A Study of BNPL (Buy Now Pay Later) Trend in Modern India with Special Reference to the City Of Chennai

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ABSTRACT

Buy Now Pay Later (BNPL) is a new way to get small loans that has had a big effect on how people spend money around the world. In India, BNPL has become one of the fastest-growing financial products because of quick fintech innovation, better digital payment infrastructure, and more people shopping online. This study examines the adoption, usage patterns, motives, and problems of BNPL services in India, particularly in the metropolitan market of Chennai. The research employs a mixed-method approach, integrating survey data from 450 respondents in Chennai with secondary data from industry sources, to identify principal factors driving adoption, including convenience, no-cost EMI choices, and immediate approvals. The report shows that BNPL has helped people with their finances and given them more buying power, but it also points out problems including hidden fees, overspending, missed payments, and holes in regulation. The results show that people in Chennai see BNPL as a more handy option than credit cards, but they still need to be financially literate and use it responsibly. To make sure that BNPL continues to flourish in India, there are suggestions for customers, retailers, fintech companies, and politicians.

Keywords: Buy Now Pay Later, BNPL, Digital Payments, Fintech, Consumer Behavior, Chennai, India

INTRODUCTION

Consumer credit systems have changed quickly during the past ten years. More and more, people are using technology-based solutions that are more flexible than traditional credit cards and bank loans. One of the most important new financial products is Buy Now Pay Later (BNPL). With BNPL, customers can buy things right away and pay for them later, either all at once or in installments, typically without interest for a short time. In areas including the United States, the United Kingdom, and Australia, BNPL has become very popular around the   world.

BNPL use has grown faster in India over the past five years, which is the same time that e-commerce sites, fintech firms, and the Unified Payments Interface (UPI) have become more popular. After COVID-19, digital-first payment options took off as people looked for safe, frictionless, and flexible ways to pay. Reports from the industry say that India's BNPL user base will reach over 100 million by 2026. This makes it one of the fastest-growing fintech segments inAsia.

Even if BNPL is growing, there are still a lot of doubts about its use: Who uses it the most? Why do people select BNPL instead of credit cards or UPI? What problems or dangers do they face? These topics are especially important in big cities where people use digital technology the most. Chennai is a great place to study BNPL adoption trends because it is a big city with a mix of students, professionals, and middle-class families.

Objectives of the Study

1.   To assess the level of awareness and adoption of BNPL services among consumers in Chennai.
2.   To analyze usage patterns, preferences, and motivations for adopting BNPL.
3.   To identify challenges and risks faced by BNPL users.
4.   To provide recommendations for consumers, fintech providers, and policymakers.

Literature Review

2.1 Evolution of Consumer Credit

Historically, consumer credit in India was limited to bank loans and informal credit sources. With liberalization in the 1990s, credit cards became widely available, offering revolving credit and reward benefits. However, barriers such as strict eligibility, high-interest rates, and hidden charges restricted penetration to urban elites. BNPL addresses these limitations by offering instant, low-value credit with minimal documentation.

2.2 Global Perspective on BNPL

Globally, BNPL has grown rapidly in markets like Australia (Afterpay), Sweden (Klarna), and the U.S. (Affirm). Studies indicate that millennials and Gen Z consumers are the primary adopters due to their preference for convenience, distrust of traditional credit cards, and desire for flexible repayment options. However, research also highlights concerns of overspending, debt accumulation, and inadequate consumer protection.

2.3 BNPL in India

In India, players such as Simpl, LazyPay, ZestMoney, Amazon Pay Later, and Flipkart Pay Later dominate the BNPL landscape. Reports by NASSCOM and RBI note that BNPL transactions grew at over 70% CAGR between 2019 and 2023. The appeal lies in instant approvals, low transaction sizes, and seamless integration with e-commerce platforms. However, RBI has raised concerns over lack of transparency, risks to consumer credit health, and the need for stricter regulation.

2.4 Consumer Behavior and BNPL

BNPL adoption can be explained through consumer behavior theories:

> **Theory of Planned Behavior**: Consumers' attitudes (BNPL is convenient), subjective norms (peers using BNPL), and perceived behavioral control (easy access) influence adoption.

> **Freud's Motivation Theory**: BNPL taps into consumers' desire for instant gratification, balanced against the ego's need for financial control.

2.5 Research Gap

While industry reports provide national-level insights, there is limited academic research focusing on BNPL adoption in Indian cities. Chennai, as a metropolitan hub with diverse demographics, has not been studied specifically. This paper aims to fill that gap.

