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UNDERSTANDING PERCEIVED PLATFORM TRUST AND INSTITUTIONAL RISK IN PEER-TO-PEER LENDING PLATFORMS FROM COGNITION-BASED AND AFFECT-BASED PERSPECTIVES

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Abstract

In this study, we drew from the existing online trust model to develop a specific model of online lending platform trust from the perspectives of cognition-based trust and affect-based trust. Trust between lenders and borrowers have been discussed a lot but there are no empirical studies focusing on trust toward lending platforms. The dearth of the relevant studies on this aspect indicates the great need for the present study. This study aims to incorporate the Technology Acceptance Model with additionally context-specific factors to propose a research model. Perceived platform trust is divided into three dimensions: technology expectancy, cognition-based trust and affected-based trust. To test the model, we collected data from 300 users with different educational levels on p2p lending platforms in China. The structure of demographic features of our samples is analogous to that of the overall p2p market in China at the end of 2012. The finding suggested that positive reputation and social influence had few impacts on trust toward lending platforms and perceived institutional risks. The finding of this research provided a theoretical foundation for future academic studies as well as practical guidance for both borrowers and lenders lending on p2p platforms.

Key words: peer-to-peer-lending, trust, online platform, institutional risk.

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1. INTRODUCTION

Information technology has brought new changes to traditional financial market in recent years. Peer-to-peer lending is one of the innovations which provides ways of lending money to unrelated individuals or “peers” without going through a traditional financial intermediary such as banking or other traditional financial institutions (en.wikipedia.org/wiki/). P2p has developed quickly in China in recent years. According to the data released by *Service Industry White Paper in China*, the number of p2p lending platforms in China has exceeded 200 at the end of 2012. Statistic suggests that the amount of investments has exceeded 10 billion RMB. The number of investors on p2p lending platforms has exceeded 50 thousand.

Compared with the traditional lending process, transaction costs on p2p platforms are reduced at the cost of the more severe information asymmetries in online environments (Klafft, 2008). Lenders and borrowers are the main participants of all online platform activities. Most researches have focus on the behaviors of these stakeholders (Yum and Lee, 2012; Puro et al., 2010; Herzenstein et al., 2011). Determinants that are essential for the success in the lending process are also the subject of the majority studies (Herzenstein et al., 2008; Freedman and Jin, 2008). Herding behaviors are conformed in P2P market which is full of uncertainty (Lee and Lee, 2012). Soft information also serves as a crucial role to decrease information asymmetry and supports a positive overall perception of the borrower (P äzsch and B öhme, 2010).

Despite of these researches from varieties of aspects, information asymmetries are still difficult to eliminate in this uncertainty online environment which is either the technology uncertainty of the internet environment or the behavior uncertainty of the partners (Pavlou, 2003). To be successful, positive images and good reputations are crucial for borrowers which help engender trust in the community (Herzenstein et al., 2008). However, creating trust is relatively difficult in P2P lending communities because the traditional setting for establishing trust is based on the repeated interactions which may restrict each side of parties to employ opportunities (Ba, 2001). In social lending platforms, however, most loans are “one-shot” event, which means there will be no repeated interactions between lenders and borrowers. To figure this out, many researchers have focused on how to strengthen the relationship between lenders and borrowers. For example, by providing detailed information about themselves and the credit projects or joining an infinity group may efficiently enhance the trust from lenders (Herzenstein et al., 2008).

Therefore, establishing trust is important to increase the likelihood of funding success or the adoption of platforms. It has been noted that trust not only plays a main role between people, but also in the context of information system (Chopra and Wallace, 2003). End-users are required to run the risks caused by both partners and electronic system failure (Salo and Karjaluto, 2007). All this uncertainties may increase the risks while using the online lending systems and reduce the users’ intention to participant in the activity (Pavlou, 2003). However, there are few discussing trust between humans and online platforms. Therefore, a unified model was developed in this paper to help find out the dimensions of platform trust which affect both trust and perceived institutional risks on p2p lending platforms.

