A STUDY ON FACTORS INFLUENCING USAGE OF BUY NOW PAY LATER SERVICE

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ABSTRACT

The increasing popularity of Buy Now, Pay Later (BNPL) services has reshaped consumer behaviours, providing a convenient yet potentially precarious form of credit. This study aims to examine the relationships between social, psychological, and economic factors and the usage of BNPL services. By integrating theories of consumer behavior, financial psychology, and socio-economic analysis, the research explores how demographic variables, financial literacy, spending habits, and attitudes toward debt influence the adoption and utilization of BNPL platforms. Additionally, the study investigates the psychological underpinnings—such as impulsivity, self-control, and stress—that may drive reliance on these services, especially among younger consumers. The economic conditions, including income instability, inflation, and economic uncertainty, are considered to understand the broader financial landscape influencing BNPL usage. Data collection will be conducted through surveys and in-depth interviews with a diverse demographic sample. The anticipated findings aim to highlight the complex interplay between immediate financial needs, psychological predispositions, and socio-economic constraints in shaping BNPL behaviours. Insights from this research may provide valuable implications for policymakers, financial institutions, and BNPL providers to develop responsible lending practices, enhance financial literacy, and mitigate the risks associated with unregulated short-term credit. Ultimately, this study seeks to contribute to a deeper understanding of the motivations and consequences of BNPL usage in a rapidly evolving financial ecosystem.

I. INTRODUCTION

The emergence of Buy Now, Pay Later (BNPL) services has significantly transformed the landscape of consumer credit, offering an alternative to traditional lending methods. BNPL services allow consumers to make purchases and defer payments, typically in interest-free instalments, making them appealing to a broad spectrum of consumers, particularly younger generations. The convenience, minimal credit checks, and ease of access associated with BNPL platforms have fuelled their rapid growth, leading to a notable shift in consumer spending behaviours. However, this expansion has also raised concerns regarding the potential financial vulnerabilities associated with the overuse of such services.

This study seeks to explore the various social, psychological, and economic factors influencing the adoption and usage of BNPL services. Social factors, such as peer influence, lifestyle choices, and digital connectivity, can play a pivotal role in shaping consumers' preferences for BNPL. Psychological elements, including impulsivity, self-control, and attitudes toward debt, may further drive the inclination to utilize these platforms. Additionally, the study investigates economic considerations, such as income levels, financial literacy, and perceived financial security, which may significantly impact the decision to rely on BNPL options.

With the increasing accessibility of BNPL services through e-commerce platforms, it becomes crucial to understand the motivations behind their usage and the potential consequences for consumers. The study aims to provide insights into the interconnectedness of socio-economic status, psychological predispositions, and spending behavior to offer a holistic view of BNPL consumption. By analyzing these factors, this research intends to contribute to the development of responsible financial practices, improve consumer awareness, and inform policymakers and financial institutions to implement effective regulations. Ultimately, understanding the drivers behind BNPL usage can help mitigate the risks of financial overextension while promoting healthier financial decision-making.

II. REVIEW OF LITERATURE

Murugesan D. & C. Chitra (2024), in their study "A Study on Preference and Impact of Buy Now Pay Later Services (BNPL) on Financial Well-being of the Customers," examine the impact of BNPL on consumers' financial well-being. It is found that while BNPL offers flexibility and convenience, overspending and financial difficulties can also result if it is not used responsibly. The increase in demand for these services due to the pandemic is also analysed. It is observed that many individuals opt for credit cards and defer daily repayments. A comprehensive understanding of the factors influencing consumers' decisions to choose Buy Now Pay Later services over other credit options is aimed to be provided through this study.

Jiyanshu Darj, Niraj Chaudhari, & Hasmukh Panchal (2024), in their study "The Impact of Quick Commerce on Customer Purchase Decisions and Consumer Satisfaction: A Quantitative Research," investigate the connection between quick commerce and BNPL. Opportunities and challenges related to quality control, such as return policy issues and order fulfilment complexity, are highlighted. It is concluded that BNPL enhances customer satisfaction and influences purchase decisions in the context of speedy delivery services. Insightful information is provided about the transformation of the retail industry in the QC era, along with suggestions on how companies can improve customer satisfaction and expand in this fast-paced industry.

