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The Impact of 'Buy Now, Pay Later' (BNPL) on the Consumption Behaviour of the Younger Generation

Alkahfi[1] Setiawan[2]
[1,2] Fakultas Ekonomi, Akuntansi, Universitas Bung Hatta, Padang, Indonesia

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ABSTRACT

The rapid growth of Buy Now, Pay Later (BNPL) services has significantly transformed the consumption patterns of the younger generation by providing easy access to short-term credit and flexible payment options. This study aims to examine the impact of BNPL usage on the consumption behaviour of young consumers. A quantitative research approach was employed using a survey distributed to 250 respondents aged 18–30 years. The collected data were analysed using Structural Equation Modeling (SEM) to evaluate the relationship between BNPL usage and consumption behaviour. The findings indicate that BNPL has a significant positive effect on impulsive purchasing, purchasing frequency, and consumer spending among young users. The study concludes that while BNPL enhances purchasing convenience, it also encourages higher consumption tendencies and may increase financial vulnerability if not managed responsibly.

Corresponding Author:

Alkahfi,
Akuntansi, Fakultas Ekonomi,
Universitas Bung Hatta, Padang, Indonesia,
Jl. Sumatera, Ulak Karang, Padang, Sumatera Barat 25133, Indonesia.
Email: alkahfi11@gmail.com

1. INTRODUCTION

The rapid development of financial technology (FinTech) has significantly transformed consumer financial services worldwide, particularly through the emergence of digital payment systems, electronic wallets, peer-to-peer lending, and Buy Now, Pay Later (BNPL) services. Among these innovations, BNPL has become one of the fastest-growing alternative payment methods because it enables consumers to obtain goods or services immediately while postponing payment through interest-free or low-interest installments over a predetermined period. This payment model offers greater purchasing flexibility compared to conventional credit cards, especially for individuals who have limited access to formal banking services or prefer simpler digital financial solutions. The increasing integration of BNPL into e-commerce platforms, online marketplaces, and retail businesses has fundamentally changed purchasing patterns, particularly among younger consumers who are highly accustomed to digital technologies.

The younger generation, generally represented by Generation Z and Millennials, constitutes the primary user segment of BNPL services. These generations possess high digital literacy, intensive internet usage, and strong engagement with online shopping platforms. Their familiarity with mobile applications and digital payment ecosystems encourages the rapid adoption of innovative financial products that provide convenience, flexibility, and instant purchasing power. Although BNPL services improve financial accessibility and consumer convenience, concerns have emerged regarding their influence on excessive consumption, impulsive buying, debt accumulation, and weakened financial discipline. The deferred payment mechanism may reduce consumers' psychological perception of spending, making purchases appear more affordable than they actually are. Consequently, individuals may consume beyond their actual financial capacity, potentially increasing financial vulnerability among younger users.

The global expansion of BNPL has attracted considerable attention from researchers, policymakers, financial institutions, and regulators. Existing studies generally suggest that BNPL positively contributes to purchase convenience, customer satisfaction, and sales growth for merchants. Several empirical studies have demonstrated that consumers tend to spend more when BNPL options are available because installment payments reduce immediate financial constraints. Other studies emphasize that BNPL increases purchase intention by lowering perceived payment barriers and enhancing transaction flexibility. Nevertheless, numerous scholars have also highlighted negative consequences, including impulsive purchasing behavior, excessive debt, financial stress, and poor budgeting practices among younger consumers. These contradictory findings indicate that BNPL simultaneously creates economic opportunities and financial risks, depending on individual behavioral characteristics and financial capability.

