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**RESEARCH ARTICLE**

**BUY NOW, PAY LATER (BNPL): FINTECH INNOVATION OR CONSUMER DEBT TRAP**

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**Abstract**

In India, Buy Now Pay Later (BNPL) is becoming one of the quickest-expanding fintech innovations, and this trend is fueled by an exponential growth in the number of people buying things and accessing services online and via their cell phones, increased internet connectivity, digital payment systems development. Buy Now Pay Later, allows customer to instantly purchase goods and services, to pay over the coming installment without short-term interest. The purpose of this paper is to investigate the concept, growth, merits and demerits, impact of consumers' behavior, and regulations of Buy Now Pay Later with in Indian digital ecosystem. This research study evaluates the transformation and revolution of consumer credits by fintech firms and digital lending platforms, it is about making lending and borrowing easier, convenient and easily embedded within online shopping platforms. The paper is descriptive and qualitative in analysis and depends on secondary data sources obtained from various reports released by the Reserve Bank of India (RBI), the World Bank, some research reports by fintech firms and articles by sites such as the Economic Times, Business Standard, Mint and Reuters. The research concludes that the Buy Now Pay Later schemes are facilitating more access to credit and more ease in payment and enabling rapid growth of the digital economy, but it has several serious implications concerning over consumption, impulse purchasing behavior and consumer indebtedness as well as a lack of financial awareness among the customers. In essence, BNPL schemes are beneficial and effective financial tools only when utilized properly; however, they need more strong regulations, more financial awareness, and greater consumer protection.

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**Introduction:-**

Fintech innovation and consumers' changing needs both play a crucial role in consumer credit's changing face. This establishes the context for the evolution of Buy Now, Pay Later (BNPL) as a fintech innovation. Earlier, the only way to obtain credit was through a bank loan. The strict eligibility criteria, heaps of paperwork, and the time taken to get the loan were impediments to consumers' access to credit. The advent of modern banking and credit cards

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changed the face of consumer credit. Suddenly, the consumers had an option to buy now and pay later (as explained by The Economic Times and The Indian Express). Credit access became easier, and consumer credit became a part of consumers' lives. Access to credit took a new turn with the proliferation of smartphones, booming e-commerce, and the availability of digital payments. The way consumers made payment got revolutionized with mobile wallets and digital payments replacing the earlier payment systems. This establishes the context for the evolution of BNPL as a fintech innovation. Using BNPL, customers can buy immediately and pay for it later in easy instalments. The process is simple, requiring minimal documentation from the customers. We have moved from traditional bank loans to credit cards, from electronic payments to BNPL, and in every step, the impact of fintech is visible in the changing way of consumer credit. Financial solutions are not only easier; they have become an extension of the way people live and spend in the digital era.

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

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

**Concept:-**

Buy Now Pay Later (BNPL), a digital credit product, is a financial service that enables customers to purchase a product or service now and pay later in small instalments. As per financial news headlines published by various financial news portals like Economic Times, Business Standard, and other prominent business newspapers, Buy Now Pay Later has gained popularity as it facilitates instant approval, flexible repayment options, and instant access to small-ticket credit without the need to possess a credit card. The entire process of Buy Now Pay Later is as follows: The customer selects the pay later option at the time of checkout while purchasing a product through e-commerce websites or physical stores. The BNPL service provider makes the full payment to the merchant on behalf of the customer, and the customer repays the service provider later in small instalments within a short period of time. The period is generally a few weeks or months, depending on the service provider and the value of the product. One of the major factors for the rise of BNPL is that these short-term plans are interest-free if the payment is made within the stipulated time. In many news articles, BNPL has been referred to as an interest-free credit option for small transactions, which is particularly beneficial for young consumers and first-time borrowers who may not have access to credit cards. However, if the payment is not made on time, late fees or penalties are charged, which is another source of income for these companies. BNPL companies make money in two ways. Firstly, the merchants pay a small fee to the BNPL companies for offering the pay-later option, as it increases their sales and encourages customers to spend more. Secondly, late fees, service charges, or interest are also another source of income for these companies, especially for long-term plans. Hence, BNPL offers customers the opportunity to buy now and pay later,

while the companies make money through merchant commissions and penalty charges, which has made BNPL a popular trend in the modern digital payment system.

