Journal of Management World **2025**, 1: 512-515
DOI: 10.53935/jomw.v2024i4.725

The Role of BNPL application in Boosting Consumer Purchasing Power During Economic Downturns: An Analytical Review and Strategic Implications

Abdul Qadir Jaelani[1], Mahir Pradana[2*]

[1,2]Department of Business Administration, Telkom University, Bandung, Indonesia; abdulqadirjaelani@student.telkomuniversity.ac.id (A.Q.J.) mahirpradana@telkomuniversity.ac.id (M.P.).

Abstract. This study explores the influence of Buy-Now-Pay-Later (BNPL) application on consumer purchasing power during economic downturns. By providing a buy-now-pay-later option, BNPL application offers consumers financial flexibility that is particularly crucial in times of economic uncertainty. The research employs both quantitative and qualitative methods to analyze data from consumer surveys and expert interviews. Results indicate that BNPL application significantly enhances consumer spending capacity by allowing deferred payments, thus maintaining purchasing activity even during financial strains. However, potential risks such as increased consumer debt are also discussed. The study concludes with strategic implications for e-commerce platforms and policymakers, suggesting ways to maximize the benefits of BNPL application while mitigating its drawbacks. This research contributes to a deeper understanding of financial technologies in supporting consumer spending and offers actionable insights for future economic resilience.

Keywords: BNPL application, Buy-now-pay-later (BNPL), Consumer debt, Consumer purchasing power, Consumer spending, Deferred payments, E-commerce platforms, Economic downturns, Economic resilience, Economic uncertainty, Financial flexibility, Financial technologies.

1. INTRODUCTION

In recent years, the global economy has faced numerous challenges, with economic downturns becoming more frequent and severe. These downturns have a profound impact on consumer behavior, often leading to reduced purchasing power and cautious spending. Amidst this backdrop, financial technologies have emerged as vital tools to support consumer spending and economic stability. One such innovation is BNPL application, a buy-now-pay-later (BNPL) service provided by several services, for example by Shopee, one of Southeast Asia's leading e-commerce platforms. BNPL application offers consumers the ability to make purchases and defer payments, providing financial flexibility that is especially valuable during times of economic uncertainty. By allowing deferred payments, BNPL application helps consumers manage their cash flow more effectively, enabling them to maintain their purchasing activity even when immediate funds are limited. This study explores the role of BNPL application in boosting consumer purchasing power during economic downturns. It examines how the service influences consumer spending behavior, evaluates its benefits and risks, and provides strategic implications for e-commerce platforms and policymakers. By understanding the impact of BNPL application, the research aims to offer insights into the broader implications of BNPL services on consumer behavior and economic resilience. The analysis leverages both quantitative data from consumer surveys and qualitative insights from industry experts to provide a comprehensive understanding of BNPL application's effectiveness. The findings of this study are expected to contribute to the growing body of knowledge on financial technologies and their role in enhancing consumer spending capacity, particularly in challenging economic environments.

By investigating the dynamics of BNPL application, this research seeks to provide actionable recommendations for e-commerce platforms looking to implement similar services and for policymakers aiming to maximize the benefits of BNPL options while mitigating potential drawbacks. This study is particularly relevant as the global economy continues to navigate through periods of volatility and change. The research object of this study is a BNPL application, a financial service provided by Shopee (Shopee Pay), one of the largest e-commerce platforms in Southeast Asia. BNPL application allows consumers to make purchases and defer payments to a later date, offering a buy-now-pay-later (BNPL) option. This service aims to provide consumers with greater financial flexibility, especially during times of economic uncertainty and downturns. The study focuses on analyzing how BNPL application impacts consumer purchasing power during economic downturns. It examines both the benefits and potential risks associated with the service, providing a comprehensive review of its effectiveness and strategic implications for e-commerce platforms and policymakers.

2. LITERATURE REVIEW

The emergence of Buy-Now-Pay-Later (BNPL) services, like BNPL application, has garnered significant attention in recent years due to its impact on consumer behavior and financial management. This literature review explores key research findings and theoretical frameworks related to BNPL services, focusing on their role in enhancing consumer purchasing power during economic downturns.

