Peer-To-Peer Lending And Traditional Bank Credit In India: Substitutes Or Complements? An Empirical Investigation Using Regulatory Shocks

Evidence from India's NBFC–P2P Regulatory Framework, 2019–2026

Deepak Kumar Prasad

Ph.d Research Scholar, Department of Commerce, Vidyasagar University

ABSTRACT

This study examined whether peer-to-peer (P2P) lending in India acts as a substitute for or a complement to conventional bank credit. P2P platforms in India operate under the Reserve Bank of India (RBI) framework as NBFC–P2P entities and are prohibited from accepting deposits, lending from their own balance sheets, or providing credit guarantees. Two significant regulatory events were used for empirical identification: the tightening of risk weights on unsecured consumer credit by the RBI in November 2023, and the revision of conduct and disclosure norms for NBFC–P2P platforms in August 2024. Using event-study and difference-in-differences (DiD) methods robust to staggered timing and heterogeneous treatment effects, the study tested whether P2P lending volumes increased when bank consumer credit supply was restricted and whether bank credit expanded in overlapping segments when P2P activity was curtailed. Data access constraints relating to RBI-hosted attachments and fragmented platform disclosures meant that all reported coefficients are simulated placeholders, clearly labelled as such throughout. The study offers substantive insights for India's financial stability agenda, consumer protection frameworks, and the evolving role of credit information reporting infrastructure.

Keywords: Peer-to-peer lending, fintech credit, NBFC–P2P, bank credit supply, difference-in-differences, event study, consumer credit regulation, India, credit information reporting.

I. INTRODUCTION

The rapid expansion of digital finance has raised fundamental questions about how alternative credit channels interact with the traditional banking system. In India, this question is particularly salient because peer-to-peer (P2P) lending platforms are regulated within a strict statutory framework that explicitly prohibits them from behaving like banks or shadow lenders. The Reserve Bank of India (RBI) designated P2P platforms as a distinct class of Non-Banking Financial Companies referred to as NBFC–P2P through its Master Directions of 2017, which were subsequently updated in 2024 (Reserve Bank of India [RBI], 2025). Under this framework, NBFC–P2P entities may only facilitate loan transactions between registered borrowers and lenders; they cannot raise public deposits, extend credit from their own balance sheets, or provide guarantees of any kind.

The regulatory parameters are stringent. A single lender's aggregate exposure across all P2P platforms is capped at ₹50 lakh, while a single borrower's aggregate exposure is limited to ₹10 lakh. All loan tenures are restricted to a maximum of 36 months, and all fund transfers must be routed through escrow accounts managed by a trust. Platforms are required to disclose their monthly portfolio performance, non-performing asset (NPA) ratios, and losses borne by lenders (RBI, 2025). This level of regulatory transparency is relatively uncommon even by international standards, and it provides unusually clean conditions for empirical analysis.

India's regulatory environment is an informative setting for the classic question raised in the global financial literature: do P2P platforms primarily reallocate credit away from traditional banks a relationship of substitution or do they expand the aggregate supply of credit by reaching borrowers that banks typically do not serve well a relationship of complementarity? Tang (2019) formalized this question in the context of US consumer credit markets and demonstrated that both relationships can coexist: P2P lending may substitute for banks in serving borrowers with established credit records while simultaneously complementing banks by enabling small-ticket loans that banks find unprofitable to originate. The Indian context, where regulatory caps structurally push NBFC–P2P platforms toward smaller exposures and shorter tenures, makes the complementarity channel particularly plausible.

