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A Study on Consumer Behaviour Towards Buy Now Pay Later Apps in India

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ABSTRACT: This study explores the consumer's behaviour towards Buy Now Pay Later apps. Using quantitative surveys to obtain data on its benefits, drawbacks, usage patterns and satisfaction levels, these data provide insights into consumer motivations and perspectives. This helps to gain a comprehensive understanding of consumer attitudes towards Buy Now Pay Later apps. This research aims to inform stakeholders and businesses about the opportunities and challenges faced by consumers during the usage of Buy Now Pay Later and Instant Loan apps. By obtaining actual consumer opinion, this study proves of use to consumer behaviour literature and financial technology. To conclude, the results of this research can help guide the development of regulatory frameworks promoting financial regulation and consumer protection in the financial services sector.

KEYWORDS: BNPL – Buy Now Pay Later Services/Apps

I. INTRODUCTION

Apps that let users "Buy Now Pay Later" (BNPL) have quickly become popular in recent years, changing the way that customers handle payments. In order to fulfill the demand for financial flexibility in managing spending, these apps provide an alternative to conventional payment methods by enabling users to make purchases and stretch the cost over time without paying interest or penalties. The launch of BNPL apps in India has been well received by customers looking for easy and accessible payment options. Financial tools that meet the varied demands and preferences of consumers are desperately needed, as the middle class grows and internet penetration rises. With the Indian economy growing and consumer behavior moving toward digital transactions, the release of BNPL applications is a big step in the right direction toward democratizing credit availability and enabling people to make wise financial decisions. This introduction lays the groundwork for a more thorough examination of customer perceptions of BNPL apps and their consequences for financial services industry participants. The Buy Now Pay Later landscape in India has undergone many changes since its initial debut in the early 2010s. But, it started gaining traction around the 2020-2021 timeframe. This coincides with various key factors like COVID- 19, E-Commerce boom in India and an increase in digital adoption during the time period. Many strategies like merchant partnerships (Partnerships with apps like Swiggy, redBUS, Zomato..etc), partnerships with Banks, have seen successes from the side of the BNPL app companies.

II. REVIEW OF LITERATURE

Sarah Papich, University of California Santa Barbara (2022), This study studies the effect of Buy now, Pay Later apps, and highlights it as an important tool for financial purchases, for the population who has limited access to credit funds. This paper provides the first causal evidence of how access to BNPL affects financial distress and credit scores in the country. Using credit bureau data, the author shows that BNPL reduces the financial burden of the users, rather than adding on to it.

Akshay Aravind, Vijay Sanketh Bhandari, S. Pavanaj, 4Mohammed Sunoosh Beary (2023), Compared to other developed countries, India is still new to the Buy Now Pay Later concept. In India, the idea of "Buy Now Pay Later" (BNPL) has become very popular, and several new companies have entered the market. Regulators are, however, closely monitoring this payment option because of worries about how it may affect consumer debt and financial stability. This essay investigates the present situation of the BNPL market in India, encompassing its advantages and disadvantages, the regulatory environment, and possible effects on customers and the financial industry.

Tom Akana (2022), This research paper begins with people having limited access to credit in 2019, and the rise of BNPL transactions served as a way of funds for customers. Since there are no additional fees and charges for the payment mode initially, this method of payment has grown dramatically. Upon reviewing the data gathered, this study finds that the consumer adoption towards Buy Now Pay Later apps have been highly experimental on the consumer



side. Also, contradictory to popular beliefs, Initial BNPL users did not cite lack of credit for their reason to use BNPL, which helps make the above statement true that adoption to these services are highly experimental on the consumer side.

Della Ayu Zonna Lia¹, Salsabilla Lu'ay Natswa(2021), This study explores the dynamic relationship between Gen-Z individuals and their impulsive buying decisions with respect to Buy Now Pay Later services. Also, the usage of technology nowadays enables people to buy a lot everything through the phone. This coupled with Gen – Z's impulsive buying behaviour and Buy Now pay later can be exploited by BNPL companies. The study aims to explore the dynamic between the three factors and aims to efficiently balance purchases and consumption.

