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BUY NOW, PAY LATER AND GENERATION Z FINANCIAL WELL-BEING: A SYSTEMATIC LITERATURE REVIEW

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Abstract. This study synthesizes evidence on how Buy Now, Pay Later (BNPL) affects financial stress and financial well-being among Generation Z. A systematic literature review was conducted using publications retrieved from Scopus through Publish or Perish, Google Scholar, and SINTA. The search covered studies published from 2018 to 2025. After title, abstract, keyword, and full-text screening against predefined inclusion and exclusion criteria, 30 relevant studies were analyzed through thematic synthesis. The literature consistently shows that BNPL expands short-term purchasing access and increases transaction value by reducing the perceived immediacy of payment. However, installment framing, promotional intensity, and frictionless checkout can encourage impulsive buying, overspending, multiple repayment obligations, and over-indebtedness. The effect on financial well-being is therefore conditional rather than uniformly negative or positive. Responsible financial behavior and self-control emerge as central mechanisms, while financial literacy is most effective when it is translated into budgeting, repayment discipline, and deliberate credit use. The review proposes a conditional framework in which BNPL usage influences financial stress and well-being through behavioral and psychological pathways. The findings support stronger consumer protection, transparent product design, risk-sensitive credit limits, and targeted financial education for young users.

Keywords: Buy Now Pay Later, financial stress, financial well-being, Generation Z, systematic literature review

I. INTRODUCTION

Buy Now, Pay Later (BNPL) has become an increasingly visible component of digital commerce. The service allows consumers to receive goods or services immediately and settle the payment through short instalments, often integrated directly into an e-commerce checkout. Its rapid adoption is associated with convenience, limited transaction friction, promotional incentives, and the perception that small instalments are easier to manage than a single purchase price [1], [2].

Generation Z is an important user segment because its members are highly familiar with mobile platforms, digital wallets, and app-based consumption. For young users who have limited access to traditional credit, BNPL may provide temporary liquidity and greater payment flexibility. At the same time, limited credit experience, unstable income, aggressive digital marketing, and a preference for immediate consumption can increase vulnerability to unplanned borrowing and repayment difficulties [3], [4].

The central concern is not simply whether BNPL increases purchasing. The broader issue is how the service changes the timing, salience, and psychological experience of payment. Installment framing separates consumption from the full perceived cost, which can lower pain of payment and encourage consumers to evaluate affordability using the size of one instalment rather than total obligations. Repeated use across several providers may then create fragmented debt, poor cash-flow visibility, and increased financial stress [5], [6].

Prior studies offer mixed conclusions about financial well-being. BNPL can help users smooth short-term expenses, preserve liquidity, and complete necessary purchases. Conversely, frequent use can be associated with impulsive buying, late fees, multiple obligations, and lower perceived financial security. These differences indicate that the effects of BNPL depend on users' financial behavior, self-control, debt literacy, income stability, and the design of the service [7]–[9].

The existing literature is dispersed across consumer behavior, fintech adoption, credit risk, financial literacy, and well-being. Many studies examine one outcome at a time, making it difficult to understand the pathways connecting BNPL usage, financial stress, and financial well-being. This study addresses that problem through a systematic literature review of publications from 2018–2025. It aims to identify dominant findings, explain behavioral mechanisms, reconcile inconsistent conclusions, and formulate a research framework for Generation Z.

A. BNPL as Embedded Digital Credit

BNPL differs from conventional credit because it is embedded within the purchasing process and presented as a payment option rather than a separate loan application. This positioning reduces procedural friction and can make the credit component less salient. Adoption is supported by perceived usefulness, ease of use, trust, promotional value, and integration with digital retail platforms [4], [10].

The convenience of BNPL can improve access for consumers who do not hold credit cards or who need to

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distribute payments across a short period. Nevertheless, ease of access may weaken the pause that normally precedes a borrowing decision. When eligibility checks, disclosure, or credit reporting are limited, users may accumulate obligations across platforms without fully recognizing their total exposure [11], [12].

