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Adoption and Consumer Behavioural Impact of Buy Now, Pay Later (BNPL) Services in Urban India

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Abstract:

Buy Now, Pay Later (BNPL) services have emerged as a rapidly growing alternative credit and payment mechanism within India's fintech ecosystem, particularly in urban areas. BNPL enables consumers to make purchases instantly while deferring payments through short-term interest-free instalments. This study reviews secondary research to examine adoption trends, demographic patterns, behavioural impacts, and economic implications of BNPL services in urban India. Findings indicate that BNPL adoption is rising rapidly, positioning India among the leading global markets in BNPL usage intent. The services significantly influence consumer spending behaviour by reducing the psychological "pain of payment" and increasing spontaneous purchasing decisions. However, risks such as financial strain, impulse buying, and regulatory concerns remain prominent. The study concludes that while BNPL enhances financial flexibility and promotes digital payment inclusion, regulatory oversight and financial literacy initiatives are necessary to mitigate adverse consequences.

Keywords — Buy Now, Pay Later (BNPL), Consumer Behaviour, Urban India, Digital Payments, Financial Inclusion

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I. INTRODUCTION

Buy Now, Pay Later (BNPL) services have rapidly gained popularity as a transformative digital payment solution across urban India. Their growth is driven by the rapid expansion of e-commerce platforms, increased smartphone penetration, and widespread adoption of digital wallets and mobile payment systems. BNPL allows consumers to purchase goods and services immediately while deferring payment over a short period, typically without interest if repayments are made on time.

This model has emerged as an alternative to traditional credit instruments such as credit cards and personal loans, particularly appealing to younger consumers with limited access to formal credit. Millennials and Generation Z, forming the largest segment of digital consumers, are major users of BNPL due to their preference for convenience, flexibility, and instant gratification. Recent studies suggest India ranks among global leaders in BNPL adoption intent. Surveys indicate a significant proportion of urban consumers use or intend to use BNPL services, demonstrating a shift toward deferred digital credit consumption patterns. While BNPL enhances consumer purchasing power and retailer revenues by increasing spending and impulse purchases, concerns remain regarding financial literacy, overspending, and regulatory oversight. Therefore, examining BNPL adoption and its behavioural implications is essential for understanding urban India's evolving digital credit ecosystem.

II. LITERATURE REVIEW

Deepika & Meena (2025) conducted a study to assess the impact of Buy Now, Pay Later (BNPL) services on online consumer buying behaviour in

Chennai. Their research highlighted that BNPL reduces the psychological "pain of payment," enabling consumers to make purchases more frequently and with higher order values. The study found that younger consumers, particularly Millennials and Gen Z, are the most active users of BNPL, as they value convenience and flexibility in digital transactions. The authors concluded that BNPL not only enhances the ease of shopping but also plays a significant role in influencing online spending patterns in urban areas.

Singh & Sahni (2024) focused on the Delhi NCR region to analyse how BNPL affects consumer behaviour. Their findings revealed that BNPL encourages impulse buying, particularly among young consumers, due to the deferred payment model. However, the study also noted potential risks, as many users lack financial literacy and may overspend or accumulate debt. The authors emphasized the importance of educating consumers on responsible use of BNPL and implementing safeguards to prevent financial strain while maintaining the benefits of flexible payments.

Goyal & Shah (2025) examined the influence of BNPL on young consumers' spending patterns. Their research indicated that BNPL increases purchase frequency and reduces the perceived financial burden of spending, which often results in impulsive consumption. While the service promotes higher retail activity and digital payment adoption, the authors warned about the potential long-term financial risks if consumers rely too heavily on deferred payments without proper budgeting or monitoring.

Rani et al. (2026) studied the key motivational factors driving BNPL adoption among urban consumers. Their research identified convenience, minimal documentation, perceived affordability, and social influence as primary drivers of BNPL adoption. The study emphasized that these factors contribute to the rapid acceptance of BNPL services in metropolitan regions and support the integration of digital credit solutions into daily urban consumer behaviour.

Deepika et al. (2025) also analysed post-pandemic BNPL trends, noting a significant surge in adoption due to increased online shopping. The study highlighted that while BNPL offers convenience and financial flexibility, many consumers remain unaware of the long-term implications of deferred payments. The authors recommended enhancing financial literacy programs and regulatory measures to ensure responsible usage while sustaining growth in the digital credit sector.

