**MARKET RESEARCH PROJECT ON PEER-TO-PEER LENDING INDUSTRY**

**Borrow – Borrow Peer-to-Peer Lending business**

**Peer-to-Peer lending industry overview:**

Traditional financial institutions in Nigeria, such as banks and microfinance institutions, have historically **struggled to meet the credit needs of individuals and small businesses**. This created a significant **credit gap**, leading to the rise of **Peer-to-Peer (P2P) lending platforms** as an alternative financing solution.

The rise of **P2P lending platforms** in Nigeria is therefore driven by the **need for financial inclusion, easier access to credit, alternative investment opportunities, and lower borrowing costs**. By **leveraging technology**, these platforms bridge the gap between **borrowers seeking affordable credit** and **investors looking for high-yield opportunities**, creating a **more inclusive financial ecosystem.**

It is worthy to note that the **peer-to-peer (P2P) lending market** in Nigeria has been experiencing significant growth, reflecting the increasing adoption of alternative financing solutions in the country.​

**Market Size and Growth:**

* In 2022, Nigeria's alternative lending market, which includes P2P lending, was valued at **$146.6 million**.
* The market witnessed a projected annual growth rate of **45.2%** in 2023, reaching **$212.9 million**.
* By 2027, projections suggest that the market will expand further to **$560.4 million**, representing a compound annual growth rate (CAGR) of **27.4%** from 2023 to 2027.

**Customer Needs Assessments:**

Following its consistent growth trend, below are top customer needs:

* Quick loan disbursements
* Low-Interest rates and Affordable Loan Repayments
* No Collateral Requirement
* Flexible Repayment Plans
* High Loan Amounts for Business growth
* Investor security and High Returns

**Borrow-Borrow - desires to bridge this gap by:**

* **Increasing access to credit for individuals and Small Medium Enterprises.**
* **Offer reduced interest rates to borrowers.**
* **Increase investment opportunities and financial inclusion.**

**Sequel to the above areas of needs, we dive into the top 10 P2P lending platforms; their competitive advantages, strengths/weaknesses, customer choices, pricing models.**

**A quick view about the top 10 P2P lending platforms:**

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| --- | --- | --- |
| **Platform** | **Year Established** | **Areas of Operation** |
| **KiaKia** | 2016 | Nigeria |
| **P2Vest** | 2020 | Nigeria |
| **Fint** | 2017 | Nigeria |
| **SukFin** | NIL | Nigeria |
| **AjoBox** | NIL | Nigeria |
| **FundColony** | NIL | Nigeria |
| **Lidya** | 2016 | Nigeria, USA, Czech Republic, Poland |
| **CredPal** | 2018 | Nigeria |
| **NewCredit** | NIL | Nigeria |
| **FairMoney** | 2017 | Nigeria, Uganda, Zambia |

**TOP 10 P2P LENDING PLATFORMS AND THEIR FEATURES:**

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| **Feature** | **KiaKia** | **P2Vest** | **Fint** | **SukFin** | **AjoBox** | **FundColony** | **Lidya** | **CredPal** | **NewCredit** |
| **Loan Type** | Personal & Business | Personal, Business, Real Estate | Individual & Business | SME & Invoice Financing | SME Loans | Business & Individual | SME Loans Only | Personal & Credit Card | Small, Short-Term Loans |
| **Investor Returns** | **12-40% p.a.** | **Up to 25% p.a.** | **Up to 39% p.a.** | **Profit-Sharing (Sharia-compliant)** | **16% p.a.** | **Varies** | **No investor option** | **4-5% monthly** | **Varies** |
| **Collateral Needed?** | No | No | No | No (Sharia-compliant) | No | No | No | No | No |
| **Max Loan Amount** | ₦100M (business), ₦50M (personal) | ₦2M | Varies | Based on business needs | ₦50,000+ | Varies | ₦5M+ | ₦2M | ₦300,000 |
| **Repayment Period** | **Up to 24 months** | **Flexible** | **Up to 12 months** | **Negotiable** | **6-12 months** | **Flexible** | **Up to 12 months** | **3-9 months** | **Up to 6 months** |
| **Approval Speed** | **Instant to 24 hours** | **Fast approval** | **Instant decision** | **Varies** | **Within hours** | **Varies** | **Fast for SMEs** | **Instant approval** | **Instant approval** |
| **Special Features** | **Safety Fund, High Loan Limit** | **Flexible Loans, Asset Finance** | **Insurance for Borrowers** | **Sharia-Compliant Finance** | **SME Growth-Focused** | **Business-Oriented** | **Fast Business Loans** | **Buy-Now-Pay-Later (Credit Card)** | **Quick Small Loans** |

