

Online Peer-to-Peer Lending in China: An Investigation into Indian Expansion

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WPI

Executive Summary

Online Peer-to-Peer (P2P) lending platforms connect lenders and borrowers through online services, usually for small loan amounts (Berger and Gleisner, 2009; Tao et al., 2017). The lending process is much easier compared to traditional loan products from banks, since it depends on customer inputs instead of processing through intermediaries (Berger & Gleisner, 2009; Feng et al., 2015; Tao et al., 2017). Because of the convenience of the platform, P2P quickly gained momentum around the world after its first introduction in 2005 (Barry, 2018). In China, P2P has increased at a rapid rate due mainly to the tight control of bank loans and unstructured credit system.

Qianli Technology in China has a P2P platform that provides customers the connection to lenders to obtain loans, with a focus on young professionals as the target group of consumers. Qianli is a financial technology service platform with many subsidiary products that aim to provide customers with accessible and safe financial services (Qianli Technology Company Overview, 2018). Having developed a foundation in China, Qianli now seeks to explore another market abroad, India.

This project aims to research the factors that determine whether Qianli can successfully expand operations to India. To develop a thorough market feasibility study, this project must tackle the following objectives:

1. Understand Qianli's current lending process in China.
2. Identify the lending practices and financial regulatory system in China and India, and compare them between the countries.
3. Identify the target geographical locations and population.
4. Create and revise recommendations based on research.

Interviews and surveys with Qianli employees and current customers in China will be performed to gain a thorough understanding of Qianli Technology's strengths, weaknesses, and opportunities. These interviews and survey responses should present a useful baseline on P2P lending and what should be considered when researching the feasibility of business expansion. The responses may also indicate whether there is still untapped market potential in China for

Qianli Technology to pursue. Interviewing industry specialists and surveying students from India will provide information on market environment and feasibility, as well as the views of potential customers on P2P lending businesses.

Beyond this, analyses of potential competitors to Qianli Technology will be performed, comparing them to each other and Qianli to determine how the market will respond to a new P2P lending platform. Streamlined documentation will detail all findings in a report and presentation for Qianli Technology and its relevant staff. This documentation will recommend how Qianli may adjust their offerings and practices as they explore a foreign market with different customer demands, economic structure and regulatory environment.

Authorship

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1. Introduction

Online Peer-to-Peer (P2P) lending platforms connect lenders and borrowers through online services, usually for small loan amounts (Berger and Gleisner, 2009; Tao et al., 2017). The lending process is much easier compared to traditional loan products from banks since the application process depends on customer inputs instead of processing through intermediaries (Berger & Gleisner, 2009; Feng et al., 2015; Tao et al., 2017). Because of the convenience of the process, P2P quickly gained momentum around the world after its first introduction in 2005 (Barry, 2018). In China, P2P has increased at a rapid rate due mainly to tight government control on bank loans and an unstructured credit system. The tight control of bank loans drives average citizens to seek alternative options, and the unstructured credit system causes inefficient credit score building for borrowers (Hou et al., 2014; Gao et al., 2018; Shang et al., 2017; Xin et al., 2017).

Consequently, many people in China seek other accessible solutions to obtaining loans. The P2P platform is especially useful for young professionals joining the workforce, as often they do not have sufficient financial power to make necessary purchases or the credit history to borrow loans from the banks. As one of the companies that provide a P2P platform, Qianli Technology in China connects customers to lenders to obtain loans, with a focus on young professionals as target customers. Qianli is a financial technology service platform with many subsidiary products that offer customers accessible and safe financial services (Qianli Technology Company Overview, 2018). Having developed a foundation in China, Qianli now seeks to explore another market abroad, India.

However, there are many factors to consider prior to the introduction of Qianli's lending platform in India. Our project aims to research these elements to determine how Qianli can successfully expand operations. In order to conduct the research, we first identify what we need to consider. The main aspect will be the differences between P2P businesses in India and China. Because of the differences in the credit market, Qianli's operations in China may not be completely applicable in India. Our goal is to identify the barriers affecting Qianli's operation while finding solutions and offering recommendations for Qianli. These problems originate from several aspects: there are regulatory differences between China and India, and socio-political

barriers that come from local economic environment and the attitude on P2P lending of target audience. To develop a more thorough market feasibility research, this investigation seeks to accomplish the following objectives:

1. Understand Qianli's current lending process in China.
2. Identify the lending practices and financial regulatory system in China and India, and compare them between the countries.
3. Identify the target geographical locations and population.
4. Create and revise recommendations based on research for the above objectives.

To accomplish our objectives, we must first research regulations and the socio-political environment in India from Indian government websites and scholarly articles that identify these factors. We also plan to conduct interviews with students from India for their local knowledge and perspectives on P2P lending platforms prior to arriving in China. These interviews will help understand attitude of young professionals in India toward P2P businesses, and determine the feasibility of Qianli's market expansion from the viewpoint of potential customers. The project team will then conduct on site research to gain a full understanding of the market feasibility for Qianli's implementation for India. Finally, we will provide recommendations on ways to target their potential customers geographically, the types of customers that would appeal to their product, and methods to increase their competitiveness in the market.

