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## **A Study of Current & Future Demand of BNPL (Buy Now & Pay Later) Industry**

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### **ABSTRACT**

The BNPL market in India, from USD 19.36 billion in 2024 to roughly USD 35.07 billion by 2030, is projected to grow significantly. This paper emphasizes important market trends, legal developments, and the competitive environment. It also discusses the possibilities and risks related to BNPL, such as consumer over-indebtedness and the power of financial institutions over the sector. It also examines how strategic alliances and financial technology innovation support BNPL expansion.

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### **Introduction**

Changing the financial landscape in India and abroad, the Buy Now, Pay Later (BNPL) system often without interest if paid within a particular time frame, it provides consumers flexible payment options allowing them delay payments over time. Especially among Millennial and Gen Z consumers, digital payments and the expansion of e-commerce have spurred rapid BNPL service adoption. Emphasizing its growth, consumer acceptance, legal concerns, and competitive dynamics, this paper provides a comprehensive analysis of the BNPL industry.

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### **Literature Review**

The BNPL market in India, from USD 19.36 billion in 2024 to roughly USD 35.07 billion by 2030, is projected to grow significantly. This paper emphasizes important market trends, legal developments, and the competitive environment. It also discusses the possibilities and risks related to BNPL, such as consumer over-indebtedness and the power of financial institutions over the sector. It also examines how strategic alliances and financial technology innovation support BNPL expansion.

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### **History and Evolution of BNPL**

Though its digital version has gained popularity over the last decade, the BNPL concept really dates back to instalment plans used in traditional retail financing. The growth of e-commerce and fintech companies has helped to make BNPL services widely available. Companies like Afterpay and Klarna first launched digital BNPL solutions in the early 2010s, rapidly gaining popularity in countries including Australia, Europe, and the United States. Under LazyPay and ZestMoney's direction, BNPL services in India started to catch on in the middle of the 2010s.

Technological advancements—especially artificial intelligence and machine learning—driving the evolution of BNPL have let companies assess creditworthiness in real time. Since it has expanded beyond e-commerce into travel, healthcare, and even educational financing, BNPL is a flexible financial tool today.

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### **What is the BNPL Industry?**

The BNPL system allows consumers to pay later over a specified period after purchasing now. Especially in e-commerce, where it allows customers buy items immediately and pay later in instalments, this strategy is rather common. Often, the service is interest-free if payments are made within the specified time frame, making it an appealing alternative to credit cards. Usually dealing with stores, BNPL companies provide

these financing options, so encouraging consumer loyalty and purchases. BNPL is also spreading outside retail; services are being included into travel, healthcare, and education sectors.

### Current Demand for BNPL in India

India's BNPL sector is growing significantly because of:

- Increased e-commerce activity, driven by rising internet penetration and smartphone adoption.
- Higher smartphone penetration, allowing smooth integration of digital payments.
- Changing consumer behavior in favor of digital payment alternatives over traditional banking practices.

So reaching a compound annual growth rate (CAGR) of 9.8%, market projections indicate the BNPL sector will grow from USD 19.36 billion in 2024 to USD 21.95 billion in 2025. Increasing demand for fast credit and convenience in financial transactions is pushing more BNPL solutions as well. BNPL is also becoming a preferred financing option in tier-2 and tier-3 cities, where access to traditional credit products is limited

### Key Players in the BNPL Market

**LazyPay** –Lazy Pay By offering seamless payment solutions across several platforms, guarantees quick approvals and straightforward repayment plans.

**ZestMoney** Especially for those without credit cards, ZestMoney collaborates with various merchants to provide adjustable instalment options.

**Amazon Pay Later**-Amazon Pay Later offers BNPL services allowing users to purchase with minimal paperwork using Amazon's vast consumer base.