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

### **Theory:-**

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

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

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

### **Literature Review:-**

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

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

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

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

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

**Jayashri A (2023)** analysed the adoption of Buy Now Pay Later (BNPL) in the Indian context, focusing on its determinants, barriers, and behavioural implications. The study found that factors such as convenience, ease of access, and integration with digital platforms drive adoption, especially among young consumers. At the same time, concerns related to lack of awareness, trust issues, and hidden costs act as barriers. The paper also suggests interventions like improving financial literacy and ensuring transparency in BNPL services. It concludes that while BNPL has strong growth potential, consumer behaviour and awareness play a key role in its adoption.

### **Methodology:-**

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

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

The paper consists of a review and comparative analysis of the already existing literature on various aspects of the fintech innovation, digital lending, consumer behaviour and financial risk. The data so compiled from

various sources are critically evaluated and analysed in a systematic way to understand both the positive and negative impacts of BNPL services. In addition to that the role of regulations, financial literacy, and awareness of customers regarding use of BNPL has also been understood through methodology. Thus it is a holistic method, to get to the heart of financial, technological, behavioural and regulatory issues related to BNPL in India.

### **Growth of BNPL:-**

The growth of Buy Now Pay Later in India is happening at a rapid pace because of changes in the way people buy things online. More people are shopping on the internet. Trying out new financial technology ideas. Over time Buy Now Pay Later has become a part of how people borrow money online. News reports from Business Standard and Economic Times say that Buy Now Pay Later is going to get even bigger. It will be used often when people shop online in the coming years. One reason for this is that more people in India are buying things on the internet. This means people need ways to pay for things. Buy Now Pay Later works well because it is part of the checkout process when you buy something online. This lets people buy things away without paying for them all at once.

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

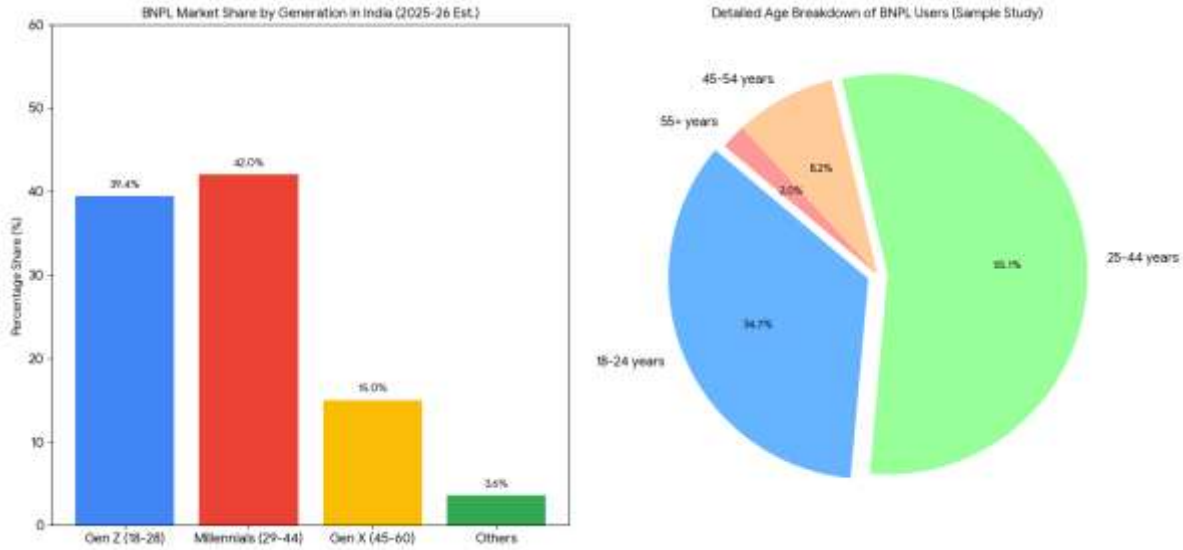
Not many people in India use credit cards, which has created a gap in how people borrow money. Reports say that about 5% of Indians use credit cards. This is not enough to meet the growing demand for short-term loans. Buy Now Pay Later fills this gap by giving people credit without needing a credit card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

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

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

One big reason Buy Now Pay Later is growing in India is that it is connected to digital platforms and things people buy every day. Buy Now Pay Later is part of shopping websites, food delivery apps, travel bookings and utility payments. This makes it easy to see and use Buy Now Pay Later when buying something. The Economic Times says that having credit available when you need it makes people more likely to use Buy Now Pay Later. You do not have to apply for credit which makes Buy Now Pay Later a normal way to pay instead of getting a separate loan.