2. Background

Online peer-to-peer (P2P) lending platforms in China have increased exponentially as a result of technological advancements (“Inside China”, 2014; Tao et al., 2017). This new form of credit improves the life of customers by simplifying the loan process, but many problems still exist for this immature market. As a P2P lending company, Qianli has a foundation in China after four years of operation, and the company currently seeks to expand business by exploring markets in other countries. India, as a neighboring country with large population and developing economy, has several potential regions such as Bangalore and Hyderabad, as well as the type of customers, young professionals, that Qianli looks to target. This chapter will begin by defining P2P lending. Following the definition is an introduction to the credit market environment and the rise of P2P lending businesses in China. These sections include problems that affect P2P lending from both the customer and business perspective. As Qianli seeks to expand business in India, this project also explores the credit market in India by identifying regulations and socio-economic barriers that can affect the implementation of Qianli’s P2P lending platform in India.

2.1 Understanding Peer-to-Peer Lending

2.1.1. General Overview of P2P

The lending and borrowing of currency are key parts of a modern-day market because they allow people to purchase higher cost goods without having the lump sum value of those goods. A complete understanding of the peer-to-peer (P2P) lending system and the risks associated with this model is necessary before considering the expansion of Qianli’s services. With the emergence and widespread adaptation of the Internet, there has been a recent rise in a new form of borrowing called peer-to-peer that connects lenders to borrowers via an electronic marketplace replacing banks as the traditional intermediary (Berger & Gleisner, 2009). Digital P2P lending can trace its roots back to a British company, Zopa, which was founded in 2005 and quickly followed by Prosper in 2006 (Barry, 2018). P2P lending promises a change from traditional banks by creating an easy-to-use system to connect willing lenders with borrowers in

need. The concept of simply logging into a website or a mobile application, filling out personal financial details and promptly receiving a loan is very attractive to customers. This is apparent when examining the early and widespread growth of these new platforms.

P2P lending quickly gained traction in the US, Europe, and China with millions receiving these smaller scale loans. A large component to the rise in popularity of these new financial intermediaries can be attributed to the economic crisis in 2008 (Broström et al., 2018). Many traditional banks were engaging in the trading of unregulated mortgage backed securities as well as institutions were selling subprime mortgages at a rate higher than ever. This created a social distrust of the major banks as well as a need for loans which sent people searching for an alternative solution for their financial needs. Online P2P lending offers significant advantages over traditional bank loans such as ease of accessibility, in respect to both user interface and financial background, the ability to serve as both a means of borrowing and investing, and the ability to customize a loan that fits the customer’s needs.

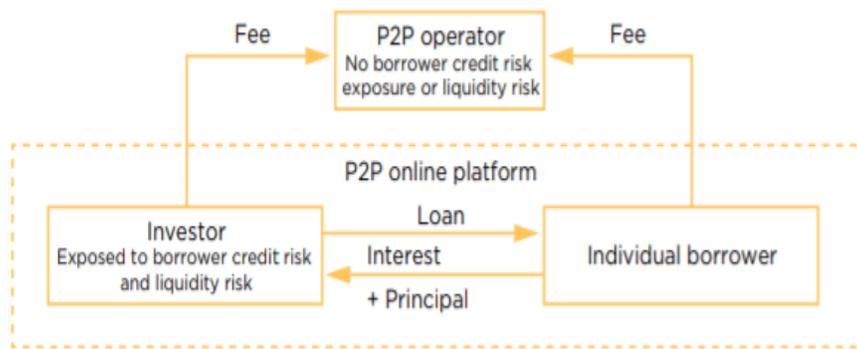


Figure 2-1: *Basic P2P lending model* (Davis & Murphy, 2016).

In order to obtain a P2P loan, users are required to complete a short application. The service usually requires credit score, salary, employment status, outstanding debts, and other personal financial questions. Additionally, companies that serve as online platforms require an identity verification to ensure the authenticity of the borrower. After a credit check is complete, the platform will present the customer with a variety of loan options. The financial intermediary will then take a percentage of the monthly payments before passing the rest of the interest onto the investors which is correlated to the financial risk associated with the borrower. Most P2P lending intermediaries in the US provide loans of up to forty thousand dollars at a time depending on prior credit history.

This is not only a beneficial model for those seeking loans. It also provides an additional method for investors looking to diversify a portfolio. These platforms allow investors to choose approximate yield based on the amount of risk they are willing to take and additionally allows the funding of many different loans at a single time. According to statistics from LendingClub and Prosper Marketplace, two of the largest P2P marketplaces, investors on average received between 5-9% returns, substantially out performing savings accounts and bonds that typically have a rate of 2-3% over their term (Barry, 2018). As of 2015 P2P loans had accumulated to 26.16 billion dollars with estimates that it could reach anywhere from 150-490 billion dollars by 2020 (Tom, 2017). With this staggering increase in the quantity of money lent, there is a similar correlation in respect to the amount of risk associated with these loans. This risk translates to a percentage of investors that will lose money using these platforms. Risk analysis is the most important aspect of this business model and without it, investors are not accurately informed, leading to poor investments.

