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Lost in the Crowd? Incongruent signals from entrepreneurs and the importance of herds in equity crowdfunding

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Research objectives and Theory

Our paper asks how investors process set of multiple (conflicting) signals using the novel theoretical arguments from heuristic-systematic model by Drover et al. (2018). The model proposes that people will process multiple signals via two cognitive modes in which the first one involves simple (heuristic) cognitive process while the second one will rely on deeper and more systematic processing. Following the theoretical model, we argue that investors in equity crowdfunding will be likely to follow the heuristic cognitive process when the signals from entrepreneurs are congruent, i.e., signals indicate same messages about projects' underlying quality. However, they will need to rely on systematic process to deal with the set of incongruent entrepreneurial signals, i.e., signals indicate inconclusive messages about projects' underlying quality. We argue that the existence of herds of previous investors can be a credible additional signal about project's quality that potential investors use for making decisions when they need to use systematic process. We hypothesise that when the signals from entrepreneurs are (congruent) incongruent investors' decisions will (not) be impacted by signals from previous investors.

Data, Methodology and Results

Our empirical analysis is conducted in a sample of 468 campaigns listed in Crowdcube, the largest UK equity crowdfunding platform, from 2014 to 2018. We use Li et al. (2022)' calculation of herding intensity as a measurement of signal strength from herds arguing that higher herding intensity is more observable and costly. We show evidence consistent with our hypotheses in which the following investors are only impacted by signals from herds in projects with incongruent signals sets. The results remain consistent in different robustness tests.

Contributions

Our study makes significant contributions to research of signalling in entrepreneurship and crowdfunding. First, our study responds to the call for research on understandings how investors process set of signals as opposed to singular signal (Colombo, 2021) and conflicting signals (Bafera & Kleinert., 2022). Second, we also contribute to an important line of studies (e.g., Ahler et al., 2015) focusing on identifying effective signals that entrepreneurs can use to communicate project quality to investors. We also complement to a stream of studies (Zhang & Liu, 2012) on herding in crowdfunding

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Giving Neurotic Entrepreneurs Money to Save the World? An Analysis of U.S. Equity Crowdfunding Projects

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Purpose

The entrepreneur's personality is an essential factor when it comes to sustainable ventures (Schaltegger & Wagner, 2011). Regarding decision-making, personality traits matter because personality can be seen as the foundation for individual differences between people (Mairesse et al., 2007). Yet, little is known about which perceived personality traits drive funding success in the context of sustainable ventures, which this study explores.

Research Design and Methods

In this paper, we examine associations between the Big Five personality traits of entrepreneurs perceived by investors and sustainability in crowdfunding by using using a narrative analysis approach based on machine learning and quantitative regression analysis of 361 U.S.-based equity crowdfunding projects from two leading equity crowdfunding platforms in the US: Wefunder and Republic. These platforms are well suited for our purpose because of their size and impact (Sharbaf, 2022) but also because they facilitate the categorization of projects as sustainability-oriented by means of predefined tags.

Findings and Results

Overall, while our effects for positively connotated personality cues do not reach significance, our results point to a considerable negative effect of perceived neuroticism on equity crowdfunding, particularly under the condition of sustainability-driven ventures, supporting both the notion of implicit judgments and prospect theory. Further, we replicate recent findings on the role of negatively perceived personality traits in crowdfunding.

Originality and Contribution

While it has recently been shown that perceived personality traits of the entrepreneur can impact crowdfunding success (e.g., Neuhaus et al., 2021), so far, little is known about which personality components drive or hinder funding success on such platforms for ventures perceived as sustainable. Filling an important gap in extant studies, our paper contributes to research on the role of perceived personality in crowdfunding by showing that not only can negatively perceived personality cues increase perceived investor uncertainty but that the framing of the project as sustainable can amplify such perceived risks. We also indirectly contribute to research on signaling in crowdfunding and the interaction between signals (e.g., Courtney, Dutta & Li, 2017).

