
MARKET STRUCTURE AND FACTORS ASSOCIATED WITH REVENUE PERFORMANCE OF BUY-NOW-PAY-LATER PROVIDERS

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Abstract:

Buy now, pay later (BNPL) represents an emerging form of deferred payment that enables consumers to divide purchases into interest-free installments, gaining rapid adoption alongside the expansion of e-commerce and marketing targeted at younger, lower-creditworthiness consumers. While BNPL improves accessibility and user experience, limited regulatory oversight and soft credit check raise concerns about over-indebtedness and potential risks to financial stability. This study analyzes the global BNPL market by constructing a comprehensive provider-level database (N = 149). Firm characteristics are examined alongside service-specific features. Descriptive statistics, as well as Mann-Whitney and Kruskal-Wallis tests, are used to assess differences across providers using revenue rank as a proxy for revenue performance. Findings indicate that BNPL providers are concentrated in Europe and North America but operate worldwide, with most firms remaining small and early-stage. Services predominantly target online commerce, conduct soft credit check, and rely largely on internal funding and merchant fees. The results further suggest that revenue performance is associated with the firm size and fee structures. The sustainability of BNPL firms depends on balancing growth, profitability, and effective credit risk management, while their long-term viability will be influenced by evolving regulatory frameworks and the adoption of responsible business practices.

Key words: *Buy now, pay later; market structure; revenue-related factors; consumer finance*

1. Introduction

Buy-now-pay-later (BNPL) services have expanded rapidly over the past decade (Wilson, 2025). By enabling consumers to split purchases into short-term installments without interest or additional fees, BNPL has emerged as an alternative to traditional credit products such as credit cards and personal loans. This expansion was further accelerated during the COVID-19 pandemic, as the surge in online shopping increased demand for convenient and flexible payment solutions. The widespread adoption of BNPL has been supported by a simplified onboarding process, minimal credit checks, and user-friendly

interfaces, particularly among younger and lower-creditworthiness consumers (Fisher et al., 2021; Akana, 2022; Cornelli et al., 2023). Consistent with this trend, McKinsey & Company (2022) report that BNPL usage is significantly higher among younger generations, with a large share of Millennials and Gen Z using these services compared with older cohorts.

The literature highlights both the benefits and risks associated with BNPL. On the one hand, these services enhance accessibility and financial inclusion by providing alternatives to high-interest credit and enabling interest-free purchases with low upfront costs (Waliszewski et al., 2024; Visa Consulting & Analytics, 2023). BNPL also increases purchasing power and supports merchant growth, with evidence suggesting significant sales effects driven particularly by low-creditworthiness consumers (Berg et al., 2025). On the other hand, concerns persist regarding over-indebtedness, limited regulatory oversight, and the long-term sustainability of BNPL business models (Johnson et al., 2021; Aisjah, 2024; Dong et al., 2025). Empirical findings indicate that BNPL usage may lead to higher spending and increased overdraft and credit costs, especially among liquidity-constrained consumers, suggesting that ease of access can contribute to financial vulnerability (deHaan et al., 2024; Di Maggio et al., 2023).

Despite these important insights, existing research has primarily focused on consumer behavior, adoption drivers, and financial risks (Dadra et al., 2024; Raj et al., 2025; Cervellati et al., 2026). Comparatively less attention has been given to the supply side of the market, particularly to provider-level characteristics, business models, and performance outcomes. While some studies analyze merchant benefits and pricing dynamics (Fisher et al., 2021; Desai & Jindal, 2024), there is still a lack of systematic cross-country evidence linking firm-level and service-level features of BNPL providers to their economic performance.

In particular, BNPL providers operate as intermediaries between consumers and merchants, resembling platform-based business models, yet the factors associated with their revenue performance remain insufficiently explored. Understanding these relationships is important not only for assessing the sustainability of BNPL firms but also for informing regulatory and managerial decisions in a rapidly evolving financial landscape.

To address this gap, this study constructs a comprehensive global database of BNPL providers and examines how firm characteristics and service design features are associated with revenue performance. By shifting the analytical focus from consumer adoption to provider-level outcomes, this paper contributes to a more complete understanding of the structure, business models, and competitive dynamics of the BNPL market.

2. Literature review

The literature on BNPL highlights both its advantages and potential drawbacks. SWOT analyses emphasizes strengths such as convenience, accessibility, and appeal to younger, tech-savvy consumers, alongside weaknesses including over-indebtedness risks and regulatory uncertainty. Opportunities include expanding credit access and

partnerships with e-commerce platforms, whereas threats involve market competition, rising credit losses, and operational challenges (Kiran & Mishra, 2024).

The projected expansion of the BNPL market further highlights its increasing economic significance, with the global market size expected to reach USD 3.68 trillion by 2030 (Straits Research, 2022). In this context, BNPL services contribute to financial inclusion by extending credit access to underserved populations and providing flexible, cost-effective payment alternatives (Kiran et al., 2024). From the perspective of consumer perception, BNPL companies present themselves as more responsible than traditional credit products by emphasizing inclusivity and fairer loan terms (Aalders, 2023). Likewise, BNPL services are often described as a “way to pay” rather than a form of credit, portraying them as an enjoyable, low-stress alternative to traditional financial services (Cook et al., 2023). In line with this framing, consumers perceive BNPL as more aligned with their financial needs and interests, although less secure and dependable (Akana, 2022).

