

Buy Now Pay Later (BNPL) – A New Trend: Its Awareness and acceptance among the Millennials & Generation “Z” with Special Reference to Jorhat District, Assam

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Abstract:

Buy Now Pay Later (BNPL) services has gained momentum in the recent past with the advent of financial technology. It has been seen that many players have entered the market offering a host of Fintech services one of which is the very popular Buy Now Pay Later (BNPL) services. According to Economic Times study, India's BNPL market is estimated to grow from \$3-3.5 billion to \$45-50 billion by 2026. With the increasing number of players in the market, there has been massive competition among them to lure the consumers with attractive terms and policies. As such, the consumers especially the youths are becoming more inclined towards these services. BNPL service is widely accepted by young generation as they find it more convenient and hassle free way of purchasing any products. There is an exponential increase of BNPL service providers as compared to credit cards in term of its use and access and payment option. RBI guidelines mandate that non-banking institutions cannot issue pre-paid payment tool, nor it can use credit lines. This paper aims to investigate the effects of this BNPL services on impulsive buying behaviour of consumers and the disadvantages associated with it examining the responses collected from respondents of Jorhat district of Assam.

Keywords: Buy Now Pay Later, Disadvantages, Impulsive Buying, Indian Consumers.

Buy Now Pay Later: What it is?

Buy now Pay later (BNPL) is one such fin tech assistance which has made it convenient for customers to do retail purchases easily. It is a short term financial assistance provided in the form of loans which are most commonly known as point of sale (POS) instalment loans. It has a huge impact on the buyers as it has allowed consumers to derive the benefit of a product at present and by paying it later. It has made it pretty convenient for the consumer which has also given rise to the impulsive buying habit. The repayment is done on equal instalments and the period of repayment depends on different fin tech company's policies. Financers pay seller on behalf of the consumer with a commission which they charge, and collect it from the customer on later date.

BNPL has brought about a tremendous impact on the economy as it has increased the spending of customers and moreover it has created a major source of generating revenue for the sellers. Although it has some benefits but it also leads to some limitations which can be a threat for the customers as it might

increase debt capacity affecting their credit scores and along with it has given rise to unscrupulous lenders which might affect the liquidity of sellers leading to more bad debts.

BNPL has also provided employment opportunities and has been considered to be the most convenient and flexible way to make any retail purchases. As compared to traditional credit cards and personal loans, BNPL are widely accepted by customers. During inflation when the interest rates are quite high, it becomes difficult for a common person to satisfy his needs but BNPL has the potential to ease out this problem by providing credit at no interest or in some cases with minimal interest rates.

Della Ayu(2021) Consumption is an acknowledge crucial piece of life, where fundamental necessities start from procuring items like food and apparel. Purchasing basic necessities are the real task of an individual but the urge or need of purchasing extra things or commodities come out of the impulsive buying nature of an individual. The most common generation which has been affected by impulsive buying is generation Z and millennial as they are familiar with the use of internet, social media, digital technology at a very young age. Online purchasing is most widely used by this generation as it is convenient and to some extent it is quite cheaper than buying offline.

BNPL is one such financial assistance which has captured the market to a greater extent as it has shown huge acceptance from young generations. Huge competitions is prevailing in BNPL market as new companies are entering with a hope of skimming profits from this new concept of trapping customers. But, in spite of that it is seen that some companies are striving hard to sustain in this market as they are finding it difficult to make profits. Regulatory concerns such as consumer protection and data privacy concerns need to be followed by BNPL, failing which fines will be imposed and legal actions will be taken which will ultimately leads to failure of BNPL.

The Red Flag:

Buy Now Pay Later (BNPL) is one of the new payment service which has become popular worldwide. It has already been used by many consumers to make a convenient purchase without making a burden on their wallet. Along with some pros, it also has some negative financial impacts for both consumers and merchants. The main aspects that make BNPL service jeopardy to fraud are as follows:

- **Delay in Repayment:** BNPL purchases are generally paid in instalments where such instalments are paid over several weeks. This creates an advantage for the malevolent person to commit fraud and escape from it unnoticed.
- **Account Hacking:** While using BNPL services, customers share their bank account data at their time of making payments. This might bring a troublesome situation for the consumers as some fraudsters use different tactics to steal confidential data such as user name, password etc by phishing.
- **Credit score Consequences:** BNPL is considered hassle free as it has an attractive feature of paying in future date. But, if the payment in instalments is not done regularly then it might affect the credit score of a consumer.
- **Trojan horse fraud:** In such type of fraud, a BNPL user creates a fake user account with wrong credentials and at the time of making payment they change their payment method to a stolen card.
- **Risk of Overspending:** People tend to spend more by using BNPL, then paying it upfront which could lead to an excessive debt and might create a problem to manage it in future.

