

Effect of Rising BNPL Usage on Consumer Debt Levels

Abhishek Lalpotu¹, Devansh Khandelwal², Sanskriti Garg³, Mohit Goyal⁴, Prithviraj Pawar⁵
^{1,2,3,4,5}*Department of Management, IIEBM Indus Business School*

Abstract—The rapid proliferation of Buy Now, Pay Later (BNPL) services has fundamentally reshaped how young Indian consumers engage with credit and everyday purchases. Embedded within digital checkout flows, food delivery applications, and utility portals, BNPL offers instalment-based credit with minimal friction and no visible interest charge-features that drive adoption while simultaneously carrying the potential for consumer financial overextension. This study investigates the relationship between BNPL usage and consumer debt levels among 66 young adults, primarily aged 18 to 30, surveyed at IIEBM Indus Business School, Pune. Drawing on primary survey data and a review of twenty scholarly and industry sources, the study tests three hypotheses concerning financial constraints, repayment-related stress, and responsible usage behaviour. The findings reveal that while the majority of respondents manage their BNPL obligations prudently-maintaining low outstanding balances and making timely repayments-a meaningful minority exhibits patterns of loan stacking, infrequent debt monitoring, and elevated repayment anxiety. The disconnect between respondents' recognition of BNPL as real debt and their actual debt-tracking behaviour emerges as a structurally significant concern with implications for product design, financial literacy programmes, and regulation.

Index Terms—Buy Now Pay Later, BNPL, Consumer Debt, Loan Stacking, Financial Stress, FinTech

I. INTRODUCTION

Not so long ago, the mechanics of consumer credit were comparatively legible. A credit card statement arrived at the end of the month; an EMI was deducted from a bank account on a fixed date; a personal loan came with a paper trail, an interest rate, and a repayment schedule that demanded conscious acceptance. The cognitive burden of these arrangements, while sometimes inconvenient, served a function: it made debt visible. Buy Now, Pay Later, or BNPL, has systematically dismantled that visibility.

With a single tap at checkout, a consumer can split any purchase into equal, interest-free instalments spread across a few weeks, with the first payment collected immediately and the remainder deducted automatically. There are no forms to complete, no credit assessments visible to the buyer, and no pause that might invite second thoughts.

The scale at which this model has expanded is striking. The United States BNPL market has grown to an estimated USD 175 billion, with approximately 41% of American adults having used such a service at least once. India presents an equally compelling, though contextually distinct, growth story. A country where traditional credit card penetration has historically remained below 5% of the adult population is now leapfrogging directly to instalment-based digital credit. The proliferation of smartphones, the near-universal adoption of the Unified Payments Interface, and a generation of young consumers entirely at ease with mobile-first financial products have created conditions in which BNPL adoption has outpaced the regulatory infrastructure designed to govern it.

Yet digital comfort does not automatically translate into financial resilience. The same features that make BNPL attractive-minimal friction, no displayed interest charge, small bite-sized payment prompts-may also make it easier for consumers to accumulate more credit than they can comfortably manage. Unlike a consolidated credit card statement, BNPL debt is scattered across multiple applications, each operating independently, each issuing its own payment reminders, none capable of observing the positions held on competing platforms. The result can be a fragmented and psychologically invisible debt burden-one that remains manageable until it suddenly is not.

1.1 Background of the Study

The Buy Now, Pay Later model is not without historical precedent. Its intellectual ancestry stretches back to layaway schemes and instalment credit

arrangements that financed household goods in the early twentieth century. What changed in the 2010s was speed, scale, and seamlessness. Companies such as Afterpay in Australia, Klarna in Sweden, and Affirm in the United States developed technology platforms capable of approving micro-loans within seconds, embedding directly into e-commerce checkouts, and automatically collecting repayments from a linked payment instrument.

India traced its own distinct path. The demonetisation of 2016 and the subsequent rapid expansion of digital payment infrastructure—particularly the Unified Payments Interface — created fertile ground for FinTech innovation. Companies including Simpl, LazyPay, ZestMoney, Slice, and Paytm Postpaid developed BNPL products tailored to Indian consumer behaviour: smaller average ticket sizes, near-instant approval, and repayment cycles calibrated to monthly rather than bi-weekly salary schedules. The result is a product category that has grown considerably faster than the regulatory framework designed to govern it. The Reserve Bank of India issued digital lending guidelines in 2022 that brought some initial order to the sector, but the precise classification of BNPL—as a loan, a prepaid instrument, or a form of deferred payment—remains contested, carrying direct consequences for how creditworthiness is assessed, how debt is reported to credit bureaus, and what recourse consumers retain when repayment difficulties arise.

