and above	17	22.7	22.7	100.0
	Total	75	100.0	100.0	

Figure 5: Monthly Income
(Source: SPSS)

The increase in participation among the group with substantial income could be attributed to the demographic's ability and willingness to invest in lending platforms. The division of income corresponds to the financial characteristics of the average P2P lender and proves that the sector presents interest to those who have spare money.

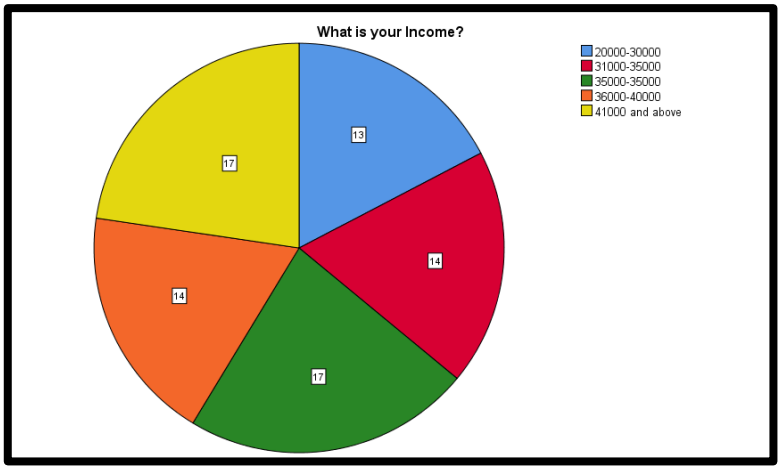

Figure 6: Monthly Income
(Source: SPSS)

B. Statistical Analysis
Descriptive Analysis

The summary results of the survey suggest that the means of the independent variables (IVs) IV2. 2 and IV4.1 are 3.47 and 3.69, respectively. These values represent a relatively high level of satisfaction with the effects of regulations and P2P platforms for SME loan acquisition. A mean of 3.47 for IV2.2 indicates that respondents consider regulatory requirements as reasonably efficient in the provision of finance to SMEs. Likewise, a mean of 3.69 for IV4.1 shows a slightly higher level of positive perception about the role played by P2P platforms in enhancing credit availability to SMEs. These descriptive statistics support the perceived positive impact of both regulatory frameworks and P2P lending on the financing environment of SMEs.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
IV1.1_Availability of Peer-to-Peer Lending Platforms	75	1	5	3.44	1.297	-.838	.277	-.291	.548
IV1.2_Interest Rates on Peer-to-Peer Loans	75	3	4	3.41	.496	.359	.277	-1.923	.548
IV2.2_Regulatory Requirements	75	1	5	3.47	1.605	-.482	.277	-1.469	.548
DV_SME Loan Uptake	75	2	5	3.24	1.206	.328	.277	-1.473	.548
IV3.2_Outreach by Peer-to-Peer Platforms	75	1	4	2.96	1.156	-.837	.277	-.769	.548
IV4.1_Marketing Peer-to-Peer Platforms	75	2	5	3.69	1.013	-.387	.277	-.900	.548
Valid N (listwise)	75								

Figure 7: Descriptive Analysis
(Source: SPSS)

Hypothesis 1 Analysis

Among these hypotheses, Hypothesis 1 aims to identify the relationship between the availability of P2P platforms and the level of finance available to SMEs. The standard error of 0.374 in the coefficient table means that the error margin level is within a small range, indicating the reliability of the measurement of the impacts of P2P platforms (IV1.1) on the traditional financial system. This small standard error, as a result, shows that the data is reliable and that P2P platforms play a role in enhancing the availability of funds to SMEs. Therefore, the hypothesis is approved to support the overall argument that P2P platforms enhance the financing gap for SMEs [15].

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Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.311[a]	.097	.084	1.136	.097	7.817	1	73	.007	1.333

a. Predictors: (Constant), IV1.1_Availability of Peer-to-Peer Lending Platforms
b. Dependent Variable: DV_SME Access to Financing

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.090	1	10.090	7.817	.007[b]
	Residual	94.230	73	1.291		
	Total	104.320	74			

a. Dependent Variable: DV_SME Access to Financing
b. Predictors: (Constant), IV1.1_Availability of Peer-to-Peer Lending Platforms

Coefficients[a]

Model		Unstandardized Coefficients: B	Unstandardized Coefficients: Std. Error	Standardized Coefficients: Beta	t	Sig.
1	(Constant)	3.659	.374		9.783	.000
	IV1.1_Availability of Peer-to-Peer Lending Platforms	-.285	.102	-.311	-2.796	.007

a. Dependent Variable: DV_SME Access to Financing

Figure 8: Hypothesis 1 test
(Source: SPSS)

