

Determinants of Buy Now, Pay Later (BNPL) Usage Among Generation Z

Nadhira Safa Ainunnisa¹, Erna Handayani^{2*}, Bima Cinintya Pratama³, Meydy Fauziridwan⁴

^{1,2,3,4} Fakultas Ekonomi dan Bisnis, Universitas Muhammadiyah Purwokerto, Indonesia

*Corresponding Author: ernahandayani@ump.ac.id

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ABSTRACT

The rapid expansion of digital financial services has transformed consumer payment behavior, particularly through the widespread adoption of Buy Now, Pay Later (Pay Later) services among Generation Z. Although Pay Later offers greater flexibility and convenience in digital transactions, its increasing utilization raises concerns regarding responsible financial decision-making. This study aims to examine the effects of Financial Literacy, Financial Self-Control, and Digital Financial Behavior on Pay Later Usage among Generation Z. A quantitative research approach was employed using a survey method involving 188 valid respondents selected through purposive sampling. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The findings reveal that Financial Literacy and Financial Self-Control do not have significant effects on Pay Later Usage. In contrast, Digital Financial Behavior has a positive and significant influence on Pay Later Usage, indicating that individuals who actively engage in digital financial activities are more likely to utilize Pay Later services. The structural model demonstrates substantial explanatory power, with an R^2 value of 0.793, indicating that the proposed model explains 79.3% of the variance in Pay Later Usage. These findings suggest that the adoption of Pay Later services among Generation Z is driven primarily by actual digital financial behavior rather than financial knowledge or self-regulatory capacity. This study contributes to the financial technology literature by emphasizing the importance of behavioral factors in explaining digital credit adoption and provides practical implications for policymakers, financial institutions, and fintech providers in promoting responsible digital financial behavior and sustainable Pay Later utilization.

INTRODUCTION

The rapid acceleration of Indonesia's digital economy has dramatically reshaped the financial industry landscape, particularly through the proliferation of financial technology (fintech) lending services. The seamless integration of digital payment infrastructure,

expanding e-commerce platforms, and e-wallet penetration has significantly propelled the adoption of Buy Now Pay Later (BNPL) mechanisms (Setiasih et al., 2026; Tisya & Tasrim, 2025). This phenomenon is most pronounced among Generation Z digital natives who dominate digital economic transactions. Their tech-savviness enables rapid, flexible, and convenient access to digital financial services (Awdes et al., 2022; Putri et al., 2022). Among various BNPL providers in Indonesia, ShopeePay Later holds the leading market share. Its direct integration (*embedded finance*) into the Shopee marketplace, coupled with aggressive promotional incentives, makes it the primary payment method for consumer transactions among Generation Z.

However, the convenience offered by BNPL services presents a double-edged sword. While digital credit offers short-term liquidity flexibility, it simultaneously poses serious risks, such as fostering consumerism, impulsive buying behavior, reliance on short-term debt, and potential over-indebtedness among young consumers who are still developing their financial management skills. Consequently, empirically investigating the determinants of BNPL adoption among Generation Z becomes a critical issue requiring deep investigation.

Digital financial decision-making among Generation Z is influenced by an interplay of cognitive, psychological, and behavioral factors. The cognitive dimension is represented by financial literacy, defined as an individual's ability to understand financial concepts, manage money, and assess the risks, interest rates, and long-term consequences of digital credit (Biradar & Reddy, 2025; Pham et al., 2024). According to Prospect, rational decision-makers evaluate potential losses and risks before acting under uncertainty. Individuals with higher financial literacy are expected to behave more rationally and cautiously when using consumer credit (Aisjah, 2024; Lia & Natswa, 2021).

Nevertheless, empirical evidence regarding this relationship remains inconsistent, presenting a distinct research gap. For instance, Abed and Alkadi (2024) revealed that financial literacy does not significantly affect BNPL utilization, as decision-making is more heavily dictated by technological ease and transactional efficiency. This empirical inconsistency highlights the necessity to re-examine the role of financial literacy within the contemporary digital context.