The rest of the paper is organized as follows: section 2 provides a review pf the existing literature on p2p lending and trust online. Section 3 presents the research hypothesizes, specifying the antecedents determining individual’s trust on p2p lending platforms and perceived institutional risks lending online.

Section 4 outlines the research methodology. Section 5 provides the results of empirical tests, followed by a summary of the findings and the discussions of the implications. At the end of the paper, limitations and suggestions are identified for future researches.

2. LITERATURE REVIEW

2.1 Peer-to-peer Lending

The newly emergent platform attracts attention of numerous scholars from varieties of fields, especially ever since the data of Prosper have been available for academic studies. Studies on human behaviors have occupied a large part of studies. Some scholars suggested personal prejudice in online lending based on the theory of taste-based discrimination (Ravina 2012; Pope and Sydnor 2008). On the contrary, studies of peer-to-peer lending in the USA found that genders had some effects on the likelihood of getting a loan. However, it was proved that this discrimination is only a platform-specific phenomenon rather than a common attribute (Barasinska and Schäfer, 2010). Furthermore, in the study of Herzenstein et al (2008), based on the loan information of Prosper community, they concluded that there is less discrimination and more democratization in p2p lending community.

In addition, there are also many studies focusing on borrowers' or lenders' decision making process. Puro et al (2010) developed a decision-support tool for the borrowers in a p2p reverse auction lending environment which enabled borrowers to balance the difficult trade-off decisions about the targeted final rates and accepted risk in terms of success probability. As for lenders, they usually effectively infer borrowers' creditworthiness using the rich information provided online (Clafft, 2008). Herding behavior and its diminishing marginal effect are proved as bidding advances (Lee and Lee, 2012). However, people seek the wisdom from peers when problems are probabilistic. When more verifiable information accumulates, lenders tend to switch and rely on themselves more instead of the wisdom of peers (Yum et al., 2012). Freedman and Jin (2009) used the evidence from Prosper concluded that lender learning was effective in reducing risk of founded loans over time. As a result, the market has excluded more and more subprime borrowers.

Besides, there are many studies addressing the impact of social networks. Study shows that groups act as financial intermediaries and are potentially beneficial for market participants by providing and verifying information or obtaining additional information about borrowers that is not publicly available (Berger and Gleisner, 2008). Stronger and more verifiable relational work measures are associated with a higher likelihood of a loan being funded, a lower risk of default, and a lower interest rate (Lin et al., 2009). It was also confirmed that being a member of group within an online lending community was associated with significantly decreased default risk only if membership held the possibility of real-life personal relationship (Everett, 2010). Lin and Viswanathan(2009) found out that friendship networks and groups played a valuable role in reducing information asymmetries. They also pointed out it was not the size of borrowers' network or the number of social ties, but the quality that determined positive social capital. However, it was found that the estimated returns of group loans are significantly lower than those of non-group loans which is because of lender learning (Freedman and Jin, 2008).

2.2 Trust

In the P2P lending market, individuals bid on unsecured loans sought by individual borrowers. In this

highly decentralized market, information asymmetries are amplified because the lending process in online environments is almost faceless and close to anonymous. To cope with this uncertainty, trust is necessary based on the evaluation of the situation and of transacting parties (Lo and Lie, 2008). When trust is built, the perceived level of risk or the subjective beliefs regarding the possibility of loss in the interaction will be lowered (Doney and Cannon, 1997; Yousafzai et al., 2003). Moreover, trust is able to increase the end-users' motivation to cooperate with the other party online in an uncertain environment (McKnight and Chervany, 2002).

