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# STUDY ON IMPACT OF BUY NOW, PAY LATER (BNPL) SERVICES ON YOUNG GENERATION'S SPENDING HABITS

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## ABSTRACT

*The digital transformation of financial services has led to the emergence of Buy Now, Pay Later (BNPL) schemes, which are rapidly gaining popularity among the younger generation. BNPL services allow users to delay payments without upfront interest, often integrated seamlessly into e-commerce platforms and shopping apps. While these platforms promise financial convenience and flexibility, they also risk fostering impulsive consumption, encouraging over-indebtedness, and contributing to long-term financial stress especially among youth with limited financial literacy.*

*This study examines the psychological and behavioural impact of BNPL on young consumers' spending habits. Drawing upon behavioral finance and technology acceptance theories, a conceptual model is developed incorporating variables such as perceived ease of use, BNPL awareness, accessibility, behavioral intention, spending habits, and financial impact. Using quantitative research methods and a structured Likert-scale questionnaire, the study explores how these factors interact to shape user behavior and financial outcomes.*

*The research reveals a strong correlation between behavioral intention and increased discretionary spending, driven largely by the accessibility and convenience of BNPL services. Moreover, low levels of financial awareness and risk perception contribute to uninformed decision-making. The findings underscore the urgent need for targeted financial education and more transparent digital lending frameworks to ensure sustainable and responsible BNPL use among young consumers.*

**KEY WORDS:** *Buy Now Pay Later (BNPL), Youth Spending Behavior, Perceived Ease of Use, BNPL Awareness, BNPL Accessibility, Behavioral Intention (BI), Financial Literacy, Financial Stress, Impulsive Buying, Buy Now Pay Later (BNPL), Youth Spending Behavior, Perceived Ease of Use, BNPL Awareness, BNPL Accessibility, Behavioral Intention (BI), Financial Literacy, Digital Financial Services, Financial Stress, Impulsive Buying*

## INTRODUCTION

In today's digital age, Buy Now, Pay Later (BNPL) services have quickly become popular, especially among Gen Z and millennials. These services are often built right into shopping apps and websites, letting people buy what they want immediately and pay for it later in smaller, interest-free amounts. This setup is especially attractive to young people because it's simple, flexible, and fits well with their tech-savvy, fast-paced lifestyles.

But young consumers often show a mismatch between how they like to spend and how well they manage their money. While BNPL may offer instant rewards, it can also create financial trouble down the line especially for those who don't fully understand the terms, extra fees, or how delayed payments can affect their mind set. Many young users still lack strong financial knowledge, and BNPL might be encouraging habits like impulsive shopping, emotional spending, and growing debt.

This study looks into how BNPL affects the spending behavior of young people. It focuses on what motivates them to use it, how easy they find it, and how aware they are of its risks and benefits. The research uses a mix of behavioral finance ideas, the Theory of Planned Behavior (TPB), and technology adoption models to build its framework. Similar to how people adopt financial tools like SIPs based on how useful and understandable they seem, BNPL usage appears to be driven by convenience and easy access—but shaped by how much the user understands finances and their intentions behind spending.

### Research Gap

Despite the growing popularity of Buy Now, Pay Later (BNPL) services among youth, there is a lack of empirical research that uses established behavioral models to examine their psychological and financial impact. Most existing studies focus on adoption and convenience but overlook how BNPL affects actual spending behavior, financial discipline, and long-term wellbeing. While frameworks like TAM and TPB are often used in digital payment research, few studies apply them to BNPL's post-adoption effects such as impulsive buying or financial stress. This study addresses the gap by integrating factors like BNPL usage experience, financial awareness, and behavioral intention into a single model, aiming to better understand youth spending behavior and support responsible usage through informed policy and education.

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## OBJECTIVES

- The study explores how the ease and availability of BNPL services affect young people's intention to use them and their spending habits.
- It examines their awareness of BNPL terms, risks, and the impact on budgeting, savings, debt, and financial stress.
- The research also aims to build a simple model to explain how BNPL influences youth behavior and financial decisions.

