

Assessing the Impact of Buy Now, Pay Later (BNPL) Services on Digital Consumer Buying Behaviour and Online Purchasing Decisions

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ABSTRACT

Buy Now, Pay Later (BNPL) services have grown quickly and changed how people shop online by letting them make payments later without interest. This study looks into how BNPL affects how people in Chennai, India, shop online. This study looks at how BNPL affects how often people buy things, how much they spend on average, how often they buy things on impulse, and how good they feel about their finances. It builds on theories from behavioral economics like pain-of-payment and mental accounting. A structured questionnaire was given to 350 internet shoppers in Chennai, and the data were analyzed using descriptive statistics, t-tests, ANOVA, and regression modeling. The results show that using BNPL is strongly linked to spending more and feeling less discomfort when paying, especially for younger people. The study has consequences for e-retailers, BNPL providers, and regulators. It suggests that promotion should be balanced and consumers should be taught how to use BNPL responsibly.

Keywords: Buy Now Pay Later, Consumer Behaviour, E-commerce, Chennai, Digital Payments, Impulse Buying

INTRODUCTION

In the last five years, BNPL services have changed the way people pay for things online in a big way. These programs let people break up payments into smaller, interest-free payments, and they frequently don't have to go through regular credit checks. Klarna, Afterpay, and Affirm are examples of companies that have risen quickly around the world. In India, companies like Simpl, ZestMoney, LazyPay, and Amazon Pay Later have taken over the urban online retail sector.

Chennai, one of India's biggest cities, has seen a rise in e-commerce because more people are getting smartphones, earnings are going up, and the internet infrastructure is getting better. In this situation, BNPL has become a popular way to pay, especially among young people who are good with technology and people with middle-class incomes.

Some people say that BNPL is convenient, but there is a lot of discussion over how it affects how people spend and manage their money. International studies show that BNPL can cause people to spend more, buy things on impulse, and possibly have financial problems if they don't manage their payments well (Ashby et al., 2025; BIS, 2023). But there isn't much real-world information that focuses on Indian consumers, especially in a place like Chennai.

Research Gap

Most of the research that has been done in India so far has either been statewide surveys or small, unrepresentative samples. There hasn't been much research on how things work at the local level. This means that there needs to be more localized research on how BNPL affects behavior, how people use it, and how different social and demographic groups accept it.

Objectives:

1. To examine BNPL adoption levels among online shoppers in Chennai.
2. To analyse the relationship between BNPL usage and purchase frequency, order value, and impulse buying.
3. To investigate demographic variations in BNPL usage and behavioural impact.
4. To suggest managerial and policy recommendations based on findings.

LITERATURE REVIEW**2.1 Concept of Buy Now, Pay Later (BNPL)**

BNPL is a way for people to buy things right away and pay for them over time, usually in interest-free installments. Instalment payment systems have been around for a long time, but the modern BNPL model is built right into e-commerce checkout systems. This means that credit checks are often quick and easy, and approval is usually instant (BIS, 2023). In India, BNPL mostly works in two ways: Pay-in-4 Model: Four equal payments with no interest. Deferred Payment Model: Pay in full after 15 to 45 days with no interest.

2.2 Theoretical Background

There are two behavioral theories that are very important to BNPL: The Pain-of-Payment Theory (Prelec & Loewenstein, 1998) says that the act of paying makes people feel bad, which affects their decisions about what to buy. BNPL makes this less painful by letting you pay later or in smaller sums. This could make you more likely to buy. According to Mental Accounting Theory (Thaler, 1985), people keep their money in separate mental accounts. BNPL moves spending from a "current" account to a "future" account, which changes how people think about affordability and how they budget.

2.3 Global Evidence on BNPL's Impact

Studies from throughout the world reveal that BNPL constantly raises the average value of an order and the number of times people buy something. Ashby et al. (2025) found that people who used BNPL spent 6.42% more online than people who didn't. The effect was strongest for cheap items, young individuals, and those who are sensitive to promotions.

Wang and Khouja's (2025) experimental research also showed that showing the installment price (such ₹500 × 4) instead of the whole price makes the item seem less expensive, which makes people more likely to buy it. The lesser the first payment, the bigger the effect.

2.4 BNPL in the Indian Context

According to IMARC (2024), India's BNPL market is expected to increase at a CAGR of more than 24% from 2024 to 2029. Some of the most important players are Simpl, ZestMoney, Amazon Pay Later, and LazyPay. The adoption is motivated by:

A lot of people have smartphones and access to the internet. Younger demographic profile. People are getting more comfortable with digital payments

after COVID-19. RBI, on the other hand, has said that it is worried about unregulated lending practices, the possibility of people becoming too indebted, and the lack of clarity in terms and conditions (RBI, 2023).

