Investors' Awareness and Perception of P2P Lending Platform with Special Reference to Investors in Muscat Governorate

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Abstract:- **Oman is a relative newcomer to Fintech firms and products. Despite the fact that Oman's residents are increasingly using internet banking to perform their ordinary banking activities, they have little knowledge of online fintech products. As a result, the purpose of this study is to determine the level of investor awareness and perception of P2P lending in Oman. The major goal is to investigate the level of awareness of P2P based on the sociodemographic characteristics of the respondents and their perception about P2P lending platform. The study is carried out in the Governorate of Muscat using primary data gathered using a semi-structured questionnaire that was distributed online from 108 individuals, using convenient sampling method. Data was examined using descriptive statistics such as percentages, mean score, and standard deviation. According to the study's findings, respondents' awareness of P2P lending platforms is extremely poor. They know relatively little about Fintech businesses that provide various types of investing opportunities. They believe that using online lending platforms is risky and inconvenient. They have no plans to invest in a peer-to-peer lending network and will not encourage their friends and family to do so.**

Keywords:- Online Investing, P2P Lending, Investor Awareness, Investor Perception.

I. INTRODUCTION AND MOTIVATION

Peer-to-peer lending also known as Fintech credit began in 2005 as a marketplace where people could lend money to one another. Unlike typical banking organizations, P2P refers to the interaction of investors and borrowers in the market. Investors and borrowers meet over an electronic platform without the need for an intermediary (Feyen L., et.al., 2021). A peer-to-peer platform serves as a middleman between the lender and borrower. Because all parties' interests are aligned, the borrower gets money without having to wait in bank lines, and the lenders make more money by lending their money to others in need. In most online P2P transactions, the borrowers and lenders have never met before (Yang & Lee, 2016)

Investors seeking diverse exposure to the fixed income asset class of consumer loans are no longer required to go through asset-backed securities (ABS) markets, eliminating intermediation and making the asset class more accessible to smaller investors. A direct market where investors, lenders, and borrowers meet are referred to as a marketplace (Morse A., 2015)

For more than a decade, this system has operated on the Internet in the United Kingdom, the United States of America, and China. In 2005, Zooba, the first peer-to-peer platform, was created in the United Kingdom (Bholat & Atz, 2016)). At the time, hundreds of thousands of people were aided. Because of the simpler process and cheaper conversion costs, P2P lending has become a viable alternative to traditional lending techniques.

A considerable number of residents in the Sultanate of Oman are unaware of recent developments in the financial sector, particularly with regard to peer-to-peer lending. Fintech start-ups and organizations have many of potential to serve Oman's vast investor and borrower population. More research is needed to study Omani investors' awareness of new financial goods and services, as well as to track the long-term development of fintech companies' unique services and products to suit the financial demands of both investors and borrowers.

As a result, the purpose of this study is to determine the level of investor awareness and perception of P2P lending in Muscat region. Moreover, this study will provide investors in Oman with an overview of the new loan platform.

This paper provides an insight of the new lending platform for Omani investors. It adds two contributions to the literature on P2P lending. First it measures the level of investor awareness and perception of P2P lending in the Muscat region, based on their socioeconomic backgrounds, and secondly it examines the intention of Omani investors to invest in P2P platforms.

The paper is presented in the following order. The section 2 reviews the literature. The methodology is presented in section 3. Data analysis and findings are provided in section 4 and the discussions are presented in section 5. Section 6 concludes the paper.

II. LITERATURE REVIEW

Peer-to-peer lending, also known as P2P lending, is the practice of lending money to individuals or businesses through online platforms that connect lenders and borrowers (Hongke et.al.,2017) P2P allows people to invest and lend money across national borders. This attracts a lot of investors who are eager to reach out to borrowers all around the world and expand their audience (Dhanorkar, 2021). P2P lending, which first gained traction in North America and Europe, has surged in popularity in various Asian countries since 2014, growing market share faster than in developed countries (Stern et al., 2017). The availability of the internet and extensive usage of mobile phones in Asia paved the way for numerous FinTech platforms, including peer-to-peer lending, to join the market in recent years. Many European countries, including the United Kingdom (UK), Latvia, Finland, and others, have conducted various studies on peer-to-peer lending awareness. Studies in Asia on the awareness of peer to peer was mostly found in Malaysia, China, Indonesia and India. China has the largest number of P2P lending platforms, with an estimated 2000 in 2017 (Stern et al., 2017). Investors and borrowers in Latvia were uninformed of Peer to Peer lending services, according to Saksonova and Merlino (2017). Awareness of alternative finance, as well as the nuances of view about it, is relatively low among consumers and SMEs in the UK (Baeck et al., 2014). Most of the Malaysian investors had very little knowledge of Peer to Peer lending and crowdfunding (Ghazali and Yasuoka, 2018). The majority of investors were financially literate to some extent. Those that were aware of their presence misjudged the possibility for high default rates and assumed that investors would be adequately safeguarded by P2P platforms in the event of a loan default (Nguyen et.al., 2021). Peer-to-peer lending is related to flexibility and convenience since people felt more comfortable handling their money through technology rather than going to an ATM or writing a check (Zhuopei Y and Yanmei Z, 2017). P2P lending is straightforward and flexible, as borrowers have fewer constraints than banks (Adel A Z., 2017). The more awareness and trust consumers had in the lending platform, the more confident they were in attracting a large number of lenders (Mohammed A B et.al., 2020). Lenders were enticed to lend more because of the platform's diverse investment portfolio, attractive rates, and low cost of capital. Risk-averse lenders who invested more in P2P had more freedom in selecting their borrowers (Kim and Stahler, 2020). Youth with higher educational qualification and higher incomes were willing to invest in P2P platform in Jakarta (Ichwan and Kasri, 2019). Lenders' initial trust in the P2P lending platform is affected by their impression of the platform's risk, and the platform's reputation is critical in influencing lenders' early investment intentions (Li, Jiacheng et.al., 2016)