## LITERATURE REVIEW: (THEMATIC REVIEW)

Buy Now, Pay Later (BNPL) services have significantly influenced the spending habits of the younger generation by offering flexible, interest-free payment options that reduce the immediate psychological burden of purchases. This “pain of paying” is minimized through delayed payments, leading to increased impulsive buying and a perception of affordability among Millennials and Gen Z consumers (Relja et al., 2024). Many young users view BNPL as a budgeting or savings tool rather than a credit product, often overlooking repayment obligations and the potential for debt accumulation (Sharma et al., 2021; Citizens Advice, 2022). The seamless integration of BNPL at online checkouts and its minimal access barriers make it especially attractive to tech-savvy youth, but also raise concerns about financial literacy, transparency, and long-term financial wellbeing. As a result, while BNPL offers short-term convenience, it may foster risky financial behaviors and stress among young consumer

Buy Now, Pay Later (BNPL) services have reshaped young consumers' spending habits by offering interest-free instalment plans that reduce the immediate psychological burden of payment (Relja et al., 2024). This reduced “pain of paying” encourages impulsive and frequent purchases, especially among Millennials and Gen Z, who are attracted to BNPL’s convenience and accessibility. However, many young users perceive BNPL as a budgeting tool rather than a credit product, often underestimating repayment obligations and financial risks. Similar patterns are observed in online shopping behavior, where factors such as service quality, price, website usability, and payment security significantly influence youth purchasing decisions (Hasan et al., 2022). While BNPL promotes ease and financial flexibility, it may also contribute to poor financial management and long-term debt if not properly regulated or understood.

The emergence of Buy Now, Pay Later (BNPL) services has transformed the financial behavior of the younger generation by offering short-term, interest-free instalment options that reduce the perceived burden of payment. This aligns with the broader digital shift observed in youth purchasing behavior, where convenience, flexibility, and technological integration are prioritized. According to Relja et al. (2024), psychological factors such as reduced "pain of paying," positive attitudes toward deferred payments, and perceived ownership of borrowed funds significantly influence young users' BNPL adoption. These services are often seen by youth as budgeting tools rather than credit mechanisms, increasing the risk of overspending and financial mismanagement. Similar patterns are evident in youth smartphone purchasing behavior during the COVID-19 pandemic, where factors like product features, brand image, and price influenced purchase intention more than social influence (Rakib et al., 2022). Both studies highlight that young consumers are increasingly self-directed, tech-savvy, and influenced by perceived value rather than traditional social norms. While BNPL enhances access to goods and supports financial inclusion, the literature warns of its potential to encourage impulsive spending and long-term debt, especially among financially inexperienced youth. Therefore, understanding the behavioral and psychological drivers of BNPL use is crucial to evaluating its true impact on youth spending habits.

Schomburgk and Hoffmann (2023) delve into the rising popularity of Buy-Now-Pay-Later (BNPL) services and their psychological and financial consequences, particularly within the Australian consumer landscape. Their research is grounded in behavioral science and financial well-being literature, specifically drawing from Brüggen et al.’s (2017) framework, to investigate how personal factors like mindfulness, impulse buying tendency, and financial self-control influence BNPL usage and, ultimately, consumers’ overall well-being. The authors highlight that BNPL schemes, while marketed as interest-free and user-friendly, exploit psychological vulnerabilities such as the desire for instant gratification and low self-regulation, often leading to financial stress and decreased long-term financial security. By framing mindfulness as a protective psychological trait, they propose it can disrupt these harmful spending patterns by encouraging present-moment awareness and more intentional decision-making. Their empirical analysis, using structural equation modeling on a representative Australian sample, confirms that mindfulness reduces BNPL usage indirectly by lowering impulsivity and enhancing financial control. Furthermore, excessive BNPL use correlates with heightened current money management stress and lower perceived future financial security, both of which mediate its negative impact on overall well-being. The study underscores the urgent need for policy interventions, financial education, and digital mindfulness integration in FinTech to counteract the adverse effects of emerging digital credit tools.

