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## Research On The Influence Of No-Cost EMI Consumer Credit On Buying Behavior In Digital Retail

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### Abstract

No-cost Equated Monthly Installment (EMI) schemes have become an integral component of India's rapidly expanding digital retail economy. By eliminating immediate financial burdens, these credit mechanisms enable consumers to access aspirational and high-value products with ease. This paper examines the influence of no-cost EMI on consumer buying behavior by analyzing secondary data from the IIM Ahmedabad report *Digital Retail Channels and Consumers: The Indian Perspective* (2024), based on responses from 35,869 consumers across India. Results demonstrate that EMI and Buy Now Pay Later (BNPL) options significantly enhance affordability, reduce psychological spending barriers, and stimulate discretionary purchasing, particularly among young and low-income consumers. Integrating behavioral economics, technology acceptance theories, and the philosophical critique of consumer culture by Adorno and Horkheimer's *Dialectic of Enlightenment*, this study highlights how digital retail systems shape consumer rationality, desire, and identity. Managerial implications for retailers, policymakers, and financial institutions are discussed.

### Keywords

No-Cost EMI, Consumer Behavior, Digital Retail, BNPL, Deferred Payment, Behavioral Economics, Dialectic of Enlightenment, India, Fintech, Online Shopping

### 1. Introduction

India's digital retail sector has undergone substantial expansion driven by affordable smartphones, internet penetration, and digital infrastructures such as UPI and ONDC. Within this ecosystem, no-cost EMIs have emerged as a crucial financial innovation allowing consumers to purchase premium goods without upfront costs. Such payment mechanisms reinterpret affordability by reducing consumers' psychological resistance to spending.

Research suggests that flexible credit tools not only enable purchasing but also modify perceptions of economic feasibility and desirability (Agarwal et al., 2021). However, limited scholarly attention has been given to the Indian context, especially regarding how no-cost EMIs influence consumer psychology in digital shopping. This study addresses this gap by analyzing large-scale secondary data and

integrating a philosophical perspective from Adorno and Horkheimer's *Dialectic of Enlightenment*, which critiques modern consumption and rationality.

## 2. Literature Review

### 2.1 Technology Adoption and Digital Financial Tools

The Technology Acceptance Model (TAM) proposed by Davis (1989) argues that perceived usefulness and ease of use strongly influence technology adoption. EMI tools embedded in checkout interfaces align with these factors. Similarly, the Unified Theory of Acceptance and Use of Technology (UTAUT) highlights social influence and facilitating conditions as major drivers of digital financial behavior (Venkatesh et al., 2003).

### 2.2 Behavioral Economics and Payment Psychology

Deferred payment mechanisms reduce the immediate “pain of paying” (Prelec & Loewenstein, 1998). Mental accounting theory suggests that consumers evaluate transactions differently when payments are broken into monthly installments rather than paid upfront (Thaler, 1985). This makes high price points feel more acceptable.

### 2.3 Consumer Credit and Digital Retail Spending

BNPL and EMI schemes increase expenditure on discretionary goods, enhancing cart value and facilitating aspirational purchases (Agarwal et al., 2021). In India, consumers aged 18–35 frequently rely on EMI to buy electronics, smartphones, and branded products (Mittal & Pandey, 2020). Studies show that EMI use is linked to financial empowerment as well as potential over-leverage if not regulated (Kumar & Gupta, 2021).

### 2.4 Digital Retail Trends in India

According to the IIM Ahmedabad study, electronics and fashion dominate online spending, with over one-third of consumers comparing EMI plans before purchasing. Younger consumers and middle- to low-income groups show a pronounced preference for EMI-based purchases (Setia et al., 2023).

### 2.5 Philosophical Perspective: Adorno & Horkheimer's *Dialectic of Enlightenment*

Adorno and Horkheimer (1944/2002) critique modern capitalist societies for transforming individuals into passive consumers shaped by the “culture industry,” which manufactures desires and promotes conformity.