BNPL is commonly used for convenience and to spread payments over time, but a substantial share of users (57%) rely on it out of financial necessity. Liquidity- and credit-constrained consumers are the most likely to depend on BNPL, and many do so because they lack alternative credit options (Larrimore et al., 2025). However, recent evidence also shows that most BNPL users do not cite lack of credit access as their primary motivation for choosing this payment option (Akana & Doubinko, 2025), indicating that BNPL adoption reflects both necessity-driven and convenience-driven usage patterns. Payment flexibility, perceived competence, and perceived relatedness enhance perceived usefulness and the intention to adopt BNPL (Dadra et al., 2024). Prior research shows that perceived benefits, performance expectancy, effort expectancy, habit, and social influence further increase behavioural intention toward BNPL, whereas perceived risk reduces consumers' willingness to use these services. Moreover, consumers' intention to adopt BNPL positively influences actual usage (Raj et al., 2025). Several studies emphasize the role of demographic, psychological, and economic factors in BNPL adoption. Age, financial literacy, trust in the financial system, financial diligence, online shopping habits, income, and living standards influence BNPL use. Conversely, older and higher-income consumers demonstrate a weaker adoption effect (Cervellati et al., 2026). Consumer preferences for flexible payment modalities, frictionless digital interfaces, and affordability of high-value products further influence BNPL adoption. Beyond adoption drivers, customer satisfaction also plays an important role in shaping continued usage. Extending the maximum interest-free payment period enhances customer satisfaction (Khan & Haque, 2020). Likewise, customer satisfaction is critical for loyalty and profitability, with financial flexibility options significantly influencing satisfaction and retention (Raj & Rai, 2025). The integration of BNPL into digital commerce, across sectors such as retail, travel, healthcare, and education, demonstrates its growing market relevance (Kiran et al., 2024) and highlights the need for standardized data collection to evaluate performance, risk, and profitability systematically.

Consumer behavior studies reveal that BNPL stimulates demand, increases merchant revenue, increases purchasing power, and drives luxury goods consumption (Khan & Haque, 2020; Kiran et al., 2024). The main advantages of BNPL in a competitive

environment include market expansion and increased overall sales, as BNPL enables retailers to reach consumers who face liquidity constraints, while also boosting conversion rates and average transaction values (Desai & Jindal, 2024). Empirical evidence shows that BNPL users tend to have higher order sizes and increase online spending by 6.42%, with younger and lower-income consumers driving most of this increase (Kumar et al., 2024). Moreover, by allowing payment deferral, BNPL encourages firms to raise prices without reducing demand, enhancing profitability while potentially reducing consumer surplus (Cheng & Huo, 2025; Johnson et al., 2021). Khan & Haque (2020) report that nearly 70% of BNPL users spend more than they would if paying upfront, highlighting the mechanism's impact on consumption patterns.

The number of installments and the amount of the first installment significantly influence consumer spending decisions when using BNPL services. Most of the spending effect is driven by the first installment, particularly its numerical value and presentation. The impact of the first installment's numerosity is key; a smaller first installment amount encourages higher spending (Ashby et al., 2025). Similarly, the adoption of BNPL installment payments is associated with both higher purchase frequency and larger transaction amounts. This spending increase is particularly pronounced among small-basket shoppers and those who previously relied more on credit than debit cards. Thus, BNPL installments enhance spending by alleviating perceived financial constraints through reduced perceived costs and improved budget management (Maesen & Ang, 2025).

The BNPL business model also affects merchant and platform dynamics. Merchants pay significant fees to BNPL providers in exchange for offloading credit risk and obtaining full purchase amounts upfront (Fisher et al., 2021). Providers, in turn, face profitability challenges due to operating costs, marketing, administrative and technology expenditures, and rising credit losses from their fee-dependent model (Cornelli et al., 2023). The competitive landscape reflects these pressures. BNPL providers can be broadly categorised into three segments: monoline specialists such as Afterpay, Klarna, Clearpay, and Sezzle; traditional lenders and incumbent banks; and large technology firms like Apple. Despite increasing competition, the market continues to attract new entrants due to the relatively low cost of customer acquisition, opportunities to deepen credit usage and engagement among existing customers, and the ability to extend credit access to new consumers, factors that collectively expand customer bases and spending volumes (Visa Consulting & Analytics, 2023). From a financing perspective, BNPL platforms often rely on venture capital during early scaling phases, while their liabilities typically consist of a mix of deposits, bonds, convertible notes, equity, and borrowings (Cornelli et al., 2023).

Regulatory concerns are prominent in the literature. Namely, credit risk stems from insufficient credit checks. Unlike traditional lending institutions, many BNPL providers do not conduct rigorous credit checks before approving loans. In an effort to make the loan approval process faster and easier, BNPL companies involve minimal or "soft" credit checks that do not affect the credit rating of the customer, but also do not provide a complete picture of their creditworthiness. This increases the risk of approving loans to customers who may not be able to repay their debts (Fisher et al., 2021). Moreover, credit risk is higher among BNPL users than traditional credit card users, as they tend to be younger, less educated, and carry more debt with lower credit scores, resulting in higher

late payment and credit loss rates. Consistent with this profile, BNPL charged to credit cards is most common among younger consumers and residents of the most socioeconomically deprived areas, reinforcing concerns about affordability and repayment capacity (Guttman-Kenney et al., 2023). As a result, BNPL experiences higher late payment and credit loss rates in the US compared to credit cards (Cornelli et al., 2023). The lack of standardized oversight has prompted consumer advocacy for protective regulations (Fisher et al., 2021).