B. Financial Stress and Financial Well-Being

Financial stress refers to the psychological strain associated with difficulty meeting financial obligations, uncertainty about future resources, and perceived loss of financial control. Financial well-being is broader and includes the ability to meet current commitments, absorb shocks, pursue future goals, and experience confidence in one's financial situation. BNPL may influence both dimensions because it changes cash-flow timing and creates repayment commitments that compete with other expenses.

A single instalment may appear manageable, but several overlapping instalments can create payment concentration and reduce disposable income. Stress may increase when users face late fees, collection messages, or the need to borrow elsewhere to meet scheduled payments. By contrast, controlled use for planned purchases may support short-term flexibility without materially harming well-being. The distinction between occasional, planned use and frequent, impulsive use is therefore essential [7], [13], [14].

C. Behavioral and Psychological Mechanisms

The numerosity effect explains why a price divided into several small instalments may feel less expensive than the same total amount presented as a single payment. Installment framing can therefore increase purchase likelihood and average spending, particularly when combined with discounts or scarcity messages [2].

Self-control determines whether users can delay consumption, evaluate total cost, and resist repeated purchases. Financial behavior translates knowledge into concrete actions such as budgeting, checking existing obligations, paying on time, and limiting credit use. Debt literacy is especially relevant because consumers must understand fees, due dates, default consequences, and the cumulative effect of multiple accounts [8], [9], [15].

Time-inconsistent preferences also help explain adoption. Consumers may overvalue immediate benefits and underestimate the burden that future payments will impose. As a result, current consumption is separated from future financial consequences. This mechanism suggests that BNPL outcomes are shaped by both product design and users' decision-making tendencies [16].

II. RESEARCH METHOD

This study employed a systematic literature review to identify, evaluate, and synthesize research on BNPL, financial stress, financial well-being, and related behavioral variables among young consumers. The review followed a structured sequence of question formulation, database searching, screening, eligibility assessment, thematic coding, and synthesis.

The search used Scopus through Publish or Perish, Google Scholar, and SINTA. The publication window was 2018–2025. Search terms combined "Buy Now Pay Later" or "PayLater" with "financial stress," "financial well-being," "Generation Z," "impulsive buying," "self-control," "financial behavior," "financial literacy," and "over-indebtedness." The initial search generated 150 records.

Studies were included when they explicitly addressed BNPL or PayLater and examined financial outcomes, spending behavior, credit behavior, or well-being; were published within the defined period; were available in English or Indonesian; and presented a clear conceptual or empirical method. Non-academic publications, inaccessible full texts, studies outside the period, and papers without a relevant BNPL-related variable were excluded. Title, abstract, keyword, and full-text screening resulted in 30 included studies.

Each study was coded by year, context, method, variables, population, and principal findings. The analysis used thematic synthesis rather than statistical meta-analysis because the included studies applied heterogeneous designs and measures. The synthesis focused on four themes: access and adoption, consumption effects, financial stress and well-being, and behavioral mechanisms.

A. Review Protocol

The review protocol was established before the thematic synthesis. Scopus via Publish or Perish, Google Scholar, and SINTA were searched for publications issued between 2018 and 2025. Search combinations included BNPL or PayLater, financial stress, financial well-being, Generation Z, impulsive buying, self-control, financial behavior, financial literacy, and over-indebtedness.

The search identified 150 publications. Screening covered titles, abstracts, keywords, relevance to the review questions, methodological clarity, and full-text eligibility. Thirty studies met the inclusion criteria. Because the selected literature used heterogeneous designs, populations, and measures, the evidence was synthesized qualitatively by theme rather than through statistical meta-analysis.

III. RESULTS AND DISCUSSION

A. Profile of the Evidence

The reviewed literature is dominated by quantitative surveys and consumer-behavior models, supplemented by conceptual studies, regulatory analyses, and literature reviews. Most studies focus on young adults, e-commerce users, or Generation Z. Geographically, the evidence covers Indonesia and other Asian markets, Australia, and selected international contexts. The recent publication concentration reflects the rapid diffusion of BNPL and the growing concern about consumer credit risk.

