

# 1 BUY NOW,PAY LATER(BNPL): FINTECH INNOVATION 2 ORCONSUMER DEBT TRAP?

## 3 4 5 6 **Abstract**

7 In India, Buy Now Pay Later (BNPL) is becoming one of the quickest-expanding  
8 fintechinnovations, and this trend is fueled by an exponential growth in the number of people  
9 buying things and accessing services online and via their cellphones, increased internet  
10 connectivity, digital payment systems development. Buy Now Pay Later, allows customer to  
11 instantly purchase goods and services, to pay over the coming installment without short-term  
12 interest. The purpose of this paper is to investigate the concept, growth, merits and demerits,  
13 impact of consumers' behavior, and regulations of Buy Now Pay Later within Indian digital  
14 ecosystem. This research study evaluates the transformation and revolution of consumer  
15 credits by fintech firms and digital lending platforms, it is about making lending and  
16 borrowing easier, convenient and easily embedded within online shopping platforms.

17 The paper is descriptive and qualitative in analysis and depends on secondary data sources  
18 obtained from various reports released by the Reserve Bank of India (RBI), the World Bank,  
19 some research reports by fintech firms and articles by sites such as the Economic Times,  
20 Business Standard, Mint and Reuters. The research concludes that the Buy Now Pay Later  
21 schemes are facilitating more access to credit and more ease in payment and enabling rapid  
22 growth of the digital economy, but it has several serious implications concerning  
23 overconsumption, impulse purchasing behavior and consumer indebtedness as well as a lack  
24 of financial awareness among the customers. In essence, BNPL schemes are beneficial and  
25 effective financial tools only when utilized properly; however, they need more strong  
26 regulations, more financial awareness, and greater consumer protection.

## 27 28 **Introduction**

29 Fintech innovation and consumers' changing needs both play a crucial role in consumer  
30 credit'schanging face.This establishes the context for the evolution of Buy Now, Pay Later  
31 (BNPL) as a fintech innovation. Earlier, the only way to obtain credit was through a bank  
32 loan. The strict eligibility criteria, heaps of paperwork, and the time taken to get the loan were  
33 impediments to consumers' access to credit. The advent of modern banking and credit cards  
34 changed the face of consumer credit. Suddenly, the consumers had an option to buy now and  
35 pay later (as explained by*TheEconomic Times and The Indian Express*). Credit access  
36 became easier, and consumer credit became a part of consumers' lives. Access to credit took a  
37 new turn with the proliferation of smartphones, booming e-commerce, and the availability of  
38 digital payments. The way consumers made payment got revolutionized with mobile wallets

39 and digital payments replacing the earlier payment systems. This establishes the context for  
40 the evolution of BNPL as a fintech innovation. Using BNPL, customers can buy immediately  
41 and

42 pay for it later in easy instalments. The process is simple, requiring minimal documentation  
43 from the customers. We have moved from traditional bank loans to credit cards, from  
44 electronic payments to BNPL, and in every step, the impact of fintech is visible in the  
45 changing way of consumer credit. Financial solutions are not only easier; they have become  
46 an extension of the way people live and spend in the digital era.

47 Buy Now Pay Later (BNPL) is a fintech-based form of short-term(i.e., less than 12 months)  
48 consumer credit that allows individuals to purchase goods or services immediately while  
49 deferring payment to a later date or repaying the amount through a series of instalments. The  
50 BNPL model typically involves three parties: the consumer, the merchant, and the BNPL  
51 provider. When a consumer chooses the BNPL option at checkout, the provider pays the  
52 merchant the full amount of the purchase. The consumer repays the provider over time  
53 according to a fixed repayment schedule, typically in smaller instalments. These services are  
54 commonly integrated into online shopping platforms and retail checkout systems, and many  
55 plans are offered without interest if payments are made on time. While BNPL offers  
56 convenience and flexible payment options, it has also raised concerns about the potential risk  
57 of increasing consumer debt. Some examples of BNPL are, **Simpl** and **LazyPay** let users  
58 complete online purchases first and pay the total amount later within a fixed billing cycle.  
59 Shopping platforms like **Amazon Pay Later** and **Flipkart Pay Later** give customers instant  
60 credit while shopping, with the option to repay later in full or in instalments.  
61 Similarly, **Paytm Postpaid** and **ZestMoney** allow users to pay later for everyday expenses,  
62 making credit easier to access even for people who do not use credit cards.

63 In the modern digital economy, the concept of “Buy Now Pay Later” (BNPL) has become an  
64 important feature in the credit system of consumers mainly due to the rapid growth of online  
65 shopping and changes in the spending habits of consumers. As the number of online shopping  
66 platforms has grown, consumers are increasingly looking for payment systems that are  
67 convenient and quick. According to various financial news articles published in *The*  
68 *EconomicTimes* and *Business Standard*, the concept of digital credit services has grown with  
69 the number of online purchases. Fintech services have also contributed to the growth of  
70 BNPL by making borrowing convenient and quick, with very little paperwork compared to  
71 traditional bank loans. This concept has become extremely popular among young consumers  
72 who do not own credit cards but are comfortable with digital payment systems and want to  
73 buy goods and services and pay later in smaller instalments. According to various news  
74 articles, BNPL has become popular due to the availability of flexible payment systems and  
75 short-term interest-free periods. Therefore, the concept of BNPL has become an important  
76 development in the credit system of consumers and reflects changes in the financial services  
77 system to match the needs of the modern digital economy.

78  
79

## 80 **Concept**

81 Buy Now Pay Later (BNPL), a digital credit product, is a financial service that enables  
82 customers to purchase a product or service now and pay later in small instalments. As per  
83 financial news headlines published by various financial news portals like Economic Times,  
84 Business Standard, and other prominent business newspapers, Buy Now Pay Later has gained  
85 popularity as it facilitates instant approval, flexible repayment options, and instant access to  
86 small-ticket credit without the need to possess a credit card. The entire process of Buy Now  
87 Pay Later is as follows: The customer selects the pay later option at the time of checkout  
88 while purchasing a product through e-commerce websites or physical stores. The BNPL  
89 service provider makes the full payment to the merchant on behalf of the customer, and the  
90 customer repays the service provider later in small instalments within a short period of time.  
91 The period is generally a few weeks or months, depending on the service provider and the  
92 value of the product.

93 One of the major factors for the rise of BNPL is that these short-term plans are interest-free if  
94 the payment is made within the stipulated time. In many news articles, BNPL has been  
95 referred to as an interest-free credit option for small transactions, which is particularly  
96 beneficial for young consumers and first-time borrowers who may not have access to credit  
97 cards. However, if the payment is not made on time, late fees or penalties are charged, which  
98 is another source of income for these companies. BNPL companies make money in two ways.  
99 Firstly, the merchants pay a small fee to the BNPL companies for offering the pay-later  
100 option, as it increases their sales and encourages customers to spend more. Secondly, late  
101 fees, service charges, or interest are also another source of income for these companies,  
102 especially for long-term plans. Hence, BNPL offers customers the opportunity to buy now  
103 and pay later, while the companies make money through merchant commissions and penalty  
104 charges, which has made BNPL a popular trend in the modern digital payment system.