However, a key drawback is that consumers may underestimate the true costs of BNPL, leading to over-indebtedness and poorer financial outcomes (Desai & Jindal, 2024). Namely, while BNPL functions as a convenient payment tool for financially stable consumers, it also attracts more vulnerable users who may face a heightened risk of overextension. (Larrimore et al., 2025). Studies highlight the potential for over-indebtedness, especially among financially fragile populations (Gilbert & Scott, 2023), with BNPL usage serving as both an indicator and an exacerbator of financial distress (Donou-Adonsou & Leslie-Piper, 2025). Underestimating the costs associated with BNPL leads consumers to make excessive or suboptimal purchases and exposes them to higher financial risks. This can also result in higher prices and reduced consumer welfare, as ignorance of these costs encourages over-indebtedness and poor financial decision-making (Desai & Jindal, 2024). Individuals with lower financial literacy and income are associated with higher BNPL adoption and over-indebtedness risks, which may pose additional financial challenges due to limited capacity to manage debt. Conversely, higher financial literacy and greater trust in the financial system can serve as protective factors, reducing the likelihood of future BNPL adoption and over-indebtedness (Cervellati et al. 2026).

Overall, these studies demonstrate that BNPL represents a disruptive yet complex innovation in financial services, with significant implications for consumers, merchants, and the broader economy. While prior studies provide insights into adoption drivers, financial inclusion, regulatory concerns, and potential risks such as over-indebtedness, there remains a gap in systematically comparing BNPL providers across global markets and linking firm-level and service-specific characteristics to performance outcomes. BNPL providers act as intermediaries between consumers and merchants, aligning them with two-sided market structures (Rochet & Tirole, 2003, Armstrong, 2006). In such platforms, pricing strategies and revenue generation depend on balancing participation on both sides of the market, often involving asymmetric fee structures. From a platform pricing perspective, late fees can be interpreted as part of a risk-pricing and cross-subsidization strategy (Rochet & Tirole, 2003). While BNPL services are often marketed as interest-free for consumers, providers may rely on penalty fees to monetize higher-risk users and compensate for low or zero upfront charges. Therefore, firms employing late fee mechanisms may generate higher revenues due to this dual pricing structure.

Credit assessment practices reflect a trade-off between accessibility and risk management (Stiglitz & Weiss, 1981), with reduced screening lowering entry barriers and expanding participation (Berg et al., 2020). From a market expansion perspective, softer or minimal credit checks reduce entry barriers, enabling firms to expand their user base and transaction volumes. This aligns with theories of demand expansion and customer

acquisition in platform markets, where lowering frictions increases participation. Consequently, firms with less stringent screening may achieve higher revenues through scale effects, despite higher exposure to credit risk. Firm size can be interpreted through resource-based and organizational perspectives. Larger firms possess greater financial, technological, and organizational resources, enabling them to scale operations, establish broader merchant networks, and exploit economies of scale (Barney, 1991). As a result, firm size is expected to be positively associated with revenue performance. Based on these theoretical considerations, the empirical analysis examines the extent to which these firm-level and service-level characteristics are associated with differences in revenue performance among BNPL providers. Thus, the present study develops a comprehensive database of BNPL providers worldwide, capturing both general company information and detailed service attributes. This approach enables a structured examination of factors affecting revenue generation and business strategy, providing empirical evidence to complement and extend the existing theoretical and descriptive work in the literature. The following section details the methodology employed to collect, verify, and analyze provider-level and service-level data, in the assessment of the BNPL market.

3. Methodology

The research on Buy-Now-Pay-Later (BNPL) service providers was conducted in four main stages: data collection, verification, database construction, and analysis. A comprehensive provider-level database was compiled to capture both firm-level characteristics and BNPL service-specific features. The database consists of two parts: the first includes general company information, while the second covers BNPL-specific service characteristics, such as repayment options, credit check, funding sources, and revenue models. The resulting dataset forms the basis for descriptive analysis and empirical investigation of factors influencing provider revenue.

Data collection was carried out in three steps. First, all relevant companies offering BNPL services were identified using Crunchbase, Dealroom, and publicly available sources between July 2024 and February 2025. Companies were initially filtered based on the presence of the terms “BNPL” or “buy now, pay later” in their name, tags, or descriptions, yielding 179 companies.

Given the absence of a universally accepted definition of BNPL services, additional screening criteria were applied to ensure consistency in sample selection. A company was classified as a BNPL provider if it satisfied the following conditions: (i) the service enables consumers to defer payments or divide purchases into installments; (ii) the transaction involves at least three parties (consumer, merchant, and provider); (iii) repayment periods are generally short-term (typically up to 12 months, with limited exceptions); (iv) user fees are low or absent; and (v) credit approval is rapid and digitally facilitated. This filtering step reduced the sample to 162 firms. A further verification process was conducted to ensure that companies were active and continued to offer BNPL services, resulting in a final sample of 149 providers. Firms were excluded if they had ceased operations, been acquired without maintaining BNPL activity, lacked verifiable information, or no longer met the BNPL classification criteria.

The first part of the database contains, besides company name, seven firm-level variables: year of establishment, industry, headquarters region, ownership status, financing stage, annual estimated revenue, and number of employees. The second part includes ten BNPL service-specific variables, capturing sales channel, business orientation, payment and repayment methods, deferment options, number of installments, payment frequency, credit checks, source of lending funds, and revenue model (merchant fees, customer fees, late fees).

The “estimated revenue” variable was primarily sourced from Dealroom. Dealroom provides revenue estimates based on a combination of publicly available financial information, registry data, market benchmarks, and proprietary predictive models. To improve data coverage, Crunchbase was used as a secondary source, with revenue estimates largely derived from Owler and produced using algorithmic estimation techniques and data partnerships. When values from both sources were available, Dealroom estimates were treated as the primary reference due to their greater consistency across observations, while Crunchbase estimates were used only to fill missing values. It should be noted that both sources rely on model-based approximations rather than audited financial statements. Consequently, the revenue variable should be interpreted as an indicative proxy rather than an exact measure of firm financial performance.

