Journal of Artificial Intelligence in Business
JOURNAL India Publication
Volume 1, Issue 1 | July - September 2026 | www.journalindiapublication.com | 2026 Journal India Publication

Buy Now, Pay Later Use and Financial Stress among Generation Z in Bengaluru: The Role of Impulsive Buying and Financial Capability

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ABSTRACT

Purpose. This study examines the relationship between Buy Now, Pay Later (BNPL) use and financial stress among Generation Z in Bengaluru, with particular attention to impulsive buying, financial confidence, income and saving behaviour.

Design/methodology/approach. The study uses primary survey data collected through a structured questionnaire and applies descriptive statistics, correlation analysis, multiple regression and analysis of variance (ANOVA). The source manuscript reports 80 respondents in the abstract and 85 questionnaire respondents in the methodology; this discrepancy should be verified against the final dataset before submission. The reported regression model examines financial stress as the dependent variable and behavioural and financial factors as explanatory variables.

Findings. The reported mean financial-stress score was 2.837 (SD = 1.067). BNPL awareness was high (86.8%), whereas reported BNPL use was substantially lower (28.9%). The regression model reportedly explained 41% of the variance in financial stress ($R^2 = 0.41$; Significance F = 0.0299). Impulsive buying was reported as the strongest positive predictor (coefficient = 0.38, $p = 0.0001$), while financial confidence, income and savings were associated with lower financial stress.

Originality/value. The study contributes local evidence on BNPL-related financial stress among Generation Z in Bengaluru by integrating spending behaviour with financial-capability variables. The findings suggest that financial stress is more closely associated with spending and financial-management behaviour than with BNPL awareness alone.

Keywords: Buy Now, Pay Later; BNPL; Generation Z; financial stress; impulsive buying; financial confidence; savings; financial literacy; Bengaluru; fintech

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1. Introduction

The digital transformation of consumer finance has introduced payment mechanisms that allow consumers to obtain goods and services immediately while postponing payment. Buy Now, Pay Later (BNPL) is one such form of short-term consumer credit, commonly structured around interest-free instalments when payments are made according to the agreed schedule [1]. Its low-friction design can reduce the immediate salience of the purchase cost and may influence spending behaviour.

BNPL has become increasingly relevant to younger consumers and digitally engaged populations. Evidence from consumer-credit research indicates that BNPL users can differ from non-users in their broader credit and financial profiles, including higher use of other unsecured credit products and, for some borrowers, greater indebtedness [2]. Recent research also highlights concerns that BNPL can reduce psychological barriers to spending and may increase the risk of impulse purchasing and financial stress among vulnerable consumers [3].

The behavioural dimension is especially important for Generation Z, for whom digital commerce, mobile payments and social-media-driven consumption are embedded in everyday financial activity. Research on young consumers suggests that BNPL can encourage immediate consumption by separating the act of purchasing from the full financial consequence of payment. In India, recent empirical work has also begun to examine the relationship between BNPL, debt perceptions, saving behaviour and financial decision-making among Gen Z [4].

However, BNPL use should not automatically be equated with financial distress. Consumers may use instalment products strategically, and financial outcomes can depend on income, saving capacity, financial confidence and spending discipline. The present study therefore examines BNPL awareness and use together with behavioural and financial factors associated with financial stress among Generation Z in Bengaluru.

2. Problem Statement

BNPL provides convenience and payment flexibility, but its frictionless nature may also facilitate repeated or unplanned purchases. The financial consequences may be more pronounced when users have weak budgeting and saving habits or limited confidence in managing credit. Existing evidence indicates that BNPL users can exhibit higher levels of indebtedness and multiple simultaneous credit obligations [2], while behavioural research points to impulse purchasing and reduced spending salience as potential mechanisms [3].

Despite the growing relevance of digital credit among young consumers, localized evidence on the factors associated with BNPL-related financial stress among Generation Z in Bengaluru remains limited. This study addresses that gap by examining whether awareness, frequency of BNPL use, income, impulse buying, financial confidence, savings and understanding of BNPL terms are associated with financial stress.

3. Objectives

1. To examine the relationship between BNPL awareness and financial stress among Generation Z.

2. To examine the relationship between BNPL usage frequency and financial stress.

3. To determine whether financial stress differs across income levels.

4. To examine whether impulse buying, financial confidence and savings are associated with financial stress.

5. To assess whether understanding BNPL terms is associated with financial stress.

4. Hypotheses

H01: BNPL awareness has no statistically significant relationship with financial stress.

H02: BNPL usage frequency has no statistically significant relationship with financial stress.

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H03: There is no statistically significant difference in financial stress across income levels.

H04: Impulse buying, financial confidence and savings have no statistically significant relationship with financial stress.