3.1 Conceptual Framework & Hypotheses**Conceptual Model:**

BNPL Usage → Perceived Affordability → Impulse Buying → Online Spending Behaviour → Perceived Financial Well-being

3.2 Hypotheses:

H1: BNPL usage is positively associated with online purchase frequency.

H2: BNPL usage is positively associated with average order value.

H3: BNPL usage reduces perceived pain of payment.

H4: Younger consumers show higher impulse buying tendencies when using BNPL compared to older consumers.

H5: Perceived affordability mediates the relationship between BNPL usage and online spending behaviour.

RESEARCH METHODOLOGY

4.1 Research Design

A **descriptive and causal** research design was adopted to measure the behavioural impact of BNPL usage among Chennai consumers. The study employed a structured questionnaire distributed through online platforms.

4.2 Population and Sample

The target population comprised Chennai residents who shop online at least once per month. The sample size was determined using Cochran's formula, targeting **n = 350** respondents to achieve a 95% confidence level and $\pm 5\%$ margin of error.

Sampling Technique: Purposive sampling was used to ensure inclusion of BNPL users and non-users across various age and income groups.

4.3 Data Collection Instrument

The questionnaire consisted of three sections:

1. **Demographics:** Age, gender, income, education, occupation.
2. **BNPL Usage Patterns:** Awareness, providers used, frequency of use.
3. **Behavioural Measures:**

Perceived affordability (4 items, Likert scale).

Impulse buying tendency (adapted from Rook & Fisher, 1995).

Pain of payment (2 items).

Change in spending patterns (self-reported before vs. after BNPL adoption).

4.4 Data Collection Process

Data was collected via Google Forms and distributed through social media groups, local college networks, and WhatsApp communities. Participation was voluntary, and anonymity was ensured.

Data Analysis Techniques

Data was analysed using SPSS v27:

Descriptive statistics for demographic and usage patterns.

T-tests / ANOVA to assess differences by demographic groups.

Multiple regression to test the relationship between BNPL usage and spending behaviour.

Mediation analysis using PROCESS Macro to test H5.

RESULTS

5.1 Demographic Profile of Respondents

A total of 350 valid responses were analyzed.

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	184	52.6
	Female	166	47.4
Age Group	18–24	120	34.3
	25–34	132	37.7
	35–50	73	20.9
	50+	25	7.1
Monthly Income	< ₹25,000	97	27.7
	₹25k–50k	138	39.4
	₹50k–75k	77	22.0
	₹75k+	38	10.9
Occupation	Student	102	29.1
	Salaried	166	47.4
	Self-employed	58	16.6
	Others	24	6.9

5.2 BNPL Awareness and Usage Patterns

Awareness: 84.3% of respondents had heard of BNPL services.

Top Providers Used: Amazon Pay Later (65%), Simpl (48%), ZestMoney (31%), LazyPay (28%).

Usage Frequency:

Rarely (1–2 times/year) – 20%

Occasionally (3–6 times/year) – 34%

Frequently (monthly) – 32%

Very frequently (weekly) – 14%

5.3 Effect on Purchase Frequency & Order Value

Table 2: Independent Samples t-Test – Average Order Value (AOV) Before vs After BNPL Adoption

Variable	Mean Before (₹)	Mean After (₹)	t-value	Sig. (p)
Average Order Value	1,840	2,030	6.21	0.000*

(*p < 0.05 indicates significance)

Interpretation: BNPL usage is associated with a statistically significant **~10% increase in average order value**.

Impulse Buying Tendencies

One-way ANOVA showed a significant difference in impulse buying scores across age groups ($F = 5.12$, $p = 0.002$), with the 18–24 age group scoring highest (Mean = 4.1 on a 5-point scale).

5.5 Regression Analysis

Dependent Variable: **Online Spending Behaviour** (self-reported change score)

Predictor Variable	β	t-value	p-value
BNPL Usage Frequency	0.38	7.21	0.000*
Perceived Affordability	0.41	8.02	0.000*
Impulse Buying Score	0.29	5.14	0.000*
Pain of Payment (reverse)	-0.22	-4.16	0.000*

Model $R^2 = 0.52$, Adjusted $R^2 = 0.51$, $F = 64.3$ ($p = 0.000$)

5.6 Mediation Analysis

Using PROCESS Macro (Model 4), perceived affordability was found to partially mediate the relationship between BNPL usage and online spending behaviour (Indirect effect = 0.18, 95% CI [0.11, 0.26], $p < 0.01$).