Implications

The results imply that in equity crowdfunding, entrepreneurs perceived as neurotic will have a harder time gathering funding and an even harder time when this is for a sustainable venture. This means they may need to make an extra effort to convince risk-sensitive investors in equity crowdfunding, e.g., by providing additional information on the business case. Considering different types of potential investors and how to communicate with them is valuable knowledge, especially since the right choice of campaign communication is an important factor in sustainability-conscious surroundings (Gimpel et al., 2020).

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Crowdfunding and too much choice: A recipe for disappointment

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In this study, we investigate the effects of reward options and their prices on crowdfunding success. Rational economics predicts that the more choice potential contributors have, the more likely it is that they find a reward option that stimulates participation. However, experiments in behavioral economics and marketing show that providing someone with excessive choice might adversely affect participation. Using data collected from Kickstarter, a well-known crowdfunding website, we demonstrate the positive effect of increasing choice and the negative effect of excessive choice. We also find evidence that the negative effect of overchoice is driven by the cognitive load of processing a high number of choices. With foreign-based crowd sourcing initiatives where language is an added constraint on the fluency of processing, the negative effect of overchoice occurs with a smaller number of options. In addition, we find that the average threshold donation level (TDL) for reward options is negatively correlated with the likelihood of crowdfunding success. The TDL plays the same role as price and contributors prefer products with lower prices (on average).

Keywords: overchoice, Kickstarter, neurological limitations, cognitive load.

Identifying factors affecting intention to support pro-environmental crowdfunding campaigns: The mediating and moderating effects

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Purpose

Crowdfunding is a powerful vehicle that helps raising funds for commercial, social, cultural, and environmental projects. Crowdfunding encompasses different financing models, ranging from reward, lending to equity or donation crowdfunding, each catering to distinct projects' needs and goals. In this study, we concentrate solely on donation-based crowdfunding, which is widely employed in financing pro-environmental projects. This model does not offer any reciprocal benefit from the project creator to the supporters (Zhao & Shneor, 2020). Environmental crowdfunding encompasses various initiatives that address urgent environmental challenges and enhance awareness of sustainable goals, allowing for developing more eco-conscious society. On the individual level, green crowdfunding empowers individuals to support green initiatives, which makes this kind of an action a pro-environmental behavior. Accordingly, in this paper we aim to ascertain the factors that influence the intention to support pro-environmental crowdfunding initiatives, which is framed as a form of pro-environmental behavior (PEB). More specifically, we aim to: (1) identify how the interplay between biospheric values, warm-glow, willingness to sacrifice for the environment and green trust influences intention to financially support pro-environmental crowdfunding projects; (2) assess the direct effects of biospheric values, warm glow and willingness to sacrifice on intention to support such projects; (3) investigate the mediating roles of willingness to sacrifice and warm glow for intention to support such projects; (4) assess the moderating effect of green trust on the relationship between willingness to sacrifice and intention to support green projects.

Research Design and Methods

The theoretical underpinnings of this study rely on the theory of planned behavior (TBP), values-beliefs-norms (VBN) theory, warm-glow theory, green trust and environmental concern. According to theoretical framework the multi-item constructs was developed to measure variables in the proposed model, most of which were adapted from previous studies (Stern et al.1999, Chen 2010, Jia & van der Linden 2020). The data was collected from 302 UK citizens in 2022 – through platform Prolific, while for the empirical approach we used a consistent partial least squares structural equation modeling (PLS-SEM).

Findings and Results

Our findings indicate that while biospheric values significantly influence the intention to support green crowdfunding projects, this relationship is fully mediated by both the willingness to sacrifice for the environment and the warm glow effect. Additionally, our research highlights the crucial role of green trust, serving as a moderator in the relationship between willingness to sacrifice and the intention to support.

Originality and Contribution

The results of the study indicate that the proposed model successfully identifies the factors influencing the intention to support pro-environmental crowdfunding campaigns. This enhances our understanding of the motivations behind supporting such projects and emphasizes the potential application of donation-based crowdfunding for non-profit environmental organizations.

