

# **Impact of Buy Now-Pay Later Mechanism Through Installment Payment Facility and Credit Card Usage on the Impulsive Purchase Decision of Consumers: Evidence From Dhaka City**

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## **Abstract**

The new dimension of the purchasing habit of the customers in the present technology based era is buy now-pay later mechanism. This study attempts to investigate the factors that influence the consumers in Dhaka city to make transactions and purchase products using this mechanism. The study mainly used primary data collected from 418 respondents using two-stage sampling technique. Multiple regression analysis method is employed to investigate the factors influencing the consumers to use buy now-pay later mode of payment. The results of the analysis show that education, increase in the demand for luxury goods and improvement in the standard of living availing this payment mode have a significant impact on increasing the value of yearly purchase of products through buy now-pay later mechanism. This increase in the expenditure also reveals the impulsive purchase decision of the consumers. The findings of the study suggest that a more developed banking and financial system, minimizing the inter-bank variation regarding payment mechanism, increased availability and accessibility of information, availability of buy now-pay later mechanism in the retail stores and all possible places can lead towards a better outcome.

**Keywords:** Buy now-pay later, installment, credit card, impulse purchase, consumers

## **1. Introduction**

In the 21<sup>st</sup> century where technology has taken over, consumers have the opportunity to make payments for their purchases using a wide variety of payment mechanisms (Soman, 2001). In addition to the conventional modes of payment like cash and checks, the use of plastic payment mechanisms like credit cards, charge cards and debit cards are on an increasing trend (Green, 1997). Besides, traveler's checks, credit checks, bank drafts and money orders are not uncommon. An increasingly growing array of payment mechanisms are being offered to the customers of the current era (Marlin, 1998).

The conventional theories of economics state that a desire will be treated as a demand only when it is backed up by two conditions: ability to purchase the

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commodity and willingness to pay for the commodity. Evaluating on an economic basis, the purchase decision of a rational consumer generated from his demand does not depend on the payment mechanism. However, some evidence suggests that the consumers using credit cards often demonstrate impulse purchase behavior (Catherine, 1998; Tokunaga, 1993). Comparative studies by Hirschman (1979) and Feinburg (1986) revealed that in identical purchasing situations, users of credit card spend more than those who pay by traditional cash or check. Credit cards facilitate economic exchanges and are used by the buyer to meet unexpected expenses (Hirschman, 1979).

The payment mechanism in installments often eases the constraints of full payment at a time and increase the marginal propensity to consume of the consumers (Prelec & Loewenstein, 1998; Simester, 1998). As a result, the devices which facilitate the mode of payment via installments at a later date is becoming popular worldwide as it brings a change in the current consumption pattern of the consumers. Payment at a later date often reveals some purchase decision among the consumers. Cash, checks, debit or credit cards, electronic fund transfer and digital money are the different forms of monetary instruments to facilitate purchase (Braga et al., 2013).

### **1.1 Concept of Installment Purchase**

As inflation is an indispensable part of modern market economy, the price of both food and non-food commodities are increasing. So, banks, financial institutions and different companies came up with the idea of installment sale in order to attract customers. According to Firas (2016), an installment purchase agreement is a contract used to finance the acquisition of assets. Under the terms of such an agreement, the buyer pays the seller the full purchase price by making a series of partial payments over time.

The payment structure and payment system of a country comprise both cash and non-cash payments (Hancock & Humphrey, 1998). Installment purchase arrangements are offered by many merchants and service providers in order to facilitate sales to buyers who cannot afford to pay for purchases up front in cash (Griebsch et al., 2007). The provisions of installment sales and mode of payment vary across countries and across institutions. Banks and other financial institutions may also be involved in the process of payment in order to facilitate customers' transactions.

The evolution of installment buying facilitated purchase and sales in USA during late 20s. It created an opportunity for the buyers to make an advance purchase in times of need (The Literary Digest, 1927). In the market of electronics and house appliances, the installment selling trend has increased the rate of sale. This is because customers could avail these expensive products even without having the capacity to make the full payment at the time of purchase.

Infrastructure, volume of business, pricing and availability to use cards are the different factors identified by Humphrey et al. (1996) which influence the payment mechanisms and simultaneously have an impact on consumers' purchase decision. Availability of credit cards, debit cards and automatic teller

machines (ATMs) as well as banking services create an ease of operation in terms of payment mechanism (Scholnick et al., 2008).

