Indian Economy · GS - III

The growing use of Buy Now, Pay Later services reflects the expansion of digital credit but also raises concerns about consumer protection and household indebtedness. Discuss.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 18/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

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Answer Hint

Digital lending, deferred payments, financial inclusion, overspending, hidden charges, credit scores, household debt, financial literacy, responsible lending, regulatory oversight.

Model Answer

Introduction

Buy Now, Pay Later (BNPL) services allow consumers to purchase goods immediately and repay later. Their growing popularity during festive sales reflects the expansion of digital credit and changing consumption patterns.

Main Body

Benefits: BNPL offers payment flexibility, simplifies transactions and provides short-term credit to consumers. It can also support digital commerce.

Challenges:

1. Overspending: Easy access to credit may encourage purchases beyond consumers' repayment capacity.

2. Debt accumulation: Multiple BNPL obligations can increase household financial stress.
3. Hidden costs: Interest, late fees and complex contractual terms may raise borrowing costs.
4. Credit risks: Missed payments may adversely affect credit records, depending on reporting arrangements.

Way Forward: Financial education should be strengthened, lenders should disclose all charges clearly, and credit assessments should consider repayment capacity. Effective regulatory oversight and responsible lending practices are essential.

Conclusion

BNPL can improve payment convenience, but it should not encourage unsustainable borrowing. Transparent lending, informed consumer choices and timely repayment are necessary to ensure responsible digital credit growth.

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