

Deferred Payment Facility- A Mechanism to Ease Purchase Decisions

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ABSTRACT

The COVID-19 epidemic has some beneficial effects. In the contemporary financial technology-based era, deferred payment is the latest feature of consumer purchase behavior. This study aims to better understand the variables that lead customers in Lucknow to use this facility to transact and buy goods and services. The majority of the study's core data came from 200 respondents has selected using a purposive sampling approach. Descriptive analysis has used to explore the variables driving customers to choose the purchase now-pay later form of payment. The analysis' conclusions show that the amount spent yearly on products acquired through this mechanism is greatly influenced by education, an increase in consumer demand for goods, and a rise in the level of life for people who use it.. The rises in spending also indicates the customers' purchasing choices. The study's findings imply that improving financial inclusion, reducing interbank diversity in payment methods, increasing information availability and accessibility, and making later payment options available in retail establishments and other places can all contribute to better outcomes.

Keywords: Covid -19, Deferred payment, financial technology, purchasing behavior.

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INTRODUCTION

Several different payment methods are available to consumers in the twenty-first century when technology has taken over. (Soman, 2001). Along with more conventional payment methods like cash and checks, the usage of plastic payment methods like credit cards, charge cards, and debit cards is growing (Green, 1997). A growing range of payment options make it easy for customers to make purchases ((Marlin,1998).

However, credit cards were introduced as one of the methods of delayed payment and were considered the primary source. According to conventional economic theories, a desire is only considered a demand if it is accompanied by two conditions: the ability to purchase the commodity and the willingness to pay for it. Deferred payment, however, is progressively replacing it. Due to the epidemic, there have been significant changes in the global economy and even some people have lost their employment. As a result, people's ability to purchase things was reduced. Deferred payment

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turned out to be a fantastic solution for the clients in this difficult scenario, enabling them to acquire items that were outside of their price range. Increasing the number of clients making larger purchases also helped e-commerce companies raise the average order value.

Customers can purchase items now and pay for them later using a short-term borrowing method called deferred payment (DP), typically without paying interest. DP agreements, sometimes called as point-of-sale installment loans, are becoming popular as a

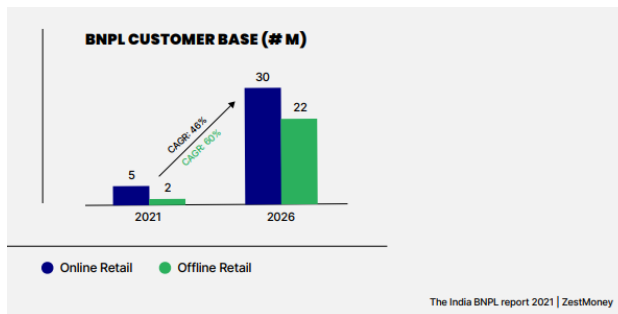


Figure 1: BNPL costumer rate

payment option, especially for internet purchases. Other favorable aspects, including Internet access, an increase in the number of smartphones, and a rise in internet and smartphone users all contribute to the growth of DP acceptability. India's DP market is anticipated to increase from \$3–3.5 billion to \$45–50 billion by 2026, according to a survey by the Economic Times.

Through this study, the researcher aimed to understand how clients felt about deferred payment, why they used it, and what issues they may have encountered.

One factor that affects demand for goods and services is the consumer's ability to pay or buying power. Consumers may boost their spending power with the help of credit, which has a significant influence on their shopping habits. COVID-19 significantly influences consumer purchase behavior and compels businesses to reconsider their sales tactics. (*Changing Trends_ Why 'Buy Now, Pay Later' Is Selling Hot_ The Financial Express*, n.d.). Due to the idea of social isolation as a means of protecting ourselves from the virus, COVID-19 has positively impacted the e-commerce industry.

