

**INTEGRATING FINANCIAL LITERACY INTO GEN Z'S PAYLATER
CONSUMPTION AND FINANCIAL WELL-BEING: A CONCEPTUAL PAPER**

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Abstract: This paper discusses how using Buy Now Pay Later (BNPL) affects the financial well-being of Generation Z in Indonesia. This comes at a time when digital financial services are rapidly growing and young consumers are spending more. The study aims to create a framework that explains the connection between PayLater usage, impulsive buying, financial literacy, and financial well-being. It uses a conceptual and explanatory method, including a thorough review of recent studies on fintech behavior, behavioral finance, and digital consumption trends. The findings show that using PayLater can lead to more impulsive buying. This is due to deferred payment options, the convenience of digital transactions, and strong online promotions. These factors may harm financial well-being by increasing stress, leading to high digital debt, weak spending habits, and reduced saving ability. However, financial literacy is seen as a protective factor. It can help lessen the negative impact of PayLater by promoting smarter financial choices and better money management among Generation Z. This paper adds to the understanding of fintech and behavioral finance in the context of Indonesia's digital economy.

Keywords: *Buy Now Pay Later, Financial Well-Being, Generation Z, Impulsive Buying, Financial Literacy*

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1. Introduction

The quick growth of the digital economy in Indonesia further leads to the increasing usage of the internet, e-commerce, and financial technology (fintech). People begin adapting to digital payment processes in their everyday lives. It strengthens the concept of a cashless society, especially among the younger generation. One of the new fintech innovations that are rapidly developing is the Buy Now Pay Later (BNPL) payment scheme, or PayLater, which is a type of financial product enabling people to purchase goods or services now and make payments later in installments or deferred payment schemes. Abed & Alkadi (2024) noted that BNPL is one of the digital payment innovations providing increased transaction flexibility. It also helps accelerate the adoption of digital financial services among the members of Generation Z. PayLater services are provided through several digital platforms in Indonesia, including Shopee, Tokopedia, Traveloka, and Gojek. The frequent adoption of PayLater is due to its fast registration process, instant credit provision, and speedy transactions. As a result of BNPL's postponed payment system, consumers will be under less pressure to pay off debts

that lead to excessive spending. This condition promotes the mindset “buy now, pay later,” which exists within the urban population and Gen Z (Widayati et al., 2024).

The largest group of PayLater service users in Indonesia is Generation Z. They are known as the "primary and leading users" of this digital financial service (Bahasoan et al., 2025). The phenomenon of fear of missing out that leads to consumptive behavior is triggered by exposure to social media, influencers, and flexing culture. Noor & Fatihat (2025) found that FOMO and instant gratification are important factors that affect the use of BNPL among Generation Z students in Indonesia. Consumers who use the PayLater service have a higher rate of being impulsive or buying without thorough thought. With the advent of digitization, such impulsiveness becomes more common because of such factors as discounts, cash back, and quick and easy payment provided by PayLater. According to Leow & Keni (2025), digital transactions have become simpler, and consumers feel positive about PayLater services, which enhances their likelihood of being impulsive buyers. The reason for this is to reduce the discomfort consumers might feel about paying. This corroborates reports from many Indonesian media outlets, which say that Generation Z prefers PayLater for consumption rather than production.

Generation Z is at risk of experiencing financial problems due to unhealthy use of PayLater. Excessive use of digital credit can lead to digital debt, financial strain, and decreased saving capability. Misusing PayLater by Generation Z will increase the likelihood of experiencing more financial challenges. As noted by Ramadhan (2025), risky behaviors like digital credit usage of PayLater positively correlate with the occurrence of financial strain in individuals who lack financial literacy. On the other hand, Widiastuti & Sumastuti (2025) established that excessive use of PayLater caused impulsive buying actions that created financial challenges in teenagers. Emotion and behavioral biases can affect consumption in regards to financial behavior. The 'Buy Now Pay Later Paradox' occurs when there is an impulsive action despite having sufficient financial literacy (Ainy et al., 2025)

This research is very important because the increasing use of PayLater in Indonesia is not accompanied by good financial management for Generation Z. Most of the previous studies have discussed the technology adoption and desire of fintech and not much research has been done to study the impact of PayLater on financial health. So, the purpose of this study is to develop a conceptual model by considering the role of impulsive behavior and financial literacy of Generation Z in determining their financial well-being. The research contributes to the literature by developing a conceptual model that examines the direct and indirect effects of PayLater usage on the financial well-being of Generation Z, with impulsive behavior as a mediating factor and financial literacy as a moderating factor. This study is based on literature review and proposes that: (1) The use of PayLater increases impulsive behaviour; (2) The use of PayLater decreases the financial well-being of Generation Z; (3) Impulsive behaviour decreases financial well-being; and (4) Financial literacy mitigates the negative effect of the use of PayLater on financial well-being.

