

Factors Influencing Consumer Acceptance of Buy Now, Pay Later (BNPL) Services: Empirical Evidence from India

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ABSTRACT: Buy Now, Pay Later (BNPL) has emerged as one of the most disruptive innovations in consumer finance, with the global market projected to exceed USD 560 billion in 2025. This study investigates the behavioral determinants of BNPL acceptance in India using an extended Technology Acceptance Model (TAM) incorporating Perceived Risk. A structured cross-sectional survey was administered to 146 urban respondents (ages 18–55). Spearman correlation, independent-samples t-tests, one-way ANOVA, chi-square tests, and multiple regression were employed. Key findings reveal that: (1) BNPL awareness functions as a necessary precondition for adoption; (2) Perceived Ease of Use is the dominant driver of consumer satisfaction ($\beta = 0.546$, $p = 0.007$); (3) Perceived Risk positively predicts purchase behaviour influence ($\beta = 0.286$, $p = 0.004$), indicating deliberate cash-flow management rather than impulsive spending; and (4) the 45–54 age cohort reports the highest utility perception ($M = 4.350$), challenging Gen Z-centric fintech narratives. These findings carry implications for BNPL providers, financial regulators, and consumer protection agencies.

KEYWORDS: BNPL; Technology Acceptance Model; Perceived Risk; Consumer Behaviour; Fintech; India; Digital Payments

I. INTRODUCTION

The rapid expansion of e-commerce and digital transformation of financial services have reshaped consumer payment behaviour. Buy Now, Pay Later (BNPL) services allow consumers to purchase goods immediately while deferring payment, typically via interest-free instalments. The global BNPL market is projected to exceed USD 560 billion in 2025 and approach USD 912 billion by 2030 (Cornelli et al., 2023). Major providers include Klarna, Afterpay, Affirm, and PayPal, while Indian platforms such as Amazon Pay Later, Flipkart Pay Later, ZestMoney, LazyPay, and Paytm Postpaid have rapidly expanded.

Despite its popularity, BNPL raises concerns regarding debt accumulation and consumer vulnerability. Regulatory responses are emerging globally — notably the EU's Consumer Credit Directive 2 (CCD2) and the U.S. CFPB's 2024 reclassification of BNPL lenders as credit card providers. Empirical research on BNPL adoption determinants in India remains sparse. This study addresses that gap by examining how perceived usefulness, ease of use, risk, and awareness interact to shape BNPL acceptance among Indian consumers.

II. LITERATURE REVIEW

2.1 BNPL Growth and Behavioral Consequences

Cornelli et al. (2023) documented BNPL activity growing more than sixfold globally between 2019 and 2023. The CFPB (2022) reported 180 million U.S. BNPL loans totalling USD 24.2 billion in 2021 — a 970% increase from 2019. Di Maggio et al. (2022) found initial BNPL adoption associated with a ~USD 130 spending increase, sustained over 24 weeks. Maesen and Ang (2024) demonstrated via quasi-experimental e-commerce data that BNPL raises basket size by ~10%. Ashby et al. (2025) found consumers over 35 are 12.8 percentage points more likely to make discretionary purchases after using BNPL than younger users, challenging demographic assumptions.

2.2 Psychological Determinants

Relja et al. (2024) identified two distinct adoption profiles: impulsive adopters and strategic cash-flow managers. Schomburgk and Hoffmann (2023) showed that consumer mindfulness reduces BNPL usage by enabling recognition of emotional purchase triggers, with lower BNPL use correlated with higher financial well-being. Mental accounting theory (Thaler, 1985) explains how BNPL's instalment structure reduces perceived spending pain. Raj et al. (2024) found that materialistic consumers adopt BNPL more frequently, amplifying aspirational consumption.

2.3 Technology Acceptance

Abed (2024), applying TAM and UTAUT to Saudi Gen Z consumers, identified perceived usefulness, ease of use, and social influence as the strongest BNPL adoption predictors. Waliszewski et al. (2024) found that prior digital lending engagement was the single strongest Polish predictor, while impulsiveness, consumerism, and optimism were insignificant — underscoring the primacy of technological readiness over psychological consumption motives.

2.4 Research Gaps

Most empirical BNPL studies focus on Western or East Asian markets. Evidence from South Asia — particularly India — is sparse. The role of risk awareness as a positive (rather than inhibitory) behavioral driver has not been systematically examined. The function of awareness as a necessary precondition, versus a mere correlate of adoption, has not been empirically established in India. This study addresses all three gaps.

III. THEORETICAL FRAMEWORK

This study applies Davis's (1989) Technology Acceptance Model (TAM), extended with Perceived Risk (Featherman & Pavlou, 2003). TAM posits that Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) determine technology acceptance. Perceived Risk is added as a construct that may inhibit or — as this study proposes — co-evolve with adoption through experiential learning. Mental accounting theory (Thaler, 1985) explains BNPL's influence on spending behaviour, while financial socialization theory (Gudmunson & Danes, 2011) contextualises family borrowing background.