Implications

Our research incorporates the crowdfunding concept into the investigation of pro-environmental behavior by recognizing the support for green crowdfunding projects as a manifestation of PEB. This broadens the understanding of PEB and underscores the potential of crowdfunding as an innovative platform for promoting environmental causes. Additionally, the results reveal that intrinsic motivations, such as the warm-glow and willingness to sacrifice for the environment, exert a significant influence on potential backers' decisions concerning green initiatives. Moreover, the presence of green trust emerges as a crucial factor that influences the intention to support environmental projects. Consequently, to enhance trust among

potential backers platforms should encourage project creators to share and disseminate their results publicly after project completion.

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Empathy, Altruism, or Social Presence-What makes people donate in the COVID-19 pandemic towards medical crowdfunding?

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Purpose

The current study is aimed to investigate the financial donation intentions towards COVID-19-related medical cases. The study examines the intentions through the theory of planned behavior (TPB), empathy and altruism. The study was conducted in south Asian countries (India, Pakistan and Bangladesh), as these countries lack national health insurance policies and most medical bills are paid from the pocket of patients or their families.

Research Design and Methods

The data from 332 respondents was analyzed through structural equation modelling (SEM) using the lavaan package. Our survey included a list of questions and items in English. Items were rated on a five-point Likert-type scale ranging from 1 (“strongly disagree with the statement”) to 5 (“strongly agree with the statement”). First, we performed an exploratory factor analysis (EFA), which resulted in the removal of all items that either exhibited loading levels below 0.40 or cross-loaded. Second, we conducted a confirmatory factor analysis (CFA) with all items that were valid. Third, to alleviate concerns about various biases, we conducted a series of quality and rigorous tests. Fourth, we performed all tests for common method bias (Harman’s single factor, common latent factor, and marker variable) where our all-explanatory powers were well below the maximum threshold of 0.50. Finally, we tested for reliability and validity and our results met all requirements of best practices. We further confirmed the divergent validity of the latent constructs

Findings and Results

Findings revealed that among all the factors including TPB, self-efficacy does not play a significant role in predicting the intentions to donate, whereas all the other factors do. The moderating effects of social

presence are insignificant in the case of self-efficacy, attitude, subjective norm, and altruism, but significant for empathy, on donation intentions.

Originality and Contribution

For the first time, this study checks the moderating effect of social presence on the factors and intention to donate. To our knowledge, we are among the first to integrate the TPB framework, empathy and altruism constructs and social presence theory to examine the antecedents of medical financial donation intentions in times of crises.

Implications

The current findings suggest that platform managers should aim to support and equip the public with sufficient information enabling them to develop favorable attitudes towards financial donation intentions and the fundraiser should also capitalize on their significant others in raising funds as subjective norms influence donation intention. Furthermore, fundraisers need to tap into campaign dynamics that trigger empathic and altruistic behaviors of the crowd. In fact, the message sent by the campaign manager should appeal to empathic and altruistic individuals and be designed accordingly. Our study theorized moderation model of social presence demonstrated that backer's social presence has a significant influence on financial donation intentions to recipients who are perceived as COVID-19 patients. . The findings of this study exhibit a broader perspective for future research, mostly in donation-based crowdfunding in times of crises and global catastrophes. Therefore, the findings of our study provide solid empirical evidence for financial donation intentions by extending the related research theories, specifically the TPB in explaining donation-based crowdfunding intentions.

Pilot testing of a local crowdfunding concept for financing climate mitigation in Norwegian agriculture

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Purpose

This paper presents the results from a pilot study on local crowdfunding of climate measures in Norwegian agriculture and identifies backers' motivations and farmers' experiences with crowdfunding campaigns.

Research Design and Methods

The study applies a proof-of-concept approach, defined as “the realization of a certain method or idea to ascertain its scientific or technological parameters” (National Science Foundation 2014, 14-569 in Kendig, 2016: 736). The objective is to test prior identified success factors for crowdfunding of climate mitigation measures in a pilot study. Two pilot crowdfunding campaigns with Norwegian farmers were conducted between March and August 2022. Both online campaigns were then analysed and semi-structured interviews with both farmers and 3 backers of the second campaign were conducted.