III. METHODOLOGY

A two-part structured questionnaire was used to collect primary data, which included demographic information such as the respondent's age, gender, educational qualification and monthly income. The second part is broken into five sections: general awareness of the P2P lending platform, perceived convenience in P2P operations, perceived returns from P2P lending, perceived risk connected with P2P lending, and intention to invest on the P2P platform. The first section had four statements, while the second, third and fourth subsections each featured five statements and the last subsection had three statements ranging from strongly agree to strongly disagree on a five-point Likert scale. Cronbach alpha was used to determine the questionnaire's reliability. The reliability of five components was investigated, with Cronbach alpha coefficients ranging from 0.734 to 0.867, indicating high reliability. With the help of friends, colleagues, and family, the questionnaire link was sent to Omani residents residing in Muscat via email and other social media sites in order to collect the data needed for the study. Only 108 people responded to the 150 questionnaires that were sent out. Websites, journals, and other sources were used to acquire secondary data. The primary data was evaluated using percentages, mean scores, and standard deviation.

IV. DATA ANALYSIS AND FINDINGS

Table 1 shows the demographic profile of respondents. 50 males and 58 females responded to the questionnaire. The bulk of those who responded (84 percent) were between the ages of 21 and 30, with the least proportion of those aged 40 and above. With 58 responses, the majority of people who responded had a bachelor's degree, while the fewest had merely a secondary school diploma, with only four responses. The bulk of the respondents (61.1 percent) had a monthly salary of less than or equal to RO 500.

Table 1. Demographic profile of respondents

Demographic profile		Number	% of respondents
Gender	Male	50	46.3
	Female	58	53.7
Age	20 and below	3	2.8
	21-30	84	77.8
	31-40	17	15.7
	40 and above	4	3.7
Educational Qualification	Secondary School	4	3.7
	Diploma	10	9.3
	Advanced Diploma	18	16.7

	Bachelors' degree	58	53.7
	Masters' degree	13	12
	Professional Degree	5	4.6
Income	RO 500 and Below	66	61.1
	RO. 501 to RO 1,000	18	16.7
	RO.1001 to RO.1,500	11	10.2
	RO. 1,501 to RO.2,000	3	2.8
	RO. 2,001 and above	10	21.9

Source: Authors calculation

Tables 2 through 6 show descriptive statistics about the respondents' awareness of the online lending platform, their perceptions of the convenience, returns and risk of using the P2P platform, and their intention to invest on the P2P platform. The statements for all of these variables are based on a five-point Likert scale. The statements' mean score and standard deviation are determined. The mean is very significant in arriving at conclusions. From 1 to 1.8, it means strongly disagree. From 1.81 to 2.60, it means disagree. From 2.61 to 3.40, it means neutral, from 3.41 to 4.20 it means agree and from 4.21 to 5, it means strongly agree

Table 2. Awareness of Fintech Companies and Online lending platform

Statements	N	Minimum	Maximum	Mean	Std. Deviation
I'm familiar with fintech firms in Oman.	108	1	5	2.65	1.344
I'm familiar with the concept of an online investment platform.	108	1	5	2.38	1.341
I am aware of the concept of crowdfunding	108	1	5	2.34	1.192
I'm aware of the peer-to-peer (P2P) platform.	108	1	5	2.45	1.181

Source: Authors calculation

Table 2 demonstrates how knowledgeable respondents are about Fintech Companies and online lending platforms. The results suggest that the respondents are unfamiliar with the concepts of online investment platforms, crowdfunding, and Peer to Peer (P2P) platforms, as the mean score is less than 2.6, demonstrating their disagreement with online platform awareness. The majority of respondents were unaware of fintech firms in Oman, as evidenced by the mean of 2.65.

Table 3. Perception of operating convenience of P2P Lending Platform

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Operating on online P2P platform is easy and flexible	108	1	5	3.03	1.397
Operating the P2P is possible from the comfort of my house and office	108	1	5	2.76	1.188
P2P lending platform can be operated at any time as per my convenience	108	1	5	2.81	1.680
I can choose the borrower as per my desire	108	1	5	2.91	1.278
Different lending options are available that will suit my requirement	108	1	5	2.91	1.278

Source: Authors calculation

Table 3 shows the perception of the respondents on the operating convenience of P2P lending platform. Majority of respondents believe that p2p lending platforms are inconvenient, as indicated by the mean score for all statements in the table, which is between 2.61 and 3.40, indicating their neutral responses on the ease and flexibility of P2P platform operation, their ability to choose borrowers according to their preferences, the suitability of various lending options, and the flexibility of P2P operations in terms of time.

