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Consumer Adoption of Buy Now Pay Later (BNPL): Awareness, Influencing Factors, and Perceived Risks

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Abstract

Buy Now Pay Later (BNPL) has emerged as one of the fastest-growing modes of consumer credit across the world, allowing shoppers to purchase goods and services immediately while deferring payment over a short, typically interest-free instalment period. Positioned as a simpler and more transparent alternative to traditional credit cards, BNPL has been rapidly integrated into e-commerce checkouts, retail applications, and even offline point-of-sale systems by providers such as Klarna, Afterpay, Affirm, and, in the Indian context, players such as Simpl, LazyPay, and various bank-led BNPL products. This study, titled "Buy Now Pay Later (BNPL): Consumer Adoption," examines the level of awareness of BNPL services among consumers, the factors that drive or discourage its adoption, usage patterns across demographic groups, and the risks associated with its growing popularity, particularly among younger and first-time credit users. Primary data was collected from 100 respondents through a structured questionnaire and analysed using percentage analysis. The findings indicate that convenience, interest-free short-term credit, and ease of checkout integration are the strongest drivers of adoption, while fear of overspending, hidden late fees, and impact on credit scores remain the primary deterrents. The study concludes with suggestions for BNPL providers, regulators, and consumers to ensure that this innovative credit model develops in a sustainable and responsible manner.

Keywords: BNPL, Perceived Risks, Influencing Factors

1. Introduction

1.1 Background of the Study

The way consumers pay for goods and services has undergone a dramatic transformation over the past decade. From cash and cheques to debit cards, credit cards, and digital wallets, each innovation has aimed to make transactions faster, more convenient, and more accessible. Buy Now Pay Later (BNPL) is the latest addition to this evolution, offering consumers the ability to receive a product or service immediately while paying for it in a series of instalments-often interest-free-spread over a few weeks or months.

Unlike traditional credit cards, which typically involve annual fees, revolving interest charges, and a formal credit application process, BNPL platforms are designed to be embedded seamlessly at the point of checkout, whether online or in-store. A consumer simply selects the BNPL option, undergoes a quick eligibility check, and completes the purchase, with the remaining balance automatically split into equal instalments. This simplicity, combined with minimal

upfront documentation, has made BNPL especially attractive to younger consumers, first-time credit users, and those who are wary of the complexity and cost associated with conventional credit products.¹

Globally, BNPL adoption has grown at a remarkable pace, driven by partnerships between BNPL providers and major e-commerce platforms, fashion retailers, and electronics stores. In Australia, one of the earliest markets to see large-scale BNPL uptake, the number of active consumer accounts rose roughly five-fold in just two financial years, while the number of BNPL transactions grew from around 50,000 to close to two million over the same period.¹ A follow-up industry review found that total transaction value nearly doubled within a single financial year, confirming that the initial surge was not a temporary phenomenon but a sustained shift in consumer payment behaviour.² This rapid growth mirrors a broader global trend in which fintech firms and BigTech platforms have expanded their role in credit intermediation, often reaching consumer segments that were previously

underserved by banks.³⁴ However, alongside this rapid growth, concerns have also emerged regarding overspending, debt accumulation among consumers with limited financial literacy, and the adequacy of existing regulatory frameworks to govern this relatively new credit instrument.

This study examines consumer adoption of BNPL services, with a specific focus on awareness levels, the factors that influence the decision to use or avoid BNPL, patterns of usage across different demographic segments, and the challenges and risks that consumers associate with this payment method.