#### 2.5.1 Algorithmic Persuasion and Mass Deception

Today's digital retail uses predictive algorithms, influencers, and targeted advertising to shape consumer desires—an updated version of what the authors describe as “mass deception.” No-cost EMI amplifies this by making premium consumption appear universally accessible.

#### 2.5.2 Instrumental Rationality and EMI Justification

Consumers rationalize purchases based not on total cost but on installment amounts (“only ₹999 per month”). Adorno and Horkheimer argue that this reflects a form of instrumental rationality—choices framed as logical but actually shaped by market structures.

### 2.5.3 Identity Construction Through Consumption

Modern consumers construct identity and status through products. EMI-driven purchases of smartphones, wearables, and branded fashion allow individuals to participate in lifestyle narratives curated by digital platforms.

### 2.5.4 Illusion of Choice in Digital Retail

Although digital retail appears to offer infinite choice, algorithmic curation narrows options and directs consumers toward profitable products. EMI schemes further bias consumer decisions toward higher-priced items.

This philosophical lens highlights how consumption in digital India is shaped not only by affordability but by deeper cultural and systemic influences.

## 3. Methodology

This study adopts a secondary data analysis design, drawing from IIM Ahmedabad's *Digital Retail Channels and Consumers* report (2024), which surveyed 35,869 consumers across 25 Indian states. Variables assessed include demographics, online shopping behavior, EMI usage, and payment preferences. Additional conceptual analysis integrates behavioral economics and critical theory to interpret patterns.

## 4. Findings

### 4.1 Consumer Profile and Digital Shopping Trends

- **Sample size:** 35,869
- **Demographics:** 52.2% male, 47.8% female
- **Age distribution:** 53% under 35 years
- **Income:** 78.6% households earn below ₹3.6 lakh/year
- **Online shopping adoption:** 72% began in the last 1–3 years
- **Top spending categories:** Electronics (₹3,250), Fashion (₹1,587)
- **Payment behavior:** 65% prefer cash-on-delivery; EMI use steadily rising
- **EMI comparison:** 37–42% compare EMI before buying

### 4.2 Influence of No-Cost EMI on Purchasing Behavior

- EMI significantly reduces perceived financial burden.
- Younger consumers prefer EMI to manage monthly budgets.
- Middle- and lower-income groups depend heavily on EMI for premium purchases.
- EMI increases demand elasticity for electronics, smartphones, and branded apparel.

### 4.3 Research Gaps Identified

- Limited behavioral research on **no-cost** EMI separately from regular EMI.
- Lack of longitudinal data on consumer indebtedness.
- Insufficient philosophical and socio-cultural analysis of digital consumption patterns.

## 5. Discussion

No-cost EMI has become a decisive factor in shaping consumer decisions in India's digital retail environment. EMI lowers financial and psychological resistance, making premium goods feel attainable. This behavior aligns with behavioral economics theories on payment framing and cognitive bias.

When interpreted through Adorno and Horkheimer's *Dialectic of Enlightenment*, EMI-driven consumption reflects the interplay between consumer freedom and market influence. Digital platforms present EMI as empowerment, yet they subtly shape desires and guide purchasing behavior, creating a sophisticated form of consumption-driven conformity.

Retailers benefit from higher conversion rates and increased average order value. However, policymakers must ensure transparent credit terms and promote financial literacy to protect vulnerable consumers from irresponsible borrowing.

## 6. Conclusion

No-cost EMI is a transformative tool influencing consumer buying behavior in digital retail. Its ability to reduce financial friction, enhance affordability, and stimulate aspirational consumption makes it central to India's e-commerce landscape. Integrating psychological, economic, and philosophical frameworks reveals that EMI not only impacts financial decisions but also shapes cultural identities and modern consumption norms.

This study extends current academic understanding by linking empirical findings with critical theory, demonstrating that consumer choices in digital retail are influenced by both personal utility and systemic persuasion.

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