H1: Perceived Usefulness positively influences Recommendation Intention.

H2: Customer Satisfaction positively influences Recommendation Intention.

IV. METHODOLOGY

4.1 Design and Sampling

A quantitative, cross-sectional online survey was conducted (Jan–Mar 2026) targeting Gen Z and Millennial consumers (ages 18–40) in urban Indian cities. Convenience and snowball sampling via WhatsApp and social media yielded 146 complete responses. While below the 200–250 target, this sample is adequate for the analyses performed (Bergkvist & Rossiter, 2007). All participation was voluntary and anonymous.

4.2 Measures

The instrument comprised four sections: (A) socio-demographics; (B) BNPL awareness and usage; (C) five-point Likert scales for PU, PEOU, and PR; and (D) outcome variables — Satisfaction (SAT, 7-point), Purchase Behaviour influence (PB, 5-point), and Recommendation Likelihood (REC, 0–10 NPS-style). All constructs exceeded Cronbach's $\alpha > 0.70$, confirming reliability.

4.3 Analysis

Analytical techniques: descriptive statistics; Spearman rank-order correlation; independent-samples t-tests (users vs. non-users); one-way ANOVA (age/income groups); chi-square test of independence (awareness vs. usage); and multiple linear regression predicting SAT and PB. Significance threshold: $\alpha = 0.05$.

V. RESULTS

5.1 Sample Profile

The dominant age group was 18–24 years (47.9%, $n = 70$), followed by 25–34 (28.8%). Education: 45.9% Bachelor's, 26.7% Master's. Employment: 45.9% students, 26.0% full-time. Income: 21.9% below ₹20,000/month; 21.2% preferred

not to disclose. BNPL awareness: 26.7% very familiar; 47.9% heard of it; 25.3% unaware. Usage: 32.2% used once or twice; 28.1% occasionally; 11.0% frequently; 28.8% never. Top category: Electronics/Gadgets (36.1%).

5.2 Descriptive Statistics

Table 1. Descriptive Statistics for Constructs

Construct	Mean	SD	Median	Scale
Perceived Usefulness (PU)	3.462	0.641	3.25	1–5
Perceived Ease of Use (PEOU)	3.428	0.587	3.25	1–5
Perceived Risk (PR)	3.433	0.646	3.25	1–5
Purchase Behaviour (PB)	3.481	0.702	3.50	1–5
Satisfaction (SAT)	5.377	0.977	6.00	3–7
Rec. Likelihood (REC)	6.747	1.788	7.00	0–10

All three TAM constructs cluster near the neutral midpoint, indicating balanced evaluation across utility, usability, and risk.

5.3 Correlation Analysis

Spearman correlations (Table 2) show the strongest association between PU and PEOU ($\rho = 0.728$, $p < 0.001$), consistent with TAM literature. SAT correlates moderately with REC ($\rho = 0.483$, $p < 0.001$). PR shows no significant correlation with SAT or REC, indicating risk perceptions operate independently of satisfaction and advocacy outcomes.

Table 2. Spearman Correlation Matrix

	PU	PEOU	PR	PB	SAT	REC
PU	1.000	0.728	0.483	0.405	0.218	0.175*
PEOU	—	1.000	0.473	0.356	0.272	0.085 ns
PR	—	—	1.000	0.368	0.088 ns	0.092 ns
PB	—	—	—	1.000	0.152 ns	0.129 ns
SAT	—	—	—	—	1.000	0.483***

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$; ns = not significant.

5.4 Users vs. Non-Users (t-Test)

BNPL users ($n = 104$) scored significantly higher than non-users ($n = 42$) on PU ($t = 3.936$, $p < 0.001$), PEOU ($t = 3.205$, $p = 0.002$), PR ($t = 2.656$, $p = 0.009$), and SAT ($t = 3.672$, $p < 0.001$). Purchase Behaviour did not differ significantly ($t = 0.574$, $p = 0.567$). The higher risk scores among users suggest risk awareness co-evolves with usage rather than acting as an adoption barrier.

Table 3. Independent Samples T-Test: Users vs. Non-Users

Construct	Users M	Non-Users M	t	p
Perceived Usefulness	3.589	3.149	3.936	<0.001
Perceived Ease of Use	3.524	3.190	3.205	0.002
Perceived Risk	3.522	3.214	2.656	0.009

Purchase Behaviour	3.502	3.429	0.574	0.567
Satisfaction	5.558	4.929	3.672	<0.001

5.5 Age ANOVA and Awareness Chi-Square

ANOVA: $F(5,140) = 4.233$, $p = 0.001$ for PU across age groups. The 45–54 cohort recorded the highest PU ($M = 4.350$), followed by 55+ ($M = 3.800$), 35–44 ($M = 3.679$), 25–34 ($M = 3.494$), 18–24 ($M = 3.379$), and Under 18 ($M = 3.000$). Income group ANOVA for PB was non-significant ($F = 0.478$, $p = 0.793$), confirming uniform BNPL influence across income strata.