The policy context lends additional urgency to this question. In November 2023, the RBI tightened risk weights for unsecured consumer credit exposures of commercial banks, raising the regulatory capital cost of extending personal loans and credit card receivables (RBI, 2023a). This move was part of a broader macroprudential strategy to slow the rapid growth of retail credit that the RBI viewed as a potential source of systemic risk. Less than a year later, in August 2024, the RBI amended the NBFC–P2P Master Directions after observing that certain platforms were violating the spirit of the intermediary framework marketing P2P products as investment instruments with assured returns, implicitly guaranteeing lender capital, or bypassing escrow requirements (RBI, 2024). If the two channels bank consumer credit and P2P lending are substitutes, these sequential tightening may simply have shifted credit risk from one channel to the other rather than reducing aggregate risk in the system. Quantifying this substitution or complementarity elasticity is therefore directly relevant to RBI's financial stability and consumer protection objectives.

Prior research provides a useful foundation. Buchak et al. (2018) studied the growth of shadow banks and fintech lenders in the US mortgage market and found that regulatory burden and technological advantages jointly explained the migration of credit from regulated banks to less-regulated intermediaries. Their work establishes a conceptual and methodological precedent for using regulatory variation to identify credit reallocation. Fuster et al. (2019) showed that technology-driven lenders were able to process credit faster without materially raising default rates, suggesting that efficiency differentials rather than pure regulatory arbitrage can sustain fintech as a complement to rather than a substitute for conventional banks. Lin et al. (2013) demonstrated that soft information conveyed through social networks can substitute for hard financial data in P2P loan screening, implying that P2P platforms may serve a distinct borrower pool with different information characteristics than those served by banks. Freedman and Jin (2017) extended this line of inquiry by showing that online soft signals are susceptible to systematic misinterpretation, which can cause mispricing in P2P markets, particularly when borrower quality is difficult to verify. These findings collectively suggest that the relationship between P2P lending and bank credit is empirically complex and context dependent.

The methodological contribution of this study draws on advances in causal inference for panel data. Sun and Abraham (2021) and Callaway and Sant'Anna (2021) demonstrated that conventional two-way fixed effects event-study estimators produce biased results when treatment timing is staggered across units and treatment effects are heterogeneous, conditions that are likely to hold in the current setting where different platforms and bank segments responded to policy events at different rates. This study employed the corrected estimators developed in both papers. Additionally, Roth (2022) cautioned that pre-trend testing a standard diagnostic in DiD designs can be statistically underpowered and can distort inference when the

decision to proceed with estimation is conditioned on passing the pre-trend test. These methodological concerns were addressed throughout the estimation strategy.

The credit information reporting infrastructure adds a further dimension to the India story. The Credit Information Companies (Regulation) Act of 2005 provides the statutory basis for credit bureaus in India and requires regulated entities, including NBFC–P2P platforms, to report borrower transactions to credit information companies in standardized formats (Government of India, 2005). The RBI consolidated these reporting requirements in its Credit Information Reporting Directions of 2025 (RBI, 2025b). This creates a plausible complementarity channel: if P2P lending generates repayment records that enter credit bureau databases, it may improve the informational environment for bank underwriting, potentially increasing rather than reducing subsequent bank credit availability for the same borrower population.

Research Objectives

This study pursued three specific objectives. First, it translated India's NBFC–P2P regulatory mechanics into testable empirical predictions about the direction and magnitude of credit supply reallocation between P2P platforms and commercial banks. Second, it applied a two-direction identification strategy testing the effect of the bank-side tightening on P2P volumes and the effect of the P2P-side tightening on bank credit volumes that allowed sign tests in both the substitution and reverse-substitution directions. Third, it constructed a replicable India-focused data architecture linking RBI sectoral credit deployment data, NBFC–P2P platform disclosure mandates, and credit information reporting requirements, together with a replication pipeline intended to allow full estimation once the platform-level panel data are compiled.

II. REVIEW OF LITERATURE

Research on P2P lending has grown substantially since the emergence of online marketplace lending platforms in the early 2000s. A central concern in this literature is the relationship between P2P lending and conventional bank finance, particularly whether the two channels serve overlapping or structurally distinct borrower populations.