Table 4. Perception on returns on online P2P Lending Platform

Statements	N	Minimum	Maximum	Mean	Std. Deviation
High returns can be earned on online P2P lending platforms	108	1	5	2.9	1.288
Constant returns can be earned on P2P	108	1	5	2.93	1.368
Waiting period is short for earning returns	108	1	5	2.86	1.261
Returns will not be affected because of highly credible borrowers	108	1	5	2.67	1.136
Changes in the bank rates will not affect the returns on P2P investments	108	1	5	2.82	1.316

Source: Authors calculation

Table 4 displays the respondents' opinions on the P2P lending platform's returns. The majority of respondents were neutral with the fact that P2P lending platforms offer high and consistent profits. Respondents were also indifferent about the time it takes to get a return on investment, the borrowers' integrity, and the impact of bank rates on returns. This is demonstrated by the fact that the mean score ranges from 2.61 to 3.40.

Table 5. Perception on risk on online P2P Lending Platform

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Risk is minimal as borrowers are highly credible	108	1	5	2.80	1.313
Investments will be highly secured as the fintech companies are controlled by the Government rules and regulations	108	1	5	2.93	1.187
No risk at all as the investments are insured by the fintech company	108	1	5	2.79	1.301
Personal information is secured as it is not necessary to reveal all our information	108	1	5	2.48	1.259
There will be complete transparency of all the financial dealings	108	1	5	2.93	1.203

Source: Authors calculation

Table 5 shows the respondents' opinions on the risk on online P2P lending platform. The majority of respondents were neutral with the fact that P2P lending platforms offer minimum risk because of the highly credible borrowers, the Government's control on the fintech companies leading to secured investments, which is indicated by the mean score being between 2.61 and 3.40. Respondents were also neutral about the investments being insured by the fintech company and the transparency of all financial dealings. A majority of the respondents disagreed with the fact that their personal information will be secured and will not be revealed by the fintech companies to the public which is indicated by the mean score of 2.48

Table 6. Intention to invest on online P2P Lending Platform

Statements	N	Minimum	Maximum	Mean	Std. Deviation
I am willing to invest on P2P platform	108	1	5	1.64	0.730
I may invest on P2P platform in the future	108	1	5	2.79	1.301
I will encourage friends and family members to invest on P2P lending Platform	108	1	5	1.69	0.794

Source: Authors calculation

Table 6 illustrates the intention of respondents to invest in an online peer-to-peer lending network. The majority of respondents were neutral in their response to the question of whether they would invest on a P2P platform in the future, with a mean score of 2.79. The respondents disagreed to on a P2P platform in the future and would not recommend friends and family members to do so, as evidenced by the mean score of 1.64 and 1.69.

V. DISCUSSION

Online investment platforms, crowdsourcing, and peer to peer (P2P) platforms are unfamiliar concepts to Omani citizens. The majority of those responded had never heard of fintech companies in Oman. P2P lending platforms, according to the majority of respondents, are cumbersome, and operations on P2P platforms are complex and strict. It's challenging to find trustworthy borrowers. They also believe that the existing financial options will not meet their needs and argue that financing on a peer-to-peer platform is against their religious beliefs.

The majority of respondents are ignorant of online lending services and hence have no idea how much money they can earn on a p2p network. They have no understanding whether changes in bank rates will influence the rate of returns on the P2P lending platform.

Even though the government regulates the activities of these fintech companies, respondents believe that lending on an internet platform is risky. They have no idea if their investments are protected by insurance or if all financial dealings with the company and the borrowers are transparent. They also believe that Fintech companies may expose their personal information. Respondents have no plans to invest in online platforms at present or in the future, and they will dissuade family and friends from doing so.

VI. CONCLUSION

Based on the findings of the analysis and discussion of the research findings regarding new investor awareness and perceptions of P2P lending platforms, it can be concluded that new Omani investors are unaware of the latest developments in Fintech, including online lending platforms such as P2P and crowdfunding. They have reservations about how P2P platforms work, believing that operations on such platforms are inefficient, dangerous, and low-yielding.

The findings revealed that an investor's willingness to invest is influenced by their lack of trust in the platform. As a result, P2P regulators should put in more effort to access the Omani market. Investors' negative feelings may be due to a lack of financial awareness. People should be made more aware of the current advancements in banking and fintech companies through a variety of awareness campaigns. The government should require schools and higher education institutions to conduct Fintech awareness campaigns. Advertisements for such online platforms should be placed on social media to raise public awareness of these types of investment platforms. P2P awareness should be pushed through training, workshops, commercials, and seminars through various media. The government should encourage young entrepreneurs to launch fintech businesses by giving incentives such as tax breaks, financial assistance, simplified registration, and training.

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