2.1.2 Rising P2P lending risks

The definition of a loan is money lent at interest. The premise behind this is that a borrower and lender enter an agreement that entails the lender giving the borrower a fixed amount of capital to be paid back at a later date plus an additional percentage to benefit both parties. This process in its simplest form carries an inherent risk of the borrower not being able to pay the predetermined loan, commonly known as defaulting on a loan. Determining the likelihood of a borrower defaulting on their loan is a key aspect to determining the interest rate applied to the loan and whether or not the lender agrees to finance the loan. With the relatively short application process found throughout online P2P platforms, it can be hard to determine the viability of an investment based on the relatively limited information provided. These companies generally have their own rating systems to help investors choose the best loans to fit their financial needs and limitations. Both lenders and borrowers must be aware of the fees and annual percent rate (APR), with most lending platforms offering a range of 6-36% depending on the risk associated with the loan (Prosper, 2018). On top of the APR there are closing fees associated with these loans that can vary from 0.5% up to 4.95% depending on the risk and length of the loan. When determining whether to invest in a P2P loan, an investor must also consider that their money is attached for the entire loan duration, meaning it can be between three to five years to

fully recoup their investment. This differs vastly from other investments, for example stocks can be sold at a moment's notice if there is an abrupt need for cash. With rates extremely high for more at-risk borrowers, this also limits the accessibility and feasibility of obtaining a loan. Online P2P marketplaces target new investors, and can be potentially misleading due to their lack of experience, in addition to potentially confusing terms and conditions. Borrowers must also educate themselves and become informed on the true price that they are paying. This ensures repayment, which is required for this symbiotic relationship to benefit both parties. With a holistic understanding of the P2P market, and the risks associated with this relatively new form of lending, it is crucial to now examine P2P market in China, and problems associated with the market that may affect Qianli.

2.2 P2P Lending in China

2.2.1 Rise of P2P lending business in China

In recent years, the credit market in China has expanded rapidly (Wong, 2012). Although the four state-owned banks, the “Big Four” banks, of China dominate the Chinese credit market (Lu, 2016; Xin et al., 2017), the inefficiency of service and negative reputation due to misallocation of funds push average citizens and small to medium enterprises (SME) away from borrowing traditional bank loans (Hou et al., 2014; Gao et al., 2018; Shang et al., 2017; Xin et al., 2017). On the other hand, private banks and financial institutions have been growing since the later stage of the economic reform that started in 1979. During the late economic reform, the State Council created a competitive commercial banking sector where other types of financial institutions could co-exist with the state banks (Fu & Heffernan, 2009). These institutions and services usually require less time and effort to process loans. Among the various financial institutions and services, the one with the most significant market increase in recent years as a result of technological advancements is the online peer-to-peer (P2P) lending platform.

Online P2P lending is the activity between lenders and borrowers occurring online, where the P2P company processes background verification and credit rating by analyzing user input, without the physical involvement of an intermediary (Feng et al., 2015; Tao et al., 2017). P2P lending usually involves small loans at a higher frequency, with lenders being banks or individuals, and borrowers being individuals or small private businesses. Because of

technological advancements, a controlled bank-credit environment in China, and lack of regulations for the setup and operations of such lending platforms, Chinese P2P lending has grown exponentially since its first introduction (Tao et al., 2017).

2.2.2 Problems of P2P in China: Information asymmetry

Although Chinese P2P lending businesses have quickly gained momentum, problems have arisen due to the rapid expansion. The most crucial problem that affects all loan businesses is information asymmetry, which occurs when one party in a transaction has less information than the other (Feng et al., 2015; Korkeamäki et al., 2014; Tao et al., 2017; Wei & Mathews, 2017). This problem most severely affects lenders of P2P lending due to its recent introduction and immature development. Traditionally, when banks offer loans, there are financial specialists to evaluate creditworthiness of borrowers. However, there is no such involvement of financial intermediaries in P2P lending, since the company completes all verification process online. This can result in the absence or falsification of crucial borrower information, and thus presents a greater risk of default on loans, even though transaction costs are reduced (Tao et al., 2017). Such a problem is more pronounced in China because of the immature credit system. While in western countries, specialized independent agencies are responsible for organizing and providing the credit scores of P2P lending borrowers, in China a well-defined credit rating system is underdeveloped due to prolonged dominance of state banks and immature private credit businesses. Thus, P2P lending companies use their own credit rating systems that analyze potential borrowers' information such as loan history, personal assets, social connections, and personal characteristics including marital status, gender and age (Mi & Zhu, 2017; Tao et al., 2017). Some businesses have created algorithms that use this information for evaluating creditworthiness and allocating funds. However, most P2P lending companies lack the technology or funds to invest in the development of these systems. This situation increases the risk of customers defaulting on loans, and the absence of effective legislations protecting the lenders intensifies the risk of loss. This eventually hurts the P2P lending companies, as they can lose customers as well as reputation due to the ineffectiveness of connecting credible borrowers to lenders.

There are many studies that focus on the information asymmetry of P2P lending businesses (Feng et al., 2015; Mi and Zhu, 2017; Tao et al., 2017). While the studies mostly aim

to improve or develop effective algorithms that analyze customers' creditworthiness to determine loan decisions, the perspectives and corresponding results vary. The study by Mi and Zhu (2017) concludes that self-initiated financial innovation, which includes algorithms and processes developed by individual P2P lending companies, generally increases the availability of credit and mitigates the effects of information asymmetry. For company-created algorithms, another study by Tao and others (2017) finds that companies can improve their loan efficiency, which accounts for identifying credible customers and suitable loan amount for these customers, by integrating online and offline verification of borrowers' creditworthiness to further reduce information asymmetry. It concludes that offline authentication not only improves overall performance of loan allocation, but also requires less information on personal characteristics, such as gender, marital status and age (Tao et al., 2017). Opposing this theory is the study by Feng and others (2015), which reaches a different conclusion: such personal characteristics, especially gender, frequently play an important role in loan allocation.

The various conclusions for techniques reducing information asymmetry show that P2P companies in China tend to adopt different methods to collect customer information and evaluate creditworthiness. Because of this variation in methods, it is crucial to learn specifically Qianli's strategies for reducing information asymmetry and mitigating the associated risks. The company's current practices of information collection and analysis are key aspects to identifying Qianli's strengths and possible improvement in this project.

