

Trust Formation in Digital Financial Intermediation Platforms: An Empirical Study of Malaysian P2P Lending

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Abstract. With over 70% of Southeast Asians considered unbanked, Malaysia became the first ASEAN country to regulate Peer-to-peer (P2P) lending platforms in 2016 by giving licenses to eleven platforms. P2P lending is a novel approach that benefits the bulk of unbankable individuals or businesses, particularly those with lower credit ratings, which makes them ineligible for bank loans. Despite P2P platforms being regulated by the Securities Commission Malaysia (SCM), the information provided by these platforms is limited, leading to hesitancy in trusting P2P platforms among investors. Therefore, the paper investigates factors influencing trust towards P2P lending platforms in Malaysia. Data were collected from 109 investors who had invested in at least one of Malaysia's registered P2P lending platforms. For estimation, regression analysis was estimated. Results suggest that website quality, top management team heterogeneity, and social influence increase lenders' trust towards P2P lending platforms, while platform reputation does not significantly impact lenders' trust. The findings extend existing research to the signaling theory in the context of lenders' trust in P2P lending platforms. For practice, the study suggests that service providers can maintain high-quality websites and enhance platform reputation to reassure lenders that the platform is legitimate and dependable.

Keywords: Peer-to-peer lending platforms; Lenders trust; Information asymmetry; Malaysia, FinTech.

1. Introduction

The financial system's collapse, which began in 2008, significantly undermined public trust in the established institutions of the financial sector, particularly the regulated banks. After the mainstream financial system collapsed, countless borrowers were burdened with overwhelming debt. Small and Medium Enterprises (SMEs) often struggle to secure financing from traditional banks due to insufficient collateral and a lack of detailed financial information, which may affect their survival. Since SMEs are a crucial part of the economy and employ a substantial workforce (Abbasi et al., 2020), their potential failure could negatively impact overall economic health. Additionally, recent economic and geopolitical uncertainties have led to a sell-off of bank stocks, raising investor concerns about an impending recession and highlighting the banking industry's challenges (IMF, 2024). As a result, individuals and small businesses were left without access to new credit sources and required funds to explore alternative potential sources (Bednorz, 2020). The rise of digital finance and financial literacy in the Industrial Revolution 4.0 presents both challenges and opportunities, including data security risks, digital access discrepancies, and difficulties to transition from traditional methods (Barus et al., 2024). Thus, Entrepreneur Giles Andrews devised a brilliant concept of directly and immediately linking borrowers with lenders, bypassing the lengthy and time-consuming nature, thereby eliminating the need for intermediaries such as banks (Bednorz, 2020).

Peer-to-peer (P2P) lending is a digital service platform based on a sharing-economy model for credit that processes and transmits financial information to reduce information asymmetry, facilitating direct transactions between borrowers and lenders. Borrowers (individuals or SMEs) pay interest to lenders, and the platform functions as a mediator/facilitator; platforms earn from transaction and maintenance fees (Ofir & Tzang, 2022). Unlike traditional financing markets that are highly regulated, P2P lending platforms offer a unique opportunity for almost anyone with internet access. Borrowers are attracted to P2P lending due to its provision of improved access to credit, especially after being rejected by traditional lenders (Davis, 2016). Traditional financial intermediaries use risk-based pricing and new data sources like social media, but their limited application creates opportunities for P2P platforms. Investors are similarly drawn to P2P lending for diverse asset classes and potential higher yields from direct investments in personal loans, which banks traditionally offer (Davis, 2016). In less developed economies, diminished return harmony also indicates scarcity of firm-specific information, and a poorer quality of the information environment (Pham et al., 2025). In today's scenario of low interest income and unpredictable stock markets (IMF, 2024), these alternative investments become essential for private investors to diversify and maximise their returns.

Recent years have seen a surge in interest in P2P lending because of its competitive interest rates and faster loan approvals compared to those provided by banks; thus, it offers significant economic benefits to individuals and small and medium-sized enterprises (SMEs) (Ghak et al., 2022). Over a dozen P2P lending companies are in the U.S., Europe, and China today. The global P2P lending market was valued at US\$176.50 billion in 2025 and is expected to hit a compounded annual growth rate (CAGR) of 25.73% from 2025 to 2034 (Precedence Research, 2025). However, in developing countries, there is more amazing growth in peer-to-peer lending due to the availability of the Internet and the possession of mobile phones (Bednorz, 2020). The P2P lending sector in Malaysia has seen significant growth, becoming a prominent industry in recent years with fundraising of RM1.58 billion across 24,455 campaigns, up from RM1.14bn in 2021 (SCM, 2023). The expansion of alternative financial service providers has contributed to the country's economic growth and positively affected Malaysia's Gross Domestic Product (GDP) (BNM, 2023). Since 2016, 11 P2P lending platforms have been granted licenses by the Securities Commission (SC) (Nguyen et al., 2022). Acknowledging alternative financing's critical importance, the government has continued its efforts to bridge the financing gap (Capbay, 2023).