Trust has been studied in a variety of disciplines including economics, social, technological, and psychological (Rotter, 1967; Zucker, 1986). Mayer et al (1995) defined trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that others will perform a particular action important to the trustor, irrespective of ability to monitor or control the other party. Online trust mechanism has been discussed a lot to facilitate the success of e-commerce (Lee and Turban 2001). Especially in the b2c area, transaction success is determined not only by trust towards sellers and products, but also the electronic system. To synthesize trust formation from different disciplines. McKnight and Chervany (2002) justified a parsimonious interdisciplinary typology and relate constructs to e-commerce consumer actions, defining both conceptual level and operational level trust constructs. Other related studies have also sought to develop models in an effort to understand the role of trust in an e-commerce environment and participants in electronic market. However, the studies on online trust have been fragmented in nature.

Today, trusted relationships are not created only between people or between people and organizations but can also be found between people and computer systems. Specifically, system trust plays an important role in the nomological network by directly affecting trust in vendors and indirectly affecting attitude and intention to purchase. Pennington et al (2003) directly dealt with system trust that could facilitate trust and ultimate conduct of commerce in online environment. In the study of Chopra and Wallace (2003), they referred to four domains when the question of trust was related to electronic environment: information, information system, e-commerce, online relationships. The study provided a solid foundation for the future studies on information system trust.

In the area of P2P lending, a specific application in C2C markets in general is different from most trust models in B2C markets. Compared with offline p2p lending where lenders and borrowers can meet each other face to face and easily ask the returning of money, lending online has more risks especially without involving of intermediary institution. Trust online contain both interpersonal trust and trust on intermediary. Intermediary trust in online marketplace involves institutional mechanisms and regulations, which closely related to institution-based trust (Verhagen et al., 2006). Existing trust building model on P2P lending platforms mainly focus on interpersonal trust which is between borrowers and lenders to mitigate the information asymmetries (Greine and Hui 2010). Rare studies have discussed end-users' trust on online platforms. It is necessary to build human-platform trust since social relations are directly towards the technology itself. It is theorized that the computer technology serves a purpose of filling roles traditionally occupied by human, which changes it from a simple tool to a social partner (Nass et al., 1996; Nass et al., 1994).

This paper specifically examines the trust building mechanism between end-users and P2P platforms, which affects the use of the technology. We divide the platform trust into three dimensions: 1) technology expectancy 2) cognition-based trust 3) affect-based trust.

3. RESEARCH MODEL AND HYPOTHESIS

The study focuses on trust and perceived institutional risks towards online lending platforms. Trust in the intermediary is defined as the subjective belief with which users believe that the intermediary will institute and enforce fair rules, procedures and outcomes in its marketplaces competently, reliably and with integrity and if necessary will provide resources to deal with opportunistic behaviors.

Prior studies have integrated trust with the TAM, confirming that trust relates to perceived usefulness and ease of use (Chircu et al., 2000). We combine the two original factors into our model as a single dimension call technology expectancy. Besides TAM, Kim et al (2008) argued that there were four categories of antecedents. Two of them (Cognition-based trust and affect-based trust) are concluded in our study. The cognition-based trust antecedents are associated with consumers’ observations and perceptions, which is composed of perceived privacy protection and perceived structural assurance. We also combine positive reputation, third party, social influence into another single dimension called affect-based trust, which is related to indirect interactions with the trustee (McAllister, 1995; Chen et al., 1998).

Finally, the factors included in our research can be categorized into three dimensions: affect-based trust, cognition-based trust and technology expectancy (TE). The proposed research model is presented in Figure 1.

