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Impact of Buy Now, Pay Later Services on Consumer Behavior in Dharwad District

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Abstract- Introduction: Buy Now, Pay Later (BNPL) services have changed the way people shop, especially in places like India. These services help grow the e-commerce industry and let people, especially young people, buy things right away without having to pay the whole amount at once. This makes shopping easier and gives people more money to spend.
Literature review: According to Barr (2004), research shows that young and low-income people often have lower credit scores than older and higher-income people.
Statement of the problem: The issue with studying BNPL in Dharwad is understanding how this easy, installment-based payment method affects local buying habits. It could lead to more impulsive purchases and debt, especially for younger people who may not fully understand the financial risks involved.
Objectives of study: The study aims to understand different user groups in Dharwad, such as young people, professionals, and those in urban or rural areas, and their unique shopping behaviors. It also wants to explore how BNPL is used in physical stores versus online, especially in Dharwad's local market.
Research methodology: This study examines how Buy Now, Pay Later (BNPL) influences people in Dharwad. A quantitative method with a descriptive and explanatory design is used. Data is collected by asking BNPL users questions through structured Likert-scale questionnaires, which can be given online or in person. These questionnaires will cover topics like users' habits, their awareness of BNPL, their satisfaction, and how it affects their finances. Once the data is collected, SPSS will be used to analyze it with techniques like descriptive statistics to find out what factors lead to impulse buying and financial risks.
Data analysis: Data analysis on how BNPL affects people in Dharwad might show that it makes people buy things on a whim, spend more money, and get better access to financial services. But it also has downsides like overspending, getting into debt, and facing financial problems, especially for younger people.
Finding: BNPL makes it easier for people to spend more and buy things on a sudden urge, especially in areas like electronics, fashion, and small purchases.
Recommendation: BNPL services let people spend more, buy things on a whim, and feel like they can handle bigger purchases, especially among young people in areas like Dharwad. But these services also have downsides, like getting into debt, because many people don't know much about managing money.
Conclusion: BNPL is present in Dharwad in a way that is similar to what is happening nationally, which brings growth but also needs careful handling. It gives consumers more choices but can also put them at risk of financial trouble.

Keywords: Buy Now Pay Later (BNPL), Consumer Behavior, Dharwad, Financial Inclusion, Spending Habits

I. INTRODUCTION

Buy Now, Pay Later (BNPL) services have changed how people shop, especially in places like India. These services help grow e-commerce and allow people, especially young people, to buy things right away without having to pay the full amount at once. This makes shopping easier and gives more money to spend. However, this easy way to buy can also lead to buying things on a whim and spending too much, which can create problems like debt, especially for students and young adults in places like Dharwad who don't have much money. It is important to improve financial education and make better policies to help manage this.

1. The Rise of BNPL in India:

Digital Shift: With more people using digital technology and shopping online, BNPL has become a common payment method on e-commerce websites.

Youth Appeal: BNPL is popular among young, tech-savvy people, like students, who might not have access to traditional credit but still want to get things right away.

2. Impact on Consumer Behavior:

Increased Spending: BNPL helps reduce the stress of paying upfront, which makes people more likely to buy more expensive items.

Impulse Buying: The option to pay later makes people more likely to buy things on a whim, such as clothes and gadgets.

Financial Strain: This can lead to taking on too much debt and missing payments, which affects savings. This is supported by studies mentioned here and here.

3. Relevance to Dharwad District:

Context: Most studies focus on cities like Delhi or Mangalore, but Dharwad has a large student population, especially from universities like KLE Tech and Karnataka University. It shows similar trends, so local research is needed.

Research Gap: It is important to understand how BNPL affects the spending and saving habits of young people in Dharwad, especially students and new workers, to help with better financial planning and policy-making.

4. Key Research Questions for Dharwad:

How does the use of BNPL influence the spending and saving habits of university students in Dharwad?

What factors, like how easy it is to use BNPL or social pressure, make people use it in this area?

What do local consumers see as the benefits and risks of using BNPL, such as debt and late fees?

This introduction sets the stage for looking into how BNPL affects the spending habits of young, tech-savvy people in Dharwad, connecting global trends with local situations.

II. LITERATURE REVIEW

According to Prelec and Loewenstein (1998). BNPL lets people get things right away, which is a big reason why they buy. Also, when people can pay in small parts without interest, it can change how they think about money. This makes them more likely to buy something now, even if they have to pay later.