The psychological and behavioral dimensions of consumer interaction with BNPL (Buy-Now-Pay-Later) services present a complex and increasingly relevant area of study. Schomburgk and Hoffmann (2023) examine how the frictionless and often unregulated nature of BNPL schemes reduces consumers’ cognitive awareness during purchases—much like other digital payment systems—by minimizing the “pain of paying.” Their research reveals that this ease of access, especially among younger demographics, heightens susceptibility to impulse buying and erodes long-term financial self-regulation. However, the authors also highlight the counterbalancing potential of mindfulness a cognitive trait associated with present-moment awareness—which can act as a psychological buffer, reducing impulsivity and enhancing financial self-control. Empirical findings from a representative Australian sample show that higher mindfulness is associated with reduced BNPL usage, mediated by lower impulse buying tendency and increased self-discipline in spending. Notably, excessive BNPL use was also linked to increased money management stress and

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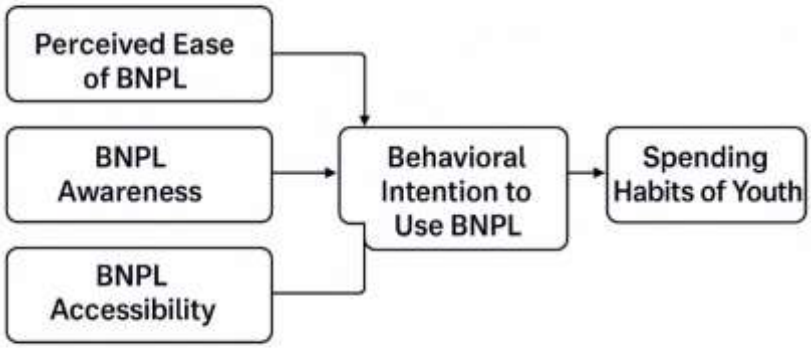
diminished perceived future financial security, ultimately lowering overall well-being. These insights underscore both the risks posed by digital payment innovations and the importance of psychological interventions and financial education in cultivating healthier financial behaviors.

Sinnewe and Nicholson (2023) provide a nuanced examination of the formation of financial habits in young adults, particularly as they enter full-time employment—a life stage marked by increased financial responsibility and autonomy. Their study challenges the traditional assumption that financial literacy alone is the primary driver of sound financial behavior. Instead, using the Theory of Planned Behavior (TPB) and Family Financial Socialization (FFS) as theoretical frameworks, they argue that motivational factors and social influences such as parental modeling, romantic partnerships, and past experiences with financial hardship play a more substantial role in shaping financial decision-making. The study's findings reveal that individuals in committed relationships tend to have longer financial time horizons, more structured savings behavior, and greater future orientation. Conversely, single individuals were more focused on short-term financial goals and less likely to engage in proactive planning. Interestingly, the research also notes that subjective financial literacy (how financially confident individuals feel) is often unrelated to actual financial habits or outcomes, reinforcing existing critiques in the literature that knowledge alone does not guarantee behavior change (Fernandes et al., 2014; Santini et al., 2019). The authors advocate for a life-stage–based, socially contextual approach to financial education—one that emphasizes engagement and motivation as catalysts for behavior change, especially during key transitional moments in young adulthood.

The rise of Buy Now Pay Later (BNPL) services has reshaped consumer credit, especially among Generation Z. Studies show that Gen Z, being digital natives, prefer fast, easy-to-access payment options over traditional credit due to their limited financial history. However, this convenience often leads to impulsive spending and a lack of awareness about repayment obligations. Research highlights that Gen Z has the highest loan default rates among all generations, largely due to short employment tenure and unstable income. While millennials use BNPL more frequently, Gen Z's defaults pose a higher credit risk. Prior literature suggests that although Gen Z is aware of the downsides of debt, they still engage heavily in online shopping, driven by convenience and product accessibility. Studies such as Gerrans et al. (2022) and Lia & Natswa (2021) emphasize that low financial literacy and high consumption intentions contribute to BNPL misuse. Exploratory Data Analysis (EDA) and machine learning methods have been applied to uncover these behavioral patterns. Using real-world datasets, researchers have identified key variables like age, employment duration, and income as predictors of default risk. Matrix visualization tools further reveal correlations between financial variables. Findings stress the need for targeted financial education for Gen Z. Moreover, predictive analytics can help BNPL providers identify high-risk users. Ultimately, literature points to a dual nature of BNPL—convenient yet risky.

