APPLICATION OF UTAUT2 ON PEER TO PEER (P2P) LENDING PLATFORM IN MALAYSIA

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APPLICATION OF UTAUT2 ON PEER TO PEER (P2P) LENDING PLATFORM IN MALAYSIA

by

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DECLARATION

If what's ahead scares you,

What's behind hurts you,

Look above,

Sai will guide you!

~Shirdi Sai Baba.

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS

ADF   Asymptotic Distribution Free

AVE   Average Variance Extracted

CB-SEM   Covariance Based- Structural Equation Modeling

CFA   Confirmatory Factor Analysis

CR   Composite Reliability

C-TAM   Combined Technologies Acceptance Model

CWM   Crowdfunding-Waqf Model

DOI   Diffusion of Innovation Theory

DTPB   Decomposed Theory of Planned Behaviour

DV   Dependent Variable

EE   Effort Expectancy

EFA   Exploratory Factor Analysis

ELM   Elaboration Likelihood Model

EM   Expectation Maximization

FC   Facilitating Condition

FCA   Financial Conduct Authority

HB   Habit

HM   Hedonic Motivation

IDT   Innovation Diffusion Theory

IE   Investing Experience

II   Intention to Invest in a P2P Lending Platform

IV   Independent Variable

MAR   Missing at Random

MCAR   Missing Completely at Random

MCL	Mobile Cloud Learning
Med	Mediating Variable
ML	Maximum Likelihood
MM	Motivation Model
MNAR	Missing Not at Random
Mod	Moderating Variable
MPCU	Model of PC Utilization
OJK	Financial Services Authority of Indonesia (Otoritas Jasa Keuangan)
OLS	Ordinary Least Squares
PE	Performance Expectancy
PLS	Partial Least Squares
PV	Price Value
P2P	Peer to Peer
R^2	Coefficient of Determination
SCM	Securities Commission of Malaysia
SCT	Social Cognitive Theory
SEM	Structural Equation Modeling
SEC	Securities and Exchange Commission
SI	Social Influence
SME	Small and Medium-sized Enterprise
SPSS	Statistical Package for Social Science
TAM	Technologies Acceptance Model
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
UK	United Kingdom

US   United States

UTAUT   Unified Theory of Acceptance and Use of Technology

VIF   Variance Inflator Factor

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APLIKASI UTAUT2 KE ATAS PLATFORM PEMBIAYAAN PEER TO PEER (P2P) DI MALAYSIA

ABSTRAK

Pembiayaan Peer to Peer (P2P) di Malaysia telah berkembang menjadi bahagian penting dalam ekosistem kewangan. Platform pembiayaan P2P di Malaysia berdaftar dengan Suruhanjaya Sekuriti Malaysia (SCM). Platform pembiayaan P2P agak baharu di Malaysia. Di sebalik pertumbuhan sektor pembiayaan P2P di Malaysia, ia masih menghadapi cabaran dan batasan ketara yang menghalangnya daripada mencapai penerimaan luas. Cabaran-cabaran ini termasuk kadar penyertaan yang sederhana berbanding pinjaman konvensional, halangan kawal selia, risiko yang lebih tinggi dan jurang kepercayaan antara bakal pelabur. Selain itu, isu seperti asimetri maklumat, kadar lalai yang tinggi dan keperluan untuk metrik prestasi yang lebih baik serta strategi pengurusan risiko menghalang pembangunan sektor dan keyakinan pelabur. Menangani isu-isu ini adalah penting untuk industri pembiayaan P2P berkembang dan menjadi mampan dalam ekosistem kewangan Malaysia. Oleh itu, kajian ini bertujuan untuk menyiasat hasrat pelabur individu untuk melabur dalam platform pembiayaan P2P di Malaysia. Rangka kerja teori yang diaplikasikan dalam kajian ini ialah model Unified Theory of Acceptance and Use of Technology 2 (UTAUT2) yang telah dikembangkan lagi dengan mengintegrasikan pembolehubah tidak bersandar iaitu Pengalaman Melabur. Soal selidik tinjauan telah diedarkan kepada pelabur individu Malaysia menggunakan platform media sosial tertumpu pada pelabur individu sahaja. Kesemua data dianalisis menggunakan IBM - SPSS dan Structural Equation Modeling (SEM) melalui Partial Least Squares (PLS). Faktor Persepsi Prestasi, Persepsi Usaha, Motivasi Hedonik, Kebiasaan dan Pengalaman

Melabur mempunyai pengaruh yang signifikan terhadap hasrat pelabur individu untuk melabur dalam platform pembiayaan P2P. Kajian ini membuktikan bahawa kepentingan pulangan yang tinggi, kemudahan penggunaan, pengalaman yang menyeronokkan, dan memupuk penggunaan kebiasaan untuk menarik dan mengekalkan pelabur. Sebaliknya, faktor Pengaruh Sosial, Kemudahan Bersyarat dan Nilai Harga tidak mempunyai pengaruh yang signifikan terhadap hasrat pelabur individu untuk melabur dalam platform pembiayaan P2P, ini menunjukkan bahawa pelabur Malaysia lebih bergantung pada penilaian peribadi dan nilai sedia ada platform berbanding cadangan luaran atau kos yang dilihat. Berdasarkan kajian ini, platform pinjaman P2P harus menumpukan pada meningkatkan pengalaman pelabur dengan membangunkan pengggunaan intuitif, memudahkan proses dan menyediakan sokongan yang teguh. Menyerlahkan prestasi dan potensi pulangan melalui metrik yang telus dan kisah kejayaan platform pembiayaan P2P adalah penting. Melibatkan pelabur dengan elemen interaktif dan pengalaman yang diperibadikan boleh meningkatkan motivasi hedonik. Selain itu, menggalakkan penggunaan kebiasaan melalui pilihan automatik dan kemas kini tetap, dan menyasarkan pelabur berpengalaman dengan ciri termaju dan sumber pendidikan, boleh mengukuhkan lagi penglibatan pelabur. Dengan melaksanakan strategi ini, platform pembiayaan P2P di Malaysia dapat memenuhi jangkaan pelabur dengan lebih baik dan meningkatkan daya saing pasaran pembiayaan P2P.