While peer-to-peer lending alleviates financial difficulties and benefits borrowers and lenders, this

service platform can be described as a complex adaptive system comprising digital artefacts, interdependent parties, resources, and operational and business rules that collectively facilitate value creation (Pena et al, 2021). P2P lending platforms connect borrowers and lenders, whose interactions generate value from loans. These platforms also include a digital artefact on their website (e.g., an AI bot) that facilitates interactions between parties and may act as a lending agent (Pena et al, 2021). Additionally, service platforms are complex due to the digital artefact that connects large networks of users, publishes resources from structural limitations, and generates extensive data flow (Sangiorgi et al., 2017). For example, LendingClub facilitates connections between lenders and borrowers without the involvement of banks, thereby increasing complexity through the diverse behaviours and interactions of participants. Lenders can choose the loan listings they want to invest in, the interest rate, and the amount of lending. Therefore, P2P platforms must account for each lender's risk preferences, their interactions, and the distribution of funds. However, participants on this service platform exhibit unpredictable behaviour and influence one another, which contributes to greater complexity (Pena et al, 2021). Thus, information asymmetry is a major problem in P2P lending, leading to moral hazard and adverse selection that affect the success and viability of P2P lending platforms (Cummins et al., 2019). A lender experiences adverse selection when unable to differentiate borrowers' investment projects based on credit risk, and moral hazard arises when the borrower uses the funds for different projects than agreed upon due to the lender's limited information and control (Yan et al., 2015). Thus, investors in P2P loans require precise information regarding borrowers' repayment capabilities, which P2P lending platforms supply through an extensive array of detailed credit data. However, this data may not adequately capture a borrower's true ability to repay, potentially resulting in solid loan applications being left unfunded due to insufficient credit ratings (Lu et al, 2022). Spence (1973) states that asymmetric information is reduced when high-quality borrowers send costly "signals" of their quality, which low-quality borrowers cannot afford. In traditional credit markets, lenders may require collateral to confirm creditworthiness; however, on most P2P platforms, borrowers can raise capital without offering asset collateral or a third-party guarantee, which exposes lenders to significant investment risks and ambiguities (Zhai et al., 2022). In such cases, the service platform's role becomes crucial in reducing information asymmetry. To succeed, building trust between lenders and these platforms is essential. This involves giving borrowers complete and accurate information and ensuring high-quality service from intermediaries (Chen et al., 2014).

In Southeast Asia, trust positively correlates with adopting digital financial services, as consumers increasingly rely on digital solutions for their financial demands. Integrity and communication are among the characteristics that most often predict trust in digital financial service providers. Integrity relates to an organisation's reliability, whereas communication refers to its capacity to provide information transparently. These attributes contribute to an organization's credibility in the eyes of the public (Malaysiakini, 2023). Thus, investors' investment likelihood will increase if they have trust in a reputable P2P platform that assists them in overcoming information asymmetry (Ding et al., 2019). Despite the growth of alternative financial service providers in Malaysia, most consumers in Malaysia (53%) perceive these platforms as highly risky; 14% of consumers assigned them the highest rating possible—"Very High Risk"—the same rating as stock and share investments (Fintech news Malaysia, 2019). In Malaysia, the first P2P lending platform defaulted in August 2018; however, as the industry matures and macroeconomic conditions weaken, the platform operators have begun to face challenges, particularly with the rising number of default cases and managing investor expectations (Zhe, 2019). Although data from Malaysian courts regarding cases involving alternative financial service providers is limited, several cases have been reported involving disputes between borrowers and lenders, fraud, and exploitation (Kit, 2021). Furthermore, the number of investors in local P2P financing platforms increased by only 0.2% in the previous year; in 2024, the total number of investors rose to 15,628 from 15,599 in 2023 (SCM,2024). The reason might be partly attributable to the ambiguity associated with this online marketplace (Khan, 2022). When lending their funds to borrowers, investors depend entirely

on the financial and personal information provided by P2P platforms. Consequently, funding decisions made by investors are accompanied by increased levels of information asymmetry (Chen et al., 2014). Thus, especially in developing countries where the credit rating system is not mature, investors could hesitate to trust digital service platform (Khan, 2022).

Non-Malaysian P2P markets still dominate global research on P2P lending due to the availability of secondary data sources (Zhai et al, 2022). Most research areas focused on secondary data analysis or investor trust from the borrower's perspective (Chen et al., 2020; Sukmaningsih, 2018; Hasan et al., 2022). Because the credit systems of developed countries are relatively complete, and the platforms are large with readily accessible historical data, investors often do not need to decide whether the platform is trustworthy; instead, they focus on determining which borrower is trustworthy (Qian & Lin, 2020). In Malaysia, the credit information provided by P2P lending platforms is limited and not guaranteed (Nguyen et al., 2022); therefore, investors who choose these platforms for investment may lose their capital security and self-interests. As such, choosing a trustworthy P2P lending platform is the main challenge encountered by investors in Malaysia to ensure the funds' security and manage the risk of their investment.

However, research on P2P lending in Malaysia primarily focused on the basic concept, awareness, and intention to use online P2P lending (Nguyen et al., 2022; Thaker et al., 2019; Khan & Xuan, 2022); much remains unknown about P2P lending market. One crucial factor that needs to be better established or has limited research is investors' trust as a performance indicator for P2P lending platforms in Malaysia (Khan, 2022). Since trust is the pivotal determinant influencing consumer behaviour amidst uncertainty, interdependence, and opportunism (Basha, 2021), a limited understanding of investors' trust factors toward these information logistics platforms hinders propitious lending and continuous lending intention (Khan, 2022). Given the inherent risk and uncertainty associated with P2P lending, it is essential to examine theories that explain how lenders make choices and decisions when faced with information asymmetry and risk. Hence, this study refers to the signaling theory of Spence (1973), which has become the dominant approach used in literature when there is a lack of information and uncertainty (Kgoroadira et al., 2023). However, this theory in the P2P lending context has largely focused on lender-borrower interaction and investment decision-making (Khan et al, 2026). Furthermore, prior studies have typically treated trust as a predictor of adoption intention rather than as a construct formed through platform-level signals (Pinochet et al., 2019; Chen et al., 2014; Yan et al., 2018; Ryu & Ko, 2020; Wells et al., 2011). Limited attention has been paid to how observable performance attributes can serve as signals for an information-processing mechanism that reduces uncertainty and builds trust in the P2P service system (Qalati et al., 2021). Furthermore, social influence has become increasingly significant because it plays a crucial role in fostering trust among investors (Khan, 2022; Pinochet et al., 2019). With the advancement of technology, methods for evaluating information have changed significantly, influencing investor interest in investing and enabling the sharing of information from any location at any time. When lenders encounter barriers in making lending decisions, they often look at others' actions, particularly those they trust. This is particularly important in the context of digital lending services, where participants share information about funding outcomes and loan performance during the hesitation of lending decision (Xu, and Chau, 2018). Social influence signals play a crucial role in establishing trust among novice users (Soeta et al., 2023; Lu et al., 2022; Kumar & Singh, 2023). However, very little has been studied regarding social influence signal among digital service platform trust (Khan, 2022; Soeta et al., 2023). Therefore, based on the signalling theory, this paper examines how observable performance signals (platform reputation, website quality, top management team heterogeneity) and user-oriented trust signals (social influence) affect investors' trust formation in P2P lending platforms in Malaysia. To encourage the sustainable growth of Malaysian P2P lending platforms, examining the influence of trust on intermediaries could boost lending and encourage investors to continue using P2P platforms.

