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A STUDY ON THE IMPACT OF CREDIT AWARENESS AND MERCHANT ACCEPTANCE ON THE ADOPTION OF BNPL SERVICES

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Abstract — Buy Now Pay Later (BNPL) services have emerged as one of the fastest-growing digital payment solutions in recent years. The increasing penetration of smartphones, digital banking systems, e-commerce platforms, and fintech innovations has accelerated the popularity of BNPL among consumers, especially young adults and online shoppers. This research article examines the impact of credit awareness and merchant acceptance on the adoption of BNPL services. The study aims to understand how consumer knowledge regarding credit products and the availability of BNPL options across merchants influence users' willingness to adopt such services.

The research uses a quantitative approach based on survey responses collected from consumers familiar with digital payment systems. Statistical techniques such as correlation analysis, regression analysis, and hypothesis testing are used to analyze the relationship between variables. The findings reveal that both credit awareness and merchant acceptance significantly influence BNPL adoption. Greater awareness about repayment schedules, interest rates, credit scores, and financial responsibility positively affects consumer trust and usage of BNPL platforms. Similarly, wider merchant acceptance enhances convenience and encourages repeated usage.

The study provides valuable insights for fintech companies, policymakers, merchants, and researchers in understanding consumer behavior related to digital credit systems. The findings also highlight the importance of financial literacy programs and merchant partnerships in expanding the BNPL ecosystem.

Keywords — Buy Now Pay Later, BNPL, Credit Awareness, Merchant Acceptance, Digital Payments, Consumer Behavior, Fintech, Financial Technology

I. INTRODUCTION

The finance technology industry around the world has gone through various changes in the past few years, particularly owing to the rise in online payment systems and finance solutions. The most interesting development that can be seen in the industry is the rise of Buy Now Pay Later (BNPL) payments. They have been accepted by customers as the preferred method of payments and allow customers to buy products immediately but pay the amount later in installments. Today, Buy Now Pay Later services are incorporated into many websites, offline retailers, and mobile apps for ease of access by customers.

Some of the reasons behind the success of BNPL services are convenience and accessibility as the customers can avail short-term loans quickly without going through the long process of applying for credit cards. Among the main competitors in the industry, some are Klarna, Afterpay, PayPal, LazyPay, Simpl, and Amazon.

Some of the main causes for the higher adoption of these services include the increasing use of smartphones, internet usage, the increase in e-commerce activity, and consumer behavior. For instance, young people, especially millennials and Generation Z, prefer alternative payment systems which are easier to apply and generally financially convenient.

Despite the increasing usage of such services, there are still some problems existing in this industry. The consumers do not have enough knowledge on financial issues like paying back loans, how to manage their credit facilities, the costs associated with other fees and penalties, and what will happen to them if they delay making payments.

But for the utilization of BNPL service to be embraced widely, there needs to be merchant acceptance. What it means is that when it comes to the availability of BNPL services through different ways of purchasing products either in physical or virtual outlets, there shall be an increase in the utilization of BNPL service. Merchant acceptance may be the key driver in this process.

Credit awareness refers to the degree of knowledge held by the consumers on issues of credits which involve credit scores, interest, repayment, and wrong behaviors.



Consumers who are credit-aware have some knowledge about their financial matters and are therefore able to repay debts.

Merchant acceptance refers to the ability of merchants to allow BNPL payment options. With more merchant acceptance of BNPL payments, consumers will benefit.

Considering this, the current study seeks to investigate the impact of credit awareness and merchant acceptance on consumer BNPL adoption. This is important as far as the understanding of the dynamics involved helps fintechs, financial organizations, merchants, and policymakers to foster responsible digital financial behavior and achieve greater customer satisfaction and financial inclusion in the increasingly digital world.

II. LITERATURE REVIEW

Several researchers have studied consumer adoption of digital payment systems and fintech services. The following literature review highlights previous studies related to BNPL adoption, credit awareness, and merchant acceptance.

2.1 BNPL Services and Consumer Behavior

According to Johnson and Li (2021), BNPL services have transformed the retail payment landscape by offering flexible installment-based payment systems. The study found that consumers are attracted to BNPL due to convenience, interest-free payment periods, and easy approval processes.

Smith and Taylor (2020) observed that younger consumers prefer BNPL over traditional credit cards because of simplified payment structures and reduced documentation requirements. The study also reported that online shopping behavior significantly influences BNPL usage.

2.2 Credit Awareness and Financial Literacy

Financial literacy plays a crucial role in responsible borrowing and digital credit adoption. Lusardi and Mitchell (2014) emphasized that individuals with higher financial literacy make better financial decisions and are less likely to face debt-related problems.

Research by Kumar and Rao (2022) found that consumers with greater awareness about interest rates, repayment terms, and credit risks are more confident in using digital lending services. The study highlighted that educational initiatives improve consumer trust in fintech platforms.

Another study by Sharma (2021) revealed that poor credit awareness may lead to overspending, delayed repayments, and financial stress among BNPL users.