105 Another notable aspect of the BNPL system is that it has been integrated with digital  
106 platforms, which enables the borrowing process to take less time compared to traditional  
107 credit systems. Financial news articles published in Economic Times and Business Standard  
108 have highlighted that BNPL services make use of technology-based credit checks and  
109 customer data, enabling transactions to be approved in a matter of seconds. This enables  
110 customers to make transactions without going through lengthy verification procedures. This  
111 system of instant approval is especially useful for customers who make transactions through  
112 online shopping portals, as customers prefer quick payment options rather than applying for  
113 loans. BNPL services also offer small credit limits in the initial stage, which can be increased  
114 gradually depending on the behaviour of the customers, thus enabling companies to manage  
115 risk factors while offering easy access to credit. Thus, the entire system of BNPL has been  
116 integrated with digital platforms, enabling it to become associated with the growth of e-  
117 commerce services, thus making it the most convenient form of short-term credit available in  
118 the current digital economy.

119

## 120 **Theory**

121 The idea that deferred payment schemes give rise to higher levels of consumer spending is a  
122 recurring theme of behavioural economics, and is intrinsically bound up with the expansion  
123 of digital credit schemes like Buy-Now-Pay-Later (BNPL). According to the aggregate  
124 description found on the web site Wikipedia the postponement of payment dulls the  
125 immediate feeling of liquidation and so could cause consumers to procure more goods than in  
126 a situation involving instant settlement. Analyses in The Economic Times and Business  
127 Standard further support how the evolution of instant productively low barrier digital credit  
128 has enhanced consumer spending especially in e-commerce environment where BNPL has  
129 facilitated more rapid and convenient checkout procedure. Nonetheless, despite this  
130 convenience often being labelled as a beneficial development in the realm of fintech, it also  
131 inspires legitimate fears in terms of accumulating too much spending and spending too much  
132 on something that one does not anticipate.

133 The accelerated growth in BNPL offerings has compounded this phenomenon, especially  
134 among younger demographics as well as during first-time credit users. Journalistic accounts  
135 from the Hindustan Times and other global business houses reveal that it is this  
136 depersonalising of expensive commodities by splitting of payment into small amounts that  
137 makes BNPL so attractive. Nevertheless, these same observations do serve as a warning  
138 against the dangers of enrolling in a number of pay-later arrangements simultaneously, for it  
139 is easy for such an arrangement to lead to a rapid growth in the aggregate of liabilities. Rapid  
140 approval mechanisms, combined with few requirements for documentation, can lead to  
141 inadequate monitoring of cumulative debt, and therefore endanger the ability to pay it back  
142 later. Consequently, the same attribute of BNPL that makes it a convenient means of doing  
143 business may in turn increase the temptation to fiscal overreach.

144 In articles spread by The Economic Times, Business Standard and through various  
145 international commentaries there is a perception gaining ground that while BNPL increases  
146 the accessibility of credits and spurs digital commercial activities, chronic utilization in the  
147 absence of disciplined financial management may put a massive strain on repayment  
148 capabilities upon certain customers. The splitting of the payments into diminutive ones does  
149 often make the cumulative fiscal obligation difficult to see, and the brewing of the  
150 compounded lack of repayment will cause late fees or other ancillary charges. The  
151 constellation of rapid approbation, flexible repayment schemes and easy credit provisioning,  
152 therefore, have the potential to encourage escalated consumption. When not properly  
153 regulated, such dynamics may force consumers to rely on new borrowing to meet existing  
154 obligations, which further heightens the possibility of falling into short term indebtedness.

155

## 156 **Literature review**

157 The concept of Buy Now Pay Later (BNPL) has gained significant attention in recent years  
158 due to its rapid growth within the fintech ecosystem. Existing literature highlights its role in  
159 transforming consumer credit by offering instant, short-term financing options integrated  
160 with digital platforms. Several studies have examined its impact on consumer spending  
161 behaviour, accessibility of credit, and financial decision-making. At the same time, research

162 has also focused on the opportunities and challenges associated with its adoption, particularly  
163 in emerging markets like India.

164 **Dionysius Ang & Stijn Maesen (2024)** focused on the impact of Buy Now Pay Later  
165 (BNPL) on consumer spending behaviour. This study examines how instalment-based  
166 payment options influence purchasing decisions using transaction data. It found that BNPL  
167 increases both purchase frequency and overall spending by reducing the perceived cost of  
168 purchases. The paper concluded that consumers tend to spend more as payments feel smaller  
169 and more manageable, even without an actual increase in financial capacity.

170 **Tobias Berg, Valentin Burg, Jan Keil & Manju Puri (2024)** examined the economics  
171 of Buy Now Pay Later (BNPL) from a merchant's perspective. The study explains that  
172 BNPL combines product sales with a subsidized loan, allowing firms to offer effective  
173 price differences to consumers with varying creditworthiness. It finds that BNPL  
174 increases sales by nearly 20%, particularly among lower-credit consumers, and  
175 concludes that the benefits to merchants outweigh the costs, helping explain its rapid  
176 growth in e-commerce.

177 **Katakam Vasavi (2023)** examined Buy Now Pay Later (BNPL) in the Indian context,  
178 focusing on its dual role as a financial convenience and a potential risk. The study analysed  
179 how BNPL increases accessibility to short-term credit, especially for young and first-time  
180 users. It found that while BNPL promotes ease of transactions and supports consumption, its  
181 easy availability and minimal checks may encourage overspending. The paper concluded that  
182 BNPL acts as both a useful fintech innovation and a possible source of short-term debt if not  
183 used responsibly.

184 **Shreya Mukherjee (2023)** research sought to analyse the obstacles hindering the usage of  
185 Buy Now Pay Later facilities in India. By integrating quantitative and qualitative data in  
186 her analysis, the research sought to determine the consumer's perception and reasons for  
187 their reluctance to use such services. From the findings, it was noted that consumers are  
188 reluctant due to issues of low awareness levels, fear of unexpected charges, distrust in  
189 digital credit mechanisms, and confusion regarding legal requirements. In addressing  
190 these challenges, it is advisable that financial literacy programs, transparency of terms  
191 and conditions, and regulatory frameworks be considered. With a myriad of  
192 opportunities for growth for Buy Now Pay Later facilities in India, overcoming these  
193 barriers will be imperative.