**COMMON STRENGTHS AMONGST THE P2P LENDING PLATFORMS**

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| **Strength** | **Explanation** | **Platforms with This Strength** |
| **Quick Loan Disbursement** | Most platforms offer **instant or same-day** loan approval and disbursement. | FairMoney, KiaKia, NewCredit, P2Vest |
| **No Collateral Requirement** | Many P2P lenders provide **unsecured loans**, making borrowing more accessible. | FairMoney, P2Vest, NewCredit |
| **Flexible Loan Options** | Loans range from **personal, business, salary advances, invoice financing, and asset finance**. | P2Vest, Fint, Lidya |
| **Investor-Friendly High Returns** | Investors can earn **12-40% returns**, depending on risk and loan terms. | KiaKia, Fint, P2Vest |
| **Diverse Repayment Plans** | Users can repay in **monthly, quarterly, or yearly installments**, reducing the burden. | KiaKia, AjoBox, P2Vest |
| **Easy Access via Mobile Apps** | Most platforms have **user-friendly apps** for easy loan applications and investments. | FairMoney, KiaKia, P2Vest |
| **SME and Business Support** | Many platforms provide **high loan amounts for SMEs and entrepreneurs**. | P2Vest, Lidya, Fint |

**COMMON WEAKNESSES AMONGST THE P2P LENDING PLATFORMS**

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| **Weakness** | **Explanation** | **Platforms Affected** |
| **High-Interest Rates** | Some platforms have **interest rates as high as 25-40%**, making borrowing expensive. | KiaKia, FairMoney, NewCredit |
| **Strict Credit Scoring** | AI-based loan approvals may **reject borrowers with low credit scores** or thin credit history. | KiaKia, P2Vest, FairMoney |
| **Limited Loan Amounts for New Users** | First-time borrowers get **small loan limits** until they build trust. | FairMoney, P2Vest, NewCredit |
| **Risk of Loan Defaults** | Investors face **higher risks of defaults** since loans are mostly unsecured. | KiaKia, Fint, P2Vest |
| **Hidden Fees & Charges** | Some platforms charge **processing fees, insurance fees, and late penalties** not clearly stated upfront. | FairMoney, NewCredit, P2Vest |
| **Limited Availability of Sharia-Compliant Loans** | Few platforms cater to **Halal (interest-free) financing**, limiting options for Muslim borrowers. | Only SukFin and KiaKia offer Sharia-compliant investments |