E-commerce is gaining ground in India with the consumer and retail industry at this time, as businesses seek to increase sales and provide door-to-door services to customers. Small towns and cities draw e-commerce enterprises to expand their operations. Today, tiny, second-tier cities account for 67% of customers. (*How BNPL Startups, Pay Later Models Are Rewriting The Future Of Lending In India*, n.d.) utilizing this resource. The next stage was to offer the buyers. DP is a credit instrument that gives purchasers access to cash.

DP is a microcredit delivery system used by startup companies and some private institutions. The customer's purchasing power is increased and they are able to purchase more items and pay later thanks to this option, which is only available while shopping online. (*How BNPL Startups, Pay Later Models Are Rewriting The Future Of Lending In India*, n.d.).

Literature Review

Deferred payment options, commonly referred to as buy now pay later (BNPL) programmes, are interest-free financial instruments that have developed as a result of technology's gift to consumers: the freedom of deferring payments and using an installment system (Figure 1). Since these transactions are not reported to the credit agencies, they do not qualify as "credit." (Dash et al. 2021). Repayment plans do vary widely among the participants, but in an ideal world there are no interest or fees charged unless a payment is missed, which is typically seen as a key source of revenue in the global credit markets. (Agarwal et al; 2015). Firas (2016), defined an installment purchase as a contract whereby the buyer agrees to pay the seller the full purchase price over the course of several installments. This system is well-liked and makes life easier for plenty of customers everywhere (Feinberg; 1986).

Tijssen and Garner (2021), According to a UK internet shopping research, there appears to be a movement in customer behavior toward mechanisms.. Ashok et.al (2022) worked on the concept of later payment option with purchasing behavior of the user. He concluded that is option not only increases the purchasing power of customers but also help maintain liquidity.

Guttman-Kenney, Firth, and Gathergood (2022) recommend that regulators monitor markets and assess possible dangers using real-time transaction data. Nevertheless, the RBI working group on digital lending. (Dash et al. 2021) labeled DP as proxy lenders, but an OECD research from 2019 found that, with the right regulation and market awareness, DP may successfully match customer demand for short-term consumer credit. However, using short-term loans can also result in many impairments and impact the most disadvantaged groups of the community.

The simplicity of payment, such as 0% interest over time or postponed payment, has been demonstrated in previous studies to increase the likelihood that a customer will make impulsive purchases. (Hirschman, 1979; Prelec & Loewenstein, 1998; Soman, 1998; Feinberg, 1986). "Young and inexperienced clients exhibit more impulsive behaviour, when offered the option of delayed or easy payments," according to Jaing's study from 2006. Even the Huq (2011) research came to the conclusion that the nation's middle class, upper middle class, and of course upper class individuals have benefited from having access to liquid money in times of need. After doing a review of the literature, the researcher decided to carry out the current study with the goals listed below.

Table 1: Age of the respondent

Age of the respondent (in years)	Age of the respondent (in years)
< 25	12.3
25–40	42.8
41–60	35.6
> 60	9.3

Table 2: Education of the respondent

Education of the respondent	Respondents (in %)
Below class 10	1.90
Secondary School Certificate(SSC)	5.26
Higher Secondary Certificate(HSC)	13.97
Graduate	40.98
Post Graduate	37.89

Research Objective

- To understand the demographic characteristics of consumers preferring DP.
- To analyses the user's perception towards DP.
- To find out the impact of multi variables on the purchasing value of the good by using Deferred Payment.

Research Methodology

The researcher used a descriptive research strategy for the investigation. The scientific methodology known as descriptive research involves seeing the sample in its natural settings. The goal of descriptive research approach is to determine "what" is associated to a certain phenomena. A systematic questionnaire was used to collect the data using an online Google form. Responses from respondents in Lucknow city who use DP services and are of various ages, genders, educational levels, and socioeconomic backgrounds were gathered. The respondents who utilize these services were chosen via purposeful sampling. The replies were gathered from 285 respondents, and it was found that the response rate was around 69%. Following removing the missing data replies, a sample size of 200 was used.

