



International Conference on Emerging Trends in Engineering, Technology & Management (ICETM-2025)

Conducted by Viswam Engineering College (UGC—Autonomous Institution) held on 11th & 12th, April- 2025

## **EXPLORING THE PSYCHOLOGICAL FACTORS THAT SHAPE YOUNG ADULTS' INTENTIONS TO UTILIZE BUY NOW, PAY LATER (BNPL) SERVICES**

**Ms Yamuna S**, Full Time Research Scholar, Department of Commerce, SRM Institute of Science and Technology,  
Ramapuram, Chennai - 600089

**Dr. C Sahila**, Associate Professor & Research Supervisor, Department of Commerce, SRM Institute of Science and  
Technology, Ramapuram, Chennai – 600089

### **Abstract:**

This study examines the psychological factors influencing consumers' adoption of Buy Now, Pay Later (BNPL) services, an emerging alternative payment method that enables deferred payments for purchases. Employing a mixed-methods approach, comprising of surveys with 110 participants, this research investigates the impact of psychological ownership of borrowed money, Payment transparency, Perceived affordability, Financial Optimism, Instant gratification, Transaction Convenience on BNPL adoption. By use of SPSS statistics, Multiple Linear Regression analysis thus findings indicate that Perceived Affordability, Instant Gratification and Financial Optimism influencing factors with BNPL usage, whereas higher levels of Psychological Ownership of Borrowed Money, Payment Transparency and Transaction convenience are negatively associated with its adoption. Furthermore, the study reveals demographic variations in BNPL utilization. These results contribute to the understanding of consumer behavior within the evolving financial technology landscape and provide valuable insights for policymakers, financial institutions, and consumers regarding the psychological mechanisms underlying BNPL adoption.

**Keywords:** Buy Now, Pay Later (BNPL), Psychological ownership of borrowed money, Instant Gratification, BNPL Adoption, Alternative payment methods.

### **Introduction:**

Following the COVID-19 pandemic, there has been a notable increase in the adoption of digital payment systems among Baby Boomers and Generation X. Many nations are advocating for cashless policies, which promote digital payments, and this has contributed to the rise in digital transactions and payments within these age groups (**Santosa et al., 2021**). As digital transactions have become more widespread, the added features and conveniences of e-wallet payments have led to increased global consumer adoption. Similarly, the ease of using BNPL is gaining significant attention, with BNPL leading both online and in-person transactions. E-wallet credit through BNPL enhances consumer spending. (**Bian et al., 2023**). In the current era, the excessive consumption of goods is on the rise, with young adult females particularly engaging in impulsive purchases of "non-essential" items like fashion and apparel. Utilizing a range of impulse-facilitating financial tools, such as Buy Now, Pay Later (BNPL) services, young female consumers aged 18 to 25 exhibit



a greater tendency for online impulse buying compared to those who do not use BNPL. It has been observed that there is a distinct connection between the propensity for impulse buying and sensitivity to sales conversion tools, which encourages overconsumption. (Ah Fook, L., & McNeill, L. 2020). The Buy Now, Pay Later (BNPL) services and credit card usage enable instant purchasing, particularly among younger individuals, while also reducing their savings. These modern financial tools are transforming consumer habits and influencing the effectiveness of traditional economic strategies. The limited financial literacy among households may result in poor financial management and the inappropriate selling of financial products to them. These issues can adversely affect their financial health. Examines the effect of mindfulness on consumer's BNPL payment usage and how that impacts their overall financial & well-being. (**Schomburgk, L. and Hoffmann, A. 2023**).

### **Review of Literature:**

#### **❖ Payment Transparency (PT):**

A research study examined the psychological elements affecting the use of BNPL in the UK. The results indicate that although consumers value the flexibility offered by BNPL, the delayed payment model can result in unforeseen financial issues due to reduced payment awareness. (Relja, R., Ward, P. and Zhao, A.L. (2024).

#### **❖ Psychological Ownership of Borrowed Money (PBM):**

This unique concept introduces the idea of psychological ownership of borrowed money as "the degree to which borrowed funds feel like one's own money." The research discovered that this sense of ownership positively influences consumers' willingness to borrow through credit cards and loans. Sharma et al. (2021).

