Peer To Peer Lending And Equity Crowdfunding A Guide To The New Capital Markets For Job Creators Investors And Entrepreneurs

This paper explores how borrowers' financial and personal information, loan characteristics and lending models affect peer-to-peer (P2P) loan funding outcomes. Using a large sample of listings from one of the largest Chinese online P2P lending platforms, we find that those borrowers earning a higher income or who own a car are more likely to receive a loan, pay lower interest rates, and are less likely to default. The credit grade assigned by the lending platform may not represent the creditworthiness of potential borrowers. We also find that the unique offline process in the Chinese P2P online lending platform exerts significant influence on the lending decision. We discuss the implications of our results for the design of big data-based lending markets.

Written by an industry pioneer who has hands-on experience in the brave new world of peer-to-peer lending and equity crowdfunding, this book serves as a resource for investors and entrepreneurs alike and investigates how these alternative mechanisms will increase the financial and operational capacity of borrowers, lenders, buyers, and sellers in the private markets. • Describes the inherent value in democratization of capital and financial inclusion using peer-to-peer credit and equity crowdfunding that can assist private investors, banks, small businesses, and pension fund managers with market participation • Documents the necessity for fostering transparency, enhancing risk management, and establishing a secondary market to increase distribution and liquidity • Explains how to raise capital, invest, and make a social justice impact using digital finance • Highlights how social media connections influence the capital-raising process

Every now and then a company comes along that completely transforms an industry. Today, what Lending Club is doing to the financial services industry is truly revolutionary. The way we invest and borrow money is being changed forever.With over $1 billion in loans issued Lending Club is quickly moving towards the mainstream of consumer finance. Peer to peer lending can no longer be ignored as a *passing fad, it is clearly here to stay.The Lending Club Story is the first book ever published about Lending Club, the world's largest p2p lender. It is part storytelling, part investment guide and part reference book.In this book Peter Renton, the publisher of the most widely read blog on peer to peer lending, will explain:* What is peer to peer lending and why it is becoming so popular* How Lending Club went from just an idea to $1 billion in loans in less than six years* How a little startup called Lending Club thrived during and after the financial crisis while some of the largest companies on Wall Street were collapsing* How investors are benefiting from this new kind of investment* How the borrowing process works at Lending Club* What the future holds for this fast growing companyMany intelligent investors from successful hedge funds as well as small mom and pop investors are moving money away from the stock and bond markets and into peer to peer lending with Lending Club. After you have read this book you will understand why.*

We study how investors in peer-to-peer (P2P) lending utilize their information advantage in the decisions of when to place bids. Literature has documented that better-informed bidders may withhold bidding until the last moment (i.e., “sniping”) to avoid competition. We argue that, since collective effort from investors is required in P2P lending, informed investors are facing a tradeoff between the funding probability of a loan request and the return of investment when deciding the timing of bidding. We use a stylized model to demonstrate the tradeoff and generate hypotheses that can be tested from data. Using a unique dataset from Prosper.com, we show that, while sniping is more common for informed investors, for projects with low credit grades, informed investors are more likely to bid early than uninformed investors. More importantly, for projects with low credit grades, informed investors are more likely to bid early for good loans than bad loans. They are also more likely to bid early than uninformed investors for good loans with low credit grades. The early bids benefit not only borrowers but also uninformed investors. Our findings provide important implications for managing the information asymmetry and strategic behaviors among investors on P2P lending platforms.

A Construal Level Theory Perspective

Why the Smart Money Invests in Peer to Peer Loans
Platform Choice in Online Peer-to-Peer Lending Markets
Dark Matter Credit
Understanding Lenders' Investment Behavior in Online Peer-to-Peer Lending
Auctioning Microcredits over the Internet

Peer-To-Peer For Beginners! It's Time To Profit & Build Wealth With Small Loans Are You Ready To Learn All About P2P? If So You've Come To The Right Place... Here's A Preview Of What This Peer-To-Peer Lending Book Contains... An Introduction To P2P What Is Peer-to-Peer Lending? Becoming a Peer-to-Peer Lender (And Why YOU Should) Investing Guidelines for Beginners P2P Lending from the Borrower's Point Of View (POV) Borrowing Guidelines for Beginners And Much, Much More!

