

# BNPL And It's Effect On Personal Debt Accumulation

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**Abstract:** "Buy Now, Pay Later (BNPL) represents a developing form of short-term financial assistance that allows customers to acquire goods or services right away while spreading their payments across a designated timeframe, typically without interest charges. This approach has experienced considerable momentum worldwide, especially with younger demographics and individuals who lack access to conventional lending options. The BNPL framework provides advantages for both customers through enhanced accessibility and ease of use, as well as retailers through increased revenue and better customer loyalty. This research examines the core principles of BNPL, how it functions operationally, its benefits, significance in the current financial environment, and the industry developments driving its swift expansion."

**Keywords:** Buy now pay later (BNPL), Payment method, Instalments, Instalment prices, Numerosity Price, perception.

## I. INTRODUCTION

Within the changing world of consumer finance, Buy Now, Pay Later (BNPL) has become a revolutionary payment method. The credit marketplace, once controlled primarily by credit cards and traditional bank lending, now features adaptable, short-duration options such as BNPL, giving customers an easy approach to handle their buying decisions without facing immediate financial pressure. These services have gained particular traction with millennial and Gen Z consumers, transforming both online shopping and brick-and-mortar retail by delivering seamless payment processes and boosting customers' spending capacity. With BNPL's continuing expansion in both reach and complexity, grasping how it operates, its advantages, and its broader economic effects has become crucial for shoppers, retailers, and government officials.

## II. BUY NOW PAY LATER (BNPL)

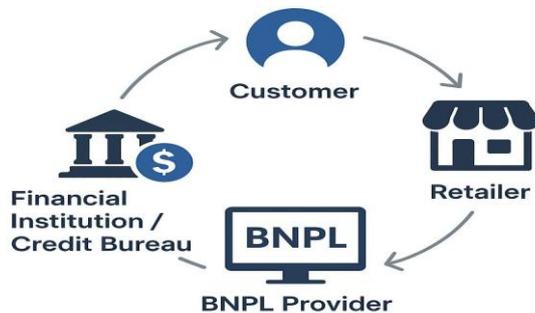
Buy Now, Pay Later (BNPL) represents a temporary financing solution that enables customers to acquire products or services right away and settle the cost through scheduled payments over a period of time — usually without interest charges when payments are made according to the agreed timeline.

## III. DEFINITION OF BNPL

“Buy Now, Pay Later (BNPL) is a short-term financing option that allows a customer to buy a good or service and pay it off at a later date, without using a traditional credit provider.”

- Kyle Peterdy, reviewed by Gabriel Lip

## Key Players in the BNPL Ecosystem



### IV. AIMS OF BNPL

Buy Now, Pay Later (BNPL) services aim to offer consumers a convenient and available substitute for conventional credit options, allowing them to make immediate purchases while spreading payments across time—typically without interest charges (at least in the beginning).

- ✓ Enhanced Consumer Spending Capacity
  - Enables shoppers to acquire products they might not afford in a single payment. Promotes higher purchase amounts and more regular buying behavior.
- ✓ Better Customer Experience
  - Provides a smooth, quick, and user-friendly payment process. Minimizes obstacles during purchasing, particularly for younger consumers or those who prefer avoiding traditional credit.
- ✓ Increased Merchant Revenue
  - Elevates completion rates and decreases shopping cart abandonment. Draws in customers seeking adaptable payment methods.
- ✓ Alternative to Traditional Credit Cards
  - Attracts consumers who are cautious about conventional credit card obligations or lack credit card access. Generally perceived as more clear-cut with reduced undisclosed charges.
- ✓ Enhanced Customer Retention
  - Promotes return purchases when buyers have favorable BNPL interactions. BNPL companies frequently collaborate with retailers to build loyalty through special financing arrangements.
- ✓ Broader Market Access
  - Allows retailers to connect with customers from lower-income segments or individuals with limited or no credit background.
- ✓ Revenue Creation for BNPL Companies
  - Generates income through retailer commissions, penalty charges, or interest rates (in certain

instances). Creates opportunities for additional financial product sales and upgrades.

### V. SIGNIFICANCE OF BNPL

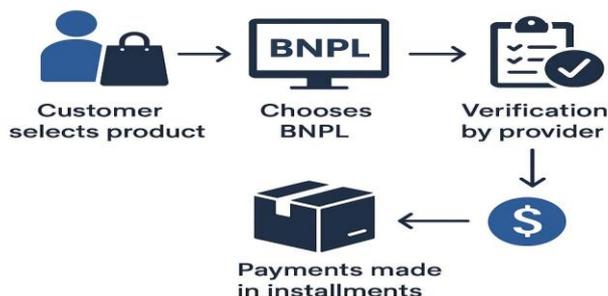
The significance of Buy Now, Pay Later (BNPL) stems from its expanding influence in contemporary retail and personal finance, providing advantages to customers, merchants, and the overall economy. Here are the primary factors that make BNPL valuable:

- ✓ Strengthens Consumer Financial Capability
  - Makes purchases more manageable: Enables individuals to divide payment costs across multiple periods without requiring a credit card.
  - Broadens accessibility: Assists people with minimal or absent credit records in making purchases they would otherwise postpone or skip.
- ✓ Elevates Retail Performance
  - Better completion rates: Minimizes shopping cart abandonment by providing flexible payment alternatives during checkout.
  - Larger purchase amounts: Shoppers are more inclined to buy expensive items when full upfront payment isn't required.
- ✓ Improves Shopping Experience
  - Ease and efficiency: Quick approval processes and smooth integration with online shopping platforms make BNPL accessible.
  - Clear terms: Numerous BNPL platforms offer straightforward, predetermined payment plans, frequently without interest or additional charges (when payments are timely).
- ✓ Promotes Smart Financial Habits
  - Cash flow control: Assists customers in managing their finances and organizing purchases more strategically.
  - Fixed payment terms: Unlike credit cards, BNPL generally features a predetermined repayment timeline, lowering the chance of extended debt accumulation (depending on individual usage patterns).
- ✓ Advances Financial Accessibility
  - Traditional credit substitute: Provides financial solutions to marginalized communities, including individuals lacking credit card or loan access.
- ✓ Valuable Information for Retailers
  - Purchase pattern analysis: BNPL companies provide retailers with understanding of customer preferences, enabling better focused marketing strategies.
- ✓ Stimulates Economic Growth
  - Through improved accessibility to consumer products and increased purchasing activity, BNPL supports economic expansion, particularly within online commerce and retail industries.

## VI. SEQUENTIAL GUIDE

- ✓ Purchase Online or at Physical Stores
  - Select any product or service through normal shopping methods.
- ✓ Select BNPL During Payment
  - Pick a Buy Now, Pay Later service (such as Klara, after pay, Affirm, or similar options).
- ✓ Benefits of BNPL
  - The BNPL service conducts a basic credit review or confirms your identity.
  - Authorization happens within moments.
- ✓ Make Initial Payment
  - Typically pay 25% immediately; remaining balance gets divided across 2–6 weeks or through monthly instalments.
- ✓ Scheduled Payment Collection
  - Future payments get automatically withdrawn from your linked bank account, debit card, or credit card.

### How BNPL Works



### SAMPLE SCENARIO

You're purchasing footwear costing \$200.  
Using BNPL: Pay \$50 immediately, followed by \$50 payments every two weeks (totalling 4 payments).  
Zero interest charges when all payments are made punctually.

Feature	Details
Payment Duration	Short-term (2–6 weeks) or long-term (3–24 months)
Interest	Often 0% for short-term; longer terms may carry interest
Credit Check	Usually soft check (won't affect your score)
Late Fees	May apply if payment is missed
Platforms	Ecommerce sites, mobile apps, some in-store purchases

#### Major BNPL Providers

Company	Country	Notes
After pay	Australia	Owned by Block (Square); interest-free
Klara	Sweden	Offers Pay Later, Financing, Pay Now

Affirm	USA	Partners with Amazon, Peloton, Walmart
PayPal Pay Later	Global	Integrated with PayPal checkout
Zip	Australia/US	Offers flexible repayment terms

### BNPL MARKET TRENDS

Expected to exceed \$1 trillion globally by 2030.  
Popular with Gen Z and Millennials.  
Used in fashion, electronics, travel, education, and now even healthcare.

### ADVANTAGES AND DISADVANTAGES OF BNPL

BENEFITS	DESCRIPTIONS
Interest-Free Options	Often 0% interest for short-term payments
Fast & Easy Approval	Usually no full credit check
Flexible Payments	Pay over time — reduces upfront burden
Budget-Friendly	Helps manage large purchases without using credit cards
High Accessibility	Appeals to people without strong credit history

### TOP 10 BUY NOW PAY LATER COMPANIES IN INDIA

- ✓ Simple
- ✓ Zest money
- ✓ Lazy pay
- ✓ Flex money
- ✓ epilator
- ✓ Paytm postpaid
- ✓ Olamine postpaid
- ✓ Amazon Pay Later
- ✓ Flipkart Pay Later
- ✓ Capital Float

## VII. CONCLUSION

Research indicates that consumers utilize budgets and prices as benchmarks when evaluating the cost of purchases (NetEnrich et al., 2007). When there is a greater gap between the available budget and the actual purchase price, consumers show increased willingness to buy. Therefore, making a budget more prominent could potentially change how consumers behave when using buy-now-pay-later options. When a budget is clearly visible, the gap between a \$50 weekly payment and a \$60 weekly budget is narrower compared to the gap between a \$200 full price and a corresponding \$240 four-week budget. Consequently, this reduced gap between the weekly payment amount and the weekly budget should alter the buy-now-pay-later effect, leading to higher spending when compared to presenting the

full price alongside a four-week budget. Additional research is encouraged to examine these and other possible factors that could weaken or change the impact of buy-now-pay-later arrangements on consumer purchasing behaviour.

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