* Correspondence: mahirpradana@telkomuniversity.ac.id

2.1. The Evolution of BNPL Services

BNPL services have evolved as a popular alternative to traditional credit options. Studies by Consumer Financial Protection Bureau (2020) indicate that these services offer flexible payment solutions, particularly appealing to younger demographics. The convenience and accessibility of BNPL have driven its widespread adoption in e-commerce.

2.2. Impact on Consumer Purchasing Power

Research by Xiang and Huang (2021) highlights that BNPL services, including BNPL application, significantly boost consumer purchasing power by allowing deferred payments. This financial flexibility enables consumers to maintain their spending levels even when immediate funds are limited. A report by Accenture (2021) also suggests that BNPL services can increase average order values and reduce cart abandonment rates.

2.3. Economic Downturns and Consumer Behavior

Economic downturns often lead to reduced consumer spending and cautious financial behavior. However, BNPL services can mitigate these effects by providing short-term liquidity. Studies by KPMG (2020) show that during economic uncertainty, consumers are more likely to utilize deferred payment options to manage their cash flow. This aligns with findings by Bernstein and Jones (2021), who note that financial innovations can play a crucial role in sustaining consumer confidence during economic crises.

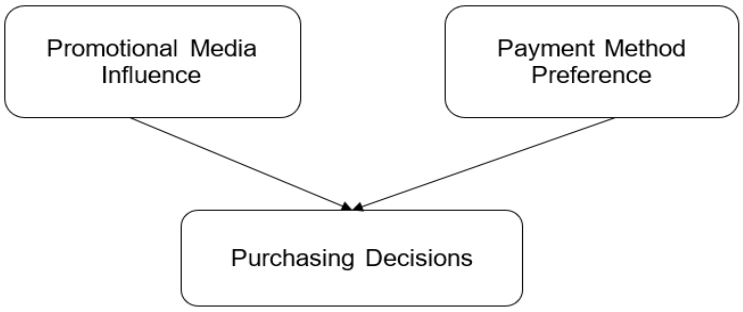


Figure 1: Research Model.

3. METHODOLOGY AND RESULT

This study employs a mixed-methods approach, utilizing both quantitative and qualitative methods to analyze the impact of BNPL application on consumer purchasing power during economic downturns. Data collection is conducted through Google Forms, and data analysis is performed using SMARTPLS 4.

In this engaging research study, the researcher utilized the Google Forms platform to gather essential information from respondents. Through this survey, the researcher successfully attracted 113 respondents, aged between 17 and 60 years, both male and female, offering diverse and rich perspectives.

After collecting data from these 113 respondents, the researcher proceeded to analyze the data using the advanced application SMARTPLS 4. The data was then categorized into three main groups: Payment Method Preference, Promotional Media Influence, and Purchasing Decisions. With this approach, the researcher not only uncovered valuable insights into consumer preferences and behavior towards BNPL application but also established a robust foundation for understanding how these factors interact and influence purchasing decisions.

Table 1: Convergent Validity.

	Payment Method Preference	Promotional Media Influence	Purchasing Decisions
PD1			-0.096
PD2			0.923
PD3			0.852
PD4			0.923
PMI1		0.922	
PMI2		0.929	
PMI3		0.945	
PMI4		0.932	
PMP1	0.929		
PMP2	0.377		
PMP3	0.109		
PMP4	0.278		
PMP5	-0.072		

The instrument for the PMI construct exhibits excellent convergent validity, whereas the PMP and PD constructs require further evaluation to ensure that all items within these constructs consistently measure the same concept.

Table 2: Discriminant Validity.

	Payment Method Preference	Promotional Media Influence	Purchasing Decisions
PD1	-0.070	-0.084	-0.097
PD2	0.777	0.795	0.924
PD3	0.614	0.602	0.851
PD4	0.780	0.773	0.924
PMI1	0.779	0.922	0.710
PMI2	0.817	0.928	0.751
PMI3	0.860	0.945	0.740
PMI4	0.912	0.932	0.817
PMP1	0.967	0.915	0.787
PMP2	0.272	0.096	0.197
PMP3	0.092	0.061	0.081
PMP4	0.173	0.045	0.139
PMP5	-0.070	-0.067	-0.056

The discriminant validity for PMI shows good results. However, for PMP and PD, discriminant validity still needs further evaluation, as some items demonstrate higher correlations with different constructs. This may indicate that there is an overlap between these constructs that needs to be reassessed.