Blockchain is a decade-old " trust machine " , and peer-to-peer (P2P) lending a decade-old alternative to banks in online platforms where lenders have limited information about borrowers. The gradual implementation of blockchain technology in P2P lending platforms facilitates safer transparent quick access to funds without having to deal with the complex, slower and more costly loan processes of banks. However, other uses of blockchain may be needed. This study is the first behavioral experiment to examine heuristics when lenders compare standard bidding information. Specifically, it examines 909 lending decisions by 303 undergraduate finance students on a mock P2P site in which either male or female loan applicants are reported to be highly trusted by other lenders. Overall, the investors who have experienced financial trauma appear more susceptible to trust-enhancing heuristics. This herding effect appears more pronounced for male investors lending to trusted female applicants. In conclusion, blockchain can arguably support much needed financial inclusion in P2P lending by using technology not only to facilitate transactions, but also to assist in monitoring and bad loan recovery.

This paper reviews peer-to-peer (P2P) lending, its development in the UK and other countries, and assesses the business and economic policy issues surrounding this new form of intermediation. P2P platform technology allows direct matching of borrowers' and lenders' diversification over a large number of borrowers without the loans having to be held on an intermediary balance sheet. P2P lending has developed rapidly in both the US and the UK, but it still represents a small fraction, less than 1%, of the stock of bank lending. In the UK-- but not elsewhere--it is an important source of loans for smaller companies. We argue that P2P lending is fundamentally complementary to, and not competitive with, conventional banking. We therefore expect banks to adapt to the emergence of P2P lending, either by cooperating closely with third-party P2P lending platforms or offering their own proprietary platforms. We also argue that the full development of the sector requires much further work addressing the risks and business and regulatory issues in P2P lending, including risk communication, orderly resolution of platform failure, control of liquidity risks and minimisation of fraud, security and operational risks. This will depend on developing reliable business processes, the promotion to the full extent possible of transparency and standardisation and appropriate regulation that serves the needs of customers.

China's Peer-to-Peer (P2P) lending market now comprises a significant share of global markets in terms of transaction amounts, followed by the US and the UK. This huge market share was strongly driven by huge demand from the underserved borrowers and lenders in the Chinese financial market as well as the widespread adoption of online financing. Nevertheless, recent frauds of P2P lending, such as Ezubao and Esudai, showed vulnerability and risks that might impede the future growth of this industry. This study analyzed the regulatory frameworks of P2P lending in China through the lens of both public and private sectors, including government authorities, industry associations, and credit rating agencies. Nonetheless, the regulatory issues, such as the gap between the regulatory expectation of Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions and business practice in the Chinese P2P lending market, appropriateness of self-regulatory rules for disclosure, as well as the objectiveness of rating reports on rated P2P lending platforms, continue to pose challenges for Chinese policymakers in regulating this industry, which is full of disruptive innovations.

How the World's Largest Peer to Peer Lender Is Transforming Finance and How You Can Benefit

Analysis of Peer-to-Peer Lending Platforms in the UK

Show Us Your Pay Stub

Peer-to-peer Lending and Financial Innovation in the United Kingdom

Innovations in Social Finance

Do Social Networks Solve Information Problems for Peer-to-Peer Lending? Evidence from Prosper.Com

Peer-to-peer (P2P) lending platforms are online platforms where borrowers place requests for loans online and private lenders bid to fund these. Such platforms became available in 2005 and have increasingly been used ever since. However, little is still known about the factors determining the success of a loan listing or the interest rates on these platforms. This paper presents the results from an empirical analysis of 54077 listings on the platform Prosper. Results indicate that verified bank account information and the credit rating are key determinants for a listing's success. Additional personal information (e.g. photos of the borrower) also has a significant influence on funding. Less important, though still relevant, are peer groups within the online community. Interest rates on P2P-lending platforms are primarily determined by credit rating and debt-to-income ratios. In this respect, P2P lending does not differ much from the traditional banking system. However, it promises lower costs of borrowing by cutting out an expensive intermediary - the banks. As empirical data show, it will mainly be the reliable, AA- or A-rated borrowers who can exploit this opportunity. High-risk borrowers, however, have serious difficulties in successfully acquiring loans online, as only about 5.5% of their listings are funded.