12.6% of the respondents to this research were under the age of 25, as seen in table 1. The respondents who were in the 25–40 age range made up 42.8% of the sample. 35.6% of those who responded were between the ages of 41 and 60. Additionally, 9.3% of them were above 60.

According to Table 2, most of the respondents to this

Table 3: Occupation of the respondent Respondents

Occupation of the respondent Respondents (in %)	Service-holder
Service	46.38
Businessman	28.98
Student	7.25
House wife	13.04
Others	4.35
Monthly Income range of the respondent (in RS)	Respondents (in %)
< 20,000	8.99
20001-30000	39.23
30001-50000	41.48
> 50000	10.30

Table 4: Make regular purchase availing deferred payment mechanism

Make regular purchase availing deferred payment mechanism (%)	Yes	No
	86.96	13.04

Table 5: Proportion of respondents whose demand has been stimulated by the deferred payment mechanism

Proportion of respondents whose demand has been stimulated by the deferred payment mechanism (%)	Yes	No
	86.96	13.04

survey were educated. Only 1.90% of the responders, a very tiny percentage, lacked an institutional degree. 13.97 and 5.26%, respectively, of the respondents have finished their SSC and HSC coursework. Graduates made up 40.98% of the respondents. Additionally, 37.89% of them finished after graduation.

Table data reveals that 28.98% of respondents were employed in business, while 46.38% of respondents were service providers. 7.25% of respondents, or few, were students. 13.04% worked at home. Additionally, relatively few respondents worked for small and medium-sized businesses or engaged in agricultural activities.

Total 39.23% of respondents fell in the income range of Rs. 20,001-Rs. 30,000, while the table indicates that 8.99% of respondents had a monthly income of less than Rs. 20,000. 10.30% of the respondents earn more than Rs. 50000, while 41.48% of the respondents have an income between Rs. 30,001 and Rs. 50,001 (Table 3).

Use of deferred payment mechanism

Make regular purchases availing deferred payment



Table 6: Product and percentage of respondent

Product	Percentage of Respondent
Durable	47
Groceries	21
Fashion wear	20
Movie tickets	8
Others	4

Table 7: Applications and percentage of respondent

Applications	Percentage of Respondent
Zest Money	3
Lazypay	5
Simpl	8
Amazon Pay later	34
Ola money post paid	2
Paytm Post Paid	41
Flexmoney	0
E PayLater	0
Capital Float	7

Table 8: Total value of products and percentage of respondent

Total Value of Products	Percentage of Respondent
< 20000	5.80
20001–40000	55.07
40001–60000	24.63
> 60001	14.50

mechanism

According to the Table 4, 86.96% of the respondents make frequent purchases using a deferred payment method like a credit card or instalments. 13.04% of the respondents, a relatively modest percentage, sporadically use this strategy.

We learned from Table 5 that this mechanism interests 89.86% of the respondents to this survey. However, just 10.14% of the respondents do not find this scheme to be really interesting.

Table 6 shows, most of the product are related to durable item 47%, than Groceries item 21%, followed by Fashion wear 20%, movies tickets and others are 8% and 4% repetitively
Commonly used Application to avail Deferred Payment Mechanism

Paytm Post paid is the most often utilised application with 41% of all DP mechanism usage, followed by Amazon Pay Later with 34% of all DP mechanism usage (Table 7). Such responders are still ignorant of some

Table 9: Do dp increases the purchasing power o

Do DP Increases the Purchasing power o (%)	Yes	No
	88.41	11.59

Table 10: DP brings better outcome for the customer

DP brings better outcome for the customer (%)	Yes	No
	82.61	17.39

Table 11: Satisfaction of the respondents using deferred payment mechanism

Satisfaction of the respondents using deferred payment mechanism (%)	Satisfied	Unsatisfied
	94.20	5.80

Table 12: impact of later payment on the market economy

Impact of Later Payment on the market economy (%)	Positive	Negative
	86.96	13.04

Table 13: Improvement of the standard of living of the respondents

Improvement of the standard of living of the respondents (%)	Improved	Did not improved
	89.86	10.14

