

THE IMPACT OF BUY NOW, PAY LATER (BNPL) ON STUDENTS' FINANCIAL AWARENESS AND DECISION-MAKING

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DOI: <https://www.doi.org/10.58257/IJPREMS38824>

ABSTRACT

Buy Now, Pay Later (BNPL) agreements have altered the way that consumers, particularly students, decide what to buy. BNPL offers short-term financing so that clients can purchase goods and services now and pay for them later. The financial behavior, preferences, and knowledge of students about BNPL programs are examined in this study. Although BNPL is easy and flexible, concerns have been expressed concerning the debt accumulation, overspending, and financial literacy of adolescent users. While BNPL's effects on overall consumer behavior have been the focus of numerous studies, few of these studies have specifically looked at students' financial literacy and risk perceptions in connection to these schemes. To bridge this gap, this study examines key factors that influence students' acceptance of BNPL, such as financial flexibility, convenience, and promotional incentives. The study assesses the relationships between spending habits, financial literacy, and BNPL knowledge using the statistical method regression analysis. Structured surveys are utilized to collect primary data, which is supplemented by secondary research from academic sources. Research indicates that despite BNPL's ability to make money available, many students are not completely aware of its financial implications, leading them to make hasty purchases and struggle to pay back their debt. The paper highlights the need for more thorough financial education initiatives to promote responsible usage of BNPL.

Keywords: BNPL, Financial Literacy, Spending Behavior, Student Preferences, Payment Options.

1. INTRODUCTION

Purchase habits have been profoundly changed by the rise of BNPL schemes, particularly among younger consumers. These financial tools appeal to students who might not have easy access to credit cards because they offer short-term credit without requiring typical credit checks. But although if BNPL makes it easier to regulate spending, it can also lead to rash purchases, poor money management, and higher debt loads. Because BNPL is easily accessible and offers interest-free installment plans, many students choose it. Concerns are raised, meanwhile, about their comprehension of repayment commitments, late payment penalties, and long-term financial repercussions. It is vital to evaluate students' financial literacy levels because BNPL providers' aggressive marketing techniques frequently highlight ease of use while downplaying financial hazards.

2. REVIEW OF LITERATURE

Maesen, S. & Ang, D. (2024), This study investigates how Buy Now Pay Later (BNPL) instalment payments affect consumer spending. It discovered that BNPL adoption increases the frequency and size of purchases, especially for smaller basket shoppers and those who rely more heavily on credit cards. Moreover, BNPL instalment payments lessen the perception of financial constraints, which helps control spending and shapes consumer behavior. These findings have significant implications for the management of BNPL payment schemes.

R Chinnaiyan (2024), Buy Now Pay Later, or BNPL, is a point-of-sale financing solution that lets buyers pay for goods upfront in instalments. Because it is easy to use, flexible, and doesn't impact credit ratings, it has becoming more and more popular, especially with younger customers. Enhanced customer retention, higher order volumes, and better average spending

are all advantageous to retailers.

Kumar A and Salo J., et al., (2024), Customers can make interest-free instalment payments for products using the Buy Now, Pay Later (BNPL) model, which was established by FinTech. Adoption of BNPL, however, has little effect on consumers' online buying habits. Customers that use BNPL have larger order sizes and boost their online spending by 6.42%, according to a study that used a synthetic difference-in-differences research design. The effect is less pronounced among older and wealthier consumers and more pronounced among those with strong category experience and promotion sensitivity.

Wenlong Bian and Lin William Cong (2023), Buy-Now-Pay-Later (BNPL) digital wallets are becoming more and more popular worldwide as a result of the COVID-19 pandemic. Based on research, BNPL accounts for the majority of both in-person and online transactions, increasing credit availability and driving up consumer expenditure. Users

must, however, limit their borrowing because there are interest fees. These observations are pertinent to economies that are shifting from cash-based to cashless society, as digital payments and FinTech credit have substantial room to develop.

Loh, Pui Yee (2023), This study looks at the connections between Malaysian consumers' intention to use Buy Now Pay Later (BNPL) and their expectations for performance, satisfaction, and social influence. Based on the Unified Theory of Technology Acceptance and Technology Use (UTAUT), the study discovered that BNPL intention is significantly influenced only by performance expectancy, social influence, and satisfaction; it is not influenced by effort expectancy, facilitating conditions, materialism, or trust. For future research on BNPL, practitioners and academics can benefit from the theoretical and practical implications presented in the findings.

Verni Juita, Vera Pujani (2023), The past ten years have seen a surge in the popularity of "buy now, pay later" (BNPL) in Indonesia; nevertheless, improper application can result in impulsive purchase, which can lead to excessive consumption and waste. The impulsive purchase behavior of BNPL users is examined in this study, and it is found that self-control and digital financial literacy have a major impact. Risk perception, however, demonstrated the reverse outcome. Impulsive purchase can be decreased by putting into practice a policy strategy that incorporates self-control and DFL.