It is also useful to briefly outline how a typical BNPL transaction works, since the mechanics of the product are central to understanding both its appeal and its risks. At checkout, the consumer selects the BNPL option instead of paying the full amount immediately. The BNPL provider conducts a rapid, often automated, eligibility assessment—typically far less rigorous than the underwriting process for a credit card or personal loan—and approves a credit limit specific to that transaction or to the consumer's account. The purchase amount is then split into a fixed number of instalments, commonly three to four, due at regular intervals such as every two weeks or once a month. Provided each instalment is paid on time, the consumer incurs no interest charge; the BNPL provider instead earns revenue primarily through merchant fees charged to the retailer, along with late fees charged to consumers who miss payments.¹ Behavioural research on payment mechanisms suggests that splitting a purchase into smaller, deferred instalments can meaningfully reduce the psychological “pain of paying” associated with a transaction, which in turn may encourage consumers to spend more than they would under an immediate, lump-sum payment method.⁸⁹

1.2 Statement of the Problem

While BNPL has been widely promoted as a convenient and consumer-friendly alternative to credit cards, there is limited independent understanding of how well consumers actually comprehend the terms and conditions attached to these services, including late payment penalties, the impact of missed instalments on credit history, and the psychological tendency towards impulsive or excessive spending that easy access to deferred payment can encourage. This study attempts to investigate these dimensions directly from the consumer's perspective.

1.3 Objectives of the Study

1. To study the level of awareness of BNPL services among consumers.
2. To identify the factors that influence consumers' decision to adopt BNPL as a payment method.
3. To examine the usage patterns of BNPL across different demographic groups, including age, income, and occupation.
4. To understand consumer perceptions regarding the risks and drawbacks of BNPL, including hidden charges and impact on credit scores.
5. To assess the level of satisfaction among existing BNPL users.
6. To offer suggestions for BNPL providers, regulators, and consumers to promote responsible adoption of BNPL services.

1.4 Scope of the Study

The scope of this study is limited to individual retail

consumers who have either used or are aware of BNPL services within the selected study area. It covers awareness, usage behaviour, motivations, and concerns associated with BNPL as a payment and short-term credit option. The study does not extend to merchant-side adoption of BNPL, the internal credit-risk models used by BNPL providers, or a detailed legal analysis of BNPL regulation.

1.5 Significance of the Study

This study holds relevance for multiple stakeholders. For BNPL providers and fintech companies, it offers insight into the specific factors that drive or hinder adoption, which can help refine product design and communication. For regulators and policymakers, the study highlights areas of consumer vulnerability that may warrant closer supervision, particularly concerning disclosure of fees and safeguards against over-indebtedness. For retailers and e-commerce platforms, understanding consumer attitudes towards BNPL can inform decisions on which payment options to integrate at checkout. Finally, for individual consumers, the study serves as a useful reference point for understanding both the benefits and the risks associated with this rapidly growing payment mode.

2. Review of Literature

A review of existing literature helps in situating this study within the broader body of research on consumer credit, digital payments, and fintech adoption, and in identifying the specific gap that this study addresses. Since BNPL as a distinct product category is relatively recent, this review draws both on the earliest regulatory reviews of the BNPL industry and on the longer-standing academic literature on fintech credit, short-term consumer credit, and the behavioural economics of payment and spending, all of which remain directly relevant to understanding BNPL adoption.

One of the earliest systematic reviews of the BNPL industry was conducted by the Australian Securities and Investments Commission (ASIC)¹, which examined six major BNPL providers operating in Australia and found that the number of consumers using BNPL arrangements had risen five-fold, from around 400,000 to two million, over just two financial years, with the number of transactions increasing more than twentyfold over the same period. The review also found that many providers failed to adequately inform consumers of their right to request hardship assistance, and that standard-form contracts sometimes contained potentially unfair terms. A follow-up industry update by the same regulator² confirmed that this growth had continued, with total transaction value nearly doubling within a single financial year, and noted that BNPL was becoming an increasingly mainstream method of payment rather than a niche product used only for occasional purchases.

Situating BNPL within the broader fintech credit landscape, Claessens, Frost, Turner, and Zhu³ mapped the global growth of fintech credit markets and found that such credit had expanded rapidly in economies with strong internet and mobile-phone penetration, often substituting for or supplementing traditional bank lending, particularly among consumers who found conventional credit processes slow or inaccessible. Frost, Gambacorta, Huang, Shin, and Zbinden⁴ extended this analysis to the growing role of large technology companies in financial intermediation, arguing that these firms leverage data, network effects, and seamless user interfaces—the same characteristics that make BNPL checkout integration so effective—to expand access to credit at a scale and speed that traditional lenders have found difficult to

match.

