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EDITORIAL

BUY NOW, PAY LATER (BNPL)

In recent times, **Buy Now, Pay Later (BNPL)** has emerged as one of the fastest-growing segments of digital finance in India. It is a modern alternative to credit cards as BNPL allows the customers to purchase goods and services immediately while deferring payment in easy installments, without interest, if repayments are made on time. For a young demographic country like India, with a rapidly expanding middle class and rising digital penetration, BNPL appears to be a fit system. But there are concerns about sustainability, consumers protection, and long-term impact of BNPL.

The financial ecosystem of India is characterized by contrasts. At one end, digital payment systems such as UPI, have made transactions seamless but on the other, the access to formal credit remains limited. Only a small fraction of the population holds credit cards, thus leaving vast gap between payment innovation and credit inclusion. BNPL has stepped into this gap, offering instant, low-friction credit without the entry barriers of traditional instruments. Young consumers, particularly millennials and Gen Z, have embraced the model enthusiastically. From online retailers and electronics showrooms to food delivery apps, BNPL has become a default payment option. For merchants, it is a reliable way to boost sales, as the customers are more likely to complete purchases and spend higher amounts when the payments can be split into smaller parts. For the benefits of consumers, it creates the impression of affordability and financial flexibility.

The BNPL lies in its simplicity because traditional credit often comes with complex approval processes, interest rates and paperwork. BNPL is embedded directly into the checkout experience, requiring little more than a few clicks. By breaking large payments into interest-free installments, it reduces the psychological burden of spending and fosters aspirational consumption. However, this very convenience in using BNPL is also the source of concern. Many users are first-time borrowers, financially inexperienced, and unfamiliar with the risks of overleveraging. With minimal credit checks and quick approvals, individuals can accumulate obligations across multiple platforms, often losing track of their total liabilities. When the repayment deadlines converge, the financial pressure can be overwhelming. It is to be noted that missed payments invite penalties and the "interest-free" credit quickly becomes costly.

The regulators in India have already taken note of these challenges. The Reserve Bank of India (RBI) has cautioned against unregulated credit flows. In 2022, there were some restrictions on certain BNPL models, that were loading credit lines onto prepaid instruments. These interventions reflect the RBI's attempt to prevent BNPL from becoming a parallel credit system, outside the ambit of formal oversight. Excessive restrictions could stifle innovation in a sector that has the potential to deepen financial inclusion while insufficient oversight could allow reckless lending practices to destabilize the consumer finances in India.

Building the consumers, awareness is equally important and hence financial literacy programs through schools, colleges, and digital platforms, can help the young borrowers to understand repayment obligations and the consequences of defaults. At the same time, the regulators need to continue shaping guidelines, that standardize repayment structures, mandate clear disclosures and ensure that BNPL usage is reported to credit bureaus. This would allow the consumers to build the credit histories responsibly while safeguarding against overexposure.

BNPL has undeniably democratized access to credit in India, giving millions of consumers the ability to manage their purchases more flexibly. But unchecked growth carries risks that cannot be ignored. Its future depends on a shared responsibility among stakeholders. In essence, **Buy Now, Pay Later** is more than a payment innovation. It is a cultural shift in Indians credit system. It may become a stepping stone toward financial empowerment or a gateway to unsustainable debt. All depend on the discipline of its stakeholders of today.

The forty third Issue (Vol.22, No.1) of the SMART Journal of Business Management Studies consists of seven articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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