Chuah, Shian Huey and Koh, et al., (2023), This study looks into the variables that affect Malaysians' intentions to use buy now pay later (BNPL) services. Perceived usability, perceived risk, social impact, perceived ease of use, and financial literacy were found to be the five determinants. Using online Google Forms and questionnaires, the study gathered 401 responses from Malaysian nationals who were at least 18 years old. The findings indicated that although perceived risk had no discernible effect, there was a favorable correlation between perceived usefulness, simplicity of use, social influence, and financial knowledge. The report offers recommendations, constraints, and implications for academics, developers, and regulators.

Benedict Guttman-Kenney, Chris Firth et al., (2023), The research investigates the financial consequences of "buy now, pay later" (BNPL), an unregulated FinTech loan product that is mainly utilized by younger customers and those residing in impoverished areas. Concerns concerning consumers' ability to pay for BNPL and regulatory inquiries are brought up by the research.

Khan A and Vilary Mbanyi (2022), The impact of BNPL on the clothes consumption and purchasing patterns of millennials is investigated in this study. The advantages of BNPL and its compatibility with environmental sustainability are making it more and more popular in e-commerce. Semi-structured interviews with 10 female millennials from Sweden showed that familiarity, transparency, trustworthiness, and innovativeness are important variables affecting brand loyalty, impulsive buying, variety seeking, and dissonance reducing behaviors. But because there are still gaps in our knowledge, there is a mismatch between these consumptions and environmental sustainability.

Della Ayu Zonna Lia, Salsabilla Lu'ay Natswa (2021), The impact of overconsumption and impulsive purchase on Z Generations' usage of BNPL services from FinTech, ecommerce, and online travel agencies is investigated in this study. Payment habits have changed as e-wallets and e-money have become more popular, especially among "Future Digital Natives" who don't have steady employment. FinTech firms and e-commerce corporations perceive this as a chance to boost consumer purchasing behavior.

Research Gap

Prior study has examined how BNPL affects consumer behavior, but few of it has examined students' awareness of schemes and preferences. The effect of targeted marketing on students' use of BNPL is also still not well understood. This study focuses into how students' awareness of BNPL intersects in an effort to close this gap.

Statement Of Problem

While Buy Now Pay Later (BNPL) schemes have been increasingly popular among a variety of consumer categories, little is known about how students, as a specific population, use these payment methods. The majority of current research is concerned with wider customer behavior, ignoring important elements like students' knowledge of BNPL plans, their financial literacy in relation to these payment arrangements, and the particular elements influencing their preferences. Examining the ways in which BNPL influences students' financial behavior, such as overspending and debt management, is also lacking. By examining students' knowledge, preferences, and financial practices regarding BNPL schemes, this study aims to close these gaps and shed light on their decision-making processes as well as potential hazards related to BNPL adoption in this population.

Objectives

- To assess students' awareness and understanding of Buy Now Pay Later (BNPL) schemes, including their financial implications.

Hypothesis

H₀: There is no significant relationship between students' awareness of Buy Now Pay Later (BNPL) schemes and their likelihood of using these payment options.

H₁: There is a significant relationship between students' awareness of Buy Now Pay Later (BNPL) schemes and their likelihood of using these payment options.

Scope of the Study

The purpose of this study is to investigate students' knowledge, inclinations, and acceptance of Buy Now Pay Later (BNPL) schemes by examining their behavioral intentions and assessments of the advantages and disadvantages. Key impacting elements including perceived convenience, usability, promotional incentives, and financial awareness will all be evaluated. Furthermore, BNPL adoption among students in Bangalore and Kerala will be compared in the study according to demographics such as age, gender, financial independence, and academic background. Insights into how BNPL affects students' spending patterns and financial health will be provided by the findings, which will help financial institutions, fintech companies, and legislators create sustainable and ethical BNPL models.

3. RESEARCH METHODOLOGY

Primary data will be gathered for the study using a structured questionnaire intended to evaluate students' usage, preferences, and understanding of buy now pay later (BNPL) plans. Closed-ended questions will be included in the survey to examine their financial practices, primary drivers, and general comprehension of BNPL services. Journal articles, papers, and earlier research studies on consumer behavior, financial literacy, and BNPL adoption will be the sources of secondary data. Through a review of previous research, the study will offer contextual information about how BNPL affects various demographic groups, especially students.