194 **Jayashri A (2023)** analysed the adoption of Buy Now Pay Later (BNPL) in the Indian  
195 context, focusing on its determinants, barriers, and behavioural implications. The study  
196 found that factors such as convenience, ease of access, and integration with digital  
197 platforms drive adoption, especially among young consumers. At the same time,  
198 concerns related to lack of awareness, trust issues, and hidden costs act as barriers. The  
199 paper also suggests interventions like improving financial literacy and ensuring

200 transparency in BNPL services. It concludes that while BNPL has strong growth  
201 potential, consumer behaviour and awareness play a key role in its adoption.

202

## 203 **Methodology**

204 This research paper follows a qualitative and descriptive method of research to discuss  
205 concept, evolution, merits, demerits, and regulation of the concept of Buy Now Pay  
206 Later (BNPL) in India. The objective is to assess the evolution of BNPL as a significant  
207 fintech innovation in the Indian digital economy and its role in influencing consumer  
208 buying behaviour and the usage of digital credit. It also intends to explore broad  
209 developments in digital lending, consumer financing, changing pattern of payment  
210 systems and also take an exploratory approach towards it.

211 The data collected for the research primarily constitutes secondary data sourced from  
212 various authentic and reliable resources like reports released by the Reserve Bank of  
213 India (RBI), World Bank, NPCI and other governmental agencies. Research papers,  
214 academic journals and fintech research reports are major sources of information and  
215 knowledge. Along with these, articles from newspapers and other financial, economic  
216 and business media like The Economic Times, Business Standard, Mint, The Hindustan  
217 Times, Reuters, Bloomberg have been reviewed for understanding the present trends,  
218 regulations, customer perception etc with respect to BNPL services in India. Some  
219 statistical data of internet usage, smart phone penetrations, e-commerce growth etc have  
220 also been taken into consideration from reliable source like Statista, TRAI, IAMAI, for  
221 understanding the growth trajectory.

222 The paper consists of a review and comparative analysis of the already existing literature  
223 on various aspects of the fintech innovation, digital lending, consumer behaviour and  
224 financial risk. The data so compiled from various sources are critically evaluated and  
225 analysed in a systematic way to understand both the positive and negative impacts of  
226 BNPL services. In addition to that the role of regulations, financial literacy, and  
227 awareness of customers regarding use of BNPL has also been understood through  
228 methodology. Thus it is a holistic method, to get to the heart of financial, technological,  
229 behavioural and regulatory issues related to BNPL in India.

230

## 231 **Growth of BNPL**

232 The growth of Buy Pay Later in India is happening at a rapid pace because of changes in the  
233 way people buy things online. More people are shopping on the internet. Trying out new  
234 financial technology ideas. Over time Buy Now Pay Later has become a part of how people  
235 borrow money online. News reports from Business Standard and Economic Times say that  
236 Buy Now Pay Later is going to get even bigger. It will be used often when people shop online

237 in the coming years. One reason for this is that more people in India are buying things on the  
238 internet. This means people need ways to pay for things. Buy Now Pay Later works well  
239 because it is part of the checkout process when you buy something online. This lets people  
240 buy things away without paying for them all at once.

241 Buy Now Pay Later is growing because of financial technology companies and online  
242 lending platforms. These companies use computers to decide who can borrow money. This  
243 makes it faster and easier for people to get loans than going to a bank. Reports say that these  
244 financial technology companies are now giving out loans of less than ₹50,000. This is similar  
245 to how Buy Now Pay Later works, with short-term loans that're not very big. Young people  
246 like Gen -Z and millennials are driving the growth of Buy Pay Later. Studies show that 60%  
247 of people who use Buy Now Pay Later are in these age groups. They like using platforms and  
248 prefer to be able to pay for things in a flexible way. Many young users do not have credit  
249 cards. Do not want to use them. This makes Buy Now Pay a good option for them. Younger  
250 consumers are also influenced by what's popular on social media and what their friends are  
251 buying.

252 Not many people in India use credit cards, which has created a gap in how people borrow  
253 money. Reports say that about 5% of Indians use credit cards. This is not enough to meet the  
254 growing demand for short-term loans. Buy Now Pay Later fills this gap by giving people  
255 credit without needing a credit card or a history of borrowing money. This lets millions of  
256 first-time users get credit to buy things.

257 A major reason Buy Now Pay Later is growing is because it is easy to get approved and does  
258 not require a lot of paperwork. Unlike getting a loan Buy Now Pay Later services often do  
259 not need paperwork and can give you approval right away. This makes it convenient for users  
260 who are shopping online and want to buy things. Consumers can complete transactions fast  
261 without having to verify a lot of information. This makes the experience of using Buy Pay  
262 Later better and encourages people to use it again. The fact that Buy Pay Later offers flexible  
263 repayment options and interest-free short-term plans makes it attractive to people. Most  
264 services let users pay back what they owe in instalments over weeks or months without  
265 having to pay interest. This makes it seem affordable and reduces the burden on consumers.  
266 Many users prefer Buy Now Pay Later over credit options for small purchases.

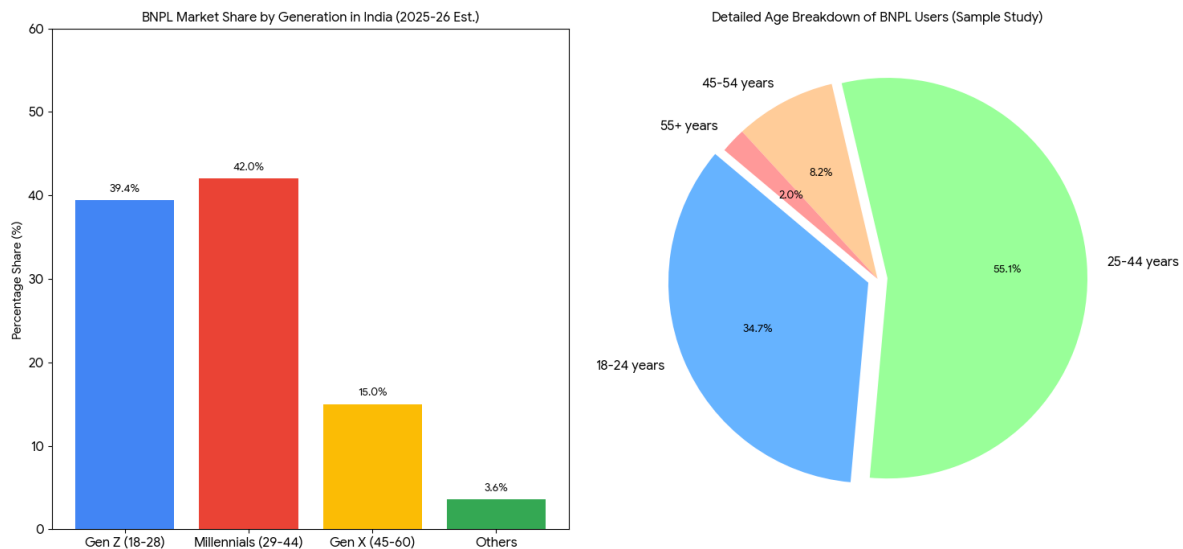
267 Broader economic factors, like people spending money and changes in how people spend  
268 their money have also contributed to the growth of Buy Now Pay Later. Many consumers,  
269 including those with incomes rely on short-term credit options like Buy Now Pay Later. This  
270 shows that Buy Now Pay Later is not just for purchases but also for regular financial needs.