2. Literature Review

Specialized financial institutions like banks operate as transaction intermediaries in the traditional credit market. Financial institutions possess sufficient borrower information and use advanced risk assessment tools and systems to effectively address information asymmetry throughout the loan process (Chen et al., 2020). In contrast, P2P lending platforms take little to no risk themselves; they serve as platform intermediaries and shift the responsibility of evaluating borrower trustworthiness to every lender individually (Hidayat et al., 2020). Lender investment intention and trust in P2P lending markets are influenced by the borrower's characteristics and the lender's assessment of the platform. However, most lenders need more professional expertise, making it difficult to get complete borrower information, leading to a significant risk of information asymmetry (Zhai et al., 2022).

Information asymmetry and signaling theories address decision-making behaviours. Information asymmetry occurs when two parties have access to different information, allowing one party to make more informed decisions than the other (Connelly et al., 2011). As per the signaling theory, signals are transmitted and discriminated by two players: the signaler and the receiver (Connelly et al., 2011). In P2P lending, the P2P platforms operate as signalers, providing information about borrowers, including credit ratings, strict risk control, and assurances against loan defaults, to build trust with prospective lenders. Signal receivers, such as prospective lenders, may minimize information asymmetry and make judgments based on P2P platform disclosures (Lu et al., 2022). In the signaling process, high-quality firms send signals to distinguish themselves from low-quality firms, which may send false signals to mislead outsiders (Kirmani & Rao, 2000). Effective and costly signals are crucial for enhancing credibility and addressing information asymmetry.

Potential lenders frequently lack both the capacity and motivation to allocate the necessary resources for thorough due diligence (Vismara 2018). For instance, the quality of a website can serve as a costly signal that conveys its usability, security, adherence to best practices, and functionality (Sun et al., 2022). Likewise, diversity in top management may serve as a legitimacy signal, acting as an institutional capability that shapes strategic decision-making (Jukka, 2020). The availability of accurate, reliable, and pertinent signal information will help reduce the risk of misinformation and deception that can arise when novice investors are compelled to depend solely on loan listing details within the platform to decide whether to invest in a particular loan request. Previous researchers have applied signalling theory to reduce information asymmetry between borrowers/platforms and lenders in digital intermediation infrastructure (Ge et al., 2016; Huang et al., 2020; Khan & Xuan, 2022). Zhai et al. (2022) demonstrates the signaling role of platform reputation in identifying the lender's trust toward lending in the online credit marketplace in China. Ge et al. (2016) identified borrowers' social media information as a signal of creditworthiness. Yang et al. (2017) use website quality and the company's management team diversity as a signal for enhancing lender Trust for repeat investment. However, research has also shown that social interactions influence preferences and information dissemination. Therefore, more robust social networks might help investors reduce information asymmetries and screen loan requests precisely (Hasan et al., 2022). Recent studies have garnered significant interest in the role of social influence in P2P lending platforms due to their capacity to foster investor confidence (Pinochet et al., 2019; Allen et al., 2018; Hasan et al., 2022; Khan, 2022); however, limited study has been conducted in the Malaysian context. Therefore, drawing on signaling theory, the proposed conceptual framework considers platform reputation, website quality, top management team heterogeneity, and added variable social influence as a signal of trust for Malaysian investors towards P2P lending platforms. The proposed conceptual framework for this study is shown in Figure 1.

2.1 Trust in Online P2P Lending Platforms

Trust-building processes play a crucial role in digital marketplaces since they mitigate the perceived uncertainty and risk linked to anonymous online transactions and facilitate customers in engaging in

trusting behaviour, such as sharing personal information and making transactions (Gefen et al., 2003; Pavlou & Gefen, 2004). According to Guiso et al. (2009), trust can be defined as an individual's overall assessment of the individual in which they place their trust, requiring assurance that the trusted party will not put their interests at risk and a willingness to assume the associated risks. In other words, trust represents the potential for one to be deceived by the trusted individual. The lender's process for generating trust in P2P lending platforms relies on thoroughly evaluating pertinent data to assess the advantages and disadvantages of investing in such platforms and subsequently establishing trust in P2P lending (Zhai et al., 2022). Chen et al. (2014) examines and validates the role of trust in online P2P lending. Their findings demonstrate that trust in borrowers and trust in intermediaries is crucial in determining lending intentions.