#### **❖ Perceived Affordability (PA):**

This investigation looks into how BNPL payment options impact consumer spending habits. By analyzing purchase transaction data and conducting experimental studies, the researchers determined that displaying installment prices (i.e., the cost per installment) reduces consumers' perception of a purchase's costliness, leading to increased spending. The study emphasizes that the BNPL payment structure can make products appear more affordable, thus encouraging consumers to spend more than they might with other payment methods. (Rhys Ashby, Shahin Sharifi, Jun Yao, Lawrence Ang (2025).

#### **❖ Instant Gratification (IG):**

This research examines how materialism affects BNPL usage and its subsequent impact on impulsive and compulsive buying behaviors. Using data from 556 participants and structural equation modeling, the study finds that materialistic values significantly drive BNPL use, which in turn mediates the relationship between materialism and compulsive buying. The study underscores that the instant gratification offered by BNPL services can intensify impulsive purchasing behaviors, potentially leading to financial difficulties ([Raj, V.A.](#), [Jasrotia, S.S.](#) and [Rai, S.S.](#) (2024).

#### **❖ Transaction Convenience:**



Transaction convenience was noted as a less significant factor, indicating that while it is a benefit, it may not be the main motivator for all users. (Relja, R., Ward, P. and Zhao, A.L. (2024).

#### ❖ Financial Optimism:

Recent studies indicate that BNPL services contribute to consumers' financial optimism by alleviating immediate financial pressures. A survey by Afterpay and Morning Consult revealed that 82% of BNPL users felt reduced financial stress at checkout, with 77% maintaining this sentiment throughout the repayment period. This suggests that BNPL's installment structure offers consumers a sense of control over their finances, fostering optimism. (Business wire 2024)

#### ❖ Intention to use BNPL (Int):

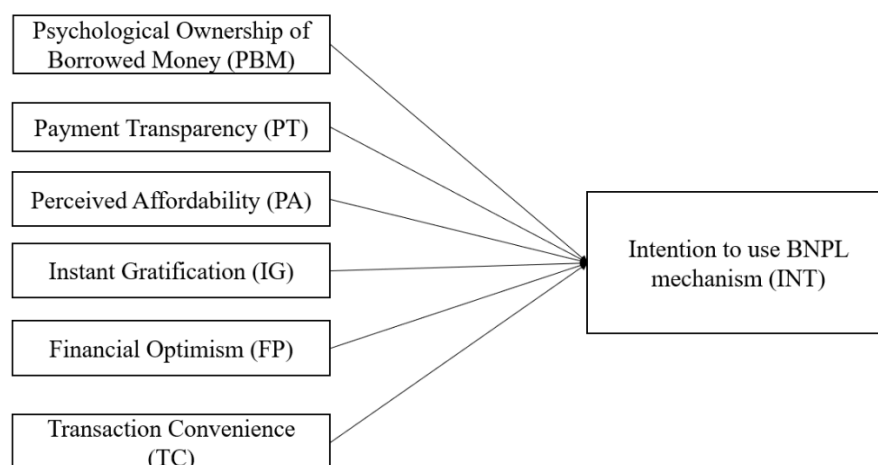
Intention refers to the specific likelihood of engaging in a particular behavior. In today's context, individuals show a strong tendency to use their smartphones for payments via digital platforms, driven by the growing sophistication of technology. Technological advancements provide beneficial features that encourage consumers to adopt its use. Fishbein and Ajzen (1975).

#### ❖ Young Adults:

Erik Erikson's theory of psychosocial development defines young adulthood as the period between 18 and 40 years, marked by the pursuit of intimacy, career growth, independence, and identity formation services (Erik Erikson's theory of psychosocial development (1950). A study found that perceived risk mediates the relationship between attitudes toward BNPL and the intention to use such services. Young consumers with a positive attitude toward BNPL but high perceived risk are less likely to adopt these services (Erik Erikson's theory of psychosocial development (1950) Kumar, S. and Nayak, J.K. (2024).

### CONCEPTUAL FRAMEWORK:

**Fig 1 illustration**





The conceptual framework for this study is designed to explore the influence of psychological factors on the young adult's adoption of Buy Now, Pay Later (BNPL) services. The primary constructs include *Psychological Ownership of Borrowed Money*, *Payment Transparency*, *Perceived Affordability*, *Instant Gratification*, *Financial Optimism*, *Transaction Convenience*. These variables are poised to affect the *consumer's intention to use BNPL services*, which serves as the dependent variable.

