

THE IMPACT OF BUY-NOW-PAY-LATER SERVICES ON YOUNG ADULTS' SPENDING BEHAVIOR

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ABSTRACT

The rise of Buy-Now-Pay-Later (BNPL) services has transformed how young adults manage their purchases and perceive affordability. This study explores the impact of BNPL platforms—such as Klarna, Afterpay, and Simpl—on the spending behavior of individuals aged 18 to 35. Using a survey-based approach, the research analyzes how convenient installment options influence impulsive buying, budgeting discipline, and overall financial awareness. Findings indicate that easy access to deferred payment options encourages more frequent and higher-value discretionary spending, particularly among users with lower financial literacy. While BNPL schemes provide short-term flexibility and purchasing power, they may also contribute to debt accumulation and reduced savings habits. The study highlights the dual nature of BNPL systems—as both enablers of financial convenience and potential triggers of overspending. The paper concludes with recommendations for promoting responsible usage through improved consumer education and transparent disclosure policies.

Keywords: Buy-Now-Pay-Later, Young Adults, Spending Behavior, Impulse Buying, Financial Literacy, Consumer Finance

1. INTRODUCTION

1.1 Background of the Study

In today's digital world, the way people shop and pay for things is changing faster than ever. One of the biggest changes in recent years is the rise of Buy-Now-Pay-Later (BNPL) services. These platforms let people buy what they want instantly and pay for it later in small, interest-free instalments. The idea sounds simple — and that's exactly why it has become so popular, especially among young adults who prefer quick, flexible, and cash-free transactions.

The use of BNPL services has grown rapidly with the spread of online shopping and digital payment apps. During the COVID-19 pandemic, when e-commerce became a part of everyday life, BNPL options like Simple, LazyPay, ZestMoney, Klarna, and Afterpay became household names. For many young people, BNPL feels like a smarter way to manage expenses — no credit card needed, no long bank processes, and no immediate financial burden.

However, this growing convenience comes with its own set of challenges. Many young users tend to spend more impulsively because the payment is postponed. Easy access to short-term credit can sometimes create a false sense of affordability, leading to overspending and even debt. In many cases, young adults may not fully realize the long-term impact of multiple small repayments on their overall finances.

In a country like India, where digital finance and fintech are expanding quickly, BNPL services are changing how young people handle money. India's youth are the main driving force behind this trend, as they are open to new technologies and online financial tools. Yet, there is limited research on how BNPL is actually shaping their spending habits, saving behavior, and financial discipline.

This study aims to understand how BNPL services influence young adults — whether these platforms are helping them manage money more efficiently or leading them toward careless spending. By exploring these questions, the research hopes to shed light on both the benefits and the hidden risks of this modern credit model.

1.2 Growth of Buy-Now-Pay-Later (BNPL) Services

The growth of Buy-Now-Pay-Later (BNPL) services has been one of the most striking changes in the global financial landscape over the past few years. What started as a simple idea — allowing customers to purchase goods immediately and pay for them later in small installments — has now become a major part of the digital payment ecosystem. The rise of e-commerce, smartphone usage, and fintech innovation has helped BNPL grow at a remarkable pace, especially among young and tech-savvy consumers.

In countries like the United States, United Kingdom, and Australia, companies such as Afterpay, Klarna, and Affirm have led this trend. They have shown that customers, particularly those in the 18–35 age group, prefer flexible payment methods that don't require traditional credit cards or long approval processes. Inspired by this global success, several Indian fintech companies — including ZestMoney, Simpl, LazyPay, Paytm Postpaid, and Flipkart Pay Later — have launched similar services to cater to the growing demand for easy credit.

In India, the growth of BNPL has been fueled by several key factors. First, the increase in online shopping and digital transactions, particularly after the COVID-19 pandemic, made consumers more comfortable with cashless payments. Second, a large section of India's young population, with limited access to credit cards or formal loans, found BNPL an attractive alternative. Finally, the convenience of "one-click" approvals and interest-free installments encouraged users to try these services without much hesitation.

According to industry reports, India's BNPL market has been growing at a rapid double-digit rate each year and is expected to continue expanding as more retailers and e-commerce platforms integrate BNPL options. This trend reflects a broader shift in how young people view money — focusing more on immediate access and convenience rather than delayed gratification and saving.

However, this quick growth also brings concerns about financial discipline, debt accumulation, and consumer awareness. As BNPL becomes a normal part of shopping behavior, it is important to understand not just how fast it is growing, but also how it is changing spending patterns among young adults.

