

The Impact of Buy Now, Pay Later Payment Characteristics on Impulse Buying and Financial Distress Among Young Consumers: The Moderating Role of Financial Literacy

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Abstract—The rapid growth of digital payment technologies has transformed the way consumers purchase goods and services. Among these innovations, Buy Now, Pay Later (BNPL) has emerged as a convenient form of short-term digital credit that allows consumers to purchase products immediately while postponing or dividing payments into instalments. Although BNPL provides flexibility and convenience, its frictionless nature may reduce consumers' psychological resistance to spending and encourage unplanned purchases. This study proposes a quantitative framework to examine the relationship between BNPL payment characteristics, impulse buying behaviour and financial distress among young consumers. The study focuses on three payment characteristics: payment convenience, payment decoupling and perceived affordability. These factors are proposed to influence impulse buying, which may subsequently contribute to financial distress. Financial literacy is incorporated as a moderating variable because financially literate consumers may be better equipped to evaluate future repayment obligations and control impulsive spending. The study is theoretically grounded in Mental Accounting Theory, Pain of Paying, Dual-Process Theory and Present Bias. Primary data will be collected through a structured questionnaire using a quantitative research design. The proposed framework provides an integrated explanation of how the design of digital payment mechanisms can influence consumer behaviour and financial outcomes.

Index Terms—Buy Now, Pay Later, BNPL, Payment Convenience, Payment Decoupling, Perceived Affordability, Impulse Buying, Financial Distress, Financial Literacy, Digital Payments.

I. INTRODUCTION

The development of financial technology has significantly changed consumer payment behaviour. Digital payments have made purchasing faster, easier and more convenient, particularly in online shopping environments. One of the important developments within digital consumer finance is Buy Now, Pay Later (BNPL). BNPL allows consumers to obtain products immediately while paying for them later, often through instalment arrangements.

The attractiveness of BNPL lies partly in its simplicity. Instead of paying the entire purchase price immediately, consumers may see a smaller instalment amount at the point of purchase. This can change how consumers perceive the financial commitment associated with a purchase. The theoretical framework for this study identifies Mental Accounting Theory and Pain of Paying as important foundations for understanding this process.

For young consumers, this issue is particularly relevant. Young and digitally active consumers frequently interact with e-commerce platforms and digital payment systems. BNPL may therefore influence both purchasing decisions and future financial obligations.

BNPL can be viewed from two perspectives. On one hand, it can provide financial convenience and help consumers manage short-term cash flow. On the other hand, the same convenience may reduce the psychological barriers associated with spending and encourage consumers to make purchases that were not originally planned.

The present study focuses on this behavioural dimension. It examines whether payment characteristics associated with BNPL influence impulse buying and whether such impulse buying may contribute to financial distress. It further considers whether financial literacy can weaken these relationships.

II. BACKGROUND OF THE STUDY

The development of digital payment technologies has created purchasing environments in which payment can be completed with minimal effort. Traditional payment systems generally require consumers to experience the financial cost of a purchase at or near the time of consumption. Digital BNPL mechanisms can alter this relationship by separating the consumption experience from the payment experience.

For example, when a product is displayed with its full price, the consumer may immediately consider whether the total amount is affordable. However, when the same product is presented as a series of smaller instalments, attention may shift toward the individual instalment rather than the total financial obligation.

This mechanism is important because the psychological experience of paying can influence spending behaviour. The framework supplied for this study identifies Mental Accounting Theory and Pain of Paying as important foundations for understanding this process.

The frictionless nature of digital checkout can further reduce the time and effort required to complete a purchase. BNPL services integrated into e-commerce platforms may therefore make credit access less noticeable at the moment of purchase.

III. STATEMENT OF THE PROBLEM

BNPL has the potential to provide consumers with convenience and short-term financial flexibility. However, the ease of obtaining deferred payment may also create behavioural risks.

The major problem addressed by this study is that consumers may evaluate an immediate purchase differently when payment is divided or postponed. This may encourage impulse buying and potentially

increase financial pressure when multiple repayment obligations accumulate.

The literature framework identifies three major gaps: an integrated structural gap connecting payment characteristics, impulse buying and financial distress; a need for greater focus on young and fintech-oriented consumers; and a contextual gap concerning empirical research in rapidly developing e-commerce markets such as India.

Therefore, this study proposes an integrated quantitative model to examine these relationships.