Data collection was conducted primarily using Dealroom between July 2024 and February 2025, with Crunchbase serving as a secondary source to complement missing observations. In cases where both sources provided data for the same variable, Dealroom information was prioritized due to greater internal consistency. Crunchbase was used exclusively to fill data gaps rather than to resolve discrepancies between sources.

The analysis of the dataset used descriptive statistics, as well as Mann-Whitney and Kruskal-Wallis tests to identify differences in revenue performance across BNPL providers. Given the exploratory nature of the dataset and the categorical structure of key variables, non-parametric methods were considered appropriate for an initial comparative analysis. Post-hoc pairwise comparisons were conducted using the Benjamini–Hochberg procedure to control for multiple testing.

It is important to note that the cross-sectional design of the study does not allow for causal inference. The observed relationships should therefore be interpreted as associations rather than causal effects. While non-parametric tests enable robust comparison across groups without imposing strong distributional assumptions, they focus on bivariate relationships and do not account for potential confounding factors or interaction effects. Consequently, the findings are indicative, and future research could extend the analysis using multivariate econometric approaches.

4. Results/findings

The BNPL sector exhibits rapid expansion and strong entry dynamics. Most providers in the sample were established after 2015, with peak firm formation between 2018 and 2020, confirming the acceleration of deferred payment solutions alongside the growth of e-commerce. However, the decline in new entrants in the most recent years suggests increasing market maturity and competitive pressure.

The industry is dominated by generalist rather than specialized providers. Approximately 88% of companies operate across multiple sectors instead of focusing on a single industry, indicating that BNPL functions primarily as a cross-sector payment infrastructure rather than a niche financial product. Firms most frequently identify with financial services, fintech, and payment solutions, highlighting the technological and platform-based nature of the business model. Overall, the evidence points to a young but increasingly consolidated industry characterized by numerous small and medium-sized firms and a limited number of large-scale market leaders.

4.1. Structural Characteristics of BNPL Providers Market

The descriptive analysis provides an overview of structural patterns within the global BNPL market, based on a sample of 149 providers. Statistics show that the BNPL market is young, fragmented, and growth-oriented, characterized by geographically concentrated activity, modest firm size, and ongoing financing cycles. Namely, Table 1 presents the distribution of BNPL providers across geographic location, ownership stage, estimated revenue size, employment scale, and funding status. The descriptive statistics indicate that the market remains concentrated in developed regions, with Europe accounting for the largest share of firms (30.2%), followed by North America (26.2%) and Asia (18.1%). Other regions individually represent less than 10% of the sample, suggesting that BNPL adoption is strongest in digitally mature economies with established e-commerce ecosystems and venture capital availability.

The ownership status and funding stage further confirms the early-stage nature of the sector. More than 90% of firms remain privately held, relying primarily on venture capital rather than public markets. A substantial proportion of providers are classified as Seed (25.5%) or have undergone mergers and acquisitions (20.8%), while fewer firms have progressed to later venture capital or public market stages. This distribution highlights the dynamic and consolidating character of the industry, where rapid entry and subsequent acquisitions are common.

Firm size indicators reveal that most BNPL companies operate with relatively limited organizational scale. Nearly half of the sample employs fewer than 50 workers, and only a small fraction exceeds 1,000 employees. This reflects the digital and automated nature of BNPL operations, where technological infrastructure substitutes for labor-intensive processes. Consequently, operational scalability appears to depend more on platform efficiency than workforce size. Similarly, estimated revenue figures are concentrated in the lower ranges, with the largest groups reporting annual estimated revenue between \$1M and \$10M (31.5%) or \$10M and \$50M (22.1%), while high-revenue providers remain comparatively rare. These findings suggest that the BNPL market is composed primarily of small and medium-sized fintech firms rather than large incumbent financial institutions.

Table 1: Structural characteristics of BNPL providers' market

Variable	Category	N	%
Region	Europe	45	30.2
	North America	39	26.2

	Asia	27	18.1
	Australasia	14	9.4
	Latin America	8	5.4
	Africa	8	5.4
	Middle East	8	5.4
Ownership status	Private	139	93.3
	Public	10	6.7
Funding stage	Seed	38	25.5
	M&A	31	20.8
	Late Stage Venture Capital	23	15.4
	Early Stage Venture Capital	14	9.4
	Series A	11	7.4
	Pre-Seed	10	6.7
	Debt Financing	9	6.0
	IPO	8	5.4
	Series B	5	3.4
Employees	11-50	42	28.2
	1-10	26	17.4
	51-100	25	16.8
	101-250	22	14.8
	251-500	10	6.7
	1001-5000	10	6.7
	501-1000	9	6.0
	10001+	3	2.0
	5001-10000	2	1.3
Estimated revenue	\$1M to \$10M	47	31.5
	\$10M to \$50M	33	22.1
	Less than \$1M	29	19.5
	\$50M to \$100M	15	10.1
	\$100M to \$500M	11	7.4
	\$500M to \$1B	8	5.4
	\$1B to \$10B	4	2.7
	\$10B+	2	1.3

Source: Authors' own dataset

4.2. Service Design and Operating Models

The analysis of service characteristics (Table 2) reveals a strong digital orientation. Over one-third of firms (35.6%) operate exclusively online, and the majority combine online and offline channels (58.4%). Purely physical models are rare (6.0%), underscoring the close relationship between BNPL and e-commerce. This distribution indicates the sector's strategic orientation on integrating BNPL solutions into diverse retail systems to maximize customer reach. The market is overwhelmingly B2C-oriented (94.0%), with limited emphasis on business clients, suggesting that the sector remains predominantly consumer-driven at this stage.