An equated monthly installment (EMI) is a fixed payment amount made by a borrower to a lender at a specified date each calendar month. EMIs are used to pay off both interest and principal each month so that over a specified number of years, the amount borrowed is paid off in full. In case of buying and selling, a number of companies offer EMI facility to their customers. The customers do not need to make the full payment at the time of purchase. Rather the price of the purchased product can be paid off at later date.

A number of established companies and retail enterprises offer this installment sale facility. This is an effective marketing strategy to reach out the prospective customers for their products and services. In Bangladesh, renowned home appliances and electronics companies like Samsung, Philips, Sony, Toshiba; furniture companies like Regal furniture, Athena's furniture, Hatil Doors and furniture, Otobi limited; jewelry showrooms like Diamond World, New Jarwa House Pvt. Limited and other established companies in different sectors provide the option of installment payment for their customers. Even tourism companies, hotels, resorts and airlines companies also give the EMI payment facilities to their customers.

### **1.2 Credit Card – a Stimulus to Increase Current Consumption**

The use of credit cards has increased extensively around the globe over the past few decades (Pulina, 2011). Thomas et al. (2005) reported that with the passage of time, credit cards are becoming more and more strategic for banks. A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts plus the other agreed charges. A credit card issuing company, such as a bank or credit union, enters into agreements with clients for them to accept their credit cards. The cardholders can then use it to make purchases at merchants accepting that card. When a purchase is made, the cardholder agrees to pay the card issuer. The cardholder indicates consent to pay by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a personal identification number (PIN). Each month, the cardholder is sent a statement indicating the purchases made with the card, any outstanding fees, the total amount owed and the minimum payment due. The main benefit to the cardholder is convenience. Compared to debit cards and checks, a credit card allows small short-term loans to be quickly made to a cardholder who need not calculate a balance remaining before every transaction; provided the total charges do not exceed the maximum credit line for the card.

Studies have revealed that credit card usage increases the probability of spending and also the total amount spent (Burman, 1974; Prelec & Simester, 2001; Soman, 2001; Soman & Cheema, 2002). Hirschman (1979) reported that credit cards are viewed as a relatively painless and convenient way of spending. Credit card enables a consumer to minimize their cash balances (Zywicki, 1999).

He added that in the highly competitive credit card market, consumers use credit card rationally.

### **1.3 Credit Card Usage in Bangladesh**

Bangladesh is also moving with the flow of time and technology. Back in 1989, ANZ Grindlays Bank (now Standard Chartered) first started acquiring international card brands like MasterCard and Visa Card through a limited Merchant Network. It also became the first bank to issue MasterCard and Visa credit cards in this country. At present all major banks provide this invaluable service. Most of the banks are now issuing dual currency credit cards, that is, the credit card can be used locally as well as overseas. The government of Bangladesh has increased the foreign exchange quota for foreign travel over the years to US \$7,000 for non-SAARC countries and US\$5,000 for SAARC countries. By getting necessary dollar/ other foreign currency endorsement in his passport from the concerned bank, a credit card-holder can use the card globally to make purchases. A credit card can also be used to make online purchases, buy airline tickets, book hotels and purchase items on Amazon. According to Bangladesh Bank, the number of credit cards in Bangladesh is 1457752 (August 2019). There has been a dramatic increase in the usage of credit card in Bangladesh over the past few years. The growth of the use of credit card has been exponential rather than linear in our country and worldwide (Islam et al., 2015).

Most of the banks permit their credit card users to pay the bill at 0% interest within a period of 45/50 days. Eastern Bank Limited (EBL) credit card offers 45 days interest free period of payment. Besides, Dhaka Bank credit card offers maximum 50 days interest free period. Other conventional banks like BRAC Bank, City Bank, etc. are also giving this facility.

At present, credit card issuers and companies are providing a wide range of privileges for their customers. There is provision for taking interest bearing loans against credit card. The loan against credit card can be repaid with interest within a period of 3/6/9/12/15/18 months. There are also a few offers under the credit card which allow payment of price of a product in installments at 0% interest rate within a specific period of time. Almost all of the reputed banks in Bangladesh offer this service to its clients. For example, Standard Chartered Bank credit card offers the facility to the customer to make the payment to a number of seller companies within 3 to 24 installments at 0% interest.