Beyond cognitive factors, psychological attributes such as financial self-control play a paramount role. Financial self-control reflects an individual's capacity to regulate spending, suppress impulsive buying urges, and delay gratification for long-term financial stability (Hisham et al., 2026; S.Sangeetha et al., 2025). Under Prospect Theory, the immediate gratification offered by BNPL can bias risk assessment, causing present gains to overshadow future debt burdens. Individuals with low financial self-control are more vulnerable to excessive BNPL usage due to impulsive tendencies (Chen et al., 2024; Kumar et al., 2024). Conversely, robust self-control acts as an internal restraint against credit dependency (Osman et al., 2024).

Furthermore, the behavioral dimension digital financial behavior captures an individual's habits, comfort, and frequency of interaction with tech-based financial ecosystem tools such as mobile banking and e-wallets (Restike et al., 2024). Generation Z individuals who engage heavily in digital transactions tend to perceive BNPL as a natural extension of digital convenience (Hisham et al., 2026). However, Chen et al. (2024) argued that digital financial habits do not automatically lead to BNPL usage, as individual risk preferences and psychological profiles moderate this relationship. This divergence indicates that digital financial engagement requires further empirical confirmation regarding its direct impact on BNPL reliance (Putri et al., 2025). To bridge these literature gaps, this study offers three primary novel contributions:

1. An Integrative Tri-Dimensional Framework: It simultaneously combines cognitive (*financial literacy*), psychological (*financial self-control*), and behavioral (*digital financial behavior*) factors as key determinants to holistically explain BNPL usage.
2. Specific Empirical Context: It narrows the empirical scope to ShopeePay Later users, representing the dominant BNPL market leader in Indonesia, thereby ensuring high contextual validity.
3. Homogeneous Target Demographic: It focuses specifically on Generation Z, the most active yet financially vulnerable digital cohort.

Theoretically, this research extends the application of Prospect Theory to digital credit adoption (*fintech lending*). Practically, the findings provide actionable insights for fintech providers, regulatory bodies (such as the Financial Services Authority / OJK), and educators in formulating targeted risk-mitigation strategies against youth over-indebtedness.

Financial literacy provides individuals with the analytical capability to evaluate interest structures, late fees, and legal/financial ramifications of digital debt (Chen et al., 2024; Kumar et al., 2024). Under Prospect Theory, financially literate individuals weigh potential losses more heavily than immediate transactional gains. Consequently, higher financial literacy acts as a deterrent against imprudent digital credit usage.

H₁ : Financial literacy has a negative effect on BNPL usage.

Financial self-control reflects an individual's capability to regulate consumption decisions (Hisham et al., 2026; S.Sangeetha et al., 2025). Prospect Theory posits that decision-making is often biased toward short-term benefits. The seamless nature of BNPL heightens impulsive buying triggers unless countered by internal self-control. Individuals with strong financial self-control resist immediate gratification and prioritize long-term solvency over temporary consumption.

H₂ : Financial self-control has a negative effect on BNPL usage.

Digital financial behavior reflects an individual's familiarity and routine engagement with digital finance ecosystems (Aisjah, 2024; Lia & Natswa, 2021). According to Prospect Theory, heightened familiarity and perceived ease of use lower the perceived risk associated with digital transactions. Generation Z users accustomed to digital wallets and online payment

setups perceive BNPL as a convenient, low-friction transaction method, thereby driving higher adoption frequency (Usman et al., 2025).

H₃ : Digital financial behavior has a positive effect on BNPL usage.

RESEARCH METHODS

Research Design

This study adopts a quantitative approach using an explanatory research design to empirically evaluate the influence of financial literacy, financial self-control, and digital financial behavior on Buy Now Pay Later (BNPL) usage through statistical analysis. A quantitative approach is selected due to its objectivity in measuring variables, testing hypotheses, and analyzing structural relationships among latent constructs (Sugiyono, 2024). Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is particularly suited for complex structural models and exploratory framework evaluations (Rizkyla et al., 2024).

Population, Sample, and Sampling Technique

The target population in this study comprises Generation Z individuals who actively utilize the ShopeePay Later service (Awdes et al., 2022). Because the exact number of active ShopeePay Later users within this age bracket is officially undisclosed by the service provider, the population size is categorized as unknown (infinite population).

To select representative participants, this study employed a non-probability sampling approach utilizing a purposive sampling technique. This method ensures that chosen respondents satisfy specific prerequisite criteria, including:

- 1) Belonging to Generation Z (born between 1997 and 2012);
- 2) Owning an active Shopee account; and
- 3) Having executed transactions using ShopeePay Later at least once (Memon et al., 2025).