2.2.3 Problems of P2P in China: Lack of Regulations

Another area of concern for P2P lending and the Chinese credit market is the lack of regulation ("Inside China", 2014). This problem most directly affects customers of P2P lending. As a developing market, few regulations exist to protect the funds and information privacy of customers, and the latter problem has caught more attention in recent years due to technological advancements. As most P2P lending platforms have online operations, the abuse of personal information is widespread in China (Kshetri, 2014; Yang, 2014). Hackers and insiders have collected personal data from online accounts and financial institutions, and have sold this information on the black market. However, most existing key legislation in China focuses on the aspect of cyber-control and national security, while data protection law remains underdeveloped (Kshetri, 2014). This problem may intensify without action from the responsible government

sectors. With P2P lending businesses increasing in scale, and companies collecting more private information from users of P2P platforms, and without effective data protection laws in place, customer data is at risk of information leakage and usage. Furthermore, with effective legislation, not only do customers benefit from protection of their private information, but businesses can as well by having a guideline on the data needed to evaluate credit-worthiness. The P2P business can perform much more effectively under an improved system in the future.

The lack of regulations poses concerns for information privacy, but also creates opportunities for P2P lending in China, because there is less limit to user information companies can collect and how companies store the information. The problem of data privacy is more focused on P2P in China, but different regulations in India can create new problems for Qianli as the company seeks to expand its market. More specifically, the regulatory environment in India may affect how Qianli collects and stores information from customers. Thus, in addition to information asymmetry, Qianli also needs to consider the effects of local regulations on data collection and storage.

There are significant opportunities and potentials for a company expanding to a new market. However, there are also many challenges ahead. Thus prior to actions, Qianli needs to understand the feasibility of expansion, especially problems that can inhibit the expansion. These problems involve various aspect of the P2P business, including regulations, socio-economics, and infrastructure of credit system in India, which will be discussed next.

2.3 Socio-political, regulatory, and infrastructural barriers to P2P lenders in India.

The research must consider socio-political, regulatory, and infrastructural barriers before the introduction of Qianli's services to the Indian market. Without proper examination of these factors, the company may be left open to repercussions, both legally and market-wise. More specific areas of interest include data privacy and protection regulations, registration guidelines as a Peer-to-Peer (P2P) Non-Banking Financial Company, and Internet access barriers in target markets.

2.3.1 Data Usage, Collection and Privacy: Regulations

P2P lenders must have a method to determine the risk of lending money to a user. Therefore, many lending platforms use data gathered from borrowers in order to accomplish this. Concerned with how companies collect citizens' personal information, the Indian government has implemented regulations to protect the privacy of its people. The Reserve Bank of India has thus developed a set of regulations, called the Master Directions for P2P lenders, wherein there are numerous clauses controlling data collection and storage.

P2P lenders must “store and process all data relating to its activities and participants on hardware located within India” (Master Directions NBFC-P2P, 2017, p.4). Thus, for Qianli to expand to the Indian market, the company needs to ensure it has data processing capability in the country. This is an additional cost to consider prior to expansion. In addition, lenders must disclose on their website the data usage and protection policies in their operations. Should Qianli outsource any data to another company or organization, the Master Directions require a written agreement ensuring the confidentiality of customers' data.

The Indian Information Technology Act of 2000 and its amendments in 2009 also state that the information provider, i.e. the borrower, must know the data that is collected from them and actions taken with their data. The borrower must then accept the terms presented by the P2P platform. The consumer also has the option of rescinding permission to their data at any time, but the corporate body, i.e. Qianli, can deny service in response (Information Technology Act, 2008). This ensures protection of Qianli's assets in the case of a withdrawal from the agreement, however a system to facilitate this through the mobile application must exist. These types of regulations are not unique to India. China also requires that data collected in China must be stored on hardware located in China (Cyber Security Law of the People's Republic of China, 2016). This may pose a challenge for Qianli when considering the possible ramifications of transferring data between India and China.

Various organizations in India have begun protesting these Internet policies. The Software Freedom Law Center, a Delhi based non-profit, identifies itself as the “Defender of Your Digital Freedom” (Software Freedom Law Center, 2018). Its president and legal director, Mishi Choudhary, said that Internet shutdowns deny people of their basic rights and have large social and economic costs (BW Online Bureau, 2017). Before making a final decision about implementing their lending system in India, Qianli will need to determine whether these organizations will significantly impact the future of the Internet in India.

In addition to basic availability of the Internet, there are also unclear regulations regarding data usage. Many organizations have published articles detailing people’s opinions and attempts at ensuring the protection of personal data. A study that examined the attitudes and awareness of the people of India on data privacy laws found that the people generally trusted that companies would not misuse the personal data customers gave to them. The people surveyed were not aware of the fact that companies often sell and trade personal information (Kumaraguru & Sachdeva, 2012). Since there are currently few regulations on the handling of personal data in India, properly addressing this issue in the near future will be vital for businesses planning to continue working in fields dealing with this kind of data.

After the implementation of the General Data Protection Regulation in the European Union, companies in India that dealt with data from the European Union had to comply with the new laws (Arora, 2018). If the companies want to continue working internationally, India must keep addressing these issues as governments introduce new regulations globally, and consider how this might impact their Indian customers.

2.4 Stakeholders

In the P2P lending industry, our main stakeholders consist of those both directly and indirectly affected. The group of directly affected stakeholders include borrowers, investors and Qianli Technologies, the intermediary company running the P2P lending platform. The indirectly affected stakeholders that we identified consist of competitors to Qianli Technologies, and the Indian government. When providing any and all recommendations, we will consider the impact to all previously mentioned stakeholders in order to create the most widely accessible and beneficial lending climate.