Across methods and countries, the evidence converges on one central point: BNPL is not merely a neutral payment technology. Its interface, timing, promotional framing, and repayment structure influence how consumers perceive price, affordability, and borrowing. The consequences therefore emerge from an interaction between product architecture and user behavior.

B. Access, Convenience, and Consumption Expansion

BNPL expands purchasing access by allowing users to obtain goods immediately while spreading payments over time.

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Perceived usefulness, convenience, and value strengthen adoption and continued use [4], [17]. This benefit is particularly relevant to users with limited access to credit cards or those managing temporary cash-flow constraints.

However, convenience also reduces the psychological and procedural barriers to borrowing. Studies consistently link BNPL with larger transaction values, higher purchase frequency, and impulsive buying. Kumar et al. [1] report that adoption changes online purchase behavior, while Ashby et al. [2] show that installment presentation can increase spending decisions. Indonesian studies similarly associate PayLater use with impulsive and consumptive behavior, especially when financial literacy is weak and promotions are intensive [18], [19].

The evidence suggests that the spending effect does not arise solely from access to credit. It also reflects how the total price is cognitively represented. Small periodic instalments can make an otherwise expensive purchase appear affordable. This framing becomes more powerful when users do not aggregate obligations across purchases or platforms.

C. Financial Stress and Over-Indebtedness

The main negative pathway begins with overspending or multiple obligations, followed by cash-flow pressure and difficulty meeting due dates. When repayment schedules overlap with essential expenses, users may delay payments, reduce other consumption, or borrow from another source. Such behavior can create a cycle of financial spinning in which new credit is used to manage previous commitments [5].

Debt literacy is a key protective factor. Users who do not understand fees, repayment timing, or the consequences of holding several accounts are more exposed to over-indebtedness [9]. Financial stress then becomes a mechanism linking credit use to risky credit behavior, particularly among Generation Z users with low self-efficacy or unstable financial routines [15], [20].

Regulatory concerns follow from the possibility that BNPL obligations are less visible than traditional loans. Incomplete credit reporting and fragmented provider information can make total exposure difficult for both users and lenders to assess. Transparent disclosure and responsible credit assessment are therefore central to consumer protection [11], [12].

D. Conditional Effects on Financial Well-Being

The literature does not support a simple conclusion that BNPL always improves or always harms financial well-being. Planned use may provide flexibility and preserve liquidity. Harm is more likely when use is frequent, unplanned, motivated by promotional pressure, or combined with weak repayment capacity. Financial well-being therefore depends on how BNPL is used rather than on the existence of the service alone.

Responsible financial behavior is the most consistent explanatory mechanism. Budgeting, monitoring obligations, paying on time, and avoiding unnecessary purchases improve users' ability to benefit from payment flexibility without creating persistent stress. Powell et al. (2023) connect responsible financial behavior with better financial well-being among BNPL users. Intantri and Santi (2025) similarly show that self-control and financial behavior help explain differences in well-being among Indonesian users.

Financial literacy is necessary but not sufficient. Knowledge has limited protective value when it is not translated into action. A user may understand credit concepts yet still respond impulsively to discounts, social pressure, or immediate consumption. This distinction explains why studies that measure knowledge alone can produce weaker or inconsistent relationships than studies that measure actual financial behavior.

E. Thematic Synthesis

Access and adoption. Convenience, perceived usefulness, checkout integration, and limited access to conventional credit increase BNPL adoption and provide short-term payment flexibility.

Spending expansion. Installment framing, numerosity effects, discounts, and low payment salience increase purchase value, transaction frequency, and impulsive buying.

Financial stress. Multiple obligations, late fees, unstable income, and weak debt literacy create cash-flow pressure, repayment difficulty, and risky credit behavior.