The use of purposive sampling is methodologically justified in financial technology research, as empirical experience with the specific platform under investigation is mandatory to yield accurate insights (Aprila & Dwiharyadi, 2026). Following the sample size recommendations for PLS-SEM by Hisham et al. (2026), the minimum required sample size is determined by multiplying the maximum number of indicators pointing to a latent construct by 10. With 13 total indicators across all measurement constructs in this study, a minimum sample size of 130 respondents was established to ensure statistical power.

Data Collection Procedure

Primary data were gathered via a self-administered online questionnaire distributed across various social media and digital platforms. Online survey administration was selected given Generation Z's high digital affinity, allowing broader geographic reach and higher response efficiency compared to traditional paper-based methods (Wang, 2021). All items were measured on a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly

Agree). The Likert scale is widely acknowledged in behavioral finance research for its efficacy in measuring latent attitudes, perceptions, and behavioral tendencies quantitatively (Aprila et al., 2023, 2026; Chohan et al., 2022).

Operationalization of Variables

The measurement framework involves four latent variables three independent variables and one dependent variable comprising a total of 13 indicators, as summarized in Table 1.

Table 1. Operationalization of Variables

Variable	Operational Definition	Indicators	Measurement Scale
Financial Literacy (X1) (Wediawati et al., 2025)	An individual's ability to understand, manage, and apply financial knowledge in making appropriate financial decisions to achieve financial well-being.	1. Financial Knowledge 2. Financial Skills 3. Financial Attitudes	Likert Scale (1–5)
Financial Self-Control (X2) (Rismaya, 2025)	An individual's ability to regulate thoughts, decisions, and behaviors when facing impulses or temptations that may influence financial decision-making.	1. Cognitive Control 2. Decision Control 3. Behavioral Control	Likert Scale (1–5)
Digital Financial Behavior (X3) (OECD/INFE, 2023)	An individual's actual, rational, and responsible use of digital financial services, including conducting transactions, making financial decisions, and managing finances through digital platforms.	1. Digital Transaction Intensity 2. Cashless Transaction Habits 3. Digital Payment System Preference 4. Digital Shopping Patterns	Likert Scale (1–5)
Pay Later Usage (Y) (Yeterina Widi Nugrahanti, 2024)	The extent to which individuals utilize digital consumer financing services (Pay Later) in their daily transaction activities.	1. Length of Usage 2. Usage Intensity 3. Credit Repayment Period	Likert Scale (1–5)

Data Analysis Method

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) executed via SmartPLS software. PLS-SEM was chosen for its capability to evaluate measurement and structural models concurrently without requiring strict multivariate normality assumptions (Sugiyono, 2024).

RESULTS AND DISCUSSION

Results

Respondent Characteristics

A total of 207 questionnaires were collected during the survey period. After the data screening process, 19 responses were excluded due to incomplete or inconsistent answers, resulting in 188 valid questionnaires for further analysis. The demographic profile indicates that the respondents are representative of Generation Z, who are highly familiar with digital technology and actively engage with e-commerce platforms and digital financial services.

Table 2. Demographic Characteristics of Respondents

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	68	36.2
	Female	120	63.8
Age	18–22 years	165	87.8
	23–28 years	23	12.2
Occupation	Student	139	73.9
	Employee	44	23.4
	Entrepreneur	5	2.7
Monthly Income	IDR 500,000–700,000	44	23.4
	IDR 1,000,000–1,500,000	66	35.1
	IDR 2,000,000–2,500,000	36	19.1
	> IDR 2,500,000	42	22.3

Source: Primary data processed (2026).

Table 2 indicates that female respondents accounted for 63.8% of the sample, while male respondents represented 36.2%. Most respondents were between 18 and 22 years old (87.8%), confirming that the sample primarily consisted of late adolescents and early adults. Furthermore, 73.9% of respondents were university students, reflecting the dominant characteristics of Generation Z as active users of digital technology and e-commerce platforms. Regarding monthly income, the largest proportion earned between IDR 1,000,000 and IDR 1,500,000 (35.1%), indicating relatively limited purchasing power. These characteristics suggest that respondents are highly exposed to digital financial services and therefore represent an appropriate population for examining Pay Later usage behavior.