Our world is experiencing increasingly complex social and environmental challenges. The prevailing business models and, to some extent, capitalism per se, are frequently blamed for these problems due to their neglect of social and environmental values in favour of financial returns. Within this context, social finance has attracted the attention of governments, organizations, entrepreneurs, and researchers as a means of mobilizing resources and innovation with the goal of establishing effective long-term solutions. This edited collection summarizes, discusses, and analyzes new innovative trends in social finance. It features contributions that aim to highlight emerging trends (products, tools, and processes) in social finance, present a series of case studies related to the development, deployment, and scaling of social finance innovations, offer an understanding of how non-economic externalities are being incorporated, managed, and assessed in recent innovations, reveal the disruptive potential of social finance innovations by analyzing how they are redefining mainstream finance, analyze the scales of operation and impact of different innovations, and explore the complex relationship between social finance and social innovation. Featuring contributions from both the research and practitioner community as well as policy actors, the book provides more than a snapshot of the current social finance field by specifically highlighting the major challenges and difficulties that require the urgent attention of policymakers and social entrepreneurs. Thomas Walker is a full professor of finance at Concordia University in Montreal, Canada. He previously served as an associate dean, department chair, and director of Concordias David OBrien Centre for Sustainable Enterprise. Prior to his academic career, he worked for firms such as Mercedes Benz, KPMG, and Utility Consultants International. He has published over 70 journal articles and books. Jane McGaughey is an associate professor of diaspora studies at Concordia Universitys School of Irish Studies, holding a PhD in Irish history from the University of London. Her research focuses on the intersections of historical and contemporary migration, gender, and ethnic discrimination. Sherif Goubran is an instructor in the Department of Architecture (School of Sciences and Engineering) at the American University in Cairo. He is currently a PhD candidate in the Individualized Program (INDI) at Concordia University, where he is conducting interdisciplinary research on sustainability in the built environment within the fields of design, building engineering, and real estate finance. Nadra Wagdy is an associate consultant at CID Consulting in Egypt. She is contributing to the development and scaling of an Extended Producer Responsibility program, working with the informal waste sector. She has extensive experience supporting cooperatives and not-for-profit organizations across their development phases: starting from validating their business plan and governance model to scaling-up their operations.

Online peer-to-peer lending (i.e., P2P lending) has grown rapidly in recent years and is a new source of fixed income for investors. However, we have a rather limited understanding of factors affecting lenders' decision making in this context, which is characterized as high risk and prosocial in nature. In our research, drawing upon incentive theory of motivation and construal level theory (CLT), we theorize how interest rate and psychological distance caused by the borrower's demographic attributes (i.e., geographic location and educational level) relative to those of the lender jointly affect the bidding value submitted by the lender. Using a rich data set from a popular online P2P lending platform in China, we apply multiple identification strategies and estimation methods to conduct the analysis. We find that interest rate is the driving factor for the lender's bidding value on a loan listing and that such positive effects are strengthened by the geographic and educational distance between the lender and the borrower. In addition, geographic distance decreases the lender's bidding value on a loan listing (i.e., home bias effect), whereas educational distance increases the bidding value (i.e., educational distance effect). Theoretical contributions and practical implications are discussed.

The financial crisis has led to an understandable distrust towards banks and mainstream financial operators and to banks curtailing credit for the weakest part of the real economy. This has also caused the flourishing of non-traditional forms of financial services (such as pawn shops, alternative private markets, microfinance, crowdfunding) having in common the rejection of traditional intermediaries and the idea of democratizing and disintermediating finance. Peer-to-peer lending is a fast rising star capturing regulators' attention (now highly concerned about shadow banking) because of the variety of risks involved and, consequently, of possible legal qualifications and regulatory responses. In the present paper, after having analysed the main features of crowdfunding, the benefits and reasons for success as well as the risks of P2P lending, I will discuss the major legal issues surrounding P2P lending platforms with special reference to EU law. I will examine the solutions adopted in some countries (US, UK, Italy and France), identifying three different trends in regulatory approach to social lending (banking, securities and "practical") as well as their weaknesses. Finally, having recognized the need for an ad hoc regulation and the problems arising from a fragmented regulatory response, I will propose some guidelines for creating a common European framework and, more generally, harmonizing such sector, also with reforms at national level. In doing so, I will take into account the most recent developments in EU financial law (e.g. MiFID II, AIFM, etc.), current trends in financial regulation (e.g. "consumerization"), recent studies about P2P lenders' investment choice process, and the latest evolution of the P2P sector (e.g. entry of professional investors as lenders, automatic bid systems, etc.).

How to Get Your Peer-to-peer Investments Started (How the World's Largest Peer to Peer Lender Is Transforming Finance)

Passive Investing

Information Asymmetry Among Investors and Strategic Bidding in Peer-to-Peer Lending

Microcredits and Peer-to-peer Lending as Financing Tools for Start-ups in Germany

Blockchain, Herding and Trust in Peer-to-Peer Lending

Are Peer to Peer Lending and other Alternative Sources of Finance a Viable Alternative to Traditional Financial Platforms?.