APPLICATION OF UTAUT2 ON PEER TO PEER (P2P) LENDING PLATFORM IN MALAYSIA

ABSTRACT

Peer to Peer (P2P) lending has developed into an indispensable part of financial ecosystem. P2P lending platforms in Malaysia are registered with the Securities Commission of Malaysia (SCM). P2P lending platforms are relatively new in Malaysia. Despite the growth of the P2P lending sector in Malaysia, it still faces significant challenges and limitations that prevent it from achieving mainstream adoption. These challenges include modest participation rates compared to conventional lending, regulatory barriers, perceived higher risks, and trust disparity among potential investors. Additionally, issues such as information asymmetry, high default rates, and the need for better performance metrics and risk management strategies hinder the sector's development and investors' confidence. Addressing these issues is crucial for the P2P lending industry to expand and become sustainable within Malaysia's financial ecosystem. Hence, this study aims to investigate the individual investors' intention to invest in a P2P lending platform in Malaysia. The theoretical framework which is applied in this study is model of Unified Theory of Acceptance and Use of Technology 2 (UTAUT2) which has been further extended by integrating an independent variable, namely Investing Experience. Malaysian individual investors' focused social media platforms were used to distribute the survey questionnaires. The collected data were analysed using IBM - SPSS and Structural Equation Modeling (SEM) via Partial Least Squares (PLS). Findings indicated that Performance Expectancy, Effort Expectancy, Hedonic Motivation, Habit and Investing Experience significantly influences the individual investors' intention to

invest in a P2P lending platform. These factors evidently show the importance of demonstrating high returns, ease of use, enjoyable experiences, and fostering habitual use to attract and retain investors. Conversely, Social Influence, Facilitating Conditions and Price Value do not significantly influence the individual investors' intention to invest in a P2P lending platform, suggesting that Malaysian investors rely more on personal evaluations and the platform's inherent value rather than external recommendations or perceived costs. Based on these findings, P2P lending platforms should focus on enhancing investors' experience by developing intuitive interfaces, simplifying processes, and providing robust support. Highlighting performance and potential returns through transparent metrics and success stories of P2P lending is crucial. Engaging investors with interactive elements and personalized experiences can boost hedonic motivation. Additionally, encouraging habitual use through automated options and regular updates, and targeting experienced investors with advanced features and educational resources, can further strengthen investors engagement in P2P lending platforms. By implementing these strategies, P2P lending platforms in Malaysia can better meet investor expectations and enhance their market competitiveness.

CHAPTER 1

INTRODUCTION

1.1   Introduction

Chapter 1 outlines the research focus and presents the important issues which warrant to write the research. It briefly renders the research background, highlights on the research problem, points out the research gaps, formulates the research questions and objectives to be addressed, points out the research significance and indicates the research scope. Subsequently, the definitions of the key terms are provided. Finally, this chapter presents the outline of the study and ends with an overall summary.

1.2   Research Background

Peer to peer (P2P) lending or P2P lending platforms are online and direct financial transaction platforms that allow lenders, often referred to as "investors," to lend money to individuals or small enterprises (Klein et al., 2021). P2P lending platforms in Malaysia are designed to give out loans only to businesses and not individual borrowers (Nguyen et al., 2021) which means P2P lending platforms in Malaysia is between investors and businesses (borrowers) only. P2P lending has emerged as a transformative alternative to conventional lending channels, offering enhanced financial inclusion by extending credit to underserved populations (Satish & Vallabhaneni, 2023). Conventional lending often excludes borrowers with low credit scores or insufficient collateral due to stringent credit assessment criteria. In contrast, P2P platforms utilize alternative data sources and advanced algorithms to assess creditworthiness, broadening access to credit for a more diverse demographic (Bachmann et al., 2011; Lin et al., 2017).

The operational efficiency of P2P lending platforms is another significant advantage. Unlike conventional lending with physical branches and extensive staff, P2P platforms operate online, leveraging digital infrastructure to minimize operational costs. This streamlined approach results in lower transaction costs, benefiting borrowers through reduced interest rates and offering higher returns to investors(Freedman & Jin, 2017). Furthermore, the entry of P2P platforms has also introduced a competitive dynamic into the lending market, spurring innovation within conventional lending institutions. Competitive interest rates offered by P2P platforms, resulting from reduced intermediary costs, foster a more dynamic financial ecosystem (Morse, 2015).

P2P platforms are at the forefront of integrating technology into financial services. Utilizing big data analytics, machine learning, and artificial intelligence enables more sophisticated and nuanced credit evaluations than conventional methods. This technological edge allows for more accurate assessments of borrower's credit risk, potentially reducing default rates and improving overall portfolio performance (Iyer et al., 2016). P2P lending significantly contributes to economic development by facilitating access to finance for small and medium-sized enterprises (SMEs), which are often marginalized by conventional lending due to their perceived higher risk. P2P platforms fill this financing gap, supporting entrepreneurial ventures and promoting economic growth.

From a behavioural finance perspective, P2P lending provides insights into the social dynamics of lending and borrowing. The social interaction between investors and borrowers, the role of trust and reputation, and the impact of social networks on lending decisions are critical areas of academic inquiry. Research has explored how social factors influence lending behaviours and the formation of credit markets

(Greiner & Wang, 2010). For investors, P2P lending offers an opportunity to diversify investment portfolios. By allowing investors to lend small amounts to multiple borrowers, P2P platforms mitigate lending risks. This portfolio diversification is particularly appealing in low-interest-rate environments, providing an alternative avenue for potentially higher returns (Herzenstein et al., 2011).