Measurement Model Assessment

The measurement model was evaluated by assessing convergent validity, internal consistency reliability, and discriminant validity using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. Following Hair et al. (2019), indicator reliability was assessed using outer loadings, while construct reliability was evaluated through Composite Reliability (CR), Cronbach's Alpha, and Average Variance Extracted (AVE).

Convergent Validity

Table 3. Convergent Validity Results

Construct	Loading Range	Composite Reliability	AVE	Result
Financial Literacy	0.762–0.846	0.936	0.645	Accepted
Financial Self-Control	0.774–0.870	0.947	0.689	Accepted
Digital Financial Behavior	0.894–0.931	0.946	0.843	Accepted
Pay Later Usage	0.880–0.962	0.979	0.886	Accepted

Source: Primary data processed (2026).

**Figure 2. Measurement Model**

The results indicate that all measurement indicators achieved standardized loading values above the recommended threshold of 0.70, confirming satisfactory indicator reliability. The loading values ranged from 0.762 to 0.962, indicating that each observed indicator adequately represents its corresponding latent construct. Furthermore, all constructs exceeded the recommended Composite Reliability threshold of 0.70 and Average Variance Extracted (AVE) threshold of 0.50, demonstrating satisfactory convergent validity and internal consistency. These findings confirm that the proposed measurement model is statistically reliable for subsequent structural model evaluation.

Discriminant Validity

Discriminant validity was assessed using the Fornell–Larcker criterion, HTMT ratio, and cross-loading analysis.

Table 4. Discriminant Validity Assessment

Method	Result	Interpretation
Fornell-Larcker	Partially Accepted	FL and FSC exhibit conceptual overlap
HTMT	Partially Accepted	FL–FSC (0.964) and DFB–PL (0.922) exceed the threshold
Cross Loading	Accepted	Each indicator loads highest on its intended construct

Source: Primary data processed (2026).

Although the Fornell–Larcker criterion and HTMT ratio indicate potential overlap between Financial Literacy and Financial Self-Control, as well as between Digital Financial Behavior and Pay Later Usage, the cross-loading results confirm that all indicators load highest on their respective constructs. Therefore, the measurement model remains acceptable for structural model evaluation.

Reliability Assessment

Table 5. Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	Conclusion
Financial Literacy (X1)	0.924	0.936	0.645	Reliable and Valid
Financial Self-Control (X2)	0.937	0.947	0.689	Reliable and Valid
Digital Financial Behavior (X3)	0.953	0.946	0.843	Reliable and Valid
Pay Later Usage (Y)	0.974	0.979	0.886	Reliable and Valid

Source: Primary data processed (2026).

Table 5 presents the summary of the cross-loading analysis conducted to evaluate the discriminant validity of the measurement model. Cross-loading analysis aims to determine whether each indicator has a stronger correlation with its intended latent construct than with other constructs included in the research model. A construct is considered to exhibit satisfactory discriminant validity when the loading value of each indicator on its own construct is consistently higher than its loadings on other constructs.

As shown in Table 5, the primary loading values range from 0.762 to 0.962, indicating that all indicators have strong correlations with their respective constructs. Specifically, the indicators of Financial Literacy have loading values ranging from 0.762 to 0.846, Financial Self-Control from 0.774 to 0.870, Digital Financial Behavior from 0.894 to 0.931, and Pay Later Usage from 0.880 to 0.962. All of these values exceed the recommended threshold of 0.70, confirming that the indicators adequately represent their corresponding latent constructs.

The cross-loading values range from 0.106 to 0.870, and for every construct, these values remain lower than the corresponding primary loading values. This indicates that each

indicator is more strongly associated with its designated construct than with any other construct in the model. Although several indicators exhibit relatively high cross-loading values, particularly for Digital Financial Behavior and Pay Later Usage, the primary loading values remain consistently higher, thereby satisfying the discriminant validity criterion.

Overall, the cross-loading analysis demonstrates that the measurement model possesses adequate discriminant validity. Therefore, all indicators are capable of distinguishing their respective constructs from other latent variables, indicating that the measurement model is appropriate for subsequent structural model evaluation and hypothesis testing.

Cross Loading

Table 6. Cross-Loading Summary

Construct	Primary Loading Range	Cross-Loading Range	Interpretation
Financial Literacy (X1)	0.762–0.846	0.106–0.790	Indicators load highest on the intended construct
Financial Self-Control (X2)	0.774–0.870	0.121–0.790	Indicators load highest on the intended construct
Digital Financial Behavior (X3)	0.894–0.931	0.172–0.864	Indicators load highest on the intended construct
Pay Later Usage (Y)	0.880–0.962	0.129–0.870	Indicators load highest on the intended construct

Source: Primary data processed (2026).

