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The Impact of BNPL on Adolescents' Financial Behavior and Perceptions in a Digital Credit Environment

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Abstract. Amid the rapid expansion of digital finance, "Buy Now, Pay Later" (BNPL), a new type of digital credit tool, has become increasingly embedded in mobile payment ecosystems and gained growing popularity among young consumers. At the same time, adolescents' financial literacy is still underdeveloped and their ability to identify risks is limited, making them more prone to irrational consumption behavior when using digital credit tools. Thus, it is necessary to explore the potential impact of BNPL on adolescents' financial behavior and cognitive structures. This paper investigates the mechanisms through which BNPL affects adolescents' consumption patterns and financial awareness, as well as the resulting outcomes. Moreover, it also examines how BNPL shapes consumption decisions, saving practices, and perceptions of credit, while further exploring its role in the accumulation of financial risks. Through the lenses of bounded rationality, the pain-of-payment effect, intertemporal choice, and mental accounting, this paper identifies the pathways through which BNPL influences consumption decisions and risk perceptions based on existing research on digital credit tools and youth consumption behavior. The results indicate that by diminishing the immediate pain of payment, delaying the sense of payment responsibility, and blurring the boundaries between credit and assets, BNPL induces adolescents to shift their consumption structure toward enjoyment-oriented and non-essential goods at the behavioral level. At the cognitive level, it reinforces optimistic bias and misjudgments regarding credit, thereby weakening their awareness of the need to save and their ability to perceive risk.

Keywords: Digital credit, BNPL, adolescents, consumption behavior, financial cognition

1. Introduction

With the development of the digital economy, the integration of mobile payments and consumer credit technologies has accelerated, making BNPL (Buy Now, Pay Later) an increasingly important payment method in digital consumption. Represented by products like Huabei, Fenqile, and overseas platforms including Afterpay, BNPL services reshape the temporal relationship between consumption and payment obligations through installment payments and deferred settlement [1, 2]. For adolescents, this payment method reduces the pressure to pay immediately, allowing some consumption needs, which would otherwise be constrained by current cash flow, to be fulfilled in advance. At the same time, it may alter their understanding of consumption, saving, and credit usage

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[3]. Adolescents are at a critical stage in the formation of financial concepts and the establishment of consumption habits; they have limited sources of income, and their understanding of how credit instruments operate is not yet fully developed. Therefore, BNPL use not only changes payment methods but may also reshape young people's consumption decisions, financial planning, and credit perceptions. More specifically, installment payments can reduce the perceived burden of prices and payments, affecting consumption patterns and saving behavior. Meanwhile, the use of credit limits may influence their understanding of debt obligations and expectations of future repayment capacity. Thus, this paper examines BNPL adoption among college students and young workers, who often face limited income and inadequate financial management experience. Using literature review and behavioral analysis, it explores how BNPL shapes consumption choices, saving decisions, and credit perceptions from three dimensions: theoretical foundations, mechanisms, and behavioral outcomes.

2. The theoretical foundation of BNPL and adolescent consumption behavior

2.1. Theories of credit and intertemporal consumption

Based on current income, expected future income, and borrowing conditions, individuals allocate their consumption across different time periods, according to Fisher's theory of intertemporal choice [4]. BNPL alters the temporal relationship between consumption and payment by allowing consumers to make purchases that would otherwise be postponed until future income is available.

With limited income and financial resources, young consumers often postpone consumption due to liquidity constraints. By enabling deferred payment, BNPL allows consumers to distribute costs over multiple future periods rather than paying the full amount upfront, thereby bringing forward consumption that would otherwise be delayed. In this context, BNPL does not change consumers' actual purchasing power but instead shifts the timing between consumption and payment completion.

2.2. Behavioral finance and the psychology of payment

From the perspective of behavioral finance, the "pain of paying" theory indicates that consumers experience psychological discomfort when their available funds decrease after making a payment, and this immediate feedback influences consumption decisions [5]. Under cash payment conditions, the acquisition of goods coincides with the outflow of funds, allowing consumers to directly perceive the psychological cost of spending, which constrains consumption behavior.