2. Literature Review

2.1 The Concept of and Buy Now Pay Later

Buy Now Pay Later (BNPL), also referred to as PayLater, is considered a type of digital credit service where a customer purchases products or services initially but pays for them at a later date through installments or delayed payment. In Indonesia, the emergence of BNPL services has been evolving alongside the growth of e-commerce and fintech industries. PayLater has been incorporated in many different digital platforms within the country, thus

facilitating transactions further. Kumar et al. (2024) state that there has been a rapid growth in the application of BNPL services because of payment flexibility, access to credit, and simplified transactions for younger people. Nonetheless, despite the benefits that the service offers, PayLater poses numerous financial risks for customers. According to Schomburgk et al. (2024), the possibility to pay later makes BNPL users more prone to spending excessively, because the burden to pay becomes less than in case of making a cash payment. Moreover, an excessive reliance on digital credit can result in being caught in a debt trap and facing high levels of financial stress because young adults usually lack strong financial skills. According to Waliszewski et al. (2024), generation Z is more vulnerable to over-indebtedness due to the BNPL services application, as this group of individuals constitutes the majority of deferred payments users who face challenges with income stability. The literature sources discussed demonstrate that BNPL as a payment option can lead to people underestimating the financial risks of using the service.

2.2 Generation Z and Digital Consumption Culture

Generation Z are the digital natives as they have grown up with the internet, social media and digital technology. These features create fast, flexible consumption habits based on a digital lifestyle. Turner (2015) states that generation Z is very attached to digital technology, accustomed to obtaining information instantly and tends to prioritize speed and convenience in consumption activities. Such a situation makes Generation Z more susceptible to digital payment services such as PayLater in everyday life. Furthermore, social media, digital trends and the fear of missing out (FOMO) syndrome also influence the consumption culture of Generation Z. Przybylski et al. (2013) explain that FOMO occurs when people feel anxious about missing out on social experiences that others are enjoying. This anxiety drives them to act in ways that help them stay connected socially. Djafarova & Bowes (2020) found that social media influencers significantly affect Gen Z's buying choices. They create pressure through social comparison and a digital lifestyle. This situation is made worse by the trend of showing off on social media, which pushes people to buy products to maintain their social identity. As a result, Generation Z is more likely to engage in impulsive buying and use PayLater services.

2.3 Impulsive Buying

Impulsive buying is a spontaneous purchasing behavior that happens without planning and is influenced by momentary emotions. In the digital world, this behavior has grown due to online promotions, cashback offers, and the ease of using PayLater for transactions. Verplanken & Sato (2011) state that the simplicity of digital payments can lower consumer self-control, which leads to more impulsive purchases. In addition to promotional factors, social media acts as a major trigger for impulsive buying. Djafarova & Bowes (2020) found that seeing influencers on social media pushes Generation Z to make emotional and spontaneous purchases, particularly for lifestyle and digital trend products. The PayLater system supports this behavior even more, allowing consumers to buy items without paying right away. Therefore, impulsive buying is a key factor in understanding how using PayLater affects a person's financial situation.

Impulsive buying is a purchasing behavior based on spontaneous decision making without planning, which is influenced by momentary emotions. In the digital world, this behavior has increased due to online promotions, cashback, and the convenience of using PayLater to make transactions. Verplanken & Sato (2011) state that the convenience of

digital payments can reduce consumer self-control, which causes consumers to make more impulsive purchases. In addition to promotional factors, social media also plays a major role as a trigger for impulsive buying. Djafarova & Bowes (2020) found that seeing influencers on social media encourages Generation Z to make emotional and spontaneous purchases, especially for lifestyle and digital trend products. The PayLater system further reinforces this behavior by allowing consumers to purchase items without paying for them immediately. This behaviour has bloomed in the digital world with online promotions, cashback offers and the ease of using PayLater for transactions. Verplanken & Sato (2011) suggest that the ease of digital payments can reduce self-control of consumers, leading to more impulsive purchases. Social media is a major trigger for impulse buying beyond promotional drivers. As noted by Djafarova & Bowes (2020), social media's influence through influencers encourages Generation Z people to make rash decisions in regard to purchasing things in accordance with their lifestyle and digital trends. Such behavior is facilitated by the PayLater tool since the latter makes it possible to buy things without paying for them right away. Impulsivity thus becomes a key element to consider in analyzing how PayLater affects one's financial situation.