4. ANALYSIS & INTERPRETATIONS

Analysis of frequency distributions of demographic information

SI No	Demographical Variables	Frequency	Percentage
1.	Age		
	Below 18 Years	3	2.0%
	18 Years -22 Years	82	54.7%
	23 Years -25 Years	54	36.0%
	26 Years and above	11	7.3%
	Total	150	100%
2.	Gender		
	Male	67	44.7%
	Female	83	55.3%
	Total	150	100%
3.	Education		
	Undergraduate	69	46.0%
	Postgraduate	73	48.7%
	Other	8	5.3%
	Total	150	100%
4.	Monthly Income		
	Less than ₹5,000	81	54.0%
	₹5,001 - ₹10,000	31	20.7%
	₹10,001 - ₹15,000	7	4.7%
	More than ₹15,000	31	20.7%
	Total	150	100%

From the above table, we can infer that 55.3% of the respondents are females, while the remaining 44.7% are males. The majority of the respondents fall in the age group of 18–22, with 54.7% of the total, followed by the age group of 23-25, which comprises 36.0%. Among the respondents, 48.7% have a postgraduate education, while 46.0% have an

undergraduate degree. The majority of the respondents, 54.0% have Less than ₹5,000 Income being the highest and 4.7% have an income of ₹10,001 - ₹15,000 being the lowest.

Regression analysis on Awareness and Understanding of BNPL Schemes

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.785	.225		12.398	.000
I am aware of Buy Now Pay Later (BNPL) schemes and how they work	.104	.094	.160	1.102	.272
I understand the financial implications of using BNPL services, including interest rates and penalties.	.183	.092	.302	1.992	.048
BNPL schemes are easy to understand compared to traditional credit options.	-.445	.100	-.593	-4.475	.000
I frequently see advertisements or promotions for BNPL services	-.163	.050	-.292	-3.255	.001
I believe BNPL schemes are targeted towards young individuals like students	.226	.078	.351	2.918	.004

Regression analysis provides important information about BNPL scheme awareness and comprehension. The fact that general awareness (Sig. = 0.272) by itself does not substantially advance a deeper comprehension suggests that people may be aware of BNPL services but are unaware of their complexity. The significance of financial literacy in making well-informed decisions is highlighted by the considerable positive relationship found between knowing the financial ramifications, such as interest rates and fines (Sig. = 0.048). It's interesting to note that consumers' perceptions of BNPL as being simpler to comprehend than typical credit choices (Sig. = 0.000) have a negative effect on awareness, suggesting that overconfidence may cause them to ignore important features. In the same way, regular exposure to BNPL ads (Sig. = 0.001) does not improve comprehension because these ads tend to emphasize convenience over financial hazards. However, because to direct exposure and personal experience, there is a higher level of awareness when one realizes that BNPL schemes predominantly target young consumers, like students (Sig. = 0.004). Overall, the results indicate that although there is a general awareness of BNPL services, marketing tactics may contribute to misunderstandings, and genuine comprehension requires financial literacy.

5. FINDINGS

The results of the study show that general knowledge of BNPL schemes (Sig. = 0.272) did not much improve understanding, indicating that although people are aware of these services, they might not completely understand how complex they are. Financial literacy and knowledge of BNPL's financial ramifications, including interest rates and fines, have a substantial positive link (Sig. = 0.048), highlighting the value of financial education in promoting well-informed decision-making. It is interesting to note that a highly significant negative connection (Sig. = 0.000) suggests that people who believe BNPL to be easier than standard credit choices can overestimate their knowledge and possibly miss important detail. In a similar vein, regular exposure to BNPL ads (Sig. = 0.001) does not enhance understanding because marketing tactics typically prioritize convenience above financial concerns. However, people's knowledge is significantly higher when they realize that BNPL schemes primarily target young customers, including students (Sig. = 0.004), most likely as a result of firsthand exposure and personal experience. Although BNPL services are well known, marketing strategies may lead to misconceptions, according to the findings, which emphasize the importance of financial literacy in ensuring informed use.

6. CONCLUSION

The study examines the relationship between BNPL scheme awareness and comprehension using regression analysis. The findings indicate that while general awareness of BNPL services is widespread (Sig. = 0.272), it does not necessarily lead to a deeper understanding, suggesting that individuals may recognize these schemes without fully grasping their complexities. A significant positive relationship (Sig. = 0.048) between financial literacy and knowledge of BNPL's financial implications highlights the crucial role of financial education in informed decision-making.

However, a highly significant negative relationship (Sig. = 0.000) suggests that individuals who perceive BNPL as simpler than traditional credit options may overestimate their understanding, potentially overlooking critical details. Similarly, regular exposure to BNPL advertisements (Sig. = 0.001) does not enhance comprehension, as marketing strategies tend to emphasize convenience over financial risks. Yet, people's knowledge is much higher when they realize that BNPL schemes primarily target young consumers, such as students (Sig. = 0.004), probably as a result of direct exposure. Overall, the findings indicate that although BNPL services are widely known, marketing tactics could lead to misunderstandings. Financial literacy programs should therefore be given top priority by financial institutions and legislators in order to guarantee that young consumers use BNPLs responsibly.

7. LIMITATIONS

- Since the survey is restricted to Bangalore and Kerala, it could not accurately reflect students' preferences and knowledge of Buy Now Pay Later (BNPL) plans in other cities or in rural areas.
- The study might have a small sample size, which could limit how far the results can be applied to the Generation Y and Z population.
- The ability to perform a thorough analysis, including examining shifts in awareness and preferences over a longer time span, may be limited by time and resource restrictions.

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