



Impact of Buy Now Pay Later Services on the Spending Behavior of Generation Z Consumers in Chennai

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Abstract: Buy Now Pay Later (BNPL) has undergone a huge transformation in how customers are making their purchases as compared to years past. Young consumers (Generation Z) especially prefer more flexible and technological financing options, but little empirical research has been conducted on how BNPL affects the way young consumers shop in metropolitan areas in India. Therefore, the purpose of this study is to collect and objectively study how BNPL affects how Generation Z consumers in Chennai shop using the specific areas of impulsive purchases, frequency of purchases, and financial knowledge. Using a convenience sampling approach, the study collected primary data from respondents in Chennai's Generation Z population through the use of an established questionnaire. The data analysis methods used were quantitative and included descriptive statistics, correlation, and regression analysis to test the relationship between having used BNPL and the different shopping characteristics measured.

The results of the research found that the use of BNPL had a significant positive influence on the impulsive purchasing and purchases made frequently by those who have used BNPL as well as reducing the perceived immediate financial burden. In total, however, by the results, consumers appear to have an average understanding of the repayment responsibilities that accompany this form of financing and the long-term effects of this type of financing on their financial situation.

Keywords: Buy Now Pay Later (BNPL), Generation Z Consumers, Spending Behavior, Impulsive Buying, Purchase Frequency, Financial Awareness

1.INTRODUCTION

1.1 Background of the Study

Technology has become a major contributor to the development of new payment methods; therefore, we have a significant growth of payment options as they relate to payment methods. One of the options consumers now have been called BNPL (Buy Now, Pay Later). Users can purchase an item today and pay for it at a later date, thus allowing them to avoid using their traditional credit card to make the purchase. As Indian consumers continue to embrace purchasing through e-commerce channels, using digital wallets and financial technology (fintech) services; BNPL will only grow in popularity in urban areas, like Chennai.

1.2 Research Problem

There has been plenty of growth in the use of "Buy Now Pay Later" (BNPL) among urban-dwelling youth, however, research examining what happens to behavior once they use BNPL but has been severely lacking; there is not enough research about how BNPL affects the impulsive buying behavior of Generation Z consumers in Chennai, including factors such as frequency of purchases, and their financial awareness, indicating that little is known about the implications of short-term digital credit on young urban populations.

1.3 Objectives of the Study

Primary Objective:

1. To examine the impact of Buy Now Pay Later (BNPL) services on the spending behavior of Generation Z consumers in Chennai.
2. To analyze the effect of BNPL usage on impulsive buying behavior among Gen Z consumers in Chennai.



3. To assess the relationship between BNPL adoption and purchase frequency of Gen Z consumers.
4. To evaluate the level of financial awareness regarding repayment obligations among BNPL users in Generation Z.

1.4 Significance of the Research

This research adds information to the growing literature about how consumer choices are influenced by fintech companies within India, specifically through BNPL (buy now, pay later). Results provide fintech companies, policymakers, and financial educators with empirical data to establish responsible guidelines and legislation related to BNPL, as well as developing consumer protection policies and developing specific financial literacy programs directed at this generation of consumers. In addition, this research also helps marketers and digital platforms understand how young urban consumers think about making purchases using deferred payment methods.

2. REVIEW OF LITERATURE

- Soni and Sharma (2022) found that Buy Now Pay Later (BNPL) services are influencing the buying behavior of young consumers in India. As it is convenient and offers immediate access to credit, as well as minimal documentation, more and more young consumers are adopting BNPL services, thus leading to increased buying and spending.
- Gerrans, Baur, and Lavagna-Slater (2023) found that consumers using BNPL services are more likely to make impulsive purchases and are less likely to be financially at risk due to the deferred payment system. The deferred payment system makes consumers spend more than they would normally be willing to pay.
- Maier (2022) found that the availability of BNPL services during online shopping enhances the number of items purchased and the amount spent by consumers. This is particularly seen in Generation Z consumers, where consumers purchase more fashion and lifestyle products.
- Agarwal and Chomsisengphet (2021) explained that the frequent use of short-term credit services like BNPL can reduce budgeting discipline and awareness of consumers, particularly young consumers, about their repayment obligations.
- Kumar and Shukla (2023) found that although the adoption of BNPL services by young consumers in India is high, their level of financial literacy and awareness about their repayment obligations is moderate.

2.2 Research Gaps Identified

While there are a number of studies about BNPL (Buy Now Pay Later) Usage and consumer behaviors, much of this research is focused on Western countries or at a national-level of measurement. There is a lack of research specifically around Generation Z (age group 18-26) and BNPL spending behaviors within certain cities, particularly in Chennai. Most previous research discusses youth purchasing habits in general terms without in-depth exploration of BNPL services impact upon impulsive buying, discretionary spending and total spend in youth consumers from Chennai.

3. RESEARCH METHODOLOGY

3.1 Research Design

The current research has adopted a Quantitative Research Design to investigate the impact of Buy Now Pay Later services on the spending behavior of Generation Z consumers. Quantitative research is appropriate for the current research as it is useful in measuring the relationship between the variables with the help of numerical data. In the current research, the independent variables under consideration are impulsive buying, discretionary spending, and total spending. These factors have been examined to see their impact on the dependent variable, which is the spending behavior of Generation Z consumers. A descriptive and explanatory research design has been adopted to understand the pattern of BNPL service use and to explain the impact of BNPL services on the purchasing behavior of consumers

3.2 Data Collection Methods

To conduct this study, the researchers gathered information from participants using a cross-sectional survey that relied heavily on questionnaires. This study utilized primary data, as primary data are current and firsthand accounts of those who have or currently use BNPL in the city of Chennai. The questionnaires were designed from previously published studies and then modified for local use so that participants could clearly and easily understand each question. For the online responses, Google Forms were used to create surveys and they were then sent out via social media (WhatsApp, Instagram and LinkedIn) to tech-savvy users.