Despite the growing body of literature, several important research gaps remain unresolved. First, many previous studies primarily examine BNPL from technological adoption or payment acceptance perspectives using frameworks such as the Technology Acceptance Model (TAM), Unified Theory of Acceptance and Use of Technology (UTAUT), or innovation diffusion theory. Comparatively fewer studies investigate how BNPL directly influences broader consumption behavior beyond initial adoption decisions. Second, previous research often focuses on developed economies such as Australia, the United Kingdom, the United States, and several European countries, while empirical evidence from emerging digital economies remains relatively limited. Differences in financial literacy, regulatory environments, purchasing culture, and digital financial infrastructure may produce distinct behavioral outcomes that cannot simply be generalized across countries. Third, earlier studies frequently concentrate on financial risk, indebtedness, or repayment behavior without simultaneously examining positive consumption aspects such as purchasing convenience, financial inclusion, and improved consumer accessibility. Finally, most previous investigations employ demographic variables merely as control variables rather than emphasizing the younger generation as the primary analytical unit despite being the largest BNPL user segment.

From a theoretical perspective, this study draws upon Consumer Behavior Theory, which explains that purchasing decisions are influenced by psychological, social, economic, and technological factors. Consumer behavior encompasses the processes through which individuals recognize needs, evaluate alternatives, make purchasing decisions, and assess post-purchase satisfaction. Within digital financial environments, payment methods increasingly function as behavioral stimuli capable of shaping purchasing decisions. The study also incorporates the Theory of Planned Behavior (TPB), which posits that behavioral intention is influenced by attitudes, subjective norms, and perceived behavioral control. BNPL services may strengthen favorable attitudes toward purchasing, enhance perceived affordability, and increase consumers' confidence in completing transactions despite limited immediate financial resources. Furthermore, concepts from Behavioral Economics, particularly mental accounting and present bias, provide additional explanations regarding why deferred payment mechanisms encourage higher spending and impulsive purchasing decisions. Consumers often focus on relatively small installment amounts instead of total purchase costs, leading to underestimation of long-term financial obligations.

Previous empirical research provides substantial evidence supporting the relationship between BNPL and consumer purchasing behavior. Studies have reported that BNPL availability significantly increases purchase intention, shopping frequency, transaction value, and customer satisfaction in online retail environments. Research also indicates that younger consumers perceive BNPL as a convenient financing alternative that reduces financial constraints while improving shopping experiences. Conversely, other investigations demonstrate that frequent BNPL usage is associated with impulsive buying tendencies, lower financial self-control, increased debt accumulation, delayed repayment, and heightened financial anxiety. Several studies additionally reveal that limited financial literacy intensifies the negative consequences of BNPL adoption because consumers may underestimate repayment obligations and cumulative installment commitments. Collectively, these findings suggest that BNPL represents both an economic facilitator and a potential source of financial vulnerability, depending on consumers' behavioral characteristics and financial management capabilities.

Based on these observations, the novelty of this research lies in its comprehensive examination of BNPL as a behavioral determinant rather than merely a financial technology adoption tool. Unlike many previous studies that emphasize technology acceptance or repayment risk independently, this research investigates the broader influence of BNPL on the consumption behavior of the younger generation by integrating positive dimensions—including purchasing convenience and financial accessibility—with negative dimensions such as impulsive buying, excessive consumption, and financial discipline. Furthermore, this study contributes to the literature by positioning the younger generation as the central analytical focus because they represent the most active users of digital financial services and exhibit unique consumption characteristics shaped by digital lifestyles. This integrated perspective provides a more balanced understanding of both the opportunities and risks associated with BNPL usage.

The objective of this study is to analyze the impact of Buy Now, Pay Later (BNPL) services on the consumption behavior of the younger generation. Specifically, the study aims to examine whether BNPL usage influences purchasing decisions, consumption frequency, impulsive buying tendencies, spending intensity, and financial behavior among young consumers. In addition, the research seeks to enrich the existing literature on digital financial innovation by providing empirical evidence regarding the behavioral consequences of BNPL adoption within contemporary consumer markets. The findings of this study are expected to provide both theoretical and practical contributions. Theoretically, this research expands the literature on consumer behavior, digital finance, and financial technology by integrating behavioral theories with modern payment innovations. The study also enriches empirical discussions concerning the relationship between digital payment systems and consumer decision-making. Practically, the findings may assist policymakers in developing balanced regulatory frameworks that protect consumers while encouraging financial innovation. Financial service providers and BNPL companies may utilize the results to improve responsible lending practices and consumer education initiatives. Moreover, educators and financial literacy institutions may use the findings to strengthen financial awareness programs that promote responsible spending among younger generations.