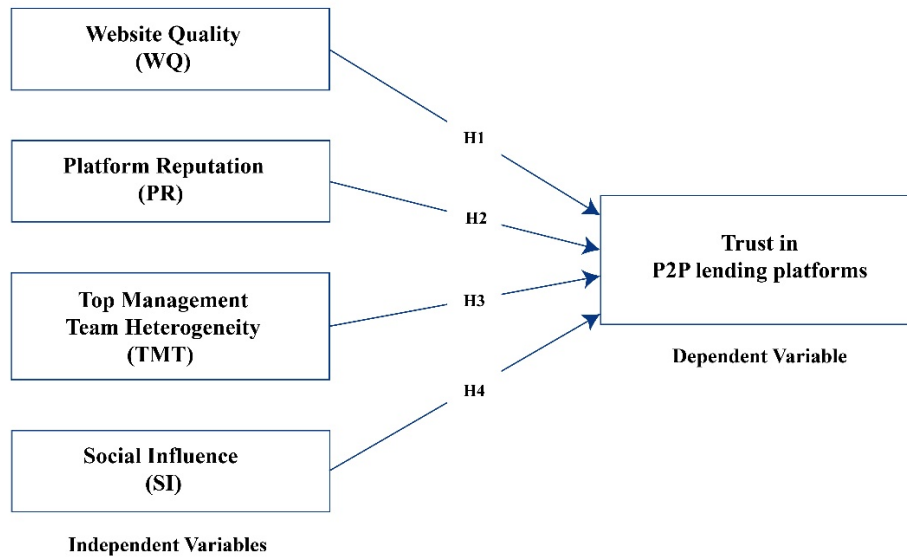


Fig. 1: Proposed conceptual framework.

Moreover, they discover that the trust placed in borrowers positively influences lenders' willingness to lend and affects the level of trust in intermediaries. To cultivate trust from lenders, borrowers must provide high-quality information, while intermediaries must deliver top-notch services and adequate security measures.

Based on the research conducted by Qian & Lin (2020) et al., the tendency of the lender to place trust in others significantly influences the development of initiating trust. Lenders willing to try new things tend to allocate their investments towards P2P lending. Using data collected from 200 respondents in China, these authors documented that institution-based trust is more critical than characteristic-based trust. Ardelia et al. (2021) demonstrates that trust in P2P lending platforms plays an essential role in lending decisions through lending platforms. Collecting data randomly from selected 180 participants from Indonesia using the structural equation (SEM) method identified that Perceived Regulatory Protection, Service Quality, and Security Protection are significant factors influencing lenders' Trust in the P2P Platform. Khan (2022) conducted a study by collecting data from retail investors in Malaysia, indicating that retail investors' income and platform privacy positively increase retail investors' trust toward P2P platforms. Zhai et al. (2022) examines the bidirectional relationship between trust and perceived risk in P2P lending; the result identified that platform reputation positively affects trust, and the quality of alternatives is positively associated with perceived risk. Moreover, lenders who trust an intermediary also extend that trust to the borrowers related to that intermediary, as borrowers' actions are influenced and restricted by the intermediary, a concept known as trust transference (Chen et al., 2014).

2.2 Website quality (WQ)

Websites are crucial to the success of the information-driven service ecosystem, as it is the communication channel between the parties. Additionally, how the website presents information about its digital service architecture and its products or services indicates its design quality and plays a significant role in fostering trust and enhancing usability (Akhmedova et al., 2021). Therefore, quality is defined as the consumer's assessment of the discrepancy between expected and actual performance (Parasuraman et al., 1985). Chang and Chen (2008) defined website quality as how internet users perceive and evaluate websites in terms of meeting their needs and providing essential product information. According to the D&M model, website quality refers to the user's impression of design quality and includes three dimensions: system quality, information quality, and service quality (DeLone & McLean, 2003). System quality is the technical quality of the platform, information quality is the quality of the available information, and service quality is the platform's total assistance. Hence, this research considers website quality a construct comprising these three dimensions.

When participating in P2P lending, investors have complete transaction experience with a platform using its website. Additionally, they can assess the quality of the platform's information, service, and system. Tirtayani and Sukaatmadja (2018) state that website quality is essential for establishing and maintaining customer trust by eliminating social ambiguity and psychological distance between consumers and providers. Previous studies also found that website quality substantially impacted trust (Mao et al., 2020; Tirtayani & Sukaatmadja, 2018). According to the research conducted by Yang et al. (2017), when consumers consider a website to be of high quality, they are more likely to have trusting beliefs in the online seller's transparency and competence, and this trust leads to a desire to rely on the online vendor. Moreover, it has been shown that the quality of a website has a more significant impact on how buyers perceive the quality of a product when there is a higher asymmetry of information between the consumers and the provider (Daroch et al., 2021). A study by Nawang & Shukor (2023) found that Malaysians (in general) have medium-high knowledge of digital financial products and services; hence, P2P platforms websites with high-quality content that engagingly delivers valuable and pertinent information would influence people to trust this site and encourage repeat visits. Thus, the following hypothesis is proposed:

H1: Website quality positively affects lenders' trust in online P2P lending platforms.

2.3 Platform reputation (PR)

Trust relies heavily on a supplier's reputation because it is established through its historical performance, which indicates its capacity to provide customers with valuable outcomes (Zhai et al., 2022). A positive reputation may enhance consumers' confidence and trust when assessing suppliers' performance and the quality of their products or services (Akhmedova et al., 2021). In this study, Platform reputation pertains to the perception of P2P participants, especially lenders, regarding the platform's institutional system that efficiently enables successful lending and conveys the signal that P2P platforms can protect lenders' interests (Shi et al., 2019).

