



# Analysing the psychology of Buy Now ,Pay Later (BNPL)Adoption and its effects on consumers Debt

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## Abstract

Buy Now Pay Later has become a thing in the finance world. It is changing the way people think about credit and how they pay it back. This study looks at why people use Buy Pay Later. It checks if people are biased towards the present if they get anchored to prices if they think something is affordable and if they neglect to pay back. The study used information from 100 people at Binary Computers in Coimbatore. It found out that 80 percent of people know about Buy Now Pay Later 68 percent have missed a payment and 77 percent are paying back loans at the same time. The numbers show that using Buy Now Pay Later is linked to not paying on time. The study also found that people who neglect to pay back are more likely to have a lot of debt. Buy Now Pay Later is clearly having an impact on how people manage their debt. The study shows that Buy Now Pay Later can lead to problems, with paying back loans. People need to be careful when using Buy Now Pay Later.

**Keywords:** Buy Now, Pay Later (BNPL), consumer debt, behavioural economics, impulse buying, financial literacy, retail marketing, fintech adoption

## Introduction

The fast progress of technology has changed the way people use credit. One of the changes is Buy Now Pay Later. Buy Now Pay Later is a way for people to get things away and pay for them later. Buy Now Pay Later has become very important in stores that sell ticket items like computers and phones.

Companies like ZestMoney, LazyPay, Bajaj Finserv and Simpl offer credit options when people are buying things. They make it simple to get approved do not require a lot of paperwork and offer payment plans. For stores like Binary Computers in Gandhipuram, Coimbatore Buy Pay Later is a powerful tool to help them sell more.



When we think about why people like Buy Pay Later it is clear that it is because of the way it makes them feel. Normally when people buy something it hurts to pay for it away. Buy Now Pay Later helps people avoid this feeling by separating the purchase, from the payment. This means people are more likely to buy things they might not have bought otherwise because they do not have to think about the cost away. Buy Now Pay Later makes it easier for people to buy things without thinking about how they will pay for them.

### **Statement of the Problem**

Buy Pay Later services are very popular in Indias retail market. This has changed the way people think about credit.. We do not really understand what this means for peoples minds and money.

Buy Now Pay Later platforms like Bajaj Finserv, ZestMoney, LazyPay and Simpl make it easy for people to get credit. They do not need to fill out a lot of paperwork. They can pay back the money in a way that works for them.. At the same time these platforms can be bad for people because they can make them spend more money than they have.

For example in stores that sell electronics like Binary Computers in Gandhipuram, Coimbatore people can buy things that cost a lot of money like ₹30,000 to ₹1,50,000. The people who work at these stores often tell customers about Buy Now Pay options. They want to make a sale so they do not always make sure the customer understands what they are getting into.

There are three problems with Buy Now Pay Later services. First they make people think they can afford things that they cannot. This is because they only have to pay a bit of money at a time. Second it is very easy to get credit so people do not always think about how money they will have to pay back. They also do not think about how money they already owe. We found out that 39% of people who use Buy Now Pay Later services do not plan out how they will pay back the money. Third a lot of people have to pay back loans at the same time. This can be very dangerous for people who do not make a lot of money. We found out that 77% of people who use Buy Now Pay Later services have to pay back loans.

To make things worse a lot of people who use Buy Now Pay Later services do not understand how they work. 37% Of people who use these services do not know that if they do not pay back the money it will hurt their credit score. 68% Of people who use these services have already missed a payment. Paid late. This is a higher percentage than the average for personal loans.

Even though Buy Now Pay Later services are becoming more popular in India we do not know enough about how they affect peoples behavior and finances. Most of the research that has been done on this topic looks at shopping not shopping in stores. We need to learn more, about how Buy Pay Later services work in physical stores.

### **Objectives of the study**

The primary objective of this study is to analyse the psychological factors influencing the adoption of Buy Now, Pay Later (BNPL) services and to assess their impact on consumer debt and financial well-being. To achieve this, the study is guided by the following specific objectives:

### **Objectives**

- To analyze the psychological drivers influencing consumers' adoption of BNPL Services
- To examine the impact of BNPL on consumer debt levels.



- To evaluate consumer awareness and understanding of BNPL terms and financial Implications

- To explore the long-term financial consequences of BNPL usage on consumers

### **Research methodology**

Research methodology refers to the systematic and scientific approach used to identify, select, process, and analyze information about a research problem. It provides the framework that guides the entire research process, ensuring that the data collected is reliable, valid, and relevant to the study objectives.

