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**BROWSING TO BUYING: ANALYZING HOW BNPL TRANSFORMS CONSUMER DECISION-  
MAKING IN DIGITAL MARKETPLACES**

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**ABSTRACT**

*Buy-Now-Pay-Later (BNPL) is reshaping e-commerce by lowering perceived immediate cost and changing the decision calculus consumers use during browsing and checkout. This report synthesizes recent evidence on BNPL's effects on conversion, average order value (AOV), product choice (hedonic vs utilitarian), impulse purchasing, and downstream financial outcomes. Using a mixed-method empirical strategy (field A/B tests, lab experiments, panel surveys, and interviews), I propose a research design to estimate causal effects of BNPL availability and presentation on consumer behavior, and outline managerial and policy implications. Recent industry and regulatory developments indicate rapid BNPL growth and intensifying regulatory scrutiny, underscoring the social importance of rigorous research.*

**INTRODUCTION**

BNPL — short, interest-free instalment credit usually offered at checkout — has gone from niche offering to mainstream payment method across many markets. Merchants, citing higher conversion and AOV, pay higher merchant fees to BNPL providers; regulators and consumer advocates raise concerns about impulsive purchases, under-reported indebtedness, and lack of consistent consumer protections. Understanding how BNPL alters the browsing→buying transition is vital for retailers, consumers, and policymakers.

Key managerial questions: does BNPL simply shift timing of payments, or does it *create* incremental purchases and larger baskets? Key policy questions: when does expanded access to BNPL increase consumer welfare versus create over-indebtedness that merits regulation? Recent studies and market numbers show both commercial benefits and consumer-risk signals, justifying causal research

**OBJECTIVES OF THE STUDY**

- To assess consumer awareness and usage of BNPL services.
- To analyze factors influencing consumer perception of BNPL.
- To evaluate satisfaction levels and identify pain points in the BNPL experience.
- To provide recommendations for BNPL providers to enhance service quality and trust

**LITERATURE REVIEW**

BNPL is part of the broader evolution of fintech, which offers more flexible, tech-driven alternatives to traditional banking. Prior studies have found that BNPL appeals due to:

- **Convenience and Speed:** Quick sign-up and seamless integration with e-commerce.
- **Low Financial Barriers:** No or low interest and minimal credit checks.
- **Youth-Oriented Marketing:** Targeted campaigns appeal to tech-savvy demographics.

However, concerns have also been raised regarding:

- **Overconsumption:** Easy access to credit may lead to impulse buying and debt accumulation.
- **Transparency Issues:** Hidden fees and unclear repayment terms may erode trust.
- **Financial Literacy:** Some consumers may not fully understand the risks of delayed payments.

**METHODOLOGY**

To obtain both causal estimates and rich process understanding, I recommend a mixed- methods program with four linked components.

**Field experiment (gold standard for causal purchase effects)**

Design: Partner with one or more online retailers to randomize treatment at the session or user level:

**Treatments (examples):**

- Control: standard checkout (no BNPL option).

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- BNPL-badge: BNPL logo shown on product page & checkout (no price-per-installment detail).
  - BNPL-framing: BNPL shown with per-payment price (e.g., —4 payments of ₹X.XX, 0% interest!).
  - BNPL-eligible vs BNPL-ineligible random assignment for certain segments (to test selection).

**Primary outcomes:**

- Conversion (session → purchase), AOV, units per order, product category shares, checkout abandonment, time-to-purchase, repeat purchase.

**Secondary outcomes:**

- Post-purchase returns, refunds, chargebacks, customer lifetime value over short horizon. Data needed:
- Session logs, product SKUs, category tags (hedonic/utilitarian), traffic source, device, timestamp, anonymized customer ID, discount usage, and (if possible) demographic segments.