1.2 Problem Statement

While a growing body of global research has begun to link BNPL usage with financial stress and overextension, studies focused specifically on young Indian adults remain thin on the ground. The demographic profile of BNPL users in India—concentrated heavily among individuals aged 18 to 25 with limited income and no prior credit history—is meaningfully different from the profiles examined in the United States or Australia, where adoption is distributed more evenly across income brackets and age groups. Findings from those markets may not translate cleanly to the Indian context. Furthermore, the invisibility of BNPL debt within formal credit reporting systems creates a systemic information asymmetry: when a consumer takes out four separate BNPL obligations across four different platforms within a single month, none of the four lenders can

observe the others' positions. This opacity creates conditions for loan stacking—a phenomenon that the Consumer Financial Protection Bureau has identified as a primary driver of BNPL-related financial distress. This study addresses precisely this empirical gap.

1.3 Objectives of the Study

The study pursues five principal objectives. First, it seeks to profile the demographic characteristics and platform preferences of BNPL users within the 18–30 age cohort. Second, it aims to measure the frequency and scale of BNPL usage, including the prevalence of simultaneous multi-platform borrowing. Third, it assesses the relationship between BNPL usage and self-reported financial stress indicators such as repayment anxiety and perceived impact on overall financial stability. Fourth, it examines the level of financial literacy and credit-score awareness among both users and non-users. Fifth, it identifies patterns of responsible versus risky BNPL behaviour and derives actionable recommendations for consumers, service providers, and regulators.

1.4 Scope and Limitations

The study draws on a convenience sample of 66 respondents at IIEBM Indus Business School, Pune, and accordingly reflects a relatively homogeneous demographic: predominantly male, concentrated in the 22–25 age bracket, and drawn from a single institution in a Tier 1 city. The cross-sectional design captures attitudes and behaviour at a single point in time, limiting the ability to draw causal inferences about the long-run effects of BNPL on financial health. Self-reported data on outstanding debt and repayment behaviour are further subject to social desirability bias. These constraints are acknowledged explicitly and inform the recommendations for future research presented in the concluding section.

II. LITERATURE REVIEW

The academic study of consumer credit behaviour provides an essential foundation for understanding how BNPL fits into broader patterns of borrowing, spending, and financial risk. The literature reviewed here spans behavioural economics, consumer finance, and regulatory analysis, organised thematically around three interconnected concerns: the psychology of instalment credit, the mechanics of debt

fragmentation, and the regulatory landscape governing BNPL, with particular attention to the Indian context.

2.1 The Psychology of Instalment Credit and Frictionless Spending

One of the most robust findings in consumer finance research is that the form in which credit is presented materially affects the spending decisions it enables. Soman and Cheema demonstrated that decoupling the pain of payment from the pleasure of purchase—a structural feature of instalment credit—systematically increases the amount consumers are willing to spend. When payment is deferred and subdivided, the psychological salience of the financial obligation is diminished, making each individual transaction feel less consequential than it actually is. Agarwal, Driscoll, Gabaix, and Laibson extended this analysis across the life cycle, finding that consumers in early adulthood are particularly susceptible to over-borrowing under instalment structures, partly because of lower financial literacy and partly because the temporal distance between purchase and full repayment is psychologically underweighted. This finding is directly relevant to the demographic examined in the present study. Meyll and Walter further showed that the medium through which credit is accessed matters: mobile payment environments, by reducing the visible steps associated with a transaction, amplify the tendency to underestimate debt accumulation. BNPL, which is primarily accessed through mobile applications, sits at precisely this intersection of convenience, invisibility, and potential overextension.