A separate strand of literature on short-term, easily accessible consumer credit provides useful comparative context for BNPL, even though it predates the product itself. Gathergood, Guttman-Kenney, and Hunt⁵ studied how access to payday loans affected borrowers in the United Kingdom and found that obtaining such credit worsened certain measures of financial health for marginal borrowers, cautioning that easy access to small-ticket, short-term credit does not automatically translate into improved financial wellbeing. Davey⁶ examined the lived experience of over-indebted consumers and described how easily accessible credit can foster a form of “optimistic” spending behaviour that is later difficult to sustain, while Dagdeviren, Balasuriya, Luz, Malik, and Shah⁷ documented how the retrenchment of the welfare state in Britain pushed low-income households towards greater reliance on subsistence-level consumer debt, a dynamic that has since drawn renewed attention as BNPL has expanded into everyday and even essential purchases.

The behavioural economics literature offers a further theoretical lens for understanding why instalment-based products such as BNPL are so effective at encouraging purchase. Prelec and Loewenstein⁸ developed the influential “pain of paying” framework, showing that consumers experience a psychological cost at the moment of payment that is distinct from the economic cost of the purchase itself, and that this pain is reduced when payment is decoupled from consumption — for instance, when payment is deferred or spread over time. Soman⁹ extended this work experimentally, demonstrating that the specific mechanism used to make a payment affects both how vividly consumers recall past spending and how much they go on to spend in the future, with less “transparent” payment mechanisms associated with higher subsequent spending. Thaler's¹⁰ foundational work on mental accounting similarly explains why consumers often treat instalments as separate from their overall budget rather than as part of a single, cumulative financial obligation, a pattern with clear relevance to how consumers experience multiple concurrent BNPL commitments. Related experimental work by Zeller-mayer¹¹ provided some of the earliest empirical evidence that the pain associated with paying is a genuinely distinct psychological experience, separate from the utility derived from the good or service purchased.

Taken together, the existing literature suggests that while BNPL offers genuine convenience and short-term liquidity benefits to consumers, the mechanics of instalment-based, decoupled payment are well documented in the behavioural economics literature to encourage higher spending, and the broader literature on short-term consumer credit and early regulatory reviews of the BNPL industry itself both point to real risks of consumer harm that are not yet fully understood or addressed. This study contributes updated, primary evidence on how consumers in the selected study area perceive and use BNPL services, building on this established body of theory and regulatory findings.

3. Research Methodology

3.1 Research Design

The study adopts a descriptive research design, as it aims to describe the existing level of awareness, adoption, and perception of BNPL services among consumers, rather than to establish causal relationships between variables.

3.2 Sources of Data

The study is based on both primary and secondary data:

- **Primary Data:** Collected directly from respondents through a structured questionnaire consisting of closed-ended and multiple-choice questions covering awareness, usage, motivations, and concerns.
- **Secondary Data:** Collected from industry reports, fintech and payments research publications, company disclosures of BNPL providers, and reputed financial news websites.

3.3 Sampling

The study uses a convenience sampling method, given the constraints of time and accessibility. A total of 100 respondents, comprising both existing BNPL users and non-users, were selected from the chosen geographical area, with an attempt made to include a reasonable spread across age groups and occupations.

3.4 Tools of Data Collection

A structured questionnaire was designed covering demographic details, awareness of BNPL services and providers, frequency and purpose of usage, factors influencing the decision to adopt or avoid BNPL, and perceived risks and satisfaction levels.

3.5 Tools of Data Analysis

The collected data was tabulated and analysed using simple statistical tools such as percentage analysis, and the results are presented through tables for ease of interpretation.

3.6 Limitations of the Study

- The sample size of 100 respondents is relatively small and may not represent the entire population of BNPL users and non-users.
- The study is confined to a specific geographical area and may not be generalised nationally or internationally.
- Responses are based on self-reported behaviour and perceptions and may be subject to recall or social-desirability bias.
- The BNPL industry is evolving rapidly, and consumer attitudes captured at one point in time may shift as new providers, regulations, and products emerge.