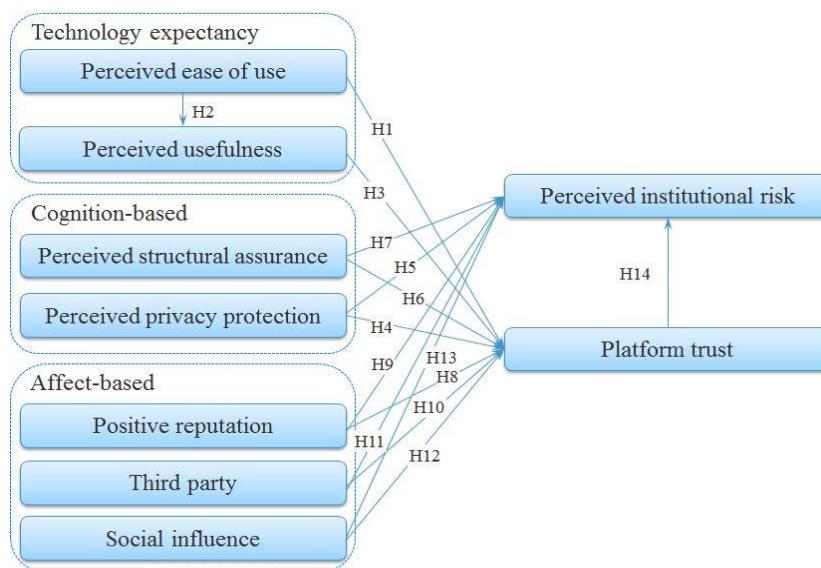


Figure 1. Research model

3.1 Technology Expectancy

TAM has received many attentions regarding to technology adoption. Now the use of TAM has been extended from the original system use to predict consumer behavior in online transactions. Prior literatures have shown that perceived ease of use is positively associated with online trust (Gefen et al., 2003; Pavlou, 2003). And the elements of perceived ease of use online websites such as easy to understand processes contribute to trust and reduce misunderstandings of lending process. Besides, prior studies have also found that perceived ease of use is positively related to perceived usefulness (Lyons and Mehta, 1997). Therefore, the following hypothesizes can be formulated:

H1: perceived ease of use is positively related to trust toward social lending platforms.

H2: Perceived ease of use is positively related to perceived usefulness

There is also some relationship between perceived usefulness and platform trust. The more the users find an online web useful, the more likely they will perceive the platform to be competent and capable. Competence is one of the elements of trust, which means perceived usefulness may affect the degree to trust (Awad and Ragowsky, 2008; Jarvenpaa et al., 1998). Awad and Ragowsky (2008) expected that perceived usefulness of online web site would be a strong determinant of online trust. Thus, we assume that:

H3: Perceived usefulness is positively related to trust toward social lending platforms

3.2 Cognition-based Trust

Perceived privacy protection refers to a user's perception of the likelihood that the intermediaries will try to protect user's confidential information collected online from unauthorized use or disclosure (Kim et al., 2008). Schoenbachler and Gordon (2002) suggested that trust was a relevant factor in the end-user's decision over whether to disclose their personal information to another party. Institutional risks arise when an institution fails to reduce opportunistic behaviors (Verhagen et al., 2006). Ganor (1998) believed that if a company published its principles regarding the use of end-users' personal information and gave the users the control over information. This action will stimulate users to give their information to the market. Thus, users may feel it more trustworthy and able to protect their information properly. Accordingly, we posit the following hypothesizes.

H4: Perceived privacy protection is positively related to trust towards social lending platforms

H5: Perceived privacy protection is negatively related to perceived institutional risk

System trust is an impersonal trust that supports trusting intentions (Pennington et al., 2003). Structural assurance includes safeguards such as policies, regulations, laws, guarantees, which make the users feel safe to depend on the platform. It also reduces perceived institutional risks lending online. In p2p lending particular (Verhagen et al., 2006), intermediaries verify and monitor the parties engaged, reassure enforcements in case of an opportunistic behavior and take care of privacy and security of both data and transaction. By preventing fraudulent users from doing lending activities, end-users gain more trust towards platforms and reduce institutional risks brought by uncertainty environments. Thus, the following hypothesizes can be established:

H6: Perceived structural assurance is positively related to trust toward social lending platforms

H7: Perceived structural assurance is negatively related to perceived institutional risks

3.3 Affect-based Trust

In the study of online transaction, a vendor's favorable reputation enhances credibility of the vendors (Ganesan, 1994). Individuals may lack direct experience online lending. They will rely on the party's reputation. If a user perceives that other people think that it is good, reliable and fair, he or she may trust it enough to use it (Anderson and Weitz, 1992) and the perceived risk may reduce knowing that the platform is widely accepted. Then the following hypothesizes are addressed.