2.4 Financial Well-Being

Financial well-being means that an individual has their bills paid, they live within their means, and financially stressed. Financial well-being is the extent to which a person has financial security both in the short term and over the longer term (Consumer Financial Protection Bureau, 2015). As per Xiao & Porto (2017) financial well-being is generated by behaviors such as; managing debts, saving money and controlling expenses. Financial well-being matters when it comes to using PayLater because excessive reliance on digital credit may exacerbate financial distress. Netemeyer et al. (2017) said that those who tend to spend lavishly and have some difficulty in managing debts tend to have a poor financial well-being. They are increasingly likely to have financial pressure. The characteristic has them visiting monetary instability and a lot of challenges with debt management, mainly among digital credit young users.

2.5 Financial Literacy

Financial literacy can be defined as the ability of an individual to understand and manage personal finance effectively including budgeting, debt management and saving behavior. In the digital age, financial literacy is essential to enable people to make rational financial decisions (OECD, 2020). The financial literacy makes people more capable in understanding the risks in using digital financial services such as PayLater. When it comes to using PayLater, financial literacy is a protective factor against consumptive behavior and unhealthy debt management. According to Potrich et al. (2017), individuals who have a high level of financial literacy tend to have a more responsible financial behavior, especially in terms of controlling expenses and managing credit. Similar findings were also reported by Humaira & Sagoro (2018), who found that financial literacy has a positive impact on students' personal financial management behavior in Indonesia. This can help Generation Z to understand the risks of using PayLater and to reduce financial stress, and enhance their financial well-being.

3. Research Method

3.1 Research Design

This study is a conceptual paper, which proposes a model of the relationship between the use of PayLater, impulsive behavior, financial literacy and financial well-being of the Generation Z in Indonesia. The present study provides, despite its conceptual nature, an empirical methodology design that can be used in future research to test the developed propositions. The approach used is quantitative explanatory research because the study aims to explain causal relationships between variables in the context of using Buy Now Pay Later (BNPL) services. Explanatory research is used to test cause and effect relationships between variables through systematic hypothesis testing (Sekaran & Bougie, 2016). The quantitative approach is widely used in the context of financial well-being as it can objectively explain the influence of financial behavior on the financial well-being of an individual. Sabri & Falahati (2012) also explained that studies on the financial well-being of students and young generations generally use a quantitative survey approach to measure financial behavior, financial stress, and consumption management. The study uses a survey approach with structured questionnaires as used by Rahim et al. (2024) in conceptual study of students' financial well-being. The survey method was selected since it is able to reach many respondents and is suitable to measure the fintech usage behavior of Generation Z that is very close to digital technology.

3.2 Population and Sample

The proposed research population consists of Indonesian Generation Z who use PayLater or BNPL services on digital platforms like Shopee PayLater, GoPayLater, Kredivo, Akulaku, and Traveloka PayLater. Generation Z was selected because they are the largest user group of digital fintech services and have digital native traits that relate closely to online shopping culture. The inclusion criteria involved participants whose ages were approximately 17-27 years and who have used the PayLater service at least once during the past six months. The mentioned ages are within the generation referred to as Generation Z, widely used when analyzing the digital consumption behavior of consumers. According to Widayati et al. (2024), Generation Z is more prone to exhibiting digital consumption behavior owing to high exposure to social media and e-commerce sites. Purposeful sampling is used as a sampling technique, which refers to the process of sampling individuals on grounds of their suitability to the study objectives. According to Hair et al. (2022), purposeful sampling is widely used in digital consumer behavior studies because the researcher needs people with relevant experience with the service.