P2p loans are becoming increasingly popular as a means to diversify your investments away from the stock market, to boost your yields, and as a source of passive income. This is with good reason, according to authors sebastian wörner and vincent willkomm - because in no other asset class can you bring in similarly high yields in such a fast and easy way, and with a flexible budget at that. Topics covered in the book: What is passive income How do you set up a passive income system What is the peer to peer lending How do you make money from peer 2 peer lending Major peer to peer lending companies to consider How much can you make as a p2p lending investor And much more... Peer-to-peer lending is a relatively new and exciting investment option that you can take great advantage of and make lots of money!! In addition to enabling you earn some passive income, peer to peer lending also gives you a flexible, innovative and diversified way of investing your money. This guide provides expert information to help you learn more while you consider peer-to-peer lending as a lucrative investment vehicle.

Microcredit interest costs remain higher than those of commercial banks in spite of significant donor funds, largely owing to transaction costs relative to small loan sizes. With the rise of Web 2.0 and online social interactivity, can these transaction costs be reduced through peer to peer lending? Peer to Peer lending and Web 2.0 have two things in common. The first common denominator is that both of them are rather newcomers in their respective fields and growing fast. The second is that they are both based on mutual and social exchanges between people instead of centrally controlled communications and relationships. The main objective of this paper was to investigate whether they are integrated to support a higher level of social interactions and associations for less (transaction) costs. We find that peer to peer lending consists of diverse websites of microcredit (Kiva, Wokai), social investing (MicroPlace) as well as small loans at market rates (Prosper, Zopa, Lending Club), and even lending between friends and family members (Virgin Money). The paper studies the use of web 2.0 technologies (blogs, interactivity between lenders and buyers, peers' reviews and comments, peers communities and chats) in six such peer-to-peer lending sites. It finds that most of the peer-to-peer lenders are in fact intermediaries between the peers (lender and borrowers) and there is little direct contact between the peers. One website used none of the web 2.0 tools. None of the websites used all the web 2.0 tools. The impact on transaction costs is therefore very little.

Peer-to-peer lending is an alternative credit market that allows individual borrowers and lenders -- people like you and me -- to engage in credit transactions without traditional banking intermediaries. This research centers on income verification practices in peer-to-peer lending. We report on a descriptive analysis of all the loans that were funded through Lending Club, currently the world's largest peer-to-peer lending platform, with issue dates before September 1, 2012. The score that Lending Club assigns to a requested loan is supposed to encapsulate all the information that is needed for the lender to assess the risk of a potential default, This study points, however, to a potential weakness of Lending Club's loan assessment tools, which indicates that information about a loan's income verification status is in fact relevant and has value. Given this understanding, lenders' choices are surprising. Lenders that are registered directly on Lending Club's platform, including a crowd of small investors, fund a higher percentage of the listed loan amount when the borrower's income is not verified, while all other investors display the opposite, traditional risk-averse behavior.

Literature on China's finance in the West has focused on "financial repression" in its highly regulated financial markets. However, fundamental changes in China's financial system are underway and China's peer-to-peer (P2P) lending is now the largest in the world. This book uses exclusive researches, interviews and surveys to bring readers a clear picture of the rapidly developing P2P lending industry in China. It is comprised of two parts. The first part is a comprehensive analysis of China's P2P lending industry. It outlines the factors behind the meteoric rise of P2P lending in China, and also the challenges its rapid rise has posed. The second part is a panoramic survey of China's P2P lending industry with study of typical cases, which could also provide reference to the analysis in the first part. Besides, it introduces the existing relevant regulations, regulators, likely upcoming regulatory measures as well as the diverse body of new financial institutions appearing with the development of the industry, to analyse in-depth the current functioning of the industry in China and its lending practices through a large scale survey.

Disintermediated finance peer-to-peer lending and payday loans

The Business Models and Economics of Peer-to-peer Lending

Peer-to-Peer Lending and Equity Crowdfunding: A Guide to the New Capital Markets for Job Creators, Investors, and Entrepreneurs

The Lending Club Story

Investigating Peer-to-peer Lending as a Solution to Unsecured Lending in an Unbalanced Credit Market

This open access Pivot demonstrates how a variety of technologies act as innovation catalysts within the banking and financial services sector. Traditional banks and financial services are under increasing competition from global IT companies such as Google, Apple, Amazon and PayPal whilst facing pressure from investors to reduce costs, increase agility and improve customer retention. Technologies such as blockchain, cloud computing, mobile technologies, big data analytics and social media therefore have perhaps more potential in this industry and area of business than any other. This book defines a fintech ecosystem for the 21st century, providing a state-of-the art review of current literature, suggesting avenues for new research and offering perspectives from business, technology and industry.