III. RESEARCH METHODOLOGY

An exploratory research design is used in this study to look into how Indian consumers use Buy Now Pay Later (BNPL) apps. A systematic questionnaire is used to gather information from about 240 respondents about a variety of topics related to the use of BNPLs, such as trends, adoption motivations, benefits, risk perceptions, and satisfaction levels. Open-ended questions elicit in-depth explanations and experiences, whereas closed-ended questions gauge respondents' agreement with statements regarding BNPL usage and collect demographic data.

Due to its exploratory design, the study aims to uncover underlying trends and insights while providing a greater understanding of customer behavior surrounding BNPL services in India. A rich dataset for analysis is provided by the collected primary data, which includes both quantitative indicators and qualitative insights. The results of the study should be of great use to fintech companies, regulators, and other stakeholders. They should make it easier to create financial products that are better suited to the needs of Indian consumers and improve knowledge of their attitudes and behaviour regarding BNPL apps.

IV. RESEARCH OBJECTIVES

- To identify the awareness and adoption patterns on Buy Now Pay Later apps, especially in the recent days after the growth of UPI and digital transactions in India.
- Analyse respondents experience and satisfaction who use Buy Now Pay Later services.
- To find out if consumers faced any challenges during its usage and find out the respective suggestions to overcome them.

V. DATA ANALYSIS AND INTERPRETATION

The techniques for data analysis include Descriptive Tables, Chi- Square tests, Analysis of Variance tests (ANOVA) and interpretations gathered from the data analysed. Tools used for data analysis include Statistical tools.

A total of 20 findings were made with respect to BNPL apps which include the apps they use, the purpose for their usage, frequency of use, safety feelings, any potential issues faced, future recommendations for the app..etc out of which 4 important findings have been given below:

Frequencies of Age

Age	Counts	% of Total	Cumulative %
18-24	109	44.1 %	44.1 %
25-34	69	27.9 %	72.1 %
35-44	44	17.8 %	89.9 %
45+	25	10.1 %	100.0 %

It can be interpreted that the majority age group is 18–24., which is the youth population, followed by the working class and middle aged men, for the data. This distribution indicates a similar trend with the majority of respondents falling within the younger age brackets, gradually decreasing in frequency as age increases.

Age and Awareness: Hypothesis testing using Chi- Square:

Contingency Tables

Have you heard of Buy Now Pay Later apps?			
Age	Yes	No	Total
18-24	107	2	109
25-34	65	4	69
35-44	40	3	43
45+	19	6	25
Total	231	15	246

 χ^2 Tests

	Value	df	p
χ^2	17.5	3	<.001
N	246		

The p-value associated with the chi-square statistic is <0.001, which is lower than the significance value (0.05). It can hence be noted that there is a relation between Age and Awareness factor in BNPL apps. So the main target market for the BNPL apps can range from the ages 18-45.

Age and Feeling Safety using Buy Now Pay Later Apps: Test of ANOVA

ANOVA - Do you feel that the Buy Now Pay later apps are safe?

	Sum of Squares	df	Mean Square	F	p
Age	8.60	3	2.867	6.28	<.001
Residuals	111.03	243	0.457		

Interpreting this table, we find that the p-value is <0.001, which is lower than the significance level i.e. 0.05. There is enough evidence to reject the null hypothesis. Therefore, the variables (Age and feeling of safety of using BNPL services) are significantly associated. Hence, BNPL companies can take steps in order to ensure older people use their apps by deploying appropriate marketing strategies and offers.

Purpose of app usage (Descriptive Table):

Frequencies of For what purpose would you use Buy Now Pay Later apps?

For what purpose would you use Buy Now Pay Later apps?	Counts	% of Total	Cumulative %
Food	91	36.8 %	36.8 %
Tickets (Movie, Travel)	117	47.4 %	84.2 %
Medicine	27	10.9 %	95.1 %
Grocery Delivery	12	4.9 %	100.0 %

It can be interpreted that majority of people use BNPL apps for food delivery. This can be attributed to the merchant partnerships with food delivery companies like Swiggy, Zomato..etc.