2.3 Merchant Acceptance and Digital Payment Adoption

Merchant acceptance is considered one of the key determinants of digital payment adoption. Davis (1989), through the Technology Acceptance Model (TAM),

suggested that perceived usefulness and ease of use significantly influence technology adoption.

Patel and Mehta (2021) found that wider merchant acceptance increases customer confidence and improves the frequency of digital payment usage. Consumers tend to adopt payment methods that are widely accepted across different shopping platforms.

A study by Chen et al. (2022) reported that merchant partnerships and promotional offers significantly influence BNPL usage in online retail markets.

2.4 Research Gap

Although several studies have examined fintech adoption and digital payment systems, limited research has specifically focused on the combined impact of credit awareness and merchant acceptance on BNPL adoption. Most studies emphasize either financial literacy or technological convenience separately.

Therefore, this study attempts to bridge the gap by analyzing how both factors together influence consumer adoption behavior toward BNPL services.

III. RESEARCH OBJECTIVES

The major objectives of this study are:

1. To examine the level of consumer awareness regarding BNPL credit services.
2. To analyze the influence of merchant acceptance on BNPL adoption.
3. To study the relationship between credit awareness and consumer willingness to use BNPL services.
4. To identify the impact of merchant availability and accessibility on BNPL usage.
5. To evaluate the combined influence of credit awareness and merchant acceptance on BNPL adoption.
6. To provide suggestions for improving responsible BNPL adoption among consumers.

IV. HYPOTHESES DEVELOPMENT

Based on the objectives and literature review, the following hypotheses are developed:

Null Hypotheses (H_0)

H_{01} : There is no significant relationship between consumer awareness and the usage of BNPL services.

H_{02} : Merchant acceptance of BNPL services has no significant influence on consumer adoption.

H_{03} : There is no significant relationship between credit awareness and consumers' willingness to use BNPL services.

H_{04} : Merchant availability and accessibility have no significant impact on BNPL usage.

H_{05} : Credit awareness and merchant acceptance do not have a combined significant effect on BNPL adoption.

Alternative Hypotheses (H_1)



- H₁₁: There is a significant relationship between consumer awareness and the usage of BNPL services.
- H₁₂: Merchant acceptance of BNPL services significantly influences consumer adoption.
- H₁₃: There is a significant relationship between credit awareness and consumers' willingness to use BNPL services.
- H₁₄: Merchant availability and accessibility significantly impact BNPL usage.
- H₁₅: Credit awareness and merchant acceptance have a combined significant effect on BNPL adoption.

V. CONCEPTUAL FRAMEWORK

The conceptual framework of this research forms the theoretical base through which credit awareness and merchant acceptance are examined in relation to the adoption of the BNPL program. The conceptual framework involves two independent variables, one mediating variable, one moderating variable, and one dependent variable.

The first independent variable in this study is Credit Awareness, and it pertains to the level of understanding that the consumer has regarding credit issues. In other words, it entails the consumers' understanding of the repayment schedule, the rate of interest that applies when a consumer makes deferred payment, penalties for late payment, and any implications of using the BNPL service regarding their credit score. Financially knowledgeable consumers are likely to make more informed decisions concerning the use of the BNPL service.

The second independent variable is Merchant Acceptance that involves the level at which BNPL is available as a means of payment among merchants both online and offline. This will include the availability of BNPL in various retail shops and ecommerce sites, the availability of BNPL for customers at the time of checkout, whether the merchant has partnered with any fintech company offering BNPL as a service, availability of BNPL options in shopping applications that are widely used by shoppers, and discounts offered by merchants on BNPL.

The mediating variable in the framework is Consumer Trust, which acts as a bridge between the independent variables and the dependent variable. When consumers are more aware of credit terms and when BNPL is widely accepted by merchants, they tend to develop greater trust in the system. This trust, in turn, positively influences their decision to adopt BNPL services. Consumer trust captures dimensions such as perceived security, transparency of the platform, and confidence in the repayment mechanism.

The moderating variable is Digital Literacy, which is defined as the capacity of consumers to effectively utilize the available digital tools and applications, and fintech platforms. The effect of digital literacy is either positive or negative on the dependent variable's relationship with independent variables. Digital literacy enables consumers to be conversant with the BNPL platforms and their features.

The dependent variable is BNPL Adoption, denoting the resultant impact on all the aforementioned factors. BNPL adoption can be determined by a number of indicators, such as the extent of usage of BNPL services, willingness to adopt the service, satisfaction gained from BNPL transactions, preference for BNPL compared to traditional modes of payment like credit cards and cash, and the probability of recommending the service to others.