Table 14: Role of deferred payment in facilitating fulfilment of demand of the respondents

Role of Deferred Payment in facilitating fulfilment of demand of the respondents (%)	Facilitates	Does not facilitate
	97.10	2.90

Table 15: Role of deferred payment mechanism in increasing their demand for durable good

Role of Deferred Payment mechanism in increasing their demand for durable good (%)	Yes	No
	72.31	27.79

applications (Flexmoney and E pay later). 8% and 7% of the market are held by Simpl, Capital Float, Lazypay, and Zest Money, respectively.

Total value of the products that the respondents' purchases per year using deferred payment.

According to the Table 8, 5.80% of the respondents utilised postponed payment mechanisms to buy goods annually that cost less than Rs 20,000. Of them, 55.07% spend between Rs. 20,001 and Rs. 40,000 on purchases. 24.63% of the respondents spend between Rs. 40,001

Table 16: Problem faced due to fail of payment of other credit mechanism like credit cards

<i>Problem faced due to fail of payment of other credit mechanism like credit cards (%)</i>	Yes	No
	88.41	11.59

Table 17: Deferred payment mechanism is easy to access and easy eligibility criteria than credit cards

<i>Deferred Payment mechanism is easy to access and easy eligibility criteria than Credit Cards (%)</i>	Yes	No
	91.48	8.52

Table 18: Increases in the ability to fulfil future demand in current period

<i>Increases in the ability to fulfil future demand in current period (%)</i>	Yes	No
	86.96	13.04

Table 19: Increases in the demand for luxury goods

<i>Increases in the demand for luxury goods (%)</i>	Yes	No
	88.41	11.59

and Rs. 60,000 on purchases each year. 14.50% of the respondents use a delayed payment system for annual purchases totaling more than Rs. 60,000.

Total of 88.41% of respondents, as indicated in Table 9, believe that the deferred payment system has enhanced their purchasing power. Only 11.59% of the respondents, on the other hand, believed that this method did not boost their buying power.

According to Table 10, 82.61% of the respondents believe that the postponed payment system may be changed. Additionally, just 17.39% of respondents believe there is no room for it. For instance, there are still a lot of restaurants, superstores, marketplaces, and other establishments that do not accept credit card payment for bill payments. In addition, only few big businesses allow customers to pay in instalments. The likelihood of boosting sales will increase as these payment methods are increasingly varied. If customers have the option to pay for their purchases later, they would probably make impulsive purchases if they see something they didn't plan to buy but wind up like.

Table 11, shows that, in this study it was found that, 94.20% of the respondents were satisfied with the deferred payment mechanism. Only 5.80% of the respondents were not satisfied with this mode

Table 12, shows that, 86.96% of the respondents opined that deferred payment mechanism has a positive

Table 20: Creation of obstacle towards personal saving

<i>Creation of obstacle towards personal saving (%)</i>	Yes	No
	65.22	34.78

Table 21: Creation of negative impact in the future

<i>Creation of negative impact in the future (%)</i>	<i>Create negative impact in future</i>	<i>Does not create negative impact in the future</i>
	63.22	36.78

Table 22: Beneficial for economy and fund mobility

<i>Beneficial for economy and fund mobility (%)</i>	<i>Highly Agreed</i>	<i>Moderately Agree</i>	<i>Less Agreed</i>
	21.74	53.62	24.64

impact on the market economy. However, 13.04% of the respondents were of the opinion that deferred payment mechanism has an adverse impact on the market economy.

86.96% of the respondents to this poll believed that the deferred payment system has raised their level of life. However, 10.14% of those surveyed said that their quality of living had not increased as a result of this mechanism (Table 13).

The delayed payment method, according to 86.96% of survey participants, has improved their quality of life. However, 10.14% of those polled claimed that this method had not improved their quality of life (Table 14).

As seen in the above Table 15, 72.31% of respondents concur that this method has raised demand for durable goods, while the remaining 27.79% do not.

