## IMPACT OF BUY NOW PAY LATER(BNPL) PAYMENT SYSTEM AMONG Z's GENERATION

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**ABSTRACT**

The study will provide insights into how BNPL influences spending patterns, including increased purchases and impulse buying. It will also assess the awareness of Gen Z about repayment terms, interest rates, and potential risks like debt accumulation. Ultimately, the study aims to highlight both the positive and negative effects of BNPL services on financial decision-making, offering recommendations for responsible usage and better financial management practices among Generation Z. Offering an alternative to traditional credit, Buy Now, Pay Later allows consumers to buy products immediately and pay later in instalments. The impact of Buy Now Pay Later (BNPL) payment systems on Generation Z's purchasing behaviours, lending habits, and financial literacy.

**INTRODUCTION**

Among Generation Z, sales have surged due to the growing appeal of flexible payment options and their preference for on-the-spot purchases. One such option allows consumers to buy goods or services immediately and pay over time, often with little to no interest if repaid within a set period. Integrated into various online platforms and apps, this payment method provides a simple and user-friendly alternative to traditional credit cards and personal loans, aligning with Gen Z's desire for instant gratification and easy payment solution. One demographic that has rapidly embraced BNPL systems is Generation Z, individuals born between 1997 and 2012. This generation is known for its comfort with technology and digital platforms. Growing up in an era of smartphones, social media, and instant gratification, Generation Z has a unique relationship with money and spending.

## STATEMENT OF THE PROBLEM

Generation Z has increasingly turned to Buy Now Pay Later (BNPL) payment systems, adapting quickly to apps that allow them to purchase products without paying upfront. These payment options, offering instalment-based payments with little to no interest if repaid on time, align well with Gen Z's preference for flexibility and immediate gratification. Many members of Generation Z find it easier to buy items they don't necessarily need, driven by the convenience of BNPL, which allows them to make purchases instantly. This generation is known for its comfort with online shopping and the ability to make quick decisions, which makes BNPL apps highly attractive. Additionally, the influence of peer recommendations plays a significant role in their purchasing habits. Social media, influencers, and friends are key sources of product recommendations, often encouraging Gen Z to buy more than they originally planned.

## OBJECTIVE OF THE STUDY

- To analyse the influence of BNPL payment system on impulsive purchasing behaviour among Z generation.

## RESEARCH METHODOLOGY

A total sample size of the study is 154 respondents. The respondents were the users of BNPL apps.

## STATISTICAL TOOLS USED

- Simple percentage analysis
- Chi-square analysis
- Independent t-test
- One way ANOVA

- Friedman rank test

## REVIEW OF LITERATURE

**Ismah Osman (2024)** titled on "How Buy Now, Pay Later (BNPL) is Shaping Gen Z's Spending Spree in Malaysia". Using a quantitative approach and descriptive research style, data from 440 Gen Z respondents were collected via Google Forms and analyzed using SmartPLS 4.0. The study found that materialism, money management skills, self-confidence, attitude, subjective norm, perceived behavioral control, and moral obligation significantly influence BNPL utilization. The research provides BNPL service providers with practical recommendations. The study helps understand factors impacting the propensity to use BNPL among Gen Z. It suggests future research could expand the demographic scope.

**Siti Aisjah (2024)** examined in "Intention to use buy-now-pay-later payment system among university students: a combination of financial parenting, financial self-efficacy, and social media intensity". Using a moderated mediation model on data from 354 students, employing statistical techniques such as correlation and descriptive statistics, the study found that financial parenting boosts financial self-efficacy and reduces BNPL usage. Financial self-efficacy directly impacts BNPL intention and mediates the relationship between financial parenting and BNPL intention. Social media intensity both predicts BNPL intention and moderates the impact of financial parenting. The research suggests that parents and educators should monitor students' financial behaviour, especially concerning BNPL, to prevent debt and encourage responsible financial management.

**Pham Van Tuan (2024)** titled on "Factors Affecting the Intention to Buy Now - Pay Later for Online Payment of Generation Z". The study surveyed 306 participants, revealing that social influence had the strongest impact on their BNPL intentions. Factors such as perceived benefits, ease of use, risks, and digital financial knowledge were also examined. The research suggests

that government, consumers, and e-commerce businesses should use these findings to create appropriate solutions. It highlights the importance of social factors in driving BNPL adoption among young consumers.

**RESEARCH GAP**

Moreover, existing studies overlook the psychological effects of BNPL usage on Generation Z, such as how it influences their financial confidence, perceptions of debt, or overall money management and other underexplored areas are the role of social influences, like peer pressure or influencer marketing on platforms such as Instagram and TikTok, in driving BNPL adoption among this generation.

**ANALYSIS AND INTERPRETATION**

Data analysis is the process of finding answers to questions through the examination and interpretation of data. Data interpretation refers to the process of critiquing and determining the significance of important information such as survey results, experimental findings and observation or narrative reports.