IV. OBJECTIVES OF THE STUDY

Primary Objective

To examine the impact of BNPL payment characteristics on impulse buying behaviour and financial distress among young consumers.

Specific Objectives

1. To examine the effect of payment convenience on impulse buying.
2. To examine the effect of payment decoupling on impulse buying.
3. To examine the effect of perceived affordability on impulse buying.
4. To examine the effect of impulse buying on financial distress.
5. To examine the moderating role of financial literacy in the relationship between payment convenience and impulse buying.
6. To examine the moderating role of financial literacy in the relationship between payment decoupling and impulse buying.
7. To examine the moderating role of financial literacy in the relationship between perceived affordability and impulse buying.

5. Research Questions

8. Does payment convenience influence impulse buying among young consumers?
9. Does payment decoupling influence impulse buying?
10. Does perceived affordability influence impulse buying?
11. Does impulse buying contribute to financial distress?
12. Does financial literacy moderate the relationship between payment convenience and impulse buying?

13. Does financial literacy moderate the relationship between payment decoupling and impulse buying?
14. Does financial literacy moderate the relationship between perceived affordability and impulse buying?

VI. REVIEW OF LITERATURE

6.1 Evolution of BNPL and Frictionless Checkout

The development of fintech has transformed conventional consumer credit by integrating payment and credit facilities directly into digital purchasing environments. Traditional credit products may involve various barriers, whereas BNPL can be presented as an integrated payment option during checkout.

The literature framework identifies the reduction of perceived financial commitment at the point of sale as an important behavioural feature of BNPL. The integration of BNPL into e-commerce can therefore create a frictionless purchasing environment in which consumers can complete transactions with relatively little cognitive effort.

6.2 Payment Convenience and Impulse Buying

Payment convenience refers to the ease with which consumers can complete a transaction. A convenient payment system reduces the effort associated with purchasing and can make the transaction process faster.

In the context of BNPL, convenience may reduce the perceived difficulty of making a purchase. When consumers can access deferred payment with minimal effort, they may become more willing to purchase products without extensive consideration. Therefore, payment convenience is expected to have a positive relationship with impulse buying.

6.3 Payment Decoupling and Pain of Paying

Payment decoupling refers to the psychological separation between the act of consumption and the act of payment.

The Pain of Paying perspective suggests that consumers experience psychological discomfort when they make payments. This discomfort can act as a natural constraint on spending. However, BNPL can reduce the immediate connection between consumption and payment by postponing or dividing the payment.

Consequently, consumers may experience less immediate resistance when making a purchase. This mechanism can increase the possibility of impulsive purchasing.

6.4 Perceived Affordability and Impulse Buying

Perceived affordability refers to the extent to which consumers believe that a product or payment obligation is financially manageable.

BNPL can influence affordability perceptions because consumers may focus on the smaller instalment amount rather than the total purchase price. This shift can make a purchase appear more manageable and may increase the willingness to make an unplanned purchase.

6.5 BNPL and Impulse Buying

Impulse buying occurs when consumers make spontaneous or unplanned purchase decisions. BNPL may facilitate impulse buying by combining convenience, deferred payment and perceived affordability. The consumer can obtain immediate satisfaction while postponing the financial burden.

The existing framework identifies impulse buying as the central behavioural mechanism connecting payment characteristics with downstream financial outcomes.

6.6 Impulse Buying and Financial Distress

Although an individual unplanned purchase may not necessarily create financial difficulty, repeated impulse purchases can contribute to budget fragmentation and increasing repayment obligations. The literature framework identifies financial distress as a downstream consequence of unchecked short-term credit use, particularly when multiple repayment schedules accumulate. Therefore, this study proposes that impulse buying may have a positive relationship with financial distress.

6.7 Financial Literacy as a Moderating Variable

Financial literacy refers to consumers' ability to understand and evaluate financial information and make informed financial decisions.

Financial literacy is particularly important in BNPL because consumers need to understand not only the immediate instalment but also the total repayment obligation.

The proposed framework treats financial literacy as a protective moderator. Consumers with higher financial literacy may be more likely to consider total future liabilities and therefore exercise greater control over impulse purchases.

VII. THEORETICAL FOUNDATION

7.1 Mental Accounting Theory

Mental Accounting Theory, associated with Thaler (1985), proposes that individuals mentally organize and categorize financial resources. In BNPL transactions, consumers may mentally evaluate an instalment differently from the total purchase price. This can influence how affordable a purchase appears. Therefore, Mental Accounting Theory provides a theoretical explanation for the relationship between BNPL payment characteristics and consumer spending.