H8: positive reputation is positively related to trust toward social lending platforms

H9: positive reputation is negatively related to perceived institutional risks

Besides favorable reputation, online systems can build trust via third parties using the brands known in the physical world (Durkan et al., 2003). The well-known brands in online environment will give users a sense that online platforms are making sincere effort to uphold its transactional obligations, which increase the users' trust (Kim et al., 2008). What is more, the reliable and safeguarding politico-legal systems contribute to the support and enforcement of contract, which enhance trust (Lyons and Mehta, 1997). Other third parties such as group belongings, legal instances and independent certifiers also play a great part in increasing trust (Ashta, Assadi, 2010). Therefore, we hypothesize that:

H10: Third party is positively related to trust toward social lending platforms

H11: Third party is negatively related to perceived institutional risks

Innovation diffusion research has suggested that users' adoption decisions are influenced by a social system beyond an individual style and the characteristics of IT (Hsu and Lu, 2004). Two types of social influences are distinguished: social norms and critical mass. The former refers to people in a group tend to comply with group norms and moreover tend to influence other group members (Lascu and Zinkhan, 1999). And perceived network externality is defined as users' perception of whether an information technology has attracted sufficient numbers of users to indicate that critical mass have been reached (To et al., 2008). It refers to the fact that the value of technology to a user increases with the numbers of users, which indicates that people's trust also facilitates with increasing numbers of users. Therefore, the following hypothesizes are established:

H12: Social influence is positively related to trust towards social lending platforms

H13: Social influence is negatively related to perceived institutional risks

3.4 Perceived Institutional Risks And Trust Towards Social Lending Platforms

Transactions in e-credit marketplaces are often full of risks of default through fraud since participants use fictitious names during lending process (Greine and Hui, 2010). As a result, trust comes to play as a solution for the specific problems of risks (Luhmann, 2000). Just as Gambetta (Gambetta, 2000) argued trust was particularly relevant in conditions of uncertainty with respect to the unknown parties. In our papers, we mainly focus on the trust toward platforms and define it as the belief that the intermediary ensures the honesty, dependability, reliability and trustworthiness of both parties. Institutional risk, on the other hand, refers to risks brought by the failure of an institution to reduce the opportunistic behaviors between two parties. Trust and perceived institutional risk are both subjective concepts embedded in social relationships. Researchers have shown that trust diminishes risk perceptions. The effect of trust on perceived risks has been empirically supported on researches in virtual community (Pavlou, 2003; Salo and Karjaluoto, 2007; Kim et al., 2008; Pavlou and Gefen, 2004). Hence, a direct path is developed as following:

H14: Trust toward social lending platforms is negatively related to perceived institutional risks

4. RESEARCH DESIGN AND METHODOLOGY

4.1 Measurement Development

All measurement items were adapted from previous literature, with minor modifications in wording to make them relevant in the context of p2p lending. A five-point Likert scale was used for all ratings. To enhance the validity of the proposed model's measurement items, a pilot study was performed with bachelor's degree students (n=17) in a MIS program who were frequent p2p users to reduce possible ambiguity in the questions. Respondents were asked about any difficulty they may have encountered in the survey. Comments and suggestions on the item contents and structure of the instrument were solicited. Several revisions of questionnaire items were made.

4.2 Survey Procedure

This research takes China as the site of the empirical investigation because the supporting infrastructure required for p2p lending has been put in place. The growth rate per annum exceeds 300% according to the data released by p2p Lending Service Industry White Paper in China. Up to 2012, the amount of online transaction in Chinese p2p market has exceeded 100 billion RMB. A Total of 300 questionnaires were distributed in the formal survey between March, 2013 and June, 2013. The questionnaires were distributed through the mail, personal visits to people who were working in diverse industries and social institutions, including schools, universities, offices, companies that were drawn at random in the three cities in China. Altogether, 235 questionnaires were collected. After reviewing, 21 questionnaires were eliminated due to invalid answers, leaving 214 questionnaires for the empirical analysis. Our sample comprised 43.2% male and 56.8% female respondents.

