

Influencing Factors on the Lending Intention of Online Peer-to-Peer Lending: Lessons from Renrendai.com

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I. Introduction

Compared to traditional financial intermediary such as bank, in an online P2P lending platform, borrowers appeal directly to lenders and use textual narratives to describe their loan. Online communication provides convenient tools for people to interact with others who are not geographically connected.

However, trust to the borrower and platform is important for lenders to make transaction due to the risks of virtual environment. Some lenders usually are highly suspicious of strangers in the online world while others are too trusting and sometimes misjudge the risks. For these reasons, the online P2P lending platform has some potential risks for its users, especially for lenders in case of losing money. In the online P2P lending platform, lenders

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often have to consider deeply about the platform itself and borrowers before making lending decisions. Thus, factors that influence trust between lenders and borrowers, between the online P2P lending platform and lenders are posited as a prominent barrier to lenders' intention to lend money to unknown borrowers. As trust is critical for high-risky transactions in online financial environment, lack of establishment of trust will limit an individual's willingness to utilize this convenient but risky channel to cooperate with potential partners.

For the online P2P lending platform, a pure online financial intermediary, how to initiate trust between transaction parties is a crucial issue. This study draws on these three aspects: System-based trust, Cognitive-based trust and Affective-based trust to examine the lending intention. Furthermore, this study particularly broadens the scope of the lending intention to include negative factor (perceived risk). Our research may offer both academic implications for future studies to explore deeper understanding in this area and practical implications for the online P2P lending managers to formulate relevant policies. On the other hand, the online P2P lending has experienced rapid growth in China because of China's fast economy growth and people's higher and higher consumption level. In the environment of online P2P lending, borrowers with good credit level can directly get loan

from lenders without confirmation of financial institutes. Thus, through using online P2P lending platform, borrowers and lenders can gain better user experience. In the current study, we select Renrendai.com (www.renrendai.com) as our survey target since it is one of the representative online P2P lending platforms in China. It has more than 2 million members and its total volume of transaction exceeds 150 billion CNY. In addition, by reviewing business reports, it can be found that among several famous online P2P lending platforms in China, Renrendai.com can best match Chinese users' idea of investment profit.

Although online P2P lending in China is developing rapidly and gaining more and more attention, related empirical researches about Chinese online P2P lending market are still limited. Most studies in the online P2P lending area focused on the secondary data analysis or only introduce the basic concept of online P2P lending and its business model. A deep understanding of the behavior intention of lender or borrower is needed to discuss. Since some online P2P lending platforms may have management defects and some borrowers may not be able or willing to repay loans on time, trust building is more difficult in the online P2P lending than other kinds of online business. Therefore, it is extremely important for lenders to judge the borrowers and choose the right online P2P lending platform. The empirical results of this study may give future

researches references to develop some more integrated research models related to Chinese online P2P lending market and offer the online P2P lending managers a deep and comprehensive understanding of lenders' perceptions, to improve business strategies for risk reducing, customer relationship management and trust-building mechanisms in China and encourage online P2P lending.

II. Literature Review and Hypotheses Development

2.1 Trust Beliefs

2.1.1 Categories of Specific Trust Beliefs

The importance of trust in e-commerce has been widely discussed for many years and recently trust in the online P2P lending marketplace is also gaining more attention (Zhang et al., 2012; Bachmann et al., 2011; Wang et al., 2015; Wan et al., 2016; Chen et al., 2015; Emekter et al., 2015). By reviewing previous studies related with e-commerce, it found that antecedents of trust can be divided into several categories. For example, according to the research of Gefen et al. (2003), it discussed five specific aspects of trust in the context of online shopping. They divided trust into calculative-based trust, cognition-based trust, knowledge-based trust, institution-based

trust and personality-based trust. The idea of classifying antecedents of trust into several subgroups in the environment of online shopping can also be adopted in the online P2P lending marketplace. Moreover, in the study of Wang et al. (2016) and study of Dowell et al. (2015), they examined the importance of affective-based trust in area of B2B relationships building and online recommendation.

In our study, *institution-based trust*, more specifically we define as *system-based trust* based on the nature of the current study, refers to the trust related to guarantees and assurances of the online P2P lending platform. In bricks-and-mortar financial institutions, with the offline communication, institutions and clients can easily build trust compared with that in online visual marketplace. In the context of online P2P lending, this view carries weight in that an online P2P lending platform should represents users' expectation, in turn they will be more inclined to trust the online P2P lending platform. *Cognition-based trust* refers to the first impressions of the online P2P lending platform users rather than the judgment through their experiences. It involves users' assessment of the online P2P lending platform. Based on public promotion and second hand information or word of mouth information, users can make a judgment of an online P2P lending platform. In an uncertain situation, cognition-based trust is utilized to help individuals placing more trust in the trustee.

Affective-based trust is related to emotions and the social connections. In the current study affective-based trust involves lenders' emotional bonds related to the trustee. In the current study we identify the two elements: relational embeddedness and trust propensity. The emotions of the relationship between lenders of an online P2P lending platform and the trustee may be an essential component in the initial phases of the relationship. For example, by making an affective assessment, a lender may simply trust or not trust the trustee without a sound evidence-based reason (Dowell et al., 2015). The details of trust beliefs will be discussed in the following parts.

2.1.2 Platform Trust and Borrower Trust

Besides three categories of specific trust beliefs, based on the nature of the online P2P lending platform, this study divides initial trust into two general ones---platform trust and borrower trust. The former refers to the belief which lenders believe that the online P2P lending platform can establish and stick to the principles in the marketplace to keep a fair and multi-beneficial business relationship, and provide necessary protections and resources to protect benefits of lenders in case of some potential opportunistic behaviors from borrowers. The latter refers to the belief that the borrowers will make cooperation for win-win results and meet lenders' expectations without opportunistic behaviors (Chen et al.,

2015; Wang et al., 2015). In the online peer-to-peer lending, users' accounts are vulnerable to information interception and information asymmetry. For lenders, they often face various problems such as loan default or even losing money. These security problems will definitely increase lenders' perceived risk and uncertainty. As a result, in the online P2P lending marketplace, trust should be built between lenders and borrowers, between lenders and the online P2P lending platform to reduce lenders' anxiety and uncertainty concerning the online environment and mitigate perceived risk and facilitate lenders' lending intention (Zhou, 2013; Chen et al., 2015). The current study defines platform trust as the willingness of the lenders to trust that the online P2P lending platform will keep the accuracy of the information they provide, provide service that can meet lenders' expectations and offer structural assurance to protect lenders' benefits. In addition, lenders can make a proper assessment of the online P2P lending platform based on the awareness and reputation of the online P2P lending platform and their perception of risk of the online P2P lending platform. On the other hand, before the lenders join the transactions, they need to browse the loan lists provided by the borrowers and personal information of the borrowers, as a result, trust in the borrowers is also crucial for lenders. Borrower trust is the trust in an unfamiliar trustee, a relationship in

which the both parties do not yet have credible, meaningful information about each other.

