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BUY NOW PAY LATER (BNPL) - A Study on Effectiveness of BNPL among Customers

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ABSTRACT: The rapid evolution of financial technology (FinTech) has significantly transformed consumer payment systems, with Buy Now Pay Later (BNPL) emerging as a popular short-term digital credit alternative. BNPL enables consumers to make immediate purchases and repay the amount in structured instalments, often without interest if paid on time. While this model enhances financial flexibility and convenience, concerns regarding overspending, repayment defaults, and limited awareness of terms and conditions have raised questions about its long-term sustainability and responsible usage.

This study evaluates the effectiveness of BNPL services among urban consumers by examining awareness levels, usage behaviour, repayment discipline, and perceived financial impact. A descriptive and analytical research design was adopted using a quantitative cross-sectional approach. Primary data were collected from 321 respondents through a structured questionnaire targeting college students and young working professionals in urban areas.

The findings indicate moderate awareness and cautious adoption of BNPL services. Although most respondents demonstrate reasonable repayment discipline, instances of missed payments and penalty charges highlight potential financial risk. Statistical analysis reveals a neutral perception regarding BNPL's effectiveness in managing personal expenses. The study concludes that BNPL can serve as a beneficial short-term financial instrument when supported by financial literacy, transparent communication, and appropriate regulatory oversight.

KEYWORDS: Buy Now Pay Later, FinTech, Digital Credit, Consumer Behaviour, Financial Discipline, Urban Consumers

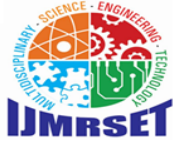
I. INTRODUCTION

Technological advancements in the financial sector have fundamentally reshaped consumer payment behaviour. Digital payment innovations have expanded access to financial services, and among these, Buy Now Pay Later (BNPL) has emerged as a rapidly growing alternative to traditional credit systems.

BNPL services allow consumers to purchase goods and services immediately while deferring payment through short-term instalments. Unlike conventional credit cards, BNPL platforms typically offer simplified approval processes and interest-free repayment structures, provided payments are made within the stipulated time frame. The integration of BNPL options into major e-commerce platforms has significantly accelerated its adoption, particularly among millennials and Generation Z consumers who prioritize convenience and digital accessibility.

Despite its growing popularity, BNPL raises important concerns. The ease of access and minimal eligibility requirements may encourage impulsive spending and short-term debt accumulation. Furthermore, limited transparency in repayment terms and penalty structures may result in repayment stress among users.

In this context, evaluating whether BNPL services are being utilized effectively and responsibly becomes essential. This study aims to assess the effectiveness of BNPL usage among urban consumers by analysing awareness, usage patterns, repayment behaviour, and financial implications.



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II. PROBLEM STATEMENT

The rapid expansion of BNPL services has transformed modern consumer credit behaviour. Although numerous studies have examined BNPL adoption and market growth, limited research has focused on assessing its effectiveness from the perspective of financial discipline and consumer well-being.

Concerns persist regarding missed payments, overspending tendencies, and inadequate understanding of repayment obligations. Therefore, the central research question guiding this study is:

Are urban consumers utilizing BNPL services responsibly and effectively, or does its usage increase financial vulnerability and repayment risk?

III. OBJECTIVES OF THE STUDY

1. To assess consumer awareness of BNPL services and associated repayment terms.
2. To examine usage frequency and spending patterns among BNPL users.
3. To analyse repayment discipline and incidence of delayed payments.
4. To evaluate the perceived financial impact of BNPL usage on expense management.

IV. REVIEW OF LITERATURE

A. Previous research identifies convenience, flexibility, and interest-free instalments as primary drivers of BNPL adoption (Frost et al., 2020). Younger consumers, particularly millennials and Generation Z, have been found to be the dominant users of BNPL services (Mottola, 2021).

B. Guttman-Kenney et al. (2021) observe that BNPL increases purchase frequency and may contribute to impulsive spending behaviour. Similarly, Di Maggio and Yao (2023) report that frequent usage of digital credit platforms is associated with higher short-term debt risk.

C. Regulatory bodies such as the Consumer Financial Protection Bureau (CFPB, 2022) and the Bank for International Settlements (BIS, 2023) have highlighted concerns regarding transparency, repayment defaults, and regulatory gaps in BNPL operations. The Organisation for Economic Co-operation and Development (OECD, 2023) emphasize the importance of consumer protection and financial literacy in the digital credit ecosystem.

D. While prior studies primarily focus on adoption trends and regulatory frameworks, limited empirical research evaluates BNPL effectiveness in terms of repayment discipline and financial management. This study contributes by addressing this research gap within an urban context.

V. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design using a quantitative approach.

- **Research Design:** Descriptive and Analytical
- **Approach:** Quantitative
- **Study Type:** Cross-sectional
- **Data Collection Method:** Structured questionnaire (Google Forms)
- **Sample Size:** 321 respondents
- **Target Population:** College students and young working professionals
- **Geographical Area:** Urban region

The questionnaire included demographic details, BNPL awareness, usage frequency, repayment behaviour, and perception-based questions. Statistical tools such as percentage analysis, weighted ranking method, and One-Way ANOVA were applied to interpret the data.