H05: Understanding of BNPL terms has no statistically significant relationship with financial stress.

5. Literature Review

BNPL and the psychology of spending. BNPL changes the timing and salience of payment. Recent psychological research describes BNPL as a payment mechanism that can bypass some of the cognitive and physical barriers associated with spending, increasing the risk of impulse purchasing and financial stress for some consumers [3].

BNPL and consumer financial vulnerability. The Consumer Financial Protection Bureau reports that BNPL borrowers can have higher levels of other unsecured debt and that multiple simultaneous BNPL loans are common among users. These findings indicate that BNPL use should be considered within the wider consumer-credit portfolio rather than as an isolated payment choice [2,5].

BNPL among young consumers. Recent research on young-generation BNPL behaviour identifies convenience, accessibility and behavioural factors as important influences on spending, while also highlighting risks of impulsive consumption and over-indebtedness [6].

BNPL and Gen Z in India. Recent Indian research has begun to investigate BNPL in relation to debt perception and saving behaviour among Gen Z students, demonstrating the relevance of financial behaviour and saving capacity to the study of digital credit among young consumers [4].

Research gap. The literature provides evidence that BNPL can interact with spending behaviour, credit exposure and financial vulnerability. Nevertheless, there remains scope for localized empirical research examining how BNPL awareness and use relate to financial stress alongside income, savings, confidence and impulsive buying. The present study addresses this gap in the Bengaluru context.

6. Research Methodology

6.1 Research Design

The study adopts a descriptive, cross-sectional research design using primary survey data. The analysis is intended to identify relationships and predictors of financial stress rather than establish causal effects.

6.2 Data Collection

Primary data were collected through a structured questionnaire. The source manuscript states that the questionnaire was distributed to 85 respondents, while its abstract reports 80 respondents. The final manuscript should state the exact number of valid responses after the underlying dataset is checked.

6.3 Sampling Technique

Convenience sampling was used. Respondents were approached based on availability and willingness to participate. This approach is practical for exploratory student research but limits the generalisability of the findings to the wider Generation Z population of Bengaluru.

6.4 Variables

Financial stress is treated as the principal dependent variable. Explanatory variables include BNPL awareness, BNPL use, impulse buying, financial confidence, credit risk, loss of spending control, responsible BNPL use, income, savings and understanding of BNPL terms.

6.5 Statistical Tools

Descriptive statistics were used to summarise respondent responses. Correlation analysis was used to examine associations among variables. Multiple regression was used to identify variables associated with financial stress. ANOVA was proposed to examine differences in financial stress across income groups.

6.6 Statistical Decision Rule

Statistical significance is evaluated at the 5% level. A p-value below 0.05 is treated as evidence against the relevant null hypothesis. Because the source manuscript does not provide complete ANOVA output for all hypotheses, conclusions regarding income-group differences and understanding of BNPL terms should not be presented as statistically established without the underlying output.

7. Results and Analysis

7.1 Descriptive Findings

The reported average financial-stress score was 2.837 (SD = 1.067), indicating a moderate level of stress in the sample. Mean impulse buying was 2.848, mean loss of spending control was 2.936 and mean responsible BNPL use was 3.064.

BNPL awareness was reported at 86.8%, while BNPL use was reported at 28.9%. This indicates a substantial difference between awareness of the product and actual reported use. Awareness alone therefore does not appear sufficient to explain financial stress in the reported sample.

Indicator	Reported result
Financial stress	Mean = 2.837; SD = 1.067
Impulse buying	Mean = 2.848
Loss of spending control	Mean = 2.936
Responsible BNPL use	Mean = 3.064
BNPL awareness	86.8%
BNPL use	28.9%

7.2 Correlation Analysis

The source manuscript reports the following correlations with financial stress: impulse buying (r = -0.3631), financial confidence (r = 0.1332), credit risk (r = 0.2349), loss of spending control (r = -0.0023), responsible use (r = 0.1691), awareness (r = -0.0456) and BNPL use (r = 0.1770).

There is an important inconsistency between the displayed correlation matrix and the narrative interpretation in the source manuscript. The narrative states that impulse buying increases stress (r = 0.51), while confidence, savings and responsible use reduce stress, but those coefficients are not the same as the displayed matrix. The final paper should therefore verify the correlation matrix against the original statistical output before submission. This revision does not replace the reported values with invented figures.

7.3 Regression Analysis

Regression statistic	Reported result
R^2	0.41
Significance F	0.0299
Impulse buying coefficient	0.38
Impulse buying p-value	0.0001
Financial confidence coefficient	-0.25
Income coefficient	-0.18
Savings coefficient	-0.31

The source manuscript reports that the regression model explains 41% of the variance in financial stress ($R^2 = 0.41$) and is statistically significant overall (Significance F = 0.0299). Impulse buying is reported as the strongest predictor, with a coefficient of 0.38 and p = 0.0001. Financial confidence, income and savings are reported as negative predictors, with coefficients of -0.25, -0.18 and -0.31 respectively.