**We also identified key gaps and challenges across the P2P lending platforms. See table below:**

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| **Gap** | **Explanation** | **Impact on Users** |
| **High-Interest Rates & Hidden Charges** | Many platforms charge **high-interest rates (20-40%)**, plus **processing and late payment fees**. | Borrowers struggle with affordability, leading to loan defaults. |
| **Lack of Strong Regulation & Consumer Protection** | Nigeria's P2P lending market lacks **strict regulation**, leading to potential fraud and unfair practices. | Borrowers and investors risk losing money due to scams or unregulated activities. |
| **High Default Rates & Investor Risk** | Many loans are **unsecured**, increasing the risk of borrower defaults and investor losses. | Investors may lose capital, leading to lower trust in the platforms. |
| **Strict Credit Scoring & Loan Rejection** | AI-based loan assessments **reject borrowers with no credit history**, excluding many low-income earners. | First-time borrowers struggle to get approved, reducing financial inclusion. |
| **Limited Loan Amounts for First-Time Borrowers** | Many platforms **restrict loan amounts** for new users, offering only small credit limits initially. | Borrowers needing large sums (e.g., for business expansion) get insufficient funding. |
| **Poor Customer Support & Dispute Resolution** | Many platforms lack **responsive customer service**, causing frustration for users with loan or repayment issues. | Delays in issue resolution affect borrower experience and trust. |
| **Lack of Investor Protection Mechanisms** | Some platforms do not offer **insurance, risk-sharing, or collateral-backed investments** for investors. | Investors face higher risks of **losing their capital** if borrowers default. |
| **Limited Group Lending & Cooperative Financing Options** | Few platforms offer **cooperative-style lending** where groups can guarantee each other's loans. | Excludes rural and community-based borrowers who rely on joint financial models. |
| **Inconsistent Loan Repayment Enforcement** | Some borrowers **fail to repay loans**, and platforms struggle to recover debts due to legal limitations. | Platforms risk financial losses, and honest borrowers face **higher interest rates** to compensate for defaults. |
| **Limited Rural Access & Financial Inclusion** | Many platforms focus on urban areas, leaving out **rural borrowers and businesses**. | Rural users with no bank accounts or digital access struggle to get loans. |
| **Lack of Buy-Now-Pay-Later (BNPL) & Consumer Credit Integration** | Few P2P lenders provide BNPL options for online and retail purchases. | Consumers looking for **installment payment plans** have limited options. |

**The table below reveals minimum investment amount and interest rates for borrowers:**

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| **Platform** | **Minimum Investment Amount** | **Interest Rates for Borrowers** | **Loan Amounts Available** | **Investment Tenure Options** |
| **KiaKia** | ₦50,000 | 12% to 40% | ₦50,000 to ₦10,000,000 | 6 to 18 months |
| **P2Vest** | Not specified | Varies based on credit assessment | ₦5,000 to ₦2,000,000 | Up to 12 months |
| **AjoBox** | ₦50,000 | Low-interest rates for borrowers | Not specified | 6 to 12 months |
| **SukFin** | Not specified | Profit-sharing model (Sharia-compliant) | Not specified | Not specified |
| **Fint** | ₦4,750 | 15% to 39% | ₦50,000 to ₦20,000,000 | 1 to 12 months |

**More information on interest rates across some of the P2P lending platforms:**

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| **Platform** | **Interest Rates for Borrowers** | **Additional Information** |
| **KiaKia** | Starting from 5.6% per month | Rates decrease with a good repayment history. |
| **Fint** | 15% to 39% per annum | Rates depend on the borrower's risk profile. |
| **P2Vest** | Varies based on credit assessment | Potentially lower than traditional banks for borrowers with good credit scores. |
| **CredPal** | 4% to 5% per month | Loan amounts range from ₦50,000 to ₦2 million, with repayment periods between 3 to 9 months. |
| **NewCredit** | 4% to 24% per month | Offers loans from ₦5,000 to ₦300,000, with tenors between 91 to 365 days. |

**RECOMMENDATIONS:**

The results of our findings reveal the various challenges faced by the P2P lending platforms. We therefore recommend the adoption of the following strategies in the development of Borrow-Borrow to ensure maximum competitive advantage amongst other platforms:

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| **Feature** | **Description** | **Competitive Advantage** |
| **Lower Interest Rates & Flexible Pricing** | Introduce AI-driven risk-based pricing to offer **lower rates for creditworthy borrowers**. | Attracts responsible borrowers and increases repayment rates. |
| **Zero Hidden Fees** | Full transparency in all charges with a **fee calculator** before loan approval. | Builds trust and improves borrower satisfaction. |
| **Ethical Debt Recovery Methods** | No harassment or public shaming; use **legal and AI-powered repayment tracking**. | Enhances brand reputation and user loyalty. |
| **Regulatory Compliance & Security** | Operate under **strict CBN regulations** with strong **data encryption**. | Gains credibility and ensures data privacy. |
| **Flexible Repayment Plans** | Allow **partial payments** and **payment rescheduling** with minimal penalties. | Reduces loan defaults and enhances user retention. |
| **Gamified Credit Building** | Reward users with **lower interest rates** and higher borrowing limits for **good repayment behavior**. | Encourages financial discipline and long-term app engagement. |
| **Integrated Wallet & Investment Platform** | Offer both **borrowing and investment** in a seamless app, with options like **auto-lend for investors**. | Attracts both lenders and borrowers, ensuring liquidity. |
| **Instant Loan Disbursement & Approvals** | AI-driven approvals with **same-day disbursement** for pre-approved borrowers. | Provides speed and convenience, reducing drop-off rates. |
| **Multi-Channel Customer Support** | 24/7 support via **WhatsApp, chatbots, live agents, and call centers**. | Improves customer experience and issue resolution speed. |
| **Financial Education & Budgeting Tools** | Provide borrowers with **financial literacy content, loan calculators, and repayment reminders**. | Encourages responsible borrowing and reduces defaults. |

**Effective strategies to ensure optimized user experiences:**

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| **User Experience Gap** | **Description** | **Potential Solutions** |
| **High Interest Rates** | Borrowers face exorbitant interest rates, sometimes as high as 20% per month, leading to financial strain. | Implement **risk-based pricing** to offer lower rates to creditworthy borrowers. Enhance **transparency** by clearly communicating interest rates before loan acceptance. |
| **Hidden Fees** | Unexpected charges, such as late payment or processing fees, are often not disclosed upfront, surprising borrowers. | Ensure **full disclosure** of all fees in the loan agreement. Provide **interactive tools** to calculate total loan costs, including all fees. |
| **Privacy Violations** | Some apps access borrowers' contacts and send messages to them, leading to harassment and intimidation. | Adhere strictly to **data protection laws** to safeguard user information. Implement **ethical debt recovery practices** without involving third parties. |
| **Aggressive Debt Collection** | Borrowers report harassment, blackmail, and intimidation from loan recovery officers, including contacting employers and family members. | Train staff in **ethical debt recovery methods**. Establish clear **guidelines and oversight** for collection practices. |
| **Lack of Regulation** | Many loan apps operate without oversight, exposing borrowers to predatory practices and scams. | Enforce **strict licensing requirements** for digital lenders. Regularly **audit** lending practices to ensure compliance with consumer protection laws. |
| **Data Privacy Concerns** | Personal information provided by borrowers may be shared with third parties without consent, raising privacy issues. | Develop and enforce **robust data protection policies**. Obtain **explicit consent** before sharing user data with third parties. |
| **Negative Impact on Credit Score** | Late or missed payments can lower a borrower's credit score, affecting future credit access. | Offer **financial literacy programs** to educate users on credit management. Provide **reminders** and flexible repayment options to assist timely payments. |
| **Poor Customer Support** | Users experience delays and unresponsiveness when seeking assistance or resolving issues. | Invest in **comprehensive customer support** training. Implement **multi-channel support systems**, including chatbots and live assistance. |
| **Technical Issues** | App malfunctions, such as faulty repayment portals, hinder users from making timely payments. | Regularly **update and test** app functionalities. Provide **alternative payment methods** to accommodate technical issues. |

