



The Rise of Buy Now, Pay Later (BNPL) Models and Their Impact on Consumers: A Mixed-Method Study from the Indian Context

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ABSTRACT

The Buy Now, Pay Later (BNPL) model is reshaping how Indian purchasers interact with credit scores with the aid of providing interest-free, brief-time period installment alternatives, mainly appealing to digitally-native and younger demographics. This has a look at explores the psychological, economic, and behavioral impacts of BNPL through a mixed-approach approach, including surveys and interviews.

Findings screen a double-edged effect: BNPL boosts financial flexibility and inclusion, specifically for those with constrained get right of entry to to conventional credit. It allows smoother coin flow and wider participation inside the digital financial system. However, worries arise around impulsive spending, negative knowledge of reimbursement terms, and potential debt build-up, mainly among first-time credit score users.

The study emphasizes the need for transparent disclosures, economic literacy, and regulatory oversight to ensure BNPL stays a sustainable tool within India's developing fintech landscape. With the right safeguards, BNPL can empower customers without compromising their long-term economic health.

Keywords: BNPL, consumer credit, fintech, financial inclusion, behavioral economics, digital lending, India

INTRODUCTION

The emergence of Buy Now, Pay Later (BNPL) as a popular economic tool marks a sizable shift in how clients method spending and credit scores in today's digitally-driven economy. By imparting on-the-spot, interest-free credit at the aspect of purchase, BNPL services do away with a few of the boundaries associated to standard lending, together with prolonged approval methods or credit score rating records tests. This accessibility makes BNPL mainly attractive to younger, tech-savvy customers and people who are frequently excluded from the formal monetary gadget

This paper examines the rapid expansion of BNPL within the Indian market, focusing on how these platforms influence consumer conduct, shape psychological perceptions of affordability, and affect financial decision-making. Beyond convenience, BNPL is reshaping how people consider debt and budgeting, frequently blurring the road among accountable spending and overspending. The observer also considers the wider implications for economic properly-being, inclusive of each the advantages of more financial inclusion and the risks of accelerated monetary vulnerability.

LITERATURE REVIEW

The literature identifies BNPL as each a facilitator of monetary inclusion and a ability deliver of purchaser over-indebtedness. Omarova (2021) frames BNPL in the huge shift closer to embedded finance, at the same time as Ghosh and Ghosh (2022) understand it as a gateway to formal credit score score. Psychological research, along with that through Weller (2021) and Ashby et al. (2025), highlights how installment-based totally price structures and a bent toward gift bias can drastically have an impact on purchaser spending conduct. These behavioral dispositions regularly lead people to underestimate the lengthy-term effect in their purchases. On the coverage the front, studies with the aid of ASIC (2022) and Singh & Kapoor (2023) emphasize the developing risks associated with BNPL usage and underscore the pressing need for stronger regulatory frameworks to guard consumers..

METHODOLOGY

This examine applied a combined-technique layout combining:

I. Quantitative statistics: a hundred and twenty responses thru based online questionnaires, using Likert scales, and a couple of-choice questions.

II. Qualitative records: sixteen semi-based interviews with BNPL users and fintech professionals.

III. Sampling concerned purposive and snowball strategies, targeted on city Indian consumers aged 18–forty five who used BNPL offerings in the beyond one year.

IV. Tools used: SPSS (quantitative evaluation), NVivo (qualitative thematic coding), and Excel for records visualization.

KEY FINDINGS

1. Demographics: Over eighty% of BNPL users were beneath 35, indicating its dominance among Gen Z and millennials.
- 2 Impulse Spending: seventy % admitted to making unplanned purchases because of BNPL, with many perceiving immoderate-price gadgets as less expensive.
- 3 Lack of Awareness: Only 15% of users claimed to look at BNPL phrases very well. Many were ignorant of consequences or compensation systems.
4. Debt Risks: 23% had unnoticed bills, and 25% stated monetary strain.
5. Financial Inclusion: eighty four% of respondents had by no means used a credit card before attempting BNPL.
6. User Feedback: Participants expressed a preference for budgeting gear, higher signals, and clearer phrases to avoid misuse.

DISCUSSION

BNPL's mental enchantment lies in partitioned pricing and installment framing, which dilute the perceived fee of merchandise, boosting brief-time period gratification. While this encourages consumerism and helps economic inclusion, it moreover fosters debt stacking and distorted affordability perceptions.

These findings are further reinforced by global evidence. For example, the Australian Securities and Investments Commission (ASIC, 2022) discovered that 20% of BNPL users in Australia had to reduce vital costs with a purpose to meet their repayment responsibilities. Similarly, Ashby et al. (2025) pronounced that fifty seven% of BNPL users in the United States experienced remorse after using the carrier. These global tendencies reflect the monetary demanding situations faced by Indian purchasers, suggesting that the dangers associated with BNPL are large and not restrained via geography

RECOMMENDATIONS

To effectively mitigate the identified risks while preserving the benefits of BNPL services, the following recommendations are proposed:

- I. Ensure mandatory upfront disclosures at the point of checkout.
- II. Implement personalized spending limits and alert systems.
- III. Incorporate financial literacy tools and dashboards with BNPL applications.
- IV. Link BNPL platforms with credit bureaus.
- V. Introduce regulatory limits on the number of concurrent BNPL plans to lessen debt stacking.
- VI. Promote ethical advertising and marketing practices .

CONCLUSION

BNPL represents a transformative economic tool with immense potential for digital inclusion and bendy spending. However, its adoption must be underpinned through strong user schooling, responsible layout, and regulatory oversight. The findings suggest for a balanced method that enables BNPL to function a device for economic empowerment in preference to turning into a silent gateway to debt.

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