BNPL v/s Credit Cards

Buy Now Pay Later (BNPL) is the new edge technology model that provides credit to the customers through a structured mechanism of FinTech platforms. The customers can make purchases of any amount without the fear of small pockets. The customer can make use of BNPL credit upto a specified limit as decided by the lending platform based on a number of criteria such as credit score, customer loyalty etc. Through BNPL credit, the borrower can either make the payment at once through a single settlement on the due date or through EMI based settlement on monthly basis. If the customer fails to make repayment on the due date, then late fines or penalties will start incurring.

On the other front Credit Cards are financial instruments offered by a bank or a financial institution. Unlike BNPL, Credit cards offer longer repayment periods also in some cases it provides the customers with the facility of cash advances. Credit Cards are a very popular credit instrument that have universal acceptance.

A credit card account basically represents a revolving account which means that the borrower is not required to make full repayment on the due date instead he can make part payments and carry forward the balance amount over a period. A revolving account is created by the lender institution in order to enable the customer to incur a debt which is charged to the account of the borrower, it means that the borrower will have to pay interest and not late fines on the balance amount unlike in the case of BNPL credit.

Interest free period and late fines

Credit Cards and BNPL credit even though it looks like the two faces of the same coin but it has been seen that in case of interest free period and late fines and penalties, Credit cards offer an interest free period which ranges from 45 days to 55 days which is not in the case of BNPL credit. BNPL credit providers allows interest free periods upto 5 to 15 days only. Exceeding the interest free period, the customer have to incur penalties or late fines in BNPL credit.

In Credit cards, the customer can convert his credit into EMIs payable over a period of time. However, this is not in the case of BNPL credit. Not all the lenders providing BNPL credit will provide the facility of EMISs to its customers. Also, it has been seen that there are some BNPL platforms which offers the facility of Equated Monthly Instalments (EMIs) to its customers but the interest rates are comparatively higher.

Associated Fees

Credit cards may have a joining fees or annual membership fees or may not have any kind of fees attached to it. BNPL credit providers may charge a nominal processing fee from its customers at the time of opening the BNPL account.

Credit Limit and Eligibility Criterion

It is quite obvious that a holder of a credit can get a higher credit limit to his account than from a BNPL provider. Credit cards are generally issued by the bank after a thorough evaluation of the creditworthiness of the customer. It is therefore with a credit card in hand a customer can go for bigger purchases and even can swipe above the credit limit.

BNPL lenders provide an aggregate credit limit upto 50000-60000 in a year with OTP based KYC. Generally BNPL providers offer higher credit limits in the form of personal loan only after receiving full KYC and assessing the credit scores of the customers.

"Today, BNPL has become a convenient payment option among young consumers who may not have access to credit cards or are looking for a better payment experience. Consumers can create a BNPL account instantly without much hassle whereas credit card application is a tedious process," says Anup Agrawal, Business Head, LazyPay, a BNPL lender.

Ease of Use and Accessibility

Provided the fact that BNPL services does not require much authentication and can be availed with a single OTP or Virtual ID, as such it offers more ease of use than credit cards.

On the contrary, there can be hassles a customer may face at the time of making credit card payments while entering the credentials and passing through multiple stages of authentication.

The credit through BNPL is available within few minutes after one makes an application. With simple KYC involving PAN card and Aadhaar card, one can instantaneously avail BNPL credit. However, this is not the case in Credit Cards. A person applying for a credit card will receive the card after 2 to 3 weeks and only when all the eligibility criteria has been fulfilled. As such BNPL provides more ease of use and accessibility to a customer.

BNPL and its impact on Impulsive buying behaviour of customers.

Impulsive buying refers to a strong urge which the customer expresses by buying something without thinking twice. It is generally triggered by feelings and emotions of the customer to buy something which he may not have any need. Impulsive Buying signifies non-rational buying of the customer. It is an unplanned purchase of the customer which the marketers recognises it to increase sales of their products.

It is quite evident that impulsive buying is achieved only when the customers have a friendly pocket or we can say that the customers have enough money in hand to make unplanned purchases without thinking much.

With FinTech platforms providing a host of financial services under its umbrella, Impulsive Buying among customers have been increased tremendously. One of such services which comes as a booster of Impulsive Buying among customers is Buy Now Pay Later (BNPL) Credit services. The sellers also makes use of this opportunity to attract customers with various discounts and offers including Buy 1 Get 1, Cash backs and many more.

People can now buy whatever they want and can make the repayment for it on a later date when money is available with them or can pay in EMIs over a period of time with the help of BNPL services. BNPL has made the entire marketing era so convenient for the purchasers that they do not think twice while making purchases and resort into unplanned purchases.