According to Bangladesh Bank (2011), credit growth has a significant positive impact on consumption growth and credit availability also affects savings behavior. Moreover, household debt ratio is negatively correlated with the saving rate. Maki (2000) also demonstrated a positive link between consumption behavior and credit growth. So, undoubtedly the extensive use of credit cards creates a stimulus to purchase commodities and services among the consumers.

Nearly all banks operating in Bangladesh offer credit card facilities to their clients. The maximum limit for making transactions using credit cards vary with the income of the cardholder. A monthly income of Tk.15,000 makes one eligible

to get a credit card facility offered by Bank Asia. BRAC Bank offers credit card service to clients having a minimum monthly income of Tk. 20,000. Though there is some flexibility in the minimum income requirement to become eligible to get credit card facility and also regarding maximum transaction limit, almost all banks operating in Bangladesh offer credit card services, by and large, on similar conditions. One can make transactions equaling 2.5 times of his income using credit card. That is, a cardholder having an income of Tk. 20,000 can enjoy a purchase limit or credit limit of up to Tk. 50,000 using credit card.

\*Tk. (Taka= Currency of Bangladesh)

## **2. Impulse Purchase Behaviour**

The sum of the utility offered by a product or service and disutility of the payment influences the purchase decision of a rational consumer (Prelec & Loewenstein, 1998; Soman, 1998). If a consumer is provided the opportunity and ease to make the payment at zero percent interest over a period, he may reveal impulsive purchase behavior. An increase in wealth induces the consumer to spend more on discretionary product. However, Yeboah and Owusu-Prempeh (2017) observed that internal psychological factors regulated by natural flow of emotion stimulate a person to make an impulse buying decision.

According to Applebaum (1951), an impulse buying is something which is unplanned and which has been resulted due to sales promotion device in the store. Impulsive buying is done from an urge to buy a product spontaneously without any prior intention (Beatty & Ferrell, 1998). Impulse purchase is an unneeded buying which occurs due to internal and external factors creating a stimulus to make a purchase, such as installment payment mechanism, easy deal or a good bargain (Madhavaram, 2002).

Hirschman (1979) reported that, the type of payment mechanism exerts significant influence on individual consumer behavior. Installment sale offers the flexibility to buy expensive products without the need to pay the whole price at once. Often this facility can be availed by making the payment via credit card.

Credit cards often facilitate spending and induce consumers to spend more (Feinberg, 1986). As debt has become more acceptable socially (David, 1975), the use of credit cards lowers the perceived cost and induces further spending (White, 1980). Credit cards are mainly used to purchase durable products (such as electronic products) rather than short-lived products with a view to maximizing the utility within the budget constraints of the consumer (Prelec & Loewenstein, 1998).

Business, trade, banking and personal money management has been facilitated to a great extent with the evolution of credit card (Clark, 1975). The “buy now, pay later” mechanism has eased the way of life of the Americans (Feinberg, 1986). According to Rose and Hudgins (2008), “Credit cards offer their holders access to either installment or non installment credit because the customer can charge a purchase on the account represented by the card and pay off the charge in one billing period, escaping any finance charge, or choose to pay off the purchase price gradually incurring a monthly finance charge based on

an annual interest rate usually ranging from about 10 percent to 24 percent and sometimes more". Credit cards play an important role in consumer finances overcoming the bindings of liquidity constraints and interest rates. The access to liquid money in times of necessity has contributed to its popularity among the middle class, higher middle class and of course the upper class citizens of the nation (Huq, 2011).

Jaing (2006) reported that young and inexperienced customers reveal more impulsive behavior while making a purchase decision and end up with deferred payment using credit card. Households with relatively lower income often can avail the opportunity to make a purchase by dint of credit card (Farinha, 2004; Williamson, 2010). Bacchetta and Gerlach (1997) suggested that the aggressive encouragement of uptake of credit facilities by the banks and other financial institutions may be attributed to a positive link between consumption behavior and credit growth.

Credit cards have increasingly become an effective cash substitute in recent years. This is the result of technological advancements that have increased credit card processing speed. Now-a-days, credit cards are accepted in such places as fast food restaurants, coffee shops, parking garages, supermarkets, movie theaters, and residential hotels (Ahmad et al., 2008). As a result, customers can often make an unplanned purchase by dint of using credit card. Unlike cash and checks, credit cards make it unnecessary to maintain sufficient cash reserves at all times to cover current expenditures. Moreover, the 24-hour service provided by credit cards often ease the transactions of the customers, particularly online transactions. Even customers can make international transactions through credit cards. This also adds to rendering impulsive behaviour by the buyers.