It is evident from the above Table 16 that 88.41% of customers have issues with bank credit card services, particularly with their charges and fees. 11.539% do not perceive these issues.

The majority of people—91.48%—agree that obtaining DP facilities or mechanisms is considerably simpler than using the credit cards that banks offer (Table 17).

Table 18 shows that 86.96% of respondents believe that the deferred payment mechanism improves their capacity to meet future demand in the immediate future. 13.04% of the respondents, on the other hand, believe that this technique does not improve their capacity to meet future demand.

Table 19 reveals that according to 88.41% of the respondents, the deferred payment mechanism enhanced their desire for upscale products. However, 11.59% of the respondents said that they did not see a



rise in their desire for luxury products as a result of this mechanism.

According to table 20, 65.22% of respondents believe that the Deferred Payment mechanism is an obstacle to personal savings. However, 34.78% of the respondents believe that this mechanism does not prevent them from saving for their own expenses. Deferred payment mechanisms make people more likely to spend money instead of saving it.

According to Table 21, 63.22% of respondents believe that the postponed payment method will have a negative effect in the future. However, 36.78% of the respondents said that this technique had no long-term detrimental effects. This is due to the purchase now-pay later system's tendency to boost current consumption.

According to Table 22, 21.74% of the respondents believed that postponed payment mechanisms were very advantageous for the economy. The opinion of this mechanism being somewhat advantageous for the economy was expressed by 53.62% of the respondents. However, 24.64% of the respondents believed that this mechanism was only somewhat good for the economy.

CONCLUSIONS

Deferred Payment Mechanism is currently a widely used payment method. This study looks at what motivates people to adopt this method of payment, using a multiple regression analysis. It tries to determine if this process has a part in escalating consumer impulsivity and raising their level of living.

According to the study's findings, the majority of the respondents benefited from the Deferred Payment system. Additionally, it was discovered that the system's users were educated, which makes sense given that only those with education can utilise a credit card transaction system that is so intricate. An educated individual can make decisions more quickly and effectively (Hilton et al., 2016). So they apply for a credit card to avoid the risk of carrying cash, make purchases when needed, and get out of a financial crunch. In addition, clients have the option of paying in instalments to fit their needs. As a result, government initiatives to boost the literacy rate, encourage higher education, and build subsidised educational institutions with excellent education can raise consumer understanding of how to get the most out of their limited resources by employing a variety of payment methods. According to the survey, initiatives to improve peoples' banking habits and financial literacy should be prioritised.

The majority of respondents had rather high incomes,

the report also finds. The majority of poor people's money goes toward purchasing basic essentials. Due to their low salaries, the poor cannot afford credit card facilities. The conclusion for policy is that steps should be done to raise people's income levels so they can profit from transactions with the purchase deferred payment mechanism.

The results of the study indicate that impulsive purchasing decisions brought on by deferred payment mechanisms may have a detrimental effect on future expenditures on needs as a result of excessive present expenditures on some needless products. In addition, having to pay in instalments may prevent you from building up your own funds. Finally, reasonable rules for the proper form and management of the Deferred Payment sales mechanism can reduce these negative effects.

For the consumers' experience to significantly improve, there is a clear need to modify the Deferred Payment method. Because of the inflation in our nation, middle-class individuals find it challenging to purchase goods, particularly those linked to luxury and durable goods. Customers can benefit from a more developed banking and financial system, the reduction of interbank variation in lending conditions supported by adequate infrastructure, trained personnel, round-the-clock customer service, more readily available and accessible information, and the development of credit card guidelines.

Customers may utilise the service by providing their PAN (Permanent Account No.) information, and with simply a few minutes, they can determine their eligibility. DP applications are connected to many e-commerce companies.

Due to the internet, smartphones, and e-commerce applications, deferred payment mechanisms have increased in recent years. Users are exempt from all annual fees associated with credit cards as well as losses and credit card fraud.

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