Buy Now, Pay Later (BNPL) products and services have gained popularity among online consumers, especially among the younger generation. People started to prefer contactless shopping and hassle free delivery at their doorstep amid the COVID 19 pandemic. To cater to this, rising demand banks and other financial institution have recognised the need of the hour and as a result introduced various FinTech solutions for the customers. Consumers can now enjoy hassle free short term credit with ease without any credit history verification or any document check.

Literature Review

The researcher has surveyed the works and findings of previous researchers in the related area of study.

Pani, S.S. (2022) studied Buy Now Pay Later. This paper investigates the strengths, opportunities, and challenges posed by the BNPL from the point of view of the consumer, service providers, investors, and regulators. According to him, regulators should allow the market forces to bring changes in the existing scenario and that excessive regulation will pose limitation from utilising their fuller potential.

Nanduri S. Dr., studied Buy Now-Pay Later - Trends in Purchase Decisions (2023). The researcher studied the elements that drive customers to use BNPL to conduct transactions and purchases. The study was based on primary data gathered from 82 respondents using a short questionnaire. The findings of the study reveal that education, rising desire for luxury items, and improving one's standard of living through the use of the BNPL mechanism all have a substantial influence on raising the value of yearly product purchases.

Sengupta A., Singh G. Dr., Vishwakarma S. Dr., Prakash J. Dr., (2022) studied BNPL as a New Financial Instrument & Its impact on Consumer's Buying Behaviour. The study was based on Lucknow city. It was an attempt to know the possible factors that influence the consumers to opt for BNPL and micro credit for making purchases. 418 respondents were investigated using two-stage sampling technique. The study revealed that increase in the demand for goods, education and raise in the standard of living have significant impact on BNPL usage.

Srinivas M. & Prakash S, (2022) studied "The costs of using Buy Now, Pay Later (BNPL) products Understanding the different kinds of costs Indian customers can incur in using BNPL products". In this report, the researcher tried to understand the BNPL market in India and the cost associated with it which the customer may incur while availing those services. The report revealed that the BNPL mechanism has monetary cost involved compared to credit card also the cost of customer protection from possible frauds is of high concern.

"Today, BNPL has become a convenient payment option among young consumers who may not have access to credit cards or are looking for a better payment experience. Consumers can create a BNPL account instantly without much hassle whereas credit card application is a tedious process," says Anup Agrawal, Business Head, LazyPay.

RBI on BNPL: With the exponential increase of BNPL providers, it had changed the shopping habit of consumers. It has increase the spending limit of people rather than saving it for future. BNPL provides relaxation in terms of payment as it gives an option of using the product in present and by paying it in future date. RBI has mandate that non-banking institutions cannot issue pre-paid payment tool, nor it can use credit lines. As per Financial Express, BNPL is much preferred financial option due to weak KYC process, inadequate monitoring of credit history etc. BNPL has given rise to impulsive buying habit of consumers and it also increases debt which might be difficult to manage in future date by an individual.

Rationale of the study: With the increasing growth of various financial products and services, it is becoming imperative to choose the right one which cater our needs and give us the maximum benefit out of it. Buy Now Pay Later is one such new financial service which helps consumers to meet their wants without any hassle. It gives assistance for availing the product at present by paying for it in later date. BNPL is a new concept which is not known to all although it is exponentially increasing. This paper attempts to give an insight about the pros and cons of BNPL and how it is creating impulsive buying

behaviour among customer by increasing their debts in future; which might be difficult for them to manage.

Objectives:

1. To know about the awareness of BNPL among Millennials and Generation Z.
2. To find out the type of purchases for using BNPL services.
3. To enquire the satisfaction level of consumers using BNPL services.
4. To find out whether BNPL have any impact on buying behaviour of consumers.
5. To identify the limitations of using BNPL service.

Scope of the study: The study was made to find out the awareness of BNPL and also to find out the factors which drive consumers to use the service, its satisfaction level, obstacles faced by consumers after availing the BNPL service. The study was based on both primary and secondary source. Primary data was collected from 50 respondents which belongs to Generation Y (Millennials) and Generation Z of Jorhat district of Assam. Secondary data was collected from various research papers, websites, articles published on BNPL.