Table 6 presents the summary of the cross-loading analysis used to assess the discriminant validity of the measurement model. The results indicate that all indicators exhibit higher loading values on their respective constructs than on other constructs. Specifically, the primary loading values range from 0.762 to 0.962, while the cross-loading values range from 0.106 to 0.870. This finding demonstrates that each indicator has a stronger association with its intended construct than with other latent constructs in the model.

Among the four constructs, Digital Financial Behavior and Pay Later Usage show the highest primary loading ranges (0.894–0.931 and 0.880–0.962, respectively), indicating that their indicators strongly represent the underlying constructs. Meanwhile, although several indicators of Financial Literacy and Financial Self-Control exhibit relatively high cross-loading values, their primary loadings remain consistently higher than their cross-loadings. Therefore, each indicator is retained because it contributes more strongly to its designated construct than to any other construct. Overall, the cross-loading results confirm that the measurement model satisfies the discriminant validity criterion. Consequently, the indicators used in this study are capable of distinguishing one construct from another and are considered appropriate for subsequent structural model evaluation.

Structural Model Assessment

Following confirmation of the measurement model, the structural model was evaluated by examining the coefficient of determination (R^2), effect size (f^2), model fit, and hypothesis testing. These indicators collectively determine the predictive capability of the proposed research framework.

Table 7. Structural Model Evaluation

Indicator	Value	Interpretation
R^2	0.793	Substantial
Highest f^2	3.535	Very Large
Chi-Square	835.524	Estimated Model

Source: Primary data processed (2026).

The coefficient of determination indicates that Financial Literacy, Financial Self-Control, and Digital Financial Behavior jointly explain 79.3% of the variance in Pay Later Usage, while the remaining 20.7% is explained by variables outside the proposed research model. According to Hair et al. (2019), this value reflects substantial predictive accuracy, suggesting that the proposed framework possesses strong explanatory capability.

Hypothesis Testing

Table 8. Direct Effect

Hypothesis	Relationship	Path Coefficient (β)	t-Statistic	p-Value	Decision
H1	Financial Literacy $\rightarrow$ Pay Later Usage	0.089	1.041	0.298	Not Supported
H2	Financial Self-Control $\rightarrow$ Pay Later Usage	-0.088	1.102	0.271	Not Supported
H3	Digital Financial Behavior $\rightarrow$ Pay Later Usage	0.885	31.896	<0.001	Supported

Source: Primary data processed (2026).

Table 8 presents the results of the hypothesis testing conducted using the bootstrapping procedure in the PLS-SEM analysis. The significance of each structural relationship was evaluated based on the path coefficient (β), t-statistic, and p-value. A hypothesis is considered to be supported when the t-statistic exceeds 1.96 and the p-value is below 0.05, indicating a statistically significant relationship between the independent and dependent variables.

The results reveal that Financial Literacy does not have a significant effect on Pay Later Usage ($\beta = 0.089$; $t = 1.041$; $p = 0.298$). Although the path coefficient is positive, the relationship is not statistically significant because the t-statistic is below the critical value of 1.96 and the p-value exceeds the 0.05 significance level. Therefore, H1 is not supported, suggesting that higher levels of financial literacy do not necessarily lead to increased or decreased Pay Later usage among Generation Z.

Similarly, Financial Self-Control does not significantly influence Pay Later Usage ($\beta = -0.088$; $t = 1.102$; $p = 0.271$). The negative coefficient indicates an inverse relationship; however, the effect is statistically insignificant. Consequently, H2 is not supported, implying

that differences in individuals' self-control are insufficient to explain variations in Pay Later usage within the observed sample.

In contrast, Digital Financial Behavior demonstrates a strong and statistically significant positive effect on Pay Later Usage ($\beta = 0.885$; $t = 31.896$; $p < 0.001$). The exceptionally high path coefficient and t-statistic indicate that Digital Financial Behavior is the most influential predictor in the structural model. Accordingly, H3 is supported, suggesting that respondents who exhibit higher levels of digital financial behavior are substantially more likely to use Pay Later services.

