



Bridging the Integration Deficit: Developing an Integrated Psychosocial-Financial Health Model for Buy Now, Pay Later Adoption

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Abstract

The rapid expansion of Buy Now, Pay Later (BNPL) services has transformed digital finance, yet current scholarship remains siloed in its evaluation of consumer behavior. This systematic literature review addresses the "Integration Deficit" by synthesizing evidence across five critical dimensions: saving, budgeting, spending, borrowing, and investing. Adhering to the eight-step framework by Xiao & Watson (2019), a corpus of 31 peer-reviewed articles was analyzed using thematic synthesis. The findings reveal that BNPL adoption is driven by a complex interplay of cognitive biases—such as present bias and price focalism—and psychosocial catalysts like Fear of Missing Out (FoMO), which frequently override rational financial self-regulation. Crucially, this review moves beyond descriptive summaries to propose an Integrated Psychosocial-Financial Health Model. This framework operationalizes internal psychological states into quantifiable digital proxies, including repayment frequency and browsing diversity, to enhance creditworthiness assessments for "credit-invisible" young adults. The results highlight that digital financial literacy serves as a vital firebreak against unsustainable debt stacking and financial fragility. This study contributes actionable insights for fintech providers and regulators to foster ethical lending and sustainable financial well-being in an increasingly volatile digital economy.

Keywords: *Buy Now Pay Later (BNPL), Financial Behavior, Creditworthiness, Psychological Catalysts, Young Adults*

INTRODUCTION

Background and the Rise of Digital Credit

The global consumer finance landscape has shifted as traditional credit instruments are increasingly challenged by financial technology (FinTech) innovations (Filotto et al., 2024). Central to this transformation is the rise of Buy Now, Pay Later (BNPL), a deferred payment model that enables users to secure goods immediately while splitting costs into interest-free installments (Ashby et al., 2025; Pan, 2026).

Between 2019 and 2021, BNPL loan volume in the United States surged by an unprecedented 970%, with global projections estimated to reach USD 680 billion by 2025 (Pan, 2026). Leading platforms such as Klarna, Affirm, and Afterpay have integrated these services into e-commerce interfaces, marketing them as "lifestyle brands" focused on frictionless consumption (Koay & Liew, 2026).

Psychosocial and Socioeconomic Drivers

Adoption is concentrated among "credit-invisible" Gen Z and Millennial consumers who lack robust credit histories or traditional banking access (Guttman-Kenney et al., 2023; Pan, 2026). From a psychological perspective, BNPL exploits cognitive biases such as present bias and hyperbolic discounting, where immediate gratification is decoupled from the future "pain of paying" (Pan, 2026). By utilizing installment framing, platforms use the numerosity effect to lower perceived expensiveness, inflating both order frequency and basket value (Ashby et al., 2025; Kumar et al., 2024).



The Problem Statement: Financial Fragility and Debt Stacking

Despite the promise of inclusion, unregulated BNPL raises concerns regarding consumer vulnerability and systemic risk (deHaan et al., 2024). BNPL often attracts consumers with pre-existing financial fragility, characterized by low emergency savings and unstable income (Donou-Adonsou & Leslie-Piper, 2025).

A pattern of "debt stacking" has emerged, where young adults use high-interest credit cards to fulfill interest-free BNPL obligations, creating a "debt spiral" (Guttman-Kenney et al., 2023; Pan, 2026). Furthermore, Fear of Missing Out (FoMO) often overrides rational financial planning (Mayvita et al., 2025; Djamhari et al., 2024; Selvina Adhani et al., 2025)

Motivation and Research Gaps

The primary motivation for this systematic literature review is the existence of an "Integration Deficit" in current scholarship. Existing research is predominantly siloed; studies typically examine singular dimensions such as spending or borrowing, while treating saving, budgeting, and investing as isolated variables. There is a critical lack of a holistic conceptual framework that understands how these five dimensions interact as a unified ecosystem of financial health.

This gap is particularly salient for risk management; traditional credit scoring models are insufficient for assessing the creditworthiness of young adults who operate primarily within digital platforms. By integrating multifaceted behavioral signals—such as platform engagement, repayment frequency, and wealth capability—fintech providers can move toward more proactive and ethical risk underwriting.

The Significance of the Study

This research is of paramount importance for three reasons. First, for policymakers and regulators, it identifies the psychological "overrides" (e.g., FoMO and affordability illusions) that necessitate behaviorally informed regulation to protect vulnerable segments from extractive debt. Second, for the FinTech industry, it proposes a transition toward using "Alternative Data"—such as browsing diversity and micro-repayment discipline—as high-fidelity proxies for creditworthiness among young adults.