1.3 Importance of Studying Young Adults' Spending Habits

Understanding the spending habits of young adults is becoming increasingly important in today's fast-changing financial world. Young people between the ages of 18 and 35 represent a generation that has grown up with technology, social media, and digital finance. Their approach to money is very different from that of previous generations — they prefer instant access, digital convenience, and flexible payment options over traditional financial systems like credit cards or bank loans.

The introduction of Buy-Now-Pay-Later (BNPL) services has further transformed this behavior. For many young consumers, BNPL is not just a payment method — it is a lifestyle choice that allows them to buy what they want without waiting. However, this convenience may also come with financial consequences. When payments are delayed and divided into smaller parts, young users might lose track of how much they are actually spending. This can lead to impulsive buying, financial stress, or unplanned debt if not managed properly.

Studying young adults' spending habits is also crucial because this age group is at a stage of life where they are building their financial independence and money management skills. The habits they develop now will influence their long-term financial stability. If they learn responsible use of credit and spending discipline early, they are more likely to enjoy financial security in the future. On the other hand, poor financial habits can lead to debt traps and reduced savings later in life.

From a broader perspective, understanding these spending behaviors helps banks, fintech companies, and policymakers design better financial products and consumer protection measures. It can also guide educational institutions and organizations in promoting financial literacy programs that teach young people how to manage modern credit systems like BNPL wisely.

Therefore, studying the spending habits of young adults — especially in the context of BNPL — is essential not only for understanding current consumer behavior but also for shaping a more financially responsible and aware generation in the future.

1.4 Research Problem and Objectives

The Buy-Now-Pay-Later (BNPL) model has quickly become one of the most popular financial trends among young consumers. Its promise of instant purchases with delayed payments has attracted millions of users, especially those in the age group of 18–35 years. However, while BNPL makes shopping easier, it also raises questions about its impact on spending behavior and financial discipline.

The main problem identified in this study is that while BNPL offers financial flexibility, it may also lead to impulse buying, overspending, and hidden debt accumulation, particularly among young adults who may not have strong financial knowledge. Most existing research focuses on the growth and business models of BNPL companies, but fewer studies explore its behavioral and social impact — especially in the Indian context.

Since this research is based entirely on secondary data, it uses information from published reports, academic journals, news articles, industry analyses, and government databases to understand how BNPL is reshaping young adults' spending habits.

Objectives of the Study:

1. To analyze the growth and expansion of BNPL services in India and globally.
2. To study how BNPL services influence the spending habits of young adults using available secondary data.
3. To identify the behavioral and financial risks associated with BNPL usage.
4. To examine the role of financial literacy in shaping responsible spending among young BNPL users.

5. To suggest measures for promoting safe and sustainable use of BNPL services.

1.5 Research Questions

Based on the objectives, the study seeks to answer the following research questions:

1. How have Buy-Now-Pay-Later services grown and evolved in recent years, both globally and in India?
2. In what ways are BNPL services influencing the spending habits and financial behavior of young adults?
3. What are the key benefits and risks of using BNPL platforms as reported in existing studies and reports?
4. How does financial literacy affect young consumers' ability to manage BNPL payments responsibly?
5. What policy or educational steps can help promote responsible use of BNPL among young users?

1.6 Significance of the Study

This study is significant because it helps to understand the changing financial behavior of young adults in the era of digital payments. BNPL services are now widely available across e-commerce websites, online marketplaces, and even offline retail stores, making them a major influence on how people shop and spend.

By relying on secondary data sources such as research papers, financial reports, consumer surveys, and market analyses, this study provides a broader and data-driven view of how BNPL is affecting youth consumption patterns. It also helps to identify common trends observed across different regions and studies, offering insights without the bias or limitations of primary data collection.

The study is also important for several groups:

- **For policymakers**, it highlights the need for better regulation and consumer protection in digital credit systems.
- **For educators and institutions**, it emphasizes the importance of financial literacy programs for young adults.
- **For fintech companies**, it offers insights into responsible marketing and the ethical design of credit products.

Overall, this research contributes to a deeper understanding of how technological innovation in finance — like BNPL — can both empower and challenge young consumers in managing their money wisely.