Many studies have found that trust can significantly influence trust performance, particularly future behavior intentions. For example, Kim and Park (2013) claimed that consumers' trust in a seller of social commerce is an antecedent of their purchasing intention. Yap et al. (2010) examined the effects of trust on mobile banking and found a significant relationship between trust and users' willingness to adoption. Other studies have concluded that consumers who trust an online product or service provider are likely to show use intentions of their product or service (Park et al., 2012; Kim and Park, 2013; Pi et al., 2012; Zhou, 2013; Zhou, 2011). However, very few studies have examined this relationship in the context of the online P2P lending marketplace. In the online P2P lending marketplace, lenders always have to face uncertainties from both the transaction environment and transaction partners, so they need to judge the trustworthiness of both the lending platform and borrowers before making decisions.

2.2 System-based Trust

2.2.1 Service Quality

Service quality reflects reliability, responsiveness, assurance and personalization. Providing qualified services will signal service

providers' ability and benevolence. In contrast, if service providers present unreliable services and slow responses to users, users cannot build trust toward them. Service quality has been featured extensively in the financial services marketing literature; hence, this study will draw the readers' attention to the relevance of service quality in the proposed model. Extant researches have disclosed the importance of service quality to user initial trust building in e-commerce area, online banking and mobile finance services (Kim and Lennon, 2013; Zhou, 2013). As the online P2P lending platform transfers the traditional idea of loan into the internet without the mediation of financial institutions, it should strive to customize loan services to meet users' individual needs. For instance, it should provide prompt response to lenders' requests when they suggest improvements or meet problems. During the transaction process, it also should ensure the efficiency, effectivity and flexibility of the whole transaction. Moreover, as for new registered members, the online P2P lending platform should give some guidance to satisfy their experience. (Bachmann et al., 2011; Chen et al., 2015; Wan et al., 2016). The quality of the online P2P lending service is expected to affect e-trust directly, which represent trust cues that transfer the trustworthiness of the site and the system to lenders. As the online P2P lending platform provides more personalized and

high-quality services, lenders get more value and feel satisfied from the new kind of finance service, in turn they have the tendency to invest in the future and build trust with the platform (Emekter et al., 2015; Wang et al., 2015). The current study argues that trust for the online P2P lending precedes its adoption and service quality has a role in influencing the initial trust processing.

2.2.2 Information Quality

Information quality has been defined as information relevance, sufficiency, accuracy and timeliness through the literatures of e-commerce, online banking and mobile finance. In the online P2P lending platform, lenders expect to invest and acquire their transaction information more convenient and user friendly. If the information provided by the platform is irrelevant, inaccurate or out-of-date, lenders may doubt the online P2P lending providers' ability and integrity to present qualified online P2P lending investments. Especially in China, as the public credit system is still immature, the lenders can only depend on the information that provided by the online P2P lending platform. Previous studies on P2P lending stated the importance of borrower credit and loan listing information quality. Under the current situation of Chinese financial marketplace, only if the online P2P lending platform provides accurate, timely and sufficient information about the lending, the

lenders' benefits can be guaranteed. Furthermore, the qualified information plays an important role when lenders considering loan default or fraud. The lenders can assess the reliability of the loan list by reviewing the online information. If the online P2P lending platform strengthens supervision toward borrowers' hard information such as financial situation, education background, income certificate etc., will greatly facilitate the lenders' trust in the platform (Chen et al., 2015; Wang et al., 2015; Wan et al., 2016). Since the limitation of empirical evidences in the area of online P2P lending, we refer extensive literatures in e-commerce area and online finance to conduct our research. For example, Kim and Park (2013) noted that information quality affects social commerce users' trust on the shopping platform. Many other previous studies have confirmed information quality is a very important element of electronic commerce system, mobile payment system and mobile banking (Zhou, 2013; Zhou, 2011; Koo and Wati, 2010). Poor information quality may decrease lenders' satisfaction as they expect to obtain qualified information from the online P2P lending instead of traditional financial market. The higher the quality of the information, the more sincere and professional the online P2P lending platform is. In turn, these will influence the lenders' trust in the platform (Emekter et al., 2015; Wang et al., 2015). Therefore, how

information is organized and presented is extremely important for trust building in the online P2P lending platform.

2.2.3 Structural Assurance

In this study, we define structural assurance as a system-based trust construct. Lenders, especially the new registered members, are reluctant to use the online P2P lending services. Structural assurance as a role of guarantees that protect personal information, ensure the transactional confidentiality, and systematize contractual terms and conditions will build the initial trust and confidence in the online P2P lending services (Zhou, 2012; Oliveira et al., 2014, Chen et al., 2015; Afshan and Sharif, 2016). Lenders understand that there are risks associated with the online P2P lending platform since the information asymmetry between borrowers and lenders may lead opportunistic behaviors. The formalized structural assurances of the online P2P lending platform will prevent such opportunistic behaviors and decrease information asymmetry. Perceived security of an online P2P lending platform can attract more lenders to associate with that environment. Unlike other e-commerce platforms, the online P2P lending platform does not implement escrow party to protect users' benefits, structural assurances are vitally important for lenders to judge an unknown online P2P lending provider. Systematic

agreements, contracts, regulations, policies, laws, feed-back forums, guarantees, etc. will enhance trust between online P2P lending platform and lenders. A high level of structural assurance of an online P2P lending platform means the lenders are able to overcome uncertainty of the Internet environment such that they are intend to use. Based on the reasoning, the following hypotheses are formally stated:

- H1: Service quality positively affects lenders' trust in an online P2P lending platform.
- H2: Information quality positively affects lenders' trust in an online P2P lending platform.
- H3: Structural assurance positively affects lenders' trust in an online P2P lending platform.

