BUY NOW PAY LATER: AN EMERGING TECHNIQUE IN E-COMMERCE AND ITS IMPACT ON CONSUMER'S BUYING BEHAVIOUR

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ABSTRACT

The emerging technique to affect consumers specially in online shopping is pay later applications or mechanism which accelerates impulsive buying during purchasing. As we know there are various e payment modes available in online shopping platform which makes easy for a consumer to do purchase including e wallets, net banking, upi payments, debit and credit cards and BNPL are one of them which attracts consumers for online shopping. This study is being conducted to examine the elements that affects the consumers in Ghaziabad city to buy products at online shopping platform using BNPL services. The study uses primary data collected from 500 respondents using two-stage sampling technique. Multiple regression analysis technique is used to analyse the factors affecting the consumers to use BNPL Applications of payment in online shopping platform. The results proof that consumers spends more on online shopping due to this BNPL Services. Also, the safety and security need of consumer is being fulfilled while doing the payment through BNPL apps. As corporate governance in India continues to mature, professionals in the field must stay attuned to these evolving trends and best practices to ensure effective, ethical, and inclusive governance across organizations.

Keywords: *BNPL, buying behavior, purchase decision, impulsive buying*

1. INTRODUCTION

In recent scenario, where technological developments are changing our living style, consumers have the variety of tools to pay for their purchasing at online shopping platform. In addition to the some payment modes such as UPI, E-Wallet, Credit and Debit Cards, Net Banking the usage of BNPL Apps is on rise. There are various methods which are pleasing the consumers. According to conventional theory of economics a demand for new product is possible when consumer has the ability to buy it and if he or she is willing to buy it. For creating the ability the credit cards were being introduced, but BNPL is slowly replacing them specially at online shopping platform specially after pandemic as covid decreases the purchasing power of salaried persons. Thus, BNPL turned out to be an answer for this as it accelerates the purchasing power of consumers. It also speed up the average sales of e commerce stores by increasing the customer base. BNPL, or buy now, pay later, is a kind of short-term borrowing that allows customers to buy goods and services now

and pay for them afterwards, generally without any interest. BNPL applications are also known as point-of-sale installment loans, are emerging as a most innovative payment mode, particularly at online shopping platforms. The common factors for its popularity is security, safety, ease of payment, increased online shopping customer base and increase in education level. A report by the Economic Times projects that by 2026, the BNPL market in India would have grown from $3–3.5 billion to $45–50 billion.

The purpose of this study was to find out how customers felt about BNPL, what factors influenced its use, and how broad it was. Customers can boost their spending power with the credit facility, which has a significant influence on their purchase habits. Covid-19 has a huge impact on the purchasing behaviour of the customer, it also force to the firms to rethink about their selling strategies. Covid -19 gives positive growth to the ecommerce business, due to the concept of social distancing to make safe our self from the virus, people adopted purchase through ecommerce.

1.1 THE ECONOMICS OF THE BNPL INDUSTRY

BNPL Profits = GMV * [Debt financing cost, debt management cost, and provision for debt impairment minus net take-rate] -Expenses for marketing and sales -General and administrative costs.

- Net Take Rate: The amount of commission that merchants are charged -BNPL Co. paid the processing charges.
- Cost of debt financing: interest Banks are compensated by BNPL suppliers for liquidity.
- Cost of debt management: Cost of a credit check plus payment collection fees minus late payments received from clients.
- Debt impairment provision: weighted average percentage of non-repaid loans.
- Gross Merchandising Value, or GMV: is the total of all payments made through the BNPL platform.
- Marketing and sales: Costs associated with attracting and integrating both customers and merchants.
- Administrative and general costs: Infrastructure, technology, and team salaries.

2. LITERATURE REVIEW

The development of e-commerce boosting digital payment: The research provided by the JP Morgan (2019) related to e-commerce payment trends in India revealed that the increasing of internet penetration is the result of impressive annual growth of online shopping. The presence of technology provides a great opportunity in the current development of e-commerce with its transformation. In essence, a pay later system works similarly to a credit card in that it enables customers to purchase goods or services without having to pay for them up front. The form of the credit card and the pay later option, however, differs significantly. They design Pay later not in the form of a card like credit card, but they shape it in a feature in digital processes both on applications or websites. In fact, pay later mechanisms have been around for a while in western nations like Australia and Europe. According to a study by Yeboah and Owusu-Prempeh (2017), a person's impulse buying is influenced by internal psychological elements that are controlled by their natural emotional flow. A customer may exhibit impulsive buying behavior if given the option and convenience of making payments over time at zero percent interest. Digital payments are an important component of digital business operations that cannot be disregarded, per a study by Bezhovski (2016). Despite India's extensive use of digital payments, the pay later mechanism is still relatively new. This paper initially attempts to address this mechanism in order to explain the pay later issue. According to Braga et al. cite_start, purchasing is a frequent daily behavior, and paying for it is a result of that habit. In the meantime, the e-commerce business offers a variety of different payment methods and purchases due to technological advancements.