III. OBJECTIVES

i. To analyze adoption trends of BNPL services in urban India.
ii. To examine behavioural impacts of BNPL usage on consumers.
iii. To identify benefits and risks associated with BNPL services.

IV. METHODOLOGY

The study adopts a descriptive research design based entirely on secondary data collected from published scholarly articles and industry reports. In particular, transaction value data related to Buy Now, Pay Later (BNPL) services were obtained from the GlobalData Banking & Payments Intelligence Center reports, which provide market intelligence on digital payment trends in India.

The collected data includes annual BNPL transaction values, adoption trends, and market growth indicators. Quantitative information such as transaction volumes and market expansion figures, along with qualitative insights on consumer behaviour and financial risks, were analyzed using descriptive and comparative analytical techniques. The approach enables understanding of BNPL adoption patterns and behavioural impacts without relying on primary survey data.

V. DATA SOURCES

The study relies exclusively on secondary data obtained from scholarly research publications and industry reports examining Buy Now, Pay Later (BNPL) services in India. In particular, transaction value and market growth data were sourced from

the GlobalData Banking & Payments Intelligence Center reports, which provide detailed insights into digital payment market trends. These sources collectively offer information on consumer behaviour, demographic adoption patterns, usage trends, and financial implications of BNPL services across urban regions.

VI. NATURE OF DATA

The study utilizes quantitative secondary data, primarily consisting of annual BNPL transaction values and market growth indicators in India. These data are used to perform descriptive statistics and regression analysis to examine growth trends and adoption patterns of BNPL services over time.

VII. DATA ANALYSIS TECHNIQUES

The study employs descriptive and regression analysis techniques to examine trends in BNPL transaction values in India.

Descriptive statistics were used to summarize transaction data by calculating measures such as mean, standard deviation, minimum, and maximum values, enabling an understanding of growth patterns and variability in BNPL usage over the study period.

In addition, regression analysis was conducted to examine the relationship and growth trend in BNPL transaction values over time. The regression model helps assess whether transaction values show a consistent upward trend and evaluates the strength of association between time progression and transaction growth.

Together, these analytical techniques provide a comprehensive understanding of BNPL adoption patterns, market expansion, and transaction growth trends in urban India.

VIII. ANALYSIS AND INTERPRETATION
BNPL Transaction Growth Trend

Data from the GlobalData Banking & Payments Intelligence Center indicate rapid growth in BNPL transaction value in India, increasing from INR 20 billion in 2020 to a projected INR 1100 billion by 2026. This substantial increase reflects expanding fintech adoption and rising consumer acceptance of deferred payment solutions.

Table: BNPL Transaction Value in India (INR Billion)	
Year	BNPL Transaction Value (INR Billion)
2020	20
2021	160
2022	363
2023	550
2024	710
2025	900
2026	1100

Source: Global Data Banking & Payments Intelligence Center.

1. DESCRIPTIVE STATISTICS

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BNPL transaction value	7	20	1100	543.29	391.206
Valid N (listwise)	7				

INTERPRETATION OF DESCRIPTIVE STATISTICS

The descriptive statistics summarize the trend in BNPL transaction values over the selected study period.

The analysis includes 7 observations, representing annual BNPL transaction values. The minimum transaction value recorded during the period is INR 20 billion, while the maximum value reaches INR 1100 billion, indicating a substantial increase in BNPL transactions over time.

The mean transaction value of INR 543.29 billion reflects strong overall growth in BNPL adoption and usage across the study period. This average indicates that BNPL services have moved from early-stage adoption to becoming a significant component of India's digital payment ecosystem.

The standard deviation of INR 391.206 billion shows considerable variation in transaction values

across the years. This high variability reflects rapid expansion, increasing consumer adoption, fintech innovation, and post-pandemic shifts toward digital credit and payment options.

Overall, the statistics demonstrate that BNPL services have experienced rapid and sustained growth, highlighting their increasing importance in India's digital financial landscape.

2. REGRESSION ANALYSIS

A regression analysis was conducted to examine the growth trend of BNPL transaction values in India over the study period. The objective was to understand whether transaction values show a consistent upward trend and to measure the strength of the relationship between time progression and BNPL transaction growth.