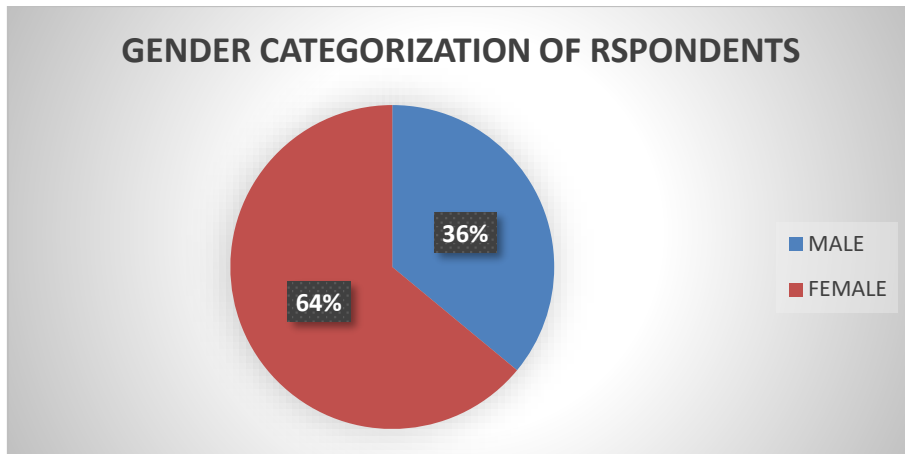
Research Design: The survey research is a collection of sample from a group of respondents among Millennials and Generation Z. In order to analyse their perception and awareness towards BNPL services and their buying behaviour while availing those services. The research will also attempt to identify the limitations they face while using BNPL as a medium of credit for making purchases. It is a descriptive research design.

Area of Study: The study has been conducted in Jorhat district, Assam. The respondents belong to Generation Y (Millennials) and Generation Z.

Data Collection Tools: Data has been collected from 50 respondents through a structured questionnaire consisting of close ended and open ended questions.

Data Analysis**Table 1: Gender categorisation of respondents**

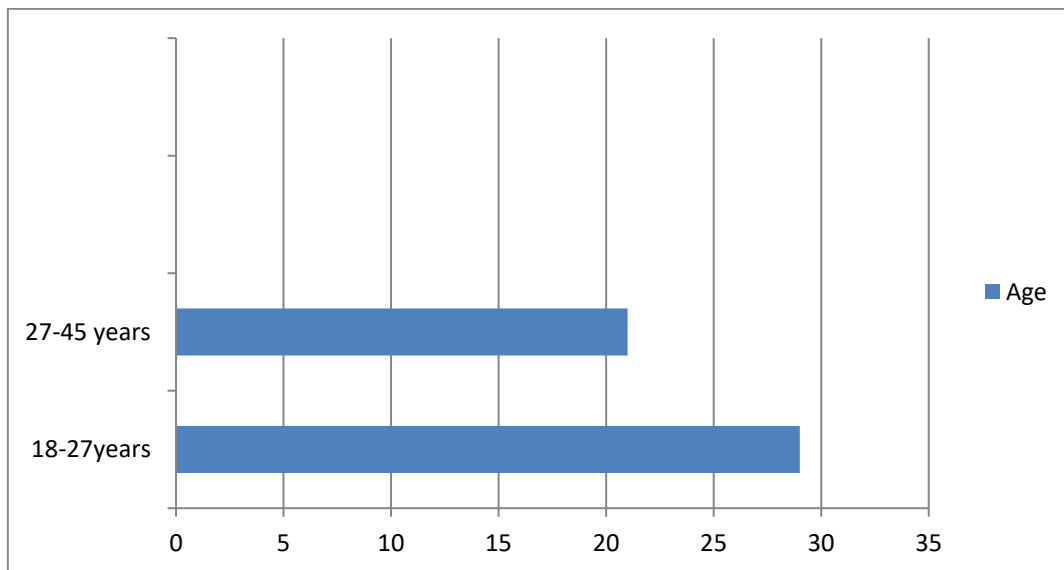
Gender	No. of respondents
Male	18
Female	32



Interpretation: From the above table it can be analysed that BNPL services are mostly preferred by male as compared to female.

Table 2. Age of the respondents

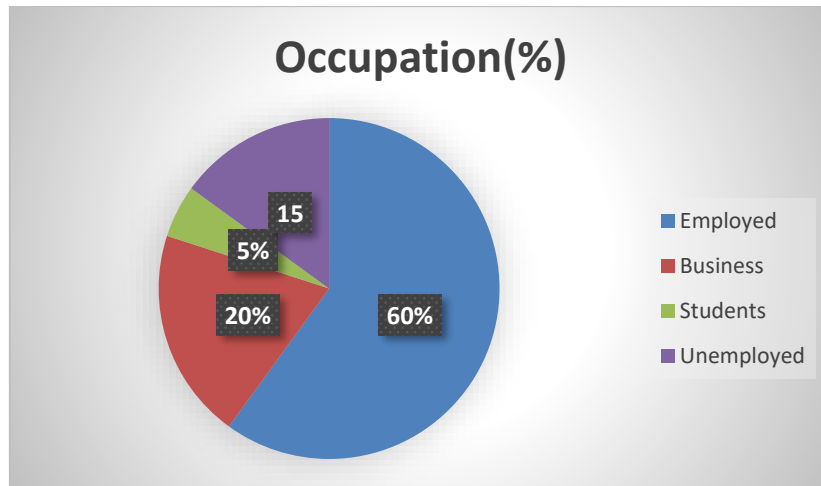
Age	No. of respondents
18-27 (Generation Z)	29
27-45 (Millennials)	21



Interpretation: From the above table it has been found that generation Z are using more BNPL services.