1. **DEMOGRAPHIC PROFILE OF THE RESPONDENTS-PERCENTAGE ANALYSIS**

**Table:1 Demographic profile of the respondents**

| Demographic factors | Classification | No of respondents | Percentage |
|---|---|---|---|
| Age | 18-20 years | 78 | 50.6 |
| | 21-24 years | 46 | 29.9 |
| | 25-27 years | 30 | 19.5 |
| Gender | Male | 48 | 31.2 |
| | Female | 106 | 68.8 |

| | | | |
|---|---|---|---|
| **Education qualification** | Up to school level | 5 | 3.2 |
| | Diploma | 13 | 8.4 |
| | Under graduate | 110 | 71.4 |
| | Post graduate | 23 | 14.9 |
| | Professional degree | 3 | 1.9 |
| **Employment status** | Employed full-time | 31 | 20.1 |
| | Employed part-time | 22 | 14.3 |
| | Student | 97 | 63.0 |
| | Unemployed | 4 | 2.6 |
| **Monthly income** | Rs. 10000 - Rs. 20000 | 114 | 74.0 |
| | Rs. 21000 - Rs. 30000 | 23 | 14.9 |
| | Rs. 31000 - Rs. 40000 | 11 | 7.1 |
| | Above Rs. 40000 | 6 | 3.9 |

(**Source:** primary data)

2. **AWARENESS ABOUT BNPL PAYMENT SYSTEM**

**Table:2 Awareness about BNPL payment system**

| Awareness about BNPL payment system | No of respondents | Percentage |
|---|---|---|
| Surfing the net | 34 | 22.1 |
| Social media | **79** | **51.3** |
| Friends | 69 | 44.8 |

| Family | 25 | 16.2 |
|--------|-----|------|
| E-commerce sites | 12 | 7.8 |

(**Source:** primary data)

**INTERPRETATION**

From the above table, it clearly shows the awareness about BNPL payment system of the respondents, the highest of 51.3 percentage of respondent have awareness about social media, followed by 44.8 percentage of respondents for friends, 22.1 percentage of respondents for surfing the net, 16.2 percentage of the respondents for family, the lowest of 7.8 percentage of respondents for e-commerce sites.

**Majority 51.3 percentage of respondent have social media as their awareness about BNPL payment system.**

3. **PRODUCTS AND SERVICES AVAILED**

**Table: 3 Products and services availed**

| Products and services availed | No of respondents | Percentage |
|-------------------------------|-------------------|------------|
| Fashion/Clothing | **79** | **51.3** |
| Beauty products | 57 | 37.0 |
| Electronics | 55 | 35.7 |
| Furniture/Home decors | 39 | 25.3 |
| Tours and Travels | 33 | 21.4 |

(**Source:** primary data)

**INTERPRETATION**

From the above table, it clearly shows the products and services availed by the respondents, the highest of 51.3 percentage of respondent have availed fashion/clothing, followed by 37.0 percentage of respondents for beauty products, 35.7 percentage of respondents for electronics, 25.3 percentage of the respondents for furniture/home decors, the lowest of 21.4 percentage of respondents for tours and travels.

**Majority 51.3 percentage of respondent have fashion/clothing as the most availed product using the BNPL payment system.**

4.  **DEMOGRAPHIC FACTORS AND FACTORS INFLUENCING IMPLUSIVE BUYING– INDEPENDENT t-TEST AND ANOVA**

4.1  **DEMOGRAPHIC FACTORS AND FACTORS INFLUENCING IMPLUSIVE BUYING– INDEPENDENT t-TEST.**

**Table: 4.1 Gender and factors influencing impulsive buying – Independent t-test**

| Factors | Classification | No of respondents | Mean | Std. Deviation | f | sig | S/NS |
|---|---|---|---|---|---|---|---|
| Gender | Male | 48 | 2.9729 | .79727 | 2.49 | 0.11 | NS |
| | Female | 106 | 2.8151 | .72766 | | | |

(**Source:** primary data)

**INTERPRETATION**

In the above table t-test is used to find the difference between gender and the influencing factors towards impulsive buying. In the mentioned table (t= 2.49, p= 0.11), there is no significant difference between the gender and the influencing factors towards impulsive buying since the P value (p=0.11) is greater than 0.05, **Hence the null hypothesis is accepted.**

**4.2 FACTORS INFLUENCING IMPULSIVE BUYING – DESCRIPTIVE STATISTICS**

**Table: 4.2 Factors influencing impulsive buying – Descriptive statistics**

| Factors | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Low Interest | 154 | 1 | 5 | 1.68 | 1.19 |
| Convenience | 154 | 1 | 5 | 2.46 | 1.10 |
| Flexible Instalments | 154 | 1 | 5 | 2.79 | 1.02 |
| Exclusive discounts | 154 | 1 | 5 | 2.92 | 1.11 |
| Budgeting benefit | 154 | 1 | 5 | 3.10 | 1.27 |
| Limited time offers | 154 | 1 | 5 | 3.07 | 1.12 |
| **Minimal documentation** | **154** | **1** | **5** | **3.22** | **1.01** |
| Peer recommendations | 154 | 1 | 5 | 3.18 | 1.08 |
| Requirement of the product | 154 | 1 | 5 | 3.11 | 1.24 |
| On the spot purchase | 154 | 1 | 5 | 3.09 | 1.15 |