The regression results indicate a strong and statistically significant relationship, confirming rapid expansion in BNPL transaction values over time.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999ᵃ	.999	.998	16.170

a. Predictors: (Constant), Years

INTERPRETATION OF MODEL SUMMARY

The correlation coefficient (R = 0.999) indicates an almost perfect positive relationship between time progression and BNPL transaction value. The coefficient of determination (R^2 = 0.999) shows that approximately 99.9% of the variation in BNPL transaction values is explained by the regression model.

The adjusted R^2 value of 0.998 further confirms that the model remains highly reliable even after adjusting for sample size and number of predictors. The small standard error of estimate (16.170) indicates that predicted values closely match observed transaction values, demonstrating strong model accuracy.

Coefficientsᵃ

Model	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1(Constant)	-365547.464	6182.087		-59.130	.000	-381439.026	-349655.903
Table: BNPL Transaction Value in India (INR Billion)	180.964	3.056	.999	59.218	.000	173.109	188.820

a. Dependent Variable: BNPL transaction value in India (INR Billion)

INTERPRETATION OF COEFFICIENTS

The regression coefficient for Year is positive and statistically significant ($p < 0.001$), indicating a strong upward trend in BNPL transaction values over time. The standardized beta value of 0.999 reflects a near-perfect positive relationship between time progression and transaction growth.

The constant term represents the intercept of the regression model, while the positive coefficient indicates that BNPL transaction values increase significantly with each passing year.

OVERALL INTERPRETATION

The regression results clearly demonstrate that BNPL transaction values in India have grown consistently over the observed period. The strong model fit and statistical significance confirm sustained expansion in deferred payment adoption, reflecting rising consumer reliance on fintech-based credit solutions.

IX. SCOPE OF THE STUDY

The study focuses on the adoption and behavioural impact of BNPL services among urban consumers in India, particularly in metropolitan regions where digital payment penetration is high. The analysis primarily examines transaction growth patterns, consumer motivations, and behavioural implications within India's evolving digital finance ecosystem.

X. LIMITATIONS OF THE STUDY

i. The study relies entirely on secondary data sources, without primary data collection.

ii. Findings may not fully represent rural populations where BNPL adoption is still emerging.

iii. Variations in methodology across studies may introduce minor inconsistencies in findings.

iv. Absence of primary data limits deeper insights into individual-level financial behaviour and decision-making.

XI. FINDINGS

The analysis of BNPL transaction values in India reveals several important trends regarding adoption and market growth:

i. **Rapid Growth of BNPL Transactions:** The study shows a consistent and substantial increase in BNPL transaction values over the study period, indicating strong adoption of deferred payment services across urban India.

ii. **Rising Consumer Acceptance:** BNPL services have increasingly become part of regular consumer payment behaviour, particularly among young and digitally active populations seeking flexible payment options.

iii. **Significant Market Expansion:** Descriptive statistics show transaction values increasing from INR 20 billion to INR 1100 billion within a few years, demonstrating rapid expansion of the BNPL ecosystem.

iv. **High Growth Variability:** The high standard deviation observed reflects rapid market expansion phases, influenced by fintech innovation, post-pandemic digital adoption, and growth in e-commerce spending.

v. **Strong Regression Results:** Regression analysis indicates an almost perfect positive relationship between time progression and transaction growth, confirming sustained and systematic market expansion.

vi. **Transition Toward Mainstream Payment Method:** BNPL services are gradually transitioning from an alternative credit option to a mainstream digital payment mechanism.

vii. **Emerging Financial Risks:** Despite growth benefits, concerns regarding impulse buying, overspending, and limited financial literacy remain important challenges.

XII. CONCLUSIONS

Buy Now, Pay Later (BNPL) services have emerged as a transformative component of India's digital payment ecosystem, particularly within urban markets. The study confirms that BNPL adoption has grown rapidly due to increased digital commerce, fintech innovation, and consumer preference for flexible payment options.

Statistical analysis demonstrates sustained expansion in transaction values, supported by strong regression results showing consistent upward growth trends. BNPL services contribute to increased digital payment usage and financial inclusion by providing access to short-term credit for consumers lacking traditional credit facilities.

However, alongside these benefits, the risk of overspending and financial mismanagement requires attention. Effective regulatory frameworks, responsible lending practices, and financial literacy initiatives are essential to ensure sustainable ecosystem growth.

Overall, BNPL services are likely to continue expanding as an important component of India's evolving digital financial landscape, provided that growth is balanced with consumer protection and responsible financial behaviour.

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