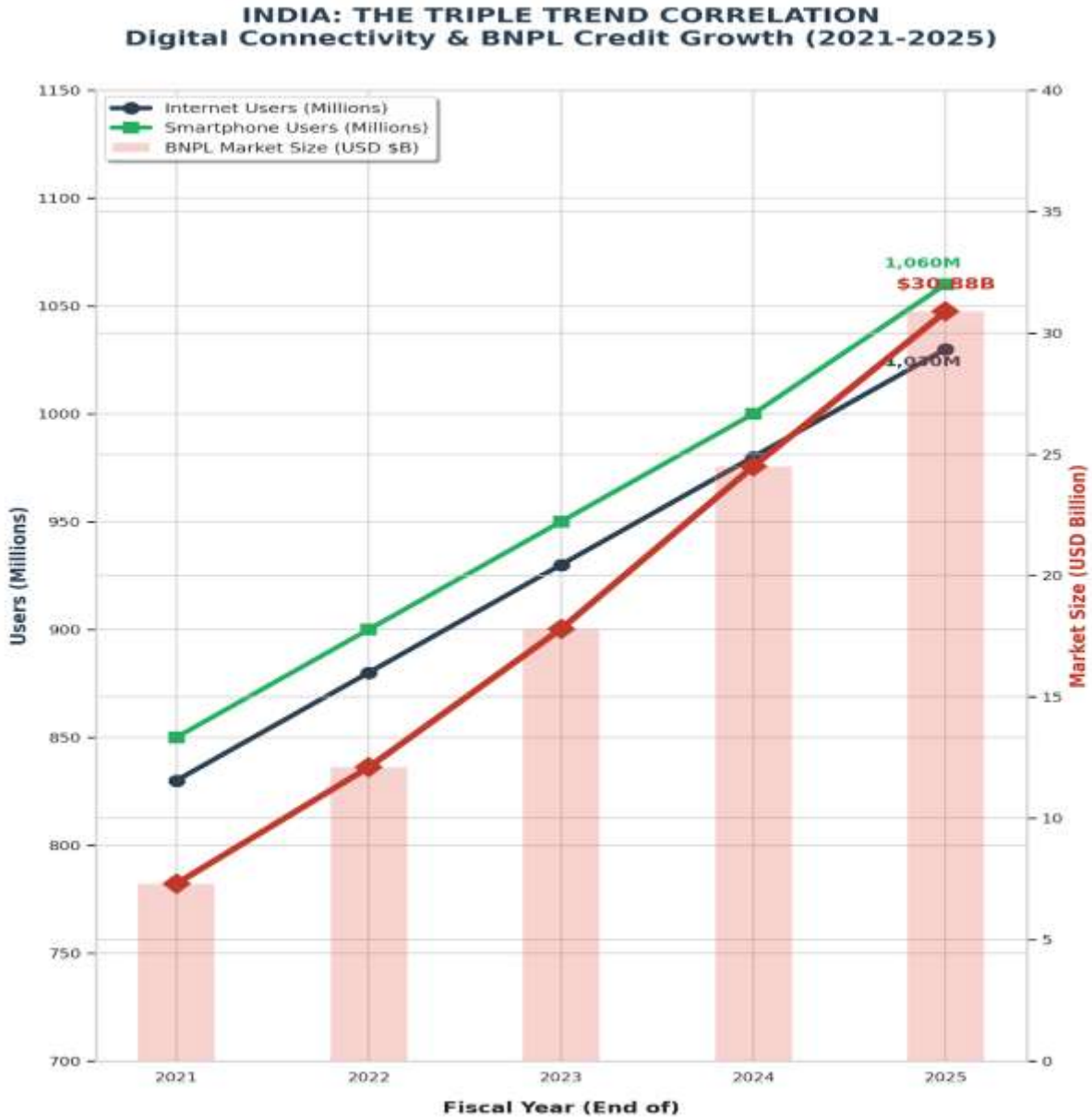
The use of data and technology is also a part of why Buy Now Pay is growing. Financial technology companies use algorithms and new ways to score credit, which lets them approve users quickly. This helps people who do not have a credit history. The Business Standard says that this helps lenders reach people who they could not lend to before including students, gig workers and people who are earning money for the time. Buy Now Pay Later is now used in cities and also in towns.



(Figure-1: Age Groups Of Users)

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

Merchants and businesses are also helping Buy Now Pay Later grow. They partner with Buy Now Pay providers because it helps them sell more and makes customers happy. It also reduces cart abandonment. The Economic Times says that merchants are willing to pay a fee for this. This partnership is used in areas like retail, travel and services. The COVID-19 pandemic also made Buy Now Pay more popular. People were using transactions more and were not sure about their income. So they looked for payment options that would let them pay later. Buy Now Pay Later was a choice because they did not have to pay everything at once. Financial news says that this time helped make Buy Now Pay Later stronger.