5. DATA ANALYSIS AND RESULTES

5.1 Measurement Model Development

Both of validity and reliability were determined to evaluate the measurement model. Hair et al. (1998) indicate that Cronbach's α value of 0.7 is the minimum acceptable value for reliability. The α value of each construct is over 0.7, which represents good reliability. Content validity and construct validity are often used to measure validity. The variables in this study were derived from existing literature, thus exhibiting strong content validity. Construct validity was examined by investigating discriminant validity and convergent validity. The convergent validity of the scales was verified by using the criteria suggested by Fornell and Larcker (1981). All the factor loadings for all items exceed the acceptable level of 0.6, and all factor loadings are significantly related, via t-tests at $p < 0.001$, to their respective constructs, the composite reliability of the constructs ranged from 0.74 to 0.87, and thus all exceeded the generally accepted value of 0.70. In addition, the AVE ranged from 0.52 to 0.69. Hence, all three conditions for convergent validity were met. Discriminant validity was examined using criteria suggested by Fornell and Larcker (1981). The shared variance between each pair of constructs was less than the average variances extracted, providing evidence of discriminant validity.

5.2 Test of Structural Model

To assess how well the model represents the data, this research employed AMOS 6.0 to evaluate “goodness of fit” indices. $\chi^2/df=1.87$, RMSEA=0.05, GFI=0.82, AGFI=0.83, CFI =0.92, NFI=0.85 and IFI=0.91 are all within the commonly accepted thresholds suggested in the literature. The fit indices indicate that the model provides a reasonably good fit.

Fit index	Observed value	Recommended value	References
$\chi^2/d.f.$	1.87	Good fit (should be less than 3)	Fornell and Larcker 1981
GFI	0.82	Good fit (should be greater than 0.80)	Hair <i>et al.</i> 1998
AGFI	0.83	Good fit (should be greater than 0.80)	Hair <i>et al.</i> 1998
NFI	0.85	Good fit (should be greater than 0.80)	Fornell and Larcker 1981
IFI	0.91	Good fit (should be greater than 0.90)	Hair <i>et al.</i> 1998
CFI	0.92	Good fit (should be greater than 0.90)	Fornell and Larcker 1981
RMSEA	0.05	Good fit (should be less than 0.08)	Hair <i>et al.</i> 1998

Table 1. Model fit indices.

6. DISCUSSIONS AND IMPLICATIONS

The result shows that perceived ease of use ($\beta=0.245$, $t=3.172$, $p<0.005$) and perceived usefulness ($\beta=0.289$, $t=4.391$, $p<0.001$) have positive effects on users’ trust toward online lending platforms, which means people tend to trust online lending platforms because they perceive them to be useful and find them easy to use. The results are consistent with the study of Awad and Ragowsky (2008).

Regarding the two constructs in cognition-base trust, perceived structural assurance ($\beta=0.305$, $t=3.713$, $p<0.001$) and perceived privacy protection ($\beta=0.296$, $t=4.005$, $p<0.001$), both of them show strong relationships with trust towards online lending platforms. This finding indicates that people pay attention to the structural assurance and privacy protection during online lending process. Borrowers reveal their personal informations to platforms in order to gain trust from lenders. However, this conducts may expose borrowers to risks of privacy invasion. The results exactly reflect that variation of risks by providing that perceived privacy protection ($\beta=-0.242$, $t=3.764$, $p<0.005$) is significantly relates to perceived institutional risks and perceived structural assurance ($\beta=-0.276$, $t=3.574$, $p<0.001$) impacts on perceived institutional risks. It also indicates that website designers can focus on the statement elaboration to eliminate worry of users so that they can attract more users to online lending platforms.