2.3 Cognitive-based Trust

2.3.1 Awareness

From the studies of Pi et al. (2012) it described the importance of awareness when to create online trust. Previous marketing literatures emphasize the importance of the brand awareness, which is a component of brand knowledge. If lenders have the knowledge of a particular online P2P lending platform, no matter this knowledge is positive or negative, lenders' awareness toward an online P2P lending platform is high (Lu et al., 2014). If lenders are more familiar with an

online P2P lending platform, the lenders' confidence toward the platform will increase. Then the online P2P lending platform will gain trustworthy recognition to establish trust among lenders (Afshan and Sharif, 2016). The study of Yoon (2002) about trust in online purchase decisions stated that normally, it seems to make sense that online trust can be relative easily built when a website is with high-awareness or a website's search results are in fulfillment for its visitor. Similarly, in the environment of online P2P lending, site awareness and fulfillment of search results may be necessary for trust building and consumer future behavior. When consumer positive brand awareness of the product or service is higher, their attitudes toward the product or service are more positive (Lu et al., 2014). In our study, platform awareness, effective search, and effective fulfillment may be serves as a proxy to assess the borrowers' credibility. The platform with high positive awareness reflects how seriously and professionally the platform operates. Now it is the initial phase of the online P2P lending development in China, the online P2P lending marketplace is facing a rapid growth but is still ragged. Many online P2P lending platforms do not implement supervision measures for the users and some others have relatively strict and professional regulatory initiatives. We argue that the high-awareness of an online P2P lending platform not only influence the lenders'

confidence in the platform but also in the borrowers. Consequently, trust formation of the lenders will in turn lead to loan lending intention through the platform. Just like other kind of online business websites, the online P2P lending platform requiring high user awareness that will induce positive influence in the process of online trust building. Awareness of a new technology is based on its core dynamics (Zhang et al., 2012; Velmurugan and Velmurugan, 2014). One of the most important reasons of customers' reluctance for adopting online P2P lending is their unawareness of its services and advantages compared to traditional financial institutions. The importance of awareness toward the online finance can be found in previous literatures, for instance, Hanafizadeh and Khedmatgozar (2012) notes that low degree of awareness of online bank is a crucial factor in causing users not to adopt online bank. The idea can also be adopted in the online P2P lending, in the online P2P lending platform awareness of its advantages and services also has a significant positive effect on use intention of the services. The volume of information that lenders receive about online P2P lending is considered to be one of the main essential factors in considering adopting it (Hassanein and Head, 2007; Hanafizadeh and Khedmatgozar, 2012; Zhang et al., 2012).

2.3.2 Reputation

As online P2P lending lenders lack direct experience, they need to depend on second-hand information such as word of mouth, here we refer reputation to form their initial trust in the online P2P lending. As reputation represents an antecedent of trustworthiness, reputation will induce the effect as supporting condition. Sometimes products or service developers are recommended by third-party websites, public organizations or customers. If a potential customer perceives the product or service to have a positive reputation, it is reasonable to conclude that the consumer's trust would increase (Fang et al., 2014; Loureiro et al., 2014; Harris et al., 2016; Köster et al., 2016). Since most lenders do not have personal experience with an online P2P lending platform, reputation can be one of the core factors to attracting lenders. Hearing from someone else that interacting with an online business provider is a positive experience which can help reduce users' perceived risk when transacting via the website. The same as in traditional business market, an online business provider with a good reputation enjoys a higher level of customers' trust. In addition, a good reputation is a valuable intangible asset for many online businesses and provides consumers with safety (Kim and Park, 2013). Because many online P2P lending firms in China are start-up firms, creating a positive

reputation is particularly crucial for those online P2P lending platforms to be successful. Lenders' perception of the reputation of an online P2P lending site plays a key role in building their trust in that site and its borrower, especially when considering loan default and fraud. Previous studies of e-commerce have demonstrated a close relationship between reputation and trust (Kim and Park, 2013; Park et al., 2012; Kim and Lennon, 2013). In addition, the reputation of an online P2P lending site is often shared among lenders and thus plays an important role in fostering use intention toward it. Based on these theoretical backgrounds, it suggests that lenders are likely to consider an online P2P lending site's reputation as an important factor in evaluating not only the website's credit but the borrowers' credit when considering lending money to borrowers (Emekter et al., 2015; Chen et al., 2015; Wang et al., 2015). Reputation is more important when engaging in online lending than in "brick-and-mortar" lending because lenders perceive higher risk (Zhou, 2011). Past researches in the area of e-finance has found that perceived reputation is indeed a factor in the creation of trust and adoption of e-finance (Yap et al., 2010). A finance service provider's reputation reflects the users' perception of its capability to provide the service with affectivity, the efficiency of the firm, and the credibility of its business management. It plays a crucial role in developing users' confidence

and their intention to use the services (Oliveira et al., 2014). In the online P2P lending, a good reputation will increase lender's recognition of a newly introduced financial service and helps gain confidence in future lending intention.

2.3.3 Perceived Risk

Risk, in general, refers to the perceived probability of loss or harm. Reduced level of perceived risks in an online consuming environment will exert consumers' trust in e-business provider, which suggests the close relationship between risk and trust (Park et al., 2012). Factors concerning trust and risk have been identified as prominent obstacles to the adoption intention of new financial services (Tsiakis, 2012; Hanafizadeh et al., 2014; Bryson et al., 2015; Köster et al., 2016). In the online P2P lending platform, lenders are vulnerable to several risks such as possibility of failing to deliver the desired benefits, potential monetary loss from the opportunistic behavior, potential loss of self-esteem from the frustration of not achieving ideal benefit, potential loss of control over personal information. In the online business, especially business related with finance, the perceived risk may reduce users' perception of control, which can influence the level of willingness to depend on an online product or service provider. High perceived risk will adversely impact users' willingness to upload personal information and transaction (Liao et al., 2011;

Yi et al., 2013). In the online P2P lending environment, lenders can neither get the complete information about the borrowers nor trace the full past behaviors. The existence of information asymmetry could be a severe problem in the online lending. Due to these reasons, perception of risks will definitely influence lenders' trust in the platform and the borrowers (Chen et al., 2015). In this study we define perceived risk as a lender's belief about the potential uncertain negative outcomes from the online lending. When investing through an online P2P lending platform, a lender has to provide substantial personal information, including address, phone number, and even confidential credit card information. Thus such risk may influence lenders initial trust to the online P2P lending platform. It is expected that the lower the lenders perceive risks, the higher possibility they will trust the online P2P lending platform and borrower and lend money via the online P2P lending platform. Based on the reasoning, the following hypotheses are formally stated:

- H4: Awareness of an online P2P lending platform positively affects trust in the platform.
- H5: Reputation of an online P2P lending platform positively affects trust in the platform.
- H6: Perceived risk of an online P2P lending platform negatively affects trust in the platform.

- H7: Awareness of an online P2P lending platform positively affects trust in the borrower.
- H8: Reputation of an online P2P lending platform positively affects trust in the borrower.
- H9: Perceived risk of an online P2P lending platform negatively affects trust in the borrower.