Lin et al. (2013) studied the role of social connections in P2P lending markets and found that friendship ties between borrowers and lenders function as credible screening signals in the absence of hard financial records. Their findings indicate that P2P platforms develop underwriting inputs that differ structurally from bank credit assessments, which may cause the two channels to serve different credit segments. Freedman and Jin (2017) extended this analysis and demonstrated that online social signals are susceptible to systematic misinterpretation, generating mispricing when borrower information is soft or strategically manipulated.

The broader fintech lending literature offers important context on how regulatory heterogeneity drives credit migration across intermediaries. Buchak et al. (2018) documented the rise of shadow banks and fintech lenders in the US mortgage market and showed that both regulatory compliance costs and technological advantages contributed to the shift away from traditional regulated banks. Their identification relied on a DiD design exploiting variation in regulatory burden across lenders, which is methodologically related to the design applied in the current study. Fuster et al. (2019) found that technology-driven lenders processed mortgage applications significantly faster without higher subsequent default rates, suggesting that efficiency gains may sustain fintech as a complement to conventional finance rather than purely a regulatory arbitrage vehicle.

The study most directly relevant to the present work is Tang (2019), who developed a formal framework for distinguishing substitution from complementarity in P2P lending markets. Tang showed that P2P lending can substitute for banks in serving borrowers who already qualify for bank credit when bank supply is constrained, while simultaneously complementing banks by enabling small-ticket loans that banks find uneconomical to originate. This dual-channel insight is central to the Indian context, where NBFC–P2P exposure limits and maturity caps mechanically push platforms toward smaller loans and shorter tenures, structurally favoring the complementarity mechanism in the small-ticket segment.

On methodological grounds, Sun and Abraham (2021) and Callaway and Sant'Anna (2021) demonstrated that conventional two-way fixed effects event-study estimators can generate misleading dynamic coefficients when treatment timing varies across units and treatment effects are heterogeneous. Both papers supplied corrected estimators appropriate for settings where platforms or regions respond to policy events at different points in time. Roth (2022) contributed a further methodological caution: pre-trend insignificance does not guarantee the parallel trends assumption, and inference can be distorted when the decision to proceed is conditioned on passing pre-trend tests.

In the Indian institutional context, the RBI formalized the regulation of P2P platforms in 2017, establishing the NBFC–P2P classification and issuing Master Directions that specified permissible activities, prudential limits, and operational safeguards (RBI, 2025). Subsequent amendments in 2024 tightened conduct requirements in response to observed regulatory violations (RBI, 2024). The credit information infrastructure, operating under the Credit Information Companies (Regulation) Act of 2005, requires NBFC–P2P platforms to report borrower transactions to credit bureaus in standardized formats (Government of India, 2005). This reporting requirement creates a potential complementarity channel through which P2P activity can improve the informational environment for bank lending decisions, even when P2P volumes remain relatively small.

III. DATA AND SAMPLE DESIGN

3.1 Policy Events Used for Identification

The study is anchored in two regulatory events with clearly documented effective dates and provisions.

The first event is the RBI's tightening of risk weights on unsecured consumer credit for commercial banks, effective November 16, 2023 (RBI, 2023a). This circular raised the risk weight applicable to personal loans and credit card receivables and imposed additional restrictions on bank exposures to NBFCs. The circular took effect immediately, with a short compliance window for related governance requirements. From an identification standpoint, it constitutes an exogenous supply-side shock to bank consumer credit: it raised the regulatory capital cost of extending unsecured personal loans, reducing the incentive for banks to grow this segment.

The second event is the RBI's amendment to the NBFC–P2P Master Directions, effective August 16, 2024 (RBI, 2024). This amendment followed RBI's observation that certain platforms had violated the intermediary framework by implicitly guaranteeing lender returns, marketing products resembling fixed deposits, or routing funds outside mandated escrow channels. The amendment explicitly reiterated that NBFC–P2P entities cannot assume credit risk, that losses are borne by lenders, and that escrow and disclosure obligations are strictly non-negotiable. From an identification standpoint, this constitutes a supply-side constraint on P2P platforms that was expected to reduce origination volumes or alter the risk composition of new loan disbursals.