The platform's reputation is even more crucial for the lender to evaluate the platform's credibility in online P2P lending due to the more significant risks and fewer visible indicators of credibility. According to Shi et al. (2019), lenders have less information about borrowers in the P2P online lending market than platforms. However, they can provide ratings to indicate satisfaction or dissatisfaction with the lending experience. This rating helps differentiate between different qualities of online lending platforms, and their ratings on platforms indicate platform reputation. Another study by Zhai et al. (2022), with an online survey of 328 from a leading Chinese P2P platform called PPDAI, indicated that platform reputation positively affects trust. Akhmedova et al. (2021) further emphasised the significance of a platform reputation for attracting and retaining customers using the sharing economy

model. In Malaysia, due to increasing competition and an established regulatory framework for P2P platforms, they use different interest rates to attract lenders and reduce lenders' concerns about borrowers' trustworthiness, which may undermine investor confidence (Nguyen et al., 2022). Hence, the role of reputation may diminish as a differentiating factor in building trust. Thus, a robust platform reputation could double the effectiveness of referral programs and help increase the number of new customers at a lower cost. Therefore, we can say that P2P platforms with strong reputations are anticipated to enhance trust. Thus, the following hypothesis is proposed:

H2: Platform reputation positively affects lenders' trust in online P2P lending platforms.

2.4 Top management team heterogeneity (TMT)

Top management team members can make strategic decisions and provide strategic resources critical to the business's growth, significantly impacting the company's performance (Wu et al., 2021). Heterogeneity in the top management team refers to the variations in demographics, significant cognitive attributes, values, and experiences among team members (Ping, 2007). Researchers have demonstrated that top management teams with diverse knowledge bases and career experiences can make better decisions in dynamic and changing environments and solve specific problems more creatively, improving technological innovation performance (Li et al., 2025).

Studies also indicate that the characteristics of TMT can signal the legitimacy of an organization, which may then influence the decisions made by investors (Jukka, 2020). The primary goal of P2P lending operators is to raise money from the public to fund underserved SMEs, which are generally risky to invest in; hence, Malaysian P2P lending platforms are faced with the issue of balancing between making reasonable profits for lenders and expanding their business (Johanan, 2023). Therefore, the P2P lending platform's success lies in the management team's deep commitment to understanding and addressing the needs of the borrower and lender. However, by prioritizing customer satisfaction, outstanding top management teams imbue a customer-focused philosophy throughout their organizations, highlighting the significance of user experience, ease, and security. TMT heterogeneity in a P2P lending platform refers to how the composition, attributes, and behaviour of TMTs affect the platform's trustworthiness (Yang et al., 2017) and serve as a signal of platform governance capability within the ecosystem. In the context of P2P lending in Malaysia, several platforms share information about their leadership and management backgrounds on their websites, providing investors with access to this data, even though this practice does not seem to be consistently aligned with regulatory disclosure guidelines meant for investors (SCM, FAQ). Hence, it is anticipated that the variability of TMTs will affect lenders' evaluations of P2P lending platforms and thus serve as a reliable signal, as lenders who cannot determine the platform's quality solely based on economic disclosures may shift their focus towards more social metrics that measure value. The TMT heterogeneity of a P2P lending platform is also closely linked to its capacity to manage bad debt expenses. Several studies have examined how TMT affects investment choices (Zhu, 2018; Higgins & Gulati, 2006; Yang et al., 2017). Therefore, TMT heterogeneity is expected to affect trust in online P2P lending platforms. Thus, the following hypothesis is proposed:

H3: TMT heterogeneity positively affects lenders' trust in online P2P lending platforms.

2.5 Social Influence (SI)

Social influence signals play a crucial role in establishing trust among novice users (Soeta et al., 2023; Lu et al., 2022; Kumar & Singh, 2023). Social influence is an individual's perspective about the opinions of significant individuals (e.g., family or friends), whether they believe they should or should not engage in certain conduct (Fishbein & Ajzen, 1975). This implies that individuals may see a digital service as

valuable and choose to use it if their significant influencers believe it is appropriate, even if they have a negative opinion of the system (Zhang, 2020). This is particularly important in the context of digital lending services, where participants share information about funding outcomes and loan performance during the hesitation of lending decision (Xu, and Chau, 2018). According to the study of Pinochet et al. (2019), a survey based on 507 individuals from Brazil indicated that social influence plays a significant role in establishing trust when using lending in FinTech, and the level of trust in lending FinTech impacts consumer spending. Another study conducted by Wang et al.'s (2014) on 300 users with different educational levels in China identified that when lenders face uncertainty in making loan decisions, they often rely on the actions or opinions of those whom they trust. Li et al. (2008) found that social impact was even more important than cognitive or personal factors in building initial trust. Moreover, many empirical studies have validated that social influence can affect users' level of trust in a system (Zhang, 2020; Liébana-Cabanillas, 2014). Hence, individuals may have a higher level of trust towards P2P platforms if their important referents have a positive attitude toward them. Thus, the following hypothesis is proposed:

H4: Social Influence positively affects lenders' trust in online P2Plending platforms.

3. Research Methodology

The study is descriptive and quantitative. This study uses a survey design, namely research that takes samples from one population. Survey questionnaires were used to collect primary data about signals that enhance lenders' trust in P2P lending. Due to the unavailability of the sampling frame, purposive sampling, a nonprobability technique, was utilized to obtain survey data. The questionnaires were distributed to investors who had invested in at least one of Malaysia's registered P2P lending platforms. Apart from the demographic item, the preparation of the questionnaire instrument in this study adopted questionnaires from Zhai et al. (2022), Hsu et al. (2015), Yang et al. (2017), Khan (2022), and Pinochet et al. (2019). The questionnaire consists of 18 items: website quality, platform reputation, Top management team heterogeneity, social influence, and trust towards online P2P platforms (appendix 1), based on existing theories to explain causal relationships and test hypotheses about social phenomena aiming to solve problems. The survey utilizes a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.1 Procedure

An online survey was conducted between March 2, 2024, and April 15, 2024. It was designed and administered to participants using Google Forms. The online survey has been approved by the Director of the Technology Transfer Office (TTO) and the Secretariat of the Research Ethics Committee of Multimedia University under the ethical approval code EA0382024. Participants in this survey were provided with information regarding the purpose of the data collection. Upon comprehending the contents of the informed online consent statement form, participants proceeded to complete the study and willingly agreed to take part. The participants needed to click and respond to the questionnaire provided via the link through social media, WhatsApp, and personal email.