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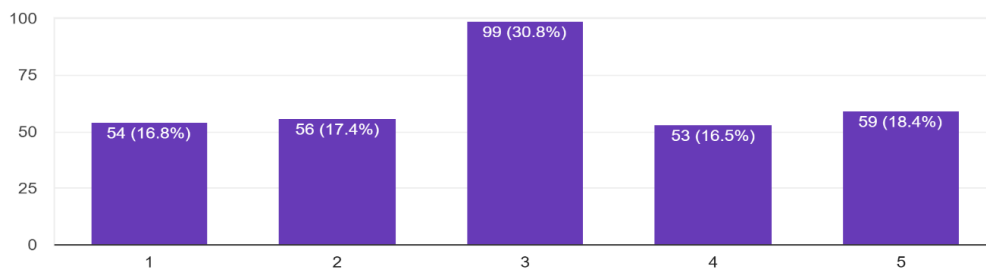
VI. DATA ANALYSIS

The data collected from 100 respondents were analysed using percentage analysis and ANOVA (Analysis of Variance) to examine whether there is a relationship between age and how the speed of checkout in ultra-fast delivery apps influences consumers' decision to purchase.

ONE-WAY ANOVA WITH HYPOTHESIS

TABLE 1

BNPL helps me manage my expenses better
321 responses

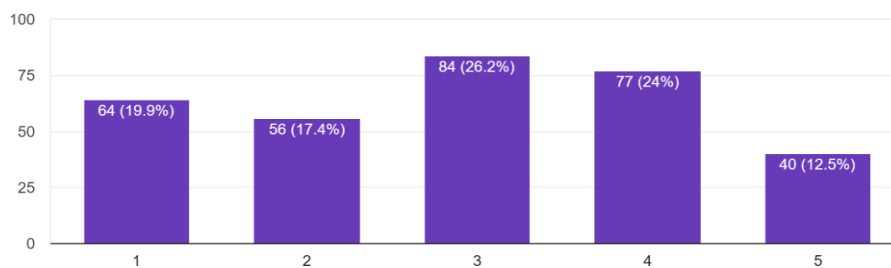


Source	SS	df	MS	F	p-value
Between	0.15	1	0.15	0.07	0.79
Within	568.40	319	1.78		
Total	568.55	320			

INTERPRETATION: The ANOVA results show that the calculated F-value is 0.07 with a p-value of 0.79. Since the p-value (0.79) is greater than the significance level of 0.05, the null hypothesis is not rejected. This indicates that there is no statistically significant difference between the group mean and the neutral value (3). The variation observed between groups (SS = 0.15) is very small compared to the variation within groups (SS = 568.40). This suggests that most of the variation is due to individual differences rather than any real effect. Overall, the findings confirm that the responses do not significantly differ from the neutral point.

TABLE 2

BNPL encourage overspending
321 responses





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Source	SS	df	MS	F	p-value
Between	2.18	1	2.18	1.23	0.27
Within	565.40	319	1.77		
Total	567.58	320			

INTERPRETATION: ANOVA results show an F-value of 1.23 with a p-value of 0.27. Since the p-value (0.27) is greater than the 0.05 significance level, the null hypothesis is not rejected. This indicates that there is no statistically significant difference between the observed mean and the neutral opinion value. The between-group variation (SS = 2.18) is relatively small compared to the within-group variation (SS = 565.40). This suggests that most of the variability is due to individual differences rather than any meaningful effect. Overall, the findings confirm that respondents' opinions do not significantly differ from a neutral position.

VII. FINDINGS AND DISCUSSION

The analysis reveals that the majority of respondents belong to the 18–25 age group, indicating strong engagement of youth with digital credit platforms. Awareness of BNPL services is relatively high; however, detailed understanding of terms and conditions remains partial.

Usage patterns indicate that most respondents use BNPL services occasionally rather than frequently, suggesting moderate adoption rather than heavy dependence. Electronics and travel-related purchases constitute the primary categories financed through BNPL.

Repayment behaviour analysis demonstrates moderate financial discipline, with respondents generally paying instalments “mostly” or “sometimes” on time. Nevertheless, a notable proportion reported missing payments or incurring late fees at least once.

ANOVA results indicate no statistically significant deviation from a neutral opinion regarding BNPL's effectiveness in improving expense management or encouraging overspending. This suggests that consumers neither strongly perceive BNPL as a financial benefit nor as a major financial burden.

Overall, the findings reflect controlled adoption combined with mixed levels of awareness and repayment discipline.

VIII. SUGGESTIONS

1. Financial literacy programs should be strengthened within educational institutions and workplaces.
2. BNPL providers must enhance transparency in communicating repayment terms and penalty clauses.
3. Consumers should align instalment commitments with monthly income levels.
4. Simultaneous usage of multiple BNPL platforms should be avoided to minimize financial stress.
5. Regulatory authorities should implement stronger consumer protection frameworks to ensure responsible lending practices.

IX. CONCLUSION

The study concludes that BNPL services are moderately adopted among urban youth and lower-income consumers. Although awareness levels are satisfactory, comprehensive understanding of repayment obligations remains limited.

While most respondents demonstrate reasonable repayment discipline, the occurrence of missed payments highlights potential financial vulnerability. Statistical findings indicate a neutral perception regarding BNPL's impact on financial management.

BNPL can function as a convenient short-term financial tool when used responsibly and supported by proper planning. However, long-term sustainability requires improved financial literacy, transparent provider practices, and robust regulatory oversight to safeguard consumer financial well-being.



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