According to Barr, (2004). Research shows that young and low-income people often have lower credit scores than older and higher-income people.

According to Punj, (2011). People who have more experience with certain products and don't care much about the price might spend more. Studies show that things like age, income, and family size affect how people buy things online.

According to Kahneman & Tversky, (2022). This idea helps explain why people might think they can pay later without trouble, even when they might not be able to. It also explains why people might spend more than they should because they want to feel good right away.

According to Sieber & Guibaud, (2022). Using BNPL makes it easier for people to buy things when they want to, which makes the shopping experience smoother.

According to Solomon, (2023). Consumer behavior in this research means looking at how people decide to buy, use, and get rid of products and services. It includes things like how people's feelings, social influences, and money matters affect their choices and how they handle money.

According to LendUp, (2023). BNPL services change how people spend money by making it easier to buy things right away. This can lead to buying more than planned and changing how people manage their money over time.

According to Consumer Financial Protection Bureau, (2023). BNPL services can help people manage their money better in the short term, but they can also cause problems if not handled wisely. This is because they make it easy to borrow money, which might lead to taking on too much debt.

According to Thaler, (2023). Behavioral finance looks at how people's thoughts and habits affect how they make money decisions and how markets work.

According to Guttman-Kenney et al., (2023). These same things might also influence how much people use BNPL and how much they buy online. BNPL helps people with low credit scores get access to credit that they wouldn't usually get.

Based on these points, we think using BNPL will have a bigger effect on how much young and low-income people spend online compared to older and higher-income people.

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III. STATEMENT OF PROBLEM

The issue with studying BNPL in Dharwad is figuring out how this easy, installment-based payment method affects local buying habits. It could encourage more impulse purchases and debt, especially for younger people who don't fully understand financial risks. This might lead to financial problems even though it feels convenient in the short term, creating a gap between spending freely and managing money responsibly.

Core Problem:

Financial Literacy Gap: Many people, especially young adults in Dharwad, don't fully understand BNPL terms, fees, and how it affects their credit in the long run. This makes them more likely to get into trouble financially.

Behavioral Shifts: BNPL makes buying things feel cheaper right away, which can lead to making unplanned purchases, buying more than needed, and spending more than intended. This changes how people shop, moving from buying what they really need to buying what they want.

Debt Accumulation Risk: Because BNPL is so easy to use, people might take on debt from multiple places, leading to financial stress and poor budgeting. This is a big concern in a place like Dharwad.

Research Questions (to address the problem):

How has the introduction of BNPL services changed how people in Dharwad buy things, like how often they buy, how much they spend each time, and how impulsive their purchases are?

How much do people in Dharwad know about the risks of BNPL, like fees and how it affects their credit score?

Does using BNPL lead to people spending more than they should or facing financial difficulties in Dharwad?

How do things like age, income, and how comfortable people are with using digital tools affect how they use BNPL and how it changes their money habits in Dharwad?

By looking into these questions, the study aims to understand the difference between how convenient BNPL seems and the real, often hidden, effects it has on people's financial health in Dharwad.

IV. OBJECTIVES FOR STUDY

The study looks at how BNPL services are affecting shopping habits in Dharwad. It wants to understand if people are buying more things on a whim or spending more money because of these services. The research will explore why people use BNPL, like because it's easy or they don't have enough cash. It will also check the risks, such as taking on too much debt or facing financial stress. The study will also find out how happy users are with these services and how much they trust the companies offering them. This information will help make sure BNPL is used in a responsible way and support local policies that help consumers, retailers, and fintech companies in the area.

Here are the specific goals of the study in Dharwad:

Core Objectives:

- To see if BNPL services are making people in Dharwad buy more on impulse or spend more money.

- To study how BNPL is changing the frequency of shopping, the amount people spend each time, and the types of products they choose.

- To find out the main reasons people in Dharwad use BNPL, such as convenience or not having cash on hand.

- To identify risks like overspending, debt, and financial stress among users in the area.

- To measure how satisfied users are with BNPL services and their trust in service providers in the local setting.

Context-Specific Objectives (Focusing on Dharwad):

- To understand different user groups in Dharwad, such as young people, professionals, and those in urban or rural areas, and their unique shopping behaviors.