Table 3: Occupation of respondents:

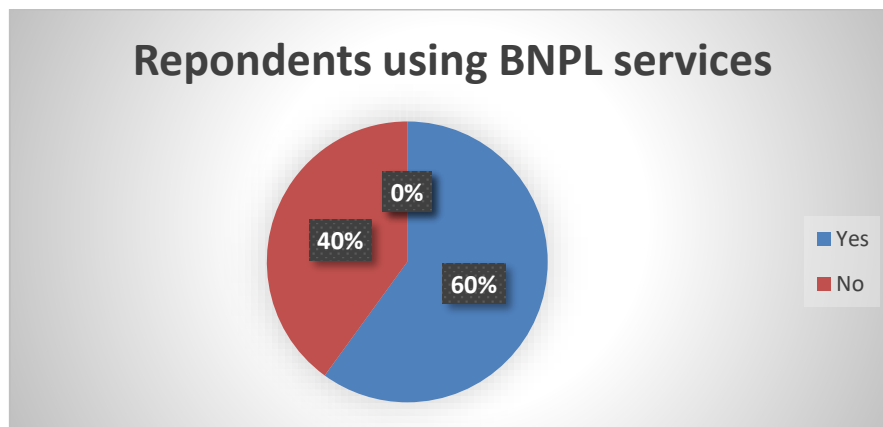
Occupation of the respondents	In percentage (%)
Employed	60
Business	20
Students	5
Unemployed	15



Interpretation: From the pie diagram, it can be analysed that employed and businessmen are using more BNPL services as compared to students and unemployed.

Table 4: Responses regarding use of Buy Now Pay Later (BNPL) Services:

Proportion of respondents who avail BNPL while purchasing.	Yes	No
	30	20

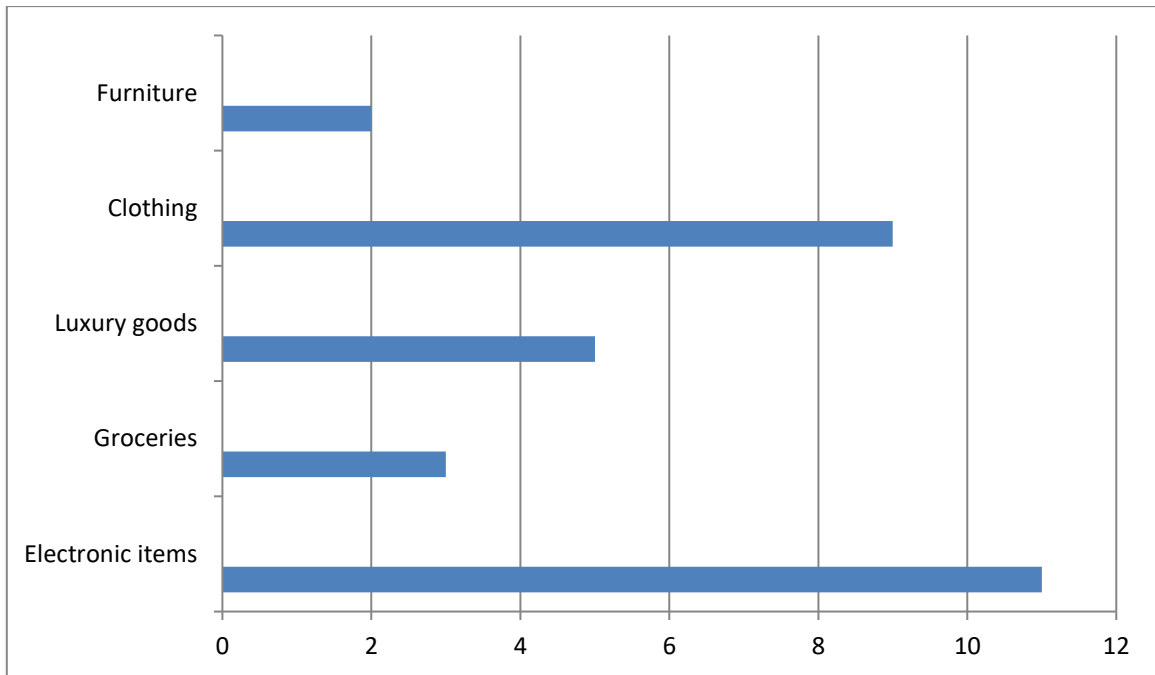


Interpretation: From the above diagram it has been found that 30 respondents are availing BNPL services out of 50 respondents.