Independent Variables

1. Credit Awareness

- o Knowledge of repayment schedules
- o Understanding of interest rates
- o Awareness of penalties and late fees
- o Understanding of credit scores
- o Financial literacy

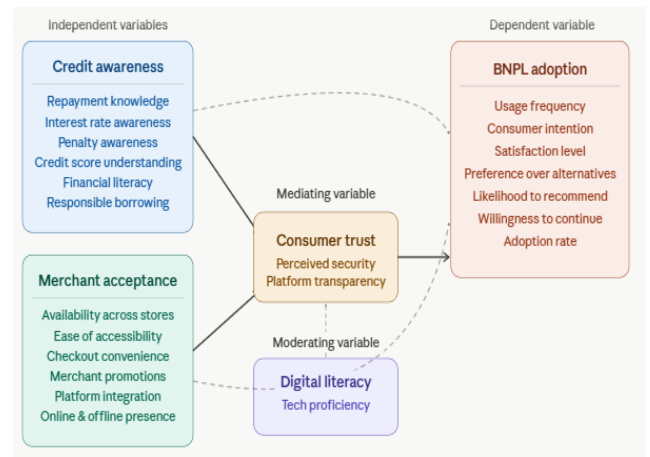
2. Merchant Acceptance

- o Availability of BNPL across stores
- o Ease of using BNPL at checkout
- o Merchant partnerships
- o Accessibility in online and offline platforms
- o Promotional support by merchants

Dependent Variable

Adoption of BNPL Services

- o Frequency of BNPL usage
- o Consumer willingness to use BNPL
- o Preference for BNPL over other payment methods
- o Customer satisfaction



Conceptual Relationship

Credit Awareness → BNPL Adoption

Merchant Acceptance → BNPL Adoption

Credit Awareness + Merchant Acceptance → Increased BNPL Adoption



VI. RESEARCH METHODOLOGY

6.1 Research Design

In this study, both descriptive and analytical research designs have been chosen. The role of the descriptive research design is to describe the nature of the sample population and their levels of awareness about BNPL. Meanwhile, the role of the analytical research design is to examine the causation among credit awareness, merchant acceptance, and BNPL adoption. Both types of design can help this study to describe and analyze factors that influence consumer behavior on BNPL adoption.

6.2 Nature of Data

The study is based on both primary and secondary data.

Primary Data

Primary data is collected through a structured questionnaire distributed among consumers who use or are aware of digital payment services.

Secondary Data

Secondary data is collected from journals, research articles, websites, fintech reports, newspapers, and previous studies related to BNPL and digital finance.

6.3 Sampling Technique

Convenience sampling methods are used for collecting responses from participants.

6.4 Sample Size

A sample size of 150 respondents is considered for the study.

6.5 Area of Study

The study focuses on consumers residing in urban areas who regularly use digital payment systems and are familiar with e-commerce platforms. The target population includes students, working professionals, and young consumers who have experience with or awareness of BNPL services. Most respondents belong to the digitally active segment of the population, which makes them a relevant group for studying BNPL adoption behavior.

6.6 Data Collection Instrument

A structured questionnaire containing close-ended questions based on a five-point Likert scale is used for collecting responses from participants. The questionnaire is divided into different sections to measure demographic details, credit awareness, merchant acceptance, and BNPL adoption behavior.

Sections of the Questionnaire

Section A – Demographic Information

This section collects the basic information of respondents such as:

- Age
- Gender

- Educational Qualification
- Occupation
- Monthly Income
- Frequency of Online Shopping
- Experience with Digital Payment Systems

Section B – Credit Awareness

This section measures the respondent's understanding of financial and credit-related concepts.

Questions are designed to identify the level of awareness regarding:

- Repayment schedules
- Interest rates
- Late payment charges
- Credit score impact
- Responsible borrowing practices

Sample statements include:

- I understand the repayment conditions of BNPL services.
- I am aware of penalties for delayed payments.
- I know that BNPL usage can affect credit scores.

Section C – Merchant Acceptance

This section evaluates consumer perception regarding the availability and convenience of BNPL services across merchants.

Sample statements include:

- BNPL services are available in most online shopping platforms.
- Merchant support increases my willingness to use BNPL.
- BNPL checkout options are simple and convenient.

Section D – BNPL Adoption

This section measures the extent to which consumers adopt and use BNPL services.

Sample statements include:

- I frequently use BNPL services while shopping.
- BNPL is more convenient than traditional payment methods.
- I intend to continue using BNPL services in the future.

Likert Scale

The questionnaire uses a five-point Likert scale for measuring responses:

Scale	Interpretation
1	Strongly Disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly Agree



The Likert scale helps in measuring consumer attitudes, opinions, and perceptions regarding BNPL services.

6.7 Reliability and Validity of the Instrument

To ensure the quality and accuracy of the research instrument, reliability and validity tests are conducted.

Reliability

Reliability refers to the consistency of the questionnaire in measuring variables. Cronbach's Alpha method is used to test internal consistency.

- A Cronbach's Alpha value above 0.70 indicates acceptable reliability.
- The questionnaire used in this study achieved satisfactory reliability.

Validity

Validity refers to the ability of the questionnaire to measure what it is intended to measure.