2.4 Affective-based Trust

2.4.1 Relational Embeddedness

Bonner and Walker (2004) defined relational embeddedness as “the degree to which the firm's alliance relationships are facilitated using trust, mutuality, and flexibility.” According to the study of Bernardes and Zsidisin (2008) social network theory explains that exchanges will occur through interpersonal ties embedded in social attachments. Low level of embeddedness consists of arm's length ties and high level of embeddedness involves relational embedded ties. Based on the frequency of past interactions relational embeddedness has been developed. The commercial transactions of social attachments are surrounded by relational embedded ties. These types of relationships would encourage cooperation which results in trustful cooperative behavior. Online social networking functions provided by the online P2P lending platform enables lenders and borrowers to declare friendships with one another (Liu et al.,

2015). These embedded ties create their commercial transactions as well as behavioral expectations in social attachments because these ties transfer the opportunism to trustful cooperation. Moreover, these behaviors will create a new basis for online P2P lending. The loan listing develops high relational embeddedness from borrowers with lenders, and thus facilitates initial trust. Consequently, cooperation and investment improves. In summary, when the loan listing has high relational embeddedness, lenders can perceive sense of trustfulness of the borrower (Chien et al., 2012; Chen et al., 2015; Liu et al., 2015). The context of our study is the ties that exist between lenders and borrowers, a nearly universal interpersonal relationship in the online P2P lending market. Relational embeddedness helps to increase the level of trust between lenders and borrowers, and consequently motivates the lenders to make lending and possibly maintain long-term strategic alliances.

2.4.2 Trust Propensity

Trust propensity has been defined as a general tendency for or inclination toward showing faith or belief in humanity and adopting a trusting stance toward others (Zhou and Tian, 2010). Disposition to trust has an essential impact on the initial formation of trust because lenders may vary in their readiness to trust others when they have insufficient

information, especially in an unfamiliar situation (Zhou, 2011). A trustee's characteristic-based factor (trust propensity) had a direct effect on trust to borrower in the context of online P2P lending. In the presence of minimal or no experience in using the wireless Internet as a platform for financial transactions, trust propensity is expected to color people's trusting perception in the wireless Internet. Those with high trust propensity are more likely to feel comfortable or safe with using the wireless Internet for financial transactions. Trust propensity reflects a lender's natural tendency to trust other people. Trust propensity represents a person's disposition to rely on others in various situations (Kim et al., 2011). McKnight et al. (1998) divided trust disposition into two types: faith in humanity which means a person believes in the reliability and dependability of people; and trusting stance that means a person believes that other people will be better off when they deal with people as if they are reliable. Thus individuals' trust tendency plays a crucial role in determining initial confidence in their business counterpart. In summary, the following research hypotheses are structured:

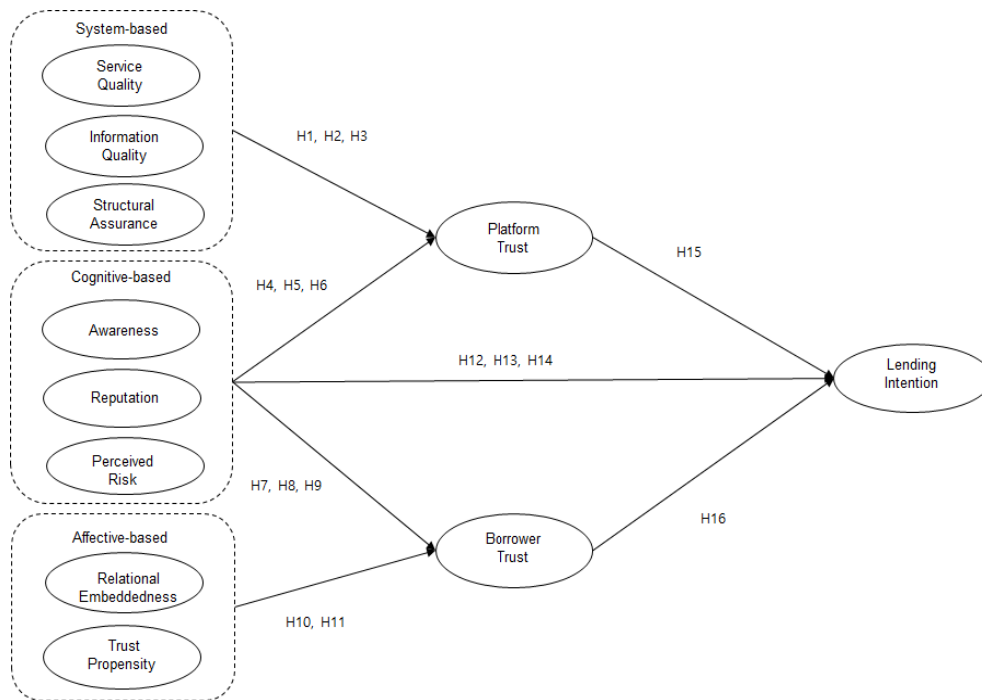
- H10: Relational embeddedness positively affects trust in the borrower.
- H11: Trust propensity positively affects trust in the borrower.

2.5 Lending Intention

Lenders' behavior, particularly their willingness to lend money through the online P2P lending platform is the ultimate and crucial step of lenders' interest to an online P2P lending platform. This study measures lending intentions of Renrendai.com in consideration of the difficulty of examining actual behavior in an experimental setting. As it was, numerous previous literatures of technology acceptance have measured behavioral intentions instead of behaviors (Kim and Lennon, 2013, 노미진 등, 2010; 노미진·황보충, 2016; 손달호, 2015). For most online P2P lending sites, the main and ultimate goal is to persuade lenders to make lending to borrowers. Increased trust will definitely positively impact a person's attitude towards a particular behavior and which will in turn increase a person's intention to perform a behavior (Yap, 2010; Wang et al., 2015; Bachmann et al., 2011; Wan et al., 2016). Since online P2P lending consists of some potential risks, lenders need to judge the creditworthiness of both the lending platform and borrowers while they are going to make a lending decision. The online P2P lending platform and the borrowers are different groups, as a result, lenders usually consider both of them and then make decisions about whether to lend. Prior studies of online shopping, online transaction or mobile banking

indicate that online behavior intention is not only influenced by users' trust in the website but also by their trust in persons who involved (Zhou, 2013; Oliveira et al., 2014; Harris et al., 2010; Köster et al., 2016; Hong and Cho, 2011). For these reasons, in this study, it is reasonable to posit that lending intention is influenced by trust in an online P2P lending platform and trust in the borrower. Based on the theoretical background, we propose the research model in figure 1 and the following hypotheses:

- H12: Awareness of an online P2P lending platform positively affects lending intention.
- H13: Reputation of an online P2P lending platform positively affects lending intention.
- H14: Perceived risk of an online P2P lending platform negatively affects lending intention.
- H15: Trust in an online P2P lending platform positively affects lending intention.
- H16: Trust in the borrower positively affects lending intention.