3.3 Data Collection Techniques

The data gathering will take place using online surveys delivered through Google Forms or other digital survey instruments. It is believed that online surveys are a suitable choice considering the nature of Generation Z, which uses the Internet and social media extensively. According to Creswell (2009), online surveys are useful in conducting quantitative research since they facilitate the rapid dissemination of information and speed up the process of recruiting respondents. The measurement tool utilized in this study has been adopted from previous studies regarding the use of PayLater, impulse purchases, financial literacy, and financial well-being. The construct of PayLater use is measured using the intensity of usage, convenience of transaction, and dependence on digital credit facilities. The impulsivity measure includes spontaneous purchases, emotionally driven purchases, and unplanned

purchases, which have been measured based on the constructs proposed by Verplanken & Sato (2011). Meanwhile, financial well-being indicators can be measured through the ability to control spending, meet financial needs, save, manage debt, and maintain a low level of financial stress. Netemeyer et al. (2017) explain that financial well-being is related to an individual's perception of their current financial situation and their ability to maintain financial stability in the future. Financial literacy is measured through understanding interest rates, debt management, budgeting, saving behavior, and the ability to make rational financial decisions. The OECD (2020) explains that financial literacy is not only related to financial knowledge but also to an individual's ability to apply that knowledge to daily financial management. In the context of using PayLater, a good level of financial literacy helps individuals understand digital credit risks, interest rates, late fees, and the consequences of consumer debt.

The data collection will be conducted by using online survey using Google Form or other digital survey tools. It is believed that online survey is an appropriate option considering the nature of Generation Z who is extensively using the Internet and social media. According to Creswell (2009), online surveys are useful for conducting quantitative research as they allow the rapid dissemination of information and accelerate the process of recruiting the respondents. The measurement tool used in this research has been adopted from the previous studies regarding the use of PayLater, impulse purchases, financial literacy and financial well-being. Generation Z are heavy users of the Internet and social media and online surveys are thought to be a good fit because of this. Creswell (2009) argues that online surveys are convenient for carrying out quantitative research as they enable swift distribution of information and speed up the process of recruiting respondents. The measurement instrument in this study was adapted from previous studies on the use of PayLater, impulse purchases, financial literacy and financial well-being. The construct of PayLater is measured by usage intensity, transaction convenience and reliance on digital credit facilities. The impulsivity measure consists of spontaneous purchases, emotionally driven purchases and unplanned purchases and has been measured using the constructs developed by Verplanken & Sato (2011). Meanwhile, indicators of financial well-being can be measured by the ability to control spending, meet financial needs, save, manage debt and maintain a low level of financial stress. Netemeyer et al. (2017) note that financial well-being is linked to how a person perceives their present financial situation and the ability to maintain financial stability in the future. Financial literacy is measured through understanding interest rates, debt management, budgeting, saving behavior, and the ability to make rational financial decisions. OECD (2020) states that financial literacy is not only about financial knowledge but also the ability to use the knowledge in everyday financial management. When using PayLater, a good level of financial literacy helps the individual to understand the risks of digital credit, interest rates, late fees, and the consequences of consumer debt. The use of PayLater is accompanied by a good level of financial literacy that will help people to understand the risks of digital credit, interest rates, late fees and the consequences of consumer debt.

3.4 Data Analysis Techniques

For this research paper, SEM-PLS is recommended as the appropriate method for data analysis. The choice of SEM-PLS is attributed to its capability to examine complex relationships between different variables, such as the presence of simultaneous mediation and moderation. According to Hair et al. (2022), SEM-PLS is especially suitable for exploratory research and conceptual modeling owing to its flexibility in dealing with models that consist

of many latent constructs. In this case, impulsivity is seen as a mediating factor connecting the use of PayLater and financial wellbeing while financial literacy is considered as a moderating factor that weakens the negative influence of PayLater use on the financial wellbeing of GenZ. It is important to note that the evaluation of the outer model was carried out to determine the reliability of constructs while the analysis of the inner model helped to analyze connections between factors.

4. Results and Discussion

Development of Conceptual Framework

Impact of PayLater Usage on Impulsiveness

The emergence of Buy Now Pay Later (BNPL) or PayLater has influenced consumer behavior, particularly that of Generation Z consumers. The convenience of accessing digital credit and deferred payment makes it easy for consumers to complete purchases without being required to settle payments immediately. In terms of behavioral finance theory, the existence of such circumstances will diminish the psychological pain of payment, defined as the pain associated with paying money for a purchase. According to Prelec & Loewenstein (1998), payment methods that involve delaying actual spending reduce sensitivity towards costs, resulting in an increase in spending. Moreover, according to research conducted by Soman (2001) on digital payments, consumers are more susceptible to making impulsive purchases when using non-cash payment methods rather than cash payment methods. Transactions using non-cash methods tend to be psychologically lighter for consumers. The usage of PayLater through digital applications provides convenient and flexible transactions that create psychological illusions of increased purchasing power, leading Generation Z consumers to make impulsive decisions.