Risbaa Singh (2024), in the study "The Impact of Quick Commerce on Consumer Behavior and Economic Trends in India: A Systematic Review," examines how quick commerce has enhanced consumer convenience by ensuring the rapid delivery of essential goods and groceries. An increasing adoption of quick commerce services, particularly in urban areas, has been observed, leading to shifts in shopping habits. Economic development and job creation, especially in the logistics and delivery sectors, have been influenced by the growth of quick commerce. Intensified competition among traditional retailers and online marketplaces has been noted, driving innovation and service improvements. The research paper provides a strong foundation for studying perceptions of BNPL in quick commerce. By addressing identified research gaps, a deeper understanding of consumer preferences, factors influencing BNPL adoption, and its impact on consumer behavior can be contributed. Additionally, insights into how BNPL affects purchasing decisions, loyalty, and overall satisfaction are provided. The existing knowledge base is expanded, offering valuable insights for businesses and policymakers.

Arun kumar (2024), in the study "Buy Now Pay Later – A Comparative Study About The Awareness, Perception, And Factors Influencing The Usage Of BNPL As A Payment Option," provides an overview of Buy Now Pay Later (BNPL) services. The definition and applications of BNPL are discussed, along with the factors influencing its usage. It is highlighted that BNPL functions as a short-term loan, allowing consumers to make payments for goods or services after a predetermined period. It is frequently utilized by individuals unable to pay in cash. However, if not used appropriately, the risk of debt accumulation is present. This study contributes to understanding the framework of BNPL services, offering insights beneficial to the project.

Ashish Kumar, Jari Salo, & Ram Bezawada (2024), in the study "The Role of Buy Now Pay Later in Enhancing Customer Experience in E-commerce," examine the transformative impact of BNPL on online shopping behavior. It is highlighted that purchasing power is enhanced, customer satisfaction is increased, and retail growth is driven by BNPL services, establishing them as a crucial component of modern commerce. However, ongoing regulatory oversight is deemed essential to mitigate potential risks related to consumer debt and ensure sustainable sector growth. As the market continues to evolve, further research is suggested to assess the long-term implications for both consumers and retailers. While current market trends are explored, additional studies could investigate the ethical concerns surrounding BNPL, particularly regarding marketing strategies targeting vulnerable populations or the risk of over-indebtedness, which this project seeks to address.

Qian Wang (2024), in the study "The Relationship Between Consumer Perceptions and Use of Buy Now Pay Later (BNPL) Products," examines the connection between consumer perceptions of BNPL products and their usage patterns. Dual information processing theory is employed to analyze survey data collected from young New Zealand consumers aged 18-34. It is suggested that marketing strategies significantly shape consumer perceptions of BNPL, leading to increased usage and potential financial risks. The financial risks associated with BNPL are often overlooked by consumers due to its appealing features, contributing to impulse purchasing and debt accumulation. The need for stronger consumer protection measures in the rapidly expanding BNPL market

is emphasized to address the psychological appeal of these products and their impact on financial well-being. Although the survey was conducted in New Zealand, the findings contribute to understanding customer perceptions and opinions regarding BNPL, offering valuable insights for this project.

McKinsey & Company (2024), in the study "The Rise of Buy Now Pay Later: A Global Perspective," published in the Journal of Retailing (Volume 100, Issue 3), provides insights into the global expansion of BNPL. The exponential growth of BNPL, particularly in emerging markets, is highlighted, driven by convenience, improved access to credit, and evolving consumer preferences. Current and developing regulatory frameworks governing BNPL across various regions are analyzed, along with their potential industry impact. The increasing adoption of BNPL by retailers as a strategy to enhance customer experience, drive sales, and attract new customer segments is also examined. A comprehensive understanding of BNPL trends worldwide is provided, emphasizing regional variations and potential growth areas, making this study a valuable resource for the project.