<Figure 1> Research Model

Ⅲ. Empirical Analysis and Results

3.1 Research Methodology

This study empirically tested survey data to investigate whether service quality, information quality and structural assurance significantly impact lenders' trust in online P2P lending platform; whether awareness, reputation and perceived risk significantly impact lenders' trust in the online P2P lending platform, trust in the borrower and lending intention; whether relational embeddedness and trust propensity significantly impact lenders' trust in borrower; whether lenders' trust in the online P2P lending platform and in the borrower significantly impact lenders' lending intention. The system-based trust (Service Quality, Information Quality and Structural Assurance), cognitive-based trust (Awareness, Reputation and Perceived Risk), platform trust, borrower trust and lending intention are operationalized by items reflecting the extent to which respondents consider quality of service, information and structural assurance that Renrendai.com offers and the extent to which respondents aware of Renrendai.com, how they consider reputation of Renrendai.com and how they perceive risk of Renrendai.com. In addition, how they assess trust of Renrendai.com and the borrowers as well as their tendency to lend. The items for these

constructs were generated from previous literatures in the e-finance, online transaction and mobile banking, both conceptual and empirical (Yap et al., 2010; Liao et al., 2011; Pi et al., 2012; Zhou, 2013; Zhou, 2011; Koo and Wati, 2010). The items are measured on a five-point Likert scale with anchors ranging from (1) Strongly Disagree to (5) Strongly Agree. The affective-based trust (Relational Embeddedness and Trust Propensity) are operationalized by items tapping into the extent of closeness and reciprocity. The items were drawn primarily from the social network literature and research adopting this theory (Hallin et al., 2011; Li et al., 2013; Lavie et al., 2012; Musteen et al., 2010; Chien et al., 2012; Liao et al., 2011). Prior researches were developed to tap into the underlying component of relational embeddedness and trust propensity and they were also measured on a five-point Likert scale with anchors ranging from (1) not at all to (5) to a very great extent. Questionnaire survey is the main method of this study and we develop 42 items. We send the survey to registered members of Renrendai.com and used Sojump.com to collect questionnaire, finally we get 246 valid samples. The first part of questionnaire survey is the demographic information of the registered users of Renrendai.com. The rest parts of the survey measuring the subjective responses of the respondents. After collecting questionnaire, we use SPSS 18.0 and AMOS

20.0 to analyze data.

3.2 Empirical Results

As to the demographic information, the number of male is 147, accounting for 59.8%, the number of female is 99, accounting for 40.2%. The age of most lenders ranges from 20-29, the number is 146, accounting for 59.3%. The following are 30-39 (91 respondents), above 40 (7 respondents) and below 20 (2 respondents). In the aspect of education, most of the respondents are graduate from 3-year

college or 4-year university, the number is 214, accounting for 87%. In the aspect of monthly income, income of most respondents ranges from 3001-5000 CNY, the number is 97, accounting for 39.4%. Number of respondents whose monthly income more than 10000 CNY is 9, accounting for 3.7%. In addition, most of the respondents have registered Renrendai.com for 1-2 years, the number is 112, accounting for 45.5%. 142 respondents use Renrendai.com 1-3 times per month, accounting for 57.7%. Details of demographic information are listed in table 1.

<Table 1> Demographic Statistics

	Item	Number	Percentage %
Gender	Male	147	59.8
	Female	99	40.2
Age	Below 20	2	0.8
	20-29	146	59.3
	30-39	91	37.0
	Above 40	7	2.8
Education	High school or below	17	6.9
	3-year college or 4-year university	214	87.0
	Graduate school	15	6.1
Income	3000 CNY or below	25	10.2
	3001-5000 CNY	97	39.4
	5001-8000 CNY	85	34.6
	8001-10000 CNY	30	12.2
	Above 10000 CNY	9	3.7
Period	Less than 1 year	86	35.0
	1-2 years	112	45.5
	2-3 years	39	15.9
	More than 3 years	9	3.7
Frequency	1-3 times	142	57.7
	4-6 times	72	29.3
	7-9 times	18	7.3
	More than 9 times	14	5.7

Exploratory factor analysis and reliability analysis were first performed to determine the factor structure and dimensionality of service quality, information quality, structural assurance, awareness, reputation, perceived risk, relational embeddedness, trust propensity, platform trust, borrower trust and lending intention measures. Discriminant validity analysis and fitness of structured model were then conducted. At last, regression analysis was utilized to test the mediating role of platform trust and borrower trust. Results of the exploratory “Principal Factor Analysis” suggest that the explanation power of the 11 constructs is 82.184% which is more than 70%, so the validity of our survey is acceptable. The factor loadings found in the rotated component matrix were ranged from 0.660 to 0.929 which were larger than the lowest acceptance level of 0.50. Meanwhile, all the values of Cronbach’s α for each construct ranged from 0.892 to 0.938 which were larger than 0.70. All composite reliability values were larger than 0.8, suggesting acceptable reliability. All AVE values are greater than 0.5 which suggesting acceptable convergent validity at the construct level.

Then we use common method bias test since if measures are affected by common-method bias, the intercorrelations among measures can be inflated or deflated depending upon several factors. This test consists of a factor analysis

of all relevant variables. An exploratory factor analysis (EFA) will be performed with no rotation and to check whether all of the factors will be returned. If a single factor does not emerge and one factor does not account for most of the variance, it is safe to conclude that common method variance does not constitute a threat to the analysis. In the common method bias test result (table 3), there is only one factor going to emerge. If the factor explains more than 50% of the variance, there will be problems. In our case, it only explains 27.209% of the variance. Although that there are a lot of variance to be explained by a single factor, it’s not majority. In addition, table 4 shows the discriminant validity. It has been proved that constructs are different if the square root of the AVE of a certain construct is larger than the absolute value of the standardized correlation of that construct with any other construct in the analysis. According to the table, the correlation indicators of all variables are less than the square root of AVE which assured the discriminant validity. Furthermore, table 5 shows the results of Goodness Fit Index of this study. Most of them meet the standard of the recommended values, indicating a good fitness of the research model. Although GFI value does not meet the recommended level, it is acceptable. The fit indices of the initial path analysis indicated that the path model is consistent with the data.

