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# A study on the Factors Driving Buy Now, Pay Later Services: Adoption Among young consumer

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**Abstract**

Buy Now-Pay Later services have evolved as a rapidly growing substitute payment and limited duration loan mechanism, notable among young consumers who value accessibility, adaptability and access to product and services. This examines the factors affecting the acceptance of BNPL services among young consumers aged 18-35 years. The research focuses on major factors such as perceived benefits, usability, peer influence, financial flexibility, expenditure pattern willingness to accept and consistent use of BNPL services.

A quantitative research method will be employed, using a structured questionnaire to gather primary data from participants within the age group of 18-35 years. The gathered data will be interpreted using an applicable analytical method to ascertain the substantial links between the specified determinants and BNPL adoption. The study additionally investigates the association between the regularity of BNPL utilisation and customer expenditure, while evaluating customer opinions regarding the positive aspect and possible risk connected with BNPL facilities.

The research is anticipated to offer knowledge into how BNPL affects customer buying behaviour. It also helps determine whether the comfort and adaptability provided by BNPL motivate higher expenditure or unplanned spending. The result can be beneficial to customers, financial institutions, online shopping platform, and regulatory authorities gaining knowledge about the possibilities and potential drawbacks related to BNPL facilities and encouraging proper utilisation.

***Key Words: BNPL (Buy Now Pay Later), Young Consumers, Spending Patterns, Unplanned spending.***

## Introduction

Buy Now Pay Later services have rapidly emerged as an important financial technology innovation in digital commerce, it helps consumers to acquire goods immediately and repay the amount through short term instalment. This services mainly attract young consumers because they are easy un boarding, interest free repayment option. BNPL is available to consumers who have limited traditional

credit system. Total BNPL loans are issued by large providers enhanced from $8.3 billion in 2020 to $24.2 billion in 2021 and global market is predicted to reach $1 trillion by 2025. They provide early examination of effects on BNPL on consumer financial standards.

The growing adoption of BMPL among Generation Z and young millennials reflects broader change in consumer behaviour, and have greater reliance on mobile applications. Nevertheless, the expansion of BNPL services has generated concerns related to missed payments, late charges, financial pressures. Studies shows that BNPL users tend to be younger and may have limited credit experience, which can increase their exposure to overdrafts, interest changes. For this reason, it is important to see search why young consumer adopt BNPL, service and what factors shape their adoption decision

This study examines the key determinants of BNPL adoption among young consumer. Based on the technology adoption and consumer behaviour perspective, performance expectancy, social influence, perceived ease of use. Earlier finding shows that usefulness, perceived security can significantly influence young consumer intention to adopt Buy Now Pay Later

The results of this study may guide BNPL, provides in developing safer and more consumer-friendly platforms, helps regulators design effective protection policies and encourage young consumer to use BNPL responsible. Studies help to characterize future BNPL demand under varying macroeconomy and regulatory regimes.

## Review of Literature

**1 Di Maggio. Williams and Katz (2022)**

**Title: Buy Now, Pay Later Credit: User characteristics and effects on spending pattern.**

The research aimed to study the characteristics of BNPL users and investigate how access to BNPL credit that influence consumer expenditure patter, The researcher analysed an extensive data collection of consumer transactions in the united state. They reviewed BNPL utilization tendencies and variation in expenditure following the implementation of BNPL Servies. The finding revealed that availability to BNPL enhanced consumer entire expenditure directed towards consumer market. This expansion could not be clarified solely by the substitution of one payment procedure for another. The research summarise that BNPL accessibility can promote addition consumer expenses. It emphasises the value of insight how access to deferred payment facilities influences buying decision and expenditure behaviour

**2. Yong, Gengatharen and Powell (2023)**

**Title: The Relationship Between Responsible Financial wellbeing: The Case of Buy Now, Pay Later**

the research aimed to study the association connecting sensible financial behaviour and financial stability within BNPL consumers, specifically the contribution of financial management practices in minimizing possible financial difficulties. The investigators carried out a survey on BNPL consumers and applied structure equation modelling to evaluate the association connecting responsible money management behaviour and economic well-being. The finding shows particularly below 25 years of age seemed at high risk. The research conclude that prudent expenditure, monetary planning and repayment management are important for BNPL consumer

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**3. Maesen and Ang (2024)**

**Title: Buy Now, Pay Later: Impact of Instalment Payments on Consumer Purchase**

The research intended to examine how BNPL instalment payment influence consumer frequency of purchase and the amount spend on purchase. The researchers utilised customer purchase records from a large retailer in the United States. They applied a various method to evaluate purchase behaviour before and after BNPL was introduced. The results finding revealed that BNPL adoption enhanced frequency by 9% and 10% relative to the control group. The experiment indicates that payment in smaller instalment might lessen consumer perceived financial restrictions and make purchase seems easier to afford. The research concludes that dividing payments into manageable instalment amount can influence consumer to engage in purchasing activities more often and spend larger amounts. Therefore, BNPL can affect both the frequency of expenditure and the consumer purchase value.