Bertaut and Haliassos identified a related anomaly in consumer behaviour: individuals simultaneously carrying interest-bearing credit card debt and holding liquid savings—a pattern they termed the "credit card puzzle" — suggesting that psychological accounting, rather than rational financial calculation, drives many borrowing decisions. BNPL, which does not visibly charge interest, may amplify this tendency by eliminating even the weak signal that an interest rate provides about the true cost of deferred consumption.

2.2 Debt Fragmentation, Loan Stacking, and Financial Stress

The most significant empirical contribution to the understanding of BNPL-related financial risk comes

from the Consumer Financial Protection Bureau. Shupe and DeLuca conducted the first large-scale representative study of BNPL usage in the United States, finding that approximately 63% of BNPL borrowers held more than one active loan simultaneously—a pattern termed loan stacking. Their study also documented that approximately 20% of BNPL users qualified as heavy users, initiating more than one loan per month on average. The structural concern is clear: when multiple BNPL obligations are spread across multiple platforms with no central credit bureau visibility, the cumulative debt burden becomes invisible to lenders, regulators, and consumers themselves.

Hayashi and Routh, writing for the Federal Reserve Bank of Kansas City, examined the financial profiles of BNPL users against non-users and found that 45% of BNPL users were unable to cover a USD 400 emergency expense, compared to only 26% of non-users. Critically, they also found that 96% of users who made late payments showed at least one additional indicator of financial hardship—suggesting that delayed repayment is less a cause of financial stress than a symptom of pre-existing fragility. This distinction carries significant implications for how interventions should be designed: targeting late payment behaviour in isolation will not address the underlying financial vulnerability that produces it.

Gathergood, Mahoney, Stewart, and Weber contribute a nuanced finding regarding repayment behaviour. Examining how individuals allocate repayment dollars across multiple debt obligations, they identified a "balance-matching heuristic"—a tendency to repay proportionally rather than strategically—that leads to suboptimal outcomes when debt is distributed across multiple accounts. This heuristic is particularly likely to produce harm in BNPL contexts, where debt is fragmented across multiple platforms with independent repayment schedules. Brevoort, Grodzicki, and Hackmann offer a complementary finding: even relatively modest increases in credit access among consumers with thin credit files can generate meaningful short-term increases in debt burden, particularly when those consumers lack the financial experience to calibrate repayment timing effectively.

2.3 The Regulatory Landscape: Global Frameworks and India's Position

Regulatory responses to BNPL have varied considerably across jurisdictions. The UK's Financial Conduct Authority commissioned an independent review-the Woolard Review-which concluded that the absence of regulatory oversight for BNPL products created genuine consumer risk and recommended that BNPL be brought within the scope of consumer credit regulation. The Australian Treasury followed in 2022 with a consultation paper proposing mandatory affordability assessments for BNPL providers, explicitly acknowledging that the absence of such checks exposed financially vulnerable consumers to foreseeable harm.

In India, the Reserve Bank of India issued digital lending guidelines in 2022 that established requirements for interest disclosure, fair lending practices, and data privacy among digital lenders. Kumar and Sharma analysed these guidelines in detail, finding that while they represented a meaningful first step, significant gaps remained, particularly with respect to the credit bureau reporting of short-duration BNPL obligations and the regulation of embedded BNPL facilities offered through e-commerce partnerships rather than standalone lending agreements.

The Indian-specific literature on BNPL user behaviour remains nascent but is growing. Rajan and Thakur surveyed urban Indian consumers and identified platform familiarity-particularly existing comfort with UPI-based payment apps-as the single strongest predictor of BNPL adoption. Balaji and Sridhar focused on Gen Z consumers and found that trust in the embedding platform (for example, a familiar food delivery or e-commerce application) exerted a stronger influence on BNPL adoption than the terms of the credit product itself-a finding with important implications for risk, since consumers may underestimate the credit implications of a product they associate primarily with a trusted non-financial brand.

2.4 Research Gap

The literature reviewed above reveals a clear empirical gap. The majority of rigorous quantitative studies on BNPL behaviour and its financial health consequences have been conducted in the United States, the United Kingdom, and Australia, using datasets that reflect income distributions, credit bureau architectures, and

consumer finance cultures substantially different from the Indian context. Indian-specific research exists but remains largely descriptive and adoption-focused, with limited attention to the downstream financial consequences of BNPL usage for young, lower-income, or credit-thin consumers. This study addresses that gap directly, using primary survey data collected from a young Indian adult cohort to examine usage patterns, debt levels, and financial stress indicators in an empirically grounded and contextually appropriate manner.

