

A Study on Consumer Adoption and Credit Risk of Buy Now Pay Later (BNPL) Services among Young Consumers

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ABSTRACT:

The rapid evolution of financial technology (FinTech) has led to the emergence of innovative digital credit solutions such as Buy Now Pay Later (BNPL). These services enable consumers to make immediate purchases and repay the amount over a short-term period, thereby enhancing purchasing flexibility. This study aims to examine consumer adoption of BNPL services and assess the associated credit risks among young consumers. A descriptive research design was adopted, and primary data were collected using a structured questionnaire from 107 respondents. The study evaluates key factors influencing BNPL adoption, including user accessibility, payment convenience, and financial flexibility. Additionally, it investigates risks such as delayed repayments and excessive borrowing. The findings provide valuable insights into consumer financial behaviour and offer implications for digital lending institutions and regulatory bodies such as the Reserve Bank of India.

Keywords: BNPL, Consumer Behaviour, Credit Risk, Digital Lending, Financial Technology

INTRODUCTION:

The financial services sector has undergone significant transformation with the advancement of financial technology (FinTech). Among these innovations, Buy Now Pay Later (BNPL) services have emerged as a popular alternative to traditional credit systems. BNPL platforms allow consumers to purchase goods and services instantly while deferring payment over a short-term period, often without interest if paid within the stipulated time. The growing penetration of e-commerce and digital payment systems has accelerated the adoption of BNPL services, particularly among young consumers. The ease of access, minimal documentation, and seamless user experience have made BNPL an attractive financial tool. However, the convenience offered by these services may also encourage impulsive purchasing behaviour, potentially increasing the risk of delayed repayments and financial mismanagement. Therefore, it is essential to analyse the factors influencing consumer adoption and evaluate the associated credit risks. This study focuses on understanding user behaviour and identifying the financial implications of BNPL usage among young consumers.

OBJECTIVES:

- To analyse the level of consumer adoption of BNPL services among young consumers.
- To identify the key factors influencing BNPL usage, including accessibility, ease of use, and financial flexibility.
- To examine the credit risks associated with BNPL usage, such as delayed repayment and over-borrowing.
- To evaluate the relationship between consumer behaviour and repayment patterns.

- To provide recommendations for responsible usage of BNPL services.

SCOPE OF THE STUDY:

The study focuses on analysing the adoption of Buy Now Pay Later (BNPL) services among young consumers. It examines the factors influencing usage, such as convenience and ease of use. The research also evaluates the credit risks associated with BNPL, including delayed repayments and over-borrowing. The findings are based on data collected through a structured questionnaire from selected respondents

REVIEW OF LITERATURE:

Agarwal (2019) observed that easy access to credit significantly increases consumer spending and borrowing tendencies. Johnson and Lee (2021) found that BNPL services are widely adopted due to their seamless user experience and flexible repayment options, especially among younger demographics. Kumar (2022) reported that digital lending platforms may contribute to impulsive buying behaviour, thereby increasing the likelihood of repayment delays. The World Bank (2022) highlighted the role of digital financial services in promoting financial inclusion. McKinsey & Company (2022) emphasized the rapid expansion of BNPL services in emerging markets such as India. Sharma (2023) identified that digital convenience and low entry barriers are major drivers of BNPL adoption. Patel and Singh (2022) concluded that young consumers prefer BNPL due to ease of approval and instant credit availability. Rao (2021) found that improper usage of BNPL increases financial risk and debt burden among users. Mehta (2023) emphasized the importance of financial literacy in managing digital credit services effectively. Despite growing adoption, limited research exists on the combined impact of consumer behaviour and credit risk in the Indian BNPL context. This study attempts to bridge this gap.