Besides that, the regulatory landscape of P2P lending is evolving, presenting both opportunities and challenges. Ethical considerations, including the protection of borrowers and investors interests, transparency, and data privacy, are paramount in shaping the future trajectory of P2P lending (Milne & Parboteeah, 2016). In the United Kingdom (UK), the Financial Conduct Authority (FCA) oversees P2P lending platforms, ensuring consumer protection and market integrity through stringent guidelines. These regulations cover loan origination practices, investor safeguards, and platform transparency, fostering rapid market expansion exemplified by platforms like Funding Circle and Zopa, which offer competitive interest rates and diverse financing options (Hao et al., 2016; Zhou et al., 2017). Similarly, in the United States (US), P2P lending falls under the purview of the Securities and Exchange Commission (SEC), which enforces compliance with the Securities Act to safeguard investors and stimulate financial innovation. Leading P2P lending platforms such as LendingClub and Prosper have facilitated substantial loan volumes, appealing to investors seeking higher returns compared to conventional investment avenues (Cong et al., 2020; Zhang et al., 2018).

India's P2P lending sector, regulated by the Reserve Bank of India (RBI) since 2017, emphasizes transparency and risk management to support growth amid expanding internet access and a burgeoning population. P2P lending platforms like Faircent and LenDenClub have emerged prominently, promoting financial inclusion

and contributing to economic activities by connecting borrowers with investors in diverse segments (Agarwal et al., 2020; Reserve Bank of India, 2017). In Indonesia, the Financial Services Authority (OJK) has regulated P2P lending since 2016, focusing on consumer protection and sustainable market growth. The sector has expanded rapidly with widespread internet penetration, enabling platforms such as Modalku and KoinWorks to offer accessible financing options and foster economic development across various sectors (Nisa & Soedarmono, 2020; OJK, 2016) in 2018 to address risks associated with rapid market expansion, including platform failures and fraudulent activities. The reforms aimed to enhance transparency, protect investors, and stabilize the market, aligning with broader economic goals while restoring investor confidence in the sector (Xu & Li, 2019).

Comparatively, these countries exhibit distinct regulatory approaches tailored to local contexts, aiming to balance innovation with effective risk management in promoting financial inclusion and supporting economic growth through P2P lending. Malaysia's proactive regulatory environment underscores sectoral growth, while the UK, US, India, Indonesia, and China exemplify evolving frameworks that navigate unique market challenges, reflecting the global evolution and impact of P2P lending on financial ecosystems worldwide. Regulatory frameworks ensure transparency and investor protection, fostering trust (World Bank, 2020). Investors education initiatives plays a key role in mitigating risk perceptions and promoting confidence (Chai et al., 2019). Robust risk management strategies are necessary, as indicated by findings on risk perception (Lyu, 2023). Trust and credibility, essential for long-term platform sustainability, are paramount (Chulawate & Kiattisin, 2023). Understanding the factors driving the intention to invest in P2P lending platforms among investors in

Malaysia is crucial for stakeholders such as platform operators, policymakers, and researchers.

Clearly, P2P lending stands as a pivotal development in the financial sector, addressing critical gaps left by conventional lending channels. By enhancing financial inclusion, reducing operational costs, stimulating market competition, and leveraging technological advancements, P2P platforms provide substantial benefits to both borrowers and investors. Furthermore, the behavioural and social dynamics of P2P lending, along with the evolving regulatory landscape, present rich avenues for academic research. As the financial landscape continues to evolve, P2P lending will undoubtedly remain a key area of interest, influencing policy, practice, and theoretical frameworks in finance.

1.3   Problem Statement

Despite the evident growth in the P2P lending sector in Malaysia, the market still faces significant challenges and limitations. As of April 2023, cumulative funds raised through P2P financing platforms reached RM 2.09 billion (approximately USD 443 million) as shown in Figure 1.1. While this figure indicates substantial growth, it remains modest compared to the conventional lending sector's dominance in the lending market. Although there is rising interest from both borrowers and investors in P2P lending, participation rates are still relatively low compared to conventional lending services as shown in Figure 1.2. This suggests that P2P lending has not yet achieved mainstream adoption in Malaysia (Securities Commission Malaysia, 2023).
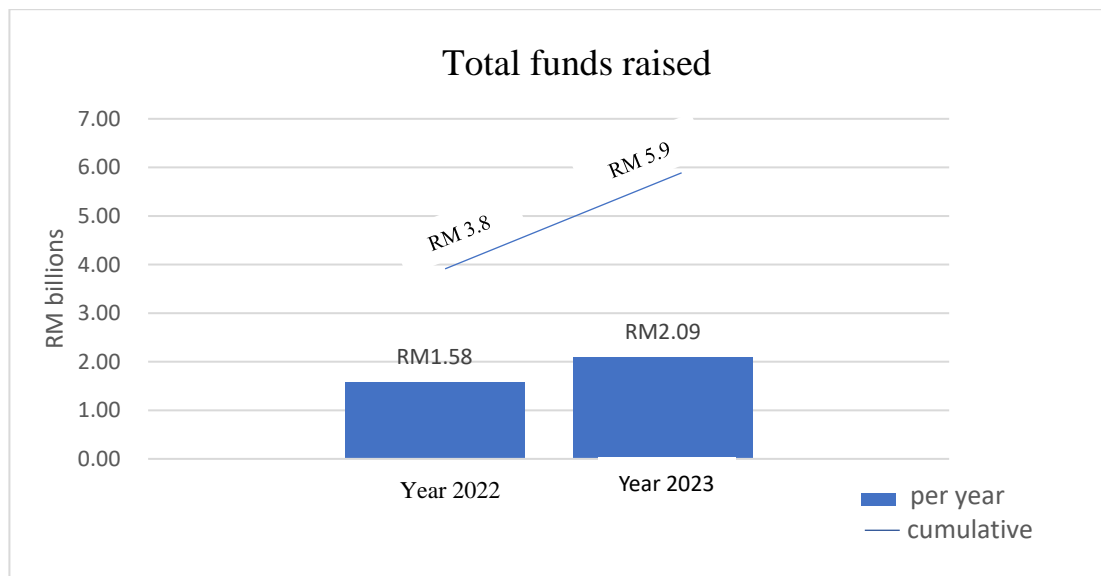
Figure 1.1   Cumulative Funds Raised through P2P Lending Platforms in
Malaysia.