2.4.1 Borrowers

The P2P lending industry is designed specifically to increase the accessibility of loans. Borrowers are thus the largest stakeholder in this process, in addition to receiving the most noticeable benefits. Loans provide borrowers with quick access to much needed currency for things such as medical bills, transportation, or any urgent financial situation.

2.4.2 Investors

Similar to borrowers, investors are a necessity to these platforms because they provide the funding for the loans. Investors are a stakeholder due to the risk that they accept when choosing to fund these loans. If the risk is too high or not properly analyzed, it will cause investors to lose money and turn to alternative investments of their assets.

2.4.3 Qianli Technologies

The final direct stakeholder is Qianli Technologies. They are the intermediary that provide the connection between the investors and borrowers. Our recommendations and analysis of implementing their business in India could directly impact their profits which will then affect the employees of the company. The profits of the company have a direct effect on the number of employees as well as their respective salaries.

2.4.4 Competitors

Any business must analyze and consider competitors due to their impact on company profits. Competitors can take away market share and provide a saturated market which can affect implementation strategies and targeted loan products. Competitors can also provide a different perspective or comparison for improving current processes. If Qianli is to expand to India, it becomes a competitor of existing P2P lending companies in India, and will affect the market share of those companies.

2.4.5 The Indian Government

Qianli Technology needs to interact with certain entities within the Indian government should they expand to India. These entities include the Reserve Bank of India, Credit Information Companies and their governmental liaisons, and the Ministry of Corporate Affairs,

as well as others. Qianli must consider and incorporate the needs of these organizations and connect with Royal Bank liaisons.

3. Methodology

This project aims to perform market research on current legislation, cultural barriers, and infrastructure to assess the feasibility of introducing P2P lending platforms in India. This project will provide Qianli with recommendations to assist decision-making on expansion strategies for their service.

We aim to achieve our goals using the following methods:

1. Investigate Qianli's P2P lending platform in China
2. Research the market in India as well as barriers for implementing P2P lending platform
3. Analyze feedback information to create recommendations for implementing Qianli's P2P lending platform in India.

3.1 Qianli's P2P lending platform in China

3.1.1 Interview and survey Qianli employees and customers in China

To gain a more thorough understanding of potential customers and market feasibility, we will perform interviews and surveys with Qianli employees and current customers in China for their respective views on Qianli Technology's strengths, weaknesses, opportunities, and threats. Following this, the interviews will be coded to extract themes and sentiments from subjects. Surveys will be used to perform more quantitative analyses on the sentiments of potential and current users of Qianli's P2P lending platform.

We plan to interview Qianli employees to gain a clearer understanding of the strategy used at the company as it relates to the Indian market. The questions will involve the current strategies of information gathering and analysis. Having this information can help establish a baseline understanding of Qianli's current practices on P2P lending, and we hope to use this information in our competitor analysis and SWOT analysis discussed in later sections. Additionally, we will ask executives how they expect marketing and operations to be different in India, and will consider their business experience as we develop recommendations. We will

consult employees in areas such as company finances, information technology, and marketing as well. We hope to learn from them whether this expansion is feasible with current resources in their departments, and their perspectives on possible company actions (*See Appendix C*).

We will also conduct online surveys with Qianli's current customers in China to understand Qianli's P2P lending platform from a customer perspective. The surveys include general demographic questions for evaluating bias in responses, and will ask Qianli customers about their use of the P2P lending platform, as well as how they rate their experience. This part of the survey involves using a Likert scale, a 7-point scale to offer survey subjects a range of choices and quantify responses. We will summarize the responses by averaging with respect to demographics, and looking at percentage selected for each choice in a question. In addition, the survey includes an open response question for getting feedback from customers on suggested improvement. By conducting this survey, we will find the strengths of Qianli's P2P lending practices and identify areas for improvements (*See Appendix D*).

3.2 Market in India and barriers for implementation

3.2.1 Conduct interviews with students from India at Worcester Polytechnic Institute (WPI).

In order to determine whether the implementation of Qianli's lending platform into India will achieve a successful outcome, we need to investigate the attitude of potential customers. Prior to arriving on site, we plan to gain a preliminary understanding by interviewing students at WPI who come from India. As Qianli's target customers are young professionals, it is essential to learn the opinions of this population. Current students at WPI are a similar target group to Indian young professionals, as they may become future customers should they return to India once completing their degree.

The questions for the students will involve their knowledge of P2P lending platforms and how they view P2P lending practices. Specific interview questions involve: how they define P2P lending, whether they have used any online P2P lending platforms, which P2P lending platforms they are acquainted with, and how their experience has been (*See Appendix A*).

Through these interviews, we can learn about the feasibility for implementation from a potential customer's perspective. WPI students from India may not be entirely representative of the target customers, especially from the economic status perspective. However, as a technical

institute, WPI students are more likely to be familiar with the concept of online P2P lending, and the interview can thus help us gain a preliminary idea of the viewpoints young adults who are familiar with P2P lending from India have on the topic. If responses are mostly negative, it suggests that the target market may not be receptive to P2P lending, and we need to proceed the research with more caution, as well as a more detailed understanding of the potential customer views by the following surveys.