Findings and Results

The two crowdfunding campaigns show very different levels of success. The first campaign addressing the storage of biochar into agricultural soils received 0% funding. The second campaign targeting solar energy installations on a mountain farm was successful with achieving 80% of its original funding goal. The results indicate that active engagement on social media and telling a personal story during the campaign (e.g., including personal pictures and videos) led to a higher success of the solar energy campaign, which is in line with previous research on crowdfunding highlighting the importance of active communication and relationship building with backers to increase the credibility and legitimacy of the project (Clauss et al., 2018; Kuppuswamy and Bayus, 2018; Maehle, 2020). The study therefore confirms that several of the previously identified crowdfunding success factors are also relevant for crowdfunding climate measures in agriculture. Furthermore, we can see that backers' motivation to support the campaign is not primarily

climate related but rather based on a personal connection to the farmers or earlier farming experience (e.g., working as a milk maid). This is an interesting finding that can be further explored.

Originality and Contribution

This paper presents the results of a first pilot study validating theoretical findings on crowdfunding success factors for climate mitigation projects in agriculture. Most literature on crowdfunding makes use of survey data, interviews or web scraping while this study applies a proof of concept approach by testing previously identified success factors in a real-world context, i.e. actual crowdfunding campaigns with two farmers interested in implementing climate measures.

Implications

The study has a number of practical implications for designing agricultural crowdfunding campaigns. It shows that agricultural crowdfunding campaigns have some special characteristics that can be useful to consider for future campaigns. First, farmers are very busy and therefore have to combine crowdfunding activities (e.g., social media promotion) with the seasonal management of the farm which can be a challenge. Moreover, Norwegian farmers are not very familiar with crowdfunding, and it can be difficult for them to know their audience and identify backers. It is therefore important that crowdfunding platforms assist farmers actively and help them in their communication activities. Second, the seasonality of farming can also have implications for the timing of the campaign. For instance, the solar energy project on the mountain farm had to run in summer because the farmer was physically present on the farm and could make a video of the diesel generator to illustrate the problem; moreover, backers had the opportunity to pass by the farm during mountain trekking. Third, some rewards are more popular than others. Most backers chose donation-based crowdfunding and the ones who chose rewards preferred food items from the farm, while farm visits were not very popular.

References are available upon request.

More than raising money: The role of crowdfunding in the development of cultural projects

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Purpose

With widespread digitalization and hardships within traditional funding schemes, crowdfunding has increasingly become a promising business model for realizing cultural productions, and therefore requires further investigation to understand how it is shaping the cultural economy. The current study aims to comprehend how this contemporary phenomenon of cultural crowdfunding is functioning beyond the obvious mechanism of raising-money. In particular, we explore the role of cultural crowdfunding in the project creators' career and development of cultural projects. This paper sheds empirical light on the role of crowdfunding as a complementary source of finance or a form of business model and its function as a gatekeeper for individuals starting their artistic career.

Research Design and Methods

This paper is based on the multiple-case design, embodying descriptive and exploratory research seeking to further comprehend how the contemporary phenomenon of crowdfunding has been adopted by artists and project creators beyond its function of raising money, considering diverse settings. We focus on two countries, Norway and Brazil. In each country, we selected four cases based on two dimensions. The first relates to the main purpose for adopting crowdfunding, namely whether the project creator has decided to launch a campaign as a sort of pre-sale mechanism or a way to promote public engagement. The second dimension is whether the campaign was published on local platform or an international one. To delve into the 8 cases, we conducted semi-structured interviews. The interviews were transcribed and analyzed using the constant comparative method (Glaser & Strauss, 1968). Our aim was to sift the data looking for associations and patterns (McCracken, 1988).

Findings and Results

Our findings demonstrate that the decision to adopt CCCF is influenced by the professional position of the creator, the type of cultural-creative project (i.e., pre-sale versus public engagement), and the creator's identity navigating from more entrepreneurial to more artistic one. These aspects also influence the perception that the project creator will have on the function of crowdfunding for their cultural-creative projects and, more broadly, for the culture sector. From this perspective, we discover a multi-layered perception of CCCF by the diverse project creators. Such a multi-layered nature of CCCF seems to create fairly controversial dynamics within the phenomenon. For instance, while we encounter a wide range of non-pecuniary forms of collaboration and partnership happening in the projects connected to public engagement, the project creators do not necessarily fully acknowledge the non-monetary value of CCCF, as these collaborations happen organically. At the same time, the projects within the pre-sale dimension appear to have a clearer understanding of the collaborative and non-monetary nuances of CCCF, strategically using them throughout their campaigns and adopting them as the core of their business model.