Source: (Securities Commission Malaysia, 2023)

Figure 1.2   Investor Participation in P2P Lending Platforms in Malaysia.

Source: (Securities Commission Malaysia, 2023)

P2P lending platforms, operational since receiving approval from the Securities Commission Malaysia (SCM) in 2016, are designed to facilitate direct financial transactions between investors and borrowers, supporting economic development by filling the financing gap for SMEs (Securities Commission Malaysia, 2023), which are often underserved by conventional lending, thus promoting entrepreneurship and economic growth (Bachmann et al., 2011).

While these platforms are gaining traction and gradually replacing conventional financing methods (Greiner & Wang, 2010), they pose risks due to information asymmetry and high default rates, challenging investors' ability to verify borrowers' creditworthiness (Chen et al., 2022). Investors' decisions are influenced by personal discretion and societal pressures (Chaudhary et al., 2023). Despite the developmental potential of P2P lending in Malaysia, understanding the factors influencing investor intention to invest in P2P lending is crucial due to the inherent risks and the sector's infancy (Klein et al., 2021).

The lower popularity of P2P lending in Malaysia can be attributed to several key factors. The stringent regulatory environment governed by the Securities Commission Malaysia imposes requirements aimed at ensuring investor and borrower protection, which creates entry barriers and limits operational flexibility (Securities Commission Malaysia, 2023). Additionally, potential borrowers and investors often perceive P2P lending as relatively novel and associated with higher perceived risks compared to well-established conventional lending institutions in Malaysia. This trust disparity significantly influences adoption rates, leading many individuals and businesses to favour the perceived safety and reliability of conventional lending services over alternative financing options like P2P lending (Greiner & Wang, 2010).

Moreover, investors engaging with P2P lending platforms prioritize achieving higher returns compared to conventional investment avenues, driving the imperative for market evolution focused on enhancing performance metrics, ensuring robust returns, and implementing transparent risk management strategies (Klein et al., 2021). Streamlining investment procedures, optimizing user interfaces, and providing user-friendly risk assessment tools are pivotal in simplifying processes and elevating investor satisfaction levels (Liu et al., 2020). Social influences such as peer endorsements and regulatory endorsements exert significant sway over investor confidence, necessitating effective communication strategies to cultivate positive perceptions (Chaudhary et al., 2023).

Lastly, strengthening facilitating conditions encompassing robust customer support, well-defined regulatory frameworks, and effective dispute resolution mechanisms is critical for safeguarding investor interests and enhancing overall satisfaction (Securities Commission Malaysia, 2023). Enhancing trust through rigorous data security measures, transparent disclosure practices, and heightened accountability mechanisms serves to further fortify investors trust in P2P lending platforms (Chen et al., 2022). Addressing these dimensions through market evolution promises to foster heightened investor participations, enhance trust and thereby underpinning the P2P lending industry expansion and sustainability within Malaysia's financial ecosystem.

1.4   Research Questions

From the above discussion, the research question is formed as below:

Do the factors (Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Conditions, Hedonic Motivation, Price Value, Habit, Investing

Experience) have an influence on the intention to invest in a P2P lending platform in Malaysia?

1.5   Research Objectives

This study attempts to provide a better understanding on factors influencing the intention to invest in a P2P lending platform in Malaysia. Specifically, the research objective of this study is as follow:

To investigate the factors (Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Conditions, Hedonic Motivation, Price Value, Habit, Investing Experience) towards the intention to invest in a P2P lending platform in Malaysia.

1.6   Significance of the Study

Within the context of factors influencing the intention to invest in a P2P lending platform in Malaysia, this section offers a theoretical contribution and practical implications.

1.6.1 Theoretical Contribution

To begin with, the Unified Theory of Acceptance and Use of Technology (UTAUT) and its expanded version, UTAUT2, stand out as the most comprehensive theories or models employed for forecasting technology acceptance and utilization. These models were conceived by amalgamating various existing theories or models (Venkatesh et al., 2003; Venkatesh et al., 2012). Recognizing that UTAUT was originally devised for a more generic organizational context, Venkatesh et al. (2012) subsequently advanced UTAUT2, tailoring it to better elucidate technology adoption among consumers. In this particular study, the primary objective is to offer an

enhanced understanding, with a specific focus on investors' perspectives, regarding the factors that impact the intention to invest in a P2P lending platform.

Secondly, Venkatesh et al. (2012) proposed future investigations can extend the current research by evaluating the UTAUT2 model across diverse nations, varying age brackets, and diverse technological domains. Alternatively, researchers can explore other relevant variables that may enhance the applicability of UTAUT2 to a wider array of contexts where consumer technology adoption is relevant. To the best of the researcher's knowledge, this study is the initial empirical study based on the UTAUT2 model that focuses on the unexplored dimensions of P2P lending in Malaysia. Hence, this research not only aids in bridging gaps in the existing literature but also adds to the comprehension of Malaysia's P2P lending landscape and the applicability of the UTAUT2 model therein.

Thirdly, this study includes investing experience as an additional factor, as it is considered to affect investment decisions, especially new financial product adoption, for individual investors and households. The reasoning behind integrating the element is based on the idea that investors won't automatically accept the technology unless they have confidence in themselves or are attempting new things in novel ways. In other words, the present study examines the influence on intention to invest in a P2P lending platform using the extended UTAUT2 as the base model with an additional factor (investing experience).

1.6.2 Practical Implications

As an emerging business model, P2P lending not only provides a practical and effective financing channel for SMEs but also provides a high-profit, low-threshold financial management method for investors (Qian & Lin, 2020). Thus, the findings

will guide P2P lending on how to design more investor-oriented lending platform. This study also enables P2P lending platforms to measure how the trade-off between monetary price and the value of the product influencing the utilisation of P2P lending which may help to breed P2P lending platforms' marketing strategies in increasing their source of funding. In this regard, conclusion of this study will help P2P lending platforms to plan how to retain their investors and also how to attract new investors in the long run.

