

A Study on Customer Perception Towards Buy Now, Pay Later (BNPL) Services in India

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Abstract

Buy Now, Pay Later (BNPL) services have rapidly gained traction in India, particularly among young, digital consumers. This study investigates customer perception towards BNPL by analyzing factors such as ease of use, trust, interest-free credit, and perceived risk. Data was collected from 111 respondents via an online survey and analyzed using SPSS tools including descriptive statistics, correlation, and ANOVA.

Results show that ease of use, promotional offers, and zero-interest periods strongly influence adoption. A significant correlation was found between frequent BNPL use and impulsive buying behavior, while demographic factors had no major impact on perception. Suggestions from users highlight the need for improved transparency and flexible repayment terms.

This study offers insights for BNPL providers and regulators to enhance user trust and promote responsible digital credit use in India's evolving fintech landscape.

Keywords- Buy Now Pay Later (BNPL), Customer Perception, Digital Credit, Impulsive Buying, Fintech, India, Financial Literacy

1. Introduction

The financial services landscape in India has witnessed a profound transformation in recent years, primarily driven by the emergence and rapid advancement of financial technology (fintech). These innovations have revolutionized the way financial services are accessed and delivered, offering agile, user-centric alternatives to conventional banking and credit systems. Among these innovations, **Buy Now, Pay Later (BNPL)** has gained considerable prominence as a disruptive and increasingly popular digital credit model. BNPL allows consumers to purchase goods or services and defer payments through structured, short-term installment plans—typically interest-free and with minimal eligibility barriers. Unlike traditional credit cards or personal loans, BNPL does not usually require extensive documentation or a lengthy approval process, making it a highly accessible financing option for the digitally savvy population.

The Indian BNPL market has experienced exponential growth in response to several converging trends. These include the rise of e-commerce, the proliferation of smartphones, increasing digital payment adoption, and a shift in consumer behavior—particularly among younger generations—towards convenience-oriented financial products. A growing number of Indian consumers, especially millennials and Gen Z, are embracing BNPL as a preferred payment method due to its speed, flexibility, and ease of use. Prominent fintech players such as Amazon Pay Later, LazyPay, Simpl, and Paytm Postpaid have capitalized on this demand by embedding BNPL features into everyday online transactions, offering credit at checkout for everything from groceries and electronics to travel and fashion.

However, the rapid expansion of BNPL also brings forth a set of challenges that merit academic and regulatory attention. The ease of access and minimal repayment friction can sometimes lead to overconsumption, delayed payments, and debt accumulation, especially among financially inexperienced users. Moreover, there is growing concern about the lack of awareness among consumers regarding repayment obligations, hidden fees, and credit score implications. These issues raise important questions around financial literacy, consumer protection, and the ethical responsibilities of fintech providers in promoting transparent and sustainable credit practices.

Understanding customer perception is therefore essential in evaluating the growth and effectiveness of BNPL services in India. User perceptions regarding ease of use, trustworthiness, interest-free credit, repayment flexibility, and data security greatly influence their decision-making and overall satisfaction. While a positive perception fosters continued usage and platform loyalty, negative experiences—often stemming from poor communication, lack of transparency, or repayment difficulties—can undermine user confidence and restrict further adoption.

This study aims to explore how Indian consumers perceive BNPL services and identify the key factors influencing their decision to adopt such platforms. In addition to analyzing behavioral drivers, the research also examines the potential impact of demographic variables such as age, income level, employment status, and education on customer attitudes toward BNPL. A mixed-methods approach—combining quantitative survey data and qualitative feedback—has been adopted to generate a comprehensive understanding of consumer expectations, satisfaction levels, perceived risks, and suggestions for service improvement.

The insights derived from this study are intended to assist BNPL providers in refining their offerings, improving transparency, and fostering stronger consumer trust. At the same time, the findings may inform policymakers and educators aiming to enhance financial literacy and encourage responsible borrowing behavior. As India continues to digitize its financial infrastructure, ensuring the ethical and inclusive development of BNPL services will be vital in shaping the future of digital credit in the country's rapidly evolving fintech ecosystem.