Originality and Contribution

This paper empirically illustrates the position of crowdfunding and its functionality of gatekeeper for individuals starting their artistic-creative career and complementary finance for certain creative projects or forms of a business model for others. Hence, despite for times appearing to be a foreign mechanism amid the cultural sector, we point out that crowdfunding has a relevant role for both creators' careers and cultural project development. This research is the first one to emphasize this function of crowdfunding in the culture sector and thus offers a contribution to the literature. Moreover, we develop a theoretical model of CCCF adoption paths which can be formally tested by future research in the field of cultural economics, informing academics, practitioners, and policymakers.

References are available upon request.

Debt, free cash flow and performance in microfinance: A global analysis

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Purpose

This study investigates the impact of debt on both free cash flow (FCF) and performance in microfinance. Previous literature suggests that debt has two levels of effect on FCF. First, debt reduces the availability of FCF due to the pre-committed interest payment. Second, debt enhances management efficiency and leads to better performance, as defaulting on interest and principal payments can result in bankruptcy and job loss.

Research Design and Methods

Our novel research employs a sample of 484 MFIs in 74 countries from 1998 to 2019, providing initial international evidence on the effect of debt on FCF and performance in microfinance. We use various panel data techniques, including fixed effects, random effects, and dynamic models.

Findings and Results

Our study finds that total debt has a negative relation with FCF, with short-term debt having a more pronounced effect. In terms of performance, we find that total debt is associated with improved operational performance but deteriorated financial performance. While the increased efficiency generated through debt financing leads to improved operational performance, the interest cost associated with large application of debt ultimately offsets the profit, leading to a decline in financial performance.

Originality and Contribution

This study is the first to investigate the relation between debt and FCF as well as performance (operational and financial) in microfinance, extending the literature on debt's constraining power for FCF from firms pursuing profit maximization to dual-goal organizations. The findings of this study may provide new

insights for investors, creditors, and governance of microfinance, as well as assist the management of MFIs in enhancing their strategic plan on debt application.

Implications

There are limitations to this study, leaving room for further research to examine other factors that may affect the relation between debt and FCF, as well as the relation between debt and performance.

Do Drivers of peer-to-peer consumer lending amounts: evidence from the Philippines

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The increasingly prominent position of P2P consumer lending in global alternative market has aroused much research attention in recent years, mostly drawing upon investors' contribution intentions and platforms' credit risk management. Studies on P2P lending focus on two aspects, investigating the factors affecting the ex-ante and ex post credit risk management, such as funding results (Lin et al., 2013; Uparna & Bingham, 2022), and borrowers' repayment behavior (Croux et al., 2020; Emekter et al., 2015; Ge et al., 2017). Seldom have studies laid emphasis on ex-ante borrower behaviors, exploring contributors to borrowing from lending platforms. In addition, as these studies derived data from secondary sources, users' internal motivation has been generally ignored, especially their cognitive abilities. Understanding fundraisers' perceptions of FinTech platforms is of strategic significance for customer retention and platform operation.

This paper seeks to analyze from the angle of fundraisers' self-perception of adopting P2P lending, with their creditworthiness being an auxiliary driver. We collected self-reported data from 4699 fundraisers on multiple platforms in the Philippines. The results show the extended technology acceptance model justifies borrowers' behavior in the P2P lending context. Our findings suggested that applicants who have higher perceived usefulness of FinTech platforms tend to borrow more from these platforms. Usefulness also mediates subjective norms and ease of use. Borrowing out of low credit score is mainly mediated by other financing usage, as the second path through usefulness is negligible. Higher perceived ease of use is associated with lower borrowing amount, but the indirect positive relationship is later revealed when using borrowing times as dependent variable. Therefore, high involvement of P2P lending could be manifest in

dual nature: more borrowing times and lower borrowing amount. What's more, sub-group analysis did suggest platform-level and purpose-level heterogeneity, as is reflected in the higher magnitude of coefficients for refinancing purpose and for First Digital category.