Nonetheless, this study informs about the aspects that investors take into account before investing in P2P lending. As a result, investors can use this study as a source of knowledge and inspiration when deciding whether to invest in P2P lending. Investors can use this study to identify their main priorities in P2P lending. As a result, they would be careful while investing in P2P lending. This will raise the standard of P2P lending platform investment.

Further, the results of the study will be beneficial to the Malaysian government as well. This study provides the government with information about the present knowledge level and preferences of investors for P2P lending platform services, as well as the penetration of P2P platforms among investors. The results of this study can be utilized to establish regulations that encourage investors to invest in P2P lending as an alternative funding source. The SCM governs P2P lending platforms in Malaysia (Zulkefli & Habibi, 2021). In other words, this research could aid in facilitating the development of particular SCM frameworks. As a result, investors will be assured that the platforms are properly governed by the SCM. Due to this, P2P lending platforms might boost Malaysia's economy in the years to come.

1.7   Scope of the Study

The domain of this research is factors influencing the intention to invest in a P2P lending platform in Malaysia because the growth potential of P2P lending in Malaysia is tremendously increasing (Khan & Xuan, 2021). The investigation targets are individual Malaysian investors as they are investors who invest in much smaller amounts than institutional investors and are believed to be less informed and professional (Yan et al., 2015) as discussed in the research background. Owing to this debate, it is therefore reasoned to investigate the factors influencing the individual investors intention to invest in a P2P lending platform in Malaysia. Review of literatures provided an overview of current knowledge, identify relevant theories, methods, and gaps to fully comprehend on this research area. Hence, UTAUT2 serves as the foundation for this study framework, which has been further extended by incorporating an independent variable, namely investing experience. The research framework is investigated based on the data collected in the form of questionnaire. The collected data analysed by using PLS-SEM (Partial Least Squares- Structural Equation Modeling). This method aids in achieving the study objectives and providing answers to the research questions.

1.8   Definitions of the Key Terms

In this research, the following terms are being employed as described in Table

1.1 below.

Table 1.1   Definition of Key Terms

Key Terms	Definition	Source
Peer to Peer (P2P) Lending Platform	Internet-based intermediary for borrower requesting for loans, which is then put out to the community for other individuals (investors) with capital to invest bids for participation within the criteria of the loan without the use of traditional banks.	(Bachmann et al., 2011; Everett, 2015; Herrero-Lopez, 2009; Segal, 2015; Wang & Greiner, 2011)
Performance Expectancy	Degree to which an individual believes that using the system will help him or her to attain gains in job performance.	(Venkatesh et al., 2003)
Effort Expectancy	Degree to which an individual believes the system will be easy to use.	(Venkatesh et al., 2003)
Social Influence	Degree to which an individual perceives that important others believe he or she should use the new system.	(Venkatesh et al., 2003)
Facilitating Conditions	Degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system.	(Venkatesh et al., 2003)
Hedonic Motivation	Degree to which an individual perceives the fun or pleasure derived from using technology.	(Venkatesh et al., 2012)
Price Value	Degree to which an individual reasoning between the cost paid for using the technology and the perceived benefits received.	(Venkatesh et al., 2012)
Habit	Degree to which an individual perceives familiarity of the technology usage.	(Venkatesh et al., 2012)
Investing Experience	Investors previous experience in investing in different financial products and assets.	(Nicolini et al., 2013)
Intention to Invest	Reasons for an investor to invest.	(Sashikala & Chitramani, 2018)
Individual Investor	Individual generating returns by allocating capital to equity or debt investments.	(Lim et al., 2013)

1.9 Outline of the Study

There are 5 chapters in the thesis. Following this introductory section is Chapter 2, which compiles the literature reviews, the underlying theories that serve as the study's foundation, insights into the research framework, and the research hypotheses. The study's methodology, including the research instruments, survey questionnaire design, and method of analysis, are covered in detail in Chapter 3. The study's findings and outcomes are thoroughly detailed in Chapter 4, which is followed by Chapter 5 on the discussion of the findings, interpretation of the contributions and implications, limitations, and recommendations for further research.

1.10 Summary

This chapter presented a study background highlighting on P2P lending platform. The research problem is explained to provide the justification on the need for this research to be conducted. Furthermore, the research gaps are identified along with the highlights on the key research questions and research objectives. Besides, the theoretical and practical significance of the current research is also described with the scope of this research specified.

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

The theoretical reviews that are pertinent to the subject of this study form the first part of this chapter. Second, empirical reviews pertaining to the proposed research framework. Next, justifications on the proposed research framework are discussed. At the end of the chapter, several hypotheses which are developed from the reviews of literatures are presented.

2.2   Theoretical Reviews

It is a challenge for researchers to choose an appropriate theory or model because there are so many prominent technology diffusion, adoption and acceptance theories or models. As a result, researchers usually neglect the contributions of competing theories or models. Hence, Venkatesh et al. (2003) integrated components from eight well-known diffusion, adoption and acceptance theories or models. Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975), Technology Acceptance Model (TAM) (Davis, 1989), Motivational Model (MM) (Davis et al., 1992), Theory of Planned Behaviour (TPB) (Ajzen, 1991), Combined TAM and TPB (CTAMTPB) (S. Taylor & Todd, 1995), Model of PC Utilization (MPCU) (Thompson et al., 1991), Innovation Diffusion Theory/Diffusion of Innovation Theory (IDT/DOI) (Rogers, 1995)(Moore & Benbasat, 1991), and Social Cognitive Theory (SCT) (Bandura, 1986) (Compeau, et al., 1999) that resulted in the Unified Theory of Acceptance and Use of Technology (UTAUT) model formation. Despite the wide acceptance of UTAUT, Venkatesh et al. (2012) expanded UTAUT into UTAUT 2 by incorporating three more

constructs. The extensions greatly increased the variance that could be explained by both technological use and behavioural intention (Chang, 2012). Consequently, UTAUT2 serve as the theoretical foundation of this research. The subsection will elaborate on these theories in further depth.