In conclusion, the literature collectively underscores that while Buy Now, Pay Later (BNPL) services offer convenience, flexibility, and accessibility—particularly appealing to Millennials and Gen Z—they also introduce significant financial risks due to impulsive buying behaviors, low financial literacy, and misunderstanding of credit obligations. The psychological reduction of the "pain of paying," combined with the seamless integration of BNPL at online checkouts, encourages overspending and contributes to rising default rates, especially among financially inexperienced users like Gen Z. Studies reveal that mindfulness, social influences, and financial self-control are crucial psychological and behavioral factors influencing BNPL usage and overall financial well-being. Furthermore, machine learning and exploratory data analysis provide valuable insights into identifying at-risk users based on variables such as age, income stability, and employment history. Overall, while BNPL supports financial inclusion and modern consumer preferences, its widespread adoption among youth demands stronger financial education, responsible design by providers, and targeted policy interventions to prevent long-term financial harm and promote sustainable financial habits.

**Conceptual Model**



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**Technology Acceptance Model (TAM) - developed by Fred D. Davis (1989)**

This model provides a structured framework for understanding the psychological and behavioral mechanisms that drive BNPL adoption among young consumers. Perceived Ease of BNPL reflects the effortlessness and convenience perceived by users when utilizing BNPL platforms. BNPL Awareness assesses the level of knowledge and understanding young consumers have about these services, while BNPL Accessibility captures the ease with which users can access BNPL at checkout or through apps. Together, these constructs are hypothesized to shape the Behavioral Intention to Use BNPL, a direct predictor of altered spending behaviors such as increased impulsivity or reduced cost sensitivity.

By visually mapping these relationships, the model enables empirical testing of how technological and informational factors influence financial behaviors. Grounded in TAM and extended with behavioral finance insights, this framework is particularly relevant to the Indian digital credit ecosystem, where BNPL adoption is rapidly rising among digitally native youth. The model thus offers valuable implications for fintech companies, educators, and policymakers aiming to encourage responsible BNPL use and improve financial outcomes among young users.

## RESEARCH METHODOLOGY

### Research Method

The research employs a survey-based quantitative method to collect primary data. A structured questionnaire will be developed and distributed among BNPL users across different demographic profiles using non-probability convenience sampling. The questionnaire will include Likert-scale-based items to measure perceptions, awareness levels, and behavioral tendencies. Data collected will be analysed using statistical tools such as SPSS or SmartPLS, involving descriptive statistics, correlation, and structural equation modeling (SEM) or regression analysis to test the relationships defined in the conceptual model.

This method is appropriate for analyzing behavioral patterns on a large scale, drawing generalizable conclusions about how BNPL systems impact young generation spending habits.