271 One big reason Buy Now Pay Later is growing in India is that it is connected to digital  
272 platforms and things people buy every day. Buy Now Pay Later is part of shopping websites,  
273 food delivery apps, travel bookings and utility payments. This makes it easy to see and use  
274 Buy Now Pay Later when buying something. The Economic Times says that having credit  
275 available when you need it makes people more likely to use Buy Pay Later. You do not have

276 to apply for credit which makes Buy Now Pay Later a normal way to pay instead of getting a  
277 separate loan.

278 The use of data and technology is also a part of why Buy Now Pay is growing. Financial  
279 technology companies use algorithms and new ways to score credit, which lets them  
280 approve users quickly. This helps people who do not have a credit history. The Business  
281 Standard says

282



283

284

285 **(FIGURE-1: AGE GROUPS OF USERS)**

286

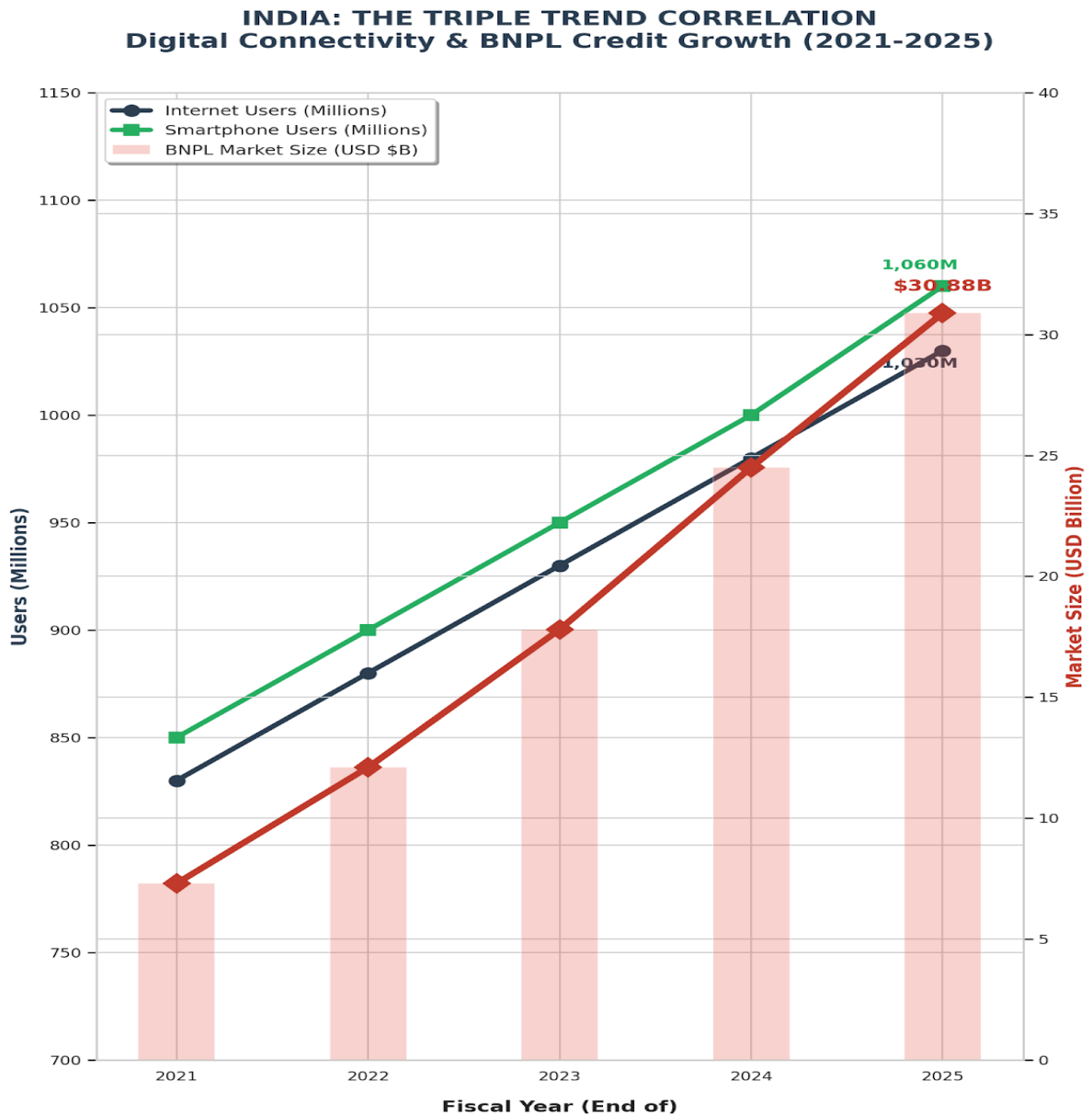
287 that this helps lenders reach people who they could not lend to before including students, gig  
288 workers and people who are earning money for the time. Buy Now Pay Later is now used in  
289 cities and also in towns.

290 People's view on borrowing money are changing. This is helping Buy Now Pay Later grow.  
291 Before people thought borrowing money was a deal. Now people think term digital credit is a  
292 useful tool. The Hindustan Times says that younger users see Buy Now Pay Later as a way to  
293 manage their money. They can divide payments into parts, which makes it easier for people  
294 who do not have a lot of money.

295 Merchants and businesses are also helping Buy Now Pay Later grow. They partner with Buy  
296 Now Pay providers because it helps them sell more and makes customers happy. It also  
297 reduces cart abandonment. The Economic Times says that merchants are willing to pay a fee  
298 for this. This partnership is used in areas like retail, travel and services.

299 The COVID-19 pandemic also made Buy Now Pay more popular. People were using  
 300 transactions more and were not sure about their income. So they looked for payment options  
 301 that would let them pay later. Buy Now Pay Later was a choice because they did not have to  
 302 pay everything at once. Financial news says that this time helped make Buy Now Pay Later  
 303 stronger.

304



305

(FIGURE-2: TRIPLE CORREALTION GRAPH )

306

307

308 There is a lot of competition among financial technology companies. This is helping Buy  
 309 Now Pay Later grow. They are always making the user experience better. They offer

310 rewards,cashback and credit limits that are tailored to each user. This makes more people  
311 aware of Buy Now Pay more likely to use it.