(Figure-2: Triple Correlation Graph )

There is a lot of competition among financial technology companies. This is helping Buy Now Pay Later grow. They are always making the user experience better. They offer rewards, cashback and credit limits that are tailored to each user. This makes more people aware of Buy Now Pay more likely to use it.

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

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

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

### **Benefits of BNPL:-**

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

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

Buy Now Pay Later also helps people who do not have a lot of money at the moment. They can use Buy Now Pay Later to pay for things they need or want and pay for them later when they have money. This helps people to manage their money better and not have to worry about paying for things all at once. Buy Pay Later also gives people a clear idea of how much they have to pay and when they have to pay it. This helps people to plan their money better and not have to worry about payments. Buy Now Pay Later is not just good for people who are buying things. It is also good for businesses that sell things online. It helps them to sell things and make more money. When people can use Buy Now Pay Later they are more likely to buy things because they do not have to pay for them all at once. This helps businesses to grow and make money. Buy Pay Later also helps businesses to understand their customers better. They can see what people are buying and how they are paying for it. This helps them to make decisions about what to sell and how to sell it.

Buy Now Pay Later is also changing the way people pay for things and now people have increased the usage of their phones to pay for things. This is helping to reduce the use of cash and making it easier for people to pay for things online. Buy Now Pay Later is also helping to make the financial system more modern and efficient. It is using technology to make it easier for people to get credit and pay for things. This is helping to make the financial system more accessible and easier to use. Buy Now Pay services are also helping to make the economy grow. This is helping to increase the amount of money that people are spending and making the economy grow. Buy Now Pay Later services are also helping to make it easier for people to start their businesses. They are making it easier for people to get credit and pay for things online. This is helping to make it easier for people to start their businesses and make money. The way Buy Now Pay Later services work is also helping to make the financial system more fair. They are making it easier for people to get credit and pay for things online. This is helping to make it easier for people to buy things they need or want and pay for them later. Buy Now Pay services are also helping to make it easier for people to manage their money. They are giving people an idea of how much they have to pay and when they have to pay it. This is helping people to plan their money better and not have to worry about payments.

Buy Now Pay services are also helping to make the financial system more secure. They are using technology to make it easier for people to get credit and pay for things online. This is helping to reduce the risk of fraud and making it easier for people to trust the system. Buy Now Pay services are also helping to make it easier for people to understand how the financial system works. They are giving people an idea of how much they have to pay and when

they have to pay it. This is helping people to make decisions about their money and not have to worry about unexpected payments.

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

Moreover, BNPL contributes to the development of SMEs in many cases. Sometimes, small businesses find it hard to attract new clients because of the fact that customers do not want to pay the full price of purchase in one instalment. In such cases, BNPL services can make these products cheaper, which allows smaller businesses to sell these goods and become more competitive. In particular, this type of service plays a significant role in the development of e-commerce via marketplaces. BNPL is useful for promoting digital financial literacy among consumers. Indeed, the vast majority of BNPL companies rely on online platforms and applications. Therefore, BNPL services contribute to the increasing familiarity of users with various aspects of the digital finance world. BNPL services contribute to the development of the subscription economy. At the moment, online education portals, various streaming services, health club memberships, software licenses, and others could be purchased through BNPL services, meaning that consumers would not need to pay the full cost of these products immediately.

BNPL platforms contribute to the creation of customised financial services. Indeed, with the help of BNPL platforms, lenders would analyse the consumer's data and provide customised services. The existence of BNPL services stimulates competition in the field of finances. Traditional banks and lending institutions had to compete with fintech players and introduce simplified processes, improved infrastructure, and quick loan approval. Benefit of BNPL is the possibility to maintain economic continuity amid periods of financial troubles. During periods of inflation and delayed payments of salaries, consumers would be able to buy necessary things without completely emptying the wallet. BNPL services promote the development of financial innovation. The combination of various aspects of lending and payment systems and technologies represents the next level of the financial industry evolution.

In conclusion Buy Now Pay Later services are for people and businesses. They are making it easier for people to get credit and pay for things online. They are also helping businesses to grow and make money. Buy Now Pay Later services are changing the way people pay for things and making it easier for them to manage their money. They are an example of how technology can be used to make the financial system more modern and efficient. Buy Now Pay Later services are also helping to make the economy grow and make the financial system more fair and secure.