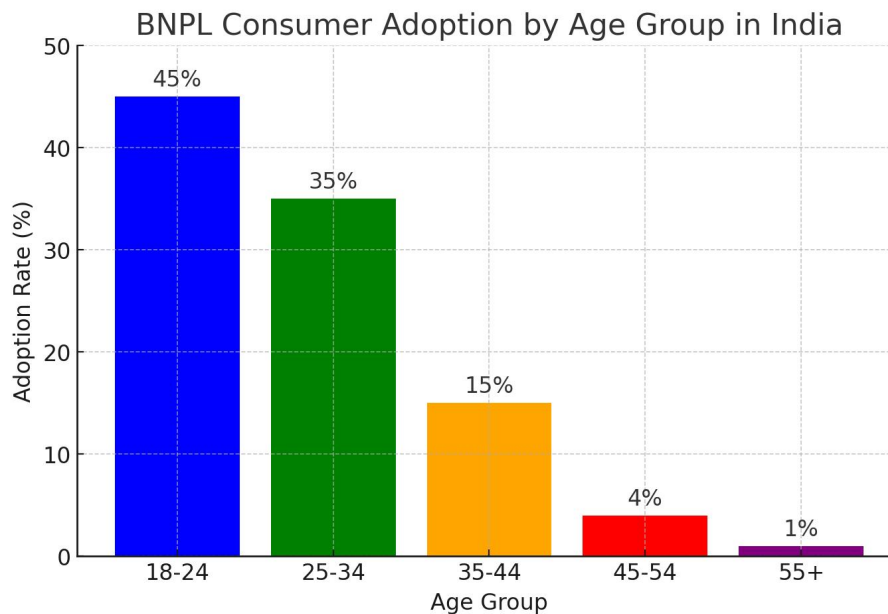
**Simpl** -Simpl wants to simplify the payment process for ordinary consumers by stressing the checkout experience with basic BNPL options.

**PostPe** – A growing rival offering a QR-based payment system lets offline BNPL transactions run, PostPe.

These companies are growing their market share by means of strategic alliances and innovative financial solutions. Global BNPL companies such as Klarna and Afterpay are also considering how to penetrate the Indian market, therefore intensifying competition.

### BNPL Consumer Adoption by Age Group

Different age groups exhibit different degrees of BNPL acceptance. The next graph depicts the rates of consumer adoption among several age categories in India: ia:



Millennials and Gen Z consumers dominate the BNPL market, as they prefer digital-first payment solutions.

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## Impact of COVID-19 on the BNPL Industry

During the COVID-19 pandemic, digital payment systems—including BNPL—were embraced more quickly. India's BNPL system now includes e-commerce giants, regulatory authorities, and fintech firms. The economic downturn during the pandemic pushed more BNPL service usage since consumers sought more flexible financing options. There are still problems, such as regulatory control and the risk of consumer over-indebtedness. Regulatory agencies are thus underlining more responsible lending policies and consumer awareness initiatives.

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## Factors Driving the Demand for BNPL Services

Many factors clarify India's rising demand for BNPL:

The Indian e-commerce sector grew by 27% in 2023, which drove more demand for flexible payment options. Young consumers looking for straightforward transactions free of traditional credit restrictions find BNPL services particularly attractive.

BNPL is a good choice given only 5% of the Indian population has access to credit cards. This low penetration rate to close the credit gap gives BNPL providers great market potential.

For small-ticket purchases like online shopping and food delivery, younger customers are gravitating towards BNPL. Their spending habits and financial planning decisions suit the ability to split payments into sensible instalments.

Improvements in machine learning and artificial intelligence are enabling BNPL businesses to offer customised credit limits and risk assessments, therefore increasing accessibility and effectiveness of the service.

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## Regulatory Challenges and Future Outlook

As BNPL services grow, regulatory authorities are increasingly scrutinizing the sector. The Reserve Bank of India (RBI) is working on guidelines to ensure responsible lending practices. Key regulatory concerns include:

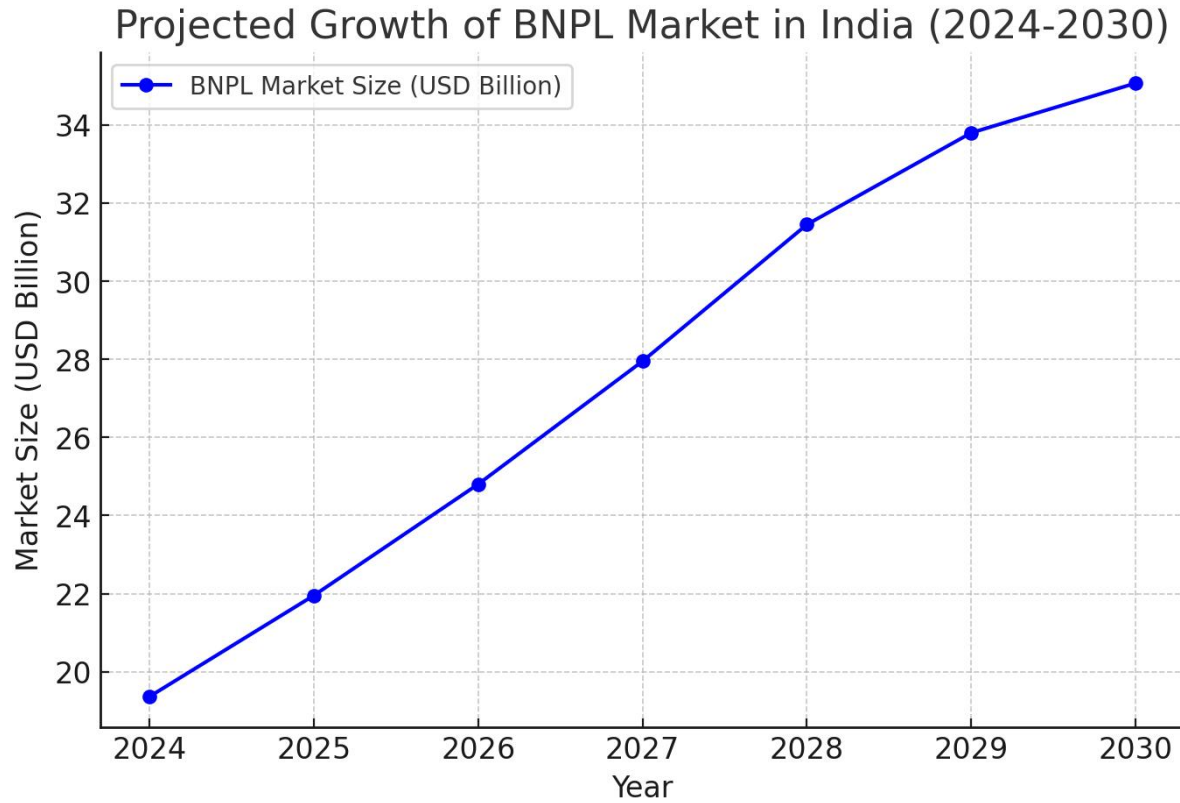
- Ensuring transparency in BNPL agreements to prevent hidden fees and misleading terms.
- Protecting consumer data and privacy in an industry that relies heavily on digital transactions.
- Addressing the risks of over-indebtedness by setting responsible lending limits and improving financial literacy initiatives.

Looking ahead, the BNPL industry in India is expected to continue expanding, driven by technological advancements, evolving consumer preferences, and strategic business models. However, effective regulation and responsible lending practices will be crucial to sustaining this growth. The future of BNPL also depends on collaborations between fintech firms, banks, and regulatory bodies to create a sustainable and consumer-friendly ecosystem.

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## Projected Growth of BNPL Market in India (2024-2030)

The BNPL market is expected to see significant growth in India. The following chart illustrates the projected market expansion from 2024 to 2030:



This projection underscores the increasing reliance on BNPL as a financing tool among Indian consumers.

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## Conclusion

The BNPL industry is changing financial transactions in India by offering a replacement for traditional credit and increasing consumer purchasing power. Though it presents many opportunities for growth, it also creates issues that demand regulatory control. As the sector grows, cooperation among fintech companies, regulators, and financial institutions will determine sustainable development. Future trends indicate a broader range of industries including BNPL services, therefore allowing financial inclusion for a larger population segment. .

## References

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1. Fortune Business Insights. "Buy Now, Pay Later Market Report."
2. Payments CMI. "BNPL India Market Research."
3. Fintech Futures. "India's BNPL Business Report 2025-2030."