This paper studies peer-to-peer (p2p) lending on the Internet. Prosper.com, the first p2p lending website in the US, matches individual lenders and borrowers for unsecured consumer loans. Using transaction data from June 1, 2006 to July 31, 2008, we examine what information problems exist on Prosper and whether social networks help alleviate the information problems.As we expect, data identifies three information problems on Prosper.com. First, Prosper lenders face extra adverse selection because they observe categories of credit grades rather than the actual credit scores. This selection is partially offset when Prosper posts more detailed credit information on the website. Second, many Prosper lenders have made mistakes in loan selection but they learn vigorously over time. Third, as Stiglitz and Weiss (1981) predict, a higher interest rate can imply lower rate of return because higher interest attracts lower quality borrowers.Micro-finance theories argue that social networks may identify good risks either because friends and colleagues observe the intrinsic type of borrowers ex ante or because the monitoring within social networks provides a stronger incentive to pay off loans ex post. We find evidence both for and against this argument. For example, loans with friend endorsements and friend bids have fewer missed payments and yield significantly higher rates of return than other loans. On the other hand, the estimated returns of group loans are significantly lower than those of non-group loans. That being said, the return gap between group and non-group loans is closing over time. This convergence is partially due to lender learning and partially due to Prosper eliminating group leader rewards which motivated leaders to fund lower quality loans in order to earn the rewards.

Essay from the year 2016 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: 1,0, Edinburgh Napier University, language: English, abstract: Due to the exponential rate at which technology has developed in recent years, plentiful new businesses have established. The digital revolution is challenging many well situated, regulated and often conservative industries, such as the financial service industry. Several financial technology start-up companies, also known as Finance Technology Companies (FinTechs), thereby constitute as competitors to traditional retail banks by accessing technological innovations. While the FinTech "eToro" is challenging the investment divisions, start-ups like "Transferwise" are putting pressure on the prices for payment and transfer services. The largest market volumes of so-called alternative finance models in the United Kingdom (UK) have peer-to-peer (P2P) lending businesses, such as ZOPA. P2P, or social lending allows individuals to borrow and lend money to each other directly, without intermediate financial institution, such as retail banks. Subsequently, the global trend of disintermediation also arose in the banking industry. After reviewing relevant literature the market power of P2P lending as well as its impact on the financial services industry over the last ten years will be assessed. Furthermore, this essay will illustrate the current situation by evaluating the extent to which P2P FinTechs replace personal finance functions of retail banks in the UK. Finally, major aspects will be summarised and future aspects will be discussed.

This study examines how the advent and the expansion of peer-to-peer(P2P) lending platforms affect financial stability, especially the soundness and the stability of banks and the banking system. We analyze the risks of various bank failures by comparing two cases of competition, a benchmark case in which only banks exist and no P2P lending platforms exist and the case in which the credit market is segmented and a P2P lending platform operates only in the low-credit score consumers' markets. Our findings are as follows: (i) the insolvency risk of individual banks increases when they compete with the P2P lending platform in the low-credit score consumers' markets, but (ii) the illiquidity risk of individual banks is reduced; and (iii) the systemic risk in the banking system triggered by individual defaults is also reduced. Our results imply that if the role of the P2P platforms and banks are properly differentiated so that P2P lending platforms focus on the provision of credits in the low-credit score consumers' markets, and the banks concentrate more on high-credit score consumers' markets and protected deposits business, the impact of spread of P2P lending platforms on the current banking system's stability may be limited.

Disrupting Finance

Transitioning Beyond Economic Value

An Empirical Study on the Factors Driving the Growth Rate of Global P2P Lending Industry

SMALL BUSINESS BORROWING AND PEER?TO?PEER LENDING: EVIDENCE FROM

LENDING CLUB.

FinTech and Strategy in the 21st Century

Do Social Cause and Social Technology Meet? Impact of Web 2.0 Technologies on Peer-to-Peer Lending Transactions

Peer-to-peer lending platforms connect investors/lenders directly to borrowers by circumventing banks.

Online peer-to-peer (P2P) lending is a two-sided market that enables direct interactions between borrowers and investors. The network effects that arise in P2P lending markets can make the decision-making process of both participant groups interdependent. However, extant research on P2P lending primarily focuses on decisions of one specific participant group without considering the interactive behaviors from the other side of the market. We attempt to fill this gap by developing a utility-based structural model that simultaneously governs both borrowers' and investors' platform choice decisions. Our results show that a platform's short-term liquidity, cross-network effect (CNE), and direct-network effect (DNE) are the top three factors that positively drive investors' platform choice. In contrast, a platform's background, tenure, membership fee, long-term debt risk, and the average loan duration have a negative effect on their participation decision. On the borrower side, we find that a platform's short-term liquidity, tenure, CNE, and DNE are the top four factors that attract their platform selection, while a platform's background and membership fee will reduce their utility of choosing the platform. Overall, borrowers play a more important role than investors in the growth of a P2P lending platform. The counterfactual analyses suggest that a handful of interventions can be implemented to influence both investors' and borrowers' platform choice. The new information-transparency regulations issued in China are estimated to save investors more than $1.36 million. Our findings offer important managerial implications for platform managers and policy makers in the P2P lending market.