It is also easy to use PayLater, which allows the payment process to become quicker and easier. It is no longer necessary for consumers to weigh carefully on the basis of their finances to make a decision because all the transactions will now be done via smartphones. According to Abed & Alkadi (2024), perceived ease of use and perceived usefulness were discovered to be the two major determinants in increasing usage of BNPL by generation Z. Within the framework of TAM, the technological ease of use facilitates acceptance of PayLater.

Use of the PayLater payment option further contributes to increased impulsiveness when combined with a variety of digital marketing tactics like cashback, flash sale offers, discounts, free delivery, and 0% installment offers. According to Leow & Keni (2025), sales promotions and emotions play an important role in making purchases impulsively among customers using PayLater payment option. According to Islam et al. (2018), the ease provided by digital payments and promotional activities in e-commerce websites may encourage consumers to make purchases impetuously since customers are motivated to finalize purchases fast without thorough financial contemplation. Delayed payment offered through the PayLater payment option is another reason that makes people shop spontaneously.

The practice of impulsive purchase is further enhanced by the digital consumerism culture of Generation Z driven by social media, influence, and the fear of missing out (FOMO). According to Noor & Fatihat (2025), FOMO and the drive for immediate satisfaction enhance the likelihood of using BNPL services by Generation Z students in Indonesia. Lutfiyah et al. (2025) further confirm that the usage of PayLater and the FOMO factor have a strong impact on impulsive practices of Generation Z during online purchases.

In relation to the concept of behavioral finance, the implementation of PayLater accentuates the existence of self-control bias, whereby people are unable to regulate their consumption urges in the short term. According to Ainy et al. (2025), this concept is termed as the Buy Now Pay Later Paradox, where individuals despite being financially literate end up making impulsive purchases owing to the convenience of online lending. It should be noted that according to Tatiana et al. (2025), the combination of PayLater, financial motivations, and low self-control leads to impulsive purchasing behaviors in Indonesian Generation Z. Additionally, Hesniati et al. (2025) pointed out that impulsive behavior is a key variable contributing to the intention to adopt BNPL by youth. According to the study conducted by Priporas et al. (2017), the lifestyle of using digital media and a hedonic consumption attitude promote consumptive behaviors of Gen Zers in terms of the use of digital technologies and e-commerce. Therefore, the adoption of PayLater can be expected to speed up impulsive behaviors via ease of transactions, deferred payments, and digital consumption culture.

Proposition 1: The use of PayLater stimulates impulsive behaviors of Generation Z.

Impact of Utilizing PayLater on Financial Well-Being

Even though PayLater offers the ease of payment and availability of credit, overreliance on this service has the capability of affecting the financial well-being of its users negatively. The concept of financial well-being entails one's capability to satisfy financial requirements and make appropriate spending in order to ensure financial stability. On the other hand, the deferred payments feature in PayLater can prompt individuals to overspend as compared to their financial abilities. According to Widayati et al. (2024), the trend in instant consumption through BNPL services has increased the chances of financial stress among the youth population. This occurs since PayLater users find themselves trapped in the trap of overspending since they can always make payments later.

As explained by Ramadhan (2025), the use of PayLater without proper financial management can lead to increased financial stress and risky credit behaviors among young users of BNPL service providers. Also, as explained by Hesniati et al. (2025), the risky indebtedness behaviors of BNPL service providers' users are associated with decreased financial well-being of the individuals. This implies that the use of PayLater impacts not only the short-term consumption decisions of users but their overall financial well-being as well. Moreover, as explained by Hesniati et al. (2025), risky indebtedness behaviors of BNPL service providers' users lead to decreased financial well-being of the individuals.

As far as Generation Z is concerned, the reliance on PayLater may affect savings as well as make people less financially stable owing to installment payments and online debts. Consequently, the extensive use of PayLater will affect the financial well-being of Generation Z adversely.

Proposition 2: PayLater reduces the financial well-being of Generation Z.

Impact of Impulsive Behavior on Financial Well-Being

Impulsivity (impulsive buying) is one of the issues that may influence an individual's financial health. Impulsive purchases are not planned; they are more driven by emotional impulses than rational ones. In the long run, this may result in excessive and unplanned expenses, reducing an individual's ability to handle their money wisely.