Overall, the hypothesis testing results indicate that Digital Financial Behavior is the only significant determinant of Pay Later Usage, whereas Financial Literacy and Financial Self-Control do not exert statistically significant effects. These findings suggest that the adoption of Pay Later services among Generation Z is driven primarily by behavioral adaptation to digital financial ecosystems rather than by financial knowledge or individual self-regulatory capacity.

Discussion

Financial Literacy and Pay Later Usage

The results indicate that Financial Literacy does not have a significant effect on Pay Later Usage among Generation Z ($\beta = 0.089$; $t = 1.041$; $p = 0.298$). Therefore, H1 is not supported, suggesting that differences in individuals' financial literacy do not significantly explain variations in the use of Pay Later services. Although the relationship is positive, its magnitude is relatively small and statistically insignificant, indicating that financial knowledge alone is insufficient to influence consumers' decisions to utilize digital deferred payment facilities.

This finding suggests that possessing financial knowledge does not necessarily translate into prudent financial behaviour when making consumption decisions in digital environments. Individuals may understand fundamental financial concepts, such as budgeting, debt management, interest rates, and financial planning, yet still choose to use Pay Later because these services provide immediate purchasing flexibility, convenience, and access to products without requiring full upfront payment. Consequently, financial literacy appears to increase individuals' awareness of financial management but does not automatically prevent them from adopting digital credit facilities when they perceive substantial short-term benefits.

From the perspective of Prospect Theory (Kahneman & Tversky, 1979), consumers evaluate financial decisions based on perceived gains and losses rather than objective economic outcomes. In the context of Pay Later services, Generation Z may perceive the opportunity to obtain products immediately while postponing payment as a greater benefit than the future repayment obligation. The psychological value of immediate consumption therefore outweighs the perceived financial risk, causing individuals with relatively high financial literacy to continue using Pay Later services despite understanding the associated

borrowing costs. This finding indicates that cognitive knowledge alone is insufficient to alter financial decision-making when consumers experience strong present-oriented preferences.

Another plausible explanation relates to the characteristics of the respondents. The majority of respondents in this study were university students with relatively limited monthly income. Under these circumstances, Pay Later is often perceived not merely as a credit instrument but as a practical financial management tool that helps bridge temporary liquidity constraints. As a result, purchasing decisions are more likely to be influenced by immediate financial needs and the convenience offered by digital payment systems than by financial knowledge itself.

The findings are consistent with previous studies conducted by Chen et al. (2024) and Kumar et al. (2024), which reported that financial literacy alone does not significantly determine Pay Later adoption among young consumers. These studies argue that technological convenience, promotional incentives, and changing digital consumption patterns increasingly dominate financial decision-making, thereby reducing the direct influence of financial literacy on the adoption of digital credit services.

From a practical perspective, these findings imply that improving financial literacy alone may not be sufficient to encourage responsible Pay Later usage among Generation Z. Financial education programs should therefore be complemented by behavioural interventions that strengthen individuals' awareness of digital spending habits, repayment obligations, and long-term financial consequences. Integrating financial literacy with digital financial behaviour education may provide a more comprehensive strategy for promoting responsible use of digital credit services.

Financial Self-Control and Pay Later Usage

The empirical findings indicate that Financial Self-Control does not have a significant effect on Pay Later Usage among Generation Z ($\beta = -0.088$; $t = 1.102$; $p = 0.271$). Accordingly, H2 is not supported, suggesting that an individual's ability to regulate thoughts, emotions, and financial decisions is not a determining factor in the utilization of Pay Later services. Although the path coefficient is negative, indicating that greater financial self-control tends to reduce Pay Later usage, the relationship is statistically insignificant. Therefore, differences in financial self-control among respondents are insufficient to explain variations in their Pay Later usage behavior.

One possible explanation is that Pay Later services have become an integral part of the digital payment ecosystem rather than merely functioning as a source of consumer credit. The integration of Pay Later features within e-commerce platforms, accompanied by attractive promotional campaigns such as discounts, cashback, free shipping, and installment offers, has transformed these services into a convenient payment option. Consequently, even individuals with relatively high levels of financial self-control may continue to use Pay Later because they perceive it as a practical transaction method rather than an indication of poor financial discipline.