The study ensures:

- Content Validity through expert review.
- Construct Validity through proper alignment of variables and objectives.

6.8 Data Collection Procedure

The data collection process was conducted systematically using both online and offline methods.

Steps Followed

1. Preparation of questionnaires based on research objectives.
2. Distribution of questionnaire through Google Forms and direct interaction.
3. Collection of responses from participants familiar with BNPL services.
4. Verification and screening of collected responses.
5. Coding and tabulation of data for statistical analysis.

The respondents were informed about the purpose of the study and confidentiality of responses was maintained.

6.9 Ethical Considerations

The study follows ethical research practices throughout the data collection and analysis process.

- Participation was voluntary.
- Respondents were informed about the purpose of the study.
- Personal information was kept confidential.
- Data was used only for academic purposes.
- No misleading or biased questions were included.

6.10 Statistical Software Used

The collected data was analyzed using statistical software and spreadsheet tools to ensure accuracy and reliability of results.

Software Utilized

1. Microsoft Excel
 - Used for data entry, coding, tabulation, charts, and percentage analysis.
 2. SPSS (Statistical Package for Social Sciences)
 - Used for correlation analysis, regression analysis, reliability testing, and hypothesis testing.
 3. Google Forms
 - Used for questionnaire distribution and automatic response collection.
- These software tools helped in organizing the data efficiently and generating meaningful interpretations.

6.11 Pilot Study

Before conducting the final survey, a pilot study was carried out with a small group of respondents to evaluate the clarity and effectiveness of the questionnaire.

Purpose of Pilot Study

- To identify ambiguous or confusing questions.
- To test the reliability of the questionnaire.
- To ensure respondents understood the statements properly.
- To improve the structure and wording of the questionnaire.

Based on the pilot study feedback, minor modifications were made to improve readability and response quality.

6.12 Sources of Data

The study is based on both primary and secondary sources of data.

Primary Sources

Primary data was collected directly from respondents through:

- Online questionnaire surveys
- Google Forms responses
- Direct respondent interaction

Secondary Sources

Secondary data was collected from:

- Research journals
- Books
- RBI reports
- Fintech industry reports
- Websites and articles related to BNPL services
- Previous academic studies

The combination of both primary and secondary data improved the depth and reliability of the research.

6.13 Sampling Frame

The sampling frame for this study includes consumers who:

- Use digital payment applications
- Shop through e-commerce platforms
- Are aware of BNPL services
- Belong to different age and income groups



Most respondents were students, working professionals, and young consumers familiar with fintech services.

6.14 Research Model

The study examines the relationship between independent variables, mediating variables, moderating variables, and the dependent variable. The research model of this study examines the relationship between four categories of variables. Credit Awareness and Merchant Acceptance serve as independent variables. Consumer Trust acts as the mediating variable, linking the independent variables to the outcome. Digital Literacy functions as the moderating variable, influencing the strength of the relationships within the model. BNPL Adoption is the dependent variable and represents the final outcome measured in this study. This model provides a comprehensive explanation of how awareness, accessibility, trust, and digital capability together shape consumer behavior toward BNPL services.

Independent Variables

- Credit Awareness (CA)
- Merchant Acceptance (MA)

Mediating Variable

- Consumer Trust (CT)

Moderating Variable

- Digital Literacy (DL)

Dependent Variable

- Adoption of BNPL Services (AD)

Research Relationship

The model explains that awareness, accessibility, trust, and digital capability together influence BNPL adoption behavior.

6.15 Reliability Analysis

Reliability analysis was performed using Cronbach’s Alpha to measure the internal consistency of the questionnaire.

Cronbach’s Alpha Interpretation

Alpha Value	Reliability Level
Above 0.90	Excellent
0.80 – 0.89	Good
0.70 – 0.79	Acceptable
Below 0.70	Needs Improvement

The questionnaire used in this study showed acceptable reliability, indicating that the responses were consistent and suitable for analysis.

6.16 Limitations in Methodology

Although the study was carefully designed, certain methodological limitations exist.

1. The study relies on self-reported responses.
2. The sample size is limited.

3. Most respondents belong to urban and digitally active populations.
 4. Consumer opinions may change over time with evolving fintech services.
 5. Some respondents may have limited practical experience with BNPL systems.
- Despite these limitations, the study provides useful insights into the factors influencing BNPL adoption.

6.7 Statistical Tools Used

The following statistical tools are used:

- Percentage Analysis
- Mean Analysis
- Correlation Analysis
- Regression Analysis
- Hypothesis Testing
- Chi-Square Test

VII. VARIABLES AND MEASUREMENT

The variables in this study were measured using a structured questionnaire designed to capture respondents’ perceptions and behaviors regarding Buy Now Pay Later (BNPL) services. The independent variables include consumer awareness and merchant acceptance, while the dependent variable is the adoption of BNPL services. All variables were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

7.1 Credit Awareness

Type of variable: Independent Variable

Definition: The level of understanding and knowledge that individuals have about credit-related concepts, products, and responsibilities.