1. **Research Design**
   The study follows a quantitative, descriptive, and causal research design. The descriptive element seeks to capture the current trends and perceptions regarding BNPL systems, while the causal component examines the impact of selected independent variables on consumer spending behavior. This design enables testing of the proposed conceptual framework through measurable constructs, ensuring reliability and validity of results.
2. **Research Method**
   A survey method is employed, making use of a structured questionnaire as the primary tool for data collection. This approach is appropriate for large-scale behavioral studies and allows for standardized data that can be statistically analyzed. The survey includes statements measured on a 5-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree."
3. **Sampling Technique**
   The study adopts a non-probability convenience sampling method due to ease of access to respondents and time constraints. The target population includes active users of digital payment platforms such as UPI, Google Pay, PhonePe, and Paytm. The sample size is expected to range between 150–300 respondents, depending on response availability, ensuring enough data for statistical testing.
4. **Data Collection Tools**
   • Primary Data: Structured online/offline questionnaires
   • Sections in Questionnaire: ✓ Demographics (age, gender, occupation, location, etc.) ✓ BNPL usage and use
   ✓ Financial awareness
   ✓ Behavioral Intentions
   ✓ Spending habits
   ✓ Financial impact
   All constructs are measured using validated scale items adapted from previous scholarly works.
5. **Hypotheses**
   Based on the conceptual model, the following hypotheses will be tested:
   **H1**: Perceived Ease of BNPL has a significant positive influence on the Behavioral Intention to Use BNPL.
   **H2**: BNPL Awareness has a significant positive influence on the Behavioral Intention to Use BNPL.
   **H3**: BNPL Accessibility has a significant positive influence on the Behavioral Intention to Use BNPL.
   **H4**: Behavioral Intention to Use BNPL has a significant positive impact on the Spending Habits of Youth.
6. **Analytical Tools & Techniques**
   The data will be analyzed using:
   Descriptive Statistics (to summarize demographics and variable averages)
   Reliability Analysis (Cronbach's Alpha) (to test internal consistency)
   Correlation Analysis (to examine relationships between variables)
   Regression Analysis / Structural Equation Modeling (SEM) (to test hypotheses and the strength of relationships)
   Smart PLS software will be used for all statistical analyses.

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**Descriptive Statistics**

| Name | No. | Type | Missings | Mean | Median | Scale min | Scale max | Observed min | Observed max | Standard deviation | Excess kurtosis | Skewness | Cramér-von Mises p value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BNPL UE 1 | 1 | MET | 0 | 4.102 | 4 | 1 | 5 | 1 | 5 | 0.823 | 1.381 | -0.986 | 0 |
| BNPL UE 2 | 2 | MET | 0 | 3.907 | 4 | 1 | 5 | 1 | 5 | 0.898 | 0.611 | -0.794 | 0 |
| BNPL UE 3 | 3 | MET | 0 | 3.839 | 4 | 1 | 5 | 1 | 5 | 0.972 | 0.84 | -0.924 | 0 |
| FA 1 | 4 | MET | 0 | 3.834 | 4 | 1 | 5 | 1 | 5 | 0.884 | 0.115 | -0.563 | 0 |
| FA 2 | 5 | MET | 0 | 3.81 | 4 | 2 | 5 | 2 | 5 | 0.871 | -0.297 | -0.511 | 0 |
| FA 3 | 6 | MET | 0 | 3.839 | 4 | 1 | 5 | 1 | 5 | 0.987 | -0.033 | -0.653 | 0 |
| BI 1 | 7 | MET | 0 | 3.624 | 4 | 2 | 5 | 2 | 5 | 0.827 | -0.69 | 0.171 | 0 |
| BI 2 | 8 | MET | 0 | 3.585 | 4 | 2 | 5 | 2 | 5 | 0.849 | -0.525 | -0.246 | 0 |
| BI 3 | 9 | MET | 0 | 3.337 | 3 | 1 | 5 | 1 | 5 | 0.977 | -0.337 | -0.245 | 0 |
| SH 1 | 10 | MET | 0 | 3.317 | 3 | 1 | 5 | 1 | 5 | 0.989 | -0.898 | -0.001 | 0 |
| SH 2 | 11 | MET | 0 | 3.093 | 3 | 1 | 5 | 1 | 5 | 1.02 | -0.916 | 0.091 | 0 |
| SH 3 | 12 | MET | 0 | 3.141 | 3 | 1 | 5 | 1 | 5 | 1.089 | -0.945 | 0.081 | 0 |
| FI 1 | 13 | MET | 0 | 3.244 | 3 | 1 | 5 | 1 | 5 | 1.134 | -0.972 | -0.088 | 0 |
| FI 2 | 14 | MET | 0 | 2.976 | 3 | 1 | 5 | 1 | 5 | 1.005 | -0.838 | 0.165 | 0 |
| FI 3 | 15 | MET | 0 | 2.888 | 3 | 1 | 5 | 1 | 5 | 1.056 | -0.615 | 0.276 | 0 |

