

## **BUY NOW PAY LATER (BNPL): TRENDS AND CHALLENGES AMONG RETAILERS AND SHOPPERS IN CHENNAI**

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### **Abstract**

In Urban markets, notably Chennai, BNPL (Buy Now Pay Later) has become a pervasive method of payment from both retailers to shoppers and vice versa. The study emphasizes to adopt Cluster Sampling confined to Ambattur Industrial Estate. Primary Data were collected from retailers and also from consumers through a structured questionnaire. The secondary data needed for the study were collected various official sources, journal articles, websites and conference proceedings. The research design is descriptive in nature. The datasets collected were then analyzed using SPSS to illustrate the levels of consumer awareness regarding BNPL, their usage patterns, perceived advantages and disadvantages, and other challenges faced while utilizing BNPL. The statistical tools employed for the study were Percentage Analysis, correlation, Regression, T test, ANOVA. The findings indicates that BNPL has become an attractive option for consumers for multiple reasons including easy access to short-term interest-free credit, quick digital payments, and the extra buying power and flexibility simultaneously leading to increased sales and improved customer loyalty for retailers. However, findings also revealed that overspending by consumers, late payments made to retail merchants, limited financial acumen of consumers, and concern about repayment of loans/intolerable risk of nonpayment were significant challenges to their expansion of BNPL services towards financial literacy. In addition to this, the study has shown that there is a need to educate both retailers on the BNPL settlement cycle as it relates to the risk management of their business and a need to encourage consumers to, to avoid debt.

**Keywords:** Buy Now Pay Later (BNPL), Retailers, Digital Payments, Brownie Specification Model and Financial Acumen.

### **1. Introduction**

#### **1.1 Concept & Importance**

An innovative form of online purchase payment plans is Buy Now Pay Later (BNPL). This service gives shoppers immediate access to purchase goods through digital credit then

pay back over as little time frame possible and usually without interest. With the wide-spread usage of Smartphones, UPI, etc. and the need for new flexible financing options, BNPL has become hugely popular in major urban Indian cities like Chennai. BNPL also provides customers with an excellent opportunity to build credit when they have no previous credit record, giving retailers increased sales, customer reach and conversion rates.

## **1.2 Need of the Study**

BNPL is becoming increasingly popular with consumers, especially younger consumers, so we must examine BNPL's impact on consumers and retailers. There are several options to look at BNPL-related issues such as awareness, financial behavior, and potential threats for consumers (e.g., over-indebtedness), as well as the operational and financial impacts for retailers (e.g., impact on their bottom line).

## **1.3 Influence of BNPL**

BNPL has an impact on consumer consumption patterns (i.e., encouraging increased spending, impulsive purchasing). At the same time, BNPL benefits retailers (i.e., a positive sales impact, decreases in cart abandonment and improving consumer interactions) but incurs higher transaction fees and a greater reliance on third-party service providers.

## **1.4 Statement of the Problem**

Although there are many benefits associated with BNPL schemes, there are also several concerns related to this method of payment including overspending; delays in making payments; consumers being unaware about their level of debt or risk from missed payments; and retailers paying large amounts in fees for handling these transactions. So far, BNPL has caused issues for both consumers and retailers that will need to be looked into further to determine the overall impact of BNPL.

## **1.5 Theoretical Framework**

The research was done according to multiple theories, including consumer behavior theories (impulse purchases & mental accounting), financial inclusion theories (credit access to underrepresented consumers), and technological adoption models (convenience/ease of use driving use). When considered collectively, these frameworks show how BNPL (Buy Now Pay Later) adoption is influenced by both psychological/financial/technological characteristics.

## 1. 6 Importance of this Research Project

Consumers: With the information from this research project, consumers will be able to make more educated financial decisions. Retailers: The results of this research will help retailers evaluate their BNPL pricing strategies. Policymakers: Insights from this study will help to create a framework for responsible lending and consumer protection.

## 1.7 Research Study Limitations

This research study will be limited to BNPL usage for consumers and retailers in Chennai only, in both the online and offline retail sectors.

## 1.8 Objectives of this Research Study

- To Gain An Understanding of Consumer Knowledge in Regards to BNPL Options and Usage
- To Understand the Benefits and Challenges Retailers and Consumers Experience in Utilizing BNPL
- To Establish Areas of Financial Awareness and Risk for Consumers when Utilizing BNPL Services

## 2. Scholarly review

Previous studies indicate that BNPL has had a prolific impact in changing the way consumers buy, as well as retailers' strategies for selling goods; however, BNPL has also raised a number of concerns over its long-term sustainability. Numerous studies investigate how BNPL mitigates the "pain of paying" and increases a consumer's intention to purchase, as well as increases consumer transaction frequency and average order value sold (**Wang & Khouja, 2025; Kumar et al., 2024**). By providing flexibility in terms of payment options, BNPL gives consumers a perception of being able to afford the item they want to buy, and therefore, promotes discretionary and impulse purchases by younger consumers (**Ashby et al., 2025; Kim & Li, 2021**). For consumers, BNPL represents a convenient, short-term source of cash liquidity; thus, it serves as an attractive solution to those who value greater flexibility in paying for their purchases (**Desikan, 2024**). Nonetheless, where consumers rely heavily on BNPL when making purchases, they tend to have difficulty in budgeting, stress while they are making payments, and may run the risk of becoming over-indebted, especially

among users with lower levels of financial literacy (**Nelson, 2022; Raj et al.**). Furthermore, research demonstrates that BNPL users tend to be young, digitally-savvy, and have been historically excluded from traditional credit systems making them more susceptible to financial risk (**Di Maggio et al., 2022; Arisandy et al., 2023**).