- To look into how financial knowledge in the local area affects how responsibly people use BNPL.

- To explore how BNPL is used in physical stores versus online, especially in Dharwad's local market.

- To find out what gaps exist in current policies and suggest improvements to better protect consumers.

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V. RESEARCH METHODOLOGY

For a study examining how Buy Now, Pay Later (BNPL) influences people in Dharwad, use a quantitative method with a descriptive and explanatory design. Data gather by asking BNPL users questions through structured Likert-scale questionnaires, which can be given online or in person. These questionnaires should cover topics such as users' habits, their awareness of BNPL, their satisfaction, and how it affects their finances. Once the data is collected, use SPSS to analyze it with techniques like descriptive statistics to find out what factors lead to impulse buying and financial risks. These findings can be supported by theories like the Technology Acceptance Model (TAM) and the Theory of Planned Behavior (TPB).

Research Design & Approach:

Approach: Quantitative, using numbers to measure how BNPL affects people.

Design: Descriptive (to find out what people are doing) and Explanatory (to understand why and how it happens).

Theoretical Framework (Optional but Recommended):

Technology Acceptance Model (TAM): Looks at how useful and easy people find BNPL.

Theory of Planned Behavior (TPB): Studies people's attitudes, what others think, and how easy it is for them to use BNPL.

Population & Sampling:

Population: People in Dharwad who use BNPL services, including both online and offline shoppers from different age groups and income levels.

Sampling Technique: Use convenience sampling or snowball sampling because BNPL users are spread out.

Sample Size: Aim for 100 participants to get reliable results.

Data Collection:

Method: Primary data through structured questionnaires using a Likert scale (from 1: Strongly Disagree to 5: Strongly Agree).

Tools: Google Forms for online surveys and printed copies for in-person use.

Variables Measured: Awareness of BNPL, how easy and useful it is, spending habits, impulse buying, financial literacy, satisfaction, trust, and financial risks.

Data Analysis:

Software: SPSS (version 29+)

Techniques:

Descriptive Statistics: Use frequencies, averages, and standard deviations to understand what users are like.

Inferential Statistics: Use mean, standard deviation, chi-square to test how different factors connect, like BNPL use leading to more impulse buying.

Key Areas to Investigate:

What makes people use BNPL (like convenience and affordability).

How it affects their buying habits and spending.

How it connects with financial literacy and the risk of debt.

Secondary Data:

Use academic journals, industry reports from the RBI, and fintech websites to understand broader trends and context.

VI. DATA ANALYSIS

Data analysis on how BNPL affects people in Dharwad might show that it makes people buy things on a whim, spend more money, and get better access to financial services. But it also has downsides like spending too much, getting into debt, and facing financial problems, especially for younger people. The study is likely to show that people value the ease of use, flexible payment choices, and bigger purchases. It will be important to teach people how to use BNPL wisely, just like nationally, but in a way that fits the local needs and traits of Dharwad's population.

Table1: Age Level of Impact

Age	Level of Impact			Total
	Less	Moderate	High	
Less than 25	52 52%	28 28%	20 20%	100 100.0%
25-40years	54 54%	36 36%	10 10%	100 100.0%

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More than 40Years	43 43 %	37 37%	20 20%	100 100.0%

(Source: Survey from field in Dharwad district)

Table 1 shows how people of different ages are spread out and how much impact they feel from using Buy Now, Pay Later (BNPL) services. All age groups, 49.0% felt a little impact, 32% felt a moderate impact, and 19% felt a high impact. The data shows that most users in all age groups feel a low level of impact, but a big portion still feel moderate to high levels.

Table2 Chi-square test

Test	χ^2	df	Coefficient	Sig.
Result	1.973	4	0.038	0.586

(Source: Calculated data use of statistical tools)

The chi-square test was used to see if there is a link between the age of the people surveyed and how much impact they felt from using Buy Now, Pay Later (BNPL) services. The results showed a chi-square value (χ^2) of 1.973, with 4 degrees of freedom (df), a coefficient (C) of 0.038, and a significance level (Sig.) of 0.586.

Since the p-value (0.586) is higher than the standard threshold of 0.05, the result is not statistically significant. This means there is no strong connection between the age of the respondents and their feeling about how much BNPL services impact them.