Payment solution and repayment methods are primarily conducted via cards or linked bank accounts, suggesting that, despite the emergence of alternative payment technologies, BNPL firms continue to rely on conventional card-based infrastructures for

recurring payments. More concretely, card-based solutions are foundational, as 27.5% of providers rely on debit or credit cards, followed by virtual cards (14.8%), app-based payments (14.1%), and QR-code-based systems (13.4%), a pattern that reflects strong embeddedness in existing merchant infrastructures and consumer payment habits. Repayment methods further underscore the dominance of card-linked instalments, which appear in 73.8% of cases, while alternative methods (bank transfers, linked accounts, digital wallets, mobile money) collectively remain less prevalent, each below 13% of the sample.

The distribution of payment frequency shows a clear dominance of monthly repayment cycles, with 30 day intervals used by 57.0% of BNPL providers. Biweekly repayment (14 days; 26.8%) represents the second most common pattern, while weekly plans (7 days; 16.1%) are applied by a smaller share of firms. This structure highlights the strong alignment of BNPL repayment schedules with traditional consumer billing cycles, especially monthly salary periods, suggesting an effort to reduce repayment burden and increase affordability. The presence of weekly and biweekly models demonstrates operational flexibility aimed at aligning repayment timing with diverse income frequencies across different consumer segments.

Repayment conditions are generally short term, reflecting the sector's focus on rapid repayment cycles and low-risk consumer financing. Most providers offer three to four installments with monthly or biweekly frequency, while long-term plans are uncommon. The most common configurations are 4 installments (32.9%) and 3 installments (22.1%), together accounting for more than half of all providers. A notable share also adopts 12-installment schemes (13.4%), while intermediate ranges such as 6 installments (6.0%) and 24 installments (8.1%) appear less frequently. Only a marginal proportion of providers offer extended repayment horizons of 36, or 60 installments, each 3.4% of the sample, indicating that long-term financing remains an exception rather than a norm in the BNPL market. These results show a strong concentration in short and medium installment structures, consistent with the BNPL model's positioning as an accessible alternative to traditional consumer credit.

The structure of payment deferral options further illustrates the short-term nature of most BNPL products. Nearly half of providers offer no delay (0 days; 47.0%), while the most prevalent payment deferral periods are 30 days (19.5%) and 14 days (16.8%). Longer extensions such as 60, 90 or 120 days are relatively rare and represent a minor share of the market. These features confirm that BNPL products function mainly as short-term liquidity tools rather than substitutes for traditional long-term credit.

Table 2: Organizational and operational indicators of BNPL providers' market

Variable	Category	N	%
Sales channel	Both online and in-store	87	58.4%
	Online	53	35.6%
	In-store	9	6.0%
Business orientation	B2C-oriented	140	94.0%
	B2B-oriented	9	6.0%
Payment solution	Debit card/Credit card	41	27.5%
	Virtual card	22	14.8%

	Via App	21	14.1%
	QR-code	20	13.4%
	Other	45	30.1%
Repayment methods	Debit card/Credit card	110	73.8%
	Link bank account	19	12.8%
	Bank transfer	8	5.4%
	Other	12	7.9%
Payment frequency (days)	7	24	16.1%
	14	40	26.8%
	30	85	57.0%
Number of installments	3	33	22.1%
	4	49	32.9%
	6	9	6.0%
	12	20	13.4%
	24	12	8.1%
	36	5	3.4%
	60	5	3.4%
	Other (5, 8, 10, 15, 18, 20, 26, 48)	16	10.7%
Payment deferral (days)	0	70	47.0%
	7	12	8.1%
	14	25	16.8%
	20	3	2.0%
	30	29	19.5%
	45	2	1.3%
	60	4	2.7%
	90	3	2.0%
	120	1	0.7%
Credit check	None	16	10.7%
	Soft credit check	73	49.0%
	Credit score-based check	26	17.5%
	Hard credit check	25	16.8%
	Instant credit check	9	6%
Company lending	Yes	128	85.9%
	No	21	14.1%
Merchant fee	Yes	132	88.6%
	No	17	11.4%
Customer fee	Yes	77	51.7%
	No	72	48.3%
Late fee	Yes	105	70.5%
	No	44	29.5%

Source: Authors' own dataset

Credit check practices vary substantially, but demonstrate general preference for less intrusive and faster evaluation processes. A large share of companies employ soft or minimal checks, and some conduct no verification at all. Namely, nearly half of providers use soft credit checks (49%), while credit score-based checks (17.5%) and hard credit checks (16.8%) play secondary roles. This operational flexibility reduces onboarding friction but may increase credit risk exposure, a trade-off frequently highlighted in the literature.

Funding structures indicate that most providers finance lending internally (85.9%), which means that the BNPL company covers the costs of deferred payments, while partnerships with banks or external platforms remain secondary. Such reliance on proprietary capital may support autonomy but raises concerns regarding long-term sustainability under rising default risk. The analysis of revenue models suggests that the BNPL business model is primarily merchant-driven. Merchant fees are the most widespread source of income and are charged by 88.6% of firms. Customer fees are also present in more than half of the cases (51.7%), whereas late fees, often considered a contentious yet significant revenue stream, are charged by 70.5% of providers. This structure reinforces the perception of “costless” consumer credit while transferring most costs to merchants or delinquent users. Thus merchants absorb a substantial portion of the cost in exchange for increased conversion rates and higher average order values, while customers face limited fees unless repayment delays occur.