3.2.2 Survey local residents in India

In addition to interviewing WPI students from India, we will survey local residents from Qianli's target demographic to assess perspectives of potential customers towards P2P credit service on a broader scale. With P2P lending being a relatively new phenomenon in India, we must determine the lending process that potential customers find reasonably accessible, and the offerings they find appealing. This will be useful as we contrast Qianli's current offerings to what the market desires. Due to accessibility, we plan to conduct surveys on the target audience in India by providing an online survey administered to university students and young professionals in Hyderabad and Bangalore. While the interviews with WPI students from India can provide us with more information individually on their views on P2P lending, the survey results should provide sufficient data to validate whether a similar understanding is shared among the general target population (*See Appendix B*).

The survey also includes questions for survey subjects who have had a previous experience with P2P on the specifics of the P2P they use. This will help identify current P2P companies in India, and the responses will not only attribute to their perspectives on P2P practices in general, but also on their experience with the companies. This information will be helpful for competitor analysis in later sections.

3.2.3 Interview industry specialists

Through Qianli's existing resources for researching the market in India we plan to perform interviews to determine how the Indian market will receive a new P2P lending platform and Qianli's necessary adaptations in order to implement P2P lending platform in India. Interviewing specialists in the P2P lending sector will present insights into the effects of government regulation, local customer characteristics, and opinions on market saturation.

The interview will first discuss general techniques for P2P lending companies to gather and analyze information while considering data privacy. We will look at similarities and differences in the response the specialists have comparing with responses from Qianli employees. Additionally, this set of interview questions will involve information privacy. Since data privacy regulation is different in India from China, we need to consider the effect of privacy concerns on data collection. Additionally, we will ask about company expansions, and specifically expanding to India. Our interview questions will include general expansion strategies and precautions, as well as some barriers and opportunities for foreign P2P lending companies expanding to India (*See Appendix E*).

3.2.4 Examine Indian Peer-to-Peer regulations and impact

The next stage of our study will examine written regulations to determine what changes Qianli must make before entering the Indian market. By thoroughly reviewing the regulations in place around P2P lending, our team will identify operation areas Qianli needs to adjust to comply with the laws. Organizations who have regulations that we must code and examine may include the Reserve Bank of India, Credit Information Companies, and the Ministry of Corporate Affairs. We aim to determine whether Qianli's current legal team can handle this potential increase in workload, and as such they will be consulted about this aspect.

An analysis of each regulation with a potentially major impact on the company's expansion will involve prioritising each change to operations based on several factors. These factors include cost of implementation, necessary executive involvement, and impact on Qianli's legal team. By presenting the issues in this fashion, Qianli staff can easily visualise the changes that require immediate attention.

3.3 Analyze Feedback to Create Recommendations for P2P Lending

3.3.1 Code qualitative data gathered from interviews

In order to better organize and interpret the collected qualitative data, we need to develop a coding rubric to determine whether the interview data is indicative of a certain sentiment, and to discern themes from. This coding rubric refer to our interviews with Qianli employees and industry specialists. It will contain "Indicators" that a coder will compare transcript data with.

The rubric will allow our group to make assertions on the status of P2P lending in general and at Qianli Technology. In addition, we will use transcript data to draw themes concerning P2P lending sentiments in India.

3.3.2 Competitor Analysis and Case Studies

As there is an existing P2P lending market in India, we must examine how existing competitors differ from each other, as well as from Qianli. We will examine operation differences among these competing company and Qianli, as well as examine indicators of success for each company. Detailed profiles on major competitors will be made. These will include information on each company's offerings, any available, relevant financial information, product lineup, and marketing strategies. We will extract much of this information from surveys of potential customers. Beyond that, we will research any specifics regarding financial information through official websites. Marketing strategies and content will be observed through company social media and advertisements.

After identifying examples of P2P lenders throughout India and China, we will use them as the subject of case studies. These case studies will examine what defines a profitable and sustainable lending strategy, and look at these factors as they pertain to Qianli Technology. We will use the findings to support presented recommendations with evidence and data. This will be crucial for Qianli to understand what competition they will face in India.

3.3.3 SWOT Analysis

An examination of Qianli's strengths, weaknesses, opportunities, and threats (SWOT) will expand on interviews and surveys for Qianli employees and current customers, as well as market research in India. The examination can give a more thorough understanding of the barriers Qianli will face concerning their operations in India. This should present the company with information on where they can focus efforts within their company in order to optimally expand to the Indian market.

This SWOT Analysis will attempt to answer the following questions:

1. What advantages does Qianli maintain over competition?
2. What unique capabilities does the company have access to?
3. How can operations at the company be improved?

- a. From the point of view of executives, employees, company partners.
4. How are government policies changing, and how do they trend?
5. Are there cultural barriers appearing or disappearing?
6. What actions are competitors taking, and what are their effects forecasted to be?

By answering the questions, we plan to create recommendations based on our findings. The SWOT analysis will not only illustrate the current state of Qianli's P2P lending practices, but also provide insight into what actions the company need to take for expanding to India through the observation of opportunities and threats.

Following completion of the SWOT analysis, our team will consolidate all results for a report detailing our findings. The SWOT analysis, combined with the Competitor analysis, will present information to assist Qianli in adjusting offerings and operations to be competitive in this new market.

3.3.4 Generate report of primary sources of Internet-based credit market in India

When determining whether to expand business to a new market, Qianli must have easy access to information such as relevant government policy, background on existing competitors, and socio-economic barriers to operation. We have examined some of these topics through researching primary sources on legislations, and the rest will be the subject of our research in China. Each of these is necessary to present a P2P company with costs to account for, including legal work and deeper analysis of successful competitors. By consolidating the results of our previous methods, as well as the respective background information, a report of our findings will present a high-level view of possible costs for Qianli's consideration.