Table3: Gender Level of Impact

Gender	Level of Impact			Total
	Less	Moderate	High	
Male	47 47%	29 29 %	22 22%	100 100.0%
Female	45 45%	39 39%	16 16%	100 100.0%

(Source: Survey from field in Dharwad district)

The table shows how BNPL services affected men and women in different ways. When looking at everyone together, 46.0% said it had a small effect, 34% said it had a moderate effect, and 19% said it had a big effect. The data shows that men and women see the impact of BNPL slightly differently, with men more likely to feel a bigger effect and women more likely to feel a moderate one.

Table 4: Chi-square test

Test	χ^2	df	coefficient	Sig.
Result	1.276	2	0.028	0.291

(Source: Calculated data use of statistical tools)

The chi-square test was used to see if there is a connection between gender and the level of impact people feel from using Buy Now, Pay Later (BNPL) services. The test showed a chi-square value (χ^2) of 1.276, with 2 degrees of freedom, a coefficient (C) of 0.028, and a significance level (Sig.) of 0.291.

The p-value (0.291) is higher than the typical threshold of 0.05, the result is not statistically significant. This means there is no strong link between gender and how much impact people feel from BNPL services.

Table:5 Factors Influencing BNPL

Factors	Mean	Std. Deviation	Rank
Convenience and ease of access	1.896	.681	3
Zero or low-interest payment plans	1.76	.672	2
Trust in digital platforms	1.16	.659	1
Consumer psychology	2.78	.621	6
Marketing strategies	1.07	.483	5
Financial flexibility	1.69	.671	4

(Source: Calculated data use of statistical tools)

The study on the main reasons people use Buy Now, Pay Later (BNPL) services shows clear trends based on how customers feel about these services. This was checked using average scores, standard deviations, and ranks. The findings show that emotional and promotional factors are more important than financial or technical reasons. These insights can help BNPL providers and retailers make better strategies by focusing more on emotional appeal, smart marketing, and easy-to-use designs to increase adoption and usage.

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VII. RESULT

Studies on Buy Now, Pay Later (BNPL) in India, including those involving young people in similar areas, show that it makes people more likely to buy things on a whim and spend more, especially on electronics and clothes. It also makes shopping easier, but young users who don't understand money well might end up in financial trouble. This leads to more use of credit, and even though it can harm savings, young people still want to use BNPL. This shows that consumers need better financial education and proper rules. While overall data for India shows fast growth and more access to financial services, specific results from Dharwad show that youth find BNPL convenient but may end up spending too much, which can hurt their savings. They need better tools to manage their money properly.

VIII. FINDINGS

Increased Spending & Impulse Buying: BNPL makes it easier for people to spend more and buy things on a sudden urge, especially in areas like electronics, fashion, and small purchases. This often means people end up spending more than they planned.

Financial Convenience & Inclusion: BNPL is considered a simple and affordable choice. It helps people manage their money better, makes credit more available, and allows more individuals, especially younger people and those who are not well-served by traditional banking, to take part in financial activities.

Negative Impact on Savings: Even though BNPL is convenient, it can be harmful to saving and investing habits, especially for students who might not have a steady income.

Higher Credit Adoption: Using BNPL can lead people to use other credit tools as well, which affects the way they handle their money overall.

Youth Vulnerability: Young people often don't understand the risks involved. There's a big difference between how easy it is to use BNPL and how financially ready they are. Tools like spending alerts and reminders can help make up for this gap.

No Gender or Income Difference in Perception: Some studies show that men and women, or people from different income levels, don't see much difference in how they view BNPL.

However, how they use it can be different.

IX. IMPLICATIONS

BNPL in Dharwad, just like in other areas, makes people more likely to buy things on a sudden decision, which leads them to spend more on costly items like electronics and clothes. This change in how people spend money is moving them away from carefully planning their purchases to wanting things right away. This can cause financial problems for those who don't manage their money carefully. Because of this, there is a need for better financial education and more rules to help manage these risks, while also helping stores sell more and pushing banks to change how they operate.

The effects include people feeling more stressed about money, possibly taking on too much debt, but also businesses gaining more customers. This means that people in Dharwad need to be taught how to use BNPL responsibly.

Key changes in how people spend money include:

- More sudden and unnecessary spending: Because BNPL feels like it's free, people are more likely to buy things on a whim, especially young people and students in Dharwad who may not have steady income but still use BNPL for gadgets and clothes.