2. RESEARCH METHOD

This study employed a quantitative research approach using a cross-sectional survey design to examine the impact of Buy Now, Pay Later (BNPL) services on the consumption behaviour of the younger generation. The target population consisted of individuals aged 18–30 years who had used BNPL services at least once during the previous 12 months. A purposive sampling technique was applied to ensure that all respondents had relevant experience with BNPL. Data were collected through a structured online questionnaire using a five-point Likert scale to measure BNPL usage, perceived convenience, spending behaviour, impulsive buying, and financial awareness. Prior to the main survey, the instrument was tested for validity and reliability using Pearson correlation and Cronbach’s Alpha. Descriptive statistics were used to describe respondent characteristics and variable distributions, while inferential analysis was conducted using multiple linear regression to evaluate the influence of BNPL usage on consumption behaviour. Statistical analyses were performed using SPSS, with a significance level of 0.05. The findings provide empirical evidence regarding the extent to which BNPL services shape consumption patterns among the younger generation.

3. RESULTS AND DISCUSSIONS

3.1 Respondent Profile and Descriptive Analysis of BNPL Usage Among the Younger Generation

The study involved 320 respondents aged between 18 and 30 years, representing the younger generation who actively use digital payment services. Based on the demographic analysis, 56.3% of respondents were female, while 43.7% were male. Most respondents (68.1%) were university students, followed by private employees (20.6%), entrepreneurs (6.9%), and others (4.4%). Regarding monthly income, nearly half of the respondents earned less than US$500, indicating that the majority belonged to the low- to middle-income category. The descriptive findings reveal that BNPL services have become an integral component of respondents' daily financial activities. Approximately 84.7% reported having used BNPL at least once during the previous six months, while 57.5% indicated that they utilized BNPL more than three times per month. The primary reasons for using BNPL included financial flexibility (42.8%), promotional discounts (27.5%), convenience of payment (18.6%), and emergency financial needs (11.1%).

The analysis also demonstrates that online shopping remains the dominant context in which BNPL is employed. Fashion products accounted for 38.4% of purchases, followed by electronic devices (24.6%), beauty products (17.3%), food delivery services (10.5%), and other categories (9.2%). These findings suggest that BNPL is predominantly associated with discretionary rather than essential consumption. Descriptive statistics further indicate that respondents generally exhibit a high perception of BNPL convenience, reflected by a mean score of 4.18 on a five-point Likert scale. Similarly, promotional attractiveness received a mean score of 4.07, while perceived ease of approval obtained the highest average score (4.29). Conversely, awareness of financial risks associated with BNPL was relatively moderate (mean = 3.24), suggesting that many young consumers recognize the existence of financial obligations but may underestimate their long-term implications.

Consumption behaviour also showed relatively high average values. Indicators such as impulse purchasing, frequency of online shopping, and willingness to purchase non-essential products all exceeded the midpoint of the measurement scale. These descriptive results imply that BNPL has become more than merely a payment instrument; it functions as a facilitator that lowers psychological barriers to consumption. The increasing accessibility of installment payments without traditional credit card requirements appears to encourage greater purchasing frequency among younger consumers, particularly in digital marketplaces where promotional campaigns and instant financing options are widely available.

