

COMPARATIVE ANALYSIS OF CONSUMER PREFERENCES TOWARDS 'BUY NOW, PAY LATER' AND CREDIT CARD

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Abstract

The advent of technology and ease of regulation have been acted as catalyst for steering the Indian banking into new dimension. There is a lot of new technology and products being developed that have the potential to challenge the traditional banking system. Fin-techs, blockchain, data analytics are a handful of new concepts that are in the mainstream now. One of the new concepts that has been the talk of the banking arena and can pose a serious challenge to the bankers is 'Buy Now, Pay Later'(BNPL). BNPL is a payment option where you can make a purchase without having a pay from your own pocket. In India, quite a few online merchants and fintech companies offer BNPL services to customers as a convenient payment method and an excellent alternative to credit cards. The research study emphasizes on the consumer's purchasing behavior with factors such as convenience, financial flexibility, financial efficacy and consumer perception towards BNPL and Credit Card. The data was collected from 150 customers, that includes the Millennials and the Gen Z, through structured questionnaire and the collected data was analyzed using appropriate statistical tool. The findings of the study affirms that the Gen Z exhibits a strong inclination towards BNPL due to its simplicity and convenience whereas, the Millennials tend to favor credit cards often due to long standing familiarity and trust in the system.

Keywords: Credit Card, BNPL, Financial efficacy, Blockchain, Data Analytics

INTRODUCTION

In the 21st Century, with technology ruling the roost, customers can choose from a multitude of payment methods to complete their transaction. Apart from the traditional payment methods like cash and cheque, there is a growing tendency in the usage of plastic payment mechanisms like credit cards, charge cards and debit cards. *Madiha Khan*¹ The convenience of paying later is a new phenomenon in the digital world. A new credit model is taking shape in the country, a simple small ticket loan that is for online and sometimes offline purchases with the click of a button which is known as 'Buy Now, Pay Later'(BNPL). Its Convenience enables instant gratification with an attractive user interface and that's what millennials and Gen Z look up to. BNPL is a short term financing service which is sold as a product and that allows the customer to spread their payments for a purchase usually without any interest cost. In India, quite a few online merchants and Fintech companies are offering BNPL facilities to customers as a convenient payment method and an excellent alternative to credit cards. Accessible, transparent, and offering no-cost EMIs, BNPL is all set to change the lending landscape. The rise of

BNPL service providers can be accounted for by the pandemic. With the increased demand for e-commerce services due to lockdowns and consumers preferring to break down large expenses into smaller interest-free EMIs, BNPL has become a go-to option for many. *Sinha*

Understanding BNPL and Credit Card

Interest-Free Financing: Unlike credit cards, where interest accrues on outstanding balances, BNPL services often provide interest-free financing if you make payments on time. This can be particularly beneficial for budget-conscious consumers who want to avoid accumulating interest charges.

No Impact on Credit Score: BNPL transactions typically don't impact your credit score, as they don't involve a hard inquiry or report to credit bureaus unless you fail to make payments. This can be advantageous for individuals looking to manage their credit score or those concerned about credit inquiries affecting their financial standing.

Transparency: BNPL services often offer transparent pricing, with clear information about fees and payment schedules upfront. In contrast, credit card terms and conditions can sometimes be complex, with varying interest rates, fees, and payment requirements, leading to confusion for consumers.

Convenience and Flexibility: BNPL services usually offer a straightforward and convenient checkout process, especially for online purchases. Additionally, they often provide flexibility in repayment schedules, allowing consumers to spread payments over several weeks or months without incurring additional costs.

Accessibility: BNPL services may be more accessible to individuals with limited or no credit history compared to traditional credit cards, which often require a certain credit score for approval. This inclusivity can be beneficial for younger consumers or those who are rebuilding their credit.

No Risk of Overspending: With BNPL, you're typically limited to the amount approved for a specific purchase, reducing the risk of overspending compared to credit cards, which often have higher credit limits that can tempt users to spend beyond their means.

OBJECTIVES OF STUDY

1. To investigate demographic factors such as age, income level, and geographical location that may influence consumer preferences towards BNPL services or credit cards.
2. To understand the factors influencing consumer decision towards usage of BNPL and credit card services.

REVIEW OF LITERATURE

Khan The study conclusions point to several improvements that could be made including a more advanced banking and financial system, less variation in payment methods between banks and the ability to purchase now and pay later at retail establishments and other locations. In recent years, credit cards have proven to be a more practical alternative to cash. This is the outcome of faster credit card processing due to technical developments.