(**Source:** primary data)

**INTERPRETATION**

From the above table, it is interpreted that the factors which influence the respondents to make impulsive buying has the highest mean score, the mean value is obtained for the factor, the highest of minimal documentation (3.22), followed by peer recommendations (3.18), requirement of the product (3.11), budgeting benefit (3.10), on the spot purchase (3.09), limited time offers (3.07), exclusive discounts(2.92), flexible Instalments(2.79), convenience (2.46), the lowest of low Interest (1.68).

**4.3 DEMOGRAPHIC FACTORS AND FACTORS INFLUENCING IMPULSIVE BUYING– ANOVA**

**Table: 4.3 Demographic factors and factors influencing making impulsive buying – ANOVA**

| Factors | Classification | No of respondents | Mean | Std. Deviation | f | Sig. | S/NS |
|---|---|---|---|---|---|---|---|
| Age | 18-20 years | 78 | 2.8333 | .72697 | | | |
| | 21-24 years | 46 | 2.6870 | .76029 | 4.88 | 0.009 | S |
| | 25-27 years | 30 | 3.2167 | .70324 | | | |
| Education qualification | Up to school level | 5 | 2.9200 | .52631 | | | |
| | Diploma | 13 | 2.9923 | .92237 | | | |
| | Under graduate | 110 | 2.8209 | .72771 | 1.31 | 0.26 | NS |
| | Post graduate | 23 | 3.0783 | .80338 | | | |
| | Professional degree | 3 | 2.1667 | .23094 | | | |
| Employment status | Employed full-time | 31 | 3.2613 | .73967 | | | |
| | Employed part-time | 22 | 2.6955 | .95692 | 3.94 | 0.01 | S |
| | Student | 97 | 2.7742 | .65706 | | | |
| | Unemployed | 4 | 2.9000 | .98319 | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Monthly income** | Rs. 10000 – Rs. 20000 | 114 | 2.7974 | .67108 | 2.56 | 0.05 | NS |
| | Rs. 21000 – Rs. 30000 | 23 | 2.8609 | .89022 | | | |
| | Rs. 31000 – Rs. 40000 | 11 | 3.2364 | .85822 | | | |
| | Above Rs. 40000 | 6 | 3.4667 | 1.13078 | | | |

(**Source:** primary data)

**INTERPRETATION**

The results of the ANOVA table shows the calculated P-value for age is 0.009, 0.26 for education level, 0.01 for employment status, 0.05 for monthly income. Since the P value at 5% level of significance is more than 0.05 for the above factors, it can be concluded that there is no significance difference between education qualification and monthly income of the respondents and the influencing factors towards making impulsive buying. Since the P value at 5% level of significance is less than 0.05 for the above factors, it can be concluded that there is significant difference between age and employment status of the respondent and that the influencing factors towards impulsive buying. **Hence the null hypothesis is accepted for education qualification, and monthly income. Hence the null hypothesis is rejected for age and employment status.**

**SUGGESTIONS**

☐ Gen Z can consider unfollowing or muting social media accounts that influence promoting or trigger impulse buying. By curating their online environment, they can reduce exposure to constant marketing messages.

☐ Companies could provide a grace period after signing up for BNPL, giving customers the opportunity to cancel if they change their mind, which helps prevent impulsive buying decisions.

- ☐ BNPL users can control and stabilize their emotional needs such as stress, boredom and loneliness which can reduce impulsive buying.

- ☐ Prioritize financial literacy programs in schools and universities to educate Gen Z on responsible BNPL usage, covering interest rates, fees, and debt management strategies, so they can approach these payment methods with informed awareness.

- ☐ BNPL apps should have features that warn users if they're spending too much, like a "reality check" before they buy.

- ☐ Companies offering "Buy Now Pay Later" should reduce fees and interest rates for customers who consistently make timely payments, rewarding responsible behavior.

- ☐ BNPL apps should have tools that help people see how much they're spending and remind them when payments are due, making it easier to stay on budget.

## CONCLUSION

BNPL services significantly impact Generation Z's spending habits, often leading to increased impulse purchases and potential debt accumulation. While BNPL offers convenience and accessibility, the ease of use can overshadow the importance of financial literacy and responsible budgeting. The findings suggest that without proper financial education and awareness, Gen Z may face challenges in managing their BNPL debts, potentially impacting their long-term financial well-being. Therefore, it's crucial to promote financial literacy, responsible spending habits, and transparent BNPL practices to empower Gen Z in making informed financial decisions and avoiding debt traps. A collaborative effort between educators, BNPL providers, and policymakers is necessary to ensure a healthy financial future for this generation.

## REFERENCE

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