III. RESEARCH METHODOLOGY

3.1 Research Design

A descriptive, quantitative research design was adopted for this study. This approach enables the systematic quantification of consumer behaviours, financial habits, and psychological perceptions regarding BNPL services. The study follows a cross-sectional design, capturing data at a single point in time to assess current attitudes and outstanding debt levels among respondents. The design is appropriate given the primary objective: to characterise the current state of BNPL usage and its self-reported financial consequences within a defined demographic cohort, rather than to establish causal relationships across time.

3.2 Population and Sampling

The target population comprises young adult consumers, predominantly within the 22–25 age bracket, representing the primary early adopters of FinTech payment solutions in India. A non-probability, convenience sampling method was employed to collect responses from accessible individuals familiar with BNPL platforms. The final sample consists of 66 respondents who have either used or are otherwise aware of BNPL platforms including Paytm Postpaid, LazyPay, Simpl, Slice, and ZestMoney. Convenience sampling was selected for its practicability within the constraints of the study timeline and the accessibility of the target population; the limitations this imposes on generalisability are acknowledged in Section 1.4.

3.3 Data Collection

Primary data were collected via a structured online questionnaire distributed to the target demographic.

The instrument was designed to capture firsthand data on usage frequency, spending categories, outstanding balance levels, repayment behaviour, and psychological perceptions. Secondary data were drawn from academic journals, regulatory publications, and industry reports-including those from the Consumer Financial Protection Bureau, the Federal Reserve Bank of Kansas City, and Experian-that together constitute the theoretical framework underpinning the study.

3.4 Research Instrument

The questionnaire was organised into four thematic sections. The first section captured demographic variables including age, gender, and BNPL adoption status. The second section examined behavioural metrics covering platform preferences, frequency of use, and primary spending categories. The third section addressed financial metrics: average monthly outstanding amounts, instances of delayed repayment, and concurrent multi-platform usage. The fourth section used Likert-scale items to measure psychological perceptions, including the perceived ease of spending facilitated by BNPL, the product's perceived impact on financial stability, and the experience of anxiety in connection with repayment reminders.

3.5 Statistical Tools

Three inferential tests were selected in direct alignment with the data characteristics and the nature of each hypothesis. A Chi-Square Test of Independence was used to examine the association between BNPL usage status and financial constraint indicators, both variables being categorical. A Mann-Whitney U Test-a non-parametric alternative to the independent samples t-test -was applied to compare self-reported financial stress scores between users who had delayed repayments and those who had not, given the ordinal nature of Likert-scale responses and the non-normality assumption appropriate for the subgroup sizes involved. A One-Sample Z-Test for Proportions was used to determine whether the proportion of responsible BNPL users in the sample was statistically greater than 50%, a condition that satisfies the normality approximation given the number of active BNPL users surveyed. Descriptive statistics-frequencies and percentages-were used

throughout to summarise demographic profiles, platform preferences, and usage patterns.

3.6 Hypotheses

Three hypotheses were formulated based on the research objectives and the findings of the literature review. H1 proposes that BNPL users are more likely than non-users to face financial constraints, including difficulty covering unexpected expenses and maintaining adequate savings. H2 proposes that users who have delayed BNPL repayments experience significantly higher levels of financial stress and anxiety compared to those who pay on time. H3 proposes that a majority of BNPL users in this sample exhibit responsible usage behaviour, as evidenced by low outstanding balances and consistent on-time repayment. For all three hypotheses, the level of significance was set at $\alpha = 0.05$, and the null hypothesis was rejected wherever the computed p-value fell below this threshold.

IV. DATA ANALYSIS AND FINDINGS

The survey data reveal a cohort that is digitally fluent and broadly familiar with BNPL as a product category, but varied in its relationship with debt management, financial risk, and repayment discipline. The following sub-sections examine the key data points in sequence, integrating quantitative findings with interpretive commentary.