According to Widiastuti & Sumastuti (2025), impulsivity in PayLater consumers results in financial instability because of their greater propensity for consuming. People who engage

in impulsive purchases will have poor savings skills and be prone to financial pressure. Besides, impulsive consumption might also cause individuals to utilize digital debts to gratify their fleeting urges.

Ainy et al. (2025) call this situation “The Buy Now Pay Later Paradox,” which is characterized by having reasonable financial literacy while displaying impulsive behavior towards using BNPL services. This means that impulsive behavior can hinder an individual’s capacity for making rational decisions regarding finances.

Other similar results are provided by Sabri et al. (2020) who mention that consumptive behavior and ineffective financial management are negatively correlated with the financial wellbeing of youth. People who have impulsive tendencies to buy are more likely to experience financial problems and challenges, such as stress, inability to save, and instability of financial status. Consequently, a person with more impulsive behavior is less financially well off.

Proposition 3: Impulsive behavior lowers financial wellbeing.

Mediating Role of Impulsive Behavior

The connection between PayLater usage and financial well-being is indirect and can be explained by the presence of impulsive behavior as a mediator. The deferred payment feature of PayLater provides the consumer with benefits from convenience and consumption that enhance their likelihood of engaging in impulsive purchases. Also, such impulsive behavior leads to excessive consumer spending, accumulating debt digitally, and financial stress, which negatively impacts financial well-being.

According to Mappadang et al. (2025), impulsive use of BNPL influences subjective financial well-being among Indonesian students. The study findings demonstrate that impulsive use of BNPL services may deteriorate individuals' financial situations. Moreover, according to Tirtaatmadja et al. (2025), impulsive behavior plays the role of a mediator in the relation between digital financial literacy and the financial behavior of BNPL users. Within the Generation Z population, PayLater functions not only as a payment method but also as a facilitator of impulsive purchasing behavior. Thus, impulsive behavior is viewed as the primary mediator that allows understanding the effect of PayLater on the financial well-being of consumers.

Proposition 4: Impulsive behavior mediates the effect of PayLater usage on financial well-being.

Moderation Role of Financial Literacy

Financial literacy is defined as the capacity of individuals to handle their finances well. People having financial literacy are likely to make rational decisions about finances, control their debts, and become better at budgeting. Regarding the use of PayLater, financial literacy can act as a safeguarding factor from impulsive consumption and excessive usage of digital credits.

According to Rahman et al. (2025), debt management literacy was one of the factors helping people to manage financial impulsivity when using PayLater. Since those individuals know the risks related to digital credits, they become careful when using BNPL. Similarly, Noor & Fatihat (2025) found that financial literacy could reduce the risk of impulsive behavior regarding the use of BNPL by Generation Z people in Indonesia. Moreover, Dewi et al. (2025) noted that financial literacy played a crucial role in fostering positive financial

behavior among Generation Z members as well as their financial welfare. As a result, it could decrease the negative effect of using PayLater on individual financial welfare.

Proposition 5: Financial literacy weakens the negative impact of PayLater usage on financial well-being.

Implications

Theoretical Implications

The current study will contribute both theoretically towards the study of the phenomenon known as fintech behavior, particularly the use of BNPL or PayLater technology in Generation Z. The literature review has shown that studies exploring the effects of PayLater use on users' financial well-being and financial conditions are relatively few, at least compared to those examining technological adoption and user satisfaction. This is also true for research conducted in developing nations like Indonesia.

In accordance with Abed & Alkadi (2024), the development of the BNPL technology and its use as an innovation in fintech changes the pattern of digital transaction behavior and finance decisions of young people. In other words, the current research can be used to support the assumption that financial technology does not remain neutral and creates behavioral outcomes.

The current paper can be seen as another proof of the validity of the behavioral finance approach within the sphere of digital payment systems. According to the behavioral finance concept, people do not always make rational decisions as they are affected by emotions, cognitive errors, and other factors. The application of PayLater, where one receives an instant opportunity to pay at a later date, may intensify the problem of self-control bias, making a person prone to impulsive buying behavior. Ainy et al. (2025) describe the phenomenon of the Buy Now Pay Later Paradox.