Research Methodology

3.1 Research Design

The study follows a descriptive and exploratory design to capture both the extent and nature of BNPL adoption.

3.2 Data Collection

> **Primary Data**: Structured questionnaire distributed to consumers in Chennai through online (Google Forms, WhatsApp groups) and offline (college campuses, shopping malls) methods.

> **Secondary Data**: Industry reports (RBI, NASSCOM, Statista), fintech whitepapers, and academic publications.

3.3 Sample Size and Sampling

Using Cochran's formula for infinite populations, a minimum of 385 responses ensures representativeness. To strengthen validity, 450 valid responses were targeted. Sampling was non-probability, combining convenience and purposive techniques to capture BNPL users across demographics.

3.4 Data Analysis

Data were analyzed using descriptive statistics, chi-square tests, t-tests, and regression models (SPSS/Excel). Visualizations included bar charts, pie charts, and cross-tabulations.

3.5 Limitations

1. Restricted to Chennai, limiting generalization to all of India.

2. Self-reported responses may include recall and social desirability bias.

3. Cross-sectional data does not capture long-term repayment behavior.

4. Data Analysis and Interpretation

4.1 Demographic Profile

Among 450 respondents:

Age groups: 45% were 18–24, 35% were 25–34, and 20% were 35+.

Gender: 52% male, 47% female, 1% others.

Income levels: Majority (60%) earned below ₹50,000/month.

Occupation: Students (30%), salaried employees (50%), self-employed (15%), homemakers (5%).

4.2 Awareness and Adoption

- 78% had heard of BNPL services.
- 65% reported using BNPL at least once.
- Among non-users, lack of awareness and fear of hidden charges were the main reasons.
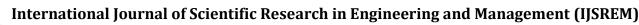
4.3 Popular Platforms

Simpl (55%), LazyPay (40%), Amazon Pay Later (35%), Flipkart Pay Later (30%), ZestMoney (20%).

Many users engaged with more than one platform.

4.4 Usage Patterns

Monthly spend: 40% spent less than ₹5,000/month via BNPL, 35% spent ₹5,000–₹10,000, and 25% spent above ₹10,000.

Top categories: E-commerce (60%), food delivery (45%), travel (25%), education (20%), groceries (15%).

Frequency: 25% used BNPL weekly, 40% monthly, 35% occasionally.

4.5 Motivations

- o   Convenience (70% strongly agree).
- o   No-cost EMI (60%).
- o   Instant approval (55%).
- o   Helps in budgeting (45%).
- o

4.6 Challenges

- Hidden charges (40%).
- Overspending tendency (35%).
- Repayment confusion (25%).
- Concerns about credit score impact (20%)

4.7 Satisfaction and Loyalty

- Average satisfaction rating: 3.8/5.
- Net Promoter Score (NPS): +15 (moderate loyalty).
- However, 18% reported missing a repayment at least once.

5. Findings and Discussion

The study reveals that BNPL adoption in Chennai is driven largely by younger consumers seeking convenience and affordability. Platforms like Simple and Lazy Pay are dominant due to their integration with food delivery and e-commerce apps. Unlike credit cards, BNPL offers easier access, particularly for students and first-jobbers without formal credit history.

However, risks remain. A significant portion of users reported hidden charges and repayment confusion, reflecting the need for greater financial literacy and clearer communication from providers. Missed repayments were higher among lower-income groups, suggesting vulnerability to over-indebtedness.

These findings align with global literature on BNPL but also highlight India-specific challenges such as low financial literacy and regulatory gaps. Policymakers must balance promoting financial inclusion with protecting consumers from debt traps.
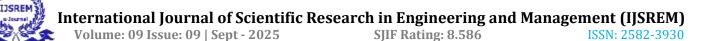
6. Conclusion and Recommendations

BNPL is no longer a niche product but a mainstream payment method in urban India. In Chennai, adoption is high among youth and middle-income groups, driven by convenience, flexibility, and no-cost EMI offers. However, risks of overspending, hidden charges, and repayment defaults cannot be ignored.

Recommendations

For Consumers: Use BNPL responsibly, track spending, and understand terms before use.

For Fintech Providers: Ensure transparency in fees, improve repayment reminders, and offer financial literacy tools.

For Retailers: Integrate BNPL but educate customers about responsible use.

For Regulators: RBI should strengthen disclosure norms, credit reporting integration, and consumer grievance mechanisms.

Future Research

- Comparative studies across multiple metro cities.
- Longitudinal studies on repayment behavior.
- Impact of BNPL on credit scores and long-term financial health.

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