2. Literature review

Recent studies on Buy Now, Pay Later (BNPL) services highlight key factors influencing consumer adoption and associated risks. Sharma and Mehta (2023) found that convenience drives BNPL use in urban India, but limited consumer understanding of repayment terms often results in delayed payments and debt accumulation, especially among young adults. Kaur and Chopra (2022) emphasized the role of demographic factors, noting that young, digitally literate individuals with moderate incomes are the primary adopters of BNPL services. Singh and Sinha (2022) identified low-friction financing and flexible repayment options as crucial in expanding credit access to underserved borrowers.

Behavioral insights reveal that emotional triggers like instant gratification promote impulsive BNPL use (Chatterjee & Yadav, 2021). Customer satisfaction is driven by seamless integration with e-commerce, minimal documentation, and fast approvals (Roy & Basu, 2021). Trust and transparency regarding data

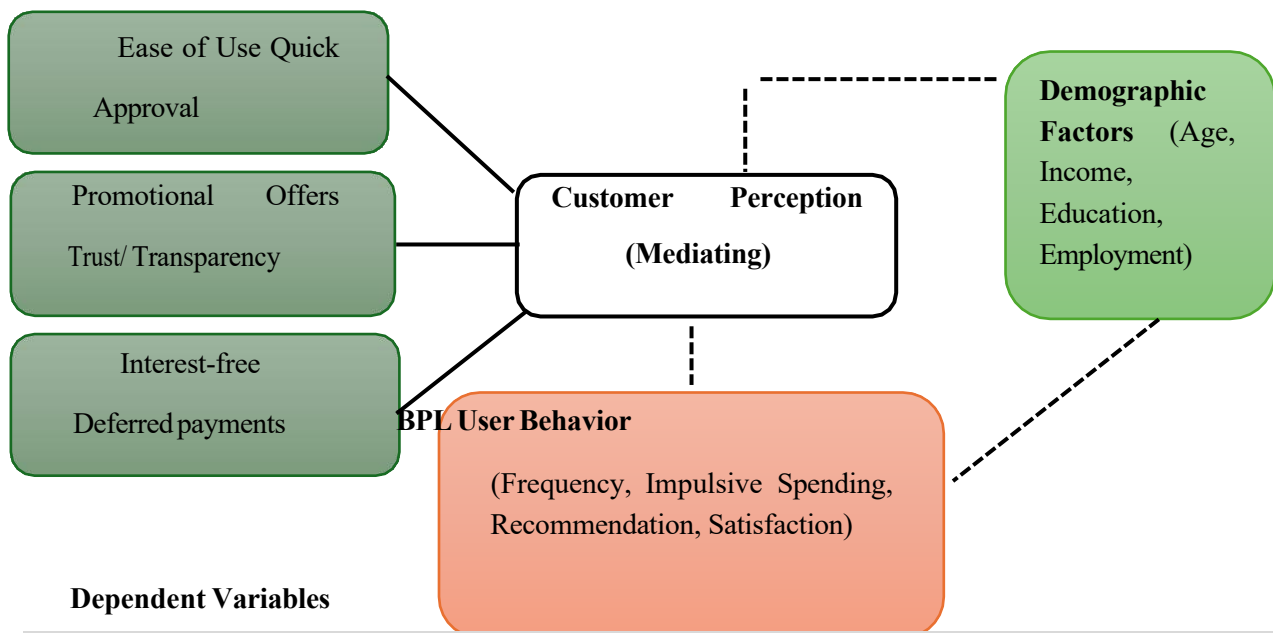
security and repayment terms are essential for consumer confidence (Gupta & Jain, 2020).

Concerns have been raised about potential debt traps, particularly among financially inexperienced users, due to poor regulation and financial literacy (Bhattacharya & Joshi, 2020; Financial Consumer Agency of Canada, 2021). Lusardi and Mitchell's (2017) foundational work on financial literacy further supports the need for improved consumer education to ensure responsible BNPL use. Industry reports predict rapid BNPL growth led by Gen Z and millennials, urging providers to prioritize transparency and regulatory alignment for sustainable expansion (EY India, 2021).

3. Conceptual Framework

The conceptual framework presented below outlines the relationship between various service features and customer behavior in the context of BNPL services. Independent variables such as ease of use, promotional offers, and transparency influence customer perception, which in turn affects usage behavior like frequency and impulsiveness. Demographic factors act as moderators, potentially altering how perception translates into behavior. This model forms the theoretical foundation for hypothesis development and data analysis in the subsequent chapters.