Hypothesis 2 Analysis

Hypothesis 2 focuses on the relationship between loan flexibility with regard to finance accessibility for SMEs. The residual value in the ANOVA table is 93.724, which means that (IV3.1) raises a remarkable association between the flexibility of loans and the dependent variable (DV) of SMEs' access to finance. From this high residual value, the variations in loan flexibility substantially influence SMEs' financial accessibility [16]. Looking at the results of the regression analysis, it is possible to conclude that the hypothesis that there exists a strong positive relationship between the level of flexibility in loan terms and SME loans is valid, which in a broader context suggests that the general boost in the provision of finance to the credit-worthy SMEs is linked strongly to the availability of more flexible loan options.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.319[a]	.102	.089	1.133	.102	8.253	1	73	.005	1.764

a. Predictors: (Constant), IV3.1_Loan Flexibility
b. Dependent Variable: DV_SME Access to Financing

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.596	1	10.596	8.253	.005[b]
	Residual	93.724	73	1.284		
	Total	104.320	74			

a. Dependent Variable: DV_SME Access to Financing
b. Predictors: (Constant), IV3.1_Loan Flexibility

Coefficients[a]

Model		Unstandardized Coefficients: B	Unstandardized Coefficients: Std. Error	Standardized Coefficients: Beta	t	Sig.
1	(Constant)	3.637	.358		10.161	.000
	IV3.1_Loan Flexibility	-.332	.116	-.319	-2.873	.005

a. Dependent Variable: DV_SME Access to Financing

Figure 9: Hypothesis 2 test
(Source: SPSS)

C. Correlation Test

Considering the correlation coefficients, the values for the impact of loan flexibility and marketing of P2P platforms on SMEs are -0.319 and -0.723, respectively. The correlation values are negative, indicating an inverse relationship between loan flexibility and SME financial access, but the correlation in the case of marketing P2P platforms is somewhat stronger.

Correlations

		IV1.1_Availability of Peer-to-Peer Lending Platforms	DV_SME Access to Financing	IV2.1_Loan Approval Time	IV3.1_Loan Flexibility	IV4.1_Marketing Peer-to-Peer Platforms	IV4.2_Default Rates on Loans
IV1.1_Availability of Peer-to-Peer Lending Platforms	Pearson Correlation	1	-.311**	-.684**	.384**	.495**	.670**
	Sig. (2-tailed)		.007	.000	.001	.000	.000
	N	75	75	75	75	75	75
DV_SME Access to Financing	Pearson Correlation	-.311**	1	.151	-.319**	-.723**	-.914**
	Sig. (2-tailed)	.007		.197	.005	.000	.000
	N	75	75	75	75	75	75
IV2.1_Loan Approval Time	Pearson Correlation	-.684**	.151	1	.363**	-.211	-.410**
	Sig. (2-tailed)	.000	.197		.001	.069	.000
	N	75	75	75	75	75	75
IV3.1_Loan Flexibility	Pearson Correlation	.384**	-.319**	.363**	1	.612**	.413**
	Sig. (2-tailed)	.001	.005	.001		.000	.000
	N	75	75	75	75	75	75
IV4.1_Marketing Peer-to-Peer Platforms	Pearson Correlation	.495**	-.723**	-.211	.612**	1	.776**
	Sig. (2-tailed)	.000	.000	.069	.000		.000
	N	75	75	75	75	75	75
IV4.2_Default Rates on Loans	Pearson Correlation	.670**	-.914**	-.410**	.413**	.776**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	75	75	75	75	75	75

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 10: Correlation
(Source: SPSS)

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ISSN: 1053-7899
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A correlation of -0.723 suggests a stronger negative coefficient, meaning that while marketing efforts are profound, the direct influence of flexible loans on accessibility for SMEs is less powerful. This can be seen as identifying possible inefficiencies in how the loan terms are being offered and advertised to SMEs.

DISCUSSION

This study indicates that peer-to-peer (P2P) lending platforms may hold the key to improving financial prospects for small and medium-sized enterprises (SMEs). P2P lending can be seen as an alternative to the conventional banking system as it has the following benefits: greater freedom when it comes to loan terms, less time needed to make the lending decision, and more chances to get the necessary money [17]. These attributes are even more beneficial given the micro and small business fault lines, such as high standards and lengthy approval procedures in traditional banks. Nonetheless, the mean of all the P2P lending-related variables turned out to be positive values like 3.47 for regulatory effectiveness and 3.69 for platform effectiveness, meaning SMEs regard these platforms as efficient tools in the process of filling the financing gap.