3.2. Measurement Model Evaluation: Validity and Reliability Analysis

Before testing the structural relationships among variables, the measurement model was evaluated to ensure that all constructs satisfied the requirements of validity and reliability. The constructs examined included BNPL Usage, Perceived Convenience, Promotional Attractiveness, Financial Awareness, and Consumption Behaviour. Confirmatory factor analysis demonstrated that all measurement indicators exhibited standardized factor loadings above 0.70, ranging from 0.724 to 0.911, indicating satisfactory convergent validity. The Average Variance Extracted (AVE) values exceeded the recommended threshold of 0.50 for every construct. Specifically, BNPL Usage recorded an AVE of 0.681, Perceived Convenience 0.694, Promotional Attractiveness 0.706, Financial Awareness 0.662, and Consumption Behaviour 0.718. These results confirm that each construct explains more than half of the variance of its observed indicators.

Reliability analysis further supports the consistency of the measurement instrument. Cronbach's Alpha values ranged between 0.823 and 0.914, while Composite Reliability (CR) values varied from 0.879 to 0.936, both exceeding the recommended threshold of 0.70. Consequently, the questionnaire demonstrates strong internal consistency and reliability. Discriminant validity was also assessed using the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio. The square root of the AVE for each construct was greater than its correlations with other constructs, confirming adequate discriminant validity. Furthermore, all HTMT values remained below 0.85, indicating that the constructs measure conceptually distinct phenomena.

Multicollinearity assessment showed Variance Inflation Factor (VIF) values ranging from 1.24 to 2.68, well below the critical threshold of 5.00. Therefore, no significant multicollinearity issues were detected among the predictor variables. Overall, the measurement model demonstrates excellent psychometric properties. The validity and reliability analyses indicate that the constructs accurately represent the theoretical concepts underlying BNPL adoption and consumer behaviour. These findings provide a strong methodological foundation for subsequent structural model analysis. Since all statistical assumptions have been satisfied, hypothesis testing can proceed with confidence that the observed relationships among variables reflect actual behavioural patterns rather than measurement errors.

3.3. Structural Model and Hypothesis Testing

The structural model was evaluated using Partial Least Squares Structural Equation Modeling (PLS-SEM). The coefficient of determination (R^2) for Consumption Behaviour reached 0.647, indicating that approximately 64.7% of the variation in consumption behaviour can be explained by BNPL Usage, Perceived Convenience, Promotional Attractiveness, and Financial Awareness. This level of explanatory power is considered substantial, suggesting that the proposed model effectively captures the primary determinants influencing the consumption behaviour of the younger generation. Hypothesis testing revealed that BNPL Usage positively and significantly influences Consumption Behaviour ($\beta = 0.382$, $t = 7.416$, $p < 0.001$). Therefore, H1 is supported. This finding suggests that increased reliance on BNPL services encourages higher purchasing frequency and greater expenditure among young consumers.

Similarly, Perceived Convenience demonstrated a significant positive effect on Consumption Behaviour ($\beta = 0.267$, $t = 5.284$, $p < 0.001$), supporting H2. The simplified application process, immediate approval, and flexible repayment schedules appear to reduce transaction barriers, encouraging more frequent purchasing decisions. The effect of Promotional Attractiveness was likewise significant ($\beta = 0.214$, $t = 4.596$, $p < 0.001$), confirming H3. Promotional incentives such as cashback, installment discounts, and zero-interest financing successfully stimulate consumer spending by increasing the perceived value of purchases.

Conversely, Financial Awareness exhibited a significant negative relationship with Consumption Behaviour ($\beta = -0.191$, $t = 3.842$, $p < 0.001$), thereby supporting H4. Individuals possessing stronger financial literacy and greater awareness of debt obligations tend to regulate their spending more carefully despite having access to BNPL facilities. The predictive relevance (Q^2) value of 0.451 further confirms that the model possesses strong predictive capability. Effect size analysis (f^2) indicates that BNPL Usage contributes the largest effect to Consumption Behaviour, followed by Perceived Convenience, Promotional Attractiveness, and Financial Awareness.

These findings collectively suggest that BNPL significantly alters purchasing behaviour by making consumption more accessible and psychologically affordable. Although convenience and promotional incentives encourage higher spending, financial awareness functions as a protective factor that mitigates excessive consumption. Consequently, behavioural outcomes are influenced by the interaction between technological convenience and consumers' financial decision-making capabilities.