The current research will also contribute to the extension of TAM, Behavioral Finance Theory, and Financial Well-Being Theory integration in the context of PayLater usage. TAM theory describes the role played by the perception of ease of use and usefulness in the acceptance of PayLater, whereas Behavioral Finance Theory explains the psychological impact of using online payment services on impulse. Finally, the Financial Well-Being Theory provides information about the implications of such financial behaviors for personal well-being. Shim et al. (2009) made similar suggestions regarding the direct correlation between the use of fintech applications and the level of financial well-being of younger individuals. People who know how to manage their finances properly will enjoy better financial stability and less financial stress. Moreover, according to Gutter & Copur (2011), adequate financial management behavior is associated with enhanced financial well-being. As a result, using fintech solutions, including PayLater, may have both positive and negative implications for one's financial state, depending on whether the individual can control his or her digital consumption and debt.

Furthermore, this research demonstrates that impulsive behavior is the primary mediator in the connection between the use of PayLater technology and financial well-being. This study adds to the existing body of knowledge on digital consumer behavior by explaining the psychological process that exists between payment technology and consumers' financial situations. According to Widiastuti & Sumastuti (2025), impulsive buying behavior mediates the link between PayLater technology and the financial status of Generation Z.

Another theory-based contribution is the study of Indonesian Generation Z as the main consumers of PayLater. According to Bahasoan et al. (2025). Generation Z possesses features

of consumption that are influenced by their digital life style, desire for instant satisfaction, and high levels of reliance on social media, which makes them highly vulnerable to using PayLater in an impulsive way. Therefore, this paper contributes to the research of consumer behavior in the context of Indonesia's digital consumption culture.

Practical Implications

The implications drawn from the concepts discovered in this study would be highly relevant for governmental authorities and the Financial Services Authority (OJK). As such, the widespread use of BNPL among Generation Z requires stricter regulation to prevent any possibilities of growing digital debts and pressure among the younger population. In addition, according to Widayati et al. (2024), the unchecked use of BNPL would only increase the tendency for consumerism among Indonesian youngsters and trap them into debt.

The government and OJK must take steps to increase regulation regarding transparency on interest rates, overdue charges, and payment system mechanisms for PayLater. In addition, fintech companies must be required to provide digital financial education on credit risk management to first-time users. According to Ishak et al. (2025) the BNPL model is considered financial innovation; nonetheless, this can potentially increase consumer debt if there are no stringent regulatory measures put in place.

A government approach should be taken towards increasing the financial literacy among Generation Z individuals through national efforts, social media, and education. The low level of financial literacy leads to an emerging trend of consumerism among PayLater users in Indonesia (Sari et al., 2025). Thus, protecting younger consumers becomes an important element in the development of a healthy fintech environment.

This research also offers practical insights into PayLater service providers in fintech companies. Companies need to focus not just on customer acquisition but also think about the societal and financial consequences that come with utilizing digital lending products. Under behavioral finance, the delayed payment feature that comes with PayLater can reduce the pain of paying, which would encourage people to make impulsive purchases without paying attention to their ability to pay. This means that fintech companies must create a PayLater service structure that is much more responsible by introducing several consumption management features. These features can include spending alerts to limit spending, restricted transactions based on the ability to pay and previous payment history, debt reminders, and a debt management dashboard. The roll-out of these features is expected to help mitigate the risks of over-consumption, late payments and increased financial stress among PayLater users, especially Generation Z.

There is also a need to improve the transparency of interest, penalties and the risks of late payment so that users are aware of the financial implications of using PayLater. Regulators must ensure the presence of fair and clear contracts about fines, data privacy, and withdrawal of goods so that users can be aware of their financial consequences (Kumar et al., 2025). Fintech companies can also develop app-based financial education features to educate users about budgeting, debt management and the risks of impulsive spending. This step is crucial to creating a more responsible and sustainable fintech ecosystem.

5. Conclusion

This conceptual paper finds that the growing use of PayLater amongst Generation Z in Indonesia is significantly linked to impulsive buying and can have adverse consequences on financial well-being via unregulated spending, digital debt, and financial stress. Financial

literacy is a critical determinant of the ability of young consumers to regulate their use of PayLater and prevent excessive consumption in the digital age. This research makes contributions by providing a conceptual model explaining the association between PayLater use, impulsive buying, financial well-being, and financial literacy in relation to Generation Z in Indonesia. As the current research is conceptual, further studies are encouraged to investigate the empirical relationship between these variables and consider other factors including self-regulation, social media exposure, peer influence, and financial anxiety.

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