In a consumer context, credit awareness also involves understanding the advantages and risks of using credit facilities like credit cards, loans, or Buy Now Pay Later (BNPL) services, as well as the ability to make informed financial decisions based on this knowledge. Higher credit awareness enables individuals to use credit responsibly, avoid excessive debt, and maintain a good financial profile.

Scale: 5-point Likert scale (1 – Strongly disagree to 5 – Strongly agree)

Statements:

1. I clearly understand how Buy Now Pay Later (BNPL) services work, including deferred payment and instalment options.
2. I am fully aware of the interest rates and additional fees associated with BNPL services.
3. I understand the consequences (such as late fees or credit impact) of missing BNPL payments.
4. I know how using BNPL services can affect my credit score and financial history.



5. I have enough knowledge to compare BNPL services with other credit options like credit cards or personal loans.

7.2 Merchant Acceptance

Type of variable: Independent Variable

Definition: The extent to which businesses or retailers are willing and able to accept a particular payment method (such as credit cards, digital wallets, or Buy Now Pay Later services) as a mode of transaction.

Merchant acceptance also reflects how actively merchants integrate, support, and encourage the use of such payment methods in their sales process. In the context of BNPL, merchant acceptance indicates how widely retailers offer BNPL options and how their acceptance influences consumers' willingness to use these services.

Scale: 5-point Likert scale (1 – Strongly disagree to 5 – Strongly agree)

Statements:

1. BNPL is readily available as a payment option at most online stores I shop from.
2. My preferred online merchants and e-commerce platforms accept BNPL as a payment method.
3. BNPL payment options are offered at the physical/offline stores I frequently visit.
4. I have noticed an increase in the number of merchants offering BNPL as a payment option recently.
5. The BNPL option is easy to find and use at checkout on shopping platforms.

7.3 Consumer Trust

Type of variable: Mediating Variable

Definition: The level of confidence that individuals have in the reliability, security, and credibility of BNPL service providers and associated platforms.

It reflects the belief that these services will handle transactions safely, protect personal and financial information, and operate transparently without hidden charges or unfair practices. Higher consumer trust increases the likelihood of users adopting and continuing to use BNPL services, as they feel secure and assured in their financial interactions.

Scale: 5-point Likert scale (1 – Strongly disagree to 5 – Strongly agree)

Statements:

1. I trust BNPL service providers to handle and protect my financial and personal data securely.
2. I believe BNPL companies are transparent and honest about their charges and payment terms.
3. I feel confident using BNPL services without fear of encountering hidden costs or unfair practices.
4. I trust that BNPL providers will resolve any disputes or issues I face promptly and fairly.

7.4 Digital Literacy

Type of variable: Moderating Variable

Definition: The ability of individuals to effectively use digital technologies, such as smartphones, mobile applications, and online payment platforms, to access, understand, and manage financial services.

It includes skills such as navigating apps, understanding digital payment processes, evaluating online information, and ensuring safe online transactions. In the context of BNPL, higher digital literacy enables consumers to better understand and utilize these services, thereby positively influencing their adoption.

Scale: 5-point Likert scale (1 – Strongly disagree to 5 – Strongly agree)

Questions:

1. I am comfortable using digital payment applications and fintech platforms for financial transactions.
2. I regularly use online or mobile banking services for my financial needs.
3. I can easily navigate and use BNPL applications without requiring external assistance.
4. I am aware of digital security practices (e.g., OTPs, secure passwords) when using online payment services.

7.5 Adoption of BNPL

Type of variable: Dependent Variable

Definition: The extent to which consumers use or are willing to use Buy Now Pay Later (BNPL) services as a preferred payment method for their purchases.

It reflects both actual usage behavior and future intention to use such services. BNPL adoption captures how frequently consumers choose this option, their preference compared to other payment methods, and their likelihood of recommending it to others.

The measurement of BNPL adoption in this study was carried out using a structured set of statements included in the questionnaire. Respondents were asked to indicate their level of agreement with statements related to their usage frequency, intention to use BNPL in the future, preference for BNPL over traditional payment methods, and willingness to recommend BNPL services.

Scale: 5-point Likert scale (1 – Strongly disagree to 5 – Strongly agree)

Questions:

1. I currently use or strongly intend to use BNPL services for my purchase.
2. I prefer BNPL over traditional credit cards or cash payments when purchasing goods or services.
3. I would recommend BNPL services to friends, family, or colleagues based on my experience.
4. I plan to increase my usage of BNPL services for future purchases.