Together, these findings illustrate that BNPL providers operate within a highly digitalized, short-term, and commercially integrated environment, where simplified credit checks, flexible payment interfaces, and merchant-funded revenue structures form the core of the industry’s business model. This positions BNPL providers as a flexible and consumer-friendly alternative to traditional installment credit, with significant implications for retail finance and consumer behavior.

Table 3 reports descriptive statistics for key contractual characteristics of BNPL services, including payment deferral in days, the number of installments, and payment frequency. The results mainly confirm previous results. The average delay period suggests that most firms offer only short-term payment deferrals, consistent with the positioning of BNPL as a short-maturity financing product rather than a traditional consumer loan. Similarly, the number of installments is concentrated around a small set of options, indicating that extended repayment schedules are relatively uncommon and offered by only a limited number of providers. Payment frequency exhibits moderate dispersion, reflecting differences in operational models, with monthly schedules prevailing but some firms adopting shorter repayment intervals.

The positive skewness observed for the first two variables suggests that longer payment deferral and higher number of installment counts are driven by a small subset of providers, while most firms cluster around standardized, short-term structures. Kurtosis values further indicate non-normal distributions, supporting the presence of concentrated market practices rather than uniform service designs. Overall, the descriptive evidence confirms that BNPL products predominantly rely on short-term, low-complexity repayment structures, which aligns with the sector’s emphasis on simplicity, rapid approval, and consumer accessibility.

Table 3. Descriptive characteristics of Service Design and Operating Models

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
Payment deferral (days)	13.99	7.0	120.0	0.0	20.27	2.37	7.4
Number of installments	10.93	4.0	60.0	3.0	13.1	2.35	5.42

Payment frequency (days)	22.0	30.0	30.0	7.0	9.52	-0.46	-1.58
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Source: Authors' own dataset

This structural profile of BNPL market provides important context for interpreting subsequent analyses of business models and revenue-related factors, as firm performance is likely shaped by both early-stage development constraints and competitive pressures within a rapidly evolving digital credit environment.

4.3. Revenue-related Factors

To identify factors associated with revenue performance, non-parametric tests were applied using revenue rank as the dependent variable. The Mann–Whitney analyses reveal that most structural and operational characteristics do not exhibit statistically significant differences in estimated revenue distributions across BNPL providers. Results in Table 4 indicate that only the presence of late fees is significantly associated with higher revenue categories ($U = 2871.0$, $p = 0.016$), meaning that firms charging a late fee exhibit consistently higher revenue ranks compared to those not charging such fees. Merchant fee presence shows a marginal relationship with revenue ($p = 0.093$). Other binary variables, including sales channels, business orientation, ownership status and customer fee presence, did not exhibit statistically significant differences in revenue distributions. These findings reinforce the interpretation that monetization mechanisms, especially late fees, are more influential predictors of BNPL firm revenue performance than customer segmentation or distribution channel characteristics.

Structural characteristics such as geographic location, number of employees, number of installments, payment frequency, payment deferral, credit check and revenue model combinations were additionally tested using Kruskal-Wallis test. The number of employees were converted into three analytically meaningful size classes: Small (≤ 50 employees), Medium (51–250 employees), and Large (> 250 employees).

Table 4. The result of the Mann-Whitney U test

Variable	Groups Compared	Mean Rank	Sum of Ranks	U	z	p-value
Sales channel	Online only	67.61	3583.50	2152.5	-1.552	0.111
	Other	79.08	7591.50			
Business orientation	B2C	74.12	10377.50	752.5	0.976	0.318
	B2B	88.61	797.50			
Ownership status	Private	73.82	10261.00	531.0	-1.244	0.202
	Public	91.40	914.00			
Merchant Fee Presence	Yes	77.08	10174.50	1396.5	1.639	0.093
	No	58.85	1000.50			
Customer Fee Presence	Yes	69.97	5387.50	2384.5	-1.472	0.131
	No	80.38	5787.50			
Late Fee	Yes	80.34	8436.00	2871.0	2.334	0.016

Presence	No	62.25	2739.00			
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Source: Authors' own dataset

The Kruskal–Wallis tests (Table 5) indicate that most structural and operational characteristics are not significantly associated with differences in revenue levels across BNPL providers. Geographic region, number of installments, payment frequency, and payment deferral all yield non-significant results (all $p > 0.24$). Credit check procedures exhibit a marginally significant association ($H = 8.839$, $p = 0.065$), with a small effect size ($\eta^2 \approx 0.03$), suggesting weak evidence that differences across credit check types are associated with variation in revenue levels. In contrast, two variables show clear and meaningful associations with revenue outcomes: firm size and revenue model combinations.

Larger firms, as expected, demonstrate substantially higher revenue categories compared to small and medium-sized firms ($H = 42.659$, $p < 0.001$, $\eta^2 \approx 0.28$), reflecting the strong link between scale advantages (distribution, underwriting capacity, merchant reach) and revenue capacity in the BNPL market. Likewise, business-model combinations based on fee structures also differ significantly in revenue performance ($H = 16.863$, $p = 0.004$, $\eta^2 \approx 0.08$). The highest-revenue groups are those combining merchant and late fees, followed by mixed-fee models, while “merchant-only” and “customer-only” models occupy substantially lower revenue tiers. Taken together, the findings indicate that organizational scale and multi-fee revenue models are significantly associated with higher revenue levels, whereas structural characteristics and most operational design features exhibit limited explanatory power.