As Kang (2021) recommended, this study used G*Power software to calculate the sample size. Thus, an expected effect size of 0.15, desired statistical power level of 0.8, and probability level of 0.05 yielded 85 as the minimal sample size. Hence, after screening the incomplete responses, this study will use 109 respondents' answers for the analysis that fulfilled the minimal criteria.

A pilot test was conducted to establish the feasibility and assurance of the questionnaire for this study. According to the criteria for pilot testing, a sample size of 10 to 30 respondents is needed to assess the validity of the questions, as mentioned by Machin et al. (2018). A total of 25 samples were collected to run the pilot study and identify any potential discrepancies in the questionnaire. The result reveals Cronbach's alpha reliability ranging from 0.662 to 0.712, which is acceptable.

3.2 Statistical analysis

To investigate how website quality, platform reputation, Top management team heterogeneity, and social influence affect investors' lending decisions in a P2P platform, the following multiple regression model will be tested:

$$\text{Trust in P2P lending platforms} = \alpha + \beta_1 \text{ website quality} + \beta_2 \text{ platform reputation} + \beta_3 \text{ Top Management team heterogeneity} + \beta_4 \text{ social influence} + \epsilon_i$$

In the above model, α is a constant; β_1 , β_2 , β_3 , and β_4 are coefficient correlations for variables of website quality, platform reputation, TMT heterogeneity, and social influence; and ϵ_i is the residual term. The researcher used IBM SPSS Statistics software version 28 to analyze frequency, descriptive statistics, Pearson coefficients, and multiple regression from retrieved feedback.

4. Results and Discussion

4.1 Descriptive characteristics of respondent

Table 1 provides an overview of the general sociodemographic information collected from the participants. The study sample consisted of more male investors (72.5%) than female investors (27.5%). This gender distribution of respondents is quite common in the investor sample. Concerning the age groups of respondents, 28 respondents (25.7%) fall under the age group of under 30 years old, followed by 63 respondents (57.8%) and 18 respondents (16.5%) for the age groups of 30-40 years old and over 40 years old, respectively. The age group with the highest frequency is consistent with the SCM (2023) annual report, as it was reported that 49% of investors are under 35 years old. Most respondents were educated; 59.6% of the respondents had an undergraduate degree, and 29.4% of the respondents had a postgraduate degree. The distribution of respondents across the four income groups showed that the largest group (55%) had a net income of 3000-6000 RM per month. For comparison, Malaysia's average net monthly salary at the time of data collection was approximately 6500 RM. Finally, most respondents (89.9%) had invested in the P2P platform for less than one year, indicating they were new investors. This finding aligns with SCM's annual report, which states that 24% of participating investors were first-time investors (SCM, 2023).

Table 1. Frequency and percentage distribution of respondents (N=109)

Demographic	Classification value	Frequency	Percentage
Gender	Male	79	72.5
	Female	30	27.5
Age	under 30 years old	28	25.7
	30-40 years old	63	57.8
	Over 40 years old	18	16.5
Education	College	12	11
	Undergraduate	65	59.6
	Postgraduate	32	29.4
Income (monthly)	less than 3000 RM	7	6.4
	3,000 to 6000 RM	60	55
	6,000 to 10,000 RM	27	24.8
	over 10,000 RM	15	13.8
Time invested in the P2P platform	less than 1 year	98	89.9
	1-3 years	11	10.1

Mean, standard deviation, and Cronbach's Alpha

As data were collected from a single source using a self-reported survey design, common-method bias has been tested. In accordance with Podsakoff et al. (2003), anonymity for respondents, clearer item wording, and minimisation of evaluation concern have been implemented. Harman's single-factor test showed that the variance is 32.92%, which is below the threshold of 0.5, suggesting that common method bias was not a threat and that the instrument is ready for further analysis. Since the questionnaire was based on a five-point Likert scale, the higher the mean value, the more positively each element was perceived (Yoshimura et al., 2021). Based on Table 2 below, the results showed that the means of these constructs ranged from 4.69 to 4.82, indicating very high positive attitudes toward the constructs. According to Hinton et al. (2014), the questionnaire is considered reliable if the Cronbach alpha value is ≥ 0.6 (greater than 0.6). A reliability test was conducted to determine whether the questionnaire had consistency; analysis revealed that all constructs were reliable and suitable for further analysis, ranging from 0.779 to 0.918.

Table 2. Reliability and Descriptive Statistics (N=109)

Construct	Mean	Std. Deviation	Cronbach's α
Website Quality	4.81	0.497	0.811
Platform Reputation	4.77	0.6	0.823
Top management team heterogeneity	4.75	0.6	0.779
Social Influence	4.69	0.74	0.918
Trust	4.82	0.52	0.886

4.2 Correlation analysis

Pearson Correlation Analysis was used to determine the strength of the relationship between the independent and dependent variables. The result shows a highly positive and statistically significant relationship between trust in P2P lending platforms and website quality, top management team heterogeneity, and social influence.