**4. Ashby, Sharifi, Yao and Ang (2025)**

**Title: The influence of the Buy Now, Pay Later Payment Mode on Consumer Spending Decision**

This research aimed to examine how BNPL payment modes affects consumer expenditure compared with different payment modes, such as credit-based payment instrument, and how instalment prices influence consumer perceptions. The researcher evaluated consumer purchase record data to examine consumer under various payment modes and instalment structure. The finding revealed that consumer generally spend more when using BNPL than when using alternative payment modes. This research conclude that BNPL can affect spending through making appear more affordable, this encourages consumers to spend more than they would.

**5. Mukherjee (2025)**

**Title: Factors Impeding Buy Now, Pay Later Adoption in India: A Mixed-Method Approach**

The research intended to determine the major challenges restricting Indian consumers from embracing BNPL service and examine the association between these barriers. The researchers applied a mixed research methodology. The qualitative phase involved evaluating BNPL application reviews and expert perspectives. The quantitative phase applied the Decision-Making Trial and Evaluation Laboratory methods to identify and rank the obstacles to acceptance. The study revealed digital illiteracy as a significant hindrance further adoption-related problems. Privacy concerns, hidden charges, high penalty. Negative credit profit, and resistance to adoption new services. Spontaneous purchase and regulatory issues appeared as causal factors influencing adoption. The research concluded that inadequate digital and financial knowledge can hinder the adoption of BNPL service in India. It highlighted the necessity of financial awareness, transparency in charges, ethical lending practices.

**6. Authors of the Effects of Buy Now, Pay Later on Customers Online Purchase Behaviour (2024):**

Title: The Effects of BNPL on Consumer Online Purchase Behaviour

The study intended to analyse the effect of BNPL utilisation on online consumer spending and determine consumer attributes and product associated factors that affect this relationship. The researchers used retail purchase records and a combined difference in differences methodological framework to evaluate the online spending of Consumer. The results revealed that consumers adopt

BNPL spent around 6.42% more than consumer who did not adopt. The research conclude that BNPL adoption can enhance digital customer spending. It also indicated that age group, income, selling prices and promotional sensitivity may influence the level to which BNPL impact purchase patterns.

### Research Gap

The previous studies emphasises the increasing impact of BNPL service on consumer spending behaviour, expenditure pattern and payment flexibility, However, previous studies has mainly focused on expenditure results, financial wellness and obstacles related with BNPL utilization, while limited consideration has been given to analyse the collective impact of technology convenience, perceived utility, financial knowledge, social impact and trust on acceptance decision among young consumers. Particularly there remains a need to examine how these factors jointly shape BNPL adoption among individual aged 18-35 years, along with consumer satisfaction levels and the difficulty faces during adoption. Therefore, additional examination is necessary to develop a holistic insight of the factor driving BNPL adoption and consumer perspectives of young consumer using BNPL services.

### Significance

- The raising popularity of BNPL service has reshaped consumer payment behaviour by offering a substitute to conventional payment methods.
- Young consumers constitute an important group for comprehending the acceptance of this service due to their involvement with digital platforms and developing consumer choice. Therefore, analysing the element influencing BNPL adoption among young consumers is necessary for developing greater insight of their financial decision and payment behaviour.
- The current research intends to identify and evaluate the major determinants young consumers adoption of BNPL service, including convenience, perceived cost effectiveness, simplicity, marketing offers, peer influence and reliability.
- By evaluating these factors, the study intends to offer insights into the aspects that influence young consumer willingness to adopt BNPL as a payment choice.
- The result is anticipated to be useful to BNPL service providers and financial technology companies by enabling them to comprehend and improve service that address the requirements of young consumers.
- In general, the significance of the study arises from its ability to deepen insight of the determinants of BNPL adoption among young consumer and to actionable finding for service providers, policymakers, and researchers' interest with improvement of prudent and viable digital payment practice

### Objectives

- To Understand the concept of BNPL and level of adoption among young consumers
- To identify the major factor influencing adoption of BNPL service among young consumer
- To analyse the satisfaction level of BNPL among young consumer
- To identify the major challenges faced by consumer to utilise BNPL services

### Scope of the Study

- The study concentrates on young customers, particularly generation Z and Millennials aged 18-35 years.

