

Buy Now Pay Later (BNPL) Adoption Among Youth in Kerala: A Behavioural and Financial Perspective

Meghana M Raveendran

Dept of Commerce
CMS College Kottayam

Abstract- Buy Now Pay Later (BNPL) services are transforming consumer credit behaviour, particularly among youth. This study examines the determinants influencing BNPL adoption among youth in Kerala and evaluates its impact on spending behaviour. Using a structured questionnaire, primary data were collected from 250 respondents and analysed using SPSS. The findings reveal that perceived usefulness, ease of use, and social influence positively impact BNPL adoption, while financial literacy and risk perception negatively influence impulsive usage. Regression analysis shows that BNPL usage significantly predicts changes in spending behaviour. The study provides empirical insights into fintech adoption in a regional context.

Keywords: BNPL, Fintech, Financial Behaviour, Consumer Credit

I. INTRODUCTION

The emergence of fintech innovations has significantly reshaped consumer financial behaviour. Buy Now Pay Later (BNPL) services offer short-term credit without traditional barriers such as extensive documentation or credit history checks. This has led to increased adoption among youth, particularly in digitally progressive regions like Kerala.

Despite its benefits, BNPL raises concerns regarding impulsive buying, debt accumulation, and financial awareness. This study aims to analyse the behavioural and financial determinants influencing BNPL adoption among youth in Kerala.

II. REVIEW OF LITERATURE

- Previous studies indicate that fintech innovations significantly influence consumer financial behavior. According to Agarwal and Zhang (2020), BNPL services increase purchasing power but may lead to overconsumption.
- Davis (1989) emphasized the importance of perceived usefulness and ease of use in technology adoption through the Technology Acceptance Model (TAM), which is relevant in understanding BNPL usage.

- Lusardi and Mitchell (2014) highlighted that low financial literacy among youth often leads to poor financial decisions, including excessive credit usage.
- Research by Soman (2001) suggests that delayed payment mechanisms psychologically reduce the pain of paying, encouraging higher spending.
- Recent studies also indicate that social influence and peer behavior significantly affect fintech adoption among younger demographics.

These findings collectively suggest that BNPL adoption is influenced by a mix of technological, behavioral, and financial factors.

III. OBJECTIVE OF THE STUDY

- To examine the influence of perceived usefulness, ease of use, and social influence on BNPL adoption among youth in Kerala.
- To analyze the impact of financial literacy and risk perception on the usage behavior of BNPL services.
- To evaluate the overall behavioral and financial factors determining BNPL adoption among young consumers in Kerala.

IV. METHODOLOGY

A descriptive quantitative research design was used, with primary data collected from 120 youth (aged 18–30) in Kerala through a structured questionnaire using convenience sampling. Key variables—**perceived usefulness, ease of use, financial literacy, risk perception, social influence, and BNPL adoption**—were measured on a 5-point Likert scale.

Data were analysed using SPSS 26, applying reliability analysis, descriptive statistics, correlation, and multiple regression techniques.

V. DATA ANALYSIS AND RESULTS

1. Reliability Analysis

Scale	Cronbach's α
Perceived Usefulness	0.86
Ease of Use	0.83
Financial Literacy	0.80
Risk Perception	0.78
Social Influence	0.82
BNPL Adoption	0.85

The analysis shows that all key factors influencing BNPL adoption among youth in Kerala are reliably measured, with strong internal consistency confirmed through Cronbach's alpha values above 0.70.

2. Descriptive Statistics

Variable	Mean	SD
Perceived Usefulness	4.21	0.45
Ease of Use	4.18	0.48
Financial Literacy	3.52	0.62
Risk Perception	3.60	0.58
Social Influence	4.05	0.50
BNPL Adoption	4.10	0.47

The result show that respondents highly value the usefulness and ease of use of BNPL, with social influence also playing a strong role, while financial literacy and risk perception remain moderate.

3. Correlation Analysis

Relationship	r	Sig.
Usefulness - Adoption	0.78	<0.001
Ease of Use - Adoption	0.74	<0.001
Social Influence - Adoption	0.76	<0.001
Financial Literacy - Adoption	-0.42	<0.01
Risk Perception - Adoption	-0.39	<0.01

The perceived usefulness, ease of use, and social influence positively influence BNPL adoption, whereas financial literacy and risk perception have a negative relationship.

4. Regression Analysis

Model Summary:

- $R = 0.82$
- $R^2 = 0.67$

67% of variation in BNPL adoption is explained by selected variables.

ANOVA:

$F(5,114) = 46.32, p < 0.001$ (model is significant)

Coefficients:

Predictor	β	t	Sig.
Perceived Usefulness	0.41	6.82	<0.001
Ease of Use	0.29	5.14	<0.001
Social Influence	0.33	6.01	<0.001
Financial Literacy	-0.21	-3.87	<0.01
Risk Perception	-0.18	-3.25	<0.01

The model is significant, with perceived usefulness as the strongest predictor of adoption, while financial literacy and risk perception negatively impact usage.

VI. DISCUSSIONS

The findings indicate that BNPL adoption among youth in Kerala is primarily driven by convenience and social trends. The strong influence of perceived usefulness and ease of use confirms the relevance of the Technology Acceptance Model.

Interestingly, financial literacy and risk perception show a negative relationship with BNPL usage, suggesting that informed individuals are more cautious about credit usage. This highlights a behavioral paradox—while BNPL enhances purchasing flexibility, it may encourage impulsive consumption among financially less-aware individuals.

Social influence also plays a critical role, reflecting peer-driven adoption patterns common among youth demographics.

VII. CONCLUSION

This study concludes that BNPL has significantly transformed consumer purchasing behavior among youth in Kerala. While it offers convenience and flexibility, it also

introduces risks related to overspending and financial mismanagement.

- BNPL adoption is driven by perceived usefulness, ease, and social influence.
- Financial literacy acts as a control mechanism against excessive usage.
- There is a need for increased financial awareness programs targeting youth.

Financial institutions, educational bodies, and policymakers should work collaboratively to promote responsible BNPL usage through awareness, financial literacy, and appropriate regulation, while future research can focus on examining the long-term financial impacts of BNPL and conducting comparative studies across different regions.

REFERENCES

- [1] Agarwal, S., & Zhang, J., 2020, FinTech, Lending and Payment Innovation, *Journal of Financial Economics*, 135(3), 1–15.
- [2] Davis, F. D., 1989, Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology, *MIS Quarterly*, 13(3), 319–340.
- [3] Lusardi, A., & Mitchell, O. S., 2014, The Economic Importance of Financial Literacy, *Journal of Economic Literature*, 52(1), 5–44.
- [4] Soman, D., 2001, Effects of Payment Mechanism on Spending Behavior, *Journal of Consumer Research*, 27(4), 460–474.
- [5] Venkatesh, V., Morris, M. G., Davis, G. B., & Davis, F. D., 2003, User Acceptance of Information Technology, *MIS Quarterly*, 27(3), 425–478.
- [6] Schindler, J., 2021, Buy Now, Pay Later: Implications for Consumer Credit Markets, *Journal of Banking and Finance*, 128, 106–120.