The market for credit cards is highly competitive. Different cards provide different offers to the customers, such as buy 1 get 1, 10% discount, etc. Consumers often end up having multiple credit cards to avail the offers. Card issuers dispatch a billing statement on credit card transactions to each active customer in writing or in electronic means at the end of each billing cycle. In these circumstances, the probability of impulsive purchase is very high.

### **3. 1 Rationale of the Study**

The current era is highly competitive. With the passage of time, consumers are demonstrating diversified demand for a wide-variety of products. But resources are limited. So, there crops up the problem of meeting unlimited wants with limited resources. Different modern payment mechanisms such as buy now-pay later has evolved as an art to meet the unlimited wants with limited resources. This mechanism puts the customer at ease. They can purchase the required commodity in current period overcoming the cash constraint and make the payment later on. Consumers' purchase-decision varies with the nature of the product and also the payment mechanism. The decisions to buy inexpensive daily necessary products, expensive appliances and luxury items are quite different. Companies are coming up with new marketing strategies. So, the study is expected to contribute to the stock of knowledge by analyzing the factors

influencing the purchase decision of the consumers and their impulsive behaviour through buy now-pay later mechanism.

### **3.2 Objectives of the Study**

The broad objective of the study is to investigate whether buy now-pay later mechanism has a role in intensifying the degree of impulsive buying among the consumers. The study also examines the respondents' views whether installment purchase and credit card facility have increased their standard of living, created disincentive to savings and benefited the economy. The research will also recommend policy measures to implement the buy now-pay later mechanism in a proper manner to ensure maximum benefit both to the customers and suppliers leading to an equitable socio-economic outcome.

### **3.3 Research Gap**

There are very few studies on the impulsive buying behavior of customers. So far we know, in the context of Bangladesh, no research has been carried out to examine the impulse purchase decision of the consumers due to buy now-pay later mechanism using the primary data collected by dividing the entire Dhaka city into clusters. This research gap can be met by doing a research covering the aspects stated in the above research questions of this proposed study.

## **4. Methodology**

### **4.1 Nature of the Study**

The study is quantitative in nature.

### **4.2 Unit of Analysis**

The survey for the research has been conducted with great care which covers different socioeconomic information of 418 general public who purchase their products and services availing buy now-pay later mechanism. They purchase by using credit cards and relevant payment mechanisms.

### **4.3 Location and Time of Survey**

The present study is based on primary data that have been collected from Dhaka, the capital city of Bangladesh. A survey has been conducted from October to December 2019.

### **4.4 Sampling Procedure**

Two-stage sampling method has been adopted to draw sample. In the first stage, as the population is scattered all over the research area and complete lists of the total population is not available, representative data have been obtained using 'clusters' (Husain, 2015; Khan et al., 2017). Here, Dhaka city has been divided into 11 parts which we refer to as clusters. These are: (i) Uttara (includes Kamarpara, Azampur, Nikunja, Khilkhet, Tongi and Airport); (ii) Mirpur and Agargaon; (iii) Gulshan and Banani (includes Niketon, Baridhara, Cantonment

and Matikata); (iv) Motijheel; (v) Moghbazar (includes Shobujbag and Arambag); (vi) Badda (includes Natun Bazar, Rampura and Banasree); (vii) Dhanmondi and Shahbagh; (viii) Jatrabari; (ix) Farmgate (includes Greenroad and Tejgaon); (x) Bashundhara R/A and (xi) Old Dhaka. In the second stage, data from 38 respondents have been collected from each cluster which accounts a total of 418 respondents.

#### **4.5 Data Collection**

In this study, primary data have been collected through conducting cross-sectional primary survey. A structured questionnaire consisting of closed-ended, open-ended, numerical questions as well as some non-numerical questions have been used in interviewing the respondents. Before data collection, the questionnaire was duly pre-tested.