2. RESEARCH METHODOLOGY

This study is based purely on secondary data and follows a descriptive research design. The purpose of this approach is to analyze and interpret existing information related to the impact of Buy-Now-Pay-Later (BNPL) services on the spending behavior of young adults. Secondary data has been collected from various reliable and authentic sources, including academic journals, research articles, industry reports, financial publications, government databases, and online resources such as Statista, RBI reports, and fintech company websites. The data was carefully reviewed and compared to identify common patterns, emerging trends, and contrasting viewpoints regarding BNPL usage and its behavioral effects.

The research focuses on synthesizing insights from previously published studies rather than conducting field surveys or primary investigations. Qualitative and quantitative findings from these sources were examined to understand how BNPL influences impulsive buying, budgeting, and financial discipline among young consumers. The data collected was organized thematically under key areas such as growth of BNPL, consumer behavior, and financial literacy. This method ensures a broad and objective understanding of the topic, providing meaningful conclusions and policy recommendations based on existing literature and industry evidence.

3. FINDINGS AND SUGGESTIONS

Findings

Based on the review of secondary data, several key findings emerge regarding the impact of Buy-Now-Pay-Later (BNPL) services on young adults' spending habits:

1. **Rapid Adoption:** BNPL services have grown significantly, particularly among young adults aged 18–35, who prefer easy, instant, and flexible payment options. Platforms like **Simpl**, **LazyPay**, **ZestMoney**, **Paytm Postpaid**, **Klarna**, and **Afterpay** are driving this trend globally and in India.
2. **Influence on Spending Habits:** The convenience of deferred payments encourages **higher discretionary spending and impulse buying**. Many young users tend to purchase items they might otherwise delay or avoid, perceiving BNPL as “interest-free” and affordable.
3. **Financial Awareness Gap:** While BNPL improves short-term purchasing power, it may also create **financial risks**. Secondary sources indicate that many young adults are unaware of repayment timelines, hidden fees, or cumulative obligations, which can lead to stress and potential debt accumulation.

4. Role of Financial Literacy: Studies consistently highlight that **financial literacy moderates the impact of BNPL usage**. Young adults with higher financial knowledge manage BNPL payments responsibly, while those with lower literacy levels are more likely to overspend or default.

5. Behavioral Shifts: BNPL is not only changing **how much young adults spend**, but also **how they plan and perceive money**. The ease of credit can shift focus from long-term budgeting to short-term consumption, highlighting the psychological influence of instant payment options.

Suggestions

Based on the findings from secondary sources, the following recommendations can help ensure responsible BNPL usage among young adults:

1. Enhance Financial Education: Incorporate **financial literacy programs** in colleges, workplaces, and online platforms to teach young adults about budgeting, credit management, and the risks associated with BNPL.

2. Transparent Communication by Providers: BNPL platforms should **clearly display repayment schedules, late fees, and total payable amounts** to avoid confusion and reduce the risk of debt accumulation.

3. Policy and Regulatory Support: Authorities should promote **consumer protection guidelines**, ensuring BNPL providers follow ethical marketing practices and prevent misuse.

4. Encourage Responsible Usage: Young consumers should be encouraged to **plan purchases, track expenses, and avoid using BNPL for non-essential items** beyond their capacity to repay.

5. Parental and Peer Guidance: Parents, mentors, and peer groups can play a role in **raising awareness about spending habits** and influencing responsible financial behavior in young adults.

Overall, BNPL is a **double-edged sword**: it offers flexibility and convenience but can also lead to overspending if not managed carefully. By combining education, transparency, and regulation, the benefits of BNPL can be maximized while minimizing financial risks for young users.

4. CONCLUSION

Buy-Now-Pay-Later (BNPL) services are rapidly changing the way young adults shop and manage money. By allowing instant purchases with deferred payments, these platforms provide convenience and flexibility that traditional credit methods often cannot match. The review of secondary data indicates that BNPL encourages **higher** discretionary spending, impulse buying, and short-term financial flexibility among users, especially those aged 18–35. At the same time, it can pose risks such as overspending, debt accumulation, and reduced budgeting discipline, particularly for young adults with limited financial literacy.

The study highlights that while BNPL can be a helpful tool for managing short-term expenses, its benefits are maximized only when users are aware of repayment obligations and make informed financial decisions. Financial literacy, transparency from BNPL providers, and supportive regulations play a crucial role in ensuring that these services empower rather than endanger young consumers.

In conclusion, BNPL is reshaping spending habits in significant ways, reflecting a broader shift toward digital, flexible, and convenience-driven consumption among young adults. With responsible usage, education, and proper guidance, BNPL can serve as a positive financial tool, helping young adults manage their spending effectively while enjoying the advantages of modern fintech solutions.

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