#### **Risks associated with BNPL:-**

Buy Now Pay Later is a way of paying for things that has grown fast and is very easy to use. It also has some serious problems associated with it, that people who help us with money and people who make rules are worried about. They think that Buy Now Pay Later can make people spend money more than they should and get into debt if they are not careful. When you use Buy Pay Later it can seem like you are not really borrowing money. This is because you do not have to pay for the things you are buying right away. You can pay for it a bit at a time or terms. This can be a problem because people might start buying things they cannot really afford.

One of the problems with Buy Now Pay Later is that it can make people spend money than they have. When you buy something the way where you pay immediately you have to think about whether you have enough money to pay for it right now. With Buy Now Pay Later people do not have to think about that as much. This can make people buy things that're too expensive for them. They might think that they can afford something because the payments are small. If they have to make a lot of payments it can add up and become too much. Some people do not even think about how much they're spending in total. They just think about how they have to pay each time.

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

Buy Now Pay Later can also make people buy things on impulse. Sometimes people see something they want to buy. People can get it right away if they use Buy Now Pay Later. They might not really need that thing. People might just want it because they see it and they can get it easily. Another problem with Buy Pay Later is that it can make people think they can afford things that are too expensive. They might see that the payments are small and think that they can afford it. They are not thinking about how much the thing really costs. They are just thinking about how they have to pay each time.

Some people use Buy Now Pay Later a lot. They use it for many different things. They might use it to buy clothes or electronics or even food. This can be a problem because they might start to get confused about how much they owe and when they have to pay it back. If people use Buy Now Pay too much they might start to get into debt. People might owe money to different companies and they might have to pay it back at different times. This can be very stressful. It can be hard to keep track of. Some people do not even understand how Buy Now Pay Later works. They might not know that they have to pay back the money or that they will be charged fees if they do not pay it back on time. Buy Now Pay Later can also make people feel like they have to buy things away. They might see something they want. They might feel like they have to get it now or they will miss out. This is because of the fear of missing out (FOMO).

There are also some concerns about people being able to get credit easily. Some companies that offer Buy Now Pay Later do not check carefully to make sure that people can afford to pay back the money. This can be a problem because it can make people get into debt. Some people also do not read the print when they sign up for Buy Now Pay Later. They might not understand that they will be charged fees if they do not pay back the money on time. If someone is using Buy Now Pay Later they need to be very careful. These people need to make sure that they can afford to pay back the money and that they understand how it works. It is also an idea to be careful when anyone is using the internet to buy things. There are some people who might try to steal one's money and/or identity. The person needs to make sure that they are using a trusted website and that they are not giving out too much information. Overall Buy Now Pay Later can be a useful tool if people use it carefully. It can also be a problem if they are not careful. Buyers need to make sure that they understand how it works and that they can afford to pay back the money.

Moreover people should also try to save their money instead of spending it all. This can help them avoid getting into debt. It can also help them achieve their long-term goals. The Buy Now Pay Later system is facing a lot of problems because of rules and regulations. In places Buy Now Pay Later services grew really fast and the rules did not catch up. This means that people who use these services are not protected like they should be. There are not rules about being clear and honest with people and lenders are not always responsible. Regulators and banks are getting worried about this. They want to make sure that people understand what they are getting into and that lenders are being watched closely. They also want to make sure that these digital lending systems can last for a time. If a lot of people cannot pay back their Buy Now Pay Later debts at the same time it could cause big problems for the whole financial system. This could make it hard for fintech lenders and digital credit providers to stay in business. It could also affect the digital lending system and put more pressure on regulators.

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

#### **Government Regulations And Suggestions:-**

The exponential increase of BNPL schemes in India is one of the most important reasons for regulators, policymakers, financial institutions and researchers to be interested, given the growing prominence of digital credit in modern economies. While BNPL schemes increase convenience for online transactions and broaden the access of consumers to credit, concerns regarding the security and transparency of consumer data, misuse, responsible lending, irresponsible borrowing and financial indiscipline were becoming widespread, and given that BNPL schemes are inherently forms of digital lending, the Reserve Bank of India (RBI) is steadily increasing its vigilance

on these services in recent times. Reports that appeared in newspapers like Economic Times, Business Standard, and also international fintech publications, confirmed that such regulation was needed, lest the rapid pace of expansion of BNPL lead to bigger financial risks to consumers and weakening of the stability of digital lending.