312 Buy Now Pay Later services follow various business models, based on the payment structure,  
313 the length of repayment period, and the kind of credit provided to customers. For instance,  
314 one of the popular BNPL business models in the industry today is the '**Pay in Four**' scheme,  
315 whereby the customer breaks down his/her total purchase value into four smaller instalments.  
316 Another widely used business model in the BNPL market is the monthly instalment payment  
317 model, where the user pays the amount over a few months; however, some companies add  
318 interest charges to the amount due after certain periods. Additionally, some BNPL service  
319 providers offer post-paid or bill pay business model, whereby the users pay once for multiple  
320 purchases in a single billing cycle. Companies in India such as **Simpl, LazyPay, and**  
321 **PaytmPostpay**, mostly use this business model. Furthermore, some e-commerce companies  
322 such as **Amazon Pay Later** and **Flipkart Pay Later** provide BNPL services directly to  
323 customers through the checkout system.

324 These different BNPL services models significantly influence consumer behaviour since they  
325 change the way people view and make purchases or payments. Since payments are done in  
326 smaller instalments, goods seem much cheaper to consumers; hence, they are likely to make  
327 additional purchases. Research studies and financial reports have established that delayed  
328 payment schemes make people feel less psychologically burdened, prompting consumers to  
329 spend more money. According to some financial reports, younger individuals including Gen  
330 Z and millennials are highly attracted to the use of BNPL services because of their  
331 convenience and ease of application. Furthermore, integration of BNPL into e-commerce and  
332 mobile applications increases cases of impulse purchases due to the fast repayment plans.

333 However, BNPL services affect consumer purchasing behaviour positively and negatively,  
334 considering that it allows customers to use multiple services at once. In some cases,  
335 consumers do not consider the full repayment amount since instalments appear smaller.  
336 Financial reports published in newspapers such as *Economic Times* and *Business Standard*  
337 highlight that most people tend to underestimate their repayment amount due to instalment  
338 payments. Despite this challenge, Buy Now Pay Later services have grown tremendously  
339 since they incorporate digital technology and flexible repayment models; thus, offering easy  
340 access to digital credit.

341

## 342 **Benefits of BNPL**

343 The Buy Now Pay Later system is changing the way people buy things. It is making it easier  
344 for people to get credit and pay for things online. Buy Now Pay Later is popular because it is  
345 simple and easy to use. It does not require a lot of paperwork or waiting time. People can use  
346 Buy Now Pay Later when they are shopping online and pay for things later. This makes it  
347 easier for people to buy things they need or want.

348 One of the things about Buy Now Pay Later is that it is easy to use. People do not have to fill  
349 out a lot of forms or wait for a time to get approved. They can just use their phone or  
350 computer to apply for Buy Now Pay Later. This makes it easy for people to get credit and pay  
351 for things online. Buy Now Pay Later is also good for people who do not have a lot of money  
352 or credit history. It helps them to buy things they need or want and pay for them later.

353 Buy Now Pay Later also helps people who do not have a lot of money at the moment. They  
354 can use Buy Now Pay Later to pay for things they need or want and pay for them later when  
355 they have money. This helps people to manage their money better and not have to worry  
356 about paying for things all at once. Buy Pay Later also gives people a clear idea of how much  
357 they have to pay and when they have to pay it. This helps people to plan their money better  
358 and not have to worry about payments.

359 Buy Now Pay Later is not just good for people who are buying things. It is also good for  
360 businesses that sell things online. It helps them to sell things and make more money. When  
361 people can use Buy Now Pay Later they are more likely to buy things because they do not  
362 have to pay for them all at. This helps businesses to grow and make money. Buy Pay Later  
363 also helps businesses to understand their customers better. They can see what people are  
364 buying and how they are paying for it. This helps them to make decisions about what to sell  
365 and how to sell it.

366 Buy Now Pay Later is also changing the way people pay for things and now people have  
367 increased the usage of their phones to pay for things. This is helping to reduce the use of cash  
368 and making it easier for people to pay for things online. Buy Now Pay Later is also helping to  
369 make the financial system more modern and efficient. It is using technology to make it easier  
370 for people to get credit and pay for things. This is helping to make the financial system more  
371 accessible and easier to use.

372 Buy Now Pay services are also helping to make the economy grow. This is helping to increase  
373 the amount of money that people are spending and making the economy grow. Buy Now Pay  
374 Later services are also helping to make it easier for people to start their businesses. They are  
375 making it easier for people to get credit and pay for things online. This is helping to make it  
376 easier for people to start their businesses and make money.

377 The way Buy Now Pay Later services work is also helping to make the financial system more  
378 fair. They are making it easier for people to get credit and pay for things online. This is  
379 helping to make it easier for people to buy things they need or want and pay for them later.  
380 Buy Now Pay services are also helping to make it easier for people to manage their money.  
381 They are giving people an idea of how much they have to pay and when they have to pay it.  
382 This is helping people to plan their money better and not have to worry about payments.

383 Buy Now Pay services are also helping to make the financial system more secure. They are  
384 using technology to make it easier for people to get credit and pay for things online. This is  
385 helping to reduce the risk of fraud and making it easier for people to trust the system. Buy

386 Now Pay services are also helping to make it easier for people to understand how the  
387 financial system works. They are giving people an idea of how much they have to pay and  
388 when they have to pay it. This is helping people to make decisions about their money and not  
389 have to worry about unexpected payments.

390 First and foremost, the advantage of BNPL services includes the role of these companies in  
391 the process of formalising lending practices. Indeed, in most developing countries, informal  
392 lending was the only way for people to get access to finances. It involved borrowing money  
393 from family members, relatives, or from various lending institutions. The use of BNPL  
394 platforms involves the transformation of these transactions into a systematised digital format.  
395 The repayment and purchases would be registered by using these platforms, making users  
396 familiar with the principles of formal financing.

397 Moreover, BNPL contributes to the development of SMEs in many cases. Sometimes, small  
398 businesses find it hard to attract new clients because of the fact that customers do not want to  
399 pay the full price of purchase in one instalment. In such cases, BNPL services can make these  
400 products cheaper, which allows smaller businesses to sell these goods and become more  
401 competitive. In particular, this type of service plays a significant role in the development of e-  
402 commerce via marketplaces.

403 BNPL is useful for promoting digital financial literacy among consumers. Indeed, the vast  
404 majority of BNPL companies rely on online platforms and applications. Therefore, BNPL  
405 services contribute to the increasing familiarity of users with various aspects of the digital  
406 finance world. BNPL services contribute to the development of the subscription economy. At  
407 the moment, online education portals, various streaming services, health club memberships,  
408 software licences, and others could be purchased through BNPL services, meaning that  
409 consumers would not need to pay the full cost of these products immediately.