Consumer suggestions and preference to improve BNPL apps and services (Descriptive Table):

Frequencies of What improvements or additional features would you like to see in BNPL apps in the future?

What improvements or additional features would you like to see in BNPL apps in the future?	Counts	% of Total	Cumulative %
Longer Interest Free Periods	66	26.7 %	26.7 %
Enhanced Security Measures	96	38.9 %	65.6 %
Gentle Customer Service	66	26.7 %	92.3 %
Flexible Payment Periods	19	7.7 %	100.0 %

From the above table, many things can be concluded which might benefit BNPL companies and policy makers alike. Consumers prefer longer interest free payment periods in case of missed payment dates. One issue which customers report having to deal with constant calls from the BNPL customer care if the customer misses payment date. Hence, they prefer interest free periods. BNPL companies can take this into account and revise the payment periods and make it interest free for more time.

Also, a majority of respondents say they require enhanced security measures. It can be seen in recent times that phone numbers of customers may be compromised. So, a focus on increased security measures is advised.

Gentle customer service is also preferred by 26.7% of the respondents which can be due to earlier mentioned constant calls.

VI. FINDINGS AND RECOMMENDATIONS

Awareness and Adoption: There has been significant awareness from the consumer over the past few years about the BNPL apps, especially after the COVID-19 pandemic and when consumers started to switch to digital payments using UPI and started the adoption of food delivery apps..etc. The research conducted on awareness shows a massive shift in awareness on the positive side. This can be attributed to many factors like increased social media presence of companies, increased social media presence of consumers, regardless of any age. The adoption of these services are also growing quickly, since many people prefer BNPL services as a form of Instant Payment method, ignoring credit scores, paperwork..etc.

Experience and Satisfaction: After collection and careful analyzation of data, it can be found that a majority of the consumers had a good experience in the usage of Buy Now Pay Later apps and had little to no problems whatsoever. The very minority of the problems can be attributed to age gaps and unforeseen issues like server errors, due to which payment errors happen. Since consumers count BNPL aps as their go to for instant payment, it can also be noted that they are satisfied with the usage of such apps. The data collected pertaining to satisfaction, purpose of usage, features liked, spending habits, all suggest that consumers are well adjusted with the BNPL services provided by the apps.

Recommended changes by Consumers: After usage of BNPL services, consumers recommended any changed pertaining to repayment periods, interest rates and fees charged, customer services and security issues, an idea relating to what part of BNPL services can improve is now known. This information can prove useful to companies, stakeholders and as well as consumers alike. Upon interpretation of the data gathered, it can also be found that the overall consumer opinion towards the adoption, usage and opinion of consumers towards Buy Now, Pay Later apps is indeed positive.

RECOMMENDATIONS

- Market BNPL services more
- Provide more catching offers for consumers to increase adoption
- Have a technical team ready in case any bug occurs in the BNPL app, which may lead to any errors, reported by consumers.
- Engage with consumers regularly in order to obtain consistent and quality feedback, which can further be used to improve the BNPL app and its services.
- Listen to all customer feedback pertaining to high default fee, repayment periods and other issues that might affect the business in the long run.



- On the consumer side, be aware to any new financial technology that proves to be helpful, in a sustainable way.

VI. CONCLUSION

In conclusion, this research paper has been worked keeping the Consumer Behaviour towards Buy Now Pay Later apps in India as a main focus, addressing gaps in existing literature such as absence of consumer opinions, experiences and recommendations towards BNPL apps as a whole. By employing a questionnaire based approach, the study has aimed to shed light on various aspects on BNPL app usage, keeping the earlier mentioned awareness, adoption, usage, satisfaction as a main focus. The formulation of research objectives, guided by existing gaps such as the absence of a qualitative analysis, has enabled comprehensive exploration of BNPL usage patterns. However, it is important to acknowledge the limitations inherent in the study design, such as potential biases and lack of longitudinal study. Based on the findings of this study, several recommendations can be made to various stakeholders including companies and policy makers in the fintech industry. Overall, this research contributes to te growing body of knowledge on BNPL app usage and provides a foundation for future research in this rapidly evolving field and industry.

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