Note: After Table 4, Analysis will be done for 30 respondents. 30 respondents out of 50 respondents are only users of BNPL service.

Table 5. Product Purchased using Buy Now and Pay Later

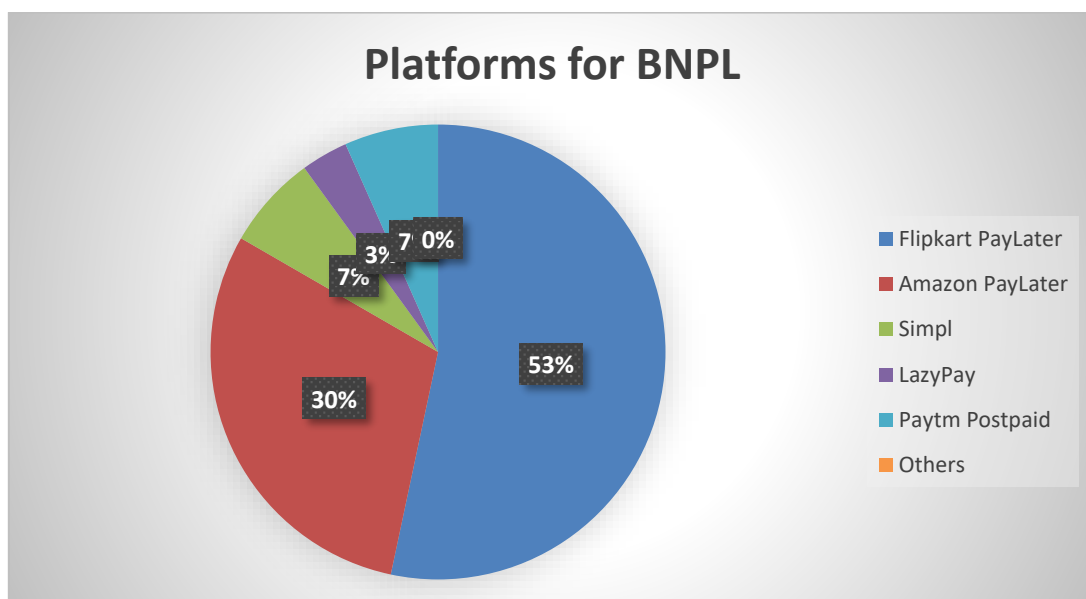
Product	Number of respondents
Electronic Items	11
Groceries	03
Luxury goods	05
Clothing	09
Home Furniture	2



Interpretation: From the above diagram it has been found that electronic items are purchased more with BNPL method.

Table 6: Platforms through which BNPL is mostly availed

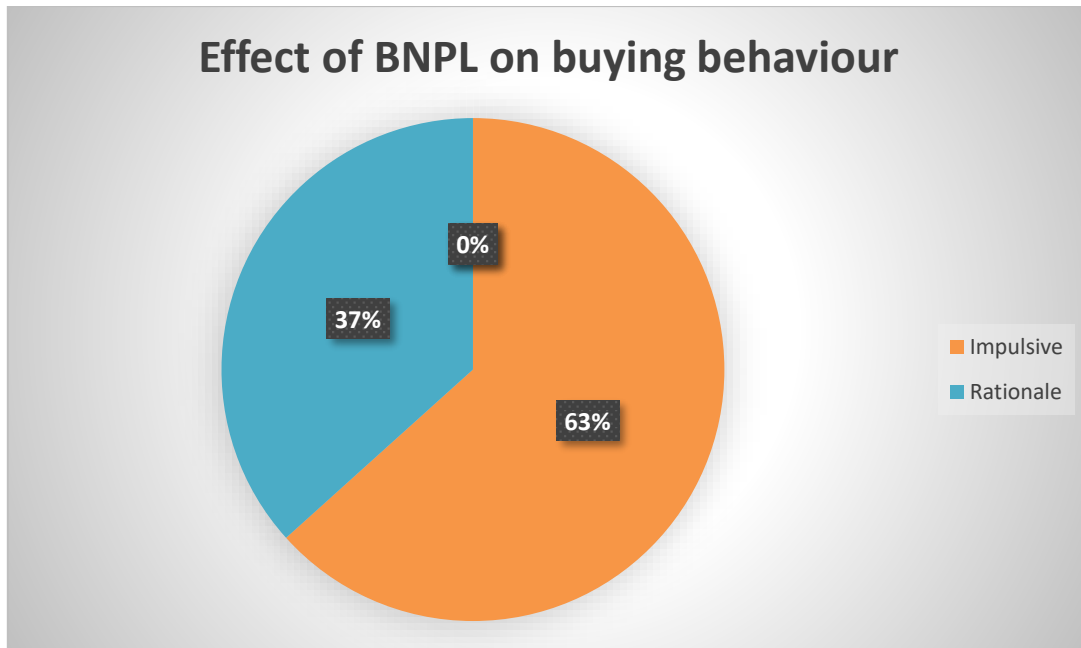
Platforms	Number of respondents
Flipkart Pay Later	16
Amazon Pay Later	9
Simpl	2
LazyPay	1
Paytm Postpaid	2
Others	0