Table 5. The result of the Kruskal-Wallis H test

Variable	χ^2	df	p-value	η^2	Post-hoc (MW)
Geographic region	2.18	6	0.902	0	none
Employees (Small / Medium / Large)	42.60	2	<0.0001	0.28	Medium vs Large Small vs Large Small vs Medium
Number of installments	12.05	14	0.602	0	none
Payment frequency	2.04	2	0.361		14 vs 30
Payment deferral	10.35	8	0.241	0.02	none
Credit check	8.84	4	0.065	0.03	Soft check vs Credit score-based check None vs Credit score-based check
Revenue model combinations	16.86	5	0.004	0.08	– Customer only vs Merchant + Late – Merchant + Customer vs Merchant only – Merchant + Customer + Late vs Merchant + Late – Merchant + Customer + Late vs Merchant only – Merchant + Late vs Merchant only

Source: Authors' own dataset

5. Discussions

This study contributes to the emerging literature on BNPL by shifting attention from consumer behavior toward provider-level market structure and firm performance. While previous research emphasizes adoption drivers (Dadra et al., 2024; Raj et al., 2025) and financial inclusion (Kiran et al., 2024), comparatively little evidence exists regarding the factors associated with provider success. The present findings address this gap through a systematic global comparison of 149 firms.

The descriptive results present BNPL as a young, venture-funded, digitally native industry, dominated by small firms and a few rapidly scaling leaders. This structure is similar to other fintech platform markets, where network effects and merchant partnerships drive rapid expansion but also heighten competitive pressures. The study provides empirical evidence on the structural composition of the BNPL market. Specifically, the dataset shows that the sector is dominated by small, privately held, early-stage firms. This finding extends existing literature by offering a systematic cross-country perspective based on provider-level data. This structural profile has important implications for the industry's ability to adapt to regulatory changes. Early-stage and smaller firms often operate with limited capital buffers and less developed risk management systems, which may restrict their capacity to comply with stricter credit regulations. As regulatory frameworks become more stringent, particularly in response to concerns about over-indebtedness and consumer protection, these firms may incur disproportionately higher adjustment costs compared to larger, more established providers.

Additionally, the observed reliance on soft credit checks is consistent with broader findings in the literature, which highlight the trade-off between rapid market expansion and increased exposure to credit risk. Consistent with prior studies highlighting accessibility as a defining feature of BNPL, the evidence shows that providers minimize friction through soft credit checks and short-term installment plans. These features likely explain widespread consumer adoption but simultaneously raise concerns about over-indebtedness and financial fragility documented in earlier research (Johnson et al., 2021; Gilbert & Scott, 2023; Kiran & Mishra, 2024; Desai & Jindal, 2024; Dong et al., 2025).

The statistical analysis suggests that financial performance is not primarily associated with geographic presence, product design, or repayment structure, even though installment design has been shown to meaningfully influence consumer spending, particularly through smaller first installments, which increase both purchase frequency and transaction size (Ashby et al., 2025; Maesen & Ang, 2025). While these findings may initially appear inconclusive, they provide important insight into the structure of the BNPL market. In particular, the absence of significant differences for variables such as the number of installments, payment frequency, and deferral periods suggests that front-end product design features may play a limited role in explaining revenue variation across providers.

One possible explanation is that BNPL services have become increasingly standardized in terms of user-facing features, with most providers offering similar short-term repayment structures and flexible payment options. As a result, differentiation may shift from product design towards back-end monetization strategies, such as fee structures and risk pricing mechanisms. Another explanation relates to the measurement of firm

performance. Since revenue is captured as a categorical proxy based on estimated values, it may not fully reflect more subtle differences associated with product design. Consequently, the absence of statistically significant associations should be interpreted with caution, as more granular financial data could reveal patterns not observable in the current dataset.

Instead, success depends on revenue architecture. Firms that combine merchant commissions with penalty-based fees tend to achieve higher revenue levels than those relying on a single income source. This finding aligns with platform pricing theory, which suggests that two-sided platforms use asymmetric pricing structures and cross-subsidization to maximize participation and revenue (Rochet & Tirole, 2003; Armstrong, 2006). In this context, late fees can be seen as a mechanism for monetizing higher-risk users and compensating for low upfront pricing, thereby supporting overall revenue generation. These findings suggest that BNPL sustainability depends on balancing customer acquisition with effective risk pricing. Looking ahead, achieving durable growth will require providers to embed advanced analytics, adhere to sustainability principles, and navigate tightening regulatory expectations. In this evolving environment, the long-term viability of BNPL models depends on their ability to move beyond narrow payment-splitting functions and develop into integrated financial ecosystems (Pandya & Govani, 2025).

Firm size is also significantly associated with revenue levels, with larger firms achieving higher revenue ranks than smaller and medium-sized providers. This can be explained by resource-based and organizational perspectives, which emphasize that firms with greater financial, technological, and managerial resources are better positioned to scale operations and expand market reach (Barney, 1991). Such capabilities enable larger providers to exploit economies of scale and build broader merchant and customer networks, contributing to stronger revenue performance.

The results provide marginally significant evidence that firms employing none or soft credit check may be associated with higher revenue levels, suggesting that credit check flexibility may contribute to BNPL growth and income generation. This relationship can be understood through the trade-off between accessibility and risk in credit markets (Stiglitz & Weiss, 1981). By lowering entry barriers and reducing informational frictions, BNPL providers may expand their user base and transaction volumes, consistent with fintech lending dynamics (Berg et al., 2020), albeit at the cost of increased exposure to credit risk. In particular, weak or absent credit checks lower entry barriers, expanding the eligible user base and facilitating rapid acquisition—mechanisms widely regarded as pivotal to the commercial success of BNPL services. Complementarily, financial flexibility features appear critical for enhancing customer satisfaction and loyalty, especially in an environment where consumers face a growing array of competing financial products (Raj & Rai, 2025). At the same time, this strategy entails a clear risk-return trade-off. While it accelerates scale and revenue, it can elevate default risk and attract heightened regulatory scrutiny. Consequently, although lax verification may be advantageous in the short run, tighter regulatory standards could materially reshape these dynamics. This concern is further intensified by the fact that regulatory uncertainty is widely recognized as a structural weakness of the BNPL sector, occurring precisely at a moment when policymakers are increasingly invoking formal oversight mechanisms to strengthen

consumer protection (Fisher et al., 2021; Kiran & Mishra, 2024; Dong et al., 2025). Still, from 10 June 2025 BNPL products in Australia are formally under credit regulation. The proposed framework subject BNPL providers to responsible lending obligations, marking a shift toward closer consumer protection. However, its effectiveness will depend heavily on how providers adjust their practices and on the oversight role of the Australian Securities and Investments Commission (Wilson, 2025).