- Shifting from thoughtful spending to getting things immediately: People are moving from making careful budgets to buying things right away, changing how they usually shop for convenience and feeling like it's cheaper.

- More debt and financial stress: Young users might not understand the risks of BNPL and might end up spending too much, causing financial problems later, even though it seems interest-free, as seen in other similar situations.

- Influence on using other types of credit: Using BNPL can make people more open to using other credit forms, increasing their exposure to debt.

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Specific to Dharwad:

- Focus on young people and students: Because Dharwad has a large number of young people, including students, the market is very open to BNPL, but this also makes them vulnerable, so financial education is very important.

- Boost for retail and online shopping: Stores selling electronics and fashion in Dharwad are seeing more sales because BNPL makes expensive items easier to buy, turning cautious shoppers into active buyers.

- Need for rules and regulation: Just like the RBI in India, local authorities and consumer groups should focus on educating people about money and making sure BNPL is used safely and responsibly in Dharwad.

X. RECOMMENDATIONS

BNPL services let people spend more, buy things on a whim, and feel like they can handle bigger purchases, especially among young people in areas like Dharwad. But these services also have downsides, like getting into debt, because many people don't know much about managing money. Studies on how Indian consumers behave show that to use BNPL responsibly, there needs to be better education, careful handling by businesses, more transparency from the service providers (like clear limits and rules), and tighter policies in place.

Impacts on Consumer Behavior in Dharwad district:

Increased Spending & Impulse Buys: BNPL's easy access makes people more likely to buy things more often and in larger amounts without thinking, as found in this research.

Enhanced Purchasing Power: Especially for young people, BNPL allows them to afford items they might not be able to buy all at once by paying in smaller parts. This can help them manage their money better.

Financial Stress & Debt Risk: Without enough knowledge, people might take on more debt than they can handle, which can lead to late fees and financial trouble. This calls for smart planning and awareness.

E-commerce Growth: BNPL helps more people shop online and buy expensive things, which in turn increases online sales.

For Policymakers & Regulators in Dharwad district:

Mandate Transparency: Ensure all costs, late fees, and how BNPL affects credit scores are clearly explained before someone signs up.

Promote Financial Literacy: Start awareness programs in schools and communities to teach people about responsible BNPL use, the risks of debt, and how to budget properly.

For Fintechs & Retailers in Dharwad district:

Implement Responsible Features: Add tools like spending alerts, payment reminders, and clear spending limits within the apps.

Contextual Education: Provide simple explanations within apps about financial terms like interest, even if it's zero for a certain time.

For Consumers in Dharwad district :

Self-Education: Learn about repayment terms, track total spending across different platforms, and be able to tell the difference between what you really need and what you just want.

Utilize Budgeting Tools: Use features in banks or apps to monitor BNPL debts along with regular expenses.

XI. CONCLUSION

In Dharwad, BNPL services might cause people, especially young ones, to spend more money. This is because BNPL makes expensive items seem cheaper, encourages buying on a sudden impulse, and provides convenience. However, this can also lead to issues like taking on too much debt and not managing money properly. It changes how people think about spending, moving from careful planning to want things right away. This means there's a need for better financial education and stronger rules to use BNPL in a healthy way.

Key Impacts on Consumer Behavior:

Increased Spending & Impulse Buying: BNPL reduces the stress of paying for things, making people more likely to buy more and faster, especially things like electronics and clothes.

This is because they feel less worried about the cost.

Shift to Instant Gratification: People are moving from planned purchases to getting things immediately.

Many see BNPL as a tool to manage money rather than a form of credit, as mentioned in EPRA Journals.

Financial Inclusion & Access: BNPL helps expand access to credit, making it easier for younger users and those who have been left out before to manage their money.

Convenience & Digital Adoption: The ease and flexibility of BNPL fit with the trend of using digital tools.

This makes it popular in areas like online shopping, travel, and healthcare, according to Niyogin Fintech.

BNPL is present in Dharwad in a way that's similar to what's happening nationally, which brings growth but also needs careful handling. It gives consumers more choices but can also put them at risk of financial trouble. This highlights the importance of better awareness for users and stronger rules to make sure BNPL is used in a responsible and sustainable way in the region.

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