7.2 Pain of Paying

Prelec and Loewenstein's (1998) Pain of Paying perspective explains that payment can create psychological discomfort. Immediate payment makes the financial cost of consumption more noticeable. BNPL may reduce this immediate psychological connection by postponing payment or dividing it into instalments. Thus, payment decoupling may reduce spending resistance.

7.3 Dual-Process Theory

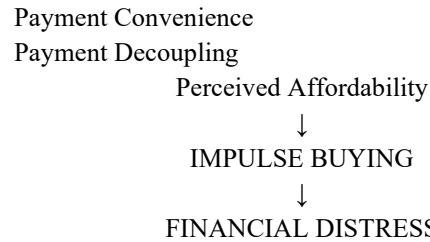
Dual-Process Theory distinguishes between fast, automatic and emotional decision-making and slower, analytical decision-making. The framework applies this theory to BNPL by proposing that frictionless payment mechanisms may allow fast decision-making to dominate during purchase situations. When consumers are focused on immediate gratification rather than future financial consequences, impulse buying may become more likely.

7.4 Present Bias

Present Bias suggests that individuals tend to place greater value on immediate benefits than future costs. BNPL creates a situation where consumers receive the product immediately while the financial obligation occurs later. Therefore, present bias provides another theoretical explanation for why deferred payment may increase the attractiveness of immediate purchases.

VIII. CONCEPTUAL FRAMEWORK

The proposed conceptual framework is:



Financial Literacy moderates the relationship between the three payment characteristics and impulse buying.

Variable Structure

Variable	Role
Payment Convenience	Independent Variable
Payment Decoupling	Independent Variable
Perceived Affordability	Independent Variable
Impulse Buying	Dependent / Behavioural Variable
Financial Distress	Outcome Variable
Financial Literacy	Moderating Variable

9. Hypotheses Development

H1: Payment convenience has a significant positive effect on impulse buying.

H2: Payment decoupling has a significant positive effect on impulse buying.

H3: Perceived affordability has a significant positive effect on impulse buying.

H4: Impulse buying has a significant positive effect on financial distress.

H5: Financial literacy significantly moderates the relationship between payment convenience and impulse buying.

H6: Financial literacy significantly moderates the relationship between payment decoupling and impulse buying.

H7: Financial literacy significantly moderates the relationship between perceived affordability and impulse buying.

X. RESEARCH METHODOLOGY

10.1 Research Design

The study will adopt a quantitative research design because the objective is to measure relationships among clearly defined variables using numerical data.

10.2 Research Approach

A structured questionnaire will be used to collect primary data from respondents.

10.3 Nature of Data

The study will use primary data collected directly from young consumers.

10.4 Target Population

The target population will consist of young consumers who use digital payment methods and are familiar with or have experience with BNPL or pay-later services.

10.5 Sampling Technique

A suitable non-probability sampling technique, such as convenience or purposive sampling, may be used depending on access to respondents. The final sampling technique should be reported according to the method actually used during data collection.

10.6 Sample Size

The final sample size will be determined before statistical analysis. The researcher should report the actual number of valid responses obtained. An invented sample size should not be used in the final research paper.

10.7 Data Collection Instrument

A structured questionnaire will be developed using Likert-scale statements measuring Payment Convenience, Payment Decoupling, Perceived Affordability, Impulse Buying, Financial Distress and Financial Literacy. A five-point Likert scale may be used: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree.

XI. PROPOSED MEASUREMENT VARIABLES

Payment Convenience

Possible dimensions include ease of completing payment, speed of transaction, simplicity of the payment process and convenience of deferred payment.

Payment Decoupling

Possible dimensions include separation between purchase and payment, reduced immediate payment pressure, comfort with postponing payment and reduced psychological resistance to spending.

Perceived Affordability

Possible dimensions include perception that instalments are manageable, focus on instalment amount, perception that products are financially accessible and reduced perception of immediate financial burden.

Impulse Buying

Possible dimensions include unplanned purchases, spontaneous purchasing, immediate purchase decisions and difficulty resisting attractive offers.

Financial Distress

Possible dimensions include difficulty managing repayment obligations, budget pressure, financial strain and concern about future payments.