410 BNPL platforms contribute to the creation of customised financial services. Indeed, with the  
411 help of BNPL platforms, lenders would analyse the consumer's data and provide customised  
412 services. The existence of BNPL services stimulates competition in the field of finances.  
413 Traditional banks and lending institutions had to compete with fintech players and introduce  
414 simplified processes, improved infrastructure, and quick loan approval.

415 Benefit of BNPL is the possibility to maintain economic continuity amid periods of financial  
416 troubles. During periods of inflation and delayed payments of salaries, consumers would be  
417 able to buy necessary things without completely emptying the wallet. BNPL services promote  
418 the development of financial innovation. The combination of various aspects of lending and  
419 payment systems and technologies represents the next level of the financial industry  
420 evolution.

421 In conclusion Buy Now Pay Later services are for people and businesses. They are making it  
422 easier for people to get credit and pay for things online. They are also helping businesses to  
423 grow and make money. Buy Now Pay Later services are changing the way people pay for

424 things and making it easier for them to manage their money. They are an example of how  
425 technology can be used to make the financial system more modern and efficient. Buy Now  
426 Pay Later services are also helping to make the economy grow and make the financial system  
427 more fair and secure.  
428

## 429 **Risks associated with BNPL**

430 Buy Now Pay Later is a way of paying for things that has grown fast and is very easy to use.  
431 It also has some serious problems associated with it, that people who help us with money and  
432 people who make rules are worried about. They think that Buy Now Pay Later can make  
433 people spend money more than they should and get into debt if they are not careful.

434 When you use Buy Pay Later it can seem like you are not really borrowing money. This is  
435 because you do not have to pay for the things you are buying right away. You can pay for it a  
436 bit at a time or terms. This can be a problem because people might start buying things they  
437 cannot really afford.

438 One of the problems with Buy Now Pay Later is that it can make people spend money than  
439 they have. When you buy something the way where you pay immediately you have to think  
440 about whether you have enough money to pay for it right now. With Buy Now Pay Later  
441 people do not have to think about that as much.

442 This can make people buy things that're too expensive for them. They might think that they  
443 can afford something because the payments are small. If they have to make a lot of payments  
444 it can add up and become too much. Some people do not even think about how much they're  
445 spending in total. They just think about how they have to pay each time.

446 This is especially a problem for people who are just starting to borrow money. They might  
447 not be very good at managing their money. They might see Buy Pay Later as a way to buy  
448 things they want without having to pay for them right away. They might not think about how  
449 they will pay for them later.

450 Buy Now Pay Later can also make people buy things on impulse. Sometimes people see  
451 something they want to buy. People can get it right away if they use Buy Now Pay Later.  
452 They might not really need that thing. People might just want it because they see it and they  
453 can get it easily.

454 Another problem with Buy Pay Later is that it can make people think they can afford things  
455 that are too expensive. They might see that the payments are small and think that they can  
456 afford it. They are not thinking about how much the thing really costs. They are just thinking  
457 about how they have to pay each time.

458 Some people use Buy Now Pay Later a lot. They use it for many different things. They might  
459 use it to buy clothes or electronics or even food. This can be a problem because they might  
460 start to get confused about how much they owe and when they have to pay it back.

461 If people use Buy Now Pay too much they might start to get into debt. People might owe  
462 money to different companies and they might have to pay it back at different times. This can  
463 be very stressful. It can be hard to keep track of.

464 Some people do not even understand how Buy Now Pay Later works. They might not know  
465 that they have to pay back the money or that they will be charged fees if they do not pay it  
466 back on time.

467 Buy Now Pay Later can also make people feel like they have to buy things away. They might  
468 see something they want. They might feel like they have to get it now or they will miss out.  
469 This is because of the fear of missing out (FOMO).

470 There are also some concerns about people being able to get credit easily. Some companies  
471 that offer Buy Now Pay Later do not check carefully to make sure that people can afford to  
472 pay back the money. This can be a problem because it can make people get into debt.

473 Some people also do not read the print when they sign up for Buy Now Pay Later. They  
474 might not understand that they will be charged fees if they do not pay back the money on  
475 time. If someone is using Buy Now Pay Later they need to be very careful. These people need  
476 to make sure that they can afford to pay back the money and that they understand how it  
477 works.

478 It is also an idea to be careful when anyone is using the internet to buy things. There are some  
479 people who might try to steal one's money and/or identity. The person needs to make sure  
480 that they are using a trusted website and that they are not giving out too much information.

481 Overall Buy Now Pay Later can be a useful tool if people use it carefully. It can also be a  
482 problem if they are not careful. Buyers need to make sure that they understand how it works  
483 and that they can afford to pay back the money.

484 Moreover people should also try to save their money instead of spending it all. This can help  
485 them avoid getting into debt. It can also help them achieve their long-term goals.

486 The Buy Now Pay Later system is facing a lot of problems because of rules and regulations.  
487 In places Buy Now Pay Later services grew really fast and the rules did not catch up. This  
488 means that people who use these services are not protected like they should be. There are not  
489 rules about being clear and honest with people and lenders are not always responsible.

490 Regulators and banks are getting worried about this. They want to make sure that people  
491 understand what they are getting into and that lenders are being watched closely. They also  
492 want to make sure that these digital lending systems can last for a time.

493 If a lot of people cannot pay back their Buy Now Pay Later debts at the same time it could  
494 cause big problems for the whole financial system. This could make it hard for fintech  
495 lenders and digital credit providers to stay in business. It could also affect the digital lending  
496 system and put more pressure on regulators.

497 Overall Buy Now Pay Later services are convenient. They also come with a lot of risks.  
498 People might spend much money use too many apps and get in debt without realizing it. They  
499 might also get charged fees have poor money management skills and buy things on impulse.  
500 The Buy Now Pay Later system is growing fast so we need to make sure that people  
501 understand how to use it safely. We need financial education, responsible lending practices  
502 and closer regulation to ensure that Buy Now Pay Later services are good for users in the  
503 long run. Buy Now Pay Later services need to be sustainable and safe, for everyone. In  
504 conclusion Buy Now Pay Later can be a useful tool if you use it carefully. It can also be a  
505 problem if buyers are not careful. Buyers need to make sure that they understand how it  
506 works and that they can afford to pay back the money.  
507

## 508 **Government Regulations And Suggestions**

509 The exponential increase of BNPL schemes in India is one of the most important reasons for  
510 regulators, policymakers, financial institutions and researchers to be interested, given the  
511 growing prominence of digital credit in modern economies. While BNPL schemes increase  
512 convenience for online transactions and broaden the access of consumers to credit, concerns  
513 regarding the security and transparency of consumer data, misuse, responsible lending,  
514 irresponsible borrowing and financial indiscipline were becoming widespread, and given that  
515 BNPL schemes are inherently forms of digital lending, the Reserve Bank of India (RBI) is  
516 steadily increasing its vigilance on these services in recent times. Reports that appeared in  
517 newspapers like Economic Times, Business Standard, and also international fintech  
518 publications, confirmed that such regulation was needed, lest the rapid pace of expansion of  
519 BNPL lead to bigger financial risks to consumers and weakening of the stability of digital  
520 lending.