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- It examines the knowledge and utilization of Buy Now, Pay Later (BNPL) services within young consumer.
- It identifies the key element affecting young consumers to embrace BNPL services, such as convenience, ease of utilization, and rapid approval
- It analyses the contribution of financial convenience, including periodical repayment, lower interest rate, and deferred payment facilities
- It assesses the effect of promotional incentives, discount, and marketing approach on BNPL adoption.
- It assesses the impact of reliability, data protection, and confidentiality concerns, willingness to use BNPL platform
- It studies the consequence of perceived uncertain such as penalties, concealed, and repayment difficulties
- It examines the role of peer influence including companions, family members, social group and influencers.
- It examines the importance of financial knowledge in making prudent utilisation judgements
- It evaluates acceptance behaviour across various categories based on gender, income level, educational back ground, occupation and earlier credit usage.
- The research provides recommendation of BNPL providers, financial technology firms, and regulatory authorities for supporting secure, transparent, and responsible use of BNPL services.

## Methodology

Primary data collected through well-structured questionnaire; responses were collected from the age group of 18 to 35. Secondary data was gathered from articles, journals, various websites and other research papers.

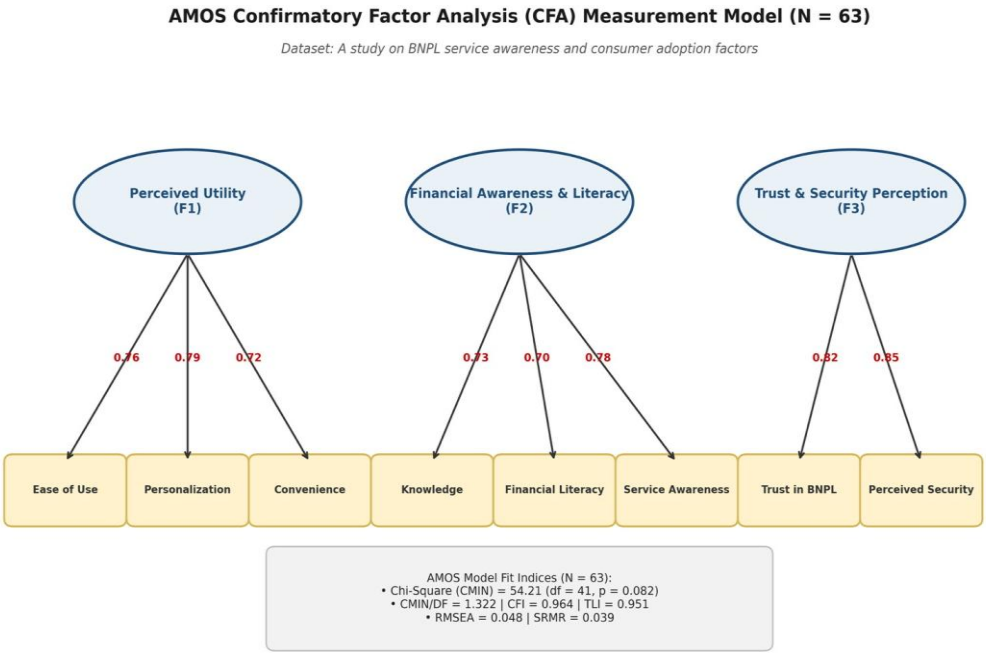
The data was analysed by using Exploratory factor analysis method (AMOS) and the hypotheses was tested by using statistical tool

## Hypotheses

**For Factor Analysis Amos:**

**H0**: The hypothesized three factor measurement model (Perceived utility, literacy and Financial Awareness, Security and Trust Perception) does not provide a good fit to the observed sample covariance matrix.

**H1**: The hypothesized three factor measurement model provides an adequate and acceptable fit to the observed sample covariance matrix.




## Result

## Interpretation

The factor structure determined in the EFA was subsequent verified measurement validation. Factor Analysis in Amos to verify its validity. The structured framework exhibits superior structural alignment, convergent validity.

- Chi-square: (X2/ CMIN): 54.21(df+41, p=0.082)
- CMIN/DF: 1.322 (Excellent fit; values< 3.0 are considered very good)
- Comparative Fit Index (Cfi): 0.964 (Excellent fit: values > 0.90 indicate good fit)
- Tucket-Lewis Index (TLI): 0.951 (Good fit; values> 0.90 indicate acceptable fit)

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- Root Mean Square Error of Approximation (RMSEA): 0.048 (Excellent fit; values< 0.08 are acceptable)Standardized Root Mean Square: Residual (SRMR); 0.039 (Excellent fit; values< 0.05 are acceptable)