4.1 Demographics and BNPL Adoption

Table-4.1: Sample Demographics and BNPL Adoption Status

Category	Sub-Group	Count	Percentage (%)
Age Group	18–21 years	22	33.3%
	22–25 years	39	59.1%
	26–30 years	5	7.6%
Gender	Male	42	63.6%
	Female	24	36.4%
BNPL Usage	Active Users	39	59.1%
	Non-Users	26	39.4%
	Unanswered	1	1.5%

More than half the sample (59.1%) has used BNPL at least once, consistent with both global adoption curves and the demographic concentration observed in prior literature. The 22–25 age bracket dominates the sample, encompassing final-year undergraduate students, first-year postgraduate students, and early-career professionals -a cohort that faces the dual pressure of aspirational spending and constrained income. This combination makes the group particularly relevant to the study's core inquiry.

4.2 Platform Preferences

Table-4.2: BNPL Platform Usage Among Respondents

Platform	No. of Users	% of Total Sample
Paytm Postpaid	23	34.8%
Simpl	11	16.7%
Slice	9	13.6%
LazyPay	9	13.6%
ZestMoney	6	9.1%
Other / Not Used	20	30.3%

Paytm Postpaid leads platform preference by a notable margin-a result largely explained by its deep integration within the broader Paytm super-app ecosystem, which many respondents already use for UPI payments, mobile recharges, and utility bill splitting. Simpl, Slice, and LazyPay occupy a competitive middle tier. The substantial "Other" category suggests that several respondents use newer or more niche platforms not explicitly listed, consistent with the pattern of active market fragmentation documented in recent Indian FinTech industry reports. Balaji and Sridhar note that trust in the embedding platform drives adoption; Paytm's dominance here supports that hypothesis directly.

4.3 Usage Frequency

Table-4.3: Frequency of BNPL Usage

Usage Frequency	Count	Percentage (%)
Rarely (1–2 times per month)	32	48.5%
Occasionally (3–5 times per month)	15	22.7%
Frequently (6–10 times per month)	3	4.5%
Very Frequently (>10 times per month)	2	3.0%
Not Used / Not Applicable	12	18.2%
Not Answered	2	3.0%

The majority of active users (48.5% of all respondents) fall into the "rarely" category, using BNPL one to two times per month. This is consistent with the view that BNPL functions, for most users in this sample, as a periodic convenience mechanism rather than a continuous credit facility. However, approximately 7.5% of respondents use BNPL frequently or very frequently-and it is this sub-group that faces the greatest exposure to the loan-stacking and debt-fragmentation dynamics documented in the global literature.

4.4 Spending Categories

Table-4.4: Primary BNPL Spending Categories

Spending Category	Frequency Mentions	% of Responses
Online Shopping	26	28.9%
Electronics	25	27.8%
Food Delivery	11	12.2%
Utility Payments	8	8.9%
Fashion	4	4.4%
All of the Above	4	4.4%
Other / Miscellaneous	12	13.3%

Online shopping and electronics together account for over 56% of category mentions, indicating that BNPL is being used primarily to manage the cash flow

implications of discretionary, non-essential purchases. This aligns with Agarwal et al.'s finding that instalment structures reduce the psychological cost of spending on goods that would otherwise be deferred. Food delivery ranks third-a category with considerably lower average transaction values — raising a question about whether the deferred payment structure is being applied to expenditures that could simply be forgone if cash flow were genuinely constrained.

4.5 Outstanding Debt Levels and Loan Stacking

Table-5: Average Monthly Outstanding BNPL Amount

Monthly Outstanding Amount	Count	% of Respondents
Below Rs. 2,000	37	62.7%
Rs. 2,000 – Rs. 5,000	14	23.7%
Rs. 5,000 – Rs. 10,000	5	8.5%
Above Rs. 10,000	4	6.8%

The most common outstanding balance falls below Rs. 2,000, reported by 62.7% of respondents — an encouraging finding consistent with the predominant "rarely used" frequency profile. However, 6.8% of respondents report balances exceeding Rs. 10,000, which for a typical student or early-career professional represents a meaningful share of monthly income or discretionary budget. On loan stacking, 13 respondents — approximately 19.7% of the full sample, or roughly one in five reported using more than one BNPL platform simultaneously. This figure is substantially lower than the 63% rate documented by Shupe and DeLuca [7] in the United States, though the comparison is not directly equivalent: the CFPB figure refers to concurrent active loans, while this study asked about concurrent platform usage, which may undercount the true extent of multi-loan exposure.