Financial Literacy

Possible dimensions include understanding of financial obligations, awareness of repayment consequences, ability to plan expenses and understanding of borrowing and repayment.

XII. PROPOSED STATISTICAL ANALYSIS

Descriptive statistics will be used to understand respondent characteristics and BNPL usage patterns. Reliability analysis, such as Cronbach's Alpha, can be used to examine the internal consistency of the measurement scales.

Correlation analysis can be used to examine the strength and direction of relationships between the variables.

Regression analysis can be used to test the proposed relationships between payment convenience and impulse buying, payment decoupling and impulse buying, perceived affordability and impulse buying, and impulse buying and financial distress.

Moderation analysis can be used to examine whether financial literacy changes the strength of the relationships between the payment characteristics and impulse buying.

If the final sample size and research design are suitable, Structural Equation Modelling (SEM) or PLS-SEM may also be considered for simultaneously testing the proposed relationships.

XIII. RESEARCH GAP

13.1 Integrated Structural Gap

Existing research often examines BNPL from either a marketing or adoption perspective or a debt and

financial-risk perspective. The proposed study integrates payment characteristics, impulse buying and financial distress into one framework.

13.2 Young Consumer Gap

Young consumers are an important group because of their strong interaction with digital commerce and fintech payment systems. The framework specifically identifies Gen Z and young working adults as an important research population.

13.3 Indian Context Gap

The framework identifies the limited availability of empirical research from rapidly developing e-commerce markets such as India. This provides a relevant context for the proposed study.

XIV. EXPECTED CONTRIBUTION OF THE STUDY

The study is expected to contribute to the literature in several ways. First, it provides an integrated framework connecting digital payment characteristics with consumer impulse buying. Second, it connects behavioural purchasing with a potential financial consequence, namely financial distress. Third, it considers financial literacy as a protective factor rather than treating all BNPL consumers as behaviourally identical. Fourth, the study focuses on young consumers within India's developing digital-payment environment.

XV. MANAGERIAL IMPLICATIONS

The proposed study may have implications for BNPL providers, e-commerce platforms, financial educators and policymakers.

BNPL providers may benefit from presenting the total repayment obligation clearly rather than emphasizing only the smaller instalment amount.

E-commerce platforms may consider responsible checkout designs that encourage consumers to review their payment obligations before completing purchases.

Financial education programmes may focus on helping young consumers understand deferred-payment obligations and distinguish between affordability of an instalment and affordability of the overall purchase.

The study may also contribute to discussions about responsible digital lending and consumer protection in the Indian fintech environment.

XVI. LIMITATIONS OF THE STUDY

- If convenience or purposive sampling is used, the findings may not be generalizable to the entire population.
- The study will rely on self-reported responses, which may be influenced by respondents' perceptions and memory.
- A cross-sectional design can identify relationships but may provide limited evidence about changes in behaviour over time.
- BNPL usage patterns may differ according to income, age, financial experience and digital-payment habits.
- The study focuses on selected payment and behavioural variables and does not include every possible factor influencing impulse buying.

XVII. PROPOSED RESULTS AND DISCUSSION

The final Results section should be completed only after collecting and analysing the primary data. The analysis should report the respondent demographic profile, BNPL usage characteristics, reliability of each construct, descriptive statistics, correlation results, regression or SEM results, moderation results for financial literacy, and hypothesis acceptance or rejection.

For each hypothesis, the final paper should report the statistical coefficient, significance level and interpretation. No statistical findings should be presented as actual results until the primary data have been collected and analysed.

XVIII. CONCLUSION

Buy Now, Pay Later has introduced a new dimension to digital consumer finance by allowing consumers to separate immediate consumption from payment. While this mechanism can provide convenience and short-term flexibility, its frictionless characteristics may also influence consumer decision-making.

The proposed study develops an integrated framework in which payment convenience, payment decoupling

and perceived affordability influence impulse buying, while impulse buying is expected to contribute to financial distress. Financial literacy is incorporated as a moderating factor that may reduce the strength of these behavioural relationships.

The theoretical foundation combines Mental Accounting Theory, Pain of Paying, Dual-Process Theory and Present Bias to explain why consumers may respond differently to deferred and fragmented payments. The framework is particularly relevant to young consumers in India's developing digital-payment environment.

The study therefore provides a foundation for quantitative empirical research into the behavioural and financial consequences of BNPL. Once primary data are collected, statistical testing can determine whether the proposed relationships are supported by evidence.

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