Interpretation: From the diagram it has been found that Flipkart Pay later is most widely used as BNPL platform.

Table 7. Effects of BNPL on Impulsive Buying of customers

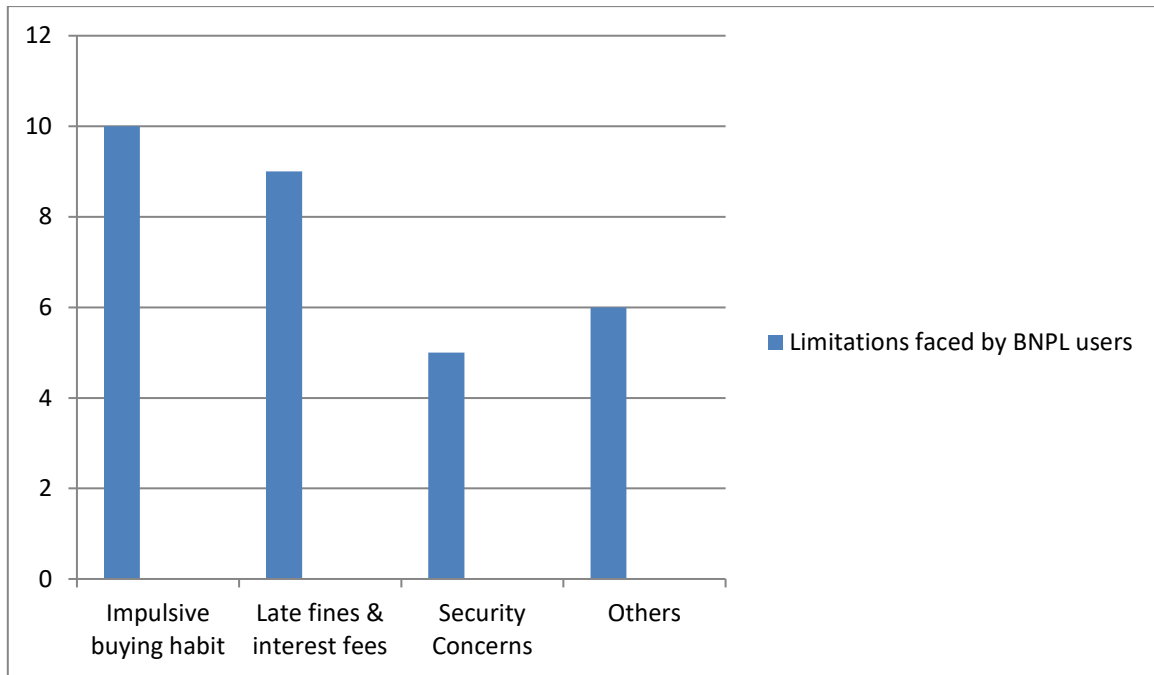
Buying Behaviour	Number of Respondents
Impulsive	19
Rational	11



Interpretation: Impulsive buying habit increases by using BNPL services.