**Recommended approach to drive attracting and retaining investors:**

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| **Strategy** | **Description** | **Expected Impact** |
| **Attractive ROI (Return on Investment)** | Offer **competitive interest rates** with **tiered returns** based on risk level and loan duration. | Encourages more investors to fund loans. |
| **Risk Diversification Options** | Allow investors to **spread their funds across multiple borrowers** to reduce default risks. | Minimizes potential losses and enhances investor confidence. |
| **Loan Insurance & Default Protection** | Provide options for **loan insurance or reserve funds** to cover partial losses in case of defaults. | Increases trust and reduces perceived risk. |
| **Automated Investment (Auto-Lend Feature)** | Enable **automatic reinvestment** of interest and principal into new loans based on investor preferences. | Ensures consistent portfolio growth and passive income. |
| **Transparent Borrower Screening & Credit Scoring** | Use **AI-driven credit assessment** to ensure only **credible borrowers** are approved. | Boosts investor confidence in loan repayment ability. |
| **Real-Time Performance Tracking** | Provide a **dashboard with live updates** on loan repayments, earnings, and investment performance. | Improves investor engagement and trust. |
| **Flexible Investment Amounts** | Allow both **small and large investors** to participate, with minimum investments as low as ₦5,000 or customized portfolio plans. | Attracts **diverse investor groups**. |
| **Liquidity & Early Exit Options** | Offer a **secondary market** where investors can **sell their loan stakes** before maturity. | Increases investor flexibility and reduces exit barriers. |
| **Regulatory Compliance & Security** | Ensure compliance with **CBN, SEC, and credit bureau regulations**, and use **secure payment processing**. | Builds credibility and ensures data and fund security. |
| **Exclusive Perks & VIP Investor Tiers** | Introduce **loyalty rewards, higher returns for bulk investments, and premium support** for long-term investors. | Encourages retention and long-term engagement. |

**Effective strategies to ensuring borrowers loan repayments:**

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| **Measure** | **Description** | **Expected Impact** |
| **Robust Credit Scoring System** | Use AI and machine learning to assess borrower risk based on credit history, income level, and transaction behavior. | Reduces high-risk lending and improves loan repayment rates. |
| **Strict KYC & Verification Process** | Require NIN, BVN, employment details, and verifiable bank statements before approving loans. | Ensures borrowers are **traceable and financially stable**. |
| **Flexible Repayment Plans** | Offer installment payments, grace periods, and early repayment incentives. | Increases the likelihood of **on-time payments**. |
| **Automated Repayment Reminders** | Send SMS, email, and app push notifications before due dates. | Keeps borrowers aware of their obligations and reduces forgetfulness. |
| **Direct Debit Authorization (Auto-Debit)** | Integrate with **NIBSS & Remita** to **auto-deduct loan repayments** from linked bank accounts. | Reduces manual defaulting and **improves collection efficiency**. |
| **Loan Limits for First-Time Borrowers** | Implement low initial borrowing limits, increasing gradually for **repeat borrowers with good repayment history**. | Encourages responsible borrowing behavior. |
| **Loan Insurance** | Partner with insurers to offer **loan protection insurance** for job loss or medical emergencies. | Reduces the impact of **unforeseen circumstances** on repayment. |
| **Gamified Credit Reward System** | Offer reduced interest rates and higher loan limits for **consistent repayment behavior**. | Encourages **good financial habits** among borrowers. |
| **Blacklist & Credit Bureau Reporting** | Report defaulters to **CRC, FirstCentral, and other credit bureaus** to affect their future borrowing power. | Deters willful defaulters and promotes accountability. |
| **Legal & Ethical Debt Recovery Practices** | Engage licensed debt collection agencies **without harassment or intimidation tactics**. | Improves recovery rates **without damaging brand reputation**. |

Following our findings, it can be reasonable inferred that the **future of the P2P lending industry** in Nigeria is promising, with several key trends shaping its evolution. Below are **some critical areas of growth and transformation**:

1. Increased Regulation & Compliance
2. Growth in Alternative Credit Scoring

- Mobile transactions

- Social media activity

- E-commerce behavior

- Utility bill payments

1. Expansion of Loan Offerings
2. Integration of Blockchain & Smart Contracts
3. AI-Powered Risk Management & Fraud Prevention
4. Cross-Border Lending & Expansion
5. Improved User Experience & Instant Transactions
6. Rise of Ethical & Sustainable Lending

**In conclusion:**

The **P2P lending industry in Nigeria** is on a strong growth trajectory, driven by **fintech innovation, regulatory improvements, and increasing investor confidence**. As technology advances, **AI, blockchain, and alternative credit scoring** will redefine lending, making it **more accessible, secure, and efficient**.