Independent Variables



4. Objectives

Primary Objective:

To critically evaluate customer perception of Buy Now, Pay Later (BNPL) services.

Secondary Objectives:

- To identify and analyze the key factors influencing customer decisions to use BNPL services.
- To study the influence of BNPL services on impulsive spending behavior.
- To identify the role of demographic factors in shaping BNPL adoption behavior.
- To explore consumer suggestions for improving trust and satisfaction in Buy Now, Pay Later (BNPL) services.

5. Research Hypothesis

Based on the above-mentioned objectives, here are the following hypotheses proposed:

H₁: Ease of use, zero interest, and instant approval are the most frequently cited factors influencing the adoption of BNPL services.

Null Hypothesis (H₀₁): No specific factor significantly dominates customer decisions to adopt BNPL services; all influencing factors are equally cited.

H₂: Higher frequency of BNPL usage is positively associated with the perception that BNPL encourages impulsive spending.

Null Hypothesis (H₀₂): There is no significant association between BNPL usage frequency and the perception that BNPL encourages impulsive spending.

H₃: Demographic factors such as age and income significantly influence customer perception of BNPL services.

Null Hypothesis (H₀₃): Demographic factors such as age and income have no significant influence on customer perception of BNPL services.

6. Research Methodology

6.1 Research Design

This study uses a descriptive research design to analyze consumer perceptions of BNPL services, focusing on existing attitudes and behavioral trends without establishing causality.

6.2 Data Collection

Primary data was gathered through a structured online questionnaire via Google Forms, containing closed-ended (Likert scale, multiple-choice) and one open-ended question. The survey targeted factors like trust, ease of use, awareness, repayment behavior, satisfaction, and financial risk. The questionnaire was distributed via social media for broad geographic reach.

6.3 Sampling

A non-probability convenience sampling method was employed, collecting 111 valid responses from BNPL users across varied age, income, employment, and education groups.

6.4 Target Population

The study focuses on Indian consumers aged 18-45 from urban and semi-urban areas, who are digitally active and likely BNPL users.

6.5 Data Analysis

Data analysis involved descriptive statistics using Excel and inferential tests (correlation, cross-tabulation, ANOVA) in SPSS to explore relationships between usage frequency, demographics, and perceptions.

6.6 Limitations

- Self-reported data may carry bias.
- Small sample size limits broader generalization.
- Convenience sampling reduces representativeness.
- Online surveys may exclude less digitally literate participants.
- Cross-sectional design captures perceptions at a single point only.

6.7 Ethical Considerations

Participation in the survey was voluntary, and respondents were informed about the academic purpose of the study. No personal identifiers were collected, **ensuring** anonymity and confidentiality of the responses.

7. Data Analysis and Interpretation

This chapter presents the analytical interpretation of the data collected from 111 respondents regarding their perceptions and behavior toward Buy Now, Pay Later (BNPL) services in India. The analysis includes descriptive statistics, frequency analysis, correlation analysis, ANOVA tests, and qualitative feedback interpretation. Each method was applied to evaluate specific hypotheses and explore user behavior patterns.

7.1 Descriptive Statistics

The majority of BNPL users were aged 18–25, digitally literate, and primarily working professionals or students. Income levels were diverse, with many earning above ₹1,00,000.