2.2.1 Unified Theory of Acceptance and Use of Technology

Venkatesh, Morris, Davis, and Davis developed the UTAUT model in 2003 (Venkatesh et al., 2003). It was formed from an integrated view of eight prominent models of the diffusion, adoption and acceptance as shown in Table 2.1. UTAUT provides a unified approach to explain behavioural intention and use of new technology so that researchers no longer need to "pick and choose" one model while neglecting the contributions of other models (Venkatesh et al., 2003).

Table 2.1   Summary of models in UTAUT

Theory	Explanation of the Model
Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975)	Focuses on individual's attitudes toward behaviour and the effect of social norms.
Technology Acceptance Model (TAM) (Davis, 1989)	Examined perceived usefulness and perceived ease of use in the behavioural intentions and actual use of a system.
Motivation Model (MM) (Davis et al., 1992)	Analysed the effect of intrinsic and extrinsic motivations on behavioural intentions to use a new technology.
Theory of Planned Behaviour (Ajzen, 1991)	Extended TRA by adding a perceived behavioural control factor to attitudes toward the behaviour.
The combined TAM and TPB (CTAMTPB) (S. Taylor & Todd, 1995)	Extended TBP by combining the perceived behavioural control, social norms, and attitude toward use of TPB to the perceived usefulness of TAM.
The Model of PC Utilization (MPCU) (Thompson et al., 1991)	The main determinants of PC use were job fit, complexity, long term consequences, affect toward use, social factors and facilitating conditions.

Table 2.1 (Continued)

Theory	Explanation of the Model
Innovation Diffusion Theory/Diffusion of Innovation Theory (IDT/DOI) (Rogers, 1995) (Moore & Benbasat, 1991)	Rogers' diffusion factors include relative advantage, compatibility, complexity, trialability and observability. Moore and Benbasat's diffusion factors include relative advantage, ease of use (complexity), image, visibility, compatibility, results demonstrability, and voluntariness of use.
Social Cognitive Theory (SCT) (Bandura, 1986)(Compeau, et al., 1999)	This model examined determinants including outcome expectancy in terms of performance, personal outcome expectancy, self-efficiency, affect and anxiety.

As depicted in Figure 2.1, the UTAUT model posits that an individual's intention to use a technology is shaped by four key constructs. These constructs are performance expectancy, which refers to how useful the technology is perceived to be; effort expectancy, which relates to how easy it is perceived to be to use the technology; social influence, which concerns the extent to which using the technology is valued within the individual's social network; and facilitating conditions, which involve the individual's belief in having the necessary resources to use the technology. The impact of these predictors is influenced by factors such as age, gender, experience, and the voluntary nature of technology use (Venkatesh et al., 2003).

Al-Saedi et al. (2020) expanded upon the UTAUT model in the context of mobile payment adoption. and found that the most influential predictor of intention to use mobile payment systems is performance expectancy, followed by social influence, effort expectancy, perceived trust, perceived cost, and self-efficacy. Li et al. (2018) examining the intention to use e-book reader apps, it was noted that social influence plays a significant role in user intention. Besides, Almaiah et al. (2019) model to elucidate students' acceptance of mobile learning systems in higher education. Their findings highlighted that perceived information quality, perceived compatibility, perceived trust, perceived awareness, availability of resources, self-efficacy, and

perceived security are the primary drivers influencing student acceptance of mobile learning systems, thus impacting the success of mobile learning projects. .Lastly, Abbad (2021) employed the UTAUT framework to comprehend students' usage of e-learning systems in developing countries. The outcomes demonstrated that performance expectancy and effort expectancy significantly influenced behavioural intentions. Additionally, the results affirmed the direct influence of behavioural intentions and facilitating conditions on students' utilization of e-learning systems.
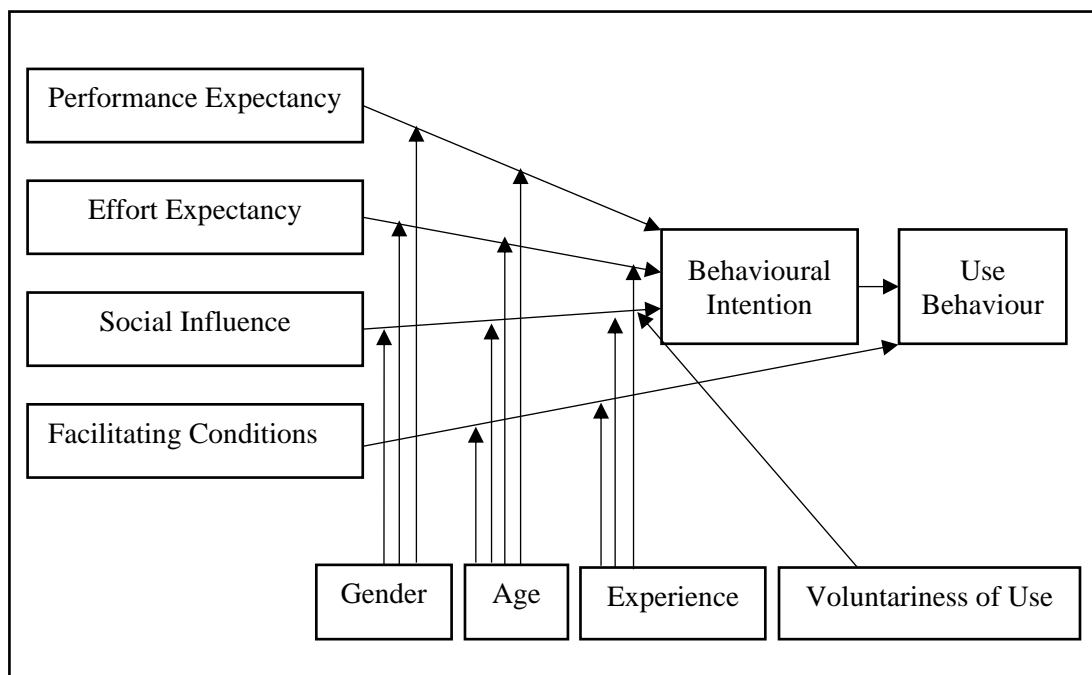
Figure 2.1   UTAUT Model