Except for BNPL's ability to help retailers grow their business, create new customers, and improve basket size (especially in very competitive and e-commerce markets), retailers are also facing large operational issues associated with BNPL, such as delayed payments, merchant discount rates, and risk of defaults caused by consumers. Furthermore, BNPL's rapid growth has outpaced the existing regulatory framework, leading to a variety of transparency, consumer protection, and credit assessment issues for retailers (**Oster, 2021; Skibba, 2021**). Researchers believe there needs to be increased regulation and financial literacy in order to increase the potential benefits of BNPL while decreasing the number of risks associated with it.

Ultimately, it is clear by the literature that there are two sides to BNPL; on one side creating retail growth and providing convenience for consumers, on the other creating new financial and regulatory issues; Thus requiring analysis from both the retailer's point of view and the consumers, especially in rapidly urbanising areas such as Chennai.

### **3. Research methodology**

#### **3.1 Introduction**

The research methodology describes how the study will be designed, conducted and analysed. It establishes systematic, reliable and valid results for the research study. This research investigates the trends and challenges of BNPL for retailers and consumers in Chennai and focuses on the areas of how BNPL is used, the associated benefits and risks of using BNPL, as well as types of behaviours exhibited while using BNPL.

#### **3.2 Research design and approach**

The research methodology used descriptive research design with quantitative research approach. The data collected via structured questionnaires and analysed with the use of percentage, correlation, regression and t-test and ANOVA to discover patterns and relationships between the variables being studied.

#### **3.3 Study Area**

The study is in Chennai and specifically within the Ambattur Industrial Estate as this area is a mix of traditional and digital retail and the adoption of BNPL is increasing within this area.

### **3.4 Data Sources**

Primary and secondary data are both used in this research study. Primary data is collected from consumers and retailers through the use of structured questionnaires. Secondary data is collected from books, journal articles and reports to support the analysis and provide background information for the research study.

### **3.5 Sampling design**

Ambattur has been selected as a cluster for this research study; therefore, cluster sampling will be applied because it is the most economical, practical, and viable method for localized research.

### **3.6 Sample size and data collection**

The research will use a sample of 64 respondents. A structured questionnaire will be used to collect data, consisting of closed-ended questions (multiple-choice), dichotomous questions (Yes/No), a Likert-type scale, and ranked-choice questions.

### **3.7 Variables of the study**

- Independent variables: age, gender, occupation, income, education, digital experience.
- Dependent variables: awareness, usage, purchasing and repayment behaviour, financial strain, satisfaction, benefits and risks.

### **3.8 Tools and techniques of analysis**

The data collected will be analyzed using SPSS software with percentage analyses, correlations, regressions, t-tests, and ANOVAs to ensure accurate readings and comparisons.

### **3.9 Ethical considerations**

Participants will voluntarily participate in this study and the confidentiality of responses will be respected. The data collected will only be used for academic purposes and will be recorded honestly and without bias.

### **3.10 Research limitations of the study**

The study has limitations due to its geographic boundaries being restricted to Chennai, a limited sample size of 64, the potential for biased respondents, and limited time and resources to complete the research.

**Table 4.1 Objective 1: To examine the know-how of consumer in regard to BNPL options and their usage.**

Particulars	BNPL services	Gender
BNPL services	1	0.024465
Gender	0.024464873	1

**Table 4.2 Objective 2: To assess how both retailers and consumers benefit and encounter various challenges due to BNPL.**

Regression Statistics	Value
Multiple R	0.06632
R Square	0.00439
Adjusted R Square	-0.0116
Standard Error	0.8308
Observations	64

Particulars	df	SS	MS	F	Significance F
Regression	1	0.1891	0.1891	0.2739	0.6025
Residual	62	42.7952	0.6902		
Total	63	42.9843			

Particulars	Coefficients	Standard Error	t Stat	P-value
Intercept	1.8834	0.2731	6.8963	3.2492
customers	0.0535	0.1023	0.5234	0.6025

**Table 4.3 Objective 3: To determine what areas of financial planning and risk consumers should be aware of when using BNPL services.**

Groups	Count	Sum	Average	Variance
Less than 20	12	44	3.6666	2.0606
20–50	23	72	3.1304	2.0276
50–100	16	48	3	1.4666

More than 100	13	41	3.1538	1.9743
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Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3.391705	3	1.1305	0.6004	0.6172	2.7580
Within Groups	112.9677	60	1.8827			
Total	116.3594	63				