The descriptive statistics indicate that all items have complete data with no missing values, and the responses show good variability across the full scale range (1 to 5). Mean scores range from 2.888 to 4.102, with medians mostly at 3 or 4, reflecting a general tendency toward agreement. Standard deviations are within acceptable limits, indicating consistent responses, while most items exhibit slight to moderate negative skewness, suggesting a lean toward positive perceptions. A few items show slight positive skewness, indicating some disagreement. Excess kurtosis values suggest that some distributions are more peaked than normal, but overall the data remains acceptable for analysis. Although Cramér von Mises p-values indicate non-normality, this is manageable in PLS-SEM, making the dataset suitable for further analysis on the behavioral intention and spending habits of youth using BNPL services.

**1. Demographic Summary (Age, Gender, Occupation, Etc.)**

**1. Age-wise Distribution**

| Age Group | Count |
|---|---|
| Below 18 years | 35 |
| 19-30 years | 146 |
| 31–40 years | 23 |
| 41 years and above | 0 |

**3. Occupation-wise Distribution**

| Occupation | Count |
|---|---|
| Student | 150 |
| Employed (Part time) | 13 |
| Employed(Full time) | 39 |
| Unemployed | 2 |

**2. Frequency of online shopping**

| Frequency | Count |
|---|---|
| Rarely | 104 |
| Occasionally | 60 |
| Frequently | 29 |
| Very frequently | 11 |

The demographic analysis shows that the majority of respondents (73%) are aged between 19–30 years, followed by 17.5% below 18 years and 9.5% in the 31–40 age group, with no participants above 40, indicating a predominantly young sample. Most respondents are students (75%), while others include full-time employees (19.5%), part-time workers (6.5%), and a small number of unemployed individuals (1%). Regarding online shopping behavior, 52% shop rarely, 30% occasionally, and the remaining 18% either frequently or very frequently. This suggests moderate engagement with e-commerce platforms, which are key channels for BNPL promotions. Overall, the sample represents a digitally active, financially constrained youth demographic, making them highly relevant for examining BNPL usage patterns and spending behavior.

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## 2. Reliability Analysis

**Construct reliability and validity**

| | Cronbach's Alpha | Composite Reliability (Rho_A) | Composite Reliability (Rho_C) | Average Variance Extracted (AVE) |
|---|---|---|---|---|
| BI | 0.770 | 0.584 | 0.775 | 0.536 |
| BNPL UE | 0.703 | 0.732 | 0.834 | 0.628 |
| FA | 0.732 | 0.648 | 0.801 | 0.574 |
| FI | 0.737 | 0.771 | 0.849 | 0.653 |
| SH | 0.748 | 0.755 | 0.855 | 0.663 |

The construct reliability and validity analysis confirms that all latent variables in the model exhibit acceptable levels of internal consistency and convergent validity. **Cronbach's alpha** values for all constructs—**Behavioral Intention (0.770), BNPL Usage Experience (0.703), Financial Awareness (0.732), Financial Impact (0.737),** and **Spending Habits (0.748)** are above the acceptable threshold of 0.70, indicating strong internal reliability. Although **composite reliability (rho_a)** values show some variation, all constructs meet the recommended benchmark for **composite reliability (rho_c),** with values ranging from **0.775 to 0.855**, affirming overall construct reliability. Furthermore, the **Average Variance Extracted (AVE)** values for all constructs exceed the 0.50 threshold, ranging from **0.536 to 0.663**, confirming satisfactory convergent validity based on Fornell and Larcker's criteria. These results validate that the measurement model effectively captures the intended constructs and is suitable for progressing to structural model analysis.