Source: Adopted from Venkatesh et al. (2003)

2.2.2   Unified Theory of Acceptance and Use of Technology 2

The original UTAUT framework was initially designed to elucidate and forecast technology acceptance within organizational settings (Venkatesh et al., 2003) However, subsequent to its original development, UTAUT was subjected to testing in contexts beyond traditional organizations, as evidenced by Venkatesh et al. (2012,

2016). Over the years, , UTAUT has demonstrated its versatility and applicability across diverse domains, thereby enhancing the theory's ability to be broadly applied (Venkatesh et al., 2012; Neufeld et al., 2007). In response to the rapidly evolving landscape of information communication technologies and the need for increased predictive power, various scholars have extended the UTAUT framework to adapt it to specific contexts (Venkatesh et al., 2012). Despite these adaptations enriching our comprehension of the theory's applicability, the majority of such research remained primarily focused on organizational settings (Chang et al., 2007; Gupta et al., 2008; Yi et al., 2006; Im et al., 2011; AL-Gahtani et al., 2007). However, a notable gap persisted in the literature: the absence of a user behavioural model capable of explaining technology utilization among consumers rather than employees. In light of these limitations, Venkatesh et al. (2012) proposed an extension of the UTAUT model in 2012, aptly named UTAUT2.

The model as shown in Figure 2.2 set out to address two main objectives. First, compared to all prior attempts to extend UTAUT, UTAUT2 was not designed to have a specific focus (e.g., new technology, geographical location). Instead, the goal of the theory was to represent an all-inclusive framework for examining technology acceptance. The extension was designed to give a higher precision in explaining user behaviour (Venkatesh et al., 2012; Alvesson & Karreman, 2007). Secondly, to propose a behavioural model of consumer technology acceptance. The authors developed UTAUT2 by introducing three new constructs and altering some relationships (e.g., removing the voluntariness) in the original model to adapt it to the consumer technology use context. UTAUT2 was extended by including hedonic motivation (i.e., degree to which the fun or pleasure derived from using technology) price value (i.e., cognitive trade-off between perceived benefits and monetary costs of technology

usage) and habit (i.e., "the extent to which people tend to perform behaviours automatically") (Venkatesh et al., 2012).

Dajani and Hegleh (2019) expanded the UTAUT2 model with learning value factor to study Jordan university students' behaviour intention to use animation. The study found hedonic motivation, performance expectancy, social influence, effort expectancy, learning value influences the behavioural intention. Eneizan et al. (2019) extended the UTAUT2 model with trust and risk factors to explore the customer acceptance of mobile marketing in Jordan. The result indicated that performance expectancy, effort expectancy, hedonic motivation, social influence, price value, facilitating conditions, habit and risk significantly influence the behavioural intention of customers on the adoption of mobile marketing. Aisyah et al. (2023) study seeks to investigate and analyse the determinants that influence Generation Z's adoption of P2P lending (Paylater) in Indonesia. The factors performance expectancy, social influence, hedonic motivation, and habit have a significant effect on behavioural intention, whereas effort expectancy, facilitating conditions, and price value is insignificant. Kurniadi et al. (2021) used UTAUT2 model to understand the effect on usage of P2P lending with addition of trust and risk variable. The study found that effort expectancy, social influence, facilitating condition, trust, and risk have positive effects on investors intention to use the P2P lending platform. Mansyur and Ali (2022) researches on the adoption of sharia fintech among millennials in Indonesia using UTAUT2 with moderating effect of Islamic financial literacy. The result showed that performance expectancy, effort expectancy, facilitating conditions, and price value affect behavioural intention positively and significantly, but social influence and hedonic motivation shows a positive but no effect, with Islamic financial literacy does not

moderate the relationship between social influence and hedonic motivation on behavioural intention.

Given these precedents, applying UTAUT2 in this study is well-justified. UTAUT2's comprehensive approach and inclusion of constructs such as hedonic motivation, price value, and habit provide a robust framework for understanding the complexities of investor behaviour in P2P lending. This model can offer nuanced insights into how various factors influence the acceptance and use of P2P lending platforms, thus enhancing the study's predictive power and relevance to consumer technology adoption. By leveraging UTAUT2, the study can better capture the multifaceted nature of technology adoption in a consumer context, particularly within the rapidly growing and evolving domain of P2P lending.
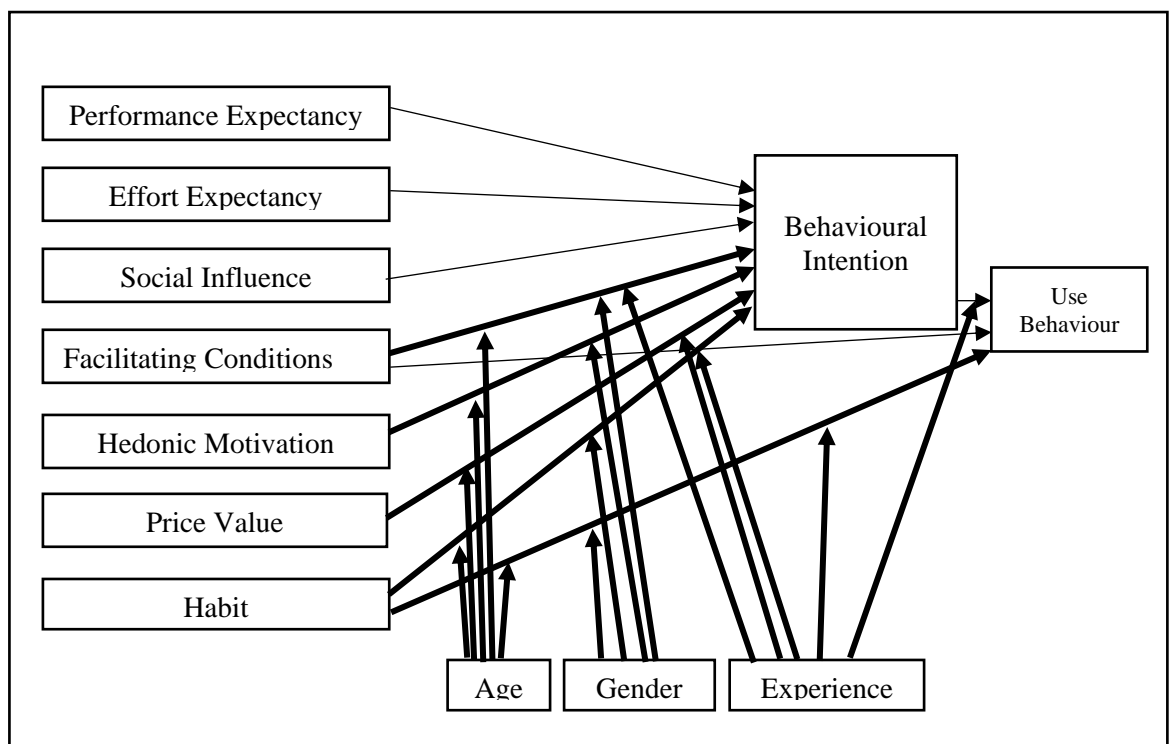