We use data from the two leading P2P lending platforms on the US consumer credit market, Prosper and Lending Club, to explore the main drivers of the expansion of consumer demand for P2P credit. We exploit the heterogeneity in local credit markets at the county level to test three hypotheses: 1) global financial crisis; 2) competition and barriers to entry; and 3) learning costs. Disentangling between these hypotheses is difficult because the financial crisis has triggered an increase in market concentration and the closure of bank branches. Our findings suggest that P2P lending platforms have partly substituted for banks in counties that were more affected by banks' deleveraging in the wake of the financial crisis. High market concentration and high branch density appear to deter the entry and expansion of the P2P lending. Finally, we find a positive impact of variables that are correlated with lower learning costs, such as education, population density, high share of young population, as well as important spatial interactions.

How a vast network of shadow credit financed European growth long before the advent of banking Prevailing wisdom dictates that, without banks, countries would be mired in poverty. Yet somehow much of Europe managed to grow rich long before the diffusion of banks. Dark Matter Credit draws on centuries of cleverly collected loan data from France to reveal how credit abounded well before banks opened their doors. This incisive book shows how a vast system of shadow credit enabled nearly a third of French families to borrow in 1740, and by 1840 funded as much mortgage debt as the American banking system of the

1950s. Dark Matter Credit traces how this extensive private network outcompeted banks and thrived prior to World War I—not just in France but in Britain, Germany, and the United States—until killed off by government intervention after 1918. Overturning common assumptions about banks and economic growth, the book paints a revealing picture of an until-now hidden market of thousands of peer-to-peer loans made possible by a network of brokers who matched lenders with borrowers and certified the borrowers' creditworthiness. A major work of scholarship, Dark Matter Credit challenges widespread misperceptions about French economic history, such as the notion that banks proliferated slowly, and the idea that financial innovation was hobbled by French law. By documenting how intermediaries in the shadow credit market devised effective financial instruments, this compelling book provides new insights into how countries can develop and thrive today.

Behavioral Biases in Peer-to-Peer (P2P) Lending
Income Verification in P2P Lending
The Development of Peer-to-Peer Lending and Banking in France
Peer-to-peer Lending to Small Businesses
Changing Regulations of Peer-to-Peer Lending in China
Peer-to-Peer Lending with Chinese Characteristics: Development, Regulation and Outlook

Peer to Peer Lending/Marketplace Lending is one of the most exciting areas of investment today. Unlike bond investments, peer to peer loan investments have higher interest rates and greater transparency, making peer loans the best fixed income investment on the market today. Fixed income investments are a necessary part of a successful investment portfolio so we go through what peer to peer lending/marketplace lending is, why you should invest in it and the 7 options currently available to all U.S. investors. This book will give you the tools to help you determine your own risk you want to take with your fixed income investments whether they are bond investments or peer to peer lending investments.

Bachelor Thesis from the year 2011 in the subject Business economics - Investment and Finance, grade: 1,3, The FOM University of Applied Sciences, Hamburg (Wirtschaftswissenschaften), language: English, abstract: Both alternative financing models, microcredit and p2p lending, opened huge possibilities to support so-called "unbankables" on their way out of poverty, unemployment and social exclusion. How they work, what impact they have on the German start-up endeavour and which kind of obstacles still remain that they need to overcome will be investigated in the paper at hand.

The revolution in financial technology (FinTech) has created many advancements in the lending and investment space across the world. Law and Practice of Crowdfunding and Peer-to-Peer Lending in Australia, China, and Japan is a timely publication as FinTech grows up and moved into the mainstream of finance in the last decade. Financial services is a highly regulated industry as it is the lifeblood of a modern economy. Pelma Rajapakse, Hatsuru Morita, and Yinxu Huang have done very solid work blazing a new trail in what is a new industry and how to regulate it properly instead of stifling innovation. They have carried