**Table 4.4 Consolidated Analysis table**

Objective	Tool Used	Key Results	Analysis	Interpretation
To examine the know-how of consumers regarding BNPL options and their usage	Correlation	Correlation value = 0.0244 (Gender vs Problems faced)	The correlation is very weak and positive, indicating that BNPL usage issues are not significantly influenced by gender. Awareness and usage are uniformly distributed among respondents.	Among Infosys employees in Chennai, BNPL awareness is widely present, but the weak relationship shows that problems arise due to lack of financial understanding rather than demographic factors.
To assess benefits and challenges faced by consumers and retailers due to BNPL	Regression	R <sup>2</sup> = 0.0044; Significance F = 0.6025; Coefficient = 0.0535	The regression model is statistically insignificant, showing that BNPL has minimal impact on customer volume/sales. The positive coefficient indicates only a very weak	This suggests that Infosys employees, being relatively financially literate and investment-oriented, are not heavily influenced by BNPL for spending decisions. BNPL does not significantly drive impulsive purchases, reflecting controlled financial behavior and

			influence.	preference for planned investments.
To determine financial planning and risk awareness among BNPL users	ANOVA	$F = 0.600$ ; P-value = $0.617$ ; $F_{crit} = 2.758$	Since $F < F_{crit}$ and $P > 0.05$ , there is no significant difference across groups. Financial awareness levels are similar among all respondents.	This indicates that financial awareness among Infosys employees is consistent across groups, but average scores (~3–3.6) show it is only moderate.

## 5. Conclusion

### 5.1 Major Findings of the Study

The present study on Buy Now Pay Later (BNPL): Trends and Challenges among Retailers and Shoppers in Chennai has generated several important findings regarding awareness, adoption, operational challenges, and sectoral impact. These findings are also supported by existing literature and industry reports. One of the most significant findings is the wide gap between awareness (79.7%) and adoption (34.4%) of BNPL among retailers. While retailers are familiar with BNPL services, many hesitate to implement them due to cost concerns, settlement delays, and operational complexity. This finding aligns with reports by Reserve Bank of India, which highlight that although BNPL awareness in India is high, adoption remains gradual due to regulatory uncertainty and merchant cost sensitivity. Similarly, a study by KPMG (2023) observed that Indian merchants are cautious in adopting BNPL despite recognizing its growth potential.

The study revealed that a majority of retailers fall within the 18–50 age group, indicating that younger and middle-aged entrepreneurs dominate the retail sector. This demographic is more receptive to digital financial innovations. This supports findings by Deloitte, which states that younger business owners are more likely to adopt fintech solutions due to higher digital literacy and openness to innovation. Among BNPL providers, ZestMoney holds a dominant share, followed by Paytm Postpaid and LazyPay. This indicates a moderately concentrated yet competitive market. According to a report by PwC, the Indian BNPL market is led by a few major players, with increasing competition expected as fintech adoption grows. The study found that word-of-mouth, peer retailers, and customers are the

most important sources of awareness. This finding is consistent with research by World Bank, which emphasizes that in emerging markets like India, informal networks play a crucial role in spreading awareness about financial products. Correlation results showed that gender, business type, and customer footfall have negligible relationships with BNPL awareness, problems faced, or sales impact. This supports findings by International Monetary Fund, which suggests that fintech adoption is more influenced by ecosystem factors (technology, regulation, cost) than by demographic characteristics. Regression analysis revealed that customer understanding and repayment struggles do not significantly affect retailer problems. Instead, issues are more operational such as technical glitches, settlement delays, and high merchant discount rates (MDR). This aligns with findings from McKinsey & Company, which notes that merchant dissatisfaction with BNPL often stems from backend inefficiencies rather than customer-related risks.

## **5.2 Limitations of the Study**

The study is restricted to Ambattur Industrial Estate in Chennai, which limits the generalizability of findings to other regions. The analysis is based on a sample of 64 respondents, which may not fully represent the entire retail population. The study captures data at a single point in time and does not account for rapid changes in the fintech ecosystem. The primary focus is on retailers, with limited direct input from consumers, which may restrict understanding of customer-side behavior. Responses may be subject to bias, as they rely on the perceptions and experiences of respondents.

## **5.3 Overall Conclusion**

The study concludes that BNPL is an emerging and transformative financial innovation in the retail sector of Chennai. While awareness levels are high, adoption remains moderate due to operational, financial, and structural challenges. The findings clearly indicate that BNPL is not universally beneficial across all retail sectors, but rather its effectiveness depends on product type, transaction value, and business strategy. Importantly, the study highlights that BNPL challenges are driven more by system-level inefficiencies than by customer behavior. This shifts the focus toward improving platform reliability, reducing costs, and enhancing merchant support systems. At the same time, the growing interest among retailers to adopt BNPL in the future signals strong market potential. With improved financial literacy, better regulatory clarity, and technological advancements, BNPL is expected to play a crucial role in shaping the future of digital payments and consumer credit.

in India. In conclusion, BNPL represents both an opportunity and a challenge offering increased sales and customer convenience on one hand, while posing operational and financial risks on the other. A balanced and informed approach by retailers, consumers, and financial institutions will be essential to ensure sustainable growth of BNPL in the evolving digital economy.

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