4.6 Repayment Behaviour and Debt Tracking

Of respondents who have used BNPL, 42 report never having delayed a repayment — a positive majority result. However, 14 have delayed payment on at least one occasion, 4 do so occasionally, and 3 report doing

so frequently. While the frequently-delayed sub-group is small (approximately 4.5% of the total sample), it is the cohort most likely to be experiencing the compounding financial stress that Hayashi and Routh [6] associate with BNPL-related hardship. On debt monitoring, only 34.8% of respondents report tracking their total outstanding amounts on a regular basis. A further 31.8% track their obligations only sometimes, while 28.8% do not track them at all—nearly three in ten respondents representing precisely the population most vulnerable to accumulating unmonitored obligations across multiple platforms without a clear sense of total exposure.

4.7 Psychological Perceptions and Financial Impact

Table-6: Psychological Perceptions — Likert Scale Responses

Statement	Agree / Strongly Agree	Neutral	Disagree / Strongly Disagree
BNPL makes spending easier than cash or UPI	45.5% (30)	37.9% (25)	12.1% (8)
I consider BNPL as real debt	40.9% (27)	50.0% (33)	7.6% (5)
Repayment reminders cause stress or anxiety (Sometimes / Often)	62.1% (41)	—	28.8% Never (19)
BNPL has affected my financial stability (Any impact)	51.5% (34)	—	43.9% No impact (29)

The repayment anxiety figure is the most striking result in this section: 62.1% of respondents report that BNPL repayment reminders cause them stress or anxiety sometimes or often. This proportion is large, and it cuts across both heavy and light users—suggesting that even infrequent BNPL usage introduces a persistent background anxiety about outstanding obligations. The real-debt perception

question reveals a meaningful ambivalence: only 40.9% of respondents firmly agree that BNPL constitutes real debt, while 50% remain neutral. This aligns with the findings of Soman and Cheema, who demonstrated that instalment structures systematically diminish the cognitive salience of borrowing. A consumer who does not mentally categorise a BNPL purchase as debt is considerably less likely to account for it in personal financial planning. On financial stability, 51.5% of respondents acknowledge some degree of impact-ranging from slight to significant-suggesting that BNPL is not as financially neutral as its marketing often implies.

4.8 Hypothesis Testing Results

The three hypotheses were evaluated against the evidence derived from the survey data. The following table summarises the statistical test assigned to each, the evidence direction observed, and the resulting verdict.

Table-7: Hypothesis Testing Summary

H#	Statement	Statistical Test	Evidence Direction
H1	BNPL users more likely to face financial constraints than non-users.	Chi-Square (χ^2) Test of Independence	51.5% report financial stability impact; 62.1% experience repayment anxiety; loan stackers show amplified stress.
H2	Late payers experience significantly higher financial stress than on-time payers.	Mann–Whitney U Test	Frequent late payers cluster in the "significant impact" category, consistent with Hayashi & Routh [6].

H3	A majority of BNPL users exhibit responsible usage behaviour.	One-Sample Z-Test for Proportions	63.6% have never delayed payment; 62.7% maintain balance below Rs. 2,000; 34.8% track debt regularly.
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H1 receives partial support: while meaningful proportions of the sample report repayment anxiety and some financial stability impact, the majority also report responsible behaviour, and the sample does not permit a clean statistical separation between users and non-users on all constraint dimensions. H2 is supported: the small but identifiable sub-group of frequent late payers clusters consistently in the higher-stress and higher-impact response categories, a pattern that mirrors the findings of Hayashi and Routh [6] and is consistent with the directional expectation of the Mann–Whitney U framework. H3 is supported: across multiple indicators — repayment history, outstanding balance, and usage frequency-the majority of active BNPL users in this sample behave within what may reasonably be characterised as responsible parameters.

V. DISCUSSION

5.1 Interpreting the Findings

Three principal findings emerge from the analysis, each with distinct implications for consumers, service providers, and policymakers.

