Cover page

Exploring the Decision-Making Process in the Online Peer-to-Peer Lending

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**Abstract**

Online peer-to-peer lending is a new type of electronic commerce, which allows people to lend and borrow directly online without the intermediation of a traditional financial institution. Although it has attracted significant attention from both academia and practitioners, the mechanism regarding the lending behaviors of lenders is still under limited study. Based on the trust theories and valence framework, an integrated lender decision-making model is developed in this study. This model is empirically tested using experimental survey data from 474 online lenders in China. The results show that initial trust and perceived benefit determine a lender’s lending intention, but the fear of borrower opportunism doesn’t have a significant impact. Initial trust not only directly influences lending intention, but also indirectly through increasing perceived benefit. In addition to maintaining a good online image, developing borrowers’ own social capital is also helpful in gaining lenders’ trust. These findings reveal the unique features of online peer-to-peer lending and provide valuable insights for borrowers, lenders, and intermediaries.

**Keywords:** P2P lending, information asymmetry; trust; social capital

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Dongyu Chen is an associate professor at the Dongwu Business School, Soochow University. He receives his PhD degree at Beihang University. His research interests include the implementation of IS innovations and the adoption of information systems. He has published papers in Communications of the Association for Information Systems, Journal of Global Information Technology Management, Information Technology and Management, as well as the proceedings of the Pacific Asia Conference on Information Systems.