As illustrated in Figure 1, the framework presents a direct relationship between psychological constructs and BNPL Adoption, offering a foundation for hypothesis development and empirical testing.

### Research Methodology:

This study adopts a quantitative research design using descriptive and causal – comparative approach. It aims to analyze how psychological factors such as PBM, PT, PA, IG, FO, TC influence young adults' intention to use BNPL services. Here Target population is young adults who aged 18 – 40 years who are aware of or have used BNPL services in India. A purposive sampling was employed and this method subsequently, aids in selecting representative samples and reduces the potential for non-response bias. Approximately 100 – 110 respondents, based on previous studies in similar domains. A structured questionnaire used in the study, designed using 5-point Likert Scale. During data collection process, respondents are informed about the purpose of the study. Participation of the study is voluntary and anonymous.

### Data Analysis:

Table 1			
Demographic Variable	Category	Frequency	Percentile
Age	18–22	20	18.18
	23–27	35	31.81
	28–32	28	25.45
	33–36	15	13.63
	37–40	12	10.90
Gender	Male	60	54.54
	Female	45	40.90
	Non-binary	3	2.72
	Prefer not to say	2	1.81
Marital Status	Single	70	63.63
	Married	30	27.27
	Divorced/Separated	5	4.54
	Widowed	5	4.54
Education Level	High School or below	5	4.54
	Diploma/Certificate	15	13.63
	Bachelor's Degree	50	45.45
	Master's Degree	30	27.27



	Ph.D. or above	10	9.09
Employment status	Student	40	36.36
	Employed (Full-time)	35	31.81
	Employed (Part-time)	15	13.63
	Self-employed	10	9.09
	Unemployed	10	9.09
	No	45	40.90
Monthly Income (INR)	Less than ₹10,000	20	18.18
	₹10,000–₹20,000	25	22.72
	₹20,001–₹30,000	30	27.27
	₹30,001–₹50,000	20	18.18
	Above ₹50,000	15	13.63
Used BNPL	Yes	85	77.27
	No	25	22.72
	Rarely	20	18.18

### 1. Demographic Variables:

Table 1 presents the demographic characteristics of the respondents.

The majority of the respondents fall within the 23–27 age group (31.81%), followed by 28–32 years (25.45%) and 18–22 years (18.18%), indicating a youthful sample base. Most participants identified as male (54.54%), followed by female (40.90%). A small proportion identified as non-binary (2.72%) and prefer not to disclose (1.81%), reflecting inclusivity in the sample. A majority of the participants were single (63.63%), followed by married individuals (27.27%), with the remaining being divorced/separated or widowed (each 4.54%). This suggests that most of the respondents are in a life stage that might encourage exploration of alternative financial tools like BNPL. Nearly half of the respondents held a Bachelor's degree (45.45%), while 27.27% had a Master's degree and 9.09% had attained a Ph.D. or higher, suggesting a relatively well-educated population. This indicates that the participants may have a better understanding of financial products and services. A significant proportion were students (36.36%), followed by full-time employees (31.81%). The rest were part-time employed (13.63%), self-employed (9.09%), and unemployed (9.09%). This mix represents various levels of financial dependency and disposable income, which could affect BNPL usage. The majority of respondents earned between ₹10,000 and ₹30,000 per month, with 27.27% earning ₹20,001–₹30,000, and 22.72% earning ₹10,000–₹20,000. A smaller percentage earned above ₹50,000 (13.63%). This reflects a middle-income segment, a prime user base for BNPL services. A strong majority of respondents (77.27%) indicated they had used BNPL services, supporting the relevance of this study. Only 22.72% had never used BNPL, while 18.18% reported rare usage, which could point to barriers or concerns related to psychological or financial factors.

### 2. Reliability Statistics

Table 2: Reliability Statistics for primary constructs used in the study

Reliability Statistics	
Cronbach's Alpha	N of Items
.809	6



**Interpretation:** The internal consistency of the constructs was assessed using Cronbach's Alpha. A value above 0.70 is considered acceptable for exploratory research (Nunnally, 1978). As shown in Table 1, constructs exhibit acceptable to high reliability, with Cronbach's Alpha value 0.80. This indicates that each construct is consistent in measuring the same underlying concept. Therefore, the scale is deemed reliable for further analysis.