5.1.1 Frictionless Spending and the Risk of Overextension

The ease with which BNPL transactions can be initiated correlates meaningfully with increased consumer spending, particularly on non-essential goods. The concentration of BNPL use in electronics and online shopping-both discretionary categories-is not coincidental. The absence of visible interest charges and the automatic instalment structure reduce the psychological cost of each transaction, encouraging spending that might otherwise be deferred or avoided. This is not simply a theoretical concern: 51.5% of respondents acknowledge some

degree of impact on their financial stability, suggesting that the effect is already perceptible within this relatively low-outstanding-balance sample. The practical implication is that the risk of overextension is not a function of debt volume alone—it is embedded in the product's design.

5.1.2 Debt Fragmentation as a Structural Risk

Respondents who use multiple BNPL platforms simultaneously are more likely to lose track of their cumulative financial obligations. This fragmentation of debt across platforms—the pattern identified as loan stacking—increases the probability of delayed payments, compounding the stress and financial instability associated with BNPL usage. Approximately one in five respondents in this sample reported concurrent multi-platform usage, a figure that, while lower than international comparisons, is meaningful in a context where credit bureau reporting of BNPL obligations remains inconsistent and where the individual lender has no visibility into a borrower's obligations on competing platforms.

5.1.3 The Gap Between Debt Awareness and Financial Behaviour

A notable proportion of respondents acknowledge BNPL as a form of real debt while simultaneously demonstrating low rates of active debt tracking and high rates of repayment anxiety. This reveals a meaningful disconnect between intellectual recognition of financial risk and the behavioural response to it [4]. The 50% who remain neutral on whether BNPL constitutes real debt are, in one sense, exhibiting precisely the cognitive dissonance that the product's interest-free framing is designed to cultivate. What is more concerning is that even among the 40.9% who recognise BNPL as real debt, active monitoring of outstanding balances is far from universal—suggesting that awareness alone is insufficient to change behaviour, and that structural product-design changes or well-designed disclosure requirements may be necessary to close this gap.

5.2 Comparison with Existing Literature

The broad contours of the findings are consistent with the international BNPL literature. The minority-stress, majority-responsible pattern mirrors the Klarna Consumer Report, which found that 40% of global BNPL users had missed at least one payment—a figure

suggesting that a majority manages the product responsibly while a meaningful minority experiences difficulty. The loan-stacking rate observed in this sample (approximately 19.7%) is considerably lower than the 63% reported by the, though this gap may partly reflect differences in measurement approach and market maturity rather than a genuine difference in underlying risk exposure. The financial stability impact findings are qualitatively consistent with Hayashi and Routh [6], whose work in the United States found strong associations between BNPL usage and indicators of broader financial fragility. The Indian-specific finding that platform trust and super-app integration are primary adoption drivers — evidenced by Paytm Postpaid's dominant market position in this sample — corroborates Balaji and Sridhar's [2] analysis of Gen Z digital credit behaviour.

5.3 Practical and Theoretical Implications

What does this mean for practitioners? For FinTech providers, the repayment anxiety finding (62.1%) is perhaps the most operationally actionable result. Anxiety around payment reminders does not suggest that consumers are unaware of their obligations; it suggests that the product's payment architecture creates psychological friction that is poorly calibrated to the user experience. Meyll and Walter [9] found that well-designed reminder timing and framing materially improve on-time repayment rates without increasing consumer distress — an insight that product teams could apply directly. For regulators, the invisible-debt problem is the most structurally significant concern. Mandatory credit bureau reporting for BNPL balances above a defined threshold — aligned with the direction recommended by Kumar and Sharma [12] in their analysis of the RBI's 2022 digital lending guidelines — would make BNPL debt visible to all parties simultaneously. For the academic literature, this study provides a replicable primary-data methodology for investigating BNPL's financial health consequences among young Indian consumers, a population currently underrepresented in the empirical literature.

VI. CONCLUSIONS

6.1 Summary of Findings

This study examined the relationship between rising BNPL usage and consumer debt levels among 66 young Indian adults. The principal finding is that the

picture is genuinely two-sided: the majority of respondents manage their BNPL obligations with reasonable care — maintaining modest outstanding balances, using the service infrequently, and meeting their repayment obligations on time. H2 and H3 are both supported by the data, confirming that responsible behaviour is the statistical norm in this sample, while also confirming that those who delay repayments experience meaningfully higher financial stress. H1 receives partial support, reflecting the nuanced relationship between BNPL adoption per se and measurable financial constraint: the product does not automatically generate financial difficulty, but it creates conditions in which a sub-group of users — characterised by multi-platform borrowing and infrequent debt monitoring — faces amplified risk. Across all three findings, the structural theme that recurs most consistently is opacity: BNPL debt is harder to see, harder to track, and harder to aggregate than debt held through traditional instruments. That opacity — more than any individual spending decision — is the condition that creates systemic risk.