BNPL also affects consumers' broader credit behavior: usage often coincides with migration to other credit instruments, such that consumers inclined to adopt BNPL are likewise more likely to take up additional credit, potentially raising aggregate financial risk exposure. These patterns underscore the importance of financial education and proportionate regulation to mitigate attendant risks and sustain market integrity (Cervellati et al., 2026).

Overall, the results indicate that BNPL providers succeed when they maximize accessibility while maintaining diversified revenue streams. However, the long-term viability of this model depends on managing credit risk and adapting to evolving regulatory frameworks (Guttman-Kenney et al., 2023).

The findings should be interpreted with caution, as the empirical design is cross-sectional and does not establish causality. For example, although certain revenue models and firm characteristics are associated with higher revenue levels, it is not possible to determine the direction of causality. Reverse causality may exist, particularly regarding firm size, where larger firms may adopt specific pricing strategies rather than these strategies leading to higher revenues.

6. Conclusions

Buy-Now-Pay-Later (BNPL) services have emerged as one of the most dynamic innovations in consumer finance, reshaping payment behavior and challenging traditional credit products. This study provides a systematic assessment of the global BNPL market through an original database of 149 providers, offering new evidence on industry structure, operating models, and factors associated with firm revenue performance. By shifting the analytical focus from consumer adoption toward provider-level characteristics, the research contributes to a more comprehensive understanding of how BNPL platforms compete and generate revenue.

The findings reveal that the BNPL industry remains young, digitally oriented, and highly fragmented. Most firms were founded within the past decade and operate primarily in Europe and North America, regions characterized by advanced digital infrastructure and strong venture capital activity. The sector is dominated by small and medium-sized fintech companies rather than traditional financial institutions, confirming the platform-based and technology-driven nature of BNPL services. Providers typically maintain lean organizational structures and rely on online channels, short-term installment plans, and simplified onboarding procedures, underscoring the importance of operational scalability and user convenience.

The empirical results further indicate that structural characteristics such as geographic location, sales channel, customer focus, or repayment design do not

significantly differentiate revenue outcomes. Instead, performance differences are largely explained by monetization strategies and credit risk practices. Providers that apply limited or soft credit checks and employ diversified revenue models combining merchant fees with late payment charges are consistently associated with higher revenue levels. These findings suggest that accessibility and revenue architecture play a more decisive role in short-term financial performance than strict screening or product complexity.

At the same time, this growth-oriented approach raises important concerns. While minimal credit checks may support customer acquisition and transaction volume, they also increase exposure to credit risk and potential over-indebtedness among financially vulnerable users. The findings therefore highlight a fundamental trade-off between rapid expansion and responsible lending. As BNPL adoption continues to expand, regulators and market participants will need to address this tension to ensure both innovation and consumer protection.

From a managerial perspective, the results indicate that sustainable performance depends on balancing scale with effective risk pricing. Diversified revenue sources and careful management of late payment policies appear particularly relevant for maintaining revenue. For policymakers, the evidence underscores the need for clear and consistent regulatory frameworks that protect consumers without undermining competition or technological progress.

This study contributes to the literature by offering one of the first cross-country, provider-level datasets on BNPL firms and by empirically identifying the characteristics most closely associated with revenue performance. Nevertheless, the study has several limitations that open avenues for future research. First, the analysis relies primarily on categorical revenue measures rather than detailed financial statements, which constrains the precision of profitability assessment. Second, the cross-sectional design captures current market conditions but does not address dynamic changes over time. Longitudinal analyses, as well as investigations of default rates, funding costs, and regulatory interventions, would provide valuable extensions. Further research could also explore regional differences in greater depth or examine how BNPL platforms integrate with traditional financial institutions.

Finally, the evidence suggests that BNPL services represent both an opportunity and a challenge for modern financial systems. While they enhance payment flexibility and expand access to short-term credit, their long-term viability depends on the ability of providers to manage risk responsibly and adapt to evolving regulatory expectations. Building on these insights, from both practical and policy perspectives, the sustainability of BNPL providers appears closely linked to their revenue model configuration. In particular, models that rely primarily on merchant fees are more aligned with long-term regulatory trends, as they maintain the perception of costless consumption while avoiding excessive dependence on penalty-based income. In contrast, business models that rely heavily on late fees, although associated with higher revenue levels in the current analysis, may face increasing regulatory scrutiny due to their potential links to consumer over-indebtedness and financial vulnerability.

At the same time, the dominance of small and early-stage firms indicates that the sector's ability to adapt to tightening regulatory frameworks may vary significantly across

providers. Firms with diversified revenue structures and stronger operational capacity are likely to be better positioned to absorb rising compliance costs and evolving consumer protection requirements. These findings point out the importance of aligning growth-oriented strategies with sustainable and regulation-compliant revenue models in the future development of the BNPL market.

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