4. Conclusion

In partnership with Qianli Technology, our team will determine the barriers to entering the P2P market in India, including economic, regulatory, and socio-political hurdles. We plan to identify actions to facilitate a transition into the Indian market. We will accomplish this through research, communication with industry specialists, and close cooperation with Qianli employees and associates to determine what these strategic steps may be.

Through communication and interaction with potential stakeholders, we will be able to determine ground-level problems and examine feasible solutions. We plan to do this through our various methodologies, which include interviewing and surveying online P2P lending experts, current lenders and borrowers, and the target demographic in India. Expanding on this knowledge, we will perform a SWOT analysis to illustrate the areas in which Qianli needs to improve presented offerings. This will examine where and how their strengths can be further bolstered, and how they can differentiate from the current market in India. Furthermore, we will also need to analyze potential competitors to Qianli Technology compare them to determine how the market will respond to a new P2P lending platform.

After our analyses, we aim to develop a streamlined documentation detailing our findings, in a presentation and a report for Qianli Technology and its relevant staff. This documentation will recommend how Qianli may adjust their offerings and practices as they explore a foreign market with unfamiliar customer demands, economic structure and regulatory environment.

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Appendices

Appendix A. WPI Student Interview Protocol

Objective

To interview 8-10 WPI students who grew up in India, in order to better understand the perspective of potential Qianli clients.

Before the interview

We email the students that agree to the interview for their preferred time and location. We ask for permission to record our interview in order to create an accurate transcript. When starting the interview, we first introduce ourselves and our project. We explain that our project involves implementation of Peer-to-Peer (P2P) lending platforms to India with a focus on young professionals as potential customers, and would like to understand the perspectives of young adults from India toward the concept of P2P.

During the interview

Two members of our team will be present for the interview to create a more comfortable environment for the interviewee. One team member will be responsible for asking the outlined questions, and the other will be taking notes and asking any supplemental questions that come up. During the interview, we will first start with an oral consent, and asking for permission to record our interview. After we have delivered the consent, and we have/do not have the permission to record, we will begin our interview questions.

Interview Questions

Demographics

- a. How old are you?
- b. What is your major?
- c. What is your year in school?
- d. Where did you grow up in India?
- e. Where do you live now in India?

Process of Obtaining a Loan

- a. What do you know about the process of taking out a loan?
- b. Are there any private businesses you know that give out loans?
- c. If you were to take out a loan, would you prefer a bank loan or a private third-party loan?

- d. What would you consider taking out a loan for?
 - i. Would you rather take out a loan for small or large amount?

Peer-to-Peer Lending

- a. Have you heard about P2P lending?
- b. Have you taken out a P2P loan?
 - i. How satisfied were you with the experience?
- c. Do you have any friends or family that have taken out a P2P loan?
 - i. Have they talked about their experience?
 - ii. Did they have a positive or negative experience?
- d. (If they have not taken out a P2P or know anyone who has.) How did you hear about P2P lending?
 - i. What do you think about P2P lending?
 - ii. Would you ever take out a P2P loan?
 - iii. What are some considerations or concerns you have for a P2P loan?
- e. (If they have not heard of P2P lending, define the process.)
 - i. (If they recognize the process under a different name, return to the previous questions.)

Appendix B. Survey Questions for Potential Clients

Objective

To survey young professionals in India who might be potential clients for Qianli Technology, in order to understand their attitudes towards Peer-to-Peer lending

Beginning of survey

This survey is part of a school project and will be used as a tool to help understand the attitudes of young professionals in India toward Peer-to-Peer lending. The results of this survey will be completely anonymous, and will only be used for this project and Qianli's research of the P2P market in India.

Survey Questions

Backgrounds

- a. Please indicate your gender
 - i. Male
 - ii. Female
 - iii. I do not wish to answer
- b. Please select your age group
 - i. 18-21
 - ii. 22-25
 - iii. 26-29
 - iv. 30-39
 - v. 40+
- c. How frequently do you use a smartphone?
 - i. Daily
 - ii. Weekly
 - iii. Monthly
 - iv. I do not use smartphone frequently
- d. Where do you currently reside in India?
 - i. [Textbox]
- e. What other places have you resided in India?
 - i. [Textbox]

Process of Obtaining a Loan

- a. If you are to take on a loan, what methods would you use?
 - i. Bank loans
 - ii. Peer-to-peer loan
 - iii. Other (Please specify)
 - 1. [Textbox]
- b. If you were to take out a loan, what amount would you prefer taking on?
 - i. 0-50,000 rupees
 - ii. 50,000-150,000 rupees
 - iii. 150,000-300,000 rupees
 - iv. 300,000+ rupees
- c. What purpose would you consider taking out a loan for?
 - i. [Textbox]

Peer-to-Peer Lending

Online Peer-to-Peer (P2P) lending and borrowing is the process of lending and borrowing through online services that match lender and borrower using information provided from. The platforms usually come in website or mobile app form.

- a. Have you heard of P2P lending?
 - i. Yes
 - ii. No
 - 1. (Show definition)
- b. Have you used P2P lending platform(s)?
 - i. Yes
 - 1. What P2P lending platform(s) did you use?
 - a. [Textbox]
 - 2. On a scale of 1-7 (1-least satisfied; 7-most satisfied), how would you rate your experience?
 - a. [Scale]
 - 3. What are some aspects of their services you like?
 - a. [Textbox]
 - 4. What are some aspects of their services you dislike?
 - a. [Textbox]

ii. No

1. After learning the definition, how likely do you think you will use P2P lending platforms in the future?

- a. Not likely
- b. Somewhat likely
- c. Extremely likely

Appendix C. Qianli Employee Interview Protocol

Objective

To interview Qianli employees in order to better understand the operation of Qianli's P2P lending platform.