RESEARCH METHODOLOGY:

- The study follows a descriptive research design, which focuses on analysing consumer adoption and credit risk associated with Buy Now Pay Later (BNPL) services among young consumers.
- Survey research design is used as a structured method for collecting data through questionnaires to understand consumer behaviour, usage patterns, and repayment practices related to BNPL services

DATA COLLECTION METHODS:

Research Design: Descriptive research

Data Collection Method: Primary data through structured questionnaire

Sampling Method: Convenience sampling

Sample Size: 107 respondents

Statistical Tools Used:

1. Percentage Analysis
2. Chi-square Test
3. Weighted Average Method

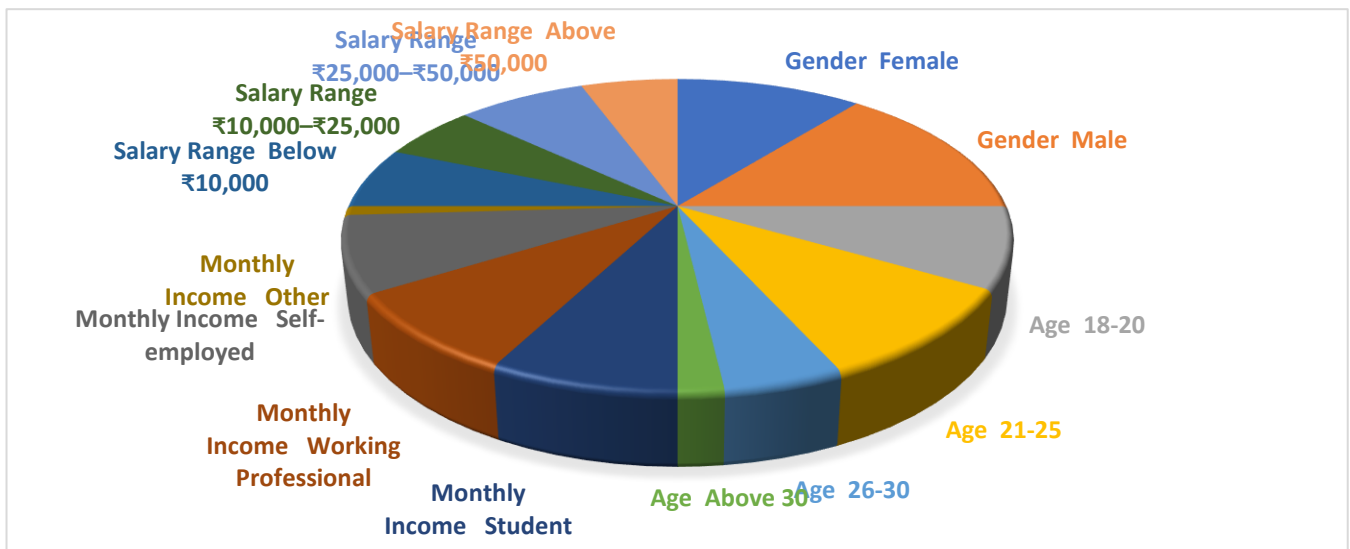
DATA ANALYSIS AND INTERPRETATION

Table 1: Demographic Profile of the respondents

Demographic profile		No. of Respondents	Percentage (%)
Gender	Female	46	42.9
	Male	61	57.1
Age	18-20	36	33.6
	21-25	42	39.3
	26-30	21	19.6
	Above 30	8	7.5
Monthly Income	Student	33	30.8
	Working Professional	36	33.6
	Self-employed	34	31.7
	Other	4	3.8
Salary Range	Below ₹10,000	27	25.3
	₹10,000–₹25,000	24	22.4
	₹25,000–₹50,000	32	29.9
	Above ₹50,000	24	22.5

Source: Primary data

CHART 1: Demographic Profile of the respondents



Data interpretation and findings

The demographic profile shows that the majority of respondents are young, with **72.9% in the 18–25 age group**. Males (57.1%) slightly outnumber females (42.9%). Respondents are fairly distributed across occupations, including working professionals, self-employed, and students. In terms of income, most fall within the **₹25,000–₹50,000 range**, indicating a balanced representation of different income groups.