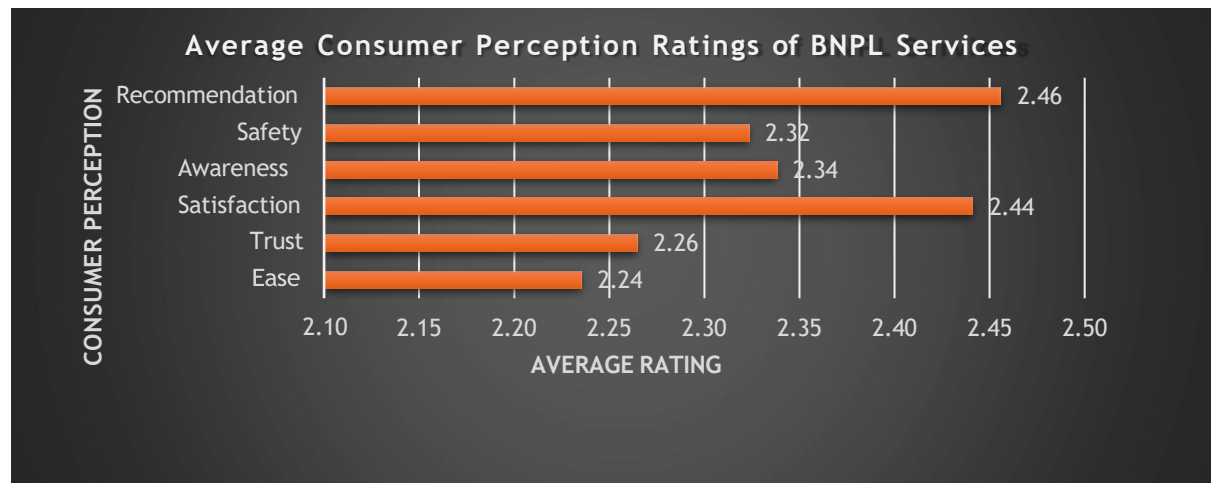
Central tendency and Variance Analysis

This section presents a comprehensive summary of consumer responses to key perception variables related to BNPL services, based on a 5-point Likert scale (1 = Strongly Agree, 5 = Strongly Disagree). The analysis helps in understanding how users evaluate ease of use, trust, awareness, satisfaction, and behavioral outcomes such as recommendation.

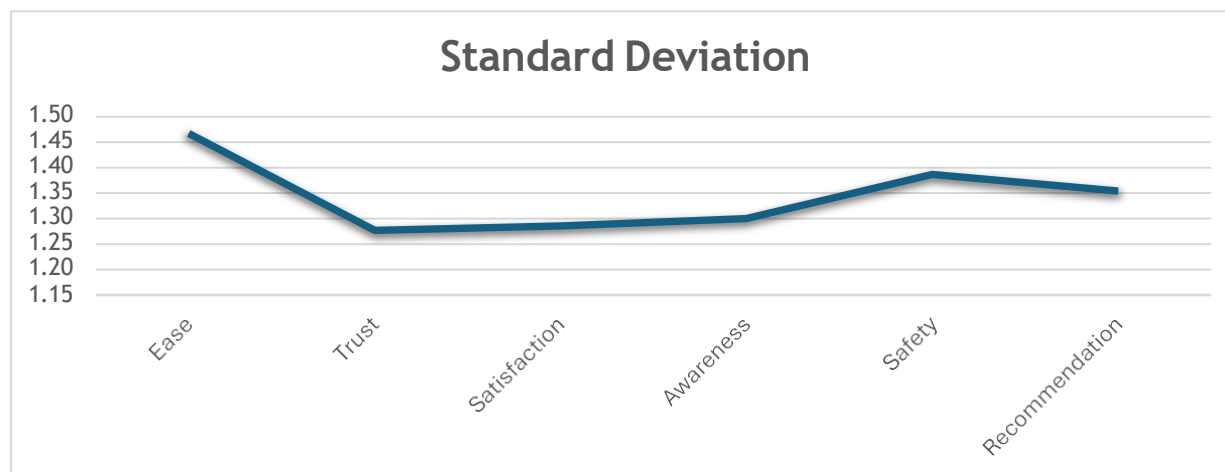
Descriptive Statistics Table

Column1	Ease	Trust	Satisfaction	Awareness	Safety	Recommendation
Mean	2.24	2.26	2.44	2.34	2.32	2.46
Standard Deviation	1.47	1.28	1.29	1.30	1.39	1.35
Maximum	5.00	5.00	5.00	5.00	5.00	5.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Median	2.00	2.00	2.00	2.00	2.00	2.00

The mean values range from 2.24 to 2.47, indicating that most respondents lean toward agreement with positive statements about BNPL. The lowest mean score is observed in Ease of Use (2.24), suggesting that consumers find BNPL platforms user-friendly. This is closely followed by Trust (2.26) and Safety (2.32), showing that users generally have confidence in the platform's integrity and security.