Chi-square test: $\chi^2(6) = 108.587$, $p < 0.001$. Zero of 37 awareness-naive respondents were frequent BNPL users vs. 41% of the 'very familiar' group, establishing awareness as a necessary precondition for adoption.

5.6 Regression: Satisfaction and Purchase Behaviour

Table 4. Regression: DV = Satisfaction ($R^2 = 0.110$, $F = 4.338$, $p = 0.002$)

Predictor	β	SE	t	p
Intercept	3.802	0.538	7.068	<0.001
PU	0.035	0.183	0.190	0.850
PEOU	0.546	0.201	2.724	0.007 **
PR	-0.273	0.149	-1.831	0.069 †
PB	0.149	0.126	1.185	0.238

Table 5. Regression: DV = Purchase Behaviour ($R^2 = 0.230$, $F = 10.530$, $p < 0.001$)

Predictor	β	SE	t	p
Intercept	1.319	0.343	3.850	<0.001
PU	0.235	0.127	1.841	0.068 †
PEOU	0.124	0.134	0.926	0.356
PR	0.286	0.097	2.961	0.004 **
Usage Frequency	-0.048	0.057	-0.842	0.401

† $p < 0.10$; ** $p < 0.01$. H1 supported ($\rho = 0.175$, $p = 0.035$); H2 supported ($\rho = 0.483$, $p < 0.001$). SAT is the stronger predictor of advocacy.

VI. DISCUSSION

The awareness-adoption relationship — zero frequent users among awareness-naive respondents — extends theoretical understanding of the fintech adoption pipeline, consistent with Cornelli et al.'s (2023) finding that BNPL thrives where e-commerce penetration is high. The dominance of PEOU in predicting satisfaction ($\beta = 0.546$) is logical in India's UPI-shaped digital payments context: consumers benchmark BNPL against near-frictionless UPI transactions and penalise usability shortfalls regardless of credit utility.

The most theoretically significant finding is the positive relationship between Perceived Risk and Purchase Behaviour ($\beta = 0.286$, $p = 0.004$). Standard financial behaviour theory predicts risk perception to inhibit consumption. The results instead suggest risk-aware consumers deploy BNPL deliberately as a planned cash-flow management tool — consistent with Relja et al.'s (2024) strategic adoption profile and Di Maggio et al.'s (2022) mental accounting mechanism. Importantly, risk awareness appears to be a consequence of BNPL experience rather than its antecedent, meaning awareness-raising policies may inadvertently increase informed BNPL usage among already-engaged consumers.

The age finding — that the 45–54 cohort reports the highest utility perception — aligns with Ashby et al.'s (2025) evidence and implies that middle-aged consumers use BNPL for optimised cash-flow management rather than credit substitution, a fundamentally different motivation than widely assumed. The non-significant income effect confirms BNPL's cross-strata appeal.

VII. IMPLICATIONS

For providers: prioritise user experience and frictionless onboarding above all else. Mass-market awareness campaigns represent efficient growth levers given 25.3% unawareness. Frame BNPL as a financially deliberate tool — transparent risk communication may outperform risk minimisation in retaining the low-default, deliberate-use segment. Target 35–54 demographics more actively with features suited to planned, higher-value purchases.

For regulators: structural interventions — affordability assessments, loan stacking limits, mandatory credit bureau reporting — are likely more effective than awareness campaigns in protecting vulnerable consumers. India's regulatory framework for BNPL lags the EU's CCD2 and the U.S. CFPB's 2024 ruling; proactive engagement is warranted.

VIII. LIMITATIONS & FUTURE RESEARCH

The sample is predominantly young (76.7% aged 18–34) and student-heavy, limiting generalisability. The cross-sectional design precludes causal inference. Low R^2 values (0.110; 0.230) indicate unexplained variance — financial literacy, platform-specific trust, and social influence are absent from the current framework. Convenience/snowball sampling introduces selection bias. Future research should employ longitudinal designs, probability sampling, and expanded models incorporating trust, social influence, financial literacy, and mindfulness. Qualitative and diary-based methods would illuminate the cognitive mechanisms of BNPL rationalisation in the Indian context.

IX. CONCLUSION

This study provides empirical evidence on BNPL acceptance in India grounded in an extended TAM framework. Consumer awareness functions as a necessary adoption gateway; Perceived Ease of Use drives satisfaction; and Perceived Risk — acting counterintuitively in a positive direction — is the strongest predictor of purchase behaviour influence. Middle-aged consumers exhibit the highest utility perception, challenging Gen Z-centric fintech narratives. These findings advance theoretical understanding of fintech adoption beyond standard TAM formulations and carry direct implications for BNPL providers, financial institutions, policymakers, and consumer protection agencies.

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