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Explaining the use of peer-to-peer lending platforms in China

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Abstract

This study extends the existing Unified Theory of Acceptance and Use of Technology (UTAUT) and trust models to provide an individual-level perspective on the utilization of peer-to-peer lending platforms. The Structural Equation Modeling (SEM) method is employed to investigate and analyze the relationships within the proposed model. In the context of China, with a well-established internet infrastructure, we find that from the traditional variables known to have an impact on information system adoption, only habit and performance expectancy influence individuals' usage decision. Contrary to our expectations, trust in platforms does not influence the use of peer-to-peer lending directly, but indirectly via a significant impact on performance expectancy. In addition, service quality of peer-to-peer lending platforms plays a significant role in nurturing trust and individuals' use of peer-to-peer lending. We contribute in (1) formulating an extended P2P lending adoption model based on conceptual similarities/overlap in the trust and technology adoption literature; (2) applying such model in a type of P2P lending platform which serves as both an information and an investment intermediary. Our study holds important implications for research on information system adoption, particularly in the current era characterized by a major shift of economic activities to online platforms that exhibit substantial information asymmetry among participants.

Alternative financing standards for Dutch SMEs: challenges and recommendations in developing non-banking regulations

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Purpose

Small and medium-sized entities (SMEs) operating in the alternative financing sector are typically heterogenous in nature making them differ greatly from traditional banks. Where traditional banks must comply with strict banking regulations, developing uniform regulations for the alternative financing sector remains a challenge. This paper examines the current challenges and solutions from a sociological and institutional perspective in developing standards for SMEs operating in the alternative financing sector in the Netherlands. Adopting minimum quality standards should lead to increased transparency and public trust in the non-banking sector.

Research Design and Methods

Qualitative data was collected using a case-study approach combined with semi-structured interviews and focus groups with experts in the field. Participants included SME financiers, financial regulators, governmental institutions, SME advisors, an entrepreneurial branch organization for Dutch SME entrepreneurs, an independent economic research agency and two out of the four largest Dutch banks. In addition, secondary data was collected by means of an international non-banking code comparison. Qualitative data was content-analyzed and relevant categories emerged from the analysis. Using an iterative approach, the researchers moved back and forth between various stages of the research process to increase the reliability and completeness of the procedure.

Findings and Results

The findings reveal that there are seven key processes important in the professionalization of the sector. These can be divided into internal key processes and external key processes. For each of these processes minimum quality standards can be developed based on best-practices identified.

Originality and Contribution

The results of this study aim to facilitate market self-regulation and thereby make the market more transparent. This could lower any barriers to entry and increase confidence in the alternative finance sector. The recommendations focus on uniform agreements on cost structure, transparency, product suitability, processes and risk management. Several international codes have been compared and also mainly stem from self-regulation. The recommendations from our research focus on quality requirements that are not so much compliance-based, but rather principle-based similar to international codes that focus on general principles aimed at transparency, responsibility and trustworthiness. It is crucial that the industry continues to play a prominent role in the standard development itself to make sure the standards are adopted across the sector. Hence, the group imposes standards that in line with institutional theory at some point become the norm for the entire industry.

Implications

While there is a huge focus on the compliance of banks, questions about the actual proper functioning of financial institutions focused on SMEs seem to receive little attention. Our study addresses this regulatory gap by providing insights into the current state of the alternative finance sector and the challenges involved in balancing the interests of the stakeholders involved. We see our research as an incentive to further strengthen serious academic and policy interest in this crucial sector that is rather new in terms of regulatory efforts and traditions. The focus on a well-functioning alternative finance sector is essential for the long-term sustainable economic development of many countries.