Although the correlation with trust among these variables was high, the variables did not exhibit any multicollinearity, as the tolerance values for each variable were greater than 0.1, and the variance inflation factor (VIF) was less than 3.3 (Diamantopoulos & Sigauw, 2006). This shows that an increase in clear navigational design, updated information about the management team, and social influence can all enhance investor trust in a platform. However, a low positive and statistically significant relationship was found between trust and platform reputation, suggesting that reputation was not the main attractive factor for investors. Overall, all Independent Variables have a p-value of $p < 0.01$ and are significantly correlated to the Dependent Variables.

Table 3. Pearson correlations between variables

Elements	1	2	3	4	5
Website Quality	1				
Platform Reputation	.697**	1			
Top management team heterogeneity	.784**	.616**	1		
Social Influence	.644**	.347**	.650**	1	
Trust	.724**	.482**	.725**	.701**	1

** Correlation is significant at the 0.01 level (2-tailed).

4.3 Multiple regression analysis

As questionnaires were based on a 5-point Likert scale, multiple regression analysis was used to transform all the values into continuous values by computing composite mean before running the regression analysis. The following Table 4 shows the results of multiple regression where trust in P2P Lending platforms' dependent variable is regressed against four independent variables: website quality, platform reputation, top management team heterogeneity, and social influence. The results show that website quality (0.288), top management team heterogeneity (0.285), and social influence (0.33) have a significant and positive impact on trust in P2P Lending platforms at the 0.05 level. At the same time, platform reputation does not significantly impact trust in P2P Lending platforms. Thus, H1, H3, and H4 are supported, while H2 is rejected.

Table 4. Multiple regression result

	Std. Coefficients		t	Sig.	Collinearity Statistics	
	Beta				Tolerance	VIF
Dependent variable: Trust in P2P platforms (TR)	(Constant)		3.671	0.000		
	website quality	0.288	2.954	0.004	0.354	2.826
	Platform reputation	-0.02	-0.231	0.818	0.471	2.125
	top management team heterogeneity	0.285	2.907	0.004	0.35	2.86
	social influence	0.33	4.147	0.000	0.53	1.885
Model Summary b						
Model	R	R Square	Adj R Square	Std. Error		
1	.804a	0.647	0.634	0.31631		
a Predictors: (Constant), SI, PR, TMT, WQ						
b Dependent Variable: TR						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.078	4	4.770	47.671	.000 ^b
	Residual	10.406	104	0.100		
	Total	29.484	108			
a. Dependent Variable: TR						
b. Predictors: (Constant), SI, PR, TM, WQ						

Note(s): WQ = website quality, PR = Platform reputation, TMT = top management team heterogeneity, SI = social influence, and TR = trust in P2P platforms.

Multicollinearity was examined by assessing the index of variance inflation factor (VIF) (Gefen,2005). The VIFs for the constructs range from 1.885 to 2.86, less than the conservative threshold

of 3.3 (Diamantopoulos & Siguaw, 2006), suggesting that multicollinearity is at an acceptable level. Also, using $df = 4$, the critical chi-square value at $p < .05$ is 9.49, since the Mahalanobis Distance was found with a value (of 9.25) for a model that is below the threshold, suggesting no significant outlier in the sample. Analysis of the regression residual plots revealed no statistically significant differences in the variance of all the variables and verified the homoscedasticity. The Durbin-Watson statistic indicates a value of 1.826, which is close to 2 and suggests a lack of autocorrelation. F-statistics indicate that the P-value is 0.000 within the threshold value of 0.05. Thus, the hypothesis of $b_1 = b_2 = b_3 = b_4 = 0$ should be rejected, implying the model has a significant fit. All the significant variables explain 64.7% variation in trust in P2P platforms, which can be explained by the four independent variables, which reflect some other variables that could contribute to enhancing lenders' trust towards P2P platforms. Cohen (1988) suggests that r-square values of 0.2, 0.5 and 0.8 denote a small, medium, and large level of predictive accuracy, respectively. In this study, the r-square value of 0.647 indicates a moderate level of predictive accuracy.

The findings confirm that website quality, top management team heterogeneity, and social influence significantly affect lender trust in an online P2P lending platform in Malaysia. These findings are consistent with the previous study by Yang (2017) and Zhang et al. (2020). The insignificant relationship between platform reputation and trust in the P2P platform suggests that the significance of reputation as a trust signal in Malaysian P2P lending may not be as distinct as observed in other markets, which is consistent with the findings that P2P literature tends to be geographically focused (Basha et al., 2021) and results are often highly context-specific, meaning that factors identified in one market may not easily transfer to another. A possible explanation for the non-significant result is that there is weak differentiation among Malaysian platforms. Since P2P platforms in Malaysia operate within a centralized regulatory framework under the Securities Commission Malaysia's Recognized Market guidelines, these guidelines impose rules on registered operators and provide investor guidance on borrowers' financial status and associated risks. When most platforms seem legitimate, the role of reputation may diminish as a differentiating factor in building trust and potentially evolve into a "threshold" characteristic rather than a distinguishing signal. Furthermore, the prevalence of novice investors in the sample primarily reflects early-stage or initial trust formation rather than relational trust built through repeated engagement and increasing familiarity. For investors, early-stage trust formation is more dependent on immediate signals (Yan et al., 2018); they tend to focus on cognitively accessible cues, i.e., website quality or management signals, than on historically based evaluations, such as reputation.