<Table 2> Validity and Reliability Analysis

Construct	Item	Factor Loading	Cronbach's Alpha	CR	AVE
Service Quality	SQ1	0.836	0.893	0.926	0.679
	SQ2	0.888			
	SQ3	0.832			
	SQ4	0.888			
Information Quality	IQ1	0.860	0.910	0.937	0.717
	IQ2	0.855			
	IQ3	0.883			
	IQ4	0.894			
Structural Assurance	SA1	0.884	0.912	0.939	0.724
	SA2	0.865			
	SA3	0.899			
	SA4	0.861			
Awareness	AWA1	0.785	0.904	0.940	0.760
	AWA2	0.804			
	AWA3	0.706			
Reputation	REP1	0.890	0.938	0.956	0.734
	REP2	0.893			
	REP3	0.888			
	REP4	0.901			
Perceived Risk	PR1	0.874	0.936	0.954	0.789
	PR2	0.878			
	PR3	0.867			
	PR4	0.797			
Relational Embeddedness	RE1	0.863	0.926	0.950	0.767
	RE2	0.887			
	RE3	0.929			
	RE4	0.886			
Trust Propensity	TP1	0.873	0.913	0.939	0.726
	TP2	0.859			
	TP3	0.881			
	TP4	0.896			
Platform Trust	PT1	0.823	0.925	0.947	0.759
	PT2	0.818			
	PT3	0.771			
	PT4	0.840			
Borrower Trust	BT1	0.740	0.892	0.934	0.741
	BT2	0.761			
	BT3	0.694			
Lending Intention	LI1	0.796	0.927	0.948	0.760
	LI2	0.660			
	LI3	0.748			
	LI4	0.733			

<Table 3> Common Method Bias Test

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.428	27.209	27.209	11.428	27.209	27.209

<Table 4> Discriminat Validity Test

	SQ	IQ	SA	AWA	REP	PR	RE	TP	PT	BT	LI
SQ	0.824										
IQ	0.152	0.847									
SA	0.042	0.110	0.851								
AWA	0.160	0.120	0.252	0.872							
REP	0.046	0.158	0.092	0.289	0.891						
PR	-0.025	-0.159	-0.081	-0.433	-0.217	0.888					
RE	-0.131	0.104	0.110	0.176	0.181	-0.219	0.876				
TP	0.066	0.051	0.096	0.212	-0.022	-0.157	0.042	0.852			
PT	0.221	0.252	0.296	0.638	0.329	-0.377	0.134	0.148	0.871		
BT	0.072	0.198	0.207	0.570	0.301	-0.603	0.261	0.313	0.467	0.861	
LI	0.087	0.210	0.170	0.584	0.364	-0.609	0.266	0.308	0.541	0.639	0.872

*SQ: Service Quality, IQ: Information Quality, SA: Structural Assurance, AWA: Awareness, REP: Reputation, PR: Perceived Risk, RE: Relational Embeddedness, TP: Trust Propensity, PT: Platform Trust, BT: Borrower Trust, LI: Lending Intention

<Table 5> Measurement Model Fit

Fit Indices	χ^2/df	GFI	AGFI	NFI	CFI	PGFI	RMR	RMSEA
Recommended Value	≤ 3.0	≥ 0.90	≥ 0.80	≥ 0.90	≥ 0.90	≥ 0.60	≤ 0.08	≤ 0.08
Model Indices	1.203	0.857	0.831	0.9	0.981	0.725	0.024	0.029

In the next step, the mediation effect of platform trust and borrower trust will be analyzed through regression. First of all, according to the principle and method of mediating test, in step 1 the relationship between independent (X) and dependent (Y) variable should be tested, only if the coefficient (β_1) is statistically significant can the mediation test be continued. Then in step 2 the relationship between independent (X) and

mediating (M) variable will be tested, only if coefficient (β_2) is statistically significant can we continue the mediation test. Next in step 3 the effect of independent (X) combined with mediating (M) variable on dependent (Y) variable will be finally tested. In step 3 if the coefficient (β_3) between independent (X) and dependent (Y) variable is larger than β_1 , the mediating (M) variable plays a full mediating role in the relationship. If β_3 is smaller than β_1

, the mediating (M) variable plays a partial mediating role in the relationship. In the current study, we only test the mediating role of platform trust between awareness, reputation and lending intention in regard to cognitive-based trust belief because the direct influence of perceived risk on lending platform trust is not statistically significant. The mediating role of borrower trust between awareness, reputation, perceived risk and lending intention also has been tested. All of these mediating effects are partial mediation. The results are shown in table 6 and table 7. In the relationship of awareness, platform trust and lending intention, the indirect effect of awareness on lending intention is

0.143. In the relationship of reputation, platform trust and lending intention, the indirect effect of reputation on lending intention is 0.038. In the relationship of awareness, borrower trust and lending intention, the indirect effect of awareness on lending is 0.093. In the relationship of reputation, borrower trust and lending intention, the indirect effect of reputation on lending intention is 0.028. In the relationship of perceived risk, borrower trust and lending intention, the indirect effect of perceived risk on lending intention is -0.112. Both the platform trust and borrower trust play partial mediating role between the cognitive-based trust beliefs and lending intention.

<Table 6> Results of Mediating Effect of Platform Trust

Independent variable		Dependent variable: endogenous variable	
		PT	LI
Exogenous variable			
AWA	Direct effect	0.592	0.380
	Indirect effect	-	0.143
	Total effect	0.592	0.523
REP	Direct effect	0.158	0.174
	Indirect effect	-	0.038
	Total effect	0.158	0.212

<Table 7> Results of Mediating Effect of Borrower Trust

Independent variable		Dependent variable: endogenous variable	
		BT	LI
Exogenous variable			
AWA	Direct effect	0.354	0.260
	Indirect effect	-	0.093
	Total effect	0.354	0.353
REP	Direct effect	0.106	0.143
	Indirect effect	-	0.028
	Total effect	0.106	0.171
PR	Direct effect	-0.427	-0.306
	Indirect effect	-	-0.112
	Total effect	-0.427	-0.418

At last, model path (table 8) includes the hypotheses test results of this study. It indicated that service quality positively affected platform trust (coefficient=0.107, $p<0.05$), information quality positively affected platform trust (coefficient=0.133, $p<0.05$), structural assurance positively affected platform trust (coefficient=0.129, $p<0.05$), awareness positively affected platform trust (coefficient=0.543, $p<0.05$), reputation positively affected platform (coefficient=0.125, $p<0.05$), the influence of perceived risk on platform trust is not significant (coefficient= -0.081, $p>0.05$), awareness positively affected borrower trust (coefficient=0.335, $p<0.05$), reputation positively affected borrower trust (coefficient=0.112, $p<0.05$), perceived risk negatively affected borrower trust (coefficient= -0.41, $P<0.05$), the influence of relational embeddedness on borrower trust is not

significant (coefficient=0.098, $p>0.05$), trust propensity positively affect borrower trust (coefficient=0.196, $p<0.05$), awareness positively affected lending intention (coefficient=0.174, $p<0.05$), reputation positively affected lending intention (coefficient=0.125, $p<0.05$), perceived risk negatively affect lending intention (coefficient=-0.274, $p<0.05$), borrower trust positively affected lending intention (coefficient =0.305, $p<0.05$) and platform trust positively affected lending intention (coefficient=0.15, $p<0.05$). In summary, except H6 and H10, other hypotheses are supported. As a "rough" rule of thumb, R^2 values of 0.75, 0.50 and 0.25 may be considered substantial, moderate and weak, respectively. In our case, the R^2 of platform trust, borrower trust and lending intention is 0.489, 0.531 and 0.597 respectively, which indicates a moderate and acceptable degree of predictive accuracy.