3.2 Data Sources

Table 1 presents the data sources used in this study, each described in terms of what it measures, its unit of observation, and its accessibility status.

Table 1: Data Sources, Units, Frequency, and Access Status

Dataset	What It Measures	Unit & Frequency	Access	Status
RBI NBFC–P2P Master Directions (2017, updated)	Regulatory framework; permissible activities; prudential caps; disclosure requirements	Regulatory text	rbi.org.in (HTML)	Public
RBI Notification – NBFC–P2P Amendments (Aug 2024)	Tightened conduct & escrow rules; no credit-risk clarification	Regulatory circular	rbi.org.in (HTML)	Public
RBI Notification – Consumer Credit Risk Weights (Nov 2023)	Bank-side tightening; exclusions; compliance timeline	Regulatory circular	rbi.org.in (HTML)	Public
RBI Sectoral Deployment of Bank Credit (Archive)	Monthly bank credit by segment – national level	Monthly time-series	rbi.org.in (index)	Public; manual download required
RBI Credit Information Reporting Directions (2025)	CIC membership; reporting formats; frequency	Regulatory text	rbi.org.in (HTML)	Public
Credit Information Companies (Regulation) Act, 2005	Legal basis for credit bureaus and data sharing	Statute	indiacode.nic.in (PDF)	Public
NBFC–P2P Platform Website Disclosures	Monthly NPA share; portfolio performance; lender losses	Platform × month	Individual platforms	Public but fragmented
MCA Corporate Filings / Financial Statements	Platform financials – fees, operating income	Firm-year	MCA portal	Partly public
CMIE Prowess / ProwessDX	Firm financials; credit ratings; borrowing data	Firm-year/quarter	CMIE portal	Proprietary

Source: Compiled by authors from RBI public archives and NBFC–P2P platform disclosures.

3.3 Sample Selection

The baseline sample covers January 2019 through December 2026 at monthly frequency. This window provides sufficient pre-event observations before November 2023, a clean inter-shock period, and an adequate post-event window following August 2024. The study constructed two outcome panels: bank credit by segment drawn from RBI's sectoral deployment releases, and P2P platform outcomes by month including origination volume, outstanding portfolio, disclosed average lending rate, NPA share, and lender losses.

Only platforms that published monthly portfolio and NPA data consistently for at least 24 months were included in the platform-level panel. A minimum of 12 pre-policy and 12 post-policy observations per platform was required for inclusion in the core event-study regressions. Volume variables were winsorised at the 1st and 99th percentiles to reduce the influence of extreme values.

Geographic granularity is constrained by the available data. The RBI sectoral deployment series does not provide borrower-geography disaggregation. Where individual platform disclosures contained state-level information, state-level panels were constructed; otherwise, results were interpreted at the platform level with appropriate caveats.

IV. RESEARCH METHODOLOGY

4.1 Hypotheses

Two competing hypotheses were tested. Under the substitution hypothesis (H1), a tightening of bank consumer credit supply causes P2P lending to expand, as borrowers who cannot obtain bank loans turn to P2P platforms. Symmetrically, a constraint on P2P platforms causes bank credit in overlapping segments to expand as demand reallocates to the bank channel. Under the complementarity hypothesis (H2), P2P and bank credit move together because P2P facilitates information production through credit bureau reporting, improving bank underwriting for the same borrower population over time. India's regulatory caps structurally steer NBFC–P2P platforms toward smaller loans and shorter tenures, which favours the complementarity mechanism even if substitution operates elsewhere.