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

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

The problem of rapid increase of unsecured digital credit, given that none of the BNPL services have a collateral led aspect. Hence all loans in these services are directly dependent on credit models and repayment ability of consumers. A considerable increase in default rates, will lead to liquidity crisis and it will eventually reflect in the overall financial sector stability. So, responsible lending has become more important rather than a focus on the number of customers acquired. These concerns prompted the Reserve Bank of India to bring into effect comprehensive Digital Lending Guidelines, aiming to improve accountability, transparency, and safety of customers. The decision came after reports of various digital lenders not properly disclosing hidden charges, misuse of customer data, unethical collection methods and deceptive loan structures. According to these guidelines digital lending institutions must disclose all relevant information, such as the cost of repayment, repayment schedules, interests and processing fees, and penalty conditions to the customer before they make a decision on borrowing, in order to enhance consumer understanding of their liability, rather than merely on promotion or marketing of services like "zero cost EMI" or "pay later".

Another aspect where the RBI regulations provide utmost importance is customer data security. Many of the digital lenders and BNPL apps collected large amounts of consumer data including bank statements, bank accounts, phone contracts and various details pertaining to their spending patterns, history, personal contacts etc. Concerns over data mis-usage prompted regulatory intervention, leading to instructions for lenders to first secure customer consent, and make customers aware of how their data is collected, used, stored and protected by the lenders. Yet another area where regulatory attention was focused is repayment and collection procedures, which sometimes involved harassment and intimidation tactics. The RBI mandated responsible collection processes, keeping in view the privacy and dignity of the customer.

One of the key concerns has always been consumer protection, as customers may not fully understand the risks in opting for a deferred payment system, which can be simplified with minimal verification and in just a few seconds, in the process potentially weakening consumer caution levels when undertaking credit borrowing. Users might often select attractive, interest free or easily paid instalments without being truly aware of the repayment obligation, late fees, and eventual penalties. As they click on acceptance, it is usually after a quick scanning of terms and conditions.

The risk of young consumers not having sufficient understanding is also important, since they may be first-time borrowers with limited financial education. Pressures generated by social media culture, festivals, advertisements, along with celebrity influencers' endorsement, can prompt these users to buy goods immediately, while postponing the actual payment, thereby easing off the psychologically perceived cost of buying something without immediate

funds. While this is not necessarily bad, as money lenders often rely on consumers over-extending themselves, it leads to over-spending, impulsive shopping and poor budgeting. Therefore increased financial education of consumers is required to educate on financial discipline and responsible borrowing habits.

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

It is also challenging for regulators and institutions to track the actual debt burden of consumers because the small digital loans offered under the Buy Now Pay Later schemes come in vast numbers, thus increasing the probability of tracking down actual liabilities becoming a complex exercise, thereby promoting disguised debt accumulation among customers. Customers also might view BNPL as not "real money" or "real debt" since the payment is usually divided into easily paid small amounts. Another significant concern for regulators in BNPL schemes is the risks associated with data privacy and cybersecurity. These systems, as they are entirely digital and run on a digital platform, carry and process substantial quantities of consumer data. Regulators are faced with ensuring that fintech companies uphold data security standards and protect consumers against fraud, theft of identity and data, improper use of data, and unauthorized access. These concerns are likely to become even more relevant with the expanding reach of digital lending.

According to financial professionals, India will need to develop more comprehensive and tailored regulatory framework to guide the future expansion of BNPL. Experts are suggesting that enhanced oversight frameworks and an integrated credit reporting system be established so regulators can trace borrowing in more detail across platforms. Improving financial literacy training is also highlighted as a need so that consumers can comprehend debt repayment obligations, budgeting concepts and the risks of credit, prior to entering digital lending arrangements. Financial professionals also assert that stronger affordability tests and repayment capacity checks should be put in place by providers before extending credit to reduce the propensity of over-borrowing.

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

### **Conclusion:-**

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

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

The study also highlighted that BNPL is a manifestation of the current shift in consumerism and the move towards digital finances. The demands of today's consumers have changed, and it is the speedy, tech-enabled, flexible services rather than traditional banks that are at the forefront of this transformation. Fintech companies have utilized big data analytics, their own proprietary algorithms, and digital channels to facilitate loans and credit in a way that it is easier for customers to avail themselves of it. While the ease of access to credit has become one of the major positives to come out of these technological advancements, it also throws light on the need for financial literacy, financially sound habits and appropriate regulations.

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

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

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