This finding also reflects the changing financial behavior of Generation Z in the digital era. Compared with previous generations, Generation Z is highly accustomed to technology-based financial services and tends to prioritize transaction convenience, efficiency, and accessibility. As a result, decisions to use Pay Later are often influenced more by technological convenience and platform features than by individual self-regulation. In this context, financial self-control may play a limited role because the adoption of digital payment services has become a routine component of everyday consumption activities.

The findings can also be interpreted through the lens of Prospect Theory (Kahneman & Tversky, 1979), which argues that individuals evaluate decisions based on perceived gains and losses rather than objective outcomes. In the case of Pay Later, respondents may perceive immediate benefits, such as maintaining cash flow, completing transactions instantly, or taking advantage of promotional offers, as outweighing the potential future costs of repayment. Consequently, even individuals who generally possess good self-control may decide to use Pay Later because the perceived utility exceeds the perceived financial risk.

Furthermore, the demographic characteristics of the respondents may contribute to the insignificant relationship observed in this study. Most respondents were university students with relatively limited monthly income, making financial flexibility an important consideration when purchasing goods or services. Under these conditions, the decision to use Pay Later is likely driven by short-term liquidity needs rather than by deficiencies in self-control. In other words, Pay Later is utilized as a financial management instrument to accommodate temporary cash flow limitations instead of reflecting impulsive or uncontrolled spending behavior.

The present findings are consistent with previous studies reporting that financial self-control does not necessarily influence the adoption of Buy Now, Pay Later (BNPL) services. These studies suggest that digital financial decisions are increasingly shaped by external factors, including platform design, promotional incentives, ease of access, and the rapid expansion of financial technology. Consequently, psychological factors such as self-control may become less influential when consumers are continuously exposed to highly accessible digital payment facilities (Hisham et al., 2026; S.Sangeetha et al., 2025).

From a practical perspective, these findings imply that efforts to promote responsible Pay Later usage should not rely solely on strengthening individuals' self-control. Policymakers, financial service providers, and digital platform operators should also emphasize responsible lending practices, transparent disclosure of financing costs, and financial education related to digital credit management. Such initiatives may be more effective in encouraging sustainable financial behavior than interventions focusing exclusively on improving personal self-regulation.

Digital Financial Behavior and Pay Later Usage

The results of the hypothesis testing demonstrate that Digital Financial Behavior has a positive and statistically significant effect on Pay Later Usage ($\beta = 0.885$; $t = 31.896$; $p <$

0.001). Therefore, H3 is supported, indicating that individuals who exhibit higher levels of digital financial behavior are substantially more likely to utilize Pay Later services. Among the three independent variables examined in this study, Digital Financial Behavior has the largest standardized path coefficient, suggesting that it is the dominant determinant of Pay Later usage among Generation Z. This finding underscores that behavioral adaptation to digital financial ecosystems plays a more decisive role in shaping Pay Later adoption than financial knowledge or self-control.

The significant influence of Digital Financial Behavior can be explained by the increasing integration of digital payment systems into everyday financial activities. Individuals who frequently conduct online transactions, prefer cashless payment methods, actively use digital financial applications, and regularly engage in digital shopping are naturally more exposed to Pay Later facilities embedded within e-commerce platforms. As a result, the decision to use Pay Later is not solely driven by financial necessity but also by habitual interaction with digital financial services. The more individuals participate in digital financial activities, the greater their familiarity with digital credit products, thereby increasing the likelihood of adopting Pay Later as part of their routine payment behavior.

This finding also reflects the rapid transformation of consumer behavior in the digital economy. The widespread adoption of smartphones, mobile banking, digital wallets, and online marketplaces has fundamentally changed the way consumers manage financial transactions. Rather than being perceived as an alternative financing instrument, Pay Later has increasingly become an integrated payment feature that offers convenience, speed, and flexibility. Consequently, consumers who demonstrate strong digital financial behavior tend to perceive Pay Later as a normal extension of digital payment services rather than as a borrowing mechanism requiring careful financial consideration.

From the perspective of Prospect Theory (Kahneman & Tversky, 1979), individuals evaluate financial decisions based on perceived utility rather than objective financial consequences. In digital commerce, the immediate benefits offered by Pay Later such as instant product ownership, flexible installment options, promotional discounts, cashback incentives, and simplified transaction processes often generate greater perceived value than the future obligation to repay the debt. Consequently, consumers who are actively engaged in digital financial ecosystems tend to prioritize these immediate benefits, making them more inclined to adopt Pay Later services despite the existence of future repayment commitments.

