



Buy Now Pay Later

Description

Theme:

- According to a recent report by YouGov, India has emerged as the country with the highest inclination towards using Buy Now, Pay Later (BNPL) services in the future. This is a notable trend as BNPL's popularity has surged by a staggering 600% in 2021. The adaptation of this payment mode has witnessed a significant rise, with digital transactions using the pay-later option increasing by a substantial 637% between 2020 and 2021. This highlights the growing acceptance and trust in BNPL among Indian consumers, making it an attractive market for BNPL providers.

What is Buy Now Pay Later service?

- Buy Now Pay Later (BNPL) is a payment option that lets people buy something and pay for it gradually, rather than all at once. BNPL is provided by different types of companies, like online stores, banks, and financial tech startups. With BNPL, buyers usually have to pay a little bit at first, and then make regular payments for a certain amount of time. The rules and fees for BNPL can be different depending on who provides the service. BNPL is helpful because it gives people an easier way to handle big expenses by dividing them into smaller payments over time.

Reasons for the growth of BNPL in India

- The pandemic has led to faster adoption of digital payments as people became more conscious about safety measures and working from home. With more people turning to online shopping, BNPL has become a convenient option as it allows consumers to pay for purchases in instalments, making it easier to manage their finances during uncertain times.
- With many people facing financial difficulties during the pandemic, BNPL has provided a way for consumers to spread out their expenses over a longer period, rather than paying everything upfront. This can be particularly beneficial for those on a tight budget as they



can manage their cash flow more effectively while still being able to purchase the things they need.

- With the increasing adoption of smartphones and the internet in India's Tier-2 and 3 cities, more consumers have access to digital payment options, including BNPL. As a result, the BNPL market has seen tremendous growth in recent years. These consumers are increasingly turning to BNPL services for their convenience and flexibility in making purchases.
- In India, many Gen Z and Millennial consumers are hesitant to use credit cards due to concerns about high-interest rates and hidden fees. As a result, they are turning to BNPL services as an alternative to traditional credit options. BNPL providers like LazyPay, Simpl, ZestMoney, and ePayLater are aware of this trend and are targeting these consumers by offering more flexible payment plans and other benefits. This strategy has proven to be successful, as more and more young consumers are choosing BNPL as their preferred payment option.

Challenges:

- Many consumers may not be fully aware of the terms and conditions of BNPL agreements, which can result in unexpected fees. This can result in additional financial strain and may even lead to defaulting on payments.
- Despite the rapid growth of BNPL, the industry is still in its early stages compared to other payment methods globally. One major issue with BNPL is the lack of independent regulation. Unlike credit cards, there are no standard regulations regarding disclosures on fees, credit reporting, and payments. This has led to concerns over customer protection and ethical business practices. Without proper regulation, consumers may be vulnerable to hidden fees or unfair lending practices by BNPL providers.
- One of the risks associated with BNPL is a high default rate. Since there are no Know Your Customer (KYC) and credit checks, it can raise the risk of non-payment of credit by consumers. Excessive and unregulated lending can result in extending credit to over-leveraged consumers who may have no intention of repayment.
- BNPL can encourage consumers to take on more debt than they can handle, leading to debt accumulation and financial stress. This can be particularly problematic for consumers who are already struggling with debt.

Way forward:

- To address the challenges of BNPL, industry players and regulators need to work together to establish standards and guidelines for consumer protection and ethical business practices.
- BNPL providers should focus on increasing transparency in their fee structures and communicating clearly with consumers about the terms and conditions of their services.
- To mitigate the risk of default, BNPL providers should conduct proper KYC and credit checks before extending credit to consumers, especially those with a history of non-payment or over-leveraging.



- Education and awareness campaigns can help consumers better understand the benefits and risks of BNPL services, and make more informed decisions about their finances.

Conclusion:

BNPL has emerged as a popular payment option for consumers, especially during the pandemic. It provides a convenient and flexible way to make purchases, particularly for those facing financial difficulties. However, some challenges need to be addressed, such as the lack of regulation and transparency in fees. With proper regulation and transparency, BNPL has the potential to become a mainstream payment option for consumers, particularly for younger generations who are wary of traditional credit options.

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Your Turn!

What's your take on BNPL? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

References:

- [What Is Limiting BNPL Growth In India?](#)
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