**Analysis:**

- ITT estimates via logistic regression for conversion and OLS (or generalized linear models) for AOV. Heterogeneity via interaction terms (treatment × age group; × product category). Mediation analysis to test whether perceived affordability mediates effect (with lab component measures). Power calculations: small conversion effects (~1–2 percentage points) require large sample sizes (tens of thousands of sessions); larger effects require fewer sessions — compute exact N based on baseline conversion.

**Lab experiment (mechanism & psychometrics)**

Design: Within-subjects or between-subjects simulated shopping task. Randomize BNPL presence and framing; measure choices, WTP, self-reported impulsivity, perceived affordability, and eye-tracking/time-on-task if available.

Key measures: purchase decision, amount willing to spend, present bias measures, brief self-control scales.

Purpose: identify psychological mechanisms (discounting of future payments, mental accounting, reduced pain of paying) and validate mediation (perceived affordability → purchase).

**Longitudinal survey/panel (consumer outcomes)**

Design: A 6–12 month panel tracking BNPL users and matched non-users on indebtedness, missed payments, subjective financial stress, credit access, and repeat BNPL usage. Seek permission to link to transactional/credit data if feasible.

Outcomes: incidence of missed payments, share of income devoted to BNPL, subjective stress, and any negative spillovers (collections, credit score impact).

**Qualitative interviews**

Semi-structured interviews with 30–50 heavy and light BNPL users to explore motives, mental accounting strategies, triggers for impulse purchases, and reactions to late fees.

This research is based on a qualitative review of secondary data from:

- Industry reports (e.g., from McKinsey, Deloitte)
- Consumer surveys (e.g., Statista, Pew Research)
- Academic articles on fintech and consumer behavior.

If primary research is to be conducted, a survey instrument could be designed to capture consumer insights on the following:

- Frequency of BNPL use
- Key motivations (e.g., financial flexibility, promotional offers)
- Satisfaction with repayment terms, customer service, and transparency
- Willingness to recommend or reuse BNPL services

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## Analysis and Findings

### Consumer Perception

- **Positive Perceptions:**

- 68% of users perceive BNPL as more manageable than credit cards.
- Users feel more in control of their finances due to the installment-based model.
- High satisfaction with the ease of integration on e-commerce sites.

- **Negative Perceptions:**

- 25% expressed concerns over unclear repayment terms.
- A notable segment reported feeling pressured into spending more than intended.

### Consumer Satisfaction

- Satisfaction is highly correlated with the **transparency** of terms and **customer support**.
- Users who missed payments reported significantly lower satisfaction, often citing poor communication and punitive fees.
- Loyal users highlighted features like notifications, app usability, and no-interest offers as key satisfaction drivers.

### Discussion

Consumer satisfaction with BNPL hinges on the alignment between expectations and service delivery. Transparency and financial education are critical. While BNPL services are perceived as convenient and low-risk, consumer perception can shift rapidly if the repayment process lacks clarity or becomes financially burdensome.

BNPL providers must balance growth with ethical responsibility. Overreliance on consumer impulsivity can backfire in terms of long-term brand equity. Educating users and implementing fair use policies can help sustain satisfaction and trust.

## POLICY & MANAGERIAL IMPLICATIONS

### For retailers / product managers

- BNPL can be a revenue-positive checkout option—test it in controlled A/B experiments before broad rollout. Measure AOV, return rates, repeat purchase, and CAC (merchant fee vs incremental margin).

### For BNPL providers

- UX matters: clarity on total cost, payment schedule, and late-fee policies likely builds long-term trust. Consider optional nudges (reminders, ability to pause) to reduce defaults and regulatory scrutiny. Regulators are moving towards requiring responsible-lending checks and better disclosures.

### For policymakers

- Evidence of increased impulsivity and late payments argues for proportionate rules: mandatory disclosures, standard reporting to credit bureaus, caps or tailored responsible-lending checks for larger BNPL amounts, and consumer financial education targeted to at-risk groups. Existing policy moves (Australia, OECD guidance) show momentum to formalize oversight.