Natswa This study examines the impact of impulsive purchase and over consumption on Gen Z's intentions to utilize BNPL services offered by Fintechs, e-commerce and OTA (Online Travel Agents). Credit and Loan applications can be made directly through the application, rather than through a bank. People who previously purchased things offline now enjoy the ease of online shopping. The BNPL plans offer similar features to traditional lay-by cards and overdraft credit, including monthly payments and direct product access for customers. However the BNPL programme may appeal to more clients, It is sold without interest and costs the customers no more than the original amount.

Ashby This study aims to examine the psychological factors that impact customer purchasing while utilizing BNPL. The test shows that BNPL has a unique impact on consumer purchasing. Empirical studies suggest that BNPL has a significant impact on consumer buying behavior, with politicians and business taking note. This research uses an experimental technique to examine how the new BNPL modality affects customer buying habits. This research tries to explore decision-making mechanisms by measuring intervening factors and controlling the environment to establish causation.

HYPOTHESIS

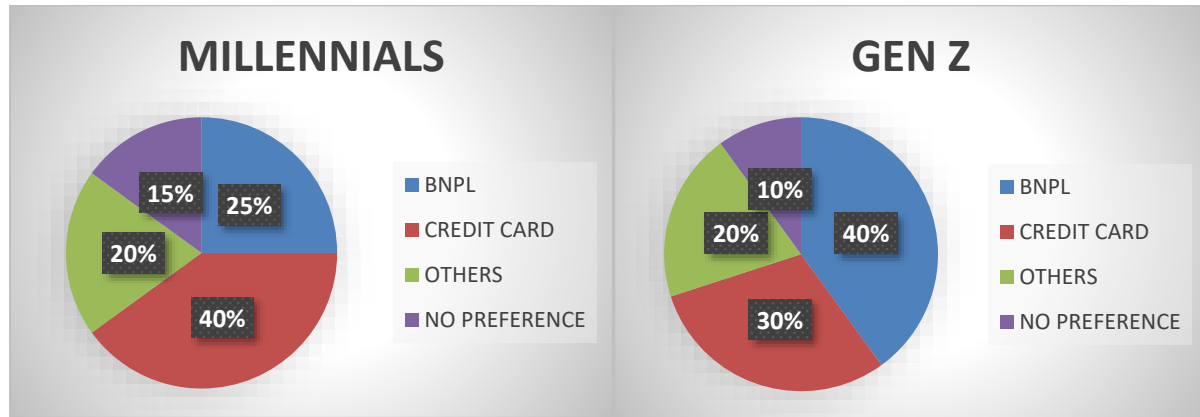
H1: There is a significant difference between the preferences of the millennials and the Gen Z towards BNPL and Credit Card.

H2: There is a significant difference between the factors impacting the decision of the millennials and Gen Z towards the usage of BNPL and Credit Card.