DISCUSSION

The results confirm that BNPL significantly influences digital consumer buying behaviour in Chennai, aligning with prior international findings (Ashby et al., 2025; Wang & Khouja, 2025).

Key Observations:

- Increased Spending:** BNPL users showed a ~10% rise in average order value, consistent with the 6–7% increase reported globally.
- Impulse Buying:** Younger consumers (18–24) were most susceptible, likely due to lower financial constraints and greater comfort with digital transactions.
- Psychological Drivers:** The reduction in pain of payment and higher perceived affordability are central to BNPL’s behavioural impact.
- Financial Well-being Risks:** While short-term convenience is clear, overuse may result in repayment difficulties—especially among low-income frequent users.

Comparison with Chennai Literature: The findings expand on Desikan (2024) by providing quantitative evidence of spending changes, rather than relying solely on self-reported satisfaction.

CONCLUSION AND RECOMMENDATIONS

BNPL is reshaping digital consumer behaviour in Chennai by increasing spending capacity, reducing payment friction, and encouraging impulse buying. While beneficial for retailers, this trend poses potential risks to consumer financial health.

Recommendations:

For E-commerce Retailers: Use BNPL selectively for high-value or seasonal promotions.

For BNPL Providers: Offer repayment reminders, spending trackers, and financial literacy tools.

For Policymakers: Implement clear disclosure norms and encourage responsible credit practices.

Limitations:

Self-reported spending changes may be subject to recall bias.

Cross-sectional design limits causal inference.

Future Research:

Longitudinal tracking of BNPL users' financial behaviour.

Comparative studies between different Indian metros.

References

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Appendix A – Questionnaire

Section 1: Demographic Information

(Please tick the appropriate option)

1. 1. Gender

-
- ☐ Male
☐ Female
☐ Prefer not to say
2. Age Group
- ☐ 18–24 years
☐ 25–34 years
☐ 35–50 years
☐ Above 50 years
3. Monthly Income
- ☐ Less than ₹25,000
☐ ₹25,000–₹50,000
☐ ₹50,001–₹75,000
☐ Above ₹75,000
4. Occupation
- ☐ Student
☐ Salaried employee
☐ Self-employed
☐ Other (please specify) _____

Section 2: BNPL Awareness and Usage Patterns

5. Are you aware of Buy Now, Pay Later (BNPL) services?
- ☐ Yes
☐ No
6. Which BNPL service(s) have you used? (Select all that apply)
- ☐ Amazon Pay Later
☐ Simpl
☐ ZestMoney
☐ LazyPay
☐ Others (please specify) _____
7. Frequency of BNPL usage for online purchases
- ☐ Rarely (once in 3–6 months)
☐ Occasionally (once a month)
☐ Frequently (2–3 times a month)
☐ Very frequently (weekly or more)

Section 3: Impact on Buying Behaviour

(5-point Likert scale: 1 = Strongly Disagree, 5 = Strongly Agree)

Financial Perceptions

1. BNPL makes expensive products feel more affordable.
2. BNPL reduces the immediate burden of payment.

-
3. BNPL makes me feel more financially capable than I am.

Purchase Frequency & Order Value

4. I shop online more frequently because of BNPL.
5. My average spending per purchase has increased after using BNPL.
6. I buy items I might otherwise postpone because of BNPL.

Impulse Buying

7. I am more likely to make impulse purchases with BNPL.
8. I sometimes regret purchases made via BNPL.
9. BNPL reduces my hesitation to make unplanned purchases.

Perceived Risk & Responsibility

10. I am confident I can repay BNPL amounts on time.
11. BNPL encourages responsible spending if used carefully.
12. I believe BNPL could cause financial stress if mismanaged.

Section 4: Pain of Payment & Post-Purchase Behaviour

(5-point Likert scale: 1 = Strongly Disagree, 5 = Strongly Agree)

8. Paying in instalments feels less painful than paying upfront.
9. I track my BNPL instalments regularly.
10. BNPL makes me more likely to forget about future payments.

Section 5: Open-Ended Questions

11. What is your primary reason for using BNPL?
12. What risks or challenges do you associate with BNPL?
13. Any suggestions for improving BNPL services?