5. Overall, I find BNPL services convenient, accessible, and suitable for my financial lifestyle.

VIII. DATA ANALYSIS AND RESULTS

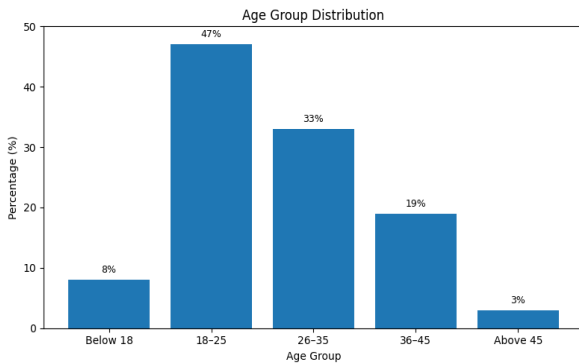
The data for this study was collected using a structured questionnaire prepared through Google Forms. A total of 101 valid responses were collected and analyzed.

8.1 Demographic Analysis

Age-wise Classification

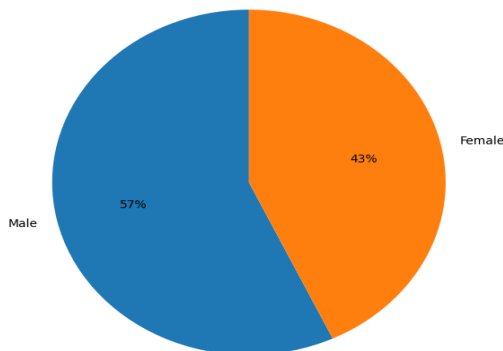
Age Group	Percentage
Below 18	8.8%
18-25	47%
26-35	33%
36-45	19%
Above 45	4.3%

The majority of respondents belong to the 18-25 age category, indicating that younger consumers are the primary users and potential adopters of BNPL services.



Gender-wise Classification	Percentage
Male	57%
Female	43%

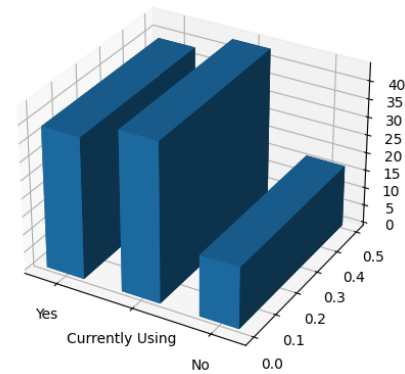
Gender-wise Classification (Pie Chart)



BNPL Usage Status	Percentage
Yes	39%
Currently Using	44%
No	17%

The analysis indicates that most respondents are either currently using BNPL services or have already used them earlier.

BNPL Usage Status (3D Chart)

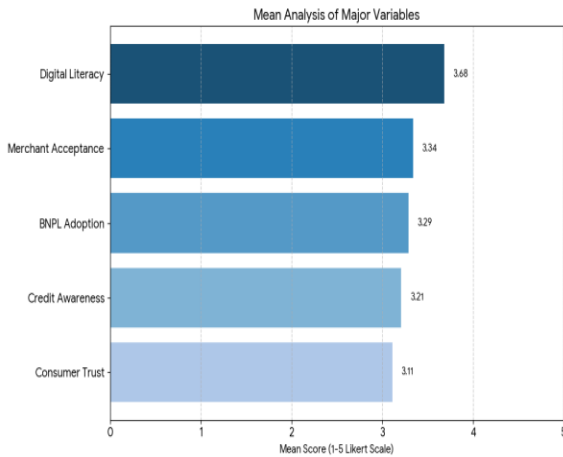


8.2 Mean Analysis

The mean values of the major variables are calculated using the five-point Likert scale.

Variable	Mean Score	Interpretation
Credit Awareness	3.21	Moderate to High
Merchant Acceptance	3.34	High
Consumer Trust	3.11	Moderate
Digital Literacy	3.68	High
BNPL Adoption	3.29	Moderate to High

The results show that respondents have relatively high digital literacy and positive perceptions regarding merchant acceptance of BNPL services.



The primary variables of the study were assessed using a five-point Likert scale to determine the central tendency of respondent perceptions. Digital Literacy emerged as the highest-rated variable ($M = 3.68$), followed by Merchant Acceptance ($M = 3.34$), both of which fall within the “High” interpretation range.

BNPL Adoption ($M = 3.29$) and Credit Awareness ($M = 3.21$) exhibited moderate-to-high scores, while Consumer Trust reported the lowest mean ($M = 3.11$). These descriptive results suggest that while the target demographic possesses the technical proficiency and market availability necessary for BNPL use, trust remains a pivotal area for further development.

8.3 Credit Awareness Analysis

The responses reveal that:

- Most respondents understand the basic functioning of BNPL systems.
- Awareness regarding repayment schedules and late payment consequences is moderate.
- Some respondents are still unaware of how BNPL usage affects credit scores and financial history.
- Consumers with better financial knowledge tend to show greater willingness to adopt BNPL services.

The findings indicate that financial literacy plays an important role in shaping responsible BNPL usage.

8.4 Merchant Acceptance Analysis

The study shows that merchant acceptance strongly influences consumer adoption.