In the dimension of affected-based trust, third party ($\beta=0.314$, $t=3.742$, $p<0.001$) shows great impact on trust towards online platforms. It ($\beta=-0.197$, $t=2.893$, $p<0.01$) is also significantly related to perceived institutional risks. However, positive popularity ($\beta=0.156$, $t=2.173$, $p=0.214$) and social influence ($\beta=0.211$, $t=2.435$, $p=0.112$) are not considered determining factors of platform trust, either do they ($\beta=-0.118$, $t=3.011$, $p=0.487$; $\beta=-0.192$, $t=2.864$, $p=0.233$) have effects on perceived institutional risks because they do not exhibit significant effects on end-users’ platforms trust and perceived institutional risks. The possible explanation for the result may be that p2p lending only has a short history in China. People who adopt online lending are not sufficient enough to perceive users the reach of critical mass. The same result also happened to positive population. The reason may be that the p2p lending platforms

are not widely accepted in China. Some people prefer traditional banking lending process since there are fewer risks and more guarantees. On the other hand, p2p lending is sometimes thought to be unreliable because online lending markets are in the phase of development and lack specific laws to monitor the running of online lending. As a result, positive population may still not enough to produce trust towards online lending and reduce institutional risks.

Finally, trust towards online lending ($\beta=-0.392$, $t=4.122$, $p<0.001$) was found to have significantly impact on perceived institutional risks. This finding is coincident with prior research on the relationships between trust and perceived risks (Pavlou, 2003; Salo and Karjaluoto, 2007).

6.1 Theoretical Implications

This study makes two important contributions to research literatures. First, though TAM model has been widely used to study individuals' technology adoption in IS researches and consumers behaviors in e-commerce transaction, current researches have paid few attentions on its applications in online c2c environments especially in the peer to peer lending. Our studies fill this knowledge void. To be best of our knowledge, this is the first study to empirically incorporate TAM into a trust model in peer to peer lending. Prior studies have noticed the importance of trust toward online lending web and divulgate the importance of satisfactory relations, positive reputation and the third parties (Ashta and Assadi, 2010). However, the application of the TAM and the combination of other context-specific factors (e.g., perceived structural assurance, perceived privacy protection) which are not discussed before in p2p lending platforms expand the understanding of the model's robustness in explaining trust toward social lending platforms.

Second, most literatures on p2p lending focus on facilitating trust between participants and decision making process of online users since information asymmetries are amplified compared to traditional lending. The focus of our research to discuss and empirically test the determinants of trust towards p2p lending platforms is among the first. Online lending is an activity that necessarily entails primary interactions with online platforms. In some sense, the platform here is analogous to the operation workers. So we regard online lending platforms as our trustee in the paper. The finding contributes to the emerging literatures on p2p lending by providing antecedents which affect online trust toward platforms. It may also serve as the foundation of determining the potential adoption of p2p lending platforms.

6.2 Practical Implications

Both web designers and users can benefit from lending online by applying the model in the practical context. From the perspective of web designers, they can improve their platform trust by paying more intentions to usefulness and ease of use. For example, they can reduce the complex of the web pages to make users find what they want with ease. Besides, they should make the operation more humanized which benefits those who have little experience operating online. According to the survey of Chinese p2p market in 2013, borrowers with high school degree or even lower levels of education account for 33% which occupy the largest percent of the total borrowers. The distribution of different education levels about lenders is similar to that of borrowers. So it can be indicated that the computer skills of anticipants in online lending can be relatively low. Structural assurance is another important element to consider while running online lending platforms. By providing detailed policies regulations as well as law protections, it facilitates users trust toward lending online and increases their perceived structural

assurance. Privacy protection is also the issue which should be addressed. Designers should elaborate privacy statements on their website to make users feel safe while lending online. Involving the third party is an effective way to enhance trust of users. However, p2p lending is relatively new in China, the legal supervision is gradually improved. The operation of the third party is controversial. The influences of the third party will be more significant when the online lending markets are more normative and standard.

