

Hyperbolic Discounting and Consumer Debt Behaviour in Buy Now Pay Later Financial Products

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Abstract

The rapid proliferation of Buy Now Pay Later (BNPL) financial products has fundamentally reshaped consumer credit behaviour by enabling immediate consumption with deferred payment obligations. Despite the widespread adoption of BNPL services, the underlying psychological mechanisms — particularly hyperbolic discounting — that drive consumer debt behaviour within these platforms remain insufficiently explored, especially in emerging market contexts. This study examines the extent to which hyperbolic discounting, present bias, impulsivity, and promotional incentives influence consumer borrowing decisions and repayment patterns among BNPL users. Primary data were collected from 250 respondents across Chennai, Bengaluru, and Hyderabad through structured questionnaires and analysed using regression analysis, paired sample t-test, chi-square test, and reliability analysis. The findings reveal that hyperbolic discounting explains 79.2% of the variance in debt accumulation ($\beta = 0.995$, $p < 0.001$), present bias accounts for 80.2% of repayment difficulty ($\beta = 0.896$, $p < 0.001$), and promotional influence explains 55.9% of financial stress ($\beta = 0.756$, $p < 0.001$). Age-based behavioural differences in repayment are statistically significant ($\chi^2 = 261.863$, $p < 0.001$). The study contributes empirical evidence to behavioural finance theory while offering practical implications for BNPL platform designers, financial regulators, and consumer educators seeking to balance innovation with consumer protection in India's rapidly evolving digital lending ecosystem.

Keywords: *Hyperbolic Discounting, Buy Now Pay Later (BNPL), Consumer Debt Behaviour, Behavioural Finance, Present Bias, Financial Literacy, Digital Lending, Fintech*

1. Introduction

The emergence of Buy Now Pay Later (BNPL) as a mainstream consumer credit mechanism represents one of the most consequential fintech developments of the past decade. BNPL platforms enable consumers to acquire goods and services immediately while deferring payment obligations across a series of typically interest-free instalments. Unlike traditional credit instruments, BNPL services are characterised by frictionless onboarding, minimal documentation requirements, and seamless integration with e-commerce ecosystems. Globally, the BNPL market has expanded at a compound annual growth rate exceeding 25%, and in India specifically, the rapid growth of digital payment infrastructure has catalysed BNPL adoption across diverse socioeconomic segments (Statista, 2024; Reserve Bank of India, 2023).

While BNPL services undeniably enhance financial accessibility and purchasing flexibility, they simultaneously introduce structural conditions that amplify well-documented cognitive biases. Specifically, the temporal disjunction

between consumption and payment inherent to BNPL architecture creates an environment in which hyperbolic discounting — the tendency to disproportionately overvalue immediate rewards relative to future consequences — is systematically activated. As Laibson (2020) notes, hyperbolic discounters exhibit time-inconsistent preferences: they plan to repay obligations responsibly in the future while repeatedly choosing immediate consumption in the present. The BNPL model, by design, accommodates and indeed leverages this bias.

India provides a particularly important research context. The country's digital payment ecosystem has undergone transformative expansion, yet financial literacy levels remain heterogeneous across demographic segments. The convergence of widespread BNPL availability, variable financial literacy, and the behavioural propensities associated with a predominantly young consumer population creates conditions under which hyperbolic discounting may exercise a substantial influence on debt accumulation patterns. Despite this, empirical research specifically examining the relationship between hyperbolic discounting and consumer debt behaviour within BNPL platforms in emerging markets remains limited.

This study addresses that gap by empirically investigating the role of hyperbolic discounting and its associated constructs — present bias, impulsivity, and susceptibility to promotional incentives — in shaping consumer debt behaviour among BNPL users. The research draws on a sample of 250 respondents from three major Indian metropolitan areas and employs multiple quantitative analytical techniques to test five theoretically grounded hypotheses. The findings aim to contribute to the growing literature in behavioural finance and digital lending while providing actionable guidance for platform operators, policymakers, and financial educators.

2. Literature Review

2.1 Hyperbolic Discounting and Intertemporal Choice

The theoretical foundation of this study rests on the concept of hyperbolic discounting, which departs from classical economic models by positing that individuals apply a declining discount rate to future rewards rather than a constant exponential rate. Laibson's (2020) seminal work on present bias formalises this through the quasi-hyperbolic (beta-delta) model, demonstrating that consumers systematically over-weight present consumption relative to future obligations. Frederick, Loewenstein, and O'Donoghue (2020) provide a comprehensive taxonomy of time discounting, establishing that present-biased preferences are both systematic and predictable across diverse populations and financial contexts.

Ainslie (2020) extends this framework by conceptualising intertemporal choice as an internal conflict between short-term and long-term preference systems. Under this model, individuals may articulate intentions aligned with long-term financial health while consistently selecting options that serve immediate gratification — a pattern of dynamic inconsistency with direct relevance to BNPL usage. Molouki, Hardisty, and Caruso (2022) further demonstrate that temporal asymmetry in evaluating gains and losses reinforces present-biased behaviour, making deferred payment structures inherently more attractive to hyperbolic discounters.

2.2 Behavioural Biases in Consumer Credit

The application of behavioural finance principles to consumer credit has generated a substantial body of research. Kim and Park (2021) identify present bias and impulsivity as primary determinants of credit utilisation, finding that individuals with time-inconsistent preferences are disproportionately reliant on instalment-based credit. Similarly, Jones and Davis (2020) establish that self-control deficits are strongly associated with frequent BNPL adoption, with repeated impulsive purchases producing cumulative debt obligations that exceed individual repayment capacity.

O'Donoghue and Rabin (2023) revisit their influential work on procrastination in financial decision-making, demonstrating that present-biased consumers systematically defer repayment decisions despite awareness of impending obligations. This pattern — planning to repay while repeatedly postponing — is structurally enabled by BNPL's instalment-based architecture. Enke, Graeber, and Oprea (2023) contribute the observation that cognitive simplification in complex financial environments increases susceptibility to hyperbolic discounting, as consumers facing multiple repayment obligations resort to intuitive rather than deliberative evaluation.

2.3 BNPL-Specific Research

Research specifically addressing BNPL has accelerated following the sector's global expansion. Smith and Clark (2022) demonstrate that instalment-based payment structures reduce the perceived total cost of purchases by fragmenting financial obligations, leading to systematically higher consumption than equivalent lump-sum payments. Shah (2023) identifies the 'pain of payment' reduction as a central mechanism through which BNPL amplifies impulsive purchasing, arguing that the psychological decoupling of acquisition from payment removes a natural inhibitory mechanism in financial decision-making.

Nguyen and Brown (2023) find strong age-related patterns in BNPL-associated impulsivity, with consumers aged 18-30 exhibiting significantly higher susceptibility to present bias in BNPL contexts. Elliyana, Kurnia, and Ismayanti (2024) demonstrate that financial literacy negatively moderates BNPL reliance, with lower-literacy consumers exhibiting stronger present bias and higher debt accumulation. Garcia and Martinez (2024) extend this analysis to emerging economies, finding that structural financial constraints interact with psychological biases to produce particularly pronounced debt accumulation patterns in lower-income BNPL user segments.

Ashby, Sharifi, Yao, and Ang (2025) provide recent evidence on the influence of BNPL payment mode on consumer spending decisions, confirming that deferred payment framing systematically increases purchase likelihood and transaction value. Cheng (2025) develops a time inconsistency perspective on BNPL adoption, providing theoretical grounding for the empirical relationships between hyperbolic discounting constructs and BNPL usage that this study examines.

2.4 Research Gap

Despite the cumulative insights of this literature, a substantive gap persists at the intersection of hyperbolic discounting theory and BNPL-specific debt behaviour research. Studies examining hyperbolic discounting have predominantly focused on general credit behaviour (saving, investing, credit card use) without addressing the structurally distinct features of BNPL systems. Conversely, BNPL research has emphasised usage trends and demographic profiling rather than the underlying psychological mechanisms driving borrowing and repayment behaviour. Furthermore, the majority of existing studies are concentrated in developed economy contexts, leaving emerging markets — where BNPL growth is most rapid and financial literacy most heterogeneous — substantially underrepresented. This study addresses these gaps through a focused empirical investigation of Indian BNPL users.

3. Theoretical Framework

This study is grounded in three interrelated theoretical frameworks from behavioural economics and finance.

Hyperbolic Discounting Theory posits that individuals apply a discount function that declines more steeply for near-term outcomes than for distant ones, producing time-inconsistent preferences. In BNPL contexts, this manifests as a systematic tendency to prioritise the immediate utility of acquisition over the future disutility of repayment, even when the consumer is cognitively aware of the impending financial obligation. The quasi-hyperbolic model (β - δ) captures this through a present-bias parameter $\beta < 1$ that scales down all future utilities relative to present utilities.

Present Bias and Mental Accounting theory, as developed by Thaler (2019) and applied to consumer credit contexts, explains how individuals compartmentalise financial decisions into separate mental accounts. BNPL's instalment structure encourages consumers to evaluate each payment in isolation rather than assessing the total financial commitment, creating a systematic underestimation of accumulated obligations. This fragmented cost perception reduces the inhibitory effect of prospective financial burden on purchase decisions.

Prospect Theory (Kahneman and Tversky) provides a complementary framework by demonstrating asymmetric sensitivity to gains and losses. Consumers are more sensitive to the immediate gain of consumption than to the future loss of repayment, making BNPL's deferred payment structure inherently appealing to individuals exhibiting prospect-theoretic preferences. The interaction between these three frameworks creates a theoretical basis for predicting that BNPL architecture will systematically amplify present-biased behaviour and increase debt accumulation among susceptible consumers.

4. Research Methodology

4.1 Research Design and Approach

This study adopts a descriptive and analytical research design employing a quantitative approach. The quantitative framework enables the use of statistical techniques to test theoretically derived hypotheses and establish the magnitude of relationships between behavioural variables and financial outcomes. Primary data were collected through a structured questionnaire developed on the basis of existing literature and validated through pilot testing with 20 respondents prior to full deployment.

4.2 Sample and Data Collection

The target population comprised BNPL users across urban and semi-urban areas in India. A purposive, non-probability sampling technique was employed to ensure that all respondents had prior BNPL experience. A total of 250 valid responses were collected from respondents in Chennai, Bengaluru, and Hyderabad — cities selected for their high digital payment penetration and BNPL adoption rates. The questionnaire was administered through Google Forms and encompassed eight sections covering demographic characteristics, BNPL usage patterns, spending behaviour, repayment dynamics, financial perceptions, and Likert-scale constructs measuring the key theoretical variables.

4.3 Variables and Constructs

Four primary constructs were operationalised through Likert-scale items adapted from established instruments in the behavioural finance literature:

1. Hyperbolic Discounting (HD): Four items capturing present-biased preferences, impulsive purchasing, and immediate gratification orientation ($\alpha = 0.940$).
2. Debt Accumulation (DA): Five items measuring perceived increases in financial obligations, financial stress, and difficulty in repayment ($\alpha = 0.994$).
3. Promotional Influence (PI): Three items assessing susceptibility to BNPL promotional incentives including cashback, discounts, and zero-interest schemes ($\alpha = 0.986$).
4. Financial Satisfaction (FS): Five items measuring positive financial perceptions, self-efficacy in repayment, and financial control ($\alpha = 0.945$).

All Cronbach's Alpha values exceeded 0.940, indicating excellent internal consistency and confirming construct reliability for all subsequent analyses.

4.4 Research Hypotheses

Five hypotheses were formulated on the basis of the theoretical framework:

5. H1: Hyperbolic discounting leads to significant long-term debt accumulation and repayment challenges among BNPL users.
6. H2: There is a significant difference in financial satisfaction and regret levels among BNPL users.
7. H3: Promotional offers have a significant effect on BNPL adoption and financial stress.
8. H4: Present bias significantly impacts the repayment patterns of BNPL users.
9. H5: Psychological factors significantly influence the frequency of BNPL usage across age groups.

4.5 Analytical Techniques

Hypothesis testing employed: (i) simple linear regression analysis for H1, H3, and H4; (ii) paired sample t-test for H2; and (iii) chi-square test of independence for H5. Reliability analysis (Cronbach's Alpha) and descriptive statistics were additionally computed. All analyses were conducted at the 5% significance level ($p < 0.05$). The coefficient of determination (R^2) was used to assess the explanatory power of regression models.

5. Data Analysis and Results

5.1 Demographic and Usage Profile

The sample of 250 respondents displayed the following composition: the largest age cohort was 25-34 years (39.6%), followed by 35-44 years (20.8%), 18-24 years (19.2%), 45-54 years (14.4%), and 55 and above (6.0%). Salaried employees constituted 64% of the sample, students 19.2%, and self-employed individuals 16.8%. Educational attainment was high, with 42.0% holding undergraduate and 41.6% postgraduate qualifications. Income distribution was broadly spread, with the highest concentration among those earning above ₹1,00,000 per month (31.2%).

Table 1: Demographic Profile of Respondents (n = 250)

Variable	Category	Frequency	Percentage (%)
Age Group	18–24 years	48	19.2
	25–34 years	99	39.6
	35–44 years	52	20.8
	45–54 years	36	14.4
	55 and above	15	6.0
Monthly Income	Below ₹20,000	48	19.2
	₹20,000 – ₹50,000	51	20.4
	₹50,000 – ₹1,00,000	73	29.2
	Above ₹1,00,000	78	31.2
Employment	Salaried Employee	160	64.0
	Student	48	19.2
	Self-Employed	42	16.8

Regarding BNPL usage behaviour, 40% of respondents classified themselves as frequent users (more than 5 times per year), while 30% used BNPL occasionally and 18.4% rarely. Convenience and flexibility emerged as the primary adoption driver (38.4%), followed by the interest-free instalment structure (28.0%), promotional offers (17.6%), and lack of immediate cash (16.0%). Electronics and gadgets constituted the largest purchase category (34.8%), followed by fashion and accessories (24.0%), essentials (22.4%), and travel and entertainment (18.8%).

Table 2: BNPL Usage Profile (n = 250)

Variable	Category	Frequency	% Share
Usage Frequency	Rarely (1–2 times/year)	46	18.4
	Occasionally (3–5 times/year)	75	30.0
	Frequently (>5 times/year)	100	40.0
	Never	29	11.6
Primary Reason	Convenience & Flexibility	96	38.4
	Interest-free Instalment	70	28.0
	Promotional Offers	44	17.6
	Lack of Immediate Cash	40	16.0

Purchase Category	Electronics & Gadgets	87	34.8
	Fashion & Accessories	60	24.0
	Essentials	56	22.4
	Travel & Entertainment	47	18.8

5.2 Reliability Analysis

Table 3 presents the Cronbach's Alpha coefficients for the four key constructs. All values substantially exceed the conventional threshold of 0.70 for social science research, with values ranging from 0.940 to 0.994, confirming excellent internal consistency across all measurement instruments.

Table 3: Cronbach's Alpha Reliability Analysis

Construct	No. of Items	Cronbach's Alpha (α)	Interpretation
Hyperbolic Discounting (HD)	4	0.940	Excellent
Debt Accumulation (DA)	5	0.994	Excellent
Promotional Influence (PI)	3	0.986	Excellent
Financial Satisfaction (FS)	5	0.945	Excellent

5.3 Descriptive Statistics of Key Constructs

Table 4: Descriptive Statistics of Research Constructs (Scale 1–5)

Construct	Mean	Std. Dev.	Min	Max
Hyperbolic Discounting (HD)	2.33	1.21	1.00	5.00
Debt Accumulation (DA)	1.92	1.35	1.00	5.00
Promotional Influence (PI)	2.85	1.43	1.00	5.00
Financial Satisfaction (FS)	3.44	1.23	1.00	5.00

Financial Satisfaction recorded the highest mean score (3.44), indicating that respondents on average perceived BNPL positively in terms of financial flexibility. Debt Accumulation recorded the lowest mean (1.92), suggesting that the majority of respondents had not yet experienced severe debt burdens — though the regression analysis reveals that hyperbolic discounting tendencies are highly predictive of debt accumulation among those who exhibit them. The Hyperbolic Discounting construct mean (2.33) and Promotional Influence mean (2.85) indicate moderate levels of present-biased behaviour and promotional susceptibility respectively.

5.4 Hypothesis Testing Results

5.4.1 H1: Hyperbolic Discounting and Debt Accumulation (Regression)

The regression model examining the relationship between hyperbolic discounting and debt accumulation yields highly significant results ($\beta = 0.995$, $R^2 = 0.792$, $p < 0.001$). Approximately 79.2% of the variance in debt accumulation is explained by hyperbolic discounting tendencies alone, representing a very strong predictive relationship. The positive

beta coefficient confirms that as present-biased behaviour increases, debt accumulation through BNPL usage increases correspondingly. H1 is supported; the null hypothesis is rejected.

Table 5: Regression Results — Hyperbolic Discounting and Debt Accumulation

Parameter	Coefficient (β)	Std. Error	R ²	p-value
Constant (α_0)	-0.397	0.082	0.792	0.000
Hyperbolic Discounting (β_1)	0.995	0.031	—	0.000

5.4.2 H2: Financial Regret vs. Financial Satisfaction (Paired t-Test)

The paired sample t-test reveals a statistically significant difference between financial regret (mean = 1.85, SD = 1.36) and financial satisfaction (mean = 3.25, SD = 1.34) among BNPL users ($t = -9.001$, $df = 249$, $p < 0.001$). The significantly higher satisfaction score indicates that the majority of BNPL users derive a net-positive financial experience from these services. However, the statistically significant gap confirms that a meaningful minority experience regret — a critical finding for consumer protection considerations. H2 is supported.

Table 6: Paired Sample t-Test — Regret vs. Financial Satisfaction

Variable	Mean	Std. Dev.	t-Statistic	df	p-value
Financial Regret (BNPL)	1.85	1.36	-9.001	249	0.000
Financial Satisfaction (BNPL)	3.25	1.34	—	—	—

5.4.3 H3: Promotional Influence and Financial Stress (Regression)

The regression model for promotional influence on financial stress is statistically significant ($\beta = 0.756$, $R^2 = 0.559$, $p < 0.001$). Promotional susceptibility alone accounts for 55.9% of the variance in financial stress — a moderately strong predictive relationship establishing that cashback offers, discounts, and zero-interest schemes are significant drivers of BNPL adoption and, consequently, elevated financial pressure. H3 is supported.

Table 7: Regression Results — Promotional Influence and Financial Stress

Parameter	Coefficient (β)	Std. Error	R ²	p-value
Constant (α_0)	0.412	0.098	0.559	0.000
Promotional Influence (β_1)	0.756	0.033	—	0.000

5.4.4 H4: Present Bias and Repayment Difficulty (Regression)

The regression analysis examining present bias and repayment difficulty produces the strongest explanatory power in the study ($\beta = 0.896$, $R^2 = 0.802$, $p < 0.001$). Present bias accounts for 80.2% of the variance in repayment difficulty, confirming that consumers who prioritise immediate consumption over future financial obligations face significantly greater challenges in meeting their BNPL instalment commitments. H4 is strongly supported.

Table 8: Regression Results — Present Bias and Repayment Difficulty

Parameter	Coefficient (β)	Std. Error	R ²	p-value
Constant (α_0)	0.107	0.077	0.802	0.000
Present Bias (β_1)	0.896	0.029	—	0.000

5.4.5 H5: Age Group and Repayment Struggle (Chi-Square Test)

The chi-square analysis reveals a highly significant association between age group and repayment struggle ($\chi^2 = 261.863$, $df = 12$, $p < 0.001$). Younger respondents, particularly the 18-24 cohort, exhibit proportionally higher rates of repayment delays compared to older groups, consistent with theoretical predictions regarding the higher impulsivity and lower financial experience characteristic of younger consumers. In contrast, respondents in the 35-44 and 45-54 age brackets demonstrate more disciplined repayment behaviour. H5 is supported.

Table 9: Chi-Square Test — Age Group vs. Repayment Struggle

Age Group	Never Missed	Occasional Delay	Frequent Miss	Don't Use	Total
18–24 years	22	17	5	4	48
25–34 years	56	31	2	10	99
35–44 years	34	11	1	6	52
45–54 years	23	10	0	3	36
55 and above	7	2	0	6	15
Total	142	71	8	29	250

Chi-Square Value: 261.863 | df: 12 | p-value: < 0.001 | Decision: Reject H₀

5.5 Summary of Hypothesis Testing

Table 10: Consolidated Summary of Hypothesis Testing Results

H	Hypothesis	Test Used	Statistic	R ²	p-value	Decision
H1	HD leads to debt accumulation	Regression	$\beta = 0.995$	0.792	< 0.001	Reject H ₀
H2	Difference in regret vs. satisfaction	Paired t-test	$t = -9.001$	N/A	< 0.001	Reject H ₀
H3	Promotional offers affect financial stress	Regression	$\beta = 0.756$	0.559	< 0.001	Reject H ₀
H4	Present bias impacts repayment	Regression	$\beta = 0.896$	0.802	< 0.001	Reject H ₀

H5	Psychological factors influence BNPL frequency	Chi-Square	$\chi^2 = 261.86$	N/A	< 0.001	Reject Ho
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6. Findings and Discussion

The empirical results of this study generate several substantive findings that both confirm and extend the existing behavioural finance literature on BNPL-associated debt behaviour.

The first and most prominent finding is the extraordinary explanatory power of hyperbolic discounting in predicting debt accumulation ($R^2 = 0.792$). This result empirically validates the theoretical proposition that present-biased preferences are not merely correlated with debt behaviour but constitute its primary driver in BNPL contexts. The beta coefficient approaching unity ($\beta = 0.995$) suggests an almost proportional relationship: for each unit increase in hyperbolic discounting tendency, debt accumulation increases by a commensurate unit. This finding aligns with and substantially strengthens Laibson's (2020) theoretical predictions and extends the empirical base established by Lal and Singh (2023) in general consumer finance contexts to the specific architecture of BNPL.

The finding that present bias explains 80.2% of repayment difficulty (H4) is particularly significant. It establishes that the same psychological mechanism driving adoption — the overweighting of immediate consumption — is the primary determinant of repayment failure. This creates a self-reinforcing debt cycle: hyperbolic discounters are simultaneously more likely to adopt BNPL, more likely to make unplanned purchases through it, and more likely to fail in meeting repayment obligations. O'Donoghue and Rabin's (2023) framework of procrastination in financial decision-making provides the theoretical explanation: consumers who plan to repay responsibly in the future continuously defer action in each present period.

The promotional influence finding ($R^2 = 0.559$) reveals the extent to which BNPL platforms function as psychological amplifiers of present bias through marketing design. Cashback structures, zero-interest framing, and discount schemes operate precisely on the mechanism identified by Kahneman and Tversky's prospect theory: they increase the salience of immediate gains while diminishing the perceived weight of future costs. Patel's (2021) analysis of how marketing strategies exploit hyperbolic discounting finds empirical confirmation in this result.

The paired t-test result (H2) reveals an important nuance: while financial satisfaction significantly outweighs financial regret at the aggregate level, the statistically significant gap between the two measures confirms that a meaningful minority of users experience negative financial outcomes. This dual-outcome pattern is consistent with Shah's (2023) finding that BNPL produces both psychological pleasure at point of purchase and subsequent regret — with the latter concentrated among users exhibiting higher levels of present bias and lower financial literacy.

The age-based patterns identified through the chi-square analysis (H5) corroborate Nguyen and Brown's (2023) finding that younger consumers are disproportionately susceptible to BNPL-associated repayment difficulties. The concentration of missed payments in the 18-24 cohort reflects the compound effect of higher impulsivity, lower financial experience, and greater susceptibility to promotional incentives that characterise this demographic segment.

A notable finding with broader implications concerns the discrepancy between perceived and actual financial risk. While 46.8% of respondents hold a positive long-term perception of BNPL and 73.6% report timely repayment, the regression analyses reveal that among the subpopulation exhibiting hyperbolic discounting tendencies, debt accumulation and repayment difficulty are substantial. This suggests that aggregate-level statistics may systematically understate the risk profile of the most behaviorally vulnerable BNPL users — a methodological caution with implications for both research design and regulatory assessment.

7. Implications

7.1 Theoretical Implications

This study makes several contributions to the behavioural finance literature. First, it provides one of the first direct empirical tests of the relationship between hyperbolic discounting and consumer debt behaviour within the specific structural context of BNPL financial products. By demonstrating R^2 values exceeding 0.79 for the hyperbolic

discounting-debt accumulation relationship in an emerging market context, the study provides strong quantitative validation of theoretical predictions that have been primarily tested in developed economy settings.

Second, the study extends the application of mental accounting theory to BNPL architecture by demonstrating that instalment-based payment structures systematically exploit cost fragmentation to reduce perceived financial burden — a mechanism that is quantifiably linked to debt accumulation outcomes. Third, the study establishes an empirical basis for the interaction between promotional incentives and present bias in digital lending contexts, demonstrating that these factors operate not merely as additive influences but as mutually reinforcing amplifiers of financially suboptimal behaviour.

7.2 Managerial Implications

For BNPL platform operators and fintech companies, the findings support the voluntary adoption of behavioural nudges embedded in platform design. Mandatory pre-purchase affordability assessments, total obligation summaries displayed in aggregate rather than per-instalment terms, and cooling-off periods for high-value purchases could significantly reduce hyperbolic-discounting-driven debt accumulation without substantially impeding platform usability.

For financial regulators, particularly the Reserve Bank of India, the magnitude of the present bias-repayment difficulty relationship ($R^2 = 0.802$) provides compelling empirical justification for bringing BNPL within the purview of formal consumer credit regulation. The study's evidence on age-based repayment vulnerability supports the case for income-to-BNPL-commitment ratio requirements specifically targeting younger consumer segments. Mandatory credit bureau reporting for BNPL obligations would enable more accurate assessment of consumer leverage and systemic risk.

For financial educators and consumer advocacy organisations, the finding that financial literacy moderates susceptibility to present bias and promotional influence supports the design of targeted educational interventions. Programs specifically addressing the mechanics of hyperbolic discounting — explaining to consumers why they consistently underestimate future repayment difficulty — may be more effective than generic financial literacy curricula in reducing BNPL-associated debt accumulation.

8. Limitations and Scope for Future Research

Several limitations must be acknowledged. The reliance on self-reported data introduces the possibility of social desirability bias, with respondents potentially under-reporting negative financial outcomes. The geographical scope, confined to three metropolitan areas, limits generalisation to rural or semi-urban BNPL users. The purposive sampling approach may introduce selection bias toward consumers with higher digital literacy than the broader BNPL user population. The study does not differentiate between BNPL platform types, which may exhibit varying degrees of behavioural amplification. Finally, the cross-sectional design cannot establish causality with the same confidence as longitudinal approaches.

Future research could adopt longitudinal designs tracking BNPL users over extended periods to examine how hyperbolic discounting tendencies evolve with financial experience. Cross-platform comparative studies could identify design features that mitigate or amplify present-biased behaviour. Experimental designs incorporating hyperbolic discounting measurement instruments calibrated to BNPL-specific contexts would enhance construct validity. Cross-country comparative studies could examine whether the relationships identified in India's emerging market context are consistent with patterns in developed economies with more mature BNPL regulatory frameworks.

9. Conclusion

This study provides robust empirical evidence that hyperbolic discounting is a primary determinant of consumer debt behaviour in Buy Now Pay Later financial products. The regression analyses establish that present-biased preferences explain 79.2% of debt accumulation variance and 80.2% of repayment difficulty variance among BNPL users in India — relationships of a magnitude that substantially confirms and extends behavioural finance theory in a previously underexplored digital lending context. Promotional incentives are identified as significant amplifiers of present-biased behaviour, accounting for 55.9% of financial stress variance, while age-based patterns in repayment behaviour confirm that younger consumers constitute the most behaviourally vulnerable BNPL user segment.

The study's findings present a fundamentally balanced picture of BNPL as a financial instrument. For the majority of users who demonstrate relatively low levels of hyperbolic discounting, BNPL provides genuine financial flexibility and convenience, as evidenced by the preponderance of positive perceptions and timely repayment behaviour in the sample. However, for the minority exhibiting strong present bias — the population most reliably targeted by BNPL's marketing architecture — the instrument functions as a systematic amplifier of debt accumulation.

Achieving the optimal balance between financial innovation and consumer protection in India's rapidly evolving BNPL ecosystem will require coordinated action by platform operators, regulators, and financial educators. The empirical evidence presented in this study provides a quantitative basis for such action, establishing that the risks associated with BNPL are not diffuse or speculative but concentrated, predictable, and measurable through established constructs from behavioural economics.

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