Awareness (2.34) and Satisfaction (2.44) indicate that respondents are well-informed and reasonably satisfied with the service. The highest mean scores are found Recommendation (2.46), which suggests a slightly more neutral stance — consumers may be reserved in recommending BNPL to others.



The **standard deviation values** range from **1.28 to 1.47**, reflecting moderate variability in the responses. The highest variability is found in **Ease of Use (1.47)**, suggesting that while some users find the platforms easy and potentially encouraging overspending, others may not share the same experience.

Variables like **Trust (1.28)** and **Satisfaction (1.29)** show slightly lower dispersion, indicating more consistent perceptions among respondents. This consistency strengthens the reliability of consumer opinions in those areas.

7.2 Frequency Analysis

The frequency analysis was conducted to identify the most common factors influencing BNPL usage. Respondents were allowed to select multiple reasons, and the top three responses were ease of use, promotional offers, and interest-free periods. This clearly highlights that functional simplicity and short-term cost advantages are the primary motivators for BNPL adoption. In contrast, peer influence and forced service integration were among the least cited factors, indicating that BNPL usage is largely driven by individual financial considerations rather than social pressure. These findings support **Hypothesis H₁**, which proposed that ease of use, zero interest, and instant approvals are the most significant factors influencing adoption. Thus, **Hypothesis H₁ is accepted**, and the null hypothesis (H₀₁) is rejected.

7.3 Correlation Analysis

Correlation Matrix – BNPL Usage and Compulsive Buying Behavior

	Use of BNPL	Compulsive Buying Behavior
Use of BNPL	1.000	0.746
Compulsive Buying Behavior	0.746	1.000

A Pearson correlation test was performed to examine the relationship between the frequency of BNPL usage and the perception that it encourages impulsive buying behavior. The analysis yielded a strong positive correlation ($r = 0.746$), indicating that frequent BNPL users are significantly more likely to view the service as a driver of unplanned or emotionally triggered purchases. This confirms that while BNPL offers convenience, it also introduces behavioral risks by enabling instant gratification. The correlation is statistically significant and supports **Hypothesis H₂**, which predicted a positive association between frequent usage and impulsive spending. Therefore, **Hypothesis H₂ is accepted**, and the null hypothesis (H_{02}) is rejected.

7.4 ANOVA Analysis

7.4.1 One-Way ANOVA for different Age Groups

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.285001811	8	0.160625	1.124815	0.37049	2.208518
Within Groups	5.140852554	36	0.14280			
		1				
Total	6.425854365	44				

7.4.2 One-Way ANOVA for different Income Groups

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5.000622	8	0.625078	1.11174	0.378576	2.208518
Within Groups	20.24106	36	0.56225			
		2				
Total	25.24168	44				

One-way ANOVA tests were conducted to evaluate the impact of demographic variables—age and income—on consumer perception of BNPL services. The results showed no statistically significant differences in perception across either age groups ($p = 0.370$) or income levels ($p = 0.378$). The F-values for both analyses were lower than the critical F-values, confirming that any variations in mean perception scores were due to random chance rather than demographic.

influence. These findings suggest that BNPL perception is largely uniform across different user profiles, reflecting its widespread appeal and accessibility. Consequently, **Hypothesis H₃**, which stated that demographic factors influence customer perception, is **rejected**, and the null hypothesis (H₀₃) is **accepted**.

7.5 Open-Ended Feedback Analysis

To complement the quantitative findings, open-ended responses were thematically analyzed. The most recurring suggestions from users emphasized the need for greater transparency in charges and repayment terms, followed by the importance of customer education, especially in regional languages. Other common themes included calls for higher credit limits, improved offers, flexible repayment options, and better customer support. A few respondents also raised concerns regarding data privacy and trustworthiness of BNPL providers. This qualitative feedback aligns with the statistical findings, reinforcing the need for service improvements that enhance user trust, satisfaction, and long-term engagement.

8. Conclusion

This study explored consumer perception toward Buy Now, Pay Later (BNPL) services in India, focusing on usage behavior, influencing factors, and demographic influences. The findings reveal that BNPL services are especially popular among young, digitally active users, including students and professionals. Most respondents viewed BNPL as convenient, trustworthy, and helpful in managing short-term finances.