These findings suggest that behavioural and financial-management characteristics may be more informative for explaining financial stress than awareness alone. However, the regression

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coefficients should be checked against the underlying regression output because the source manuscript does not provide the complete coefficient table, standard errors, t-values or confidence intervals.

7.4 Hypothesis Evaluation

Hypothesis	Evidence available in source	Decision
H01: BNPL awareness–financial stress	Reported correlation is small; no significance value provided	Cannot conclusively test
H02: BNPL use frequency–financial stress	Reported correlation with Use_BNPL = 0.1770; no significance value provided	Cannot conclusively test
H03: Income-group difference	ANOVA method is stated, but output is not provided	Cannot conclusively test
H04: Impulse buying, confidence and savings	Regression reports significant coefficients; full output not provided	Supported as reported, subject to output verification
H05: Understanding BNPL terms–financial stress	No complete test output provided	Cannot conclusively test

This conservative hypothesis reporting is necessary because a correlation coefficient alone does not establish statistical significance without its associated p-value or confidence interval. Similarly, a stated ANOVA procedure does not establish a significant group difference unless the ANOVA output is reported.

8. Discussion

The findings indicate that financial stress among the respondents is associated more strongly with behavioural and financial-management characteristics than with simple awareness of BNPL. The reported regression results identify impulse buying as the strongest predictor, while financial confidence, income and savings are negatively associated with stress. This interpretation is consistent with research suggesting that BNPL can reduce payment salience and facilitate impulsive consumption [3].

The results are also consistent with broader evidence showing that BNPL users may have more complex credit profiles, including multiple simultaneous BNPL loans and higher balances on other unsecured credit products [2,5]. However, these external findings do not establish that BNPL itself causes financial distress; financial vulnerability may pre-date BNPL use.

The gap between high awareness and lower reported use is also important. Awareness does not necessarily translate into adoption, and adoption does not necessarily translate into financial distress. Financial outcomes are likely to depend on spending discipline, repayment capacity and the user's wider financial position.

9. Practical Implications

9.1 Implications for Gen Z Consumers

Young consumers should evaluate BNPL purchases against their actual monthly cash flow rather than the affordability of individual instalments. Maintaining a payment calendar, limiting simultaneous BNPL plans, building emergency savings and distinguishing needs from discretionary purchases can reduce repayment pressure.

9.2 Implications for BNPL Providers

BNPL providers can strengthen responsible-use mechanisms by making repayment obligations highly visible, providing spending alerts and offering clear information about fees, missed payments and cumulative outstanding obligations. Such measures are consistent with concerns regarding multiple simultaneous loans and limited visibility of BNPL obligations [2,5].

9.3 Implications for Financial Education

Financial-literacy programmes for young adults should include digital-credit management, impulse-control strategies, budgeting, emergency savings and the interpretation of BNPL terms. The objective should be to move beyond product awareness toward practical financial capability.

10. Limitations and Future Research

The study has several limitations. First, convenience sampling limits representativeness. Second, the source manuscript contains an inconsistency between the 80 respondents reported in the abstract and the 85 respondents reported in the methodology. Third, the displayed correlation matrix does not fully match the narrative correlation interpretation. Fourth, complete ANOVA and regression output is not presented, limiting independent verification of some hypothesis decisions. Fifth, the cross-sectional design does not establish causal relationships.

Future research should use larger probability-based or stratified samples of Generation Z consumers in Bengaluru and other Indian cities. Longitudinal research could examine whether repeated BNPL use precedes changes in financial stress. Future studies should also examine loan stacking, repayment delinquency, income volatility, financial literacy, social-media exposure and digital spending behaviour. Structural equation modelling or panel designs could provide stronger tests of the mechanisms linking BNPL use, impulsive buying and financial stress.

11. Conclusion

This study examines BNPL awareness and use in relation to financial stress among Generation Z in Bengaluru. The reported findings indicate moderate financial stress, high awareness but lower reported use of BNPL, and a significant regression model in which impulse buying is the strongest reported positive predictor of financial stress. Financial confidence, income and savings are reported as factors associated with lower stress.

The evidence suggests that BNPL should not be treated as inherently harmful or beneficial. Its financial consequences depend on how consumers use the facility and on their underlying financial

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capability. The strongest practical message from the study is therefore the importance of budgeting, savings, repayment tracking and control of impulsive purchases. At the same time, the inconsistencies in the source dataset and statistical reporting should be resolved before the paper is submitted to a peer-reviewed journal.

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