4. Data Analysis and Interpretation

This chapter presents the analysis of data collected from 100 respondents through the structured questionnaire. The findings are organised under demographic profile, awareness of BNPL, usage patterns, factors influencing adoption, and concerns associated with BNPL usage.

4.1 Demographic Profile of Respondents

Category	Classification	No. of Respondents	Percentage (%)
Gender	Male	54	54
	Female	46	46
Age Group	18 – 24 years	31	31
	25 – 34 years	38	38
	35 – 44 years	20	20
	45 years & above	11	11
Occupation	Student	24	24
	Salaried Employee	46	46
	Business/Self-Employed	22	22
	Others	8	8
Monthly Income	Below ₹20,000	27	27
	₹20,000 – ₹50,000	41	41
	Above ₹50,000	32	32

Interpretation: The sample skews towards younger respondents, with 69% falling below the age of 35, which is broadly consistent with industry data showing that BNPL adoption is concentrated among younger, digitally active consumers. Students and salaried employees together make up 70% of the sample, reflecting the segments most frequently targeted by BNPL providers through e-commerce and lifestyle-app integrations.

4.2 Awareness and Usage of BNPL Services

Particulars	No. of Respondents	Percentage (%)
Aware of BNPL and have used it	48	48
Aware of BNPL but never used it	34	34
Not aware of BNPL before this survey	18	18

Interpretation: A majority of respondents (82%) are aware of BNPL as a payment option, and more than half of those aware have actually used it at least once. However, a meaningful 18% of respondents had no prior awareness of BNPL, indicating that despite its rapid growth, the concept has not yet achieved universal recognition, particularly among older and lower-income segments of the sample.

4.3 Frequency and Purpose of BNPL Usage (Among Users)

Category	Classification	Percentage (%)
Frequency of Use	Once a month or more	35
	Once in 2–3 months	40
	Rarely (a few times a year)	25
Primary Purpose	Fashion & lifestyle purchases	37
	Electronics & gadgets	29
	Travel & entertainment bookings	18
	Groceries & daily essentials	10
	Others	6

Interpretation: BNPL usage is fairly regular among adopters, with 75% using it at least once every one to three months. Fashion, lifestyle, and electronics purchases dominate BNPL usage, together accounting for two-thirds of usage occasions, suggesting that BNPL is primarily being used for discretionary, non-essential spending rather than for managing essential household expenses.

4.4 Factors Influencing Adoption of BNPL

Factor	No. of Respondents Ranking it as Most Important	Percentage (%)
Interest-free instalments	34	34
Convenience and quick checkout	27	27
No need for a credit card	18	18
Ability to manage cash flow better	13	13
Offers/discounts linked to BNPL usage	8	8

Interpretation: The interest-free nature of BNPL instalments is the single most influential factor driving adoption, followed closely by the convenience of a quick, frictionless checkout process. Notably, 18% of respondents cited the absence of a need for a credit card as a key motivator, reinforcing the finding from the literature review that BNPL is serving as an accessible entry point into credit for consumers who may not have, or may not want, a traditional credit card.

4.5 Concerns and Risks Associated with BNPL

Concern	No. of Respondents	Percentage (%)
Risk of overspending/impulsive purchases	36	36
Hidden or unclear late payment fees	24	24
Impact on credit score if payments are missed	19	19
Too many BNPL instalments to track across apps	13	13
Lack of clarity on terms and conditions	8	8

Interpretation: The risk of overspending and impulsive purchasing emerges as the most significant concern among respondents, reflecting an underlying awareness that the ease of BNPL can encourage spending beyond one's immediate means. Concerns regarding hidden fees and the impact of missed payments on credit scores also feature prominently, pointing to a demand for clearer, more transparent disclosure from BNPL providers at the point of purchase.

4.6 Satisfaction Level Among BNPL Users

Satisfaction Level	No. of Respondents	Percentage (%)
Highly Satisfied	16	33
Satisfied	22	46
Neutral	7	15
Dissatisfied	3	6

Interpretation: (Base: 48 respondents who have used BNPL.) The overwhelming majority of BNPL users—close to 79%—report being satisfied or highly satisfied with the service, indicating that despite the concerns identified above, actual user experience with BNPL remains largely positive, likely due to the tangible short-term convenience it offers over traditional credit alternatives.