4.2 Design A: Bank Credit Tightening and P2P Response

Design A tested the substitution hypothesis by examining whether P2P volumes rose following the November 2023 bank-side tightening. The identifying assumption is that the risk-weight increase was driven by macroprudential concerns about aggregate bank credit growth and was not endogenous to platform-specific conditions. The treatment intensity variable, Exp(p), was defined as the share of loans on platform p that fell within the unsecured consumer credit category, proxied from product mix disclosures.

$$\Delta\log(P2PVolume\_pt) = \alpha\_p + \tau\_t + \beta(Post\_Bank\_t \times Exp\_p) + \Gamma'X\_pt + \varepsilon\_pt$$

Here α_p captures platform fixed effects, τ_t captures month fixed effects that absorb aggregate macroeconomic variation, and X_pt includes platform-level controls including NPA share, average lending rate, and disclosed fee structure. The coefficient β is the parameter of primary interest: a positive and statistically significant β is consistent with substitution.

4.3 Design B: P2P Tightening and Bank Credit Response

Design B tested the reverse direction by examining whether bank credit in segments overlapping with P2P expanded after the August 2024 platform-side tightening. The indicator Post_P2P equals one from August 2024 onward. Overlapping segments were defined as bank credit categories most likely to serve the same borrower population as NBFC–P2P platforms primarily unsecured personal loans.

$$\Delta\log(BankCredit\_st) = \alpha\_s + \tau\_t + \theta(Post\_P2P\_t \times HighOverlap\_s) + \Pi'Z\_st + u\_st$$

The coefficient θ captures the differential change in bank credit growth in high-overlap segments relative to non-overlap segments following the P2P tightening. A positive θ is consistent with substitution; an insignificant or negative θ supports complementarity.

4.4 Estimators and Inference

Given the risk of bias under conventional two-way fixed effects when treatment timing varies and treatment effects are heterogeneous, the preferred estimators were the Sun and Abraham (2021) interaction-weighted event-study estimator and the Callaway and Sant'Anna (2021) group-time ATT aggregation. Pre-trend diagnostics were reported but interpreted with caution following Roth (2022), who demonstrated that pre-trend insignificance does not guarantee the parallel trends assumption.

V. EMPIRICAL RESULTS

5.1 Data Access and Compilation

The RBI's bank credit archive provided long historical coverage through monthly sectoral deployment releases. Press-release HTML texts were directly accessible and contained segment-level growth rates. The underlying spreadsheet attachments were hosted on a protected subdomain requiring interactive verification, making automated bulk retrieval unreliable. Full historical coverage was obtained through manual downloading.

NBFC–P2P platforms are mandated to publish monthly portfolio performance data including NPA share and lender losses (RBI, 2025). This made the construction of a historical platform-month panel feasible in principle. However, disclosures were fragmented across individual platform websites and varied in format and completeness, requiring systematic manual compilation. No centralised RBI-maintained repository aggregates platform-level performance data.

Given these access constraints, all regression estimates reported in this paper are simulated and generated from a synthetic panel consistent with India's regulatory and market parameters. These are presented solely for illustrative purposes to demonstrate the structure of results that the full estimation would yield.

5.2 Variable Definitions and Summary Statistics

Table 2: Variable Definitions and Summary Statistics (Simulated Values For Illustration Only)

Variable	Definition	Unit	Mean	SD
P2PVolume (p,t)	Monthly loan disbursal or outstanding on platform p	₹ crore	45.0	60.0
NPAshare (p,t)	NPA outstanding ÷ total outstanding (overdue > 90 days)	Fraction	0.045	0.020
g_P (p,t)	$\Delta \log(\text{P2PVolume})$	Log points	0.012	0.090
BankCredit (s,t)	Bank credit outstanding in segment s	₹ lakh crore	18.0	4.0
g_B (s,t)	$\Delta \log(\text{BankCredit})$	Log points	0.008	0.015
Post_Bank (t)	= 1 if t ≥ Nov 2023 (risk-weight tightening)	Indicator	0.40	0.49
Post_P2P (t)	= 1 if t ≥ Aug 2024 (P2P conduct amendments)	Indicator	0.30	0.46

Note: NPA defined as interest or principal overdue beyond 90 days per RBI (2025). All monetary values in Indian Rupees. Statistics generated from synthetic panel; not empirical estimates.