Hasmukh Panchal, Niraj Chaudhari, & Jiyanshu Darj (2024), in the study "The Impact of Quick Commerce on Customer Purchase Decisions and Consumer Satisfaction: A Quantitative Research," explore the effects of quick commerce on consumer behavior and satisfaction. A quantitative research methodology is employed, with data on customer habits and satisfaction levels regarding fast commerce collected through questionnaires. Regression analysis and structural equation modeling are utilized to analyze the gathered data. The expanding significance of quick delivery services in modern retail is demonstrated, with an effort made to understand how quick commerce influences purchasing decisions and overall customer satisfaction. The findings provide valuable insights for enhancing consumer experiences in the rapidly evolving landscape of quick commerce.

Agus Eko Setiyono, Chodilis Chandrawatisma, Rizal Helga Sutan Fanandi, & Pantri Heriyati (2023), in the study "Antecedents of E-Loyalty as Research for the Quick Commerce Industry," examine the factors influencing customer loyalty in the rapidly expanding quick commerce (q-commerce) sector. Significant traction has been gained by q-commerce in recent years due to its focus on rapid product delivery. The importance of understanding the determinants of e-loyalty in this context is emphasized to support business growth and sustainable customer relationships. Existing theories and models in e-commerce and customer loyalty, including the SERVQUAL model and the Parasuraman et al. (2000) model, are drawn upon. These theoretical frameworks are utilized to establish a foundation for analyzing the relationship between service quality, customer satisfaction, and e-loyalty, providing valuable insights for this project.

Dana Adriana Lupsa-Tataru, Eliza Nichifor, Lavinia Dovleac, Ioana Bianca Chițu, Raluca Dania Todor, & Gabriel Brătucu (2023), in the study "Buy Now, Pay Later—A Fad or a Reality? A Perspective on Electronic Commerce," examine the factors influencing the adoption of BNPL services in e-commerce. The benefits of BNPL for both consumers and merchants, including increased conversion rates and customer satisfaction, are highlighted. However, potential risks such as overspending and debt accumulation are also discussed. A deeper understanding of the Buy Now Pay Later concept is aimed to be provided, explaining consumer behavior, decision-making processes, risk perception mitigation, debt behaviors, and credit adoption.

STATEMENT OF THE PROBLEM

The rapid rise of Buy Now, Pay Later (BNPL) services has transformed the way consumers approach spending and debt management. While these services offer flexibility and convenience, there is growing concern about their impact on financial health, especially among younger and economically vulnerable populations. Many consumers may lack adequate financial literacy to fully understand the implications of deferred payments, leading to potential debt accumulation and financial strain.

The decision to use BNPL services is often influenced by a combination of social, psychological, and economic factors. Social influences such as peer pressure and digital connectivity can encourage impulsive purchasing behaviors. Psychological factors like instant gratification, poor self-control, and stress can drive individuals to rely on BNPL as a quick solution to financial constraints. Additionally, economic conditions like unstable income, inflation, and limited access to traditional credit can push consumers toward BNPL as an alternative means of managing expenses.

Despite the increasing adoption of BNPL, there is limited research exploring the interplay of these factors and their impact on consumer well-being. Understanding these dynamics is essential to develop strategies that

promote responsible usage, enhance financial literacy, and minimize the negative consequences of excessive reliance on BNPL services.

OBJECTIVE

To examine the relationships between social, psychological, and economic conditions and the usage buy now pay later services.

HYPOTHESIS

Null Hypothesis (H_0)

There is no significant relationship between social, psychological, and economic conditions and the usage of Buy Now, Pay Later (BNPL) services.

Alternative Hypothesis (H_1)

There is a significant relationship between social, psychological, and economic conditions and the usage of Buy Now, Pay Later (BNPL) services.