521 The Reserve Bank of India acts as the authority which governs financial institutions and  
522 maintains the stability of the country's financial system. As the digital payment system and  
523 fintech technologies began expanding rapidly, the RBI quickly became aware that many  
524 BNPL companies in India actually offered services based on short term unsecured lending,  
525 while promoting them as simple payment solutions. Several BNPL entities, given the swift  
526 growth in technology that had outpacing established financial laws and regulations, had  
527 initially operated in a less regulated space. But once millions of consumers began making use  
528 of these instalment payment services for all their transactions - shopping, travel bookings,  
529 food orders, consumer durables, lifestyle purchases etc. - issues of transparency, risk of  
530 default and irresponsible lending began taking a serious dimension. With these problems  
531 increasing, the RBI increased its oversight of digital lending firms, in order to ensure the  
532 rapid but safe and sustainable growth of financial innovation.

533 One of the main reasons why the regulators became concerned is the risk of customers taking  
534 on more debt and becoming habitual spenders. Unlike traditional banks, where a loan is  
535 approved only after careful assessment of the borrower's income, repayment history and  
536 financial standing, BNPL schemes are typically instant and do not require substantial proof or  
537 rigorous verification. A customer can get approval for a loan within seconds, without actually  
538 being aware whether they would be in a position to repay the amount. Most financial experts  
539 believe that these kinds of ease in credit access will likely make customers spend more than  
540 they actually are capable of, as repayment instalments seem to be too small to cause alarm.  
541 Younger consumers, first time borrowers, are said to be most vulnerable in these situations.

542 The problem of rapid increase of unsecured digital credit, given that none of the BNPL  
543 services have a collateral led aspect. Hence all loans in these services are directly dependent  
544 on credit models and repayment ability of consumers. A considerable increase in default  
545 rates, will lead to liquidity crisis and it will eventually reflect in the overall financial sector  
546 stability. So, responsible lending has become more important rather than a focus on the  
547 number of customers acquired.

548 These concerns prompted the Reserve Bank of India to bring into effect comprehensive  
549 Digital Lending Guidelines, aiming to improve accountability, transparency, and safety of  
550 customers. The decision came after reports of various digital lenders not properly disclosing  
551 hidden charges, misuse of customer data, unethical collection methods and deceptive loan  
552 structures. According to these guidelines digital lending institutions must disclose all relevant  
553 information, such as the cost of repayment, repayment schedules, interests and processing  
554 fees, and penalty conditions to the customer before they make a decision on borrowing, in  
555 order to enhance consumer understanding of their liability, rather than merely on promotion  
556 or marketing of services like "zero cost EMI" or "pay later".

557 Another aspect where the RBI regulations provide utmost importance is customer data  
558 security. Many of the digital lenders and BNPL apps collected large amounts of consumer  
559 data including bank statements, bank accounts, phone contracts and various details pertaining  
560 to their spending patterns, history, personal contacts etc. Concerns over data mis-usage  
561 prompted regulatory intervention, leading to instructions for lenders to first secure customer  
562 consent, and make customers aware of how their data is collected, used, stored and protected  
563 by the lenders.

564 Yet another area where regulatory attention was focused is repayment and collection  
565 procedures, which sometimes involved harassment and intimidation tactics. The RBI  
566 mandated responsible collection processes, keeping in view the privacy and dignity of the  
567 customer.

568 One of the key concerns has always been consumer protection, as customers may not fully  
569 understand the risks in opting for a deferred payment system, which can be simplified with  
570 minimal verification and in just a few seconds, in the process potentially weakening  
571 consumer caution levels when undertaking credit borrowing. Users might often select

572 attractive, interest free or easily paid instalments without being truly aware of the repayment  
573 obligation, late fees, and eventual penalties. As they click on acceptance, it is usually after a  
574 quick scanning of terms and conditions.

575 The risk of young consumers not having sufficient understanding is also important, since they  
576 may be first-time borrowers with limited financial education. Pressures generated by social  
577 media culture, festivals, advertisements, along with celebrity influencers' endorsement, can  
578 prompt these users to buy goods immediately, while postponing the actual payment, thereby  
579 easing off the psychologically perceived cost of buying something without immediate funds.  
580 While this is not necessarily bad, as money lenders often rely on consumers over-extending  
581 themselves, it leads to over-spending, impulsive shopping and poor budgeting. Therefore  
582 increased financial education of consumers is required to educate on financial discipline and  
583 responsible borrowing habits.

584 Regulating the Buy Now Pay Later business has also been proving challenging due to the  
585 rapid pace of innovation in digital finance compared to traditional financial regulation. As  
586 fintech companies are introducing new technologies, business models and ways of doing  
587 business continuously, regulatory bodies and institutions require time to react, analyse, and  
588 bring about necessary policy changes. One problem that is gaining prominence is the sheer  
589 ease with which customers can make use of multiple BNPL apps. Customers may be able to  
590 shop across many websites, and purchase various items such as books, clothes, food, travel  
591 tickets etc., thereby accumulating different BNPL loans with different institutions, but no  
592 single institution knowing the overall liability.

593 It is also challenging for regulators and institutions to track the actual debt burden of  
594 consumers because the small digital loans offered under the Buy Now Pay Later schemes  
595 come in vast numbers, thus increasing the probability of tracking down actual liabilities  
596 becoming a complex exercise, thereby promoting disguised debt accumulation among  
597 customers. Customers also might view BNPL as not "real money" or "real debt" since the  
598 payment is usually divided into easily paid small amounts.

599 Another significant concern for regulators in BNPL schemes is the risks associated with data  
600 privacy and cybersecurity. These systems, as they are entirely digital and run on a digital  
601 platform, carry and process substantial quantities of consumer data. Regulators are faced with  
602 ensuring that fintech companies uphold data security standards and protect consumers against  
603 fraud, theft of identity and data, improper use of data, and unauthorized access. These  
604 concerns are likely to become even more relevant with the expanding reach of digital lending.

605 According to financial professionals, India will need to develop more comprehensive and  
606 tailored regulatory framework to guide the future expansion of BNPL. Experts are suggesting  
607 that enhanced oversight frameworks and an integrated credit reporting system be established  
608 so regulators can trace borrowing in more detail across platforms.