Before the interview

We ask our sponsor for permission to interview employees for questions related to the operations of Qianli's P2P lending platform. We will ask for permission to record our interview and the information from the interview that we can include in our project. When starting the interview, we first introduce ourselves and the purpose of our interview. We explain that our project involves implementation of Qianli Peer-to-Peer (P2P) lending platforms to India, and would like to understand how Qianli's P2P platform operates in order to make recommendations for adjusting to Indian market.

During the interview

All four members of our team will be present for the interview in order for all team members to gain a holistic understanding in the subject. One team member will be responsible for asking the outlined questions, and another other will be taking notes and everyone will be responsible for asking any supplemental questions that come up. During the interview, we will first start with an oral consent, and asking for permission to record our interview. After we have received consent to questioning, and have/do not have the permission to record, we will begin our interview questions.

Interview Questions

Process of Information Gathering and Credit Analysis

- a. What information does Qianli gather from customers?
- b. Of the information gathered, what information is used to evaluate creditworthiness?
 - i. Is there a difference between the process for first time users and returning users?
 - ii. What are some risk indicators from the information customers provide that Qianli looks out for?

Credit Risk Concerns

- a. What are some risks for Qianli during a lending/borrowing process?
 - i. How does Qianli reduce the risk directly?
 - ii. Are there any costs associated? How does Qianli reduce the costs?

Customer Feedback

- a. Are the customers of P2P lending more often returning customers, or new customers?
- b. Has Qianli received any feedback from customers regarding the P2P lending platform?
 - i. What are some key elements of the responses?

Researching India

- a. Can you tell us about the research on expanding to the market in India?
 - i. What is the progress for that research?
 - ii. What area does the research focus on?

Appendix D. Survey Questions for Qianli Customers

Objective

To survey current Qianli customers in order to understand the strengths in Qianli's P2P lending, and areas that need improvements.

Beginning of survey

This survey is part of a project and will be used as a tool to help understand Qianli's customer satisfaction with P2P lending platform. The results of this survey will be completely anonymous, and will only be used for this project and Qianli's research.

Survey Questions

Background

- a. Please indicate your gender
 - i. Male
 - ii. Female
 - iii. I do not wish to answer
- b. Please select your age group
 - i. 18-21
 - ii. 22-25
 - iii. 26-29
 - iv. 30-39
 - v. 40+

Customer Feedback on Qianli P2P lending platform

- a. How frequently do you use Qianli's lending platform?
 - i. Only once before and most likely will not use in the future
 - ii. Only once before but will likely use in the future
 - iii. Once or twice a year
 - iv. Once or twice every six months
 - v. Three times or more every six months
- b. On a scale of 1-7 (1 - least satisfied; 7 - most satisfied), how do you rate your experience with Qianli's lending platform?

[Scale]

- c. On a scale of 1-7 (1 - extremely easy; 7 - extremely hard), how do you rate verification process of Qianli's P2P lending?

[Scale]

- d. What are some areas of improvement you would like to suggest?

[Textbox]

Appendix E. Interview Questions for P2P Lending Industry Specialists

Objective

To interview industry specialists in order to understand experts' opinions on peer-to-peer lending strategies, as well as best practices.

Before the interview

We ask our subject for permission to be interviewed in regards to peer-to-peer lending practices internationally. We will ask for permission to record our interview and the information from the interview that we can include in our project. When starting the interview, we first introduce ourselves and the purpose of our interview. We explain that our project involves implementation of Qianli Peer-to-Peer (P2P) lending platforms to India, and would like to understand how P2P platforms operate most effectively in order to make recommendations for adjusting to Indian market.

During the interview

All four members of our team will be present for the interview in order for all team members to gain a holistic understanding in the subject. One team member will be responsible for asking the outlined questions, and another other will be taking notes and everyone will be responsible for asking any supplemental questions that come up. During the interview, we will first start with an oral consent, and asking for permission to record our interview. After we have received consent to questioning, and have/do not have the permission to record, we will begin our interview questions.

Background

- a. What is your experience in fintech or peer-to-peer lending?
 - i. How long have you worked in the industry?
 - ii. What companies have you worked for?

Risk Assessment

- a. How should companies collect useful data to determine risk factors while still ensuring privacy?
- b. What factors are most indicative of a borrower's risk?
- c. What factors are most indicative of a lender's risk?
- d. How do the risk transfers to peer-to-peer lending companies?
- e. What are steps P2P companies take to prevent risk for the borrower as well as the lender?

Expansion

- a. What are some major mistakes peer-to-peer platforms make, both when expanding and when introducing new products?
- b. Is a gradual or rapid expansion more preferable for P2P lending, in terms of marketing and operations?
- c. What are some main factors companies should consider when expanding? What are the additional factors to consider when expanding internationally?

Expansion to India

- a. In your experience, what are some government regulations in India that can affect a foreign P2P lending business starting in India?
- b. What are some cultural differences that affect personal financing decisions in India?
- c. Comparing young professionals in China and India, do you know any similarities or differences in their viewpoints?
- d. Considering the P2P market in India, do you think there is a very high potential for growth in the following few years? How is that potential compared to China?