III.   RESEARCH METHODOLOGY

A tool or apparatus used to gather, quantify, and evaluate data for a study is called a research instrument. In order to answer their research questions or test hypotheses, it assists researchers in obtaining the data they need. Scales, exams, observations, interviews, questionnaires, and surveys are examples of common research tools. 150 respondents provided the data which was used to assess the study on BNPL.

To collect data for this study, a structured questionnaire was utilized as the primary research instrument. For data analysis, correlation analysis were employed to interpret the findings effectively, identify patterns, and determine significant relationships within the dataset.

LIMITATIONS OF THE STUDY

- **Limited diversity:** The study may not capture the full range of BNPL users, particularly those from lower-income or marginalized groups, affecting generalizability.

- **Evolving BNPL landscape:** Rapid changes in BNPL services and economic conditions may impact the relevance of the findings over time.

- **Focus on individual factors:** The study primarily examines individual-level influences, potentially overlooking broader systemic issues affecting BNPL usage.

IV.   ANALYSIS AND INTERPRETATION

Table 1.1 SHOWING RELATION BETWEEN ECONOMIC FACTORS AND BNPL USAGE

PARTICULARS		EF 1	EF 2	EF 3	EF 4	EF 5	US
EF 1	Pearson Correlation	1	.358**	.315**	.455**	.343**	.422**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	150	149	150	150	150	150
EF 2	Pearson Correlation	.358**	1	.095	.296**	.246**	.136
	Sig. (2-tailed)	.000		.249	.000	.002	.098
	N	149	149	149	149	149	149
EF 3	Pearson Correlation	.315**	.095	1	.378**	.327**	.400**
	Sig. (2-tailed)	.000	.249		.000	.000	.000
	N	150	149	150	150	150	150
EF 4	Pearson Correlation	.455**	.296**	.378**	1	.351**	.474**

	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	150	149	150	150	150	150
EF 5	Pearson Correlation	.343**	.246**	.327**	.351**	1	.381**
	Sig. (2-tailed)	.000	.002	.000	.000		.000
	N	150	149	150	150	150	150
US	Pearson Correlation	.422**	.136	.400**	.474**	.381**	1
	Sig. (2-tailed)	.000	.098	.000	.000	.000	
	N	150	149	150	150	150	150

INTREPRETATION

The correlation matrix reveals the relationships between factors (EF1 to EF5) and BNPL usage (US). EF1, EF3, EF4, and EF5 show significant positive correlations with BNPL usage, suggesting that these factors are associated with increased reliance on BNPL services. Notably, EF4 has the strongest correlation ($r = 0.474$, $p < 0.01$), indicating it may be the most influential factor. However, EF2 shows a weak and non-significant correlation ($r = 0.136$, $p > 0.05$), suggesting minimal impact on BNPL usage. These findings imply that the factors examined have varying levels of influence, highlighting areas for further exploration.

Table 1.2 SHOWING RELATION BETWEEN SOCIAL FACTORS AND BNPL USAGE

	PARTICULARS	SF 1	SF 2	SF 3	US
SF 1	Pearson Correlation	1	.409**	.518**	.478**
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
SF 2	Pearson Correlation	.409**	1	.460**	.450**
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
SF 3	Pearson Correlation	.518**	.460**	1	.434**
	Sig. (2-tailed)	.000	.000		.000
	N	150	150	150	150
US	Pearson Correlation	.478**	.450**	.434**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

INTERPRETATION

The correlation matrix shows that all social factors (SF1, SF2, SF3) have significant, moderate positive relationships with BNPL usage (US), suggesting that social influences impact consumers' use of BNPL services. The strong correlations among the social factors indicate their interconnected nature, emphasizing the role of social dynamics in shaping BNPL usage behavior.