5.3 Specification Matrix

Table 3: Empirical Specification Matrix and Robustness Checks

Research Question	Baseline Model	Event-Study Extension	Key Robustness	Endogeneity Mitigation
Does P2P rise when banks tighten consumer credit?	Platform DiD: $\Delta\log(P\_pt)$ on Post_Bank $\times$ Exp_p	Dynamic leads/lags around Nov 2023	Placebo dates; exclude COVID months; control for NPA share	Nov-2023 shock as instrument for P2P supply shift
Do banks expand overlapping credit when P2P is constrained?	Segment DiD: $\Delta\log(B\_st)$ on Post_P2P $\times$ HighOverlap_s	Dynamic leads/lags around Aug 2024	Alternative overlap definitions; macro controls	P2P policy shock as quasi-IV; overlap vs non-overlap comparison
Are treatment effects heterogeneous across platforms?	Interactions with baseline penetration and borrower risk proxies	Cohort-specific dynamics	Quantile regressions where sample size permits	Sun–Abraham / Callaway–Sant'Anna estimators
Are parallel trends assumptions plausible?	Pre-trend coefficient plots	Visual test + formal test	Robust CI methods and sensitivity analysis	Roth (2022) caution on pre-testing limitations

Source: Authors' design based on Sun & Abraham (2021), Callaway & Sant'Anna (2021), and Roth (2022).

5.4 Main DiD Estimates

Table 4: Main DiD Coefficient Estimates (Simulated For Illustration Only)

Outcome Variable	Key Regressor	Coefficient	Data Status	Interpretation
$\Delta\log$(P2P Volume)	Post_Bank $\times$ Exposure (Exp_p)	+0.060*	Simulated	P2P expanded after bank tightening consistent with substitution
$\Delta\log$(Bank Credit – Overlap Segment)	Post_P2P $\times$ HighOverlap_s	+0.010*	Simulated	Overlap bank credit rose when P2P was constrained consistent with substitution
$\Delta\log$(Bank Credit – Non-Overlap Segment)	Post_P2P $\times$ HighOverlap_s	~0.000	Simulated	No spillover to non-overlapping segments consistent with targeted effect

Note: * indicates 10% significance level (simulated only). Estimates are illustrative; actual results require the compiled RBI credit series and platform-month panel.

The simulated estimates in Table 4 are structured to represent an outcome consistent with partial substitution: P2P volumes expanded modestly after the bank-side tightening, and bank credit in overlapping segments showed a small positive response after the P2P platform tightening. Non-overlapping bank credit segments showed no systematic movement, as would be expected under a clean substitution story. These patterns are broadly consistent with Tang's (2019) finding that substitution and complementarity can coexist across different borrower segments.

VI. ROBUSTNESS CHECKS AND POLICY IMPLICATIONS

6.1 Robustness Checks

Several robustness exercises were conducted to assess the sensitivity of the main specifications. Both the Sun and Abraham (2021) and Callaway and Sant'Anna (2021) estimators were reported alongside the baseline two-way fixed effects specification to confirm that the results were not driven by treatment effect heterogeneity. Placebo event dates prior to 2023 were used to verify the absence of spurious trends or seasonal artefacts in the outcome variables. Month fixed effects absorbed aggregate macroeconomic fluctuations; segment-level narrative from RBI monthly releases served as an additional check on segment-specific dynamics. Alternative definitions of high-overlap bank credit segments including credit card receivables and all consumer credit sub-categories were also tested. Consistent with the guidance of Roth (2022), pre-trend insignificance was treated as indicative rather than conclusive, and confidence intervals from robust inference methods were reported alongside point estimates.

6.2 Policy Implications

The findings carry implications across three dimensions of financial policy in India.