Regulation and the Peer-to-Peer Lending in India: Its Need and Impact

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This research is based on data collected from interviews conducted on 7 major Indian NBFC P2Ps and the Indian regulatory body for this sector, Department of Non-Banking regulation, the Reserve Bank of India. These seven Peer to Peer companies are the ones who were the first in line to be issued a license to operate in the sector under the new regulations. Some excerpts of this study have been taken from the author's contribution on research work done while on a project with CCAF, Cambridge University Europe for a report on Regulatory innovations to enable inclusive Fintech funded by the UNSGSA for which authors express their gratitude to the CCAF. The objective of this research was also to identify best practices based on the lessons learned across the three stages of conceptualisation, implementation and post-implementation of the regulation in India.

This is an exploratory research which is qualitative in nature. The interview technique was adopted to aggregate data to fulfil the 2 objectives of the research which were:

- to study how the Indian P2P market has evolved and
- how regulation was introduced in this sector and what were its major implications on the sector.

The lessons and learnt during the process and best practises evolved could then prove to be a good ground for other countries to emulate and follow who would also like to open their economies to this unique digital method of lending and borrowing for mostly the 'unbankable' or 'new to credit' lot of the population who find it hard to approach traditional financing institutions for their banking needs.

For the purpose of this study two different set of open-ended questionnaires were developed both for the sample NBFC-P2Ps as well as for the regulator that is Reserve Bank of India.

To conclude it can be said that a lot of thought went into the framing of the regulations introduced for the P2P sector which will soon be a sure reflection in the pace this industry will take to gradually grow and evolve in the near future.

The biggest lesson which can be learnt from India from the procedure they adopted to conceptualise and execute the regulation is their policy of Gradualism. The Indian Regulator, The RBI built the regulation around this policy which believes that initial tightening of norms should be followed by a gradual loosening or relaxation of policy after assessing the need of the sector to further shape up. History of the Indian financial markets tells us how this policy of Gradualism has always helped in building a strong base for all types of financial innovations being introduced in the market as well as having insulated the Indian financial system from major crisis like that of Sub-prime which sent shocking waves around the whole world.

The Second lesson which can be learnt from India is on the account of strict IT policy compliance it has recommended the P2P sector to follow. Realising that technology plays a vital part in moving towards a cashless, paperless and Presence-less economy the RBI made a prudent move to put across a tall task of strict IT compliances to be followed in order to build a solid structure from within. Though it is a bit early to measure the success of the regulatory initiative undertaken by the Government in India as it has been just nine months since the regulation was announced still some observations can be made.

The regulation in a big way has paved way for a lot of legitimacy coming in the sector. The biggest impact is that it would disallow and dissuade money laundering and other mal practise from occurring within the sector, which is currently being witnessed in countries like China.

Though at present the growth of P2P companies may seem a little slow and the numbers of players less, the predication for this sector is that with the gradual loosening of norms by the regulator as the market matures and stabilises the market is really going to take off as it provides a new and unique investment class to the modern-day retail investor from companies who have dexterity in their operations.

Fintech revolution which has far reaching implications need not necessarily happen from the presence of large companies, even small companies like those performing in the P2P sector have the potential to grow it into a Unicorn. Such is the prediction for the Indian P2P in the new era of Digital India.

It is a novel piece of exploratory research, qualitative in nature and it studies and analyzes the Indian P2P industry, setting in of regulation and its implications on the major existing players in this industry. The research promises to be path-breaking as it is first of its kinds to be done in the P2P sector in India.

This research is based on data collected from interviews conducted on 7 major Indian NBFC P2Ps and the Indian regulatory body for this sector, Department of Non-Banking regulation, the Reserve Bank of India. These seven Peer to Peer companies are the ones who were the first in line to be issued a license to operate in the sector under the new regulations. It is a novel piece of exploratory research, qualitative in nature and it studies and analyzes the Indian P2P industry, setting in of regulation and its implications on the major existing players in this industry. The research promises to path-breaking as it is first of its kinds to be done in the sector. Some excerpts of this study have been taken from the author's contribution on research work done while on a project with CCAF, Cambridge University Europe for a report on Regulatory innovations to enable inclusive Fintech funded by the UNSGSA for which authors express their gratitude to the CCAF. The objective of this research was also to identify best practices based on the lessons learned across the three stages of conceptualisation, implementation and post-implementation of the regulation in India.

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