**Path Coefficient (Testing of Hypotheses)**

| | Path coefficients | P - Value | Significance |
|---|---|---|---|
| BI -> SH | 0.430 | $p < 0.001$ | Significant |
| BNPL UE -> BI | 0.404 | $p < 0.001$ | Significant |
| FA -> BI | 0.100 | $p < 0.001$ | Significant |
| FI -> BI | 0.284 | $p < 0.001$ | Significant |

The structural model results show that all paths are statistically significant at **$p < 0.001$**, supporting the proposed hypotheses. **Behavioral Intention (BI)** significantly influences **Spending Habits (SH) ($\beta = 0.430$),** indicating that stronger intentions to use BNPL lead to increased spending behavior. **BNPL Usage Experience ($\beta = 0.404$), Financial Awareness ($\beta = 0.100$),** and **Financial Impact ($\beta = 0.284$)** all have positive effects on BI, suggesting that users' experience with BNPL, awareness of financial matters, and perceived impact of BNPL shape their intention to use these services. Overall, the findings highlight that **intention is a key mediator** between BNPL-related factors and actual spending behavior.

| INDIRECT EFFECT | |
|---|---|
| | **Specific Indirect Effects** |
| BNPL UE -> BI -> SH | **0.174** |
| FA -> BI -> SH | **0.043** |
| FI -> BI -> SH | **0.122** |

The analysis of indirect effects shows that **BNPL Usage Experience (BNPL UE), Financial Impact (FI),** and **Financial Awareness (FA)** influence **Spending Habits (SH)** through the mediating role of **Behavioral Intention (BI).** The strongest indirect effect is observed for **BNPL UE (0.174),** followed by **FI (0.122)** and **FA (0.043).** These results suggest that users' experience with BNPL and their perceived financial impact play a key role in shaping their spending behavior through increased intention to use BNPL services. While all indirect effects are positive, further validation with p-values is recommended to confirm their statistical significance.

| Total Effects | |
|---|---|
| **Path** | **Total Effects** |
| BI -> SH | 0.430 |
| BNPL UE -> BI | 0.404 |
| BNPL UE -> SH | 0.174 |
| FA -> BI | 0.100 |
| FA -> SH | 0.043 |
| FI -> BI | 0.284 |
| FI -> SH | 0.122 |

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The total effects analysis shows that **Behavioral Intention (BI)** has a strong positive impact on **Spending Habits (SH) (0.430)**, confirming its key role in driving consumer behavior. **BNPL Usage Experience (0.404 on BI, 0.174 on SH)** and **Financial Impact (0.284 on BI, 0.122 on SH)** have notable effects, indicating that both experience with BNPL and perceived financial consequences strongly influence intention and spending**. Financial Awareness** has a smaller but positive effect **(0.100 on BI, 0.043 on SH)**, suggesting it plays a supporting role. Overall, experience and financial perception are the strongest predictors of BNPL-related spending behavior.

| **Outer loading** | |
|---|---|
| | Outer loadings |
| BI 1 <- BI | 0.645 |
| BI 2 <- BI | 0.770 |
| BI 3 <- BI | 0.774 |
| BNPL UE 1 <- BNPL UE | 0.835 |
| BNPL UE 2 <- BNPL UE | 0.854 |
| BNPL UE 3 <- BNPL UE | 0.677 |
| FA 1 <- FA | 0.802 |
| FA 2 <- FA | 0.776 |
| FA 3 <- FA | 0.690 |
| FI 1 <- FI | 0.865 |
| FI 2 <- FI | 0.825 |
| FI 3 <- FI | 0.729 |
| SH 1 <- SH | 0.815 |
| SH 2 <- SH | 0.837 |
| SH 3 <- SH | 0.790 |