Findings, Suggestions and Conclusion

5.1 Key Findings

- A large majority of respondents (82%) are aware of BNPL services, and more than half of the aware respondents have used BNPL at least once, indicating strong market penetration, particularly among younger consumers.
- BNPL adoption is concentrated among respondents below the age of 35, and is used primarily for discretionary spending categories such as fashion, lifestyle, and electronics rather than essential expenses.
- Interest-free instalments and checkout convenience are the two strongest drivers of BNPL adoption, while the absence of a need for a traditional credit card is an important secondary motivator, especially for younger and first-time credit users.
- The risk of overspending is the most commonly cited concern among respondents, followed by concerns around hidden late fees and the potential impact of missed payments on credit scores.
- Despite these concerns, satisfaction levels among actual BNPL users remain high, with close to four in five users reporting a positive experience.
- A notable proportion of respondents (18%) remain entirely unaware of BNPL, suggesting that awareness, while high, has not yet reached saturation across all demographic segments.

5.2 Suggestions

- BNPL providers should ensure that all fee structures, late payment penalties, and terms and conditions are displayed clearly and prominently at the point of

checkout, rather than buried in lengthy terms of service.

- Providers should consider introducing spending limits, usage alerts, or dashboards that help consumers track their cumulative BNPL liabilities across multiple purchases and providers, to reduce the risk of unintentional over-indebtedness.
- Regulators should continue to develop and refine dedicated frameworks for BNPL that mandate affordability checks, standardised disclosures, and reporting of repayment behaviour to credit bureaus, bringing BNPL closer in line with the oversight applied to other consumer-credit products.
- Retailers and e-commerce platforms offering BNPL at checkout should incorporate brief, easy-to-understand explanations of how instalments work, to support informed decision-making at the moment of purchase.
- Financial literacy initiatives, particularly those targeted at students and young professionals, should include specific modules on responsible use of BNPL and other short-term credit products.
- Consumers are encouraged to treat BNPL commitments as a form of credit rather than “free money,” to consolidate tracking of instalments across providers, and to avoid using BNPL simultaneously across multiple concurrent purchases beyond their repayment capacity.

Conclusion

This study set out to examine consumer adoption of Buy Now Pay Later services, with particular attention to awareness, usage patterns, motivating factors, and associated risks. The findings confirm that BNPL has achieved substantial awareness and adoption, particularly among younger, digitally engaged consumers, largely on account of its interest-free structure and seamless integration into everyday online and offline shopping. At the same time, the study highlights those areas of consumer vulnerability, most notably the risk of overspending, unclear fee structures, and limited visibility into cumulative BNPL obligations across multiple providers, that warrant continued attention from both industry participants and regulators.

BNPL represents a genuine innovation in consumer credit, capable of expanding access to short-term liquidity for segments of the population that traditional credit products have often underserved. However, realising its full benefit while minimising consumer harm will require a collaborative approach: providers must prioritise transparency and responsible design, regulators must ensure appropriate oversight without stifling innovation, and consumers must approach BNPL with the same financial discipline they would apply to any other form of credit. It is hoped that the findings and suggestions of this study contribute meaningfully to that ongoing conversation.

Looking ahead, the trajectory of BNPL is likely to be shaped significantly by the pace and design of regulatory intervention. Markets that move towards standardised, credit-card-like disclosure and affordability requirements for BNPL may see a moderation in growth but an improvement in the quality and sustainability of adoption, as products become better matched to consumers' actual repayment capacity. Conversely, markets where BNPL continues to grow largely outside formal credit regulation may see continued rapid uptake in the short term, but at a higher risk of consumer

harm and eventual reputational or regulatory backlash. For students of commerce and finance, BNPL therefore offers a valuable, real-time case study in how financial innovation, consumer behaviour, and regulatory policy interact, and this study hopes to have added a small but meaningful data point to that broader understanding.

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