6.2 Recommendations

For consumers, the single most effective personal safeguard is to treat every BNPL obligation as a formal budget entry rather than a convenient payment method. A monthly reconciliation of all active BNPL commitments across platforms materially reduces the risk of being caught off-guard by simultaneous repayment demands. Limiting concurrent multi-platform usage — consolidating to a single trusted platform at any given time wherever possible — further reduces both the tracking burden and the repayment risk. Consumers should also calibrate their BNPL usage to actual income rather than to the credit ceiling offered by the platform, which reflects a lender's risk assessment rather than a recommendation about appropriate spending.

For FinTech providers, the evidence points toward three design interventions with the greatest potential for consumer benefit. First, integrating a real-time, cross-platform debt visibility dashboard within the in-app experience would directly address the monitoring deficit identified in Section 4.6. Second, repayment reminders should be redesigned to drive behaviour change rather than to maximise engagement; positive framing, visual progress indicators, and morning-timed notifications have been shown to improve on-

time payment rates without increasing anxiety. Third, a brief affordability pause screen at the point of loan stacking—summarising the user's current total BNPL exposure before a new facility is opened—would reduce impulsive additional borrowing without materially disrupting the user experience.

For regulators, the most consequential intervention available is to make BNPL debt visible. Mandating credit bureau reporting for outstanding BNPL balances above a defined threshold—for example, Rs. 5,000 or a one-month income equivalent — would capture the highest-risk tier of borrowers without burdening the majority of well-managed, low-balance credit relationships. The Australian Treasury's consultation paper on BNPL affordability assessments offers a proportionate and adaptable template for a similar requirement in the Indian market, and the RBI's 2022 digital lending guidelines provide an existing regulatory architecture within which such a requirement could be incorporated.

6.3 Future Scope

Several directions for future research follow naturally from the limitations of this study. A longitudinal design—tracking the same cohort over three to five years—would be considerably better placed to identify the causal relationship between BNPL usage patterns and long-run financial health outcomes. Expanding the sample to include Tier 2 and Tier 3 city consumers, lower-income groups, and older working professionals would substantially improve the generalisability of the findings and reveal whether the relative responsibility observed in this campus-based sample is characteristic of the broader BNPL user population. Triangulating self-reported survey data with platform-level transaction data would address the social desirability bias inherent in self-reporting on sensitive financial topics. Finally, explicitly stratifying analysis by income level—likely a significant moderating variable—would yield more actionable insights for targeted policy design and product development.

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AUTHOR BIOGRAPHIES

- [1] Abhishek Lalpotu is a postgraduate management student specialising in Finance at IIEBM Indus Business School, Pune. His research interests span FinTech, digital credit markets, and consumer financial behaviour. He has contributed to primary data collection and quantitative analysis for this study.
- [2] Devansh Khandelwal is a postgraduate management student at IIEBM Indus Business School, Pune, with a focus on financial markets and emerging digital payment ecosystems. He has been involved in literature synthesis and the development of the study's conceptual framework.
- [3] Sanskriti Garg is a postgraduate management student at IIEBM Indus Business School, Pune. Her academic interests include consumer finance

and regulatory policy in emerging markets. She contributed to survey design and data interpretation for this study.

- [4] Mohit Goyal is a postgraduate management student at IIEBM Indus Business School, Pune, specialising in Finance. His research focus encompasses digital lending, credit behaviour, and FinTech regulation. He contributed to hypothesis formulation and statistical methodology design.
- [5] Prithviraj Pawar is a postgraduate management student specialising in Finance and FinTech at IIEBM Indus Business School, Pune. With prior professional experience as a FinOps Analyst in the technology sector, his research interests lie at the intersection of digital credit, consumer debt management, and platform economics.