**Rotated Component Matrix**
**a**

| Indicator Variables | Component 1 | Component 2 | Component 3 |
|---|---|---|---|
| Ease of use | .119 | **.784** | .212 |
| Trust in BNPL services | .251 | **.812** | .105 |
| Social influence & peer usage | .221 | **.689** | .194 |
| Personalization of payment terms | .015 | **.754** | .367 |
| Knowledge and understanding | .307 | **.721** | .292 |
| Financial literacy level | .379 | **.698** | .220 |
| Service awareness | .293 | .451 | **.644** |
| Quality & convenience of service | .255 | .712 | **.632** |
| Risk assessment capability | **.783** | .312 | .178 |
| Time saving | .217 | .542 | **.684** |
| Perceived security & risk control | .300 | .482 | **.712** |
| Emotional & impulse buying control | **.623** | .415 | .524 |

*a. Rotation converged in 5 iterations.*

Interpretation The Principal Component Analysis with Varimax Rotation Yielded a three-component solution. The Kaiser- Meyer-Olkin measure of sampling adequacy was 0.824, indicating high data suitability for Exploratory Factor Analysis.

- Component 1: Risk Assessment and Impulse Buying Control
- Component 2: Perceived Utility and Core Adoption Factor
- Component 3: Service Awareness and Convenience
- Decision: Hence, H0 is rejected and H1 is accepted

## Finding

- The research reveals that the majority respondent belongs to the 18 to 21 age group which student forming the largest occupational category.
- The finding indicates that convenience, ease of use financial flexibility, quick approval and attractive promotional offers are important factors.
- Consumer satisfaction with BNPL services is probable to depend on convenience of transaction, flexibility in repayment, transparency of charges and overall use of user experience
- The major challenges linked with BNPL services cover repayment difficulties, hidden charges, late payment penalties, overspending and concern regarding financial management
- The EFA identify three major factors influencing BNPL adoption
  - Risk assessment and impulse buying control
  - Perceived utility and core adoption
  - Service awareness and convenience

The KMO value of 0.824 confirms adequacy of collected data for factor analysis

The CFA validated the identify element's structure exhibiting good model fit with a chi square value of 54.21 (df=41, p=0.082) and CMIN / DF of 1.322

- The comprehensive model verified indicates satisfactory level with a CFI of 0.964, tucker-Lewis's index of 0.951 and RMSCA of 0.048. this statistical matrix supports the soundness of the three-factor measurement module proving that risk assessment and impulse buying control, perceived utility and core adoption and service awareness and convivence are significant dimension for understanding BNPL adoption among young consumers

## Limitations of the Research

Sample Size and Composition: The research relies on the comparatively modest respondent size which restricts the extensive applicability of the finding across the entire young consumer population related.

Demographic Limitations: The surveyed respondents mostly consisted young adults with either no personal income or high-level income (above 100,000), Which may influence the understanding of financial flexibility and unplanned spending risks.

Geographical/ Environment related: While the paper citations global literature and mentions India barriers in the literature review, the original data collection scope remains restricted, and the text contains mixed evaluation based

### Research Recommendations

The research framework and implications suggest several feasible suggestions for stakeholders: Focus on developing safety and implications suggest several actionable recommendations for various interested parties, emphasise on developing secure, transparent, and consumer oriented digital services. Clearly conveyed payment condition, Hidden charges and late payment charges to avoid users form falling into unanticipated financial traps.

For Regulatory Authorities and Policymakers: Implement responsible credit practices to control intensive promotion that stimulates impulse buying.

Marketing and advertising Compliance: Crack down on aggressive online and influencer ads that push young people into impulse buying and make frequent borrowing look like risk free lifestyle choice.

For Young Consumer and Financial Educators: Promote financial knowledge and technological knowledge to help users handle postponed payments sensibly. Motivate prudent spending, financial planning and regular repayment monitoring to avoid late charges and high debt accumulation.

## Conclusion

Fundamental factors of adoption: The study concludes that young consumer ages (18-35) significantly and adopt Buy Now, Pay Later services due to perceived useful, user friendly, modified repayment flexibility, availability and core adoption factors rather than gender- based tendencies. Statistical Insight: Confirmatory Factor Analysis effectively established a three- factor measurement structure (Risk evaluation/ Spending control, Perceived Utility, and platform awareness/ convenience).

Behavioural Impact: While BNPL improve consumer expenditure and buying frequency by reducing perceived monetary obstacles, it simultaneously exposes vulnerable, Technology oriented youth to

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risks like impulsive expenditure, delayed payment, and monetary burden is essential for long term usage. The transformation grom conventional Debt to Digital Micro- Credit: the research emphasises that BNPL is no longer just a payment counter option but a systematic transformation in how digital-native generation understand financing transitioning away from strict credit cards towards seamless, micro loan application. Macroeconomic Vulnerability: As international market face financial variations, the extensive dependence of lower income or young consumers on delayed payment mechanisms introduces structural vulnerability, emphasising that widespread limited defaults could accumulate into wider financial sector pressures.

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