The outer loading analysis shows that most indicators meet the acceptable threshold of **0.70**, indicating good reliability of the measurement items. For **Behavioral Intention (BI),** BI2 (0.770) demonstrates adequate loading, while BI1 (0.645) falls slightly below the threshold, suggesting weaker reliability and potential for improvement or revision. **BNPL Usage Experience (BNPL UE)** is strongly measured by UE1 (0.835) and UE2 (0.854), with UE3 (0.677) being marginally below the ideal cut off but still acceptable in exploratory research**. Financial Awareness (FA)** items FA1 (0.802) and FA2 (0.776) indicate strong reliability, whereas FA3 (0.690) is slightly lower but still within an acceptable range**. Financial Impact (FI)** items all exceed the 0.70 threshold, with FI1 (0.865), FI2 (0.825), and FI3 (0.729) confirming good measurement strength. Similarly, **Spending Habits (SH)** indicators—SH1 (0.815), SH2 (0.837), and SH3 (0.790)—show high reliability, reinforcing the strength of the construct. Overall, the results support the reliability of the model, with most items showing strong loadings, though a few could be reviewed for refinement in future studies.

## DISCUSSION

The findings of this study provide valuable insights into the behavioral dynamics influencing the adoption and usage of BNPL (Buy Now Pay Later) services, particularly among young, digitally active consumers. The **descriptive statistics** confirm that the dataset is complete, reliable, and displays adequate variability across responses. Most responses leaned toward agreement, indicating generally favourable attitudes toward BNPL usage. The **demographic profile** reveals that the majority of respondents are students aged between 19–30 years, who primarily shop online occasionally or rarely. This aligns with the observed trend that BNPL services are more commonly adopted by younger individuals who are both tech-savvy and budget-conscious.

The **reliability analysis** confirms that all constructs demonstrate acceptable internal consistency and convergent validity, with Cronbach's alpha values above 0.70 and AVE values exceeding the minimum threshold of 0.50. This validates the soundness of the measurement model. The **structural model results** indicate that **Behavioral Intention (BI)** significantly influences **Spending Habits (SH),** highlighting BI as a critical mediator between user experiences, financial perceptions, and actual financial behavior. Key drivers of BI include **BNPL Usage Experience, Financial Impact,** and **Financial Awareness**, all of which were found to have statistically significant positive effects.

The **indirect effects** further emphasize the mediating role of BI, with BNPL Usage Experience showing the strongest indirect influence on Spending Habits. The **total effects** analysis reinforces this finding, illustrating that user experience and financial impact are the most powerful predictors of consumer behavior related to BNPL. While **Financial Awareness** also contributes, its effect is relatively modest.

The **outer loadings** confirm strong indicator reliability for most items, with loadings above the recommended 0.70 threshold. A few items (e.g., BI1 and UE3) fell slightly below but remain acceptable for exploratory purposes. These results support the validity of the model and suggest it is well-suited for analyzing BNPL-related behavior among youth.

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Overall, the study highlights that **experience, perceived financial impact, and behavioral intention** are key factors influencing BNPL-driven spending. This has important implications for **fintech companies and policymakers**, who should focus on improving transparency, educating young users, and ensuring responsible access to BNPL services. The findings also point to the need for future research to explore these relationships across broader demographic groups and over time to better understand the long-term financial impact of BNPL adoption

## CONCLUSION

This study looked at how Buy Now, Pay Later (BNPL) services are changing the way young people spend money. It found that behavioral intention or the willingness to use BNPL has a strong effect on actual spending habits. That intention is mostly shaped by how easy people find BNPL to use, how much they've used it before, and how they think it affects their finances. While financial awareness also plays a role, it's not as strong as personal experience and perceived impact.

The findings show that even though BNPL offers convenience and flexibility, it can also lead to impulsive spending and financial stress especially for young users who may not fully understand the risks. This suggests a gap between how easy these services are to use and how prepared users are to manage them responsibly.

By using a well-known behavioral model, this research helps fill an important gap. It goes beyond just looking at why people adopt BNPL and actually explores how it affects their real financial behavior something most past studies haven't done. It also combines key factors like usage experience, financial knowledge, and personal judgment in one simple framework.

For fintech companies, educators, and policymakers, the message is clear: it's not just about offering more payment options it's about helping users understand them. Features like spending alerts, payment reminders, and financial education tools can help young users make smarter choices. Future research should include more diverse age groups and explore how these habits change over time. Overall, this study gives a clearer picture of how BNPL is shaping youth finance and how we can guide it in a healthier direction.

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