#### **5. Analytical Technique**

In the present study, to identify the factors affecting the purchase of products through buy now-pay later mechanism, multiple regression function has been estimated with the following specifications:

$$Y_i = \beta_0 + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \beta_4(X_4) + \beta_5(X_5) + \beta_6(X_6) + \beta_7(X_7) + \mu_i$$

Where,  $Y_i$  = Total value of the products that the  $i$ -th respondent purchase per year using buy now-pay later mechanism

$X_1$  = Age of the respondent calculated in years

$X_2$  = Education level of the respondent measured in the number of years of schooling

$X_3$  = Creation of negative impacts in the future, indicated by create or does not create

$X_4$  = Increase in their demand for luxury goods, indicated by increase or does not increase

$X_5$  = Improvement of the standard of living of the respondents, indicated by improve or did not improve

$X_6$  = Satisfaction of the respondents using buy now-pay later mechanism, indicated by satisfied or not satisfied

$X_7$  = Total monthly income of the respondents measured in monetary units (Taka, Bangladeshi Currency)

$\mu_i$  = Stochastic disturbance term

$\beta_i$  = Co-efficient to be estimated

#### **6. Findings and Discussions**

##### **6.1. Profile of the respondents**

**Table 6.1.1 Age of the respondents**

<b>Age of the respondent (in years)</b>	<b>Respondents (in %)</b>
< 25	12.6
25-40	34.2
41-60	37.8
>60	15.4

As table 6.1.1 shows, 12.6% respondents under this study were below 25 years of age. 34.2% of the respondents fell under the age group of 25-40 years. 37.8% of the respondents fell under the range of 41-60 years. Besides, 15.4% of them were above 60 years of age.

**Table 6.1.2 Education of the respondents**

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

Table 6.1.2 indicates that majority of the respondents under this study were educated. A small portion of the respondents that is only 1.90% did not have any institutional degree. 5.26% of the respondents completed study up to SSC and 13.97% completed up to HSC. 40.98% of the respondents were graduates. Moreover, 37.89% of them completed post-graduation.

**Table 6.1.3 Occupation of the respondents**

<b>Occupation of the respondent</b>	<b>Respondents (in %)</b>
Service-holder	46.38
Businessman	28.98
Student	7.25
Housewife	13.04
Others	4.35

From table 6.1.3 we find that 46.38% of the respondents were service-holders and 28.98% were engaged in business. A small portion that is 7.25% of the respondents were students. 13.04% were housewives. In addition to that, very few of the respondents were involved in agricultural activities, small and medium enterprises.

**Table 6.1.4 Average monthly income of the respondents**

<b>Salary range of the respondent (in taka)</b>	<b>Respondents (in %)</b>
<30,000	8.99
30,000-70,000	39.23
70,000-100,000	41.48
>100,000	10.30

As table 6.1.4 shows that 8.99% of the respondents have a monthly income of less than Tk. 30,000, 39.23% of the respondents fall in the income group from Tk. 30,000-Tk.70,000. 41.48% of them fall in the income group of Tk. 70,000-Tk. 100,000, and 10.30% of the respondents have an income greater than Tk. 100,000.

## 6.2 Use of buy now-pay later mechanism

**Table 6.2.1 Make regular purchase availing buy now-pay later mechanism**

Make regular purchase availing buy now-pay later mechanism	Yes	No
	86.96%	13.04%

Table 6.2.1 reveals that 86.96 % of the respondents make regular purchase availing buy now-pay later mechanism through installments or credit card. However, a small portion that is 13.04% of the respondents occasionally avail this method.

**Table 6.2.2 Interested in buy now- pay later mechanism**

Proportion of respondents interested in buy now- pay later mechanism	Interested	Not interested
	89.86%	10.14%

From table 6.2.2 we find that 89.86% of the respondents under this study are interested in this mechanism. On the other hand, only 10.14% of the respondents are not much interested in this mechanism.

**Table 6.2.3 Impact of buy now-pay later mechanism in stimulating the demand**

Proportion of respondents whose demand has been stimulated by the buy now-pay later mechanism	Stimulated	Not stimulated
	88.41%	11.59%

Table 6.2.3 shows that 88.41% of the respondents opined that buy now-pay later mechanism has stimulated their demand. Besides, only 11.59% of the respondents were of the opinion that this mechanism did not stimulate their demand.

**Table 6.2.4 Product purchased using buy now-pay later mechanism**

Product Purchased	Respondents (in %)
Television	23.19
Refrigerator	36.23
Mobile Phone	18.84
Electronic Gadget/ Appliances	14.49
Air-Conditioner	5.79
Others	52.14

Table 6.2.4 shows that 23.19% of the respondents purchased television availing buy now-pay later mechanism. 36.23% of the respondents purchased refrigerator. 18.84% of the respondents purchased mobile phone, 14.49% purchased electronic gadgets/ appliances and 5.79% purchased air-conditioner using this payment mechanism. In addition to that, 52.14% of the respondents purchased commodities such as furniture, jewelry, car, hotel reservations, airlines

tickets, etc. It can be mentioned here, the same respondent can purchase multiple products.