With the adoption of BNPL payment models, this psychological process changes as the receipt of goods becomes separated from the actual payment. Consumers no longer experience the immediate pressure associated with reduced liquidity at the time of purchase; instead, payments are distributed across subsequent periods [6]. Consequently, installment arrangements reduce the psychological impact of a single payment and weaken the immediate deterrent effect of payment on consumption decisions.

2.3. Mental accounting and perceptions of credit

From the perspective of mental accounting theory, individuals classify financial resources according to their sources and purposes, and these classifications influence subsequent spending decisions [7]. Under cash payment conditions, spending directly reduces available funds, making the financial impact of expenditure more noticeable.

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Under the BNPL model, credit limits are presented as available balances during purchase decisions, which may lead adolescents to perceive borrowed funds as resources for current consumption while weakening their awareness of future repayment obligations. This change in fund categorization makes credit limits psychologically closer to regular spending resources rather than debt obligations requiring careful management [8].

3. Mechanisms through which BNPL influences adolescent consumption behavior

3.1. Factors underlying changes in consumption patterns

In traditional consumption decision-making, consumers typically need to weigh the price of a product against their personal budget, prioritizing different consumption items within a limited budget. Since a one-time payment directly ties up current disposable funds, purchases that are relatively expensive but less essential are often more likely to be postponed.

When the payment method shifts to BNPL, the nature of consumer spending changes. What was originally a lump-sum expenditure is converted into fixed payment arrangements spread over multiple cycles, meaning that certain goods no longer need to compete directly with other spending categories at the same time. Under these circumstances, some spending categories that were previously excluded due to price considerations gain the opportunity to enter the budget, particularly purchases with strong social attributes, such as trendy items and electronics, whose priority in consumption decisions may increase [9]. Consequently, BNPL affects not only individual purchasing behavior but also alters the allocation of funds among different consumption categories for adolescents.

3.2. Factors behind the decline in savings behavior

In adolescents' financial management, saving typically involves proactive allocation after income is received, meaning that a portion of funds is reserved for future needs before consumption takes place. Nevertheless, as BNPL becomes increasingly embedded in daily consumption, part of future income is committed to existing repayment obligations before it becomes available for discretionary use, reducing the share of funds that can be allocated independently.

Unlike one-time payments, installment purchases continuously affect financial allocation across multiple periods. When future income is first used to meet outstanding repayment obligations, the amount available for saving is no longer a stable surplus but depends on the remaining balance after these obligations are fulfilled [10]. Under such conditions, saving shifts from a planned financial decision to a residual outcome after consumption and repayment, weakening long-term savings capacity.

3.3. Factors behind financial cognitive biases

Under installment payment models, platforms often present payment plans using terms such as "zero interest" or "low monthly payments," which encourages consumers to focus on the amount of each installment rather than the total cost of the product when evaluating purchase decisions. As the total price is divided into multiple payments, consumers need to integrate these separate amounts to form an accurate understanding of overall expenditure.

However, in actual decision-making, adolescents often assess affordability based on whether their current income can cover the immediate installment payment rather than the cumulative cost over

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the entire repayment period. When cost information is repeatedly presented in a fragmented form, consumers may overlook the overall financial burden of accumulated installments, leading to an underestimation of consumption costs and an overestimation of repayment capacity [11].

3.4. Factors behind blurred credit boundaries

In digital payment environments, BNPL credit limits are typically integrated into the consumption process, where users encounter their available credit balance before considering the associated repayment obligations. Because credit-based payments resemble ordinary transactions, adolescents may evaluate purchase decisions primarily based on whether their current credit limit is sufficient to complete the transaction, rather than considering the potential increase in future repayment burdens. With repeated use of credit services, the available limit gradually becomes a key reference point in consumption decisions.