out a deep exploration and a thorough compilation of research that will bring everyone up to date on what Australia, China, and Japan are planning and doing in the field of crowdfunding and peer-to-peer lending. In addition to peer-to-peer lending, the book focuses on laws and practices related to Central Bank digital currencies, cryptocurrency, Bitcoin, and Initial Coin Offerings (ICOs) which is very meaningful and forward-looking. The authors presented their thoughts in such clarity that, even those who lack familiarity with Asia-Pacific, will see how FinTech was growing in various ways driven by different factors. For example, peer-to-peer lending in Japan is mostly for small and medium enterprises. It was popular in China but cracked down by the authorities for a few years. It provides an alternative fundraising channel for the capital market in Australia. We also see a set of regulatory approaches among jurisdictions. Some countries draft new regulations, while others amend existing laws. The mechanism of the regulatory sandbox was introduced. As we know, one size does not fit all. What kind of best practices or lessons learned can we apply to our own jurisdiction? This book covers all available answers to date. This volume speaks highly of the quality and foresight of Pelma Rajapakse and her co-authors.
Seminar paper from the year 2016 in the subject Economics - Finance, grade: 1,7, University of Marburg (Accounting & Finance), course: Seminar Empirical Finance, language: English, abstract: In the following paper, I want to give an insight in two financial markets, the online peer to peer lending market and the payday loan market. Both are examples for disintermediated finance. Disintermediation means to withdraw funds from intermediary financial institutions, such as banks and savings/loan associations, in order to invest them directly. Simply put, in disintermediated finance one gets rid of the middleman or intermediary. This paper is organized as follows. At first Chapter 2 will look into the online peer to peer market of Prosper.com. Therefore, I will analyse a paper of the authors Lin, Prabhala, and Viswanathan (2013) called "Judging borrowers by the company they keep: Friendship networks and information asymmetry in online peer-to-peer lending". In Section 2.1 I will start with an introduction to the market and the author’s intention. Section 2.2 will explain the system of the online platform Prosper.com. The following section will outline the empirical results of the authors, in order to express the result’s implication in the last section of chapter 2. Chapter 3 will continue with payday loans. The first section 3.1 gives an introduction into payday loans and explains how the industry of payday loans works. The second section 3.2 will analyse one specific paper of Adrian Morse (2011) called "Payday lenders: Heroes or Villains?" The last section 3.3 will give a summary of the author’s findings and question them critically.
Peer-to-peer
Peer to Peer Lending
Structures, Risks and Regulation
Peer-to-peer Lending, an Innovative Force in Finance

Peer-to-peer (P2P) Lending

The Expansion of the Peer-to-Peer Lending

Peer-to-Peer Lending and Equity Crowdfunding: A Guide to the New Capital Markets for Job Creators, Investors, and EntrepreneursABC-CLIO

The unsecured lending market in South Africa is characterised by a high consumer debt-to-income ratio, significant legislative amendments, government-instituted credit amnesties, abnormal lender profits, the bailout of African Bank Investments Limited and stagnating growth. A credit amnesty is a short-term reprieve for consumers with adverse credit information from past debts. There have been two amnesties in South Africa: in 2007 and 2014. Both amnesties were essentially information amnesties, which resulted in the removal of negative information from borrowers' credit profiles. The 2007 credit amnesty aligned the credit market with the National Credit Act (Act No. 34 of 2005) by the removal of specific borrower information that was in misalignment with the National Credit Act (NCA). The 2014 amnesty was a straightforward credit-information-removal exercise. A credit amnesty is a superficial remedy and a short-term fix of a deeper underlying problem of credit usage and profit maximisation. But an amnesty does not result in borrowers changing their behaviour. The credit amnesty in 2007 affected 8 million customer records, but research by the National Credit Regulator (NCR) shows that about 40% of customers who received amnesty (3.2 million people) defaulted on new loans within two years. Credit amnesties are a symptom of a graver underlying problem within the unsecured credit market in South Africa, which is considered unsustainable based on the notion that government intervention artificially regenerates consumer access to credit without regard to lender risks. Unsecured lending is growing, and the existing model appears to be increasingly unsustainable. Peer-to-peer (P2P) lending might address some shortcomings and develop as an alternative model. As there has been insufficient research into P2P lending, the focus of this study is on the sustainability of P2P lending as an alternative to traditional unsecured lending in South Africa. The study could reveal P2P lending to be an alternative model of unsecured lending and a more equitable and sustainable lending model for poverty alleviation, economic growth and wealth inequality in South Africa. The approach of the study is to understand the unsecured lending market, its practices and norms in South Africa through a sustainability framework view and, by doing so, describe the shortcomings of market practices. Peer-to-peer lending, both formal and informal, is investigated to understand the nuances and variations in lending. There is a significant informal P2P lending market that has existed for decades, and a formal P2P market that was established less than three years ago. The theoretical investigation into P2P lending highlighted four themes: behavioural underwriting, peer pressure, disintermediation and degrees of separation. These were used as the basis for the qualitative research conducted. The research conducted probed aspects that revealed the readiness and willingness of South Africans to utilise P2P lending as an alternative to traditional unsecured lending. Information was collected through four means: an online investigation of 1 121 people's preferences into savings and credit; two focus groups of 51 people in total; a sustainability review from unsecured lending practitioners; and a narrative study. The autoethnographic approach described and systematically analysed the personal experiences of the researcher to understand and make sense of real-world experiences. Having travelled to nine and worked in six African countries as a micro financier, the researcher relays personal experiences and attempts to understand the interrelatedness of unsecured lending through personal narratives. The conclusions of the study point to an intriguing future for P2P lending in South Africa. There seems to be validity in the statement that P2P lending could be a viable alternative to unsecured lending in South Africa. Peer-to-peer lending could be used as a tool to protect vulnerable borrowers from exorbitant credit costs and manage balance sheets more efficiently for individual lenders. A decentralisation of the lending function, with a specific set of investments that address the outcomes of this research, may begin to distribute wealth more proportionately than the traditional unsecured lending market. Barriers to P2P lending in South Africa could include legislative or regulatory acts, specifically within the NCA, and scaling difficulties of P2P platforms. Peer-to-peer lending needs further exploration to understand the far-reaching consequences in related fields such as secured lending, asset insurance, health insurance, remittances, small business lending and P2P financial education.