2.1 OBJECTIVES OF THE STUDY

- To analyse the changes in consumer behaviour due to BNPL Services.
- To study the awareness of BNPL Services among online customers.
- To understand the reasons behind the success rate of BNPL in online shopping platform.
- To learn the relationship between BNPL and consumer behaviour while doing online shopping.

3. RESEARCH METHODOLOGY

In this study we uses descriptive research technique and observation has been made in natural way. For collection of data questionnaire has been used to identify various things such as awareness level, factors behind success and changes in consumer patterns. The Data collection is done at primary level from different age,

gender and professional peoples who are using BNPL Services through the method of snow ball technique. The sample size is 250 from various domains.

3.1 ANALYTICAL TECHNIQUE

$Yi = beta\_0 + beta\_1(X\_1) + beta\_2(X\_2) + beta\_3(X\_3) + beta\_4(X\_4) + beta\_5(X\_5) + beta\_6(X\_6) + beta\_7(X\_7) + mu\_i$ Where, Yi = Total value of the products that the i-th respondent purchase per year using buy now-pay later mechanism X_1 = Age of the respondent calculated in years X_2 = Education level of the respondent measured in the number of academic years X_3= Creation of negative impacts in the future, indicated by create or does not create X_4= Increase in their demand for luxury goods, indicated by increase or does not increase X_5= Improvement of the respondents' level of living standards, indicated by improve or did not improve X_6 = Satisfaction of the respondents using buy now-pay later mechanism, indicated by satisfied or not satisfied. X_7 = The total monthly income of the participants, expressed in Bangladeshi currency (Taka) mu_i = Stochastic disturbance term beta_i = Co-efficient to be estimated

Table 1: Age of the respondent (in years)

Age of the respondent (in years)	Age of the respondent (in years)
< 25	30
25-40	40
41-60	15
>60	15

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As table 1 shows, 30% respondents under this study were below 25 years of age. 40% of the respondents fell under the age group of 25-40 years. 15 % of the respondents fell under the range of 41-60 years. Besides, 15% of them were above 60 years of age.

Table 2: Education of the respondent

Education of the respondent	Respondents (in %)
Graduate	16
Post graduate	32
12th pass	22
10th pass	18
Below 10th pass	12

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Table 2, indicates that majority of the respondents under this study were educated. A small portion of the respondents that is only 12% are below 10th class pass.

Table 3: Occupation and Monthly Income of Respondents

| Occupation of Respondents (in %) | | Monthly Income of the respondent (in RS) | Respondents (in %) | |---|---|---|---| | Student | 40 | Below 30000 | 20 | | Entrepreneur | 22 | 30 k to 60 k | 40 | | Home makers | 12 | 60 k to 1 lac | 25 | | Service | 14 | Greater than 1 Lac | 15 | | Others | 12 | | |

Table 4: Make regular purchase availing purchase now, pay later

Table 5: Using BNPL Frequently while doing shopping

Using BNPL Frequently while doing shopping	Yes	No
	82	18

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Table 6: Commonly used Application to avail BNPL Mechanism

Applications	Percentage of Respondent
Zest Money	22
Lazypay	18
Amazon Pay	20
Simpl	50
Ola Postpaid	60
Flipkart Pay later	50
Flex Money	30

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Table 7: Regression Analysis Results

Variables	Coefficient	Standard Error	t-ratio
Constant	56,598	23,801	2.38
Age (years)	19.07	257.7	0.07
Education (Number of years of schooling)	1,769*	1,041	1.70
Creation of negative impacts in the future	-2,057	5,565	-0.37
Increase in their demand for durable goods	21,738**	8,194	2.65

Increase in their demand for luxury goods	23,005**	9,138	2.52
An increase in the quality of life	-3,251	11,575	-0.28
Monthly income	3,310	6,109	0.54
R-squared	0.666		

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*and ** indicate 10% and 5% level of significance.

4. CONCLUSIONS

The awareness of BNPL among consumers has been increased since pandemic. The various factors affecting use of BNPL are Literacy level, Income level and mainly the Z level generation. The scope of BNPL near future is very high due to its interest free and EMI flexibility option. The consumer behaviour is affected with BNPL turning as key mode of payment.

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