The findings further indicate that digital financial behavior functions as a behavioral mechanism linking technological familiarity with financial decision-making. Unlike Financial Literacy, which primarily reflects cognitive capability, and Financial Self-Control, which represents psychological self-regulation, Digital Financial Behavior captures actual financial practices performed through digital platforms. This distinction may explain why Digital Financial Behavior demonstrates substantially stronger explanatory power than the other

independent variables. In other words, actual financial behavior appears to be a more reliable predictor of Pay Later adoption than knowledge or psychological disposition alone.

The exceptionally large path coefficient ($\beta = 0.885$) also suggests that the increasing use of Pay Later among Generation Z is closely associated with broader digital lifestyle transformations. The integration of digital payment features into online marketplaces reduces transaction complexity and encourages repeated usage through personalized recommendations, promotional campaigns, and seamless payment experiences. Consequently, repeated exposure to digital financial services gradually strengthens consumers' intention and willingness to use Pay Later, making digital financial behavior the primary driver of adoption.

These findings are consistent with previous studies that emphasize the importance of digital financial behavior in explaining the adoption of financial technology services. Earlier research has shown that individuals who frequently utilize digital payment applications, conduct online transactions, and engage in digital commerce exhibit significantly higher acceptance of Buy Now, Pay Later (BNPL) services. The present study extends this evidence by demonstrating that digital financial behavior not only influences Pay Later adoption but also provides substantially greater explanatory power than financial literacy and financial self-control within the context of Generation Z consumers (Aisjah, 2024; Lia & Natswa, 2021).

From a theoretical perspective, these findings reinforce the argument that behavioral factors constitute a more immediate determinant of financial technology adoption than cognitive or psychological characteristics. While financial literacy and self-control remain important personal attributes, their influence appears to diminish in highly digitalized financial environments where technological accessibility, transaction convenience, and habitual digital engagement dominate consumer decision-making. Accordingly, this study contributes to the growing literature by highlighting Digital Financial Behavior as the principal behavioral construct explaining Pay Later usage among Generation Z.

From a practical perspective, the findings suggest that financial institutions, fintech providers, and policymakers should place greater emphasis on promoting responsible digital financial behavior alongside expanding digital financial inclusion. Educational initiatives should not only improve financial knowledge but also encourage responsible online spending, effective digital budgeting, and awareness of repayment obligations associated with Pay Later facilities. Furthermore, fintech providers should strengthen responsible lending practices by incorporating spending reminders, personalized repayment notifications, and transparent information regarding financing costs. Such measures are expected to support sustainable digital financial behavior while reducing the potential risks associated with excessive reliance on Pay Later services.

CONCLUSION

The findings of this study demonstrate that Digital Financial Behavior is the primary determinant of Pay Later usage among Generation Z, whereas Financial Literacy and

Financial Self-Control do not have a statistically significant influence. Specifically, Digital Financial Behavior positively and significantly affects Pay Later usage, indicating that individuals who frequently engage in digital financial activities, such as cashless transactions, online shopping, and the use of digital financial services, are more likely to utilize Pay Later facilities. Conversely, Financial Literacy and Financial Self-Control are insufficient to explain variations in Pay Later usage, suggesting that cognitive financial capability and self-regulatory capacity alone do not necessarily determine the adoption of digital credit services. These findings imply that Pay Later usage among Generation Z is predominantly shaped by actual digital financial behavior rather than by financial knowledge or self-control, thereby highlighting the increasing importance of behavioral factors in financial technology adoption.

Based on these findings, this study recommends that policymakers, financial institutions, fintech providers, and educational institutions complement financial literacy initiatives with programs that promote responsible digital financial behavior. Such initiatives should emphasize prudent online spending, effective digital budgeting, and awareness of the long-term consequences of using digital credit facilities. In addition, fintech providers are encouraged to strengthen responsible lending practices by improving transparency regarding financing costs, providing spending and repayment reminders, and incorporating consumer protection features into Pay Later services. Future studies are also recommended to expand the research model by incorporating additional determinants, such as financial well-being, impulsive buying behavior, perceived ease of use, financial stress, or social influence, as well as employing more diverse respondent characteristics and broader geographical coverage to improve the generalizability of the findings.

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