**Table 6.2.5 Total value of the products that the respondents purchase per year using buy now-pay later mechanism**

Total value of the products purchased per year (in Taka)	Respondents (in %)
<20,000	5.80
20,000-40,000	55.07
40,000-60,000	24.63
>60,000	14.50

Table 6.2.5 shows that 5.80% of the respondents used buy now-pay later mechanism to make yearly purchase of commodities worth less than Tk.20,000. 55.07% of them, make a purchase worth between the range of Tk.20,000-Tk. 40,000. 24.63% of the respondents' make a yearly purchase, ranging between Tk.40,000-Tk.60,000. 14.50% of the respondents make a yearly purchase of more than Tk. 60,000 via buy now-pay later mechanism.

**Table 6.2.6 Increase in the purchasing power**

Increase in the purchasing power of the respondents	Increases purchasing power	Does not increase purchasing power
	88.41%	11.59%

As shown in the table 6.2.6, 88.41% of the respondents are of the opinion that buy now-pay later mechanism has increased their purchasing power. On the other hand, only 11.59% of the respondents opined that this mechanism does not increase their purchasing power.

**Table 6.2.7 Scope for bringing a change in the buy now-pay later mechanism for moving towards an even better outcome for the consumers**

Respondents who think that there is scope for bringing a change in the buy now-pay later mechanism	Yes	No
	82.61%	17.39%

Table 6.2.7 shows that 82.61% of the respondents agree that there is scope for bringing a change in the buy now-pay later mechanism. Further, only 17.39% of the respondents opine that there is no scope for it. For example, there are still a number of restaurants, super-shops, markets and such places which do not accept bill payment by credit card. Besides, only a few large companies provide the opportunity to make payment in installments. The more these payment mechanisms will be diversified, the more will be the probability of increasing the sales. If consumers can purchase by making payment at a later date then, they will tend to demonstrate impulse purchase decision whenever they come across a product that they did not plan to purchase but seems lucrative or useful to him.

**Table 6.2.8 Satisfaction of the respondents using buy now-pay later mechanism**

Satisfaction of the respondents using buy now-pay later mechanism	Satisfied	Not satisfied
	94.20%	5.80%

Table 6.2.8 shows that, in this study it was found that, 94.20% of the respondents were satisfied with the buy now-pay later mechanism. Only 5.80% of the respondents were not satisfied with this mode.

### **6.3 Impact of buy now-pay later mechanism**

**Table 6.3.1 Impact of buy now-pay later mechanism on the market economy**

Impact of buy now-pay later mechanism on the market economy	Good impact	Adverse impact
	86.96%	13.04%

Table 6.3.1 shows that, 86.96% of the respondents opined that buy now-pay later mechanism has a positive impact on the market economy. However, 13.04% of the respondents were of the opinion that buy now-pay later mechanism has an adverse impact on the market economy.

**Table 6.3.2 Improvement of the standard of living of the respondents**

Improvement of the standard of living of the respondents	Improved	Did not improve
	89.86%	10.14%

According to this study, 86.96% of the respondents opined that buy now-pay later mechanism improved their standard of living. But 10.14% of the respondents were of the opinion that this mechanism did not improve their standard of living.

**Table 6.3.3 Role of buy now-pay later mechanism in facilitating to fulfill the demand of the respondents**

Role of buy now-pay later mechanism in facilitating to fulfill their demand	Facilitates	Does not facilitate
	97.10%	2.90%

Table 6.3.3 shows that, 97.10% of the respondents were of the opinion that this mode of payment facilitates to fulfill their demand. Only 2.90% of them opined that buy now-pay later mechanism has no role in facilitating to fulfill their demand

**Table 6.3.4 Products whose demand has been increased because of buy now-pay later mechanism facility in making payment**

Product	Respondents' opinion regarding increase in demand (in %)
Television	39.13
Refrigerator	39.13
Mobile Phone	18.84
Electronic Gadget/ Appliances	21.74
AC	7.24
Others	40.58

As shown in table 6.3.4, 39.13% of the respondents opined that the demand for television increased. 39.13% of the respondents opined that the demand for refrigerator increased. 18.84% of the respondents opined that the demand for mobile phone increased. 21.74% of the respondents opined that the demand for electronic gadget/ appliances increased. 7.24% of the respondents opined that the demand for air-conditioner increased. 40.58% of the respondents opined that the demand for television increased.