5. Conclusion

Online P2P lending has become a remarkable success, offering an exciting context for researchers. Motivated by the importance of trust in the platform, this research examined investors' trust factors associated with P2P lending platforms in Malaysia. Signaling theory was applied as the baseline theory and incorporated with additional variables. The study investigates the impact of website quality, platform reputation, top management team heterogeneity, and social influence on lenders' trust in online P2P lending platforms in Malaysia. Surveying among lenders in Malaysia, the results demonstrate that website quality, top management team heterogeneity, and social influence significantly influence lender trust toward P2P lending platforms. In contrast, the platform's reputation does not significantly affect trust in online peer-to-peer (P2P) lending platforms. This might be due to the minimal differentiation among Malaysian platforms and the study's sample primarily consisting of novice investors. These investors tend to focus more on visible cues, such as the quality of the website and management signals, rather than the platform's overall reputation.

This research contributed new empirical evidence that supports the relevance of signal theory in the context of online lending platforms. While past research primarily focused on lender trust in borrowers,

this study examined lender trust in the platform itself. It elucidates that investor trust in a platform mitigates concerns regarding potential financial losses. This effect is observed through lenders' responses to several significant signals, including a solid reputation, high-quality website design, a proficient top management team, and social influence. Findings suggest that website quality, top management team heterogeneity, and social influence concerns need to be considered to develop trust toward this alternative financing intermediary among lenders in Malaysia. These findings have important implications for Malaysian P2P lending platforms that operate within stringent regulations and institutional guidelines. This study also highlights several important practical contributions, especially for the business operators and developers of P2P lending platforms. Platform providers must demonstrate trustworthiness to P2Plenders. Having a top management team with diversity in education, experience, and skills and a user-friendly, informative, and up-to-date website will enhance the trust of P2P lending investors. Also, the providers must create reputation and brand power to reassure lenders that the platform is legitimate and dependable. Therefore, platforms may prioritize developing value-added services, enhancing the platform brand's credibility, and emphasizing the development of effective signaling mechanisms. By educating the public about P2P lending, we can deepen their understanding and trust in such platforms, making them feel more informed and knowledgeable about their investment decisions.

Although previous studies have shown that several factors affect investor trust, this study solely examines four variables and P2P platform trust, which may differ among different global financial markets worldwide, so P2P practitioners should regard these findings with caution. Numerous other factors that might be significant in determining the relationship in investors' trust are beyond the scope of this research. Therefore, future studies may consider looking into different variables, including safety protection of the platform, financial and credit status, risk control, and other demographic characteristics such as ethnicity, location, etc., to better understand lenders' trust. Although the sample size meets the minimum statistical requirement for the analysis, the respondent profile is dominated by investors with less than a year of lending experience, reflecting early-stage trust formation rather than long-term relational trust. Additionally, the use of purposive sampling limits the external validity of the study, so caution should be exercised when generalising the findings to the broader population of P2P investors. Future research could enrich the analysis by incorporating control or moderator variables, such as investment experience, age, and income, to better understand differences in trust formation across investor groups. Also, this study has methodological limitations; it uses Cronbach's alpha for reliability; thus, future research may strengthen construct validation by employing Confirmatory Factor Analysis alongside average variance extracted (AVE), composite reliability, and discriminant validity testing.

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Competing interests

Not applicable

Ethical approval

The Research Ethics Committee of Multimedia University approved this research to be conducted.

Availability of data and material

The data that supports the findings of this study is available at Figshare with the following details:
Project title: Antecedents of Lenders' Trust in Malaysian Peer-to-peer (P2P) Lending Platforms. DOI: 10.6084/m9.figshare.26370457

This study contains the following underlying data:

Under the Securities Commission Malaysia (SC) regulations, Malaysia's peer-to-peer (P2P) lending sector has experienced significant expansion in the last few years. Though it is still in its infancy, it is crucial to understand how trustworthy investors find these platforms. This paper examines the factors affecting investors' trust in P2P lending platforms in Malaysia. The study used a purposive sampling method with 109 respondents who had invested in at least one of Malaysia's registered P2P lending platforms. An online questionnaire was designed with demographics and questions regarding investors' trust in online P2P platforms in Malaysia.

Author contributions

All the authors collected data. Kaniz Farhana and Muthaiyah Saravanan conducted the literature review, established the research framework, and analyzed the data. Nguyen Thi Phuong Lan assessed the findings and discussed the analysis.

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Appendix 1

Constructs	Measurement items	Adapted from
Website quality (WQ)	WQ1: The chosen P2P platform's website is user-friendly.	Yang et al (2017); Hsu et al (2015)
	WQ2: The P2P platform I chose has a website that is easy for users.	
	WQ3: The website of the P2P platform I selected offers comprehensive and trustworthy information.	
	WQ4: The P2P platform I choose has an up-to-date website with helpful information.	
Platform Reputation (PR)	PR1: My chosen P2P lending platform is well known	Zhai et al (2022)
	PR2: The platform I chose has a good reputation	
	PR3: I am familiar with the name of my chosen P2P platform	
Top management team heterogeneity (TM)	TM1: The management team possesses a wide range of previous industry experience.	Yang et al. (2017)
	TM2: The top management team has educational background heterogeneity	
	TM3: The top management team has functional background heterogeneity	
Social Influence(SI)	SI1: People whose viewpoints hold significance to me (financial experts) inspire my engagement in P2P lending.	Khan (2022); Pinochet et al (2019)
	SI2: Most of the people around me are using P2P lending platforms.	
	SI3: The opinions of my friends and family influenced my decision to use a P2P lending platform.	
	SI4: The opinions of loan service users impact my decisions regarding P2P lending.	
Trust in platform	TR1: The P2P platform that I chose is trustworthy	Khan(2022); Zhai et al (2022)
	TR2: The borrower on the P2P platform that I chose is reliable	
	TR3: The regulatory control of the P2P lending sector by the Securities Commission Malaysia (SCM) is effective.	
	TR4: The laws that regulate P2P lending platform guarantee protection to investors	