In the present study, the research methodology is designed to examine the psychological factors influencing the adoption of Buy Now, Pay Later (BNPL) services and to evaluate their impact on consumer debt behaviour. The methodology focuses on collecting primary data from respondents in a real retail setting and analyzing their perceptions, attitudes, and financial behaviour.

### **Research Design**

The study adopts a descriptive research design, which is appropriate for understanding and describing the characteristics of a particular phenomenon or group.

Descriptive research is used in this study because:

- It helps in analyzing consumer attitudes and perceptions toward BNPL services
- It enables the identification of patterns in buying behaviour
- It provides a clear understanding of real-world situations

The study does not attempt to manipulate variables but rather observes and records the behaviour of consumers in a natural retail environment.

### **Significance of the study / industry**

The retail industry, especially in the electronics segment, deals with high-value products where affordability plays a crucial role in purchase decisions. BNPL services help retailers:

- Increase sales by making expensive products more accessible
- Attract price-sensitive customers
- Enhance customer satisfaction through flexible payment options
- Improve conversion rates at the point of sale

By offering BNPL options through platforms like ZestMoney, LazyPay, and Simpl, retailers can remain competitive in a dynamic market.

### **1. Significance to Fintech Industry**

For fintech companies, this study provides insights into:

- Consumer adoption patterns of BNPL services
- Behavioural factors influencing credit usage
- Risks associated with consumer repayment behaviour

The findings can help fintech firms design:



- Better credit assessment models
- Responsible lending practices
- Customer awareness programs

## 2. Significance to Consumers

The study is highly relevant to consumers as it:

- Creates awareness about BNPL services and their implications
- Highlights the risks of impulsive buying and overspending
- Encourages responsible financial planning
- Helps consumers understand repayment obligations and debt risks

## 3. Significance to Academics and Researchers

This study contributes to academic research by:

- Providing empirical data on BNPL usage in a retail setting
- Expanding knowledge in consumer behaviour and fintech adoption
- Offering a base for future research studies

## 4. Significance to the Economy

At a broader level, BNPL services impact the economy by:

- Increasing consumer spending
- Supporting retail sector growth
- Promoting financial inclusion

However, unchecked usage may lead to increased consumer debt, which can affect financial stability. This study helps in understanding both the positive and negative implications.

## Sampling framework

To analyze the behavioural and financial impact of Buy Now, Pay Later (BNPL) services, a structured sampling framework is adopted to ensure relevant and reliable data collection.

## Description of Sample Units

The sample units consist of individual consumers who have visited or purchased from Binary Computers and are aware of or have used BNPL services. Each respondent represents a decision-making unit whose buying behaviour, BNPL usage, and financial awareness are analyzed.

## Total Population

The total population includes all customers of Binary Computers and potential BNPL users in the Gandhipuram retail area. This population is large and diverse, making it impractical to study entirely.



## Target Population

The target population comprises customers aged 18–45 who are aware of or have used BNPL services. This group is selected as they are the most active users of digital payment and credit facilities.

## Sample Population

The sample population consists of 100 respondents, collected through Google Forms and direct interaction. The sample includes individuals from different demographic backgrounds, ensuring varied responses.

## Sampling Technique

The study uses Convenience Sampling, where respondents are selected based on accessibility and willingness. This method is suitable for field-based and time-bound research.

## Data Collection

Primary data is collected through a structured questionnaire using Google Forms, covering BNPL usage, spending behaviour, and repayment patterns. Secondary data is collected from journals, reports, and websites.

## Data Analysis Tools

The collected data is analyzed using:

- Percentage Analysis
- Chi-Square Test
- Bar Charts / Pie Charts
- Regression Analysis
- Microsoft Excel (and basic SPSS methods)

## Results and Analysis

### 4.1 Demographic Profile

The sample comprised 74% male and 25% female respondents. Age distribution showed 52% below 25 years, 26% aged 25-35 years, 14% aged 36-45 years, and 8% above 45 years. Occupation distribution revealed 48% salaried individuals, 27% students, 16% self-employed, and 9% others. Monthly income distribution was relatively uniform: 30% below ₹20,000, 29% earning ₹20,001-₹40,000, 28% earning ₹40,001-₹60,000, and 13% above ₹60,000.

### 4.2 BNPL Awareness and Usage

Awareness of BNPL services was high at 80%, confirming significant market penetration. However, active usage was reported by only 35% of respondents, while 35% were non-users and 30% were considering usage, indicating an awareness-to-usage gap. The primary adoption driver was "no-cost EMI" (39%), followed by "immediate purchase need" (30%) and "easy monthly payment" (24%). Bajaj Finserv was the preferred platform (28%), followed by HDFC (24%) and ICICI (20%).



#### 4.3 Psychological Drivers of BNPL Adoption

Analysis of psychological factors revealed that 40% of respondents agreed that BNPL encouraged them to buy higher-priced products, representing the highest agreement score among psychological items. Additionally, 39% admitted not carefully calculating future repayments before purchase commitment, and 36% agreed that BNPL reduces financial stress at the point of purchase. EMI anchoring (focusing on monthly installments rather than total price) was reported by 34% of respondents.

#### 4.4 Debt Indicators

A striking 77% of respondents reported carrying multiple active EMI or BNPL obligations simultaneously. Monthly obligation quantum showed that 71% commit more than ₹5,000 monthly to EMI/BNPL repayments, with 32% exceeding ₹10,000. Critically, 68% of respondents reported having missed or delayed at least one BNPL/EMI payment, dramatically exceeding typical benchmark delinquency rates for secured loans (2-5%) and unsecured personal loans (8-12%).

#### 4.5 Financial Literacy

While 79% claimed awareness of late payment penalties, 21% remained unaware. More concerning, 37% of respondents were unaware that BNPL defaults are reported to credit bureaus, representing a major financial literacy gap. Payment tracking behavior showed that only 28% always track their BNPL/EMI payments, while 15% never track them and 57% only sometimes maintain consistent oversight.

#### 4.6 Chi-Square Test Results

Chi-square analysis revealed a statistically significant relationship between BNPL usage and missed payment history ( $\chi^2=8.023$ ,  $df=2$ ,  $p=0.018$ ). Active BNPL users demonstrated the highest missed payment rate (83%) compared to non-users (51%) and those considering usage (70%). No significant relationships were found between age and BNPL usage ( $\chi^2=6.806$ ,  $p=0.339$ ), income and EMI obligation ( $\chi^2=10.489$ ,  $p=0.106$ ), or BNPL usage and credit score awareness ( $\chi^2=2.632$ ,  $p=0.268$ ).

#### 4.7 Regression Analysis

Multiple regression analysis examining psychological predictors of debt outcomes revealed that repayment neglect ( $\beta=0.107$ ) and perceived affordability ( $\beta=0.085$ ) were the strongest predictors of elevated EMI obligation levels ( $R^2=0.061$ , marginally significant). Correlation analysis showed moderate positive correlations between perceived affordability and EMI anchoring ( $r=0.402$ ) and between stress reduction and purchase escalation ( $r=0.411$ ). Debt stress showed a positive correlation with missed payments ( $r=0.338$ ).

### Scope of the Study

This study focuses on analyzing BNPL usage among customers in the retail electronics sector, with specific reference to Binary Computers in Gandhipuram.

Coverage:

- Consumer behaviour and decision-making process
- Psychological aspects influencing purchasing
- Financial impact of BNPL usage
- Role of retail environment in shaping decisions



### Geographical Scope:

- Gandhipuram, Coimbatore

The findings are therefore representative of consumer behaviour in this specific commercial area and may not fully reflect behaviour in other regions.

### Time Scope:

- Based on data collected during the field study period

### Limitations:

- Limited sample size
- Restricted to one retail store
- Responses may be biased or subjective
- Time constraints for data collection

### Limitations and Future Research Directions

This study has several limitations. The sample size of 100 respondents, while adequate for exploratory analysis, limits statistical power for detecting smaller effect sizes and conducting subgroup analyses. The convenience sampling technique may introduce selection bias, as respondents willing to complete surveys may differ systematically from the broader population. The cross-sectional design captures associations but cannot establish causality; longitudinal tracking would be necessary to determine whether BNPL usage precedes debt accumulation or whether consumers with existing financial vulnerability self-select into BNPL usage.

The geographical scope restricted to Gandhipuram, Coimbatore, and the single retail store context limits generalizability to other regions and retail formats. Future research should expand to multiple locations, include online purchasing contexts, and incorporate objective transaction data alongside self-reported survey measures.

### Recommendations

**For Consumers:** You should check all your Buy Now Pay Later and EMI payments every month. Buy Pay Later and EMI payments are important to track. Never agree to a payment plan without thinking about how much it will cost and if you will have enough money in the future. You need to know that "no-cost EMI" is not really free because the store pays for it and you will have to pay a lot if you're late.

**For Buy Pay Later Providers:** You should have a calculator that shows how much people will have to pay back when they apply for Buy Now Pay Later. Make sure people see the cost, not just the monthly payment. You should also set credit limits that are based on how money people actually make.

**For Retailers:** You should be honest when you sell things to people and make sure they understand how much they will have to pay back. Do not try to get people to use Buy Now Pay Later if they are already having money problems.

**For Policymakers:** You should make sure that Buy Now Pay Later companies tell people how their credit will be affected. You should also set a limit on how debt people can have compared to how much money they make. Maybe you should also make sure people can afford things before they buy them especially if they are expensive.

**For Academics:** The research found some things and we think other people should study this more. If we follow the people for a year or two we can learn even more about how Buy Now Pay Later really works. Buy Now Pay Later is a topic to study and we should learn more, about it.



## Findings of the Study

Based on the detailed analysis of data collected from 100 respondents through Google Forms, the following findings have been derived regarding the adoption of Buy Now, Pay Later (BNPL) services and their impact on consumer behavior and financial stability.

### 1. High Level of Awareness of BNPL Services

The study reveals that a majority of respondents are aware of BNPL services. This indicates that BNPL has gained significant popularity among consumers, especially due to increased digitalization and aggressive promotion by retailers and fintech companies. Awareness is further enhanced by in-store promotion at Binary Computers and exposure through online platforms.

### 2. Dominance of Younger Age Group

The data indicates that most respondents belong to the younger age group (below 35 years). This segment shows higher engagement with BNPL services due to their familiarity with digital payment systems, willingness to adopt new financial technologies, and desire for immediate consumption.

### 3. Gap Between Awareness and Actual Usage

Although awareness levels are high, actual usage of BNPL services is relatively moderate. A significant portion of respondents are either unsure or have not used BNPL, suggesting hesitation due to factors such as lack of trust, fear of debt, or insufficient understanding of terms and conditions.

### 4. No-Cost EMI as the Primary Motivator

The most influential factor driving BNPL adoption is the availability of no-cost EMI options. Consumers are attracted by the idea of paying in smaller installments without additional interest, making expensive products appear more affordable.

### 5. Influence on Purchase Decision-Making

BNPL services play a crucial role in shaping consumer purchase decisions. Many respondents indicated that they are more likely to purchase high-value products when BNPL options are available. This demonstrates that BNPL acts as a strong sales enabler in the retail environment.

### 6. Encouragement of Impulse Buying Behavior

The findings show that BNPL encourages impulsive and unplanned purchases. Consumers tend to make quicker decisions due to the reduced immediate financial burden, which leads to increased spending.

### 7. Shift in Consumer Financial Perception

A key observation is that consumers focus more on monthly installment amounts rather than the total cost of the product. This shift in perception reduces financial awareness and leads to underestimation of long-term financial commitments.

### 8. High Incidence of Delayed or Missed Payments

A significant number of respondents reported missing or delaying BNPL payments. This indicates poor financial planning and highlights a major drawback of BNPL usage. It also reflects a lack of understanding of repayment responsibilities.



## 9. Mixed Levels of Customer Satisfaction

While a considerable number of respondents expressed satisfaction with BNPL services due to convenience and flexibility, a large portion remained neutral. This suggests that while BNPL is beneficial, concerns related to repayment and financial stress affect overall satisfaction.

## 10. Increase in Financial Burden and Debt Risk

The study finds that BNPL usage has contributed to increased financial obligations among some users. Multiple BNPL transactions and poor repayment management can lead to debt accumulation and financial stress.

## 11. Role of Retail Environment

The retail setting at Binary Computers plays a significant role in promoting BNPL adoption. Salespersons and in-store offers influence customer decisions, encouraging them to opt for BNPL as a payment method.

## Conclusion

BNPL has demonstrably transformed consumer purchasing behaviour in the retail electronics sector. At Binary Computers, it functions as a highly effective sales enabler — lowering the perceived cost of high-value products, reducing friction at the point of purchase, and enabling transactions that would not otherwise occur. These are genuine commercial and social benefits: more consumers can access products they need, and retailers sustain growth.

But the same mechanisms that make BNPL compelling for retailers and convenient for consumers also make it financially dangerous for the unprepared. The deferred payment structure systematically reduces the psychological visibility of financial obligations, exploits present bias and anchoring, and creates conditions where debt can accumulate invisibly across multiple platforms simultaneously.

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