From the users' point of view, the trust model in Figure 1 helps them to select from varieties of lending platforms since reliable platforms always obtain most trust from end-users. Considering the features of lending platforms through the three dimensions (TE, cognition- and affect-based trust) reduces risks of being deceived and also raises efficiency lending online. As a result, the need of both lenders and borrowers can be fulfilled.

7. LIMITATIONS AND SUGGESTIONS

The study has several inherent limitations due to features of lending platforms. First, online lending is not the same as other e-commerce transactions such as b2c since borrowers and lenders always have different demands on the lending platforms. For example, borrowers care more about privacy protection while lenders pay more attention to structural assurance which can effectively exclude fraudulent users. In our paper, we regard lenders and borrowers as a same group since people who have experienced with p2p lending in China is relatively scattered. A greater numbers of people should be surveyed in order to get more complete data. Future researches should tested the model separately with data of borrowers and lenders. The significance of each variable may be different from that in our paper. Second, we did not include personal-based and experienced-based trust in our study and only serve as a fundamental role of deeper studies on trust towards platforms. Further studies should add personal-based trust such as propensity to trust model as mediators which help to perfect the model. Another limitation is that this study only aims at the lending platforms in China. It should be further studied to test whether the results hold in the other countries. Differences in legal supervision and culture should be considered.

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Construct	Items	References
Perceived usefulness	I think content on this lending platform is useful to me	Van der Heijden (2003)
	Using P2P lending platforms would make it easier to lend money.	
	Using online p2p lending platforms will enhance my productivity	Davis (1989).
Ease of use	Overall, I find the lending platform is useful	
	My interaction with the p2p lending platforms is clear and understandable	Venkatesh et al., (2003)
	I believe it is easy to get the system to do what I want it to do	
	Overall, I believe that the platform is easy to use	
Structural assurance	Learning to operate the system is easy for me	
	The Internet has enough safeguards to make me feel comfortable using it to engage in lending activities.	McKnight et al., (2002)
	I feel assured that legal and technological structures adequately protect me from problems on the Internet.	
	I feel confident that encryption and other technological advances on the Internet make it safe for me to do business there.	
	In general, the Internet is now a robust and safe environment in which to transact business.	
Institutional risk	If I were to lending through this online marketplace, I become concerned about whether it will take care of lending security	McKnight et al., (2002)
	If I were to use this online lending platform, I become concerned about whether it will preclude theft of money	
	If I were to perform lending activity through this online lending platform, I become concerned about whether the p2p platform will protect me against fraudulent users.	
	If I were to perform lending activity through this online platform, I become concerned about whether the platform will prevent fraudulent users from doing lending activities.	
	If I were to perform lending activity through this online platform, I become concerned about whether the platform will trace fraudulence.	
Perceived reputation	This platform is well known. This platform has a bad reputation in the market.	Jarvenpaa et al., (1999)
	This platform has a reputation being honest	
	This platform has a reputation being fair	
Perceived privacy protection	I am concerned that this platform is collecting too much personal information from me.	Chen et al., (2004)
	This platform will use my personal information for other purposes without my authorization.	
	This platform will share my personal information with other entities without my authorization.	
	This p2p platform will sell my personal information to others without my permission.	
Social influence	Most people in my office/classroom use P2P lending	Hsu and Hu (2004)
	Most people in my community use p2p lending	
	Most people in my group use p2p lending	
Third party	There are many reputable third-party certification bodies for assuring the trustworthiness of lending platform.	Lee and Turban (2001)
	I think third-party recognition bodies are doing a good job.	
	Existing third-party recognition bodies are adequate for the protection of end-users' interest.	
Trust	I believe that the p2p platform has the necessary technology knowledge to carry out online lending	Corbitt et al., (2003)
	The chance of having a technical failure in online lending is quite small	
	I believe the p2p lending platform will perform to the outmost of the end-users' benefit	

Table 2. Measurement items

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