As consumers increasingly assess their spending capacity according to their "remaining credit limit," credit availability may no longer be perceived solely as borrowed funds but instead as a resource similar to disposable cash. This shift weakens the psychological distinction between assets and liabilities, making credit use more likely to evolve from meeting temporary consumption needs into continuous reliance on available credit [12].

4. The impact of BNPL on adolescents' financial behavior and corresponding responses

4.1. Changes in consumption structure and savings

Frequent BNPL use among adolescents may shift spending patterns toward short-term consumption needs. In terms of expenditure allocation, the share of spending on trendy products, electronics, and social activities may increase, while the proportion directed toward long-term planning, precautionary consumption, and wealth accumulation may decline [9]. This change does not necessarily indicate a simple expansion of total consumption but rather a reallocation of funds across different consumption categories.

Meanwhile, continuous installment obligations may weaken financial flexibility. When part of disposable income is allocated to existing repayments, adolescents may find it more difficult to maintain stable saving habits. Over time, financial management may shift from proactive planning to adjustments based on existing expenses, reducing autonomy in future financial decisions.

4.2. Financial risks and changes in decision-making

As BNPL adoption increases, adolescents may face growing challenges in managing their personal finances. With accumulating installment obligations, financial management becomes more difficult, disposable income is constrained, and the ability to handle unexpected expenses is reduced [10]. The accumulation of repayment obligations may also create a rigid expenditure structure, in which a growing share of future income is predetermined by past consumption decisions, limiting individuals' capacity to adjust spending when financial conditions change.

Furthermore, reliance on installment-based consumption may reshape adolescents' perceptions of income, spending, and debt. Instead of considering overall affordability and future finances, they may base spending decisions on existing repayments. Over time, this pattern can weaken comprehensive budget management, reduce financial resilience, and shift decision-making from proactive planning toward short-term adjustments driven by immediate payment pressures.

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4.3. Countermeasures and management approaches

To mitigate the risks associated with BNPL, including excessive consumption, weakened savings capacity, and credit management problems, responses should focus on individual behavior, family and school education, and platform regulation. At the individual level, adolescents should develop a clearer understanding of the costs of credit-based consumption. Before adopting BNPL, they should account for the total expense, repayment timeline, and future financial burden instead of viewing a single installment as the main indicator of affordability. By keeping budget records and separating short-term spending from long-term goals, adolescents can make better financial decisions.

Beyond individual behavior, family and school education should emphasize credit literacy rather than consumption attitudes alone. Through budget planning, installment cost calculations, and credit risk case analysis, adolescents can better recognize that credit limits represent repayment obligations rather than additional income [13]. In addition, BNPL platforms and regulators should improve product transparency by reducing the emphasis on "low monthly payments" and "zero interest" while clearly presenting total costs, repayment requirements, and consequences of late payments. Measures including credit limit controls, risk warnings, and restrictions on minors' access should also be introduced to reduce excessive reliance on credit-based consumption [1].

5. Conclusion

This paper explores the effects of BNPL on adolescents' consumption behavior through three aspects: theoretical perspectives, behavioral pathways, and financial consequences. The findings suggest that BNPL changes the link between consumption and payment, weakens the immediate payment constraint, and shapes adolescents' perceptions of prices, credit access, and debt obligations. At the consumption level, installment payments may alter consumption patterns, making it easier for some non-essential purchases to fit within a budget; at the financial management level, ongoing repayment arrangements may reduce savings capacity and increase the difficulty of financial planning. Therefore, the impact of BNPL is not limited to consumption behavior itself but also involves adolescents' allocation of funds and perceptions of credit. To mitigate these risks, adolescents' responsible use of digital credit tools can be promoted by improving financial literacy, strengthening credit education in families and schools, and enhancing platform transparency and risk management. This paper is based primarily on literature review and theoretical analysis, without empirical survey data, which limits the examination of variations across demographic groups and long-term effects. Future empirical research and longitudinal studies could further investigate how BNPL usage shapes adolescents' financial development.

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