### 3. Multiple Linear Regression Analysis:

#### Hypothesis:

*H0: There is no significant influence of psychological factors on intention to use BNPL*

*H1: There is significant influence of psychological factors on intention to use BNPL.*

Table no 3						
Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.835 <sup>a</sup>	.701	.679	.38021		
a. Predictors: (Constant), Transaction Convenience, Perceived Affordability, Financial Optimism, Payment Transparency, Psychological Ownership of Borrowed Money, Instant Gratification						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.165	6	5.694	39.390	.000 <sup>b</sup>
	Residual	14.890	103	.145		
	Total	49.055	109			
a. Dependent Variable: Intention to Use BNPL						
b. Predictors: (Constant), Transaction Convenience, Perceived Affordability, Financial Optimism, Payment Transparency, Psychological Ownership of Borrowed Money, Instant Gratification						

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.661	.599		-2.775	.007		
	Psychological Ownership of Borrowed Money	-.117	.088	-.090	-1.333	.185	.641	1.561
	Perceived Affordability	.785	.081	.693	9.740	.000	.582	1.719
	Payment Transparency	.081	.056	.089	1.442	.152	.768	1.302
	Instant Gratification	-.023	.069	-.023	-.339	.000	.482	2.076



Transaction Convenience	.003	.060	.003	.059	.953	.992	1.008
Financial Optimism	.605	.083	.529	7.308	.000	.563	1.778
a. Dependent Variable: Intention to Use BNPL							

**Interpretation:** It is inferred from the above table that the data is freed from multicollinearity since the tolerance (0.482 to 0.992) and VIF (1.008 to 2.076) values are within the bench mark. Hence the researcher proceeded with a variance of 69% (R Square = 0.70) and the anova table proved that there is strong influence of psychological factors influencing the intention to use BNPL as the p-value is less than 0.05 at 5% level of significance.

It is further inferred that the coefficient table described that strong influence of independent variables PA, IG, FO on BNPL Usage in comparison to PBM, PT, TC.

### 3. Cluster Analysis:

Here the following standardized variables used for clustering:

1. Frequency of BNPL Usage
2. Monthly Income
3. Pain of Payment
4. Financial Optimism
5. Intention to continue using BNPL

A k-means cluster analysis was conducted with k = 3 to segment users into distinct groups.

Final Cluster Centers			
	Cluster		
	Cautious Users	Heavy Users	Explorers
Frequency of Using BNPL	Low (1.91)	High (4.74)	Medium (4.42)
Monthly Income	Medium (4.95)	High (5.00)	Low (3.83)
Pain of Payment	High (4.71)	Low (2.25)	Medium (4.64)
Financial Optimism	Medium (2.14)	High (4.86)	Low (2.25)
Intention to use BNPL	Low (2.25)	High (4.71)	Medium (4.64)

Cluster sizes:

Number of Cases in each Cluster		Frequency	Percentile
Cluster 1	Cautious Users	42.000	38.18%
Cluster 2	Heavy Users	36.000	32.72%
Cluster 2	Explorers	32.000	29.09%
	Total	110.000	100%



**Interpretation:****Cluster 1 – Cautious Users:**

These users rarely use BNPL services, despite having medium income. They experience a high pain of payment, indicating discomfort with deferred payments. The financial Optimism is Medium, and they have little intention to continue using BNPL, possibly due to financial anxiety or debt aversion.

**Cluster 2 – Heavy Users:**

Comprising the highest earners, this group frequently uses BNPL and shows low pain of payment, indicating comfort with delayed financial consequences. Their intention to use BNPL remains high, high financial optimistic behaviors, suggesting this group may benefit from or depend on such services for convenience.

**Cluster 3 – Explorers:**

Typically low financial optimistic driven by low-income, these individuals use BNPL Mediumly. They are in an experimental phase, showing medium pain of payment and medium intent to continue. Their usage may be influenced more by social trends or promotional offers than financial planning.