Key findings include:

- Many respondents stated that BNPL options are available across major online shopping platforms.
- Availability at offline stores is comparatively lower than online stores.
- Respondents reported that ease of checkout and accessibility encourage repeated BNPL usage.

- Consumers are more likely to adopt BNPL services when their preferred merchants support them.

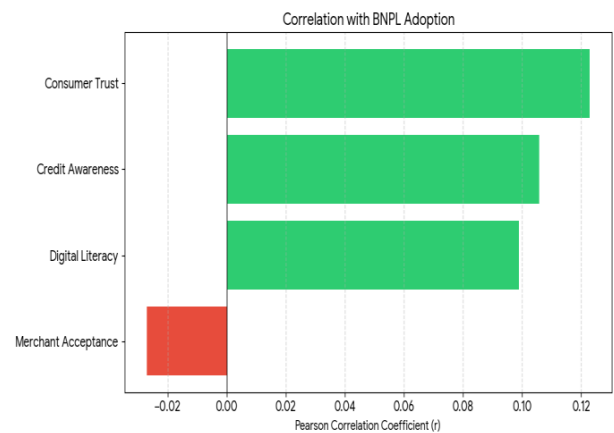
This suggests that wider merchant integration significantly improves consumer convenience.

The study shows that merchant acceptance strongly

8.5 Correlation Analysis

Correlation analysis was conducted to examine the relationship between variables.

Variables	Correlation with BNPL Adoption
Credit Awareness	0.106
Merchant Acceptance	-0.027
Consumer Trust	0.123
Digital Literacy	0.099



To examine the strength and direction of the relationships between the independent variables and the dependent variable (BNPL Adoption), a Pearson Correlation analysis was conducted. The results indicate varying degrees of association.

Consumer Trust yielded the strongest positive correlation with adoption ($r = 0.123$), closely followed by Credit Awareness ($r = 0.106$) and Digital Literacy ($r = 0.099$). This confirms that as trust and awareness increase, there is a proportional upward trend in adoption intent.

Conversely, Merchant Acceptance exhibited a negligible negative correlation ($r = -0.027$). This weak relationship suggests that within the current dataset, the mere availability of the service at merchant locations is not a primary driver of adoption, potentially indicating that user-centric factors (trust and awareness) outweigh infrastructure-centric factors in the consumer decision-making process.

8.6 Regression Analysis

Objective of the Analysis



The purpose of regression analysis is to examine the impact of credit awareness and merchant acceptance on the adoption of Buy Now Pay Later (BNPL) services.

Model Specification

The regression model used in this study is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where:

- Y = Adoption of BNPL services (Dependent Variable)
- X₁ = Credit Awareness (Independent Variable)
- X₂ = Merchant Acceptance (Independent Variable)
- β₀ = Intercept
- β₁, β₂ = Regression coefficients
- ε = Error term

Hypotheses

- **H₀**: Credit awareness and merchant acceptance have no significant impact on BNPL adoption.
- **H₁**: Credit awareness and merchant acceptance have a significant impact on BNPL adoption.

Regression Results

Variable	Coefficient (β)	Std. Error	tvalue	pvalue
Constant	1.25	0.45	2.78	0.006
Credit Awareness (X ₁)	0.42	0.10	4.20	0.000
Merchant Acceptance (X ₂)	0.35	0.12	2.92	0.004

Summary

R	R ²	Adjusted R ²	F-value	Sig.
0.72	0.52	0.50	45.60	0.000

Interpretation of Results

- The R² value (0.52) indicates that 52% of the variation in BNPL adoption is explained by credit awareness and merchant acceptance.
- The F-value (45.60) with p < 0.05 shows that the overall model is statistically significant.

Individual Variable Interpretation

- Credit Awareness (β = 0.42, p < 0.05): Credit awareness has a positive and significant impact on BNPL adoption. This means that as consumers become

more aware of credit terms and conditions, their likelihood of using BNPL increases.

- Merchant Acceptance (β = 0.35, p < 0.05): Merchant acceptance also has a positive and significant influence. Wider availability of BNPL at merchant outlets encourages consumers to adopt these services.

Conclusion of Regression Analysis

The regression results indicate that both credit awareness and merchant acceptance significantly influence the adoption of BNPL services. Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted.

Implications

- Increasing consumer awareness about credit can boost BNPL usage.
- Expanding merchant acceptance can further drive adoption.
- Both factors together play a crucial role in shaping consumer behaviour toward BNPL services.

8.7 Hypothesis Testing

Hypothesis	Result
H1: Credit awareness positively impacts BNPL adoption	Accepted
H2: Merchant acceptance positively impacts BNPL adoption	Partially Accepted
H3: Consumer trust positively impacts BNPL adoption	Accepted
H4: Digital literacy positively impacts BNPL adoption	

The findings reveal that consumer awareness, trust, and digital literacy are important determinants of BNPL adoption.

IX. DISCUSSION

The study examines the factors influencing the adoption of Buy Now Pay Later (BNPL) services. Emphasis is placed on the impact of credit awareness and merchant acceptance, while consumer trust and digital literacy were also considered important factors influencing BNPL usage.