Table 1.3 SHOWING RELATION BETWEEN PSHYCHOLOGY FACTORS AND BNPL USAGE

PARTICULARS	PY 1	PY 2	PY 3	PY 4	US
Pearson Correlation	1	.379**	.287**	.325**	.480**
Sig. (2-tailed)		.000	.000	.000	.000
N	150	150	150	150	150
Pearson Correlation	.379**	1	.272**	.293**	.317**
Sig. (2-tailed)	.000		.001	.000	.000
N	150	150	150	150	150
Pearson Correlation	.287**	.272**	1	.303**	.339**
Sig. (2-tailed)	.000	.001		.000	.000
N	150	150	150	150	150
Pearson Correlation	.325**	.293**	.303**	1	.323**
Sig. (2-tailed)	.000	.000	.000		.000
N	150	150	150	150	150
Pearson Correlation	.480**	.317**	.339**	.323**	1
Sig. (2-tailed)	.000	.000	.000	.000	
N	150	150	150	150	150

INTERPRETATION

The correlation matrix shows that all psychological factors (PY1 to PY4) have significant positive relationships with BNPL usage (US). PY1 has the strongest correlation with BNPL usage (r = 0.480, p < 0.01), suggesting it has the most influence. The correlations between the psychological factors themselves are moderate, indicating interconnectedness. Overall, psychological factors play a meaningful role in shaping BNPL usage.

V. FINDINGS

The interpretations of the correlation matrices for economic, psychological, and social factors provide valuable insights into the factors influencing BNPL usage (US).

Firstly, the analysis of economic factors (EF1 to EF5) reveals that EF1, EF3, EF4, and EF5 significantly correlate with BNPL usage. EF4 has the strongest impact (r = 0.474, p < 0.01), indicating it may be the most influential economic determinant. However, EF2 shows a weak and non-significant correlation (r = 0.136, p > 0.05), suggesting minimal impact. These results imply that most economic factors examined, particularly EF4, play a critical role in shaping consumer behavior toward BNPL services. This could be due to financial constraints or perceived affordability, motivating consumers to rely on BNPL options.

Secondly, the analysis of psychological factors (PY1 to PY4) shows all factors significantly correlate with BNPL usage. PY1 has the strongest correlation (r = 0.480, p < 0.01), suggesting it is the most influential psychological factor. The moderate correlations among the psychological factors indicate their interconnectedness, suggesting that psychological traits like impulsivity, stress, and immediate gratification significantly impact the decision to use BNPL services. These factors may contribute to unplanned spending, resulting in reliance on deferred payment methods.

Lastly, the social factors (SF1 to SF3) all exhibit significant positive correlations with BNPL usage. SF1 shows the strongest correlation (r = 0.478, p < 0.01), highlighting its influence. The moderate correlations among the social factors indicate their interconnectedness, emphasizing the role of social dynamics, peer influence, and social norms in shaping BNPL usage. These results suggest that social pressures and group dynamics may encourage individuals to adopt BNPL services, especially among younger, tech-savvy consumers.

Overall, the findings indicate that economic, psychological, and social factors collectively influence BNPL usage. Understanding these factors can help stakeholders develop effective strategies for promoting responsible BNPL usage and minimizing potential financial risks.

VI. CONCLUSION

This study explored the factors influencing the usage of Buy Now, Pay Later (BNPL) services, focusing on economic, psychological, and social aspects. The findings suggest that BNPL usage is significantly affected by multiple factors, highlighting the complexity of consumer behavior in this context.

Economic factors, such as financial stability and spending capacity, showed strong associations with BNPL usage. The influence of psychological factors, including impulsivity and immediate gratification, suggests that BNPL services may cater to consumers seeking instant rewards or relief from financial stress. Social factors, like peer influence and societal norms, also play a notable role, indicating that social dynamics can shape attitudes toward BNPL services.

The study reveals that while BNPL services offer convenience, they may also encourage overspending and debt accumulation if not managed responsibly. The interconnectedness of economic, psychological, and social factors suggests that BNPL providers should consider comprehensive strategies to promote responsible usage, including consumer education and transparent policies.

Overall, the research emphasizes the need for a balanced approach to BNPL services, considering both consumer benefits and potential risks. Future research can further explore the long-term effects of BNPL services on financial well-being and how changing market dynamics influence consumer behavior.

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