Table 3: Reliability Testing.

	Cronbach's alpha	Composite reliability (rho_a)
Payment Method Preference	0.336	0.346
Promotional Media Influence	0.950	0.952
Purchasing Decisions	0.667	0.897

1. Payment Method Preference: This instrument has very low reliability according to both Cronbach's alpha and composite reliability, indicating significant improvements are needed.
2. Promotional Media Influence: This instrument shows excellent reliability, demonstrating that the items within this construct are consistent and reliable.
3. Purchasing Decisions: This instrument has good reliability according to composite reliability, although Cronbach's alpha indicates that some improvements are necessary.

Table 4: R Square.

	R-square	R-square adjusted
Purchasing Decisions	0.693	0.687

The high R-square and R-square adjusted values indicate that the regression model used is quite effective in explaining the variability in purchasing decisions based on the identified independent variables. The small difference between R-square and R-square adjusted suggests that the model is fairly stable and not overfitting.

Table 5. Effect Size.

	Payment Method Preference	Promotional Media Influence	Purchasing Decisions
Payment Method Preference			0.113
Promotional Media Influence			0.161
Purchasing Decisions			

The influence of Promotional Media is greater than that of Payment Method Preference; however, both still have significant contributions to purchasing decisions.

Table 6: Hypothesis Testing.

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Payment Method Preference -> Purchasing Decisions	0.391	0.366	0.106	3.698	0.000
Promotional Media Influence -> Purchasing Decisions	0.467	0.497	0.106	4.401	0.000

1. For Payment Method Preference towards Purchasing Decisions, the coefficient is 0.391 with a t-value of 3.698 and a p-value of 0.000. This indicates that payment method preference has a positive and significant influence on purchasing decisions.
2. For Promotional Media Influence towards Purchasing Decisions, the coefficient is 0.467 with a t-value of 4.401 and a p-value of 0.000. This indicates that promotional media influence also has a positive and significant impact on purchasing decisions.

Table 7: Goodness of Fit (GOF).

	Q^2predict
Purchasing Decisions	0.668

The Q^2predict value for Purchasing Decisions is 0.668. This indicates that the model has a fairly strong

predictive capability for purchasing decisions. This value shows that 66.8% of the variability in purchasing decisions can be well predicted by the model.

4. DISCUSSION

While BNPL services offer numerous benefits, they also pose potential risks. Research by Financial Conduct Authority (2021) indicates that increased consumer debt is a significant concern, as deferred payments can lead to overspending and financial strain. Additionally, a study by ASIC (2020) highlights the importance of regulatory frameworks to protect consumers and ensure responsible lending practices. E-commerce platforms can leverage BNPL services to enhance consumer engagement and drive sales. A study by Deloitte (2020) suggests that integrating BNPL options can differentiate platforms in a competitive market and attract a broader customer base. Strategic marketing and personalized offers can further maximize the benefits of BNPL services, as discussed by McKinsey & Company (2021). Policymakers must balance the promotion of financial innovation with consumer protection. Research by OECD (2021) emphasizes the need for comprehensive regulatory frameworks to address the risks associated with BNPL services. Effective policies can ensure that these financial products contribute to economic resilience without compromising consumer welfare. This literature review underscores the multifaceted impact of BNPL application and similar BNPL services on consumer purchasing power, particularly during economic downturns. The findings highlight both the potential benefits and challenges, offering a foundation for further research and strategic decision-making.

5. CONCLUSION

Based on the analysis conducted, Payment Method Preference shows significant weaknesses in terms of validity and reliability. The correlations among items within the payment method preference vary, and some items have low or negative correlation values, indicating weak convergent validity. The very low reliability values of Cronbach's alpha (0.336) and composite reliability (0.346) further reinforce the finding that this instrument is inconsistent in measuring payment method preference.

Although this variable contributes from small to medium levels to purchasing decisions, with an effect size (0.113) indicating a not very strong influence, significant improvements are necessary to enhance the accuracy and consistency of its measurement. A more in-depth assessment and revision of the items within the payment method preference are required to improve the validity and reliability of this instrument, so it can provide a more meaningful impact on consumer purchasing decisions.

In a broader context, this model shows that although payment method preference plays a role in predicting purchasing decisions, the current measurement instrument is not yet optimal and requires further optimization to achieve adequate and reliable results.

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