**Results & Discussion:**

The results of the study analyzed the demographic characteristics of young adults' regarding their adoption of BNPL services. Findings of the study indicates Perceived Affordability, Instant Gratification, Financial Optimism are the strongest predictors of BNPL usage. Psychological Ownership of Borrowed Money, Payment Transparency, Transaction Convenience had negative impact on BNPL adoption Intention. Perceived affordability was another significant predictor. This perception increases purchase confidence and lowers the mental barrier to consumption. However, the disconnect between perceived and actual affordability could potentially contribute to overspending and future debt, indicating a need for consumer education. BNPL services cater to the “want-it-now” mentality by enabling immediate access without upfront cost. This aligns with impulse buying tendencies and supports theories suggesting that younger consumers place a higher premium on convenience and immediate rewards over delayed financial consequences. Financial optimism—or the belief that one will be able to manage future finances better—also significantly influenced BNPL adoption. Many young consumers tend to overestimate their future income or repayment ability, which encourages current borrowing. This “I’ll handle it later” mindset may encourage risk-taking and reflects an important psychological bias that BNPL services tap into. The study findings suggest that these factors do not act in isolation. For example, financial optimism may amplify the effects of perceived affordability and instant gratification. Understanding the interplay between emotional, cognitive, and behavioral triggers is essential in predicting consumer intentions more accurately. The cluster analysis of results Cautious users, Moderate users and High users reveals that BNPL users can be segmented into distinct psychological and behavioral profiles. These insights can help fintech companies tailor communication, set credit limits or personalize incentives.





**BIBLIOGRAPHY:**

1. Ah Fook, L., & McNeill, L. (2020). Click to Buy: The Impact of Retail Credit on Over-Consumption in the Online Environment. *Sustainability*, 12(18), 7322. <https://doi.org/10.3390/su12187322>
2. Ashby, R., Sharifi, S., Yao, J., & Ang, L. (2025). The influence of the buy-now-pay-later payment mode on consumer spending decisions. *Journal of Retailing*. Advance online publication. <https://doi.org/10.1016/j.jretai.2025.01.003>
3. Bian, W., Cong, L. W., & Ji, Y. (2023). *The rise of e-wallets and buy-now-pay-later: Payment competition, credit expansion, and consumer behavior* (No. w31202). National Bureau of Economic Research.
4. Fishbein, M., & Ajzen, I. (1977). Belief, attitude, intention, and behavior: An introduction to theory and research.
5. <https://www.businesswire.com/news/home/20240626136893/en/>
6. <https://www.verywellmind.com/erik-eriksons-stages-of-psychosocial-development-2795740>
7. Kumar, S. and Nayak, J.K. (2024), "Understanding the intricacies of risky indebtedness, impulse buying and perceived risk in buy-now-pay-later adoption", *Asia Pacific Journal of Marketing and Logistics*, Vol. 36 No. 7, pp. 1697-1716. <https://doi.org/10.1108/APJML-08-2023-0759>.
8. Nunnally, J. C. (1978). *Psychometric Theory* (2nd ed.). New York: McGraw-Hill.
9. Raj, V.A., Jasrotia, S.S. and Rai, S.S. (2024), "Intensifying materialism through buy-now pay-later (BNPL): examining the dark sides", *International Journal of Bank Marketing*, Vol. 42 No. 1, pp. 94-112. <https://doi.org/10.1108/IJBM-08-2022-0343>
10. Relja, R., Ward, P. and Zhao, A.L. (2024), "Understanding the psychological determinants of buy-now-pay-later (BNPL) in the UK: a user perspective", *International Journal of Bank Marketing*, Vol. 42 No. 1, pp. 7-37. <https://doi.org/10.1108/IJBM-07-2022-0324>.
11. Santosa, A.D., Taufik, N., Prabowo, F.H.E. *et al.* Continuance intention of baby boomer and X generation as new users of digital payment during COVID-19 pandemic using UTAUT2. *J Financ Serv Mark* 26, 259–273 (2021). <https://doi.org/10.1057/s41264-021-00104-1>
12. Schomburgk, L. and Hoffmann, A. (2023), "How mindfulness reduces BNPL usage and how that relates to overall well-being", *European Journal of Marketing*, Vol. 57 No. 2, pp. 325-359. <https://doi.org/10.1108/EJM-11-2021-0923>.