TABLE 2: Respondents preferred reason for using BNPL

Reason for using BNPL	No. of respondents	Percentage
Convenience	28	26.2%
No immediate payment	36	33.8%
Easy approval	23	21.5%
Offers/discounts	20	18.7%
Total	107	100

Source: Primary data

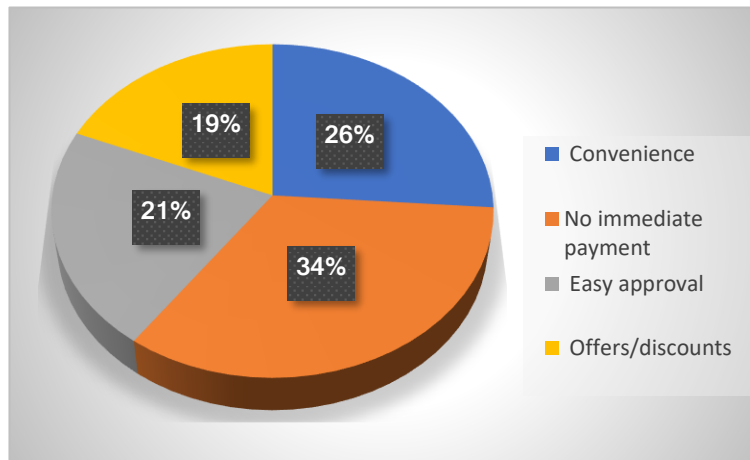


CHART 2:

reason for using BNPL

Respondents preferred

Data interpretation and findings

The above table shows the respondents’ preferred reasons for using BNPL services. It is observed that no immediate payment (33.8%) is the primary factor influencing adoption, followed by convenience (26.2%) and easy approval (21.5%). Offers and discounts (18.7%) have comparatively less influence. Overall, the findings indicate that **payment flexibility and ease of access are the key drivers of BNPL usage.**

TABLE 3: Respondents preferred BNPL platforms

BNPL platforms	No. of. respondents	Percentage
Lazy Pay	24	20%
Simpl	28	23.3%
Zest Money	20	16.7%
Others	48	40%
Total	107	100

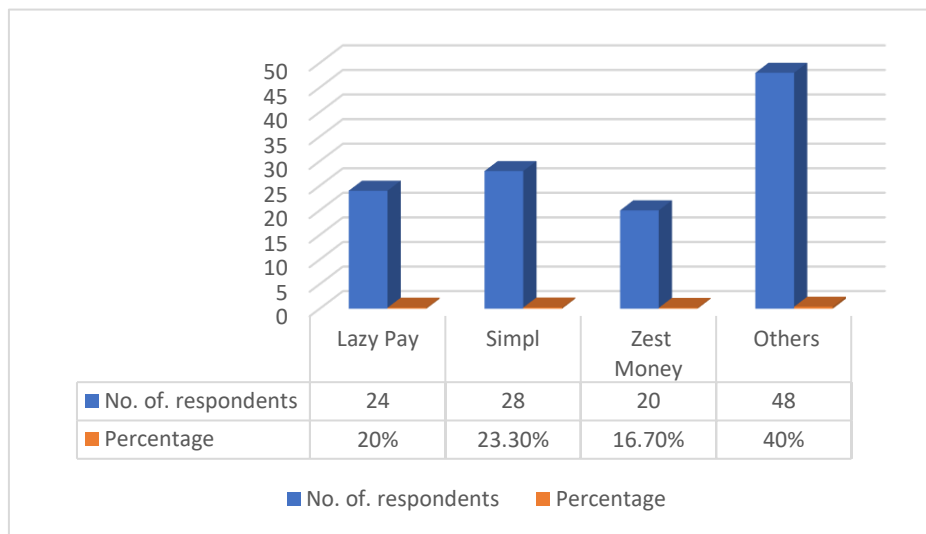


CHART 3: Respondents preferred BNPL platforms

Data interpretation and findings

The above table shows the respondents’ preferred BNPL platforms. It is observed that **40% of respondents prefer other platforms**, indicating diversified usage. Among the listed options, **Simpl (23.3%)** is the most preferred, followed by **Lazy Pay (20%)** and **Zest Money (16.7%)**. Overall, the data suggests that BNPL usage is spread across multiple platforms, reflecting growing market competition.

CHI-SQUARE TEST

Observed Frequency Table:

Components	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
Ease of Use	7	32	60	4	4	107
Managing Expenses	10	36	42	12	7	107
Purchasing Power	7	32	44	16	8	107
Column Total	24	100	146	32	19	321

Expected Frequency Table:

Components	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Ease of Use	8	33.33	48.67	10.67	6.33
Managing Expenses	8	33.33	48.67	10.67	6.33
Purchasing Power	8	33.33	48.67	10.67	6.33

CHI SQUARE ANALYSIS:

Components	Category	O	E	(O-E)2/E
Easy to Use	SA	7	8	0.125
	A	32	33.33	0.053
	N	60	48.67	2.637
	D	4	10.67	4.169
	SD	4	6.33	0.857
Managing short-term Expenses	SA	10	8	0.5
	A	36	33.33	0.214
	N	42	48.67	0.914
	D	12	10.67	0.166
	SD	7	6.33	0.071
Increases Purchasing Power	SA	7	8	0.125
	A	32	33.33	0.053
	N	44	48.67	0.448
	D	16	10.67	2.662
	SD	8	6.33	0.44

Total χ^2 value = 11.43

Degrees of Freedom $df = (r-1)(c-1) = (3-1)(5-1) = 8$

Table Value At 5% significance level, x2 table value for $df (8) = 15.507$

Since $11.43 < 15.507$, we accept Ho.

Data interpretation and findings

The Chi-square test shows that the calculated value (**11.43**) is less than the table value (**15.507**) at a **5% significance level**, indicating no significant relationship between BNPL benefit categories and user agreement. This suggests that respondents have a similar perception across all features such as ease of use, managing expenses, and purchasing power. Therefore, the null hypothesis (Ho) is accepted and the alternative hypothesis (Hi) is rejected.

WEIGHTED AVERAGE METHOD:

satisfaction scale, we use a **1 to 4 scale**

Assigning Weights

Category	Weights
Very Satisfied	4
Satisfied	3
Neutral	2
Dissatisfied	1

Weighted Average Calculation Table:

Response Category	Weight (W)	No. of Responses (f)	Total Score (w×f)
Very Satisfied	4	30	120
Satisfied	3	33	99
Neutral	2	40	80
Dissatisfied	1	4	4
Total		107	303

Formula:

The Weighted Average is calculated by dividing the Sum of Total Scores by the **Total Number of Respondents:**

$$\text{Weighted Average} = \Sigma (W \times f) / \Sigma f$$

$$\text{Weighted Average} = 303 / 107$$

$$\text{Weighted Average} = 2.83$$

Data interpretation and findings

The weighted average score of **2.83 on a 4-point scale** indicates that the overall satisfaction level of respondents leans towards the positive side. Although the neutral category accounts for the largest share (37.4%), the higher combined proportion of satisfied and very satisfied respondents (58.9%) increases the overall average, reflecting a generally favourable perception of BNPL services. The findings show that the majority of respondents are satisfied, while a notable portion remains neutral, indicating mixed opinions. Overall, users exhibit a **moderate to high level of satisfaction** with BNPL services.

CONCLUSION:

The study concludes that Buy Now Pay Later (BNPL) services have gained significant popularity among young consumers due to their convenience, ease of use, and flexible payment options. The findings reveal that the primary factor driving adoption is the availability of no immediate payment, followed by convenience and easy approval. The analysis also indicates that consumers generally have a positive perception and moderate level of satisfaction towards BNPL services. However, the study highlights the presence of credit risk, as some users tend to delay repayments and engage in overspending behaviour. The Chi-square analysis further shows that consumers perceive BNPL features such as ease of use, expense management, and purchasing power uniformly, without significant differences. Overall, while BNPL services contribute to improving access to short-term credit and enhancing consumer purchasing power, responsible usage and financial awareness are essential to minimize potential risks and ensure sustainable usage.

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