**Table 6.3.5 Problem faced due to delayed payment of installment or credit card bill**

Problem faced due to delayed payment of installment or credit card bill	Yes	No
	11.59%	88.41%

There is a due date for the payment of installment or credit card bill of the users. As shown in table 6.3.5, 11.59% of the respondents opined that they faced problem in case of delay in payment i.e. paying the installment or bill after due date. However, 88.41% of the respondents said that they did not face any hassle for delayed payment of installment or bill.

**Table 6.3.6 Use of multiple credit cards by the respondents**

Use of multiple credit cards by the respondent	Yes	No
	34.78%	65.22%

Table 6.3.6 reveals that 34.78% of the card-holders used multiple credit cards, whereas 65.22% of them used a single credit card.

**Table 6.3.7 Percentage of monthly income for payment of installment or credit card bill**

Percentage of monthly income of the respondent for payment of installment or credit card bill	Respondents (in %)
<20%	70.62
20%-40%	23.33
40%-60%	5.16
>60%	0.89

Table 6.3.7 indicate that 70.62% of the respondents under this study spent less than 20% of their monthly income for the payment of installment or credit card bill. 23.33% of the respondents spent 20% to 40% of their monthly income for the payment of installment or credit card bill. Moreover, 40% to 60% of the monthly income is spent by 5.16% of the respondents for payment of installment or credit card bill. 0.89% of the credit card users under this study spend greater than 60% of their monthly income for the payment of installment or credit card bill.

**Table 6.3.8: Increase in the ability to fulfill future demand in current period**

Increase in the ability to fulfill future demand in current period	Increase in the ability to fulfill future demand	No increase in the ability to fulfill future demand
	86.96%	13.04%

It can be seen in table-6.3.8 that 86.96% of the respondents opine that the buy now-pay later mechanism increase their ability to fulfill future demand in current period. On the other hand, 13.04% of the respondents are of the opinion that this mechanism does not increase their ability to fulfill future demand.

**Table 6.3.9: Increase in the demand for luxury goods**

Role of buy now-pay later mechanism in increasing their demand for luxury goods	Increase in the demand for luxury goods	No increase in the demand for luxury goods
	88.41%	11.59%

Table- 6.3.9 shows that 88.41% of the respondents opine that the buy now-pay later mechanism increased their demand for luxury goods. On the other hand, 11.59% of the respondents expressed that this mechanism did not increase their demand for luxury goods.

**Table 6.3.10: Creation of obstacle towards personal savings**

Role of buy now-pay later mechanism in creating obstacle towards personal savings	Creates obstacle	Does not create obstacle
	65.22%	34.78%

From table 6.3.10 we find that, 65.22% of the respondents opine that the buy now-pay later mechanism is a barrier towards personal savings. On the other hand, 34.78% of the respondents are of the opinion that this mechanism does not create any hindrance towards their personal savings. Buy now-pay later mechanism increases the propensity to consume, thereby reduces the propensity to save.

**Table 6.3.11: Creation of negative impact in the future**

Creation of negative impact in the future	Create negative impact in future	Does not create negative impact in the future
	65.22%	34.78%

Table 6.3.11 shows that, 65.22% of the respondents opine that the buy now-pay later mechanism creates negative impact in the future. On the other hand, 34.78% of the respondents said that this mechanism does not create any negative impact in the future. This is because buy now- pay later mechanism often increases current consumption.

**Table 6.3.12 Beneficial for the economy**

Beneficial for the economy	Highly Beneficial	Moderately Beneficial	Slightly Beneficial
	21.74%	53.62%	24.64%

Table 6.3.12 reveals that 21.74% of the respondents were of the opinion that buy now-pay later mechanism is highly beneficial for the economy. 53.62% of the respondents opined that this mechanism is moderately beneficial for the economy. On the other hand, 24.64% of the respondents opined that this mechanism is slightly beneficial for the economy.