Descriptive and frequency analyses confirmed that ease of use, interest-free periods, and promotional offers are key drivers of adoption, validating **Hypothesis H₁**. Correlation results showed a strong link between frequent BNPL usage and impulsive spending behavior, supporting **Hypothesis H₂**. However, ANOVA tests showed no significant influence of age or income on perception, leading to the rejection of **Hypothesis H₃**.

Open-ended responses further emphasized the need for more transparency, better financial education, and improved customer support. Overall, while BNPL services are well-received, concerns around overspending, hidden charges, and limited user awareness suggest the need for greater responsibility from providers.

In conclusion, BNPL has emerged as a popular credit option in India due to its simplicity and accessibility. To ensure long-term consumer trust and responsible usage, service providers must prioritize transparency, user education, and flexible repayment solutions.

9. Recommendation

Based on the findings, the following recommendations are proposed to enhance customer trust, satisfaction, and responsible usage of BNPL services, providers should focus on several strategic improvements. First and foremost, ensuring transparency is critical. All charges, repayment terms, and penalties should be clearly communicated at the time of transaction. Providing simplified terms and upfront cost breakdowns can significantly reduce user confusion and build long-term trust.

Second, there is a pressing need to promote financial awareness. Many users, particularly first-time borrowers, lack a proper understanding of how BNPL systems function. Companies should invest in educational initiatives such as in-app tutorials, FAQs, and regional language content to help users make informed financial decisions. Additionally, improving customer support can enhance satisfaction and trust. Fast and responsive multi-channel support—via chat, email, and calls—along with the assignment of dedicated relationship managers for regular users can strengthen the service experience.

Another key recommendation is to offer flexible repayment options. Grace periods or one-time extensions in genuine cases can prevent user dissatisfaction and reduce the chances of default. Alongside this, providing competitive rewards and adjustable credit limits based on user repayment behavior will help position BNPL services as attractive alternatives to traditional credit cards. Moreover, ensuring robust data privacy practices and ethical communication is essential. Clear privacy policies should be shared during onboarding, and users should receive timely but non-intrusive updates through preferred channels like WhatsApp or email.

To build responsible branding, BNPL providers should emphasize their regulatory compliance, user safety protocols, and ethical lending standards in public communications. Adopting localized marketing strategies is also recommended. Targeted campaigns in regional languages and tailored outreach to underserved segments like students, freelancers, and new-to-credit users can significantly boost adoption. Lastly, providers should introduce spending control features such as real-time alerts, budget caps, and gamified savings tools to reduce impulsive spending. These measures, when implemented holistically, can foster responsible usage and long-term customer loyalty in the rapidly growing BNPL ecosystem.

10. Future Scope of the Study

While this study provides valuable insights into customer perception toward BNPL services in India, there are several areas that future research can explore to deepen and broaden understanding.

Firstly, the current study is cross-sectional in nature, capturing consumer behavior and attitudes at a single point in time. Future research could adopt a longitudinal approach to track how consumer perceptions and usage patterns evolve over time, especially in response to changing market conditions, regulations, or economic shifts.

Secondly, while this study focused on urban and semi-urban consumers, a more inclusive examination that incorporates rural populations could reveal important differences in awareness, accessibility, and adoption of BNPL services. With increasing smartphone penetration in Tier 3 and rural areas, future studies could explore how localized fintech innovations impact financial inclusion.

Additionally, future research could include comparative studies between BNPL and other credit instruments such as credit cards, EMIs, or microloans to assess consumer preferences, repayment behavior, and default risk across platforms. This would provide a more comprehensive understanding of BNPL's position within the broader digital credit ecosystem.

Moreover, the role of financial literacy and behavioral nudges in promoting responsible BNPL usage warrants further investigation. Experimental studies could assess the effectiveness of in-app prompts, budgeting tools, or repayment alerts in reducing impulsive spending and defaults.

Lastly, as regulatory frameworks for BNPL services are still evolving in India, future studies could examine the impact of government policies and RBI guidelines on consumer protection, provider accountability, and industry practices.

By addressing these areas, future research can contribute to a more sustainable, transparent, and inclusive BNPL ecosystem that benefits both consumers and service providers.

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