<Table 8> Hypotheses Test Results

Hypotheses	β	P	Result
H1 Service Quality ---> Platform Trust	0.107	0.039	Accept
H2 Information Quality ---> Platform Trust	0.133	0.013	Accept
H3 Structural Assurance ---> Platform Trust	0.129	0.016	Accept
H4 Awareness ---> Platform Trust	0.543	***	Accept
H5 Reputation ---> Platform Trust	0.125	0.02	Accept
H6 Perceived Risk ---> Platform Trust	-0.081	0.169	Reject
H7 Awareness ---> Borrower Trust	0.335	***	Accept
H8 Reputation ---> Borrower Trust	0.112	0.033	Accept
H9 Perceived Risk ---> Borrower Trust	-0.41	***	Accept
H10 Relational Embeddedness ---> Borrower Trust	0.098	0.051	Reject
H11 Trust Propensity ---> Borrower Trust	0.196	***	Accept
H12 Awareness ---> Lending Intention	0.174	0.026	Accept
H13 Reputation ---> Lending Intention	0.125	0.012	Accept
H14 Perceived Risk ---> Lending Intention	-0.274	***	Accept
H15 Platform Trust ---> Lending Intention	0.15	0.03	Accept
H16 Borrower Trust ---> Lending Intention	0.305	***	Accept

* R^2 values of platform trust, borrower trust and lending intention are 0.489, 0.531 and 0.597 respectively.

IV. Conclusion

4.1 Discussion

In the context of online P2P lending platform Renrendai.com of China, this study examined lenders' lending intention through an integrated research model. For platform trust and borrower trust, their mediating role was included. The major findings are summarized as follows: first, trust in borrower has a stronger effect on lending intention compared to trust in platform. Second, when considering the online P2P lending platform, it is more important to provide accurate and up-to-date information to attain trust from lenders. Awareness can help build trust in both the online P2P lending platform and borrower for lenders. Such process can not only directly influence lending intention but also exert indirect influence through platform trust. As to the perceived risk of online P2P lending, it is worth noting that the influence of perceived risk on borrower trust is much stronger than on platform trust. Lenders pay more attention to the borrowers rather than the platform when considering potential risks. Perceived risk also has a stronger and direct influence on lending intention than awareness and reputation. Third, although there are strategic relational alliances in the online P2P lending marketplace in China, it is not effective to build online alliance since there is a lack of supervising

lending process.

4.2 Academic Implications

As we know, the first online P2P lending platform in the world started in 2005 in the UK, thus the online P2P lending is indeed a relatively new business area and immature research field. In this study, we develop an integrated research model based on system, cognitive and affective-based trust beliefs to understand the critical factors that influence lenders' trust in platform and borrower respectively and ultimately their lending intention. Our study contributes to the present researches in the online P2P lending area because there are very few empirical researches until now. From the results, it indicated that some antecedents are not appropriate for exploring trust in the Chinese online P2P lending context. For example, in some previous e-commerce studies, relational embeddedness has been found to have effect on trust, but our study indicated that relational embeddedness cannot influence trust in borrowers significantly in the context of China online P2P lending marketplace. It can be explained through the characteristic of Chinese people and the irregular online P2P lending marketplace. Under the immature online business environment, people usually are hesitant to trust others. Chinese culture is the odd man out in the research on economic

performance. Chinese culture acts as an essential and intermediating role for its economy. The culture can be applied for a specific notion, also can be named as relational embeddedness. But Chinese people often trust and are willing to cooperate with others they have already known instead of the strangers in visual environment. With this notion of culturally specific relational embeddedness, we can better understand the relationship between system-based trust, cognitive-based trust, affective-based trust and online P2P lending performance in business environment of China. Moreover, perceived risk has been proved to have significant negative effect on borrower trust but platform trust. It is a natural phenomenon that Chinese lenders focus on the quality of borrowers and care about the opportunistic behaviors. These findings of this study make a significant contribution to previous studies in the online P2P lending context. In addition, there are still some differences between the online P2P lending and traditional online business. For example, as in traditional e-commerce market, customers can make purchase decision based on previous comments from the website and more importantly, there is a third-party platform to keep customers' money until they receive the products. The immature law enforcement and culture environment in China also poses some barriers in the development of online P2P lending. For these reasons, the research results

from previous literatures conducted in different e-commerce systems or mobile payment under different culture environment cannot be directly adopted in the context of online P2P lending, especially in China.

To summarize, first, in the current study, it indicated that service quality, information quality, structural assurance (system-based criterion) significantly affect lenders' trust in the lending platform in which information quality plays a more important role than service quality and structural assurance. The higher the quality of information provided by the online P2P lending platform, the higher the possibility the lenders will trust the platform. Such information including characteristics of the loan listing, background and credit record of the borrower and so on. Lenders believe the accuracy and integrity of the information can offer them guarantee when making lending. Second, awareness of the online P2P lending platform has a stronger influence on trust in platform than reputation and perceived risk. If the online P2P lending platforms are high-awareness companies, they will naturally attract more lenders. This is because many Chinese people are more willing to trust public awareness. Third, trust in borrowers plays a more important role than trust in platform since lenders perceive higher risks toward borrowers rather than the platform. The online P2P lending development still in the beginning step in China and the control of users is a huge

project. Only if the online P2P lending platforms keep users with relatively high credit can they see a fast improvement in the marketplace. As to the mediating role of platform trust and borrower trust, both of them play a mediating role with partial mediation. It indicated that awareness and reputation can not only directly influence lending intention, but also influence lenders' willingness to lend through trust in the platform. However, perceived risk only directly influences lending intention. At last, as to awareness, reputation and perceived risk, beside the direct influence on lending intention, they also have indirect influence on lending intention through trust in borrower. To sum up, this study offers some new references for future researches in the Chinese online P2P lending area.