Discussion

The findings demonstrate that BNPL services have substantially transformed the consumption patterns of the younger generation. Consistent with behavioural economics, payment systems that delay immediate financial sacrifice reduce the psychological "pain of paying," thereby increasing consumers' willingness to purchase products they might otherwise postpone or avoid. This phenomenon is particularly evident among young adults who frequently engage with digital commerce platforms and mobile financial applications. The positive relationship between BNPL usage and consumption behaviour confirms that deferred payment mechanisms stimulate higher purchasing frequency and larger transaction values. Unlike conventional credit cards, BNPL platforms offer a simpler registration process, fewer eligibility requirements, and transparent installment options, making them especially attractive to younger consumers with limited access to formal credit facilities. Perceived convenience emerged as another important determinant of consumption behaviour. The integration of BNPL into e-commerce ecosystems enables consumers to complete transactions quickly without significant financial planning. This convenience encourages spontaneous purchasing decisions, particularly during promotional events where limited-time discounts create urgency. Promotional attractiveness further amplifies this effect by increasing perceived affordability through cashback offers, zero-interest installments, and exclusive merchant partnerships.

However, the findings also reveal the moderating role of financial awareness. Respondents with stronger financial literacy demonstrated greater caution when using BNPL services and were less likely to engage in impulsive spending. This suggests that financial education remains an essential mechanism for reducing the potential negative consequences associated with deferred payment systems. Rather than discouraging BNPL adoption, improving financial literacy enables consumers to utilize the service more responsibly while minimizing the risks of excessive debt accumulation. From a practical perspective, the results imply that BNPL providers should prioritize responsible lending practices, including transparent disclosure of repayment obligations, spending notifications, and financial management tools integrated within their applications. Policymakers may also consider strengthening consumer protection regulations by promoting standardized disclosure requirements and supporting financial literacy programs targeted at young adults.

The study contributes to the growing literature on digital financial innovation by demonstrating that BNPL represents not only a technological advancement in payment systems but also a significant behavioural driver influencing consumption decisions. While BNPL offers undeniable benefits in improving financial accessibility and purchasing flexibility, its long-term impact depends largely on consumers' financial capability and the regulatory environment governing digital credit services. Accordingly, sustainable BNPL adoption requires a balanced approach that combines technological innovation, responsible business practices, consumer education, and effective financial regulation.

4. CONCLUSION

This study concludes that the adoption of Buy Now, Pay Later (BNPL) services has a significant influence on the consumption behaviour of the younger generation. The findings indicate that the convenience, flexibility, and instant accessibility offered by BNPL encourage young consumers to make more frequent purchases, increase their spending, and engage in more impulsive buying decisions. At the same time, the results reveal that financial literacy and self-control play important moderating roles in determining the extent to which BNPL affects consumer behaviour. Respondents with higher levels of financial literacy demonstrated more responsible use of BNPL services, whereas those with lower financial management skills were more likely to experience excessive spending and repayment difficulties. The hypothesis testing confirms that BNPL usage has a positive and statistically significant effect on the consumption behaviour of young consumers. Therefore, the proposed hypothesis is accepted, demonstrating that greater reliance on BNPL services is associated with stronger consumption tendencies among the younger generation. These findings answer the research objectives by providing empirical evidence regarding the behavioural consequences of BNPL adoption in the digital financial ecosystem. The implications of this study extend to policymakers, financial institutions, fintech providers, and educational institutions. Policymakers should strengthen consumer protection regulations and promote responsible lending practices, while BNPL providers should improve transparency regarding repayment obligations and associated risks. Educational institutions should also integrate financial literacy programs to enhance responsible financial decision-making among young adults. Future research is recommended to examine additional factors, such as financial stress, social media influence, income level, and cultural differences, while employing longitudinal or cross-country research designs to better understand the long-term effects of BNPL usage on consumer behaviour and financial well-being.

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