609 Improving financial literacy training is also highlighted as a need so that consumers can  
610 comprehend debt repayment obligations, budgeting concepts and the risks of credit, prior to  
611 entering digital lending arrangements. Financial professionals also assert that stronger  
612 affordability tests and repayment capacity checks should be put in place by providers before  
613 extending credit to reduce the propensity of over-borrowing.

614 In general, government intervention has grown in importance along with the expansion of  
615 BNPL into the Indian digital ecosystem. Although BNPL affords users flexibility,  
616 accessibility, and convenience of borrowing money over a short period, it carries the risk of  
617 debt and financial hardship, and the problem will not resolve itself automatically. The moves  
618 by the Reserve Bank of India signify that digital lending will require robust regulation, aimed  
619 at both fostering the growth of fintech and ensuring consumer protection from financial  
620 exploitation and related dangers, as it progresses in the Indian economy.

621

## 622 **Conclusion**

623 Buy Now Pay Later (BNPL) has evolved into one of the most rapidly growing new financial  
624 technologies in the current digital era. The digital disruption that has brought about an  
625 explosion in e-commerce, smartphones, internet penetration and fintech is what has made  
626 BNPL a more preferred payment option today, particularly amongst young consumers.  
627 Providing immediate access to short-term funds, flexible payment schedules and a seamless  
628 digital checkout experience has revolutionized the way consumers spend and transact online.  
629 In a nation such as India where credit card penetration has remained relatively low till recent  
630 years, BNPL has successfully plugged a gap to make digital credit accessible to a large  
631 segment of users. Its advantages can be seen to accrue not only to the consumer, but also to  
632 merchants and online platforms that gain from increased sales, a higher cart value, and  
633 reduced abandonment rates.

634 On the flip side of BNPL's expansion lie several financial and behavioural risks and concerns.  
635 Though easy and inexpensive at face value, its widespread use and rapid acceptance can lead  
636 to overspending, impulsive buying and poor financial habits in individuals, should it be used  
637 irresponsibly. The splitting of payments into instalments makes the total value of a purchase  
638 seem less significant than it is, making consumers underestimate their financial obligations.  
639 The proliferation of numerous BNPL apps along with their hassle-free approvals and the lack  
640 of financial literacy are increasing the risk of debt accumulation among consumers. Late  
641 payment penalties, hidden fees and poor knowledge of repayment obligations can cause great  
642 distress to young and first-time lenders.

643 The study also highlighted that BNPL is a manifestation of the current shift in consumerism  
644 and the move towards digital finances. The demands of today's consumers have changed, and  
645 it is the speedy, tech-enabled, flexible services rather than traditional banks that are at the  
646 forefront of this transformation. Fintech companies have utilized big data analytics, their own  
647 proprietary algorithms, and digital channels to facilitate loans and credit in a way that it is

648 easier for customers to avail themselves of it. While the ease of access to credit has become  
649 one of the major positives to come out of these technological advancements, it also throws  
650 light on the need for financial literacy, financially sound habits and appropriate regulations.

651 Therefore, the role of the Reserve Bank of India and the regulators plays a very significant  
652 role in ensuring that this phenomenon is not only allowed to continue but is also monitored.  
653 Regulations like the RBI's digital lending guidelines and rules regarding consumer protection  
654 were a definite step toward transparency, elimination of unfair practices and protection of  
655 consumers from financial malpractice. Further regulation, monitoring, and increased  
656 consumer awareness are what are required as the digital lending domain will continue to  
657 expand.

658 Ultimately, BNPL has its share of being both a beneficial as well as a risky financial  
659 innovation. The smart use of BNPL has proven to make shopping more flexible and purchase  
660 value greater, while simultaneously opening access to timely, short-term credit. However, the  
661 reliance of consumers on deferred payment methods without the foresight to anticipate the  
662 entire financial liability associated with each purchase can, over time, transform the benefit  
663 into a source of financial stress. Hence, its future development would be based on the  
664 balanced coexistence of the technological revolution with careful and conscious use of such  
665 facilities, financial awareness and discipline.

666

## 667 **Bibliography**

- 668 1. Reserve Bank of India- *Report of the Working Group on Digital Lending Including*  
669 *Lending through Online Platforms and Mobile Apps*. Mumbai: RBI, 2021.
- 670 2. Reserve Bank of India. *Guidelines on Digital Lending*. RBI Circulars and  
671 Notifications, 2022.
- 672 3. World Bank- *The Global Findex Database 2021: Financial Inclusion, Digital*  
673 *Payments, and Resilience in the Age of COVID-19*. Washington, D.C: World Bank,  
674 2022.
- 675 4. World Bank- *Digital Financial Services and Financial Inclusion Reports*. World Bank  
676 Publications.
- 677 5. International Monetary Fund- *Fintech and Digital Lending: Opportunities and Risks*.  
678 IMF Working Papers.
- 679 6. National Payments Corporation of India- *Reports on Digital Payments and UPI*  
680 *Growth in India*.
- 681 7. How “Buy Now, Pay Later” Is Changing Consumer Spending — Dionysius Ang &  
682 Stijn Maesen, 2024.
- 683 8. Buy Now, Pay Later (BNPL): A Boon or Debt Trap for Indian Consumers? —  
684 Katakam Vasavi.
- 685 9. Factors Impeding Buy Now, Pay Later (BNPL) Adoption in India: A Mixed-Method  
686 Approach — Shreya Mukherjee.

- 687 10. Analysis of Buy Now Pay Later (BNPL) Adoption: Determinants, Barriers, and  
688 Behavioural Implications in the Indian Context — Jayashri A.
- 689 11. The Economic Times — Articles related to BNPL growth, fintech innovation, digital  
690 lending, and consumer behaviour in India.
- 691 12. Business Standard — Reports on BNPL adoption, RBI regulation, fintech expansion,  
692 and digital credit trends.
- 693 13. Hindustan Times — Articles discussing consumer spending patterns and digital  
694 finance.
- 695 14. Mint — Articles on RBI regulation, fintech development, and BNPL growth.
- 696 15. The Hindu Business Line — Reports on digital lending and fintech innovation.
- 697 16. Reuters — International coverage on BNPL growth and regulation.
- 698 17. Bloomberg — Global analysis of fintech and BNPL markets.
- 699 18. Forbes India — Articles on fintech startups and digital lending business models.
- 700 19. Internet and Mobile Association of India (IAMAI) — Reports on internet penetration  
701 and digital adoption in India.
- 702 20. TRAI – Telecom Regulatory Authority of India — Statistics on internet and telecom  
703 subscribers in India.
- 704 21. NITI Aayog — Reports on India’s digital economy and fintech ecosystem.
- 705 22. Wikipedia — Buy Now, Pay Later.
- 706 23. National Bureau of Economic Research (NBER) — Academic studies related to BNPL  
707 and consumer spending behaviour.