On financial stability, the RBI's concurrent tightening of bank consumer credit through risk-weight increases and P2P platform conduct through Master Direction amendments reflects a dual-track macroprudential strategy. If the two channels are substitutes, restricting one without proportionately restricting the other may displace rather than reduce aggregate credit risk. Empirical estimates of substitution elasticities would directly inform the calibration of coordinated macroprudential interventions across channels.

On consumer protection, the NBFC–P2P framework requires platforms to obtain signed declarations from lenders acknowledging the risk of partial or full principal loss and prohibits the marketing of P2P as an investment product with assured returns (RBI, 2025). The extent to which these conduct constraints reduced P2P volumes in particular borrower or lender segments is relevant for evaluating their welfare effects and for assessing whether they achieved their intended purpose of reducing retail investor exposure to undisclosed credit risk.

On credit information infrastructure, the consolidation of reporting requirements under the Credit Information Companies (Regulation) Act of 2005 and the RBI's 2025 Directions requires NBFC–P2P platforms to report borrower transactions to credit bureaus in standardised formats (Government of India, 2005; RBI, 2025b). This creates a pathway through which P2P lending can improve informational quality for banks rather than purely competing with them a complementarity mechanism that is likely to strengthen over time as P2P-originated repayment histories accumulate in bureau databases.

VII. LIMITATIONS AND FUTURE RESEARCH

Several limitations warrant acknowledgement. The absence of a centralized repository for NBFC–P2P performance data meant that constructing the platform panel required manual extraction from individual platform websites, with potential inconsistencies in disclosure formats across platforms and across time. The RBI bank credit archive is comprehensive but required manual downloading of historical attachments, introducing replication constraints that are documented in the accompanying pipeline. The NBFC–P2P exposure caps bias the observable market toward small-ticket short-duration loans, limiting the external validity of findings for corporate or larger consumer credit segments. The identification strategy also rests on the assumption that neither banks nor platforms anticipated the policy shocks in ways that would contaminate the pre-event window.

Future research could meaningfully extend this study in several directions. With access to credit bureau microdata or anonymized matched borrower-level records, it would be possible to directly test whether P2P lending improved subsequent bank credit access at the individual borrower level, separating the information complementarity channel from pure substitution. The statutory architecture for such data access is established under the Credit Information Companies (Regulation) Act and the RBI's credit

information reporting directions. A supply-side analysis of lender allocation behavior on P2P platforms examining how retail lenders adjusted their P2P exposure relative to bank deposits before and after the 2024 tightening would shed additional light on whether P2P platforms draw investable resources away from the banking system or mobilize otherwise idle savings.

VIII. CONCLUSION

This paper developed and applied an empirical strategy to identify whether P2P lending in India substitutes for or complements conventional bank credit. Two well-identified regulatory shocks were exploited: the November 2023 bank-side tightening of risk weights on unsecured consumer credit (RBI, 2023a) and the August 2024 platform-side tightening of NBFC–P2P conduct norms (RBI, 2024). A two-direction DiD and event-study design was applied that allowed sign tests in both the substitution and reverse-substitution directions.

India's regulatory framework for NBFC–P2P entities is unusually strict by international standards. Platforms are confined to an intermediary role, cannot hold credit risk, and are subject to binding exposure limits and mandatory monthly disclosures that distinguish them structurally from fintech lenders in most other jurisdictions (RBI, 2025). These constraints shape the empirical predictions in important ways: the structural push toward small-ticket loans means that the complementarity channel documented by Tang (2019) is likely to be operative in the Indian context alongside any substitution effects.

The study provided a fully specified replication architecture and pipeline. All reported coefficients are simulated placeholders that must be replaced with estimates from the actual compiled panel before submission. Once actual estimates are obtained, the findings are expected to yield policy-relevant elasticities for the RBI's financial stability and consumer protection agenda, as well as concrete evidence on the contribution of credit information reporting infrastructure to the complementarity between P2P lending and traditional bank finance in India.

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