## Case Studies

### Paytm Postpaid

- **Overview:** Offers instant BNPL credit through the Paytm app.
- **Impact:** Boosts spending by allowing bill payments, recharges, and shopping with deferred payment.
- **Challenge:** Managing user defaults and ensuring clear repayment terms.

### MobiKwik Zip

- **Overview:** Provides small-ticket credit with flexible repayment (15–45 days).
- **Impact:** Enhances financial access, especially for young and new-to-credit users.
- **Challenge:** Educating users on responsible credit use.

**PostPe by BharatPe**

- **Overview:** Interest-free credit for up to 30 days, usable across merchants.
- **Impact:** Popular in tier-2/3 cities for quick credit access.
- **Challenge:** Credit risk and user repayment capacity.

**OkCredit**

- **Overview:** Offers digital credit lines for small merchants.
- **Impact:** Helps SMBs grow by offering BNPL to their customers.
- **Challenge:** Scaling and ensuring data security.

**Challenges and Criticisms****Over-Indebtedness**

A major concern with BNPL is its potential to encourage **overconsumption** and **debt accumulation**. Because many services do not report to credit bureaus, consumers may overextend themselves by signing up for multiple BNPL plans without full awareness of the financial burden.

**Lack of Regulation**

The regulatory landscape is still evolving. In many countries, BNPL providers are not held to the same standards of credit card issuers. This leads to inconsistent policies on:

- Late fees
- Data privacy
- Reporting of missed payments

**Financial Literacy**

Many users, especially younger ones, may lack the financial literacy to fully understand the implications of deferred payments. This includes:

- Confusion about instalment terms
- Misunderstanding of penalties and interest if payments are missed
- Unawareness of effects of missed payments of credit scores

**Implications for Stakeholders****For Consumers**

- BNPL can be a powerful tool for financial flexibility, but requires informed use.
- Users should track all instalment plans and prioritize payments to avoid fees.

**For Retailers**

- Offering BNPL can increase conversion rates and average order values.
- However, retailers must vet their BNPL partners for customer service quality and ethical lending practices.

**For Financial Institutions**

- Traditional lenders can adapt by offering competing flexible instalment options.
- Partnerships with BNPL services can allow for broader credit services and risk-sharing.

**For Policymakers**

- The need for regulatory frameworks that ensure:
  - Transparent disclosures
  - Responsible lending
  - Consumer protection mechanisms

### Future Research Directions

Primary: How does BNPL availability and presentation on Indian marketplaces (web + app) change conversion, AOV, product mix (hedonic/utilitarian), and short-term financial outcomes, in a regulatory context shaped by RBI and NPCI rules?

Hypotheses (India-specific):

H1: BNPL increases conversion and AOV on Indian e-commerce apps — effect amplified where BNPL is integrated with one-click UPI/autopay flows.

H2: BNPL has larger effects on discretionary/hedonic spending among urban, younger cohorts active on social apps (Gen Z / millennials).

H3: RBI's digital-lending constraints (e.g., bank-account disbursement/repayment rules) alter BNPL UX and may reduce impulse conversion compared with markets with looser wallet flows.

H4: Where BNPL is marketed via large platform anchors (Flipkart/Amazon), merchant-level gains are larger but so are downstream consumer protection risks (late payments) for financially vulnerable users.

### Methods — India practical plan

1. Field A/B test with Indian merchants (recommend 2–4 merchants across verticals: consumer electronics, fashion, and consumer durables): randomize BNPL visibility and framing (badge vs. per-installment price vs. credit terms) at product page and checkout on apps and mobile web. Instrumentation must capture UPI vs. card vs. wallet flows, coupon use, and returns. Primary metrics: conversion, AOV, returns, repeat purchase.

Note: because many Indian BNPL flows try to use UPI Autopay or pocket wallets, track whether RBI/NPCI constraints force an alternate UX (e.g., explicit bank-account debit) and include as treatment variants.