Table 8: Limitations faced by BNPL users

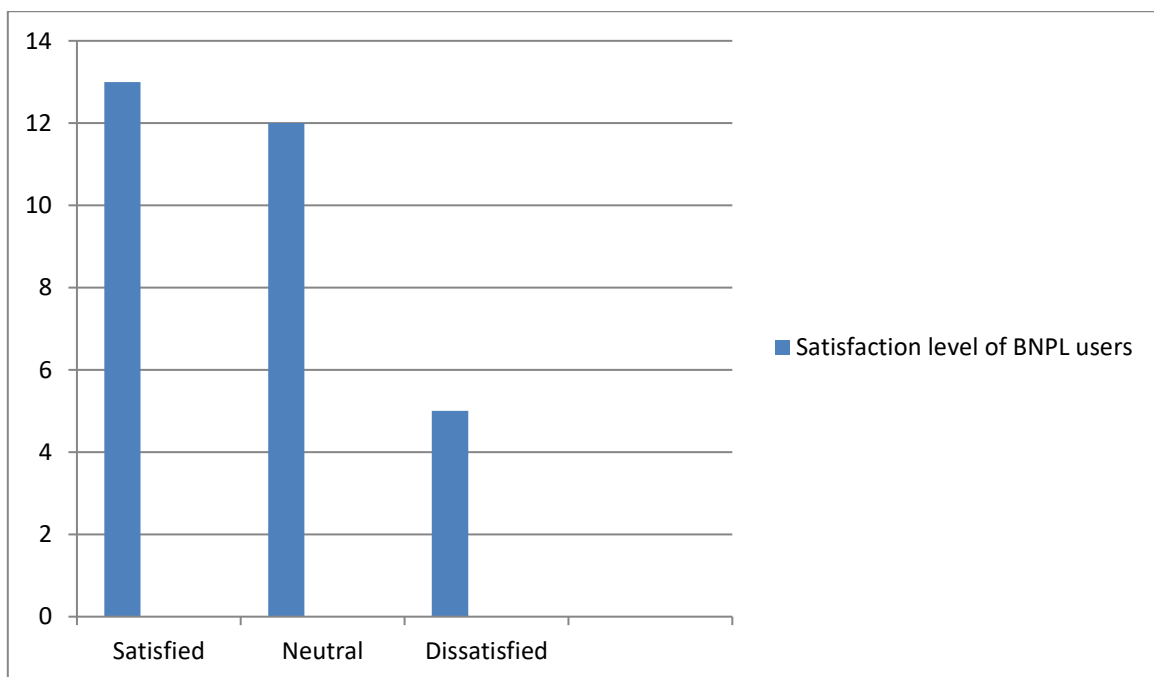
Limitations	Number of respondents
Impulsive buying habit	10
Late Fines & Interest fees	9
Security & Privacy Concerns	5
Others	6



Interpretations: Impulsive buying habit is one of the major limitations of using BNPL service.

Table 9: Satisfaction level after availing BNPL services

Satisfaction Level	Percentage of respondents
Satisfied	13
Neutral	12
Dissatisfied	05



Interpretation: BNPL users are satisfied with the services provided by BNPL providers.

Findings:

1. It has been found that 60% respondents are availing BNPL services.
2. Electronic items are mostly purchased with BNPL service.
3. Flipkart Pay later is most widely used as BNPL platform.
4. Impulsive buying habit increases after using BNPL service
5. Impulsive buying habit is one of the major limitations of using BNPL service.
6. BNPL users are satisfied with the services provided by BNPL providers.

Recommendations

- BNPL being an online option obviously there arises the question of data security of the consumers as the companies accesses the personal information of the consumers before giving a loan. And if these information lands in bad hands then it will be misused which will again negatively exploit the customer as well as prevent other customer to use the service. This very situation should be taken care of by the regulators giving sufficient cyber protection to the valued customers.
- A reasonable interest rate and extension of interest free period will further increase customer satisfaction.
- Customer service which is available 24x7 and helping customers in understanding the terms and conditions would be a value addition.
- BNPL has a great market and as such it such be extended towards insurance sector as well allowing customers to avail health insurance, car insurance etc

Conclusion

Buy Now Pay Later (BNPL) has undoubtedly evolved consumer's purchase habits to a new strata. It has completely revolutionised the online financial services of the banks and other financial institutions. Today, BNPL has made the online shopping a very convenient and even more affordable option to all class of buyers. With the help of BNPL, customers can plan their purchases and can make big purchases without thinking twice about their budget. It has thus raised the standard of living of people. The current study revealed that BNPL though a popular option for online purchasing quite many people are unaware about it. Also there has been fear of security and data privacy among the buyers which prevent them to opt for BNPL. It is also obvious that one who have a regular source of income will have the guts to take credit. As such it has been seen that BNPL is mostly used by salaried individuals and businessmen. The study also revealed that with the use of BNPL, there has been a constant increase in impulsive buying practices of consumers as they don't think twice after seeing a desirable product and buy them instantaneously. When asked about the interest rates and late fines policies, respondents reacted quite neutrally about the same. They were not much affected by the interest rates and late fine fees as those were comparatively not that much high for them.

Banks are also working actively with the merchant companies to promote BNPL products and services in order to attract a new set of customers who have not used the traditional credit cards because of fear of higher interest rates.

In a nutshell we can say that, BNPL is emerging and progressively expanding its market attracting consumers with their user friendly terms & policies.

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