3.3 Tools used for Analysis

The data that was collected from the questionnaires was analyzed with the help of statistical analysis tools. These tools helped in the interpretation of the data and the derivation of meaningful conclusions from the same. First of all, the data that was collected from the questionnaires was organized with the help of Microsoft Excel. Organizing the data helped in cleaning the data and structuring the same. After organizing the data, percentage analysis, mean analysis, correlation analysis was carried out in order to understand the patterns, relationships, and trends with respect to the usage of BNPL services by Generation Z in Chennai.

3.4 Statistical Tools Used

The following statistical tools were applied:

- Descriptive Statistics (Frequency & Percentage)
- Factor Analysis (KMO & Bartlett's Test)
- Reliability Analysis (Cronbach's Alpha)
- Multiple Regression Analysis
- Regression ANOVA
- Multicollinearity Test (VIF)

4. DATA ANALYSIS AND INTERPRETATION

This Study presents the statistical analysis of data collected from 222 respondents, mainly Generation Z consumers using Buy Now Pay Later (BNPL) services in Chennai. The data was analyzed using IBM SPSS Version 29. Statistical techniques such as descriptive statistics, reliability analysis, correlation, regression, and ANOVA were used to examine the factors influencing the spending behavior of consumers.

4.1 Descriptive Analysis

A descriptive analysis was performed to summarize the demographics of respondents and develop their general profiles based on demographic factors including age, gender, educational qualifications, income level, and use of Buy Now Pay Later (BNPL) services. Frequencies & percentages were used to present the information obtained through tables and charts. The analysis has shown that a majority of respondents are from the age group 18-25, demonstrating that the sample primarily consisted of Generation Z Consumers.

4.2 Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.920
Bartlett's Test of Sphericity	Approx. Chi-Square	1606.606
	df	190
	Sig.	.000

The KMO value of 0.920 indicates excellent sampling adequacy, showing that the data is suitable for factor analysis. Bartlett's Test of Sphericity is significant, confirming that correlations between variables are sufficient.

4.3 Reliability Analysis

Reliability Statistics (Cronbach's Alpha)

Variables	Cronbach's Alpha	Number of items
Spending Behaviour	0.743	5
Impulsive Buying	0.914	5
Discretionary Spending	0.948	5
Total Spending	0.897	5



The reliability test using Cronbach's Alpha shows that all variables have good to excellent internal consistency. Spending Behavior ($\alpha = 0.743$) demonstrates good reliability, while Impulsive Buying ($\alpha = 0.914$), Discretionary Spending ($\alpha = 0.948$), and Total Spending ($\alpha = 0.897$) show very good to excellent reliability.

4.4 Multiple Regression Analysis

4.4.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.741 ^a	.549	.543	2.64071	1.994

According to the model's summary, an R value of 0.741 shows a strong association between all the independent variables and the dependent variable. The R Squared value of 0.549 indicates that approximately 54.9% of the variation in the dependent variable can be explained by this model.

4.4.2 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1851.685	3	617.228	88.513	.000 ^b
	Residual	1520.189	218	6.973		
	Total	3371.874	221			

The ANOVA results show that the F value is 88.513, which indicates that the regression model is statistically significant. The significance value (Sig.) is 0.000, which is less than 0.05, confirming that the model is significant.

4.4.3 Regression Coefficients

Coefficients												
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	2.084	.799		2.610	.010						
	IB	.279	.050	.347	5.612	.000	.659	.355	.255	.541	1.850	
	DS	.168	.060	.204	2.830	.005	.640	.188	.129	.397	2.516	
	TS	.248	.062	.288	4.013	.000	.659	.262	.182	.401	2.491	

5. RESULTS AND DISCUSSION

5.1 Key Results of the Study

The study analyzed the responses collected from 222 respondents regarding the factors influencing BNPL usage. The statistical analysis shows that the independent variables have a significant impact on the dependent variable. The regression results indicate a strong relationship between the variables. The model explains a considerable portion of the variation in the dependent variable.

5.2 Comparison with Previous Studies

The findings of this study are consistent with several previous studies on consumer financial behavior. Earlier research has also indicated that factors such as convenience, accessibility, and financial flexibility influence the use of BNPL services. Similar studies have reported that young consumers are more likely to adopt digital payment options. The results of this study support these earlier findings. The similarity in results strengthens the reliability of the present study. Therefore, the current research aligns with the existing literature in this area.

5.3 Practical Implications

The results of this study provide useful insights for financial service providers and BNPL companies. Understanding the factors that influence BNPL usage can help companies improve their services and marketing strategies. Businesses can focus on improving user experience and financial accessibility for young consumers. The findings can also help policymakers understand consumer borrowing behavior. Educational programs can be designed to promote responsible use of BNPL services. Overall, the study provides practical guidance for improving financial service adoption.



6. FINDINGS

- The study was conducted with 222 respondents to understand the factors influencing BNPL usage.
- The regression analysis indicates a strong relationship between the variables.
- The model explains 54.9% of the variation in the dependent variable.
- The ANOVA results confirm that the overall model is statistically significant.

7. SUGGESTIONS / RECOMMENDATIONS

- Companies should ensure transparent terms and conditions to build trust among users.
- Awareness programs can be conducted to promote responsible usage of BNPL services.
- Companies should design flexible repayment options to attract more users.
- BNPL service providers should focus on improving awareness and understanding of their services among consumers.

8. CONCLUSION

This study examined the factors influencing the usage of Buy Now Pay Later (BNPL) services among respondents. The analysis was conducted using statistical tools to identify the relationship between the variables. The results indicate that the selected factors significantly influence consumer behavior toward BNPL services.

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