Peer-to-Peer lending refers to online marketplaces where lenders lend to individuals or small businesses. This rapidly expanding new source of credit eliminates the traditional intermediary of financial services and reduces financial exclusion by allowing more people to borrow and lend. At the same time, the replacement of financial intermediaries by individuals poses new challenges, since both the borrowers and the lenders are human beings who are prone to a variety of behavioral biases. In the current work, we survey the growing literature on P2P lending and identify typical cognitive biases that may affect borrowers and lenders' financial decisions.

Specifically, we review two core biases studied in the traditional behavioral literature and discuss their implementations in the context of P2P lending: Familiarity Bias as well as Stereotypes and Representativeness. Then, as a case in point we focus on Debt Account Aversion (DAA) which describes individuals' tendency to consistently paid off small debts first to reduce the nominal number of debts, although at the same time they had larger debts with higher interest rates. We conduct an online experiment to explore the effects of the P2P context on the magnitude of this DAA. Our main finding shows that when electing to repay a portfolio of P2P and bank debts (compared to paying multiple bank debts), borrowers exhibit a lower level of rational behavior and are more prone to Debt Account Aversion. Understanding the behavioral patterns of both lenders and borrowers in P2P lending will enable financial institutions and policy makers to devise tools and procedures that can ameliorate this new credit market, and guide individuals toward more effective management of their personal assets and obligations.
Abstract : We investigate the ability of small business borrowers to signal to investors their credit worthiness through the use of text descriptions in the peer-to-peer lending market. Specifically, we examine the relationship between the loan description written by a borrower and whether or not the project is funded by investors. Using textual analysis, we find that small business loan descriptions can be used to predict the likelihood that the loan will be funded. We also find that an index, created from a textual analysis of the words used in the loan description, can forecast the performance of the loan, specifically whether or not the loan defaults. This index has the strongest impact when we focus on borrowers with low FICO scores, suggesting that for these individuals the description can signal information that standard measures used for lending purposes cannot. Overall, it appears as though investors are making investment decisions based on proper and relevant signals given by the borrowers through the loan description. (JEL D47, D53, D82, D83, G14, G21).
Peer-to-Peer Lending Platforms and the Stability of the Banking System

P2p Lending for Beginners! How to Profit & Build Wealth With Small Loans

A Joint Structural Model

Another Financial Innovation Puzzling Regulators

Law and Practice of Crowdfunding and Peer-to-Peer Lending in Australia, China and Japan

Miscellany].

In this paper we outline the key characteristics of peer-to-peer (P2P) lending, the risks involved and alternative approaches to regulating P2P platforms. We argue that P2P lending is an example of how modern technology enables the integration of a range of economic functions, including market operator, financial services provider and credit broker. This removes the basis for separate legislative treatment of financial products and credit, and existing regulatory distinctions between different types of financial service providers. Arguably, a new approach to market regulation is warranted which is more consistent with emerging institutional arrangements.

PEER TO PEER LENDING REPORT.

P2P Investing 101

James E. Don

Who Can Get Money? Evidence from the Chinese Peer-To-Peer Lending Platform

Peer-to-Peer Lending and the 'Democratization' of Credit Markets