



CELEBRATE SENSIBLY

APPROACH TO BUDGETING DURING THIS FESTIVE SEASON

The festive season is a time for joy, celebration, and cherished memories. However, the allure of festive shopping can sometimes lead to financial strain. This white paper aims to provide practical strategies for managing one's budget during festive seasons like Durga Puja or Diwali, while exploring the convenience of attractive financing schemes such as Buy Now, Pay Later (BNPL) and No-Cost EMI options offered by retailers. By understanding these schemes, you can enjoy the festivities without compromising your financial well-being.

UNDERSTANDING BUY NOW, PAY LATER (BNPL)

Buy now pay later (BNPL) has emerged as a popular financial tool that offers flexible payment options for various purchases. It allows consumers to make purchases upfront and pay for them in installments over a specified period, often interest-free. This can be particularly beneficial during festive seasons when the desire to splurge on gifts, decorations, and celebrations may exceed immediate financial capabilities.

UNDERSTANDING NO-COST EMI's

No-cost EMI stands for No-cost Equated Monthly Installments. It's a payment option often offered by banks, financial institutions, or retailers where you can purchase a product and pay for it in installments over a specified period without incurring any interest charges.

BEING MINDFUL OF OBLIGATIONS

Debt can be a powerful tool when used responsibly, but it can be a burden if not managed carefully.

Here are some ways you can watch out for yourselves:

REAL COST OF PART-PAYMENTS ON YOUR CREDIT CARD BILLS

Part-payments on a credit card mean carrying over a balance from month to month. This will incur interest payments at rates as high as 30%-35%, which can significantly increase your debt over time.

BE CAREFUL OF QUICK LOAN APPS

Quick loan apps often have high-interest rates and hidden charges. Before applying, carefully read the terms and conditions to understand the total cost of the loan. Your credit score, income, repayment history, existing relationship impact your loan's interest rate. Also, there have been cases reported of harassing follow-ups of missed repayments.

USE OF NO-COST EMI SCHEMES

No-cost EMI schemes might seem attractive, but they often have hidden charges or interest rates. It's essential to compare different offers and calculate the total cost before choosing one. These are often the best and transparent options.

BE WATCHFUL OF HIDDEN/ACTUAL INTEREST RATE IN BNPL AND NON-COST EMI SCHEMES

BNPL (Buy Now, Pay Later) and No-Cost EMI schemes usually have high effective interest rates (APR) or fees. Always read the fine print to understand the resultant true cost of the purchase.



HOW BUY NOW, PAY LATER (BNPL) WORKS

Actual cost (Rs)	EMI Plan	Interest (p.a.)	Total cost (Rs)
40,990	Rs 5,022 x 9 months	Rs 4,207 (24%)	45,197
40,990	Rs 3,876 x 12 months	Rs 5,522 (24%)	46,512

i. Credit limit is evaluated according to the credit score of the buyer.

ii. Pay in installment without a credit/debit card.

Source : Amazon.in

HOW EMI WORKS ON CREDIT CARDS

Bank	Processing Fee (Rs)	EMI Plan	Interest (p.a.)	Discount (Rs)	Total Cost (Rs)
RBL Bank	199	Rs 13,663 x 3 months	Rs 872 (13%)	872	40,990
HSBC Bank	99	Rs 13,663 x 3 months	Rs 1,004 (15%)	1,004	40,990
Standard Chartered Bank	410	Rs 13,663 x 3 months	Rs 798 (11.88%)	798	40,990
State Bank of India	199	Rs 13,663 x 3 months	Rs 1,102 (16.5%)	1,102	40,990
HDFC Bank	299	Rs 13,663 x 3 months	Rs 1,069 (16%)	1,069	40,990

i. The bank will continue to charge interest on No-Cost EMI plans as per existing rates. However, the interest to be charged by the bank will be passed on to you as upfront discount.

ii. Cost of full lump-sum payment remains same at Rs. 40,990.

Source : Amazon.in