Financial well-being. The effect is conditional: planned use can preserve liquidity, whereas frequent and impulsive use can reduce financial security and perceived control.

Protective mechanisms. Self-control, budgeting, repayment discipline, transparent information, and responsible platform design reduce overspending and strengthen financial confidence.

F. An Integrated Conditional Framework

Based on the synthesis, BNPL usage influences financial well-being through two competing pathways. The access pathway provides temporary liquidity, convenience, and consumption smoothing. The risk pathway reduces payment salience, increases unplanned spending, and creates multiple repayment obligations. Financial stress operates as a proximal outcome of the risk pathway and can reduce subjective and objective financial well-being.

Self-control, financial behavior, debt literacy, income stability, and risk tolerance determine the relative strength of these pathways. Product-level factors—including disclosure clarity, credit limits, reminders, checkout design, and promotional intensity—also shape outcomes. Accordingly, BNPL should be understood as a conditional financial instrument whose impact is co-produced by consumer characteristics and platform design.

This framework integrates adoption research with financial well-being research. It also clarifies why studies may reach different conclusions: samples with disciplined, occasional users can show flexibility benefits, whereas samples with frequent or impulsive users can show stress and indebtedness. Future empirical models should therefore distinguish frequency, purpose, number of providers, total obligations, and repayment performance.

G. Managerial and Policy Implications

Fintech providers and retailers can use BNPL to improve conversion and customer access, but sustainable growth requires responsible product design. Credit limits should reflect repayment capacity and aggregate exposure rather than transaction opportunity alone. Platforms should display total cost and total outstanding obligations, not only the size of the next instalment.

Behaviorally informed safeguards can reduce risk without eliminating convenience. Useful features include budget alerts, cumulative obligation dashboards, cooling-off prompts for repeated purchases, due-date reminders, and simple explanations of fees and consequences. These tools should be designed to support informed choice rather than to maximize immediate conversion.

Consumer protection policy should address disclosure, affordability assessment, credit reporting, complaint handling, and ethical collection. Young users also need practical financial education that links knowledge to budgeting, debt tracking, and repayment decisions. Education is likely to be more effective when delivered at the point of use and supported by actionable tools.

H. Research Gaps

First, most studies are cross-sectional and capture short-term perceptions. Longitudinal research is needed to track debt accumulation, arrears, financial stress, and well-being over time. Second, survey associations cannot fully isolate the causal effects of installment framing and promotional design. Experiments and transaction-level analyses can provide stronger evidence about these mechanisms.

Third, financial well-being is frequently measured only through subjective perceptions. Future studies should combine perceived well-being with objective indicators such as outstanding debt, repayment delays, disposable cash flow, and the number of active providers. Fourth, the literature remains concentrated on Generation Z and urban digital consumers; comparative studies should examine age, income, employment, rural access, and financially vulnerable groups.

Finally, regulatory and credit-reporting environments differ across countries, while evidence about responsible platform design remains limited. Cross-country studies and field tests should evaluate whether reminders, cumulative-obligation dashboards, affordability limits, cooling-off prompts, and clearer disclosures reduce harmful outcomes without removing legitimate payment flexibility.

IV. CONCLUSION

This systematic review shows that BNPL expands short-term purchasing access while also changing how consumers perceive price and future payment obligations. Across the 30 reviewed studies, BNPL is consistently associated with convenience and higher transaction activity, but it can also encourage impulsive buying, overspending, fragmented debt, and financial stress.

The impact on financial well-being is conditional. Responsible financial behavior and self-control are central protective mechanisms, while financial literacy is most useful when converted into budgeting, obligation monitoring, and repayment discipline. Product design and regulation also matter because disclosure, credit limits, reporting, and promotional framing influence user decisions.

For Generation Z, responsible BNPL ecosystems require transparent interfaces, risk-sensitive credit assessment, behavioral safeguards, and practical financial education. Future research should use longitudinal, experimental, and transaction-level data to test causal pathways and measure financial well-being using both subjective and objective indicators.

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