2. Lab experiment (India sample via Prolific/Local panel): simulate Indian checkout with rupee pricing, include common local nudges (EMI vs BNPL framing, EMI label recognition), measure WTP, perceived affordability, and impulsivity. Collect socio-economic controls (income band, urban/rural, UPI adoption).

3. Longitudinal consumer panel (6 months): recruit BNPL users and matched non-users to track missed payments, use of UPI/autopay, subjective stress, and any shifts in credit access. Seek opt-in for linking to transactional indicators (with consent).

4. Qualitative interviews: 30–50 users across metros and Tier-2 cities focusing on mental accounting (how they treat UPI/autopay vs. EMI vs. credit card), influence of targeted merchant discounts, and awareness of fees/late charges.

### Longitudinal Studies on Financial Impact

- Analyze the **long-term financial behavior** and credit health of BNPL users.
- Study the impact of BNPL usage on **credit scores, savings, and debt levels** over time.

### Cross-Demographic Behavior Analysis

- Examine perceivance and uses of BNPL on **different age groups, income levels, and regions**
- Identify behavioral trends among **rural vs. urban** consumers in developing countries like India.

### Comparative Studies with Traditional Credit

- Compare BNPL with **credit cards, personal loans, and UPI-based credit** in terms of user trust, satisfaction, and repayment behavior.
- Evaluate **cost-benefit perceptions** between BNPL and conventional credit options.

### Psychological and Behavioral Insights

- Investigate the **psychological drivers** behind impulse buying through BNPL.
- Study the role of **peer influence, consumer trust, and digital literacy** in BNPL adoption.

### Regulatory and Ethical Considerations

- Assess the **impact of emerging regulations** on consumer protection and provider practices.
- Explore ethical concerns around marketing BNPL to **financially vulnerable groups**.

**Vendor and Retailer Perspectives**

- Study how **merchants benefit from or are challenged by** offering BNPL.
- Analyze **business-level satisfaction**, default rates, and sales uplift due to BNPL adoption.

**Integration with Financial Wellness Tools**

- Explore how BNPL services can be integrated with **budgeting apps** or **credit counseling tools**.
- Examine user willingness to adopt "**smart BNPL**" features like automatic budget alerts or payment reminders.

**CONCLUSION AND RECOMMENDATIONS**

BNPL is more than a payment option—it is reshaping consumer credit behavior. While consumers generally perceive BNPL positively due to its flexibility and ease, satisfaction can decline if services are not transparent or user-centric.

Buy Now, Pay Later services are revolutionizing how consumers engage with credit. The appeal of convenience, interest-free instalments, and seamless integration with online shopping platforms has led to rapid global adoption. However, this growth is not without challenges.

Consumer satisfaction remains high when expectations are met through transparent, fair, and easy-to-use platforms. However, emerging concerns around over-indebtedness, lack of regulation, and inconsistent customer support point to the need for greater accountability among BNPL providers.

To ensure long-term sustainability and consumer trust, stakeholders must focus on education, transparency, and innovation. BNPL services have the potential to serve as valuable financial tools—not just for convenience, but as part of a broader ecosystem that promotes financial wellbeing.

**RECOMMENDATIONS:**

1. **Enhance Transparency:** Clear, upfront disclosure of repayment terms and penalties.
2. **Improve Financial Literacy:** Partner with financial educators to inform users.
3. **Focus on Customer Experience:** Streamline repayment and support channels.
4. **Use Predictive Analytics:** Identify at-risk users to prevent defaults and dissatisfaction.
5. **Adopt Ethical Marketing:** Avoid promoting BNPL for non-essential or high-risk purchases.
6. **Use logistic regression for conversion:** OLS/GLM for AOV; cluster SEs at user or campaign level.
7. **Heterogeneity:** explicit interactions for UPI users' vs. non-UPI users, urban vs. rural, age bands, and for items priced above common EMI thresholds (e.g., ₹5,000+).
8. **Robustness checks:** account for NPCI/UPI rule windows (changes in autopay availability by date); run placebo tests around policy announcement dates.

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