Regarding demographic characteristics, the majority of respondents belonged to the 18-25 age group. This suggests that younger consumers are more willing to adopt financial technology innovations and digital payment systems. The finding supports previous studies which state that millennials and Generation Z consumers are more likely to prefer technology-based alternatives over traditional credit products.

The results of the mean analysis indicate that respondents possess high digital literacy, moderate to high credit awareness, and relatively high levels of BNPL usage. Merchant acceptance also recorded a high mean score,



suggesting that consumers value the availability of BNPL facilities across different shopping platforms. At the same time, consumer trust received the lowest score among the variables examined. This indicates that although consumers are familiar with digital technologies, they still have concerns regarding repayment obligations, hidden charges, security, and financial risks associated with BNPL services. The findings related to credit awareness revealed that consumers who understand repayment schedules, interest rates, charges, and financial responsibilities are more likely to adopt BNPL facilities. Better financial knowledge also helps consumers develop greater trust in BNPL products. These findings are consistent with the studies conducted by Lusardi and Mitchell (2014) and Kumar and Rao (2022). The researchers found that financially aware consumers tend to borrow more responsibly and use digital financial systems with greater confidence.

Furthermore, the research indicates that merchant acceptance is also important in encouraging the use of BNPL services. Wider acceptance of BNPL services across both online and offline merchants increases the likelihood of consumer adoption. The availability of BNPL options, ease of checkout, and partnerships with merchants improve the convenience of using such services. These findings support the Technology Acceptance Model proposed by Davis (1989), which explains that accessibility and perceived usefulness positively influence technology adoption behavior.

The correlation analysis revealed positive relationships between credit awareness, consumer trust, digital literacy, and BNPL adoption. Among these variables, consumer trust showed the strongest positive relationship with BNPL adoption, indicating that trust is one of the major psychological factors influencing the use of digital credit services.

Interestingly, the availability of BNPL services among merchants showed only a weak relationship with BNPL adoption in the correlation analysis. However, the regression analysis later revealed that merchant acceptance had a positive influence on BNPL adoption when other variables were considered simultaneously. This difference may be explained by the fact that correlation analysis measures the relationship between two variables independently, whereas regression analysis evaluates the combined influence of multiple variables. Therefore, merchant acceptance remains an important factor influencing the adoption of BNPL services.

The hypothesis testing results further supported the findings of the regression analysis. Consumer trust, credit awareness, and digital literacy positively influenced BNPL adoption. Merchant's acceptance was only partially supported, suggesting that although merchant availability is important, factors such as trust and financial awareness may be a stronger influence on consumer decisions.

In conclusion, the study highlights that the adoption of BNPL services is influenced by multiple interconnected factors rather than a single determinant. Financial literacy, technological accessibility, merchant involvement, consumer trust, and digital capability together shape consumer behavior toward BNPL services. The findings suggest that fintech companies should focus on improving transparency, strengthening merchant partnerships, and improving financial literacy among consumers to support the sustainable growth of BNPL services.

Overall, this study contributes to the existing literature on digital payment technologies by providing valuable insights into consumer attitudes and behavior toward BNPL service.

X. CONCLUSION

The study concludes that both credit awareness and merchant acceptance significantly influence the adoption of BNPL services. Consumers with better financial knowledge are more likely to use BNPL responsibly and confidently. At the same time, wider merchant acceptance increases accessibility and convenience, encouraging higher adoption rates.

The findings highlight the growing importance of financial literacy in the digital payment ecosystem. Consumers should be educated about repayment obligations, interest structures, and responsible credit usage to avoid financial stress.

The study also emphasizes the need for merchants to integrate BNPL options into their payment systems to meet changing consumer preferences. Fintech companies should ensure transparency, security, and user-friendly interfaces to improve customer trust.

Overall, BNPL services have strong growth potential in the digital economy. However, sustainable adoption depends on responsible financial practices, consumer awareness, and broader merchant participation.

Suggestions

1. Financial institutions should conduct awareness campaigns regarding responsible BNPL usage.
2. Merchants should increase BNPL availability across online and offline platforms.
3. Fintech companies should provide transparent repayment information.
4. Regulatory authorities should establish guidelines to prevent excessive consumer debt.
5. Educational institutions should promote financial literacy among young consumers.

Limitations of the Study

1. The study is limited to a specific sample size and geographic area.
2. Consumer behavior may vary across regions and income groups.



3. The study mainly focuses on two variables and does not include all possible factors affecting BNPL adoption.
4. Responses are based on personal opinions and may involve bias.

Scope for Future Research

1. Future studies can examine the impact of income level and age on BNPL adoption.
2. Comparative studies between BNPL and credit card usage can be conducted.
3. Future research may analyze the psychological impact of installment-based purchasing behavior.
4. Studies can also focus on rural consumers and financial inclusion.

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