Third, for society, it underscores the urgent need to integrate digital financial literacy as a "firebreak" against impulsive purchasing, ensuring that the frictionless convenience of modern finance contributes to sustainable individual and national well-being. This review addresses these challenges by synthesizing fragmented evidence into a comprehensive Integrated Psychosocial-Financial Health Model, establishing a new frontier for digital consumer behavior theory.

LITERATURE REVIEW

The academic inquiry into Buy Now, Pay Later (BNPL) has expanded rapidly, particularly following the global pandemic, as digital credit became a primary tool for consumption smoothing among young adults (Kumar et al., 2024; Munoz Valenciano et al., 2025). Existing systematic and contemporary reviews have largely focused on three thematic clusters: technological adoption, socio-psychological drivers, and financial risk profiles (Munoz Valenciano et al., 2025).

Reviews centered on technology acceptance frameworks, such as the Unified Theory of Acceptance and Use of Technology (UTAUT), identify perceived ease of use, convenience, and trust as primary determinants of adoption. Fitriyah & Nadlifatin (2024) synthesized 10 dimensions of adoption, emphasizing that the "frictionless" nature of BNPL significantly outpaces traditional banking hurdles. This is echoed by Salma et al. (2026) and Anggorowati (2025), who highlight how m-commerce integration creates a "convenience-driven lifestyle" that permanently alters urban

consumption patterns.

Socio-Psychological and Identity-Driven Adoption

A second current in the literature explores BNPL as a medium for identity construction and social belonging among Generation Z. The study of [Mayvita et al. \(2025\)](#) and [Selvina Adhani et al. \(2025\)](#) identify Fear of Missing Out (FoMO) as a critical psychological catalyst, where the emotional urgency of social trends overrides rational financial planning.

This is exacerbated by "self-congruence," where young adults adopt BNPL because the service mirrors their idealized image of a modern, tech-savvy consumer ([Mayvita et al., 2025](#); [Munoz Valenciano et al., 2025](#)). However, as [Relja et al. \(2025\)](#) and [Kastanakis et al. \(2026\)](#) observe, this emotional engagement often results in a "drop" or post-purchase regret, a construct that remains critically under-measured in current empirical work despite its theoretical significance.

The Methodological "Silo" Gap: Fragmented Financial Behaviors

Despite the depth of these reviews, a significant methodological gap remains: the lack of behavioral integration. Current scholarship typically treats financial behaviors—such as saving, budgeting, spending, and borrowing—as isolated variables rather than an interdependent ecosystem ([Sundarasen et al., 2025](#); [Wei et al., 2024](#))

[Wei et al. \(2024\)](#) identified 120 variables across existing studies. However, they noted that researchers rarely examine the mechanisms by which one behavior (e.g., lack of emergency savings) directly moderates another (e.g., impulsive borrowing). While [Pan \(2026\)](#) and [Sundarasen et al. \(2025\)](#) acknowledge that BNPL users often exhibit "financial fragility" through reduced emergency savings and unstable income, they fall short of proposing a model that integrates these behaviors to determine creditworthiness.

Furthermore, [Kamleitner & Kirchler \(2007\)](#) argue that credit use is a continuous psychological process, yet most recent reviews rely on cross-sectional data that fail to capture the longitudinal transition from domestic socialization to independent money management ([Kusmalinda, 2025](#); [Sundarasen et al., 2025](#)).

The Present Study: Bridging the Integration Gap

The current study addresses these omissions by extending the scholarship beyond simple adoption models. By integrating the five dimensions of financial behaviors (saving, budgeting, spending, borrowing, and investing), this review establishes a new framework for evaluating the "credit-invisible" young adult demographic. This inquiry is structured around four pivotal research questions:

1. Establishing the current state of individual behavior scholarship
2. Identifying the primary gaps in holistic model integration
3. Evaluating the role of psychological moderators like the "pain of paying" and FoMO
4. Proposing an integrated behavioral signal for the assessment of creditworthiness

By synthesizing these elements, this review moves from describing what is known to proposing how integrated digital footprints can foster more ethical and sustainable digital lending practices.

Formulated Research Questions and Research Objectives

We formulated our Research Questions (RQs) as follows:

- RQ1: What is the current state of academic scholarship regarding the individual dimensions of financial behavior—specifically saving, budgeting, spending, borrowing, and investing—within the BNPL ecosystem for young adults?

- RQ2: To what extent does existing literature address the interdependence and integration of these five financial behaviