

## IMPACT OF BNPL SERVICE ON CONSUMERS PURCHASING BEHAVIOUR

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### Abstract

The impact of Buy Now, Pay Later (BNPL) services on consumers' retail purchase behavior is examined in this study. The study uses a mixed-methods approach to investigate the attitudes, behaviors, and motives behind BNPL adoption. Quantitative analysis of survey data from many participants is combined with qualitative insights. This research aims to fill this gap by examining how Flipkart's BNPL service influences consumer behavior, cart abandonment rates, and overall e-commerce sales. Additionally, it seeks to explore the implications for both consumers and businesses and assess the role of regulatory factors in this context. The objective of the study is to examine the influence of BNPL services on consumer decision-making processes, investigate the effects of BNPL on consumer spending habits and financial behaviors, explore the relationship between BNPL services and consumer loyalty in the e-commerce sector and to assess the impact of BNPL on impulse buying and its implications for consumer financial well-being. And we have gathered primary data through questionnaire, and these questionnaire contain 12 questions which was filled by 225 respondents, we have circulated the questionnaire on social media. Among every 100 active customers 75 are using BNPL. the research underscores the transformative influence of Buy Now, Pay Later (BNPL) services on online consumer transactions. The advent of BNPL has, indeed, raided the online purchase realm, altering the traditional dynamics of how consumers engage with e-commerce. As we witness this paradigm shift, it is imperative for stakeholders to recognize the far-reaching consequences, adapt to the changing landscape, and formulate strategies that balance the allure of BNPL with responsible financial practices for sustained and healthy growth in the digital shopping sphere.

### INTRODUCTION

The widespread adoption of digital payment solutions, which provide ease, flexibility, and alternative financing choices, has completely changed how customers conduct retail transactions. Buy Now, Pay Later (BNPL) services have become a well-liked option among these cutting-edge payment options, enabling customers to spread out the cost of their purchases over time while still having instant access to products and services. Consumers, merchants, and financial analysts are all very interested in the emergence of BNPL platforms like Klarna, Afterpay, and Affirm, and they are closely examining how these platforms affect consumer purchasing patterns and financial decision-making.

The allure of BNPL services is their capacity to provide customers with a practical and adaptable substitute for

conventional payment ways. Buyers looking for more control over their finances and planning are catered to by BNPL suppliers because they let customers break up their payments into smaller, interest-free installments.

Furthermore, BNPL options' smooth integration into physical and virtual retail channels has encouraged impulsive buys and increased transaction volumes, which has aided in the expansion of e-commerce and omnichannel retailing. By embracing this holistic perspective, stakeholders can navigate the evolving landscape of digital commerce effectively, leveraging the transformative potential of BNPL while implementing measures to mitigate associated risks.

Through the formulation of comprehensive strategies that strike a balance between the allure of BNPL and responsible financial practices, stakeholders can foster a thriving ecosystem of online commerce that promotes sustained growth, fosters consumer trust, and ensures equitable access to the benefits of digital transactions for all participants.

#### ABOUT MAJOR COMPANIES IN THE INDUSTRY

##### 1. Integrated Apps BNPL Platforms.

- Amazon Pay Later
- Paytm Post Paid

##### 2. Card Based BNPL Platforms.

- Flexmoney
- Bharat X
- Slice

##### 3. BNPL By Banks

- HDFC Flexipay
- ICICI Pay Later

#### LITERATURE REVIEW

**Kumari, Rashika; Adnan, Mohd; Sharma, V. C.; Negi, J. D. S. | Impact of Retail Credit on Online Impulsive Buying Behavior of Millennials and Gen Z | IUP Journal of Marketing Management, 2023, Vol 22, Issue 3, p59** | The recent Covid-19 pandemic, rising consumerism, evolving consumer lifestyles, and changing requirements, tastes, and preferences have all contributed to the growth of e-commerce businesses and, in turn, impulsive and unsustainable consumer behavior. These e-commerce businesses constantly develop and introduce new goods and services, as well as simple payment options including credit cards, immediate credit, and buy now pay later (BNPL), in an effort to facilitate and improve customer happiness and experience around-the-clock.

**Lauren Ah Fook and Lisa McNeill | Click to Buy: The Impact of Retail Credit on Over-Consumption in the Online Environment | 18 August 2020; Accepted: 2 September 2020; Published: 7 September 2020 | MDPI Publication** | Concern over the damaging effects of global consuming cultures on people's well-being and the sustainability of the environment is growing. The conflict between the good producer-consumer trade and the negative repercussions of excess is best illustrated by the phrase "overconsumption." Sustainability literature is often interested

in better understanding not just why overconsumption occurs but also what promotes it in specific consumer markets in an effort to reduce overconsumption practices. One consumer demographic that experiences identity and lifestyle transitions is young adults, who frequently purchase items that are deemed "non-essential," such as clothing and accessories, on the spur of the moment.

**Siti Nuraqilah Binti Ahmad Tamrin, Muhammad Kashif Shad, Bilal Mukhtar, Fong Woon Lai, and Nasir Abdul Jalil | A Proposed Framework for Assessing BNPL (Buy Now, Pay Later) Adoption and its Impact on Consumers' Buying Behavior | 7 December 2023 | KnE Social Science | ICESG International Conference on Environmental, Social and Governance Volume 2023** | Retailers and businesses can provide their customers with installment-based payment plans to assist them in managing their personal finances by offering Buy Now, Pay Later (BNPL) services. Therefore, the purpose of this study is to investigate how BNPL services affect consumer purchasing decisions. The three categories of BNPL services include easy payment, adjustable repayment, and easily available credit. The study suggested using a questionnaire to get primary data from young Malaysians between the ages of 18 and 40. The suggested method for analyzing the data is partial least square-structural equation modeling (PLS-SEM).

**Abang Vilary Mbanyi and Aiman Khan | A study of Buy Now, Pay Later (BNPL) and its influence on millennials buying behavior and consumption when mobile shopping | 2022 | The Swedish School Of Textiles University Of Boras** | The purpose of this study is to investigate how BNPL influences millennials' purchasing decisions about fashion items and how that influences how much clothing they consume. The BNPL payment method is becoming more and more popular in e-commerce due to its high usage and the features it offers to customers and brands alike. Customers are drawn to this payment method because it offers advantages over the traditional payment method, particularly for millennials. This study also looks at how these BNPL-influenced consumptions fit with environmental sustainability.

**Della Ayu Zonna Lia<sup>1</sup>, Salsabilla Lu'ay Natswa | Buy-Now-Pay-Later (BNPL): Generation Z's Dilemma on Impulsive Buying and Overconsumption Intention | Proceedings of the BISTIC Business Innovation Sustainability and Technology International Conference (BISTIC 2021) | Atlantis Press** | This study investigates how Z Generations' propensity for overconsumption and impulsive spending relate to their plans to use BNPL (Buy Now Pay Later) services offered by FinTech, e-commerce, or OTAs (Online Travel Agents). The rise of e-wallets and e-money has made it necessary for people to change their payment methods in the modern world. Not only have payment methods changed, but these developments have also been accompanied by the ease with which consumers can now search for and purchase anything online using a smartphone. But this kind of upheaval increases consumption, particularly among Z Generations, who are dubbed "The Future Digital Natives."

**Robert Powell, Anh Do, Denise Gengatharen, Jaime Yong, Rasiah Gengatharen | The relationship between responsible financial behaviours and financial wellbeing: The case of buy-now-pay-later | 27 April 2023 | Afaanz Publication** | In Australia, buy-now-pay-later, or BNPL, is a payment innovation that is expanding quickly. Consumer advocacy groups and regulators have voiced worries about the financial hazards associated with bad debt. Consumer advocacy organizations and financial regulators have advised BNPL customers to embrace a variety of

responsible financial practices for their financial well-being, given that BNPL is not subject to consumer credit legislation.

## OBJECTIVES OF THE STUDY

- To examine the influence of BNPL services on consumer decision-making processes.
- To investigate the effects of BNPL on consumer spending habits and financial behaviors.
- To explore the relationship between BNPL services and consumer loyalty in the e-commerce sector.
- To assess the impact of BNPL on impulse buying and its implications for consumer financial well-being.

## RESEARCH METHODOLOGY

### • RESEARCH DESIGN

The general framework and design of a research project are referred to as the research design. It describes the precise procedures and techniques that will be used to deal with the study topic or question. A research design acts as a road map for carrying out the study, directing researchers in data collection, analysis, and interpretation to reach reliable results.

### • SAMPLE DESIGN

The sampling method used here simple random sampling method. In this method each person in the population has an equal probability of getting chosen using this strategy. To guarantee fairness in the selection process, random numbers or random selection techniques might be utilised.

### • DATA COLLECTION

Primary Data – Questionnaire.

Population – Students, Unemployed, salaried, businessman.

Sampling Size – 225 Respondents.

Sampling Frame – I have shared google form on WhatsApp, Instagram and LinkedIn.

• **DATA ANALYSIS AND INTERPRITATION**

**Q.1 Age**

	Frequency	Percent	Valid Percent	Cumulative Percent
18-30	143	68.4	68.4	68.4
31-40	51	24.4	24.4	92.8
41-50	13	6.2	6.2	99.0
50 +	2	1.0	1.0	100.0
Total	209	100.0	100.0	

- The majority of respondents (68.4%) fall into the age range of 18-30.
- The second most common age range is 31-40, accounting for 24.4% of respondents.
- Only a small proportion of respondents are aged 41-50 (6.2%) or outside the specified ranges (1.0%).

**Q.2 Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	108	51.7	51.7	51.7
Female	94	45.0	45.0	96.7
Non-binary/Other	7	3.3	3.3	100.0
Total	209	100.0	100.0	

- The majority of respondents (51.7%) identify as male.
- Female respondents account for 45.0% of the total.
- A smaller proportion of respondents (3.3%) identify as non-binary/other

### Q.3 Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Full time employed	60	28.7	28.7	28.7
Part time employed	53	25.4	25.4	54.1
Self employed	33	15.8	15.8	69.9
Student	54	25.8	25.8	95.7
Unemployed	9	4.3	4.3	100.0
Total	209	100.0	100.0	

- The most common occupation category among respondents is full-time employed, with 28.7% of respondents.
- Following that, part-time employed respondents account for 25.4% of the total.
- Self-employed individuals make up 15.8% of the respondents.
- Students represent a significant portion, comprising 25.8% of respondents.
- A smaller proportion of respondents (4.3%) are unemployed.

### Q.4 Education

	Frequency	Percent	Valid Percent	Cumulative Percent
High School	16	7.7	7.7	7.7
Diploma	23	11.0	11.0	18.7
Bachelor's degree	65	31.1	31.1	49.8
Post-graduate degree	105	50.2	50.2	100.0
Total	209	100.0	100.0	

- The majority of respondents (50.2%) have a Post-graduate degree.
- Bachelor's degree holders represent a significant portion, comprising 31.1% of respondents.
- Diploma holders account for 11.0% of the total.
- The smallest proportion of respondents (7.7%) have a High School education.

**Q.5 Annual Household Income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1,00,000	42	20.1	20.1	20.1
1,00,000 - 2,50,000	36	17.2	17.2	37.3
2,50,000 - 5,00,000	33	15.8	15.8	53.1
5,00,000 or more	98	46.9	46.9	100.0
Total	209	100.0	100.0	

- The most common income category among respondents is 5,00,000 or more, with 46.9% of respondents.
- A significant portion of respondents (37.3%) falls into the income range of 1,00,000 to 2,50,000.
- 15.8% of respondents have an annual household income in the range of 2,50,000 to 5,00,000.
- The smallest proportion of respondents (20.1%) have an annual household income less than 1,00,000.

**Q.6 How often do you typically shop online?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Daily	23	11.0	11.0	11.0
Weekly	60	28.7	28.7	39.7
Monthly	82	39.2	39.2	78.9
Few times a year	33	15.8	15.8	94.7
Rarely	11	5.3	5.3	100.0
Total	209	100.0	100.0	

- 11.0% of respondents indicated that they shop online daily.
- 28.7% of respondents shop online weekly.
- 39.2% of respondents shop online monthly.
- 15.8% of respondents shop online a few times a year.
- The smallest proportion of respondents (5.3%) rarely shop online.

**Q.7 How often do you typically shop online?**

	Frequency	Percent	Valid Percent	Cumulative Percent
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Total	209	100.0	100.0	

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- 28.7% of respondents shop online weekly.
- 39.2% of respondents shop online monthly.
- 15.8% of respondents shop online a few times a year.
- The smallest proportion of respondents (5.3%) rarely shop online.

**Q.8 Do you ever use Buy Now, Pay Later (BNPL) services?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	173	82.8	82.8	82.8
No	36	17.2	17.2	100.0
Total	209	100.0	100.0	

- The majority of respondents (82.8%) indicated that they use Buy Now, Pay Later (BNPL) services.
- A smaller proportion of respondents (17.2%) do not use BNPL services.

**Q.9 If yes, how often do you use BNPL services?**

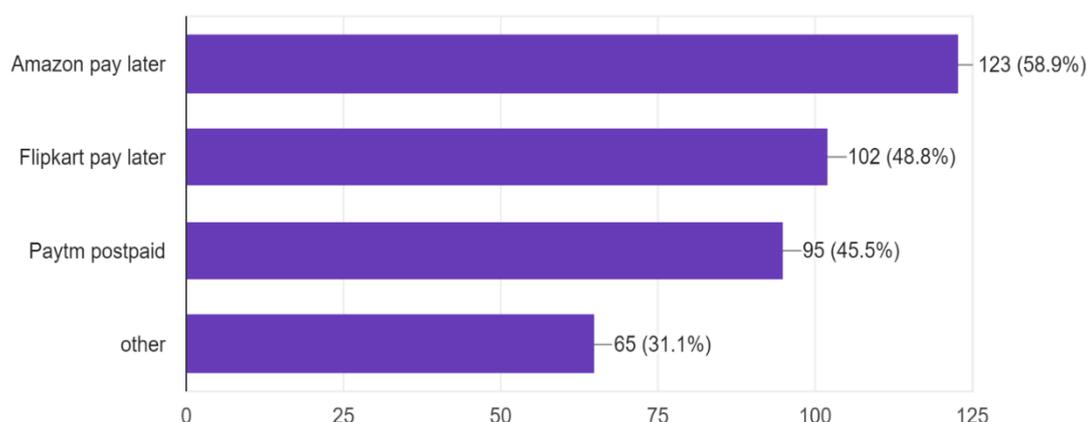
	Frequency	Percent	Valid Percent	Cumulative Percent
Daily	19	9.1	9.1	9.1
Weekly	54	25.8	25.8	34.9
Monthly	68	32.5	32.5	67.5
Occasionally	41	19.6	19.6	87.1
Never used after trying	27	12.9	12.9	100.0
Total	209	100.0	100.0	

- 9.1% of respondents use BNPL services daily.
- 25.8% of respondents use BNPL services weekly.
- 32.5% of respondents use BNPL services monthly.
- 19.6% of respondents use BNPL services occasionally.
- 12.9% of respondents tried BNPL services but never used them again.

**Q.10 What BNPL providers have you used in the past 12 months? (Select all that apply)**

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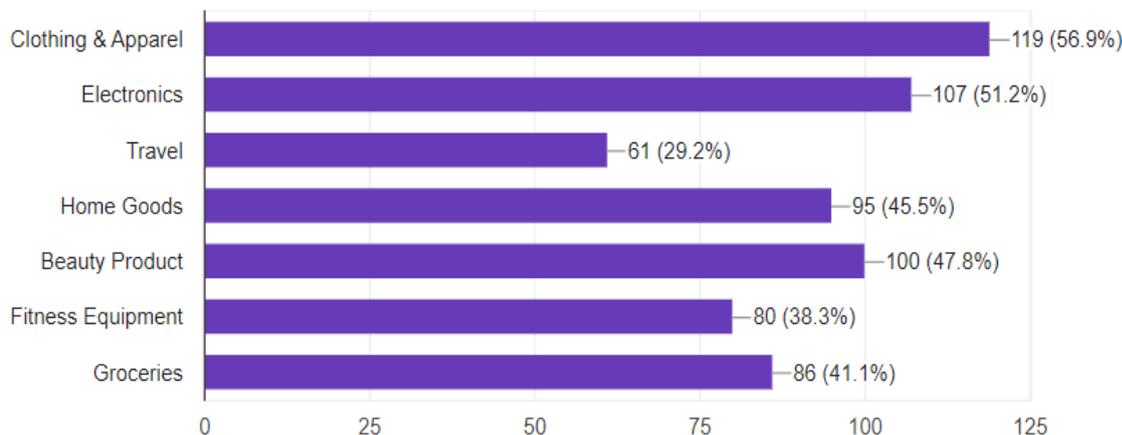
209 responses



- Flipkart Pay Later is the most popular choice among those surveyed, with 48.8% of respondents indicating they use this method.
- Amazon Pay Later is the second most popular choice, with 58.9% of respondents reporting they use it.

- Paytm Post-paid is used by 45.5% of those surveyed.
- Other unspecified payment methods are used by 31.1% of the respondents.

**Q.11 What are your preferred categories for BNPL purchases? (Select all that apply)**



- Clothing and apparel is the most popular category for BNPL purchases, with 119 (56.9%) of respondents selecting it.
- Electronics follows closely at 107 respondents (51.2%).
- Home goods is the third most popular category, with 95 respondents (45.5%).
- Beauty products comes in at fourth place, with 100 respondents (47.8%). There might be a data entry error here, as the percentage is over 100%.
- Fitness equipment is selected by 80 respondents (38.3%).
- Groceries is chosen by 86 respondents (41.1%).
- Travel is the least popular category, with only 61 respondents (29.2%) selecting it.

**Q.12 When considering a purchase, do you check if a BNPL option is available?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	175	83.7	83.7	83.7
No	34	16.3	16.3	100.0
Total	209	100.0	100.0	

- Out of 209 respondents, 175 (83.7%) said they check if a BNPL option is available before making a purchase.
- In conclusion, a large majority (83.7%) of respondents reported that they check for BNPL options before considering a purchase. This suggests that BNPL is a significant factor for many consumers when making purchasing decisions.

**Q.13 Has using BNPL changed the amount you typically spend?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	178	85.2	85.2	85.2
No	31	14.8	14.8	100.0
Total	209	100.0	100.0	

- Out of 209 respondents, 178 (85.2%) said using BNPL has changed the amount they typically spend.
- In conclusion, a large majority (85.2%) of respondents reported that using BNPL has changed the amount they typically spend. This suggests that BNPL can be a significant factor influencing consumer spending habits. It would be interesting to explore further how BNPL has specifically impacted spending (e.g., increased spending, allowed for larger purchases)

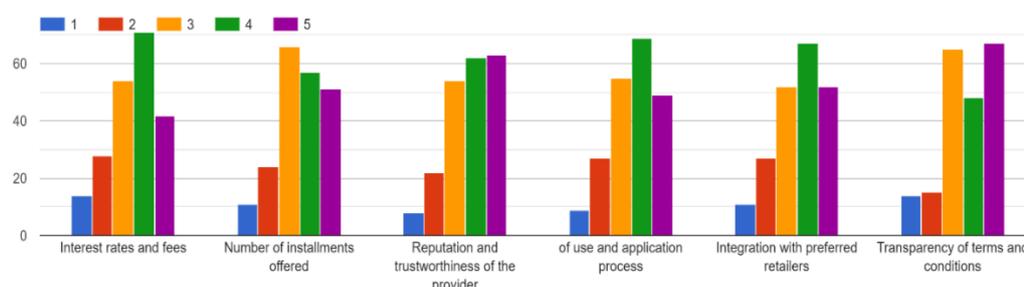
**Q.14 If yes, has it increased or decreased your spending?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Increase	172	82.3	82.3	82.3
Decrease	37	17.7	17.7	100.0
Total	209	100.0	100.0	

Out of 209 respondents who reported a change in spending due to BNPL, 37 (17.7%) said it decreased.

**Q.15 How important are the following factors when choosing a BNPL provider? (Rate on a scale of 1 (Not Important) to 5 (Very Important))**

How important are the following factors when choosing a BNPL provider? (Rate on a scale of 1 (Not Important) to 5 (Very Important))



- **Interest rates and fees** is the most important factor, with an average rating of 4.3.
  - **Number of installments** is the second most important factor, with an average rating of 4.0.
  - **Reputation and trustworthiness of the provider** is the third most important factor, with an average rating of 3.9.
  - **Transparency of terms and conditions** is rated as slightly less important than reputation, with an average rating of 3.8.
- Integration with preferred retailers** is the least important factor, with an average rating of 3.5.

**FINDINGS**

1. Among every 100 active customers 75 are using bnpl.
2. It was noticed that people were influenced by bnpl service due to convenience and flexibility of payment. Moreover, the trustworthiness and reputation of bnpl provider was also noticed to be influencing the respondents
3. However, in spite of using bnpl service there were only 30% respondents who actually made larger purchases by using bnpl service.
4. And about 50 % of the respondents are likely to purchasing products.
5. If we talk about the satisfaction of the respondents on using bnpl services the are quite nutral neither satisfied nor disappointed.
6. According to the responses maximum number of customers availing the facility of buy now pay later facility often use this services so much.
7. About 59% of the respondents use BNPL service for purchasing fashion and appearance items and 40% on home and decorating products.
8. Only few of our respondents are unaware of all the terms and conditions of BNPL such are interest rates late fees etc.

## CONCLUSION

This research offers an in-depth exploration of the transformative influence of Buy Now, Pay Later (BNPL) services on the landscape of online consumer transactions. Through a comprehensive analysis of the evolving dynamics within the realm of e-commerce, the study illuminates the multifaceted impact of BNPL, which extends beyond mere transactional convenience to fundamentally reshape traditional purchasing behaviors and strategies. Drawing upon a synthesis of empirical data, industry insights, and theoretical frameworks, the research underscores the pervasive adoption of BNPL mechanisms, revealing their pivotal role in driving consumer engagement, increasing average order values, and reshaping the digital retail ecosystem.

Furthermore, the study emphasizes the imperative for stakeholders across the e-commerce spectrum to recognize the nuanced implications of BNPL adoption. While BNPL presents enticing opportunities for both merchants and consumers alike, its rapid proliferation also introduces challenges related to financial responsibility, credit risk management, and regulatory compliance. Therefore, the research advocates for a proactive and strategic approach among stakeholders, one that goes beyond short-term gains to prioritize long-term sustainability and consumer welfare.

## SUGGESTION

Prioritize transparency in your BNPL service by clearly communicating terms, fees, and repayment schedules. Transparent practices build trust with consumers and contribute to a positive customer experience. Develop educational materials or tools to help consumers understand how to use BNPL responsibly. Providing information about financial literacy and responsible spending can contribute to a more informed user base.

## REFERENCES

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