4.3 Managerial Implications

This study offers some important managerial implications for practitioners. First, for online P2P lending managers, they should make supervision regulations as strict as possible. This will in turn ensure the information offered to lenders is accurate and integrated. Moreover, under the improved policies, the inherent risk embedded in the online P2P lending marketplace will be decreased. In addition, it is necessary for the online P2P lending managers to improve their public awareness and to convince existing lenders and potential

lenders. For example, they can build online community for lenders to share their comments, which will not only offer convenience for lenders but also foster their loyalty. Decision makers should also improve safety of funds, security protection and develop structural assurance system to decrease lenders' perception of risk and increase lenders' trust and foster their lending intention. Moreover, online P2P lending platform managers should improve their service quality to offer users better service and make sure the accuracy of information they offer to attain high information quality. As borrower trust has a greater effect on lending intention than platform trust, online P2P lending managers have to perfect their evaluating system to ensure qualification of the borrowers. For instance, they can try to establish credit reference system to classify the borrowers into different levels and ask for extra documents to prove that they have repayment ability.

4.4 Limitations

The present study has several limitations. First of all, the sample size is relatively small and we only did survey among users of one well-organized online P2P lending platform in China, which may cause sampling bias. In the future, studies may expand survey to other online P2P lending platform users and do some comparisons. Second, due to China's unique

culture, the particular social and economic environment may also result in some bias. Thus, future studies need to take consideration into other cultures, especially, comparative studies can be conducted. Third, future studies may identify some potential moderating variables such as experience, knowledge, perceived benefit or demographic characteristics etc.

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양금 (Qin Yang)



동국대학교 일반대학원 경영학 석사학위를 취득하고 현재 동 대학원 국제비즈니스협동과정 박사과정에 재학 중이다. 주요 관심분야는 소셜미디어 마케팅, 전자상거래, 핀테크 등이다.

이영찬 (Young-Chan Lee)



서강대학교 경영학사, 동 대학원에서 경영학 석사 및 박사학위를 취득하였다. 현재 동국대학교 경주캠퍼스 경영학부 교수로 재직하고 있으며, *Annals of Management Science*, *The Open Operational Research Journal*의 Editorial Board, 한국경영학회 MIS 분야 대표 편집위원으로 활동 중이다. 주요 관심 분야는 기업성과측정, 데이터마ining, 복잡계 이론, 다기준의사결정 등이다.

<Abstract>

Influencing Factors on the Lending Intention of Online Peer-to-Peer Lending: Lessons from Renrendai.com

Qin Yang · Young-Chan Lee

Purpose

Online Peer-to-peer lending (hereafter P2P lending), is a new method of lending money to unrelated individuals through an online financial intermediary. Usually in the online P2P transaction, individuals who would like to borrow money (hereafter borrowers) and those who would like to lend money (hereafter lenders) have no previous relationship. Based on enormous previous studies, this study develops an integrated model, particularly for the online P2P lending environment in China, to better understand the critical factors that influence lenders' intention to lend money through the online P2P lending platform.

Design/methodology/approach

In order to verify the hypotheses, we develop a questionnaire with 42 survey items. We measured all the items on a five-point Likert-type scale. We use Sojump.com to collect questionnaire and gather 246 valid responses from registered members of Renrendai.com. We analyzed the main survey data by using SPSS 18.0 and AMOS 20.0. We first estimated the reliability, validity, composite reliability and AVE and then conduct common method bias test. The mediating role of trust in platform and in borrower has been tested. Last we tested the hypotheses through the structural model.

Findings

The results reveal that service quality, information quality, structural assurance, awareness and reputation significantly impact lenders' trust in the online P2P lending platform. Second, awareness, reputation and perceived risk significantly impact lenders' trust in borrower and lending intention. Third, trust propensity has a positive effect on lenders' trust on borrower. Last, awareness, reputation, perceived risk, platform trust and borrower trust can directly impact lenders' lending

intention.

Keyword: Online peer-to-peer (P2P) lending, Trust, Lending intention, Renrendai.com

<국문초록>

온라인 P2P 대출의도의 영향요인에 관한 연구: 런런다이 사례를 중심으로

양 금·이 영 찬

목적

온라인 P2P 대출은 온라인 재무 중개업자를 통해 친분이 없는 개인 간의 대출을 가능하게 해주는 새로운 방법이다. 대체로 온라인 P2P 거래에서는 돈을 대출받고자 사람과 대부하고자 사람이 이전에 개인적인 관계가 없는 경우가 일반적이다. 광범위한 선행연구를 통해 본 연구에서는 온라인 P2P 플랫폼을 통한 대출의도에 미치는 영향요인을 파악하기 위한 연구모형을 구축하였고, 중국 온라인 P2P 대출업체 중에서 가장 규모가 큰 런런다이 사례를 중심으로 실증분석을 실시하였다.

설계/방법론/접근

연구가설을 검증하기 위해 본 연구에서는 42개 문항으로 구성된 설문지를 개발하였고, 모든 항목은 리커트 5점 척도를 사용하였다. 중국 설문조사 전문 웹사이트인 sojump.com을 통해 런런다이 서비스 가입자 246명을 대상으로 설문조사를 실시하였고, 자료분석을 위해 SPSS 20.0과 AMOS 18.0을 사용하였다. 가설검증에 앞서 측정도구의 신뢰성, 타당성, 복합신뢰도 그리고 평균분산추출을 계산하였고, 동일방법편의(common method bias) 여부도 함께 진단하였다. 연구모형에서 매개변수로 사용된 플랫폼 신뢰와 대출자 신뢰에 대한 가설검증을 실시한 후 구조방정식을 이용하여 연구가설을 검증하였다.

시사점

연구결과 서비스품질, 정보품질, 구조적 보증, 인지도 그리고 명성은 온라인 P2P 대출 플랫폼에 대한 신뢰에 유의한 영향을 미치는 것으로 나타났다. 다음으로 인지도, 명성 그리고 지각된 위험은 대출자에 대한 신뢰와 대출의도에 유의한 영향을 미치는 것으로 나타났다. 세 번째로 신뢰경향은 대출자에 대한 신뢰에 정(+)의 영향을 미치는 것으로 나타났다. 마지막으로 인지도, 명성 그리고 지각된 위험, 플랫폼 신뢰, 대출자 신뢰는 대부자의 대출의도에 직접적인 영향을 미치는 것으로 나타났다.

키워드: 온라인 P2P 대출, 신뢰, 대출의도, 런런다이

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