Figure 2.2   UTAUT 2 Model

Source: Adopted from Venkatesh et al. (2012)

2.3   Empirical Reviews

This section analyses previous empirical studies relating to determinants of individual investors' intention to invest in a P2P lending platform. It is to understand why the research topic is worth investigating. The reviews are important to build, deepen or challenge the existing knowledge and fill the gaps within the field of this study.

2.3.1   Dependent Variable

2.3.1(a)   Intention to Invest in a P2P Lending Platform

According to Ajzen (1991), a person's intentions can be used to forecast their future behaviour because the intention is the stimulus for the subsequent pattern of behaviour. The intended behaviour affects the driving force behind a behaviour. The intent will influence behaviour up until the decision is the right one. May determine a person' behaviour based on their intention, which is defined as their perception of how likely it is that they will engage in a behaviour (Ajzen & Fishbein, 1980). A key factor in predicting a person's future behaviour is their intentions, which are constructs of attitudes based on intrinsic values (Angelle, 2006). The intention to use can be defined as the intention of each individual to use a specific technology for their activities so that it can be explained as an intention to use (Ain et al., 2016). In accordance with Sashikala and Chitramani (2018), an investor's decision to invest is dependent on their motivation and efforts to carry out specific acts. The driving forces behind an investor's investments are their investment intentions. Individual investors, also referred to as retail investors, are those who manage their own portfolios through a broker, mutual fund, bank, or other financial institution. Due to the fact that they are using their own

funds, individual investors may be more prone to making emotional decisions (Chaudhary et al., 2023).

Past studies discussed about P2P lending with a different nature of research. The research was done in several country such as Indonesia, China, Brazil, India and Taiwan and some in Malaysia as well. The studies were summarised in Table 2.2. For example, a study done by Kurniadi et al. (2021) extended the UTAUT2 model with trust and risk variables to analyse the key variables that influence investors' intentions to use P2P lending. According to the study, factors including effort expectancy, social influence, facilitating conditions, trust, and risk have a positive impact on investors' intentions to use P2P lending platforms. Potential investors are drawn to use the platforms on their understanding of handling the platforms' resources and platforms customer services. It has been confirmed that investors' intentions to use the P2P lending platform are not significantly influenced by performance expectancy or price value. The study recommended that P2P lending platforms give more detailed and transparent information to assist the in-app experience of investors, including loan information for borrowers, interest calculation, and various customer service contact details. P2P lending platforms must also enhance through brand marketing by providing more informed and detailed information about the platforms in order to prevent a poor public perception of the platforms brought on by the growing number of illegal P2P lending platforms. Lack of understanding of the P2P market and negative headlines about illegal platforms may reduce active investors' trust and disinterest the future investors. As a result, P2P lending requires tight collaboration with several credit rating aggregators to maintain the risk of default by borrowers. To protect investors interests, Indonesia's regulatory authorities should set up a thorough and fair

structure because P2P lending has direct effects on economic growth despite still being relatively moderate compared to other financial services institutions.

Besides, Aisyah et al. (2023) investigates the variables that affect Generation Z's utilization of P2P lending in Indonesia. 200 individuals from Generation Z who had used P2P lending participated in this study. Since Generation Z is the generation that now makes up the majority of Indonesia's population, it is crucial to know the elements that influence the Generation Z's use of P2P lending. While effort expectancy, enabling conditions, and price value do not have a positive and significant impact on behavioural intention. The variables performance expectancy, social influence, hedonic motivation, and habit do have a positive and significant impact on behavioural intention. In another study, Kurniaputri and Fatwa (2022) conducted a study on 250 investors who invested through Islamic P2P lending platform in Indonesia using UTAUT2 model. According to the findings, investors intention is influenced by effort expectancy, habit, facilitating conditions, and hedonic motivation. The investors discovered that using Islamic P2P lending is simple and that investing their money increases their earnings. The investors will continue to invest in the Islamic P2P lending.

Furthermore, Dias et al. (2022) suggested P2P lending platforms may undertake social media campaigns to raise the visibility of their platforms, in light of the poor awareness of P2P lending among Indian consumers. A study done by George et al. (2022) identified Oman's degree of awareness and perception of P2P lending. The questionnaire was distribution via online to 108 people. The study's findings indicate that very little is known about P2P lending platforms. The people don't know a lot about the many forms of investing chances offered by the P2P lending. They consider it as risky and inconvenient P2P lending platform. They don't intend to invest