This perception is supported by the sampling results revealing that young, high-income people are more likely to use these platforms and demonstrate above-average retention levels.

However, the following main risks and problems have been ascertained as being affiliated with P2P lending. Issues of regulatory inconsistency persist, as highlighted in the study, and this is because the legal environments in various jurisdictions differ [18]. The lack of generally accepted legislation destabilises the activity of P2P lending platforms and may become a threat to lenders and borrowers. For example, the observed legal ambiguity can provoke such problems as fraud or insufficient protection of the investors, whereas there is no consistent international supervisory authority that controls P2P lending.

Moreover, high default rates in some of the P2P markets also prove that there's much more to be done to enhance the risk assessment models. The negative correlation coefficient in the above analysis implies that while P2P platforms can facilitate access to finance, they depend on aspects such as the flexibility of loans (-0.324) and the amount of marketing efforts (- 0.703), among others. The higher default rates suggest that current practices of risk assessment do not appear to be effective enough; this can have detrimental effects on investors and negatively impact the development of the P2P lending market.

It has also been agreed that the entrance of P2P lending has exerted pressure on traditional financial institutions to come up with innovations. To fill this gap or reduce dependence on the incumbent players, banks are either building their own online lending channels or forging alliances with fintechs. Still, this competition can go a long way in expanding the availability of funding sources and enhancing services for SMEs. However, it also entails risks, which include the fact that conventional banks have shifted to provide more large credit risk products, hence increasing the financing gap for enterprises [19].

Having identified the potential of P2P lending platforms in the context of SME financing, properly addressing the discussed regulatory and risk management issues is a key to their further successful functioning. Efficient cooperation between policymakers, financial institutions, and SMEs is a vital precondition to ensure the enhancement of regulatory frameworks and risk assessment practices, which leads to P2P lending, strengthening its position in the financial system.

The findings from logistic regression analysis provide useful information on how different variables affects default risk in P2P lending. Loan size, rate, credit score, and debt-to- income ratio turned out to be the most important predictors of default. Among loan quantity, not only large loan amounts but also high interest rates were such that the occurrence probability of defaults grew higher. This implies that all those borrowers who have received a large loan quantity or have higher cost of borrowing may have problems repaying their dues, hereby implying that loan affordability is the most important factor in avoiding higher levels of defaults.

On the other hand, credit score was found to have an inverse relationship with credit status deployed here and thus improved credit score implies reduced credit status of default. This is in line with the more conventional methods of lending, which have a borrower's credit rating as a definitive factor. Also, the debt-to-income ratio was-significant and positively linked to the default status, which means that borrowers with a high debt burden compared to their income are likely to default.

These outcomes prove that some preliminary evaluation criteria for borrowers remain crucial in P2P lending. Underwriting standards can be tighten for the benefit of loan providers; especially when it comes to loan quantum parameters relative to the borrower's vulnerability. As such, P2P lending platforms can easily avoid defaults, maintain healthier balance sheet for the portfolio, and charge lesser interests to borrowers who have better credit scores and low DTI ratios.

CONCLUSION

A study on a Peer-to-peer (P2P) lending market has gained significant interest due to its ability to provide financing to small and medium-sized enterprises (SMEs), faster, cheaper and more flexibly compared to conventional banking systems. The study establishes that P2P platforms help cater to the financing needs of SMEs, offer relevant financial services, and help break the barriers in the underbanked geographic areas.

The growth of P2P lending comes with regulatory issues and higher default risks, which may affect the sustainability of the platforms. There are numerous problems, such as the absence of a comparable global regulatory system and the necessity for better risk management. Despite the impact of P2P lending in promoting innovation in the financial sector, it means that its implications for traditional financial firms and the total financial system must be analysed.

It is only through the establishment of sound regulatory policies and the improvement of risk management policies that P2P lending can be sustained as a funding model for SMEs. To sustain the advantages of P2P lending and foster the development of SMEs in the new financial environment, policymakers, financial institutions, and SMEs will need to work collectively.

The above analysis gives a clear picture towards using logistic regression model as a good model in modelling the loan default status in P2P lending. The findings present the fact that loan quantity, borrowers' rates of interest, and the quantity of debt repayments in regards to the income are the main determinants of default. On the other hand, organizational credit scores exerts a negative relationship to the likelihood of default. All these factors should come into play when the lenders are approving loan requests since they may go a long way in determining the level of default risk. Suggested strategies for lenders include reviewing credit risk profiles and operating credit scores that increase credit quality for high-risk borrowers while cutting an agreed interest rate for quality credit risks to enhance lending results.

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