RESEARCH METHODOLOGY

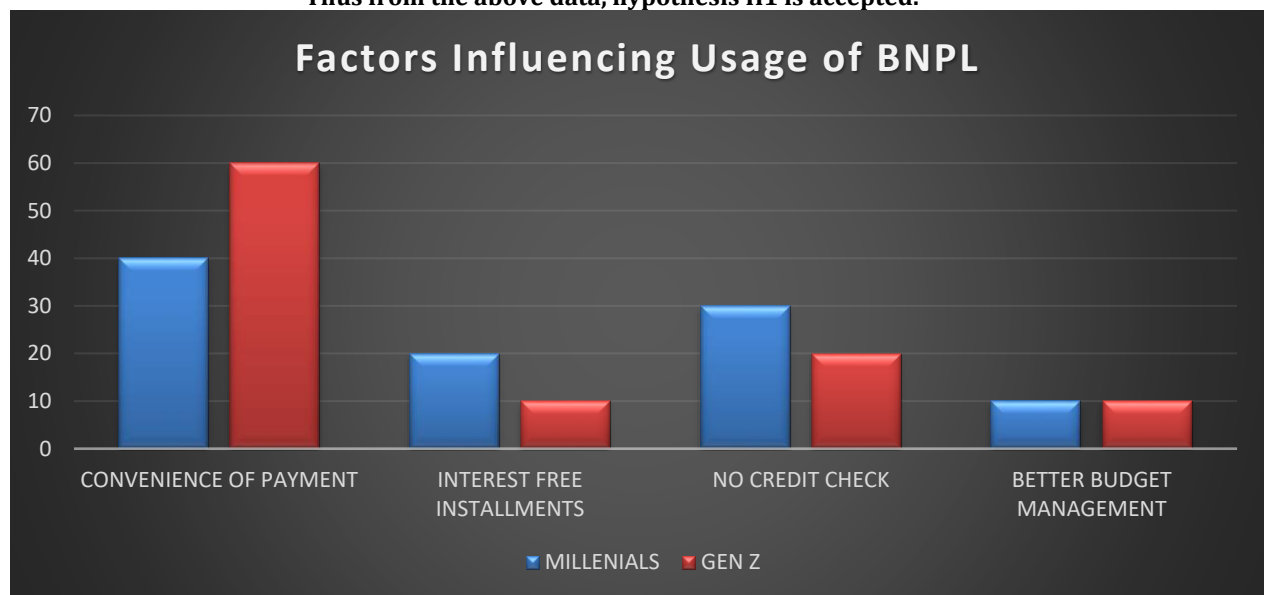
Firstly, a quantitative study utilizing surveys is conducted to gather data on consumer preferences, attitudes, and usage patterns. The survey questionnaire is designed to capture demographic information, past usage of BNPL and credit cards, factors influencing choice, perceived advantages and disadvantages of each payment method, and intentions for future use. The sampling method would involve a stratified random sampling technique to ensure representation across various demographic groups such as age, income level, and geographical location. Through this comprehensive research methodology, a holistic understanding of consumer preferences towards BNPL and credit cards could be achieved, facilitating meaningful comparisons between the two payment methods.

DATA ANALYSIS AND INTERPRETATION



The provided data illustrates the distinct payment preferences between Millennials and Gen Z. Millennials, who are typically older than Gen Z, exhibit a higher inclination towards traditional credit card usage, with 40% favoring this method compared to 30% among Gen Z. Conversely, Gen Z demonstrates a stronger preference for Buy Now, Pay Later (BNPL) options, with 40% opting for this newer payment model, as opposed to 25% among Millennials. This divergence likely reflects generational differences in financial habits, with Millennials being more accustomed to established credit card systems while Gen Z, often characterized by a preference for flexibility and digital solutions, gravitates towards innovative payment methods like BNPL. Notably, the category labeled “Others” likely encompasses a variety of alternative payment methods beyond BNPL and credit cards, such as cash, debit cards, mobile payment apps, or other innovative financial services.

Thus from the above data, hypothesis H1 is accepted.



The provided data outlines the factors influencing payment preferences among Millennials and Gen Z. Gen Z individuals prioritize the convenience of payment to a greater extent, with 60% considering it a crucial factor, compared to 40% among Millennials. This emphasis on convenience likely reflects Gen Z's comfort with digital technologies and their desire for seamless and efficient payment experiences. On the other hand, Millennials show a slightly higher preference for interest-free installments (20%) compared to Gen Z (10%), indicating that Millennials may value financial flexibility and the ability to spread out payments without incurring interest charges. Additionally, both demographics place importance on factors related to financial security and ease of access, with 30% of Millennials and 20% of Gen Z highlighting the appeal of no credit checks, suggesting a desire to avoid traditional credit evaluation processes. Interestingly, both groups equally prioritize better budget management (10%), indicating a shared recognition of the importance of responsible financial planning and control, despite other differences in their payment preferences. Overall, the data highlights the nuanced

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considerations that shape payment choices among Millennials and Gen Z, reflecting a blend of technological adoption, financial flexibility, and risk aversion within each demographic.

Thus from the above data, hypothesis H2 is accepted.

CONCLUSION

The findings of the study affirms that BNPL offers convenience and flexibility, consumer preferences appear to be shifting towards BNPL services due to their transparent fee structures, interest-free options, and seamless integration with online shopping platforms. Additionally, BNPL services appeal to younger demographics who are wary of traditional credit card debt and prefer more manageable payment options. However, credit cards still maintain a significant foothold in the market, particularly among established consumers who value their rewards programs, established credit histories, and broader acceptance. As financial technology continues to evolve, understanding and catering to these diverse consumer preferences will be crucial for financial institutions and retailers seeking to optimize their payment offerings and stay competitive in the rapidly changing landscape of consumer finance.

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