### **7. Factors affecting the purchase of products through buy now-pay later mechanism**

**Table 7: Estimates of Multiple Regression Function**

Variables	Coefficient	Standard Error	t-ratio
Constant	56,598	23,801	2.38
Age (years)	19.07	257.7	0.07
Education (Number of years of schooling)	1,769*	1,041	1.70
Creation of negative impacts in the future	-2,057	5,565	-0.37
Increase in their demand for luxury goods	21,738**	8,194	2.65
Improvement of the standard of living	23,005**	9,138	2.52
Satisfaction level	-3,251	11,575	-0.28
Monthly income(taka)	3,310	6,109	0.54
R-squared	0.666		

Source: Authors' Own Calculations; Note: \* and \*\* indicate 10% and 5% level of significance

The parameters of the multiple regression function are estimated by using the Ordinary Least Square (OLS) method and the results are presented in the table 7. The co-efficient of education, creation of demand for luxury goods and

improvement of the standard of living of the respondents are 1,769; 21,738 and 23,005 respectively and they are statistically significant. There is a positive relationship between the level of education of the respondents and the value of products they purchase yearly through buy now-pay later mechanism. This indicates that an increase in the education of the respondent by one unit (one year of schooling) may increase their yearly purchase of products through buy now-pay later mechanism by 1,769 units (taka). Besides, a one percent increase in the demand for luxury goods through this payment mode, shall result in an increase in the yearly purchase of products through this mechanism by 21,738 units (taka). Moreover, a one percent increase in improvement in the standard of living through this payment mode, may increase the yearly purchase of products through buy now-pay later mechanism by 23,005 units (taka). This is because, through this mechanism consumers may buy their required goods in times of cash crisis and fulfill their demand. As a result, the consumers often reveal impulse purchase decision when they have the scope to make the payment at a later date. On top of that, this payment mechanism often induces consumers to increase their propensity to consume and spend more on luxury goods. The other variables under this study were found to be statistically insignificant.

## **8. Conclusion**

At present buy now-pay later mechanism is a much practiced mode of payment. This study investigates the factors influencing consumers to use buy now-pay later mode of payment estimating multiple regression function. It aims to find whether this mechanism has a role in intensifying the degree of impulsive buying among consumers and increasing their standard of living.

The findings of this study reveal that most of the respondents received benefits from the buy now-pay later mechanism. It is also found that the users of the system were educated which is logical – only people with education can use a rather complicated system of transaction using credit card. In terms of decision-making, an educated person can exhibit greater efficiency (Hilton et al., 2016). So, they go for a credit card in order to reduce the risk of carrying cash and making a purchase-decision when required and overcome cash crisis. Besides, they can purchase through installments to meet their demands. Thus, government policies to increase literacy rate, support higher education and establish subsidized educational institutions with quality education can create awareness among the consumers regarding how to maximize their utility with limited budget using different payment tools. The study suggests giving emphasis on efforts to increase financial literacy and banking habit of the people.

The study also reveals that majority of the respondents had relatively high income. Poor people usually spend their entire income to buy basic necessities of life. So, the poor people with low incomes cannot afford credit card facility. The policy implication is that measures should be taken to increase people's income so that they can derive benefit of transactions through buy now-pay later mechanism.

The study findings suggest that buy now-pay later mechanism resulting in impulsive purchase decision may have a negative impact on the future spending on necessities due to excess current spending on some unnecessary goods. Besides, the burden of installment payment can hinder the accumulation of personal savings. In the long run, these negative impacts can be mitigated with rational policies for appropriate structure and regulation of buy now-pay later sales mechanism.

There is an overwhelming need for bringing a change in the buy now-pay later mechanism for moving towards a much better outcome for the consumers. Currency outside banks is really high in Bangladesh, indicative of poor banking habit of the citizens of this country. A more developed banking and financial system, minimization of inter-bank variation in condition of lending backed by adequate infrastructure, trained workforce, 24 hour customer care service, increased availability and accessibility of information and development of credit card guidelines can benefit the customers. Moreover, at the time of installment sale, both sellers and credit card issuers should provide the consumers with proper information regarding payment mode and period, and the rate of interest. If shops and sales outlets keep option for making purchase via credit cards and relevant payment mechanisms offering buy now-pay later option, consumers will be highly benefitted. Extension of the maximum period of payment with 0% interest can add to the satisfaction of the customers. In addition, customers are often dissatisfied at the security issue of credit cards. PIN (Personal Identification Number) should be used for making all kinds of transactions through credits cards. Transaction without the consent of the card-holder should not be allowed until the matter is notified to the card-issuing authority. Though most of the banks assign PIN number for the credit cards, there are still some banks whose cards do not have any PIN. The concerned authorities should be very strict to deal with this issue to safeguard the interest of customers.

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