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A Study: An Analysis of Consumer Finance and Buy Now Pay Later (BNPL) Services in Relation to Indian Financial Institutions

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ABSTRACT

Buy Now Pay Later (BNPL) services have transformed consumer finance by providing convenient short-term digital credit through banks, NBFCs, and fintech platforms. This study examines consumer awareness, adoption factors, purchasing behaviour, repayment experience, satisfaction, and perceptions of BNPL services in relation to Indian financial institutions. Primary data were collected from 100 BNPL users through a structured questionnaire. Percentage analysis was used to interpret the selected responses. The findings indicate strong awareness, convenience-driven adoption, positive satisfaction, and generally regular repayment behaviour. However, concerns regarding hidden fees, overspending, penalties, and financial awareness highlight the need for transparent and responsible digital lending practices.

Keywords: Digital Credit, Financial Institutions, Buy Now Pay Later (BNPL), Consumer Finance, Consumer Behavior

1. INTRODUCTION

The financial services sector has undergone significant transformation because of digital technology, smartphone penetration, e-commerce growth, and changing consumer expectations. Consumers increasingly use digital platforms for payments, purchases, borrowing, and financial management. One important innovation in this environment is Buy Now Pay Later (BNPL), a short-term credit arrangement that permits customers to purchase goods or services immediately and repay the amount through installments or after a specified period. BNPL services are offered through banks, Non-Banking Financial Companies (NBFCs), fintech firms, payment platforms, and digital commerce channels. Their simple application procedures, quick credit decisions, limited documentation, flexible repayment options, and paperless experience have increased their appeal, particularly among younger consumers and online shoppers. BNPL can improve purchasing flexibility because consumers do not have to make the entire payment immediately. It can also support merchants by increasing transaction values, customer acquisition, and purchase convenience. However, the expansion of BNPL also creates important consumer-finance concerns. Easy access to digital credit may encourage impulsive purchases, excessive borrowing, and repayment difficulties when consumers do not adequately evaluate their repayment capacity. Hidden fees, late-payment penalties, unclear terms, cybersecurity risks, and insufficient financial literacy can further affect consumer welfare. Consequently, financial institutions must balance convenience and innovation with responsible credit assessment, transparency, customer education, and effective grievance redressal. In

India, digital lending has expanded alongside UPI, e-commerce, smartphone usage, and fintech development. Financial institutions therefore have an important role in ensuring that BNPL products are accessible while remaining consistent with prudent lending and consumer-protection principles. The Reserve Bank of India has established digital-lending requirements emphasizing customer protection, transparency, and responsible practices. The present study examines BNPL services from the perspective of Indian consumers using these facilities. It focuses on awareness, adoption factors, purchasing behaviour, satisfaction, and repayment experience. The study also considers the role of banks, NBFCs, and fintech companies in delivering digital credit. Understanding these dimensions can help financial institutions improve customer-oriented products, strengthen responsible borrowing, and support the sustainable development of India's digital consumer-finance ecosystem in India. The report similarly identifies convenience, flexible repayment, digital accessibility, financial risks, consumer awareness, credit assessment, and regulatory supervision as important dimensions of BNPL services.

2. REVIEW OF LITERATURE

Research on Buy Now Pay Later (BNPL) services shows that convenience, flexible repayment, rapid approval, and digital accessibility are major drivers of adoption. The study by Sharma and Verma (2022) reported that young Indian consumers were attracted by easy online integration and simplified repayment options, while limited understanding of repayment obligations could increase late-payment risk. Reddy and Kumar (2023) observed that BNPL users could make higher-value purchases and emphasized repayment monitoring and responsible credit assessment. Patel and Mehta (2021) found that fast approvals, limited documentation, online accessibility, and clear repayment arrangements improve satisfaction, although hidden charges and customer-service issues remain concerns. Singh and Arora (2024) emphasized fintech innovation, artificial intelligence, and partnerships among financial institutions. Gupta and Nair (2022) highlighted BNPL's contribution to financial inclusion while stressing prudent lending. Other literature identifies credit-risk management, financial literacy, cybersecurity, transparency, and regulation as important conditions for sustainable BNPL growth. The uploaded study identifies a research gap in examining consumer awareness, usage, repayment, satisfaction, spending behaviour, and the role of Indian financial institutions together. The present study therefore connects these dimensions within the Indian consumer-finance context and provides survey-based evidence on BNPL users today.

3. OBJECTIVES OF THE STUDY

1. **To assess** Indian customers' knowledge of and use of Buy Now Pay Later (BNPL) services.
2. **To determine** the factors that encourage customers to use BNPL services offered by financial institutions.
3. **To assess** the impact of BNPL services on customer purchasing patterns and individual money management.
4. **To evaluate** customer satisfaction with digital credit services offered by fintech firms, banks, and NBFCs.
5. **To recommend** appropriate measures for improving BNPL services and encouraging responsible borrowing in India's consumer-finance industry.

4. RESEARCH METHODOLOGY

A descriptive research design was adopted. Primary data were collected from 100 BNPL users through a structured questionnaire using convenience sampling. Secondary information was obtained from RBI publications, financial reports, journals, books, websites, and articles. Responses were organized and analyzed to understand awareness, adoption, satisfaction, repayment behaviour, and purchasing patterns. The methodology confirms the descriptive design, 100 respondents, convenience sampling, structured questionnaire, and primary and secondary data sources.

4.1 STATISTICAL TOOL

Percentage Analysis

Percentage analysis is selected as the principal statistical tool because the study examines categorical responses relating to BNPL awareness, adoption, repayment experience, and consumer behaviour.

Formula:

The report identifies percentage analysis among the tools used for organizing and interpreting the collected responses, along with weighted average, average analysis, chi-square, correlation, graphical presentation, and tables.

5. DATA ANALYSIS AND INTERPRETATION

The tables have been selected to directly represent the major objectives of the study: **awareness, adoption factors, and customer satisfaction.**

Table 5.1: Awareness of BNPL Services

Awareness Level	Respondents	Percentage
Highly Aware	22	22%
Aware	46	46%
Neutral	16	16%
Less Aware	10	10%
Not Aware	6	6%
Total	**100**	**100%**

Analysis: The highest proportion of respondents, 46%, reported that they were aware of BNPL services, while 22% were highly aware.

Interpretation: A combined **68%** of respondents were either aware or highly aware of BNPL services, indicating a comparatively strong level of consumer awareness.

Table 5.2: Factors Affecting BNPL Adoption

Factor	Respondents	Percentage
Easy Credit	36	36%
Less Documentation	24	24%
Fast Approval	18	18%
Flexible Repayment	14	14%
Others	8	8%
Total	**100**	**100%**

Analysis: Easy credit is the leading factor influencing BNPL adoption, accounting for 36% of respondents. Less documentation is the second major factor at 24%.

Interpretation: The results indicate that **easy access to credit and simplified documentation** are important factors encouraging consumers to adopt BNPL services.

Table 5.3: Customer Satisfaction with BNPL Services

Satisfaction Level	Respondents	Percentage
Highly Satisfied	22	22%
Satisfied	46	46%
Neutral	16	16%
Dissatisfied	10	10%
Highly Dissatisfied	6	6%
Total	**100**	**100%**

Analysis: The largest group, 46%, reported being satisfied with BNPL services, while 22% were highly satisfied.

Interpretation: A combined **68%** of respondents were satisfied or highly satisfied, indicating an overall favourable customer perception of BNPL services.

6. RESULTS

1. BNPL services have become an important digital credit facility among consumers, particularly young consumers, salaried employees, and online shoppers.
2. **68%** of respondents are either aware or highly aware of BNPL services.
3. Easy credit is the leading factor influencing BNPL adoption.
4. Less documentation and faster approval also encourage consumers to use BNPL services.
5. Online shopping is the most common reason for using BNPL services.
6. Banks are the preferred BNPL institution among the respondents.
7. **68%** of respondents are satisfied or highly satisfied with BNPL services.
8. Most respondents reported regular repayment of their BNPL installments.
9. Hidden fees, interest, penalties, and credit limits are identified as important problems associated with BNPL.
10. BNPL services influence purchasing behaviour by providing greater payment flexibility.
11. Consumers generally demonstrate trust in BNPL services, although transparency and customer awareness remain important.
12. Overall, BNPL services have improved access to digital credit and purchasing convenience, while responsible borrowing and consumer protection remain necessary.

7. SUGGESTIONS

1. Financial institutions should clearly disclose interest rates, processing fees, service charges, repayment schedules, penalties, and other applicable terms before customers use BNPL facilities.
2. Banks, NBFCs, and fintech companies should strengthen credit-assessment procedures to ensure that credit is provided according to the customer's repayment capacity.
3. Regular financial-literacy programmes should educate customers about budgeting, responsible borrowing, repayment discipline, and digital credit management.
4. Customers should receive timely reminders about installment due dates and outstanding balances.
5. Financial institutions should strengthen cybersecurity, secure authentication, fraud detection, and data-protection mechanisms.
6. Effective grievance-redressal systems should be established for resolving customer complaints promptly.
7. Financial institutions should continuously monitor repayment behaviour and encourage responsible credit usage.
8. Regulatory authorities should periodically review digital-lending regulations to strengthen consumer protection and transparency.
9. Cooperation among banks, NBFCs, fintech companies, and regulators should be strengthened to improve digital-lending standards.
10. Transparent lending, customer education, technological innovation, and responsible credit management should be integrated into the long-term development of BNPL services.

8. CONCLUSION

Buy Now Pay Later (BNPL) services have emerged as an important innovation in India's digital consumer-finance ecosystem. The study indicates that the expansion of digital payments, e-commerce, fintech platforms, and mobile financial services has contributed to greater adoption of BNPL products offered by banks, NBFCs, and fintech companies. Consumers benefit from flexible repayment options, quick access to short-term credit, simplified documentation, and purchasing convenience. At the same time, the study identifies concerns relating to overspending, delayed repayments, hidden charges, inadequate financial awareness, and cybersecurity. Therefore, the sustainable development of BNPL services requires an appropriate balance between technological innovation and responsible lending. Financial institutions should emphasize transparent communication, suitable credit assessment, financial literacy, customer protection, digital security, and effective grievance redressal. With responsible lending practices, appropriate regulatory supervision, and customer-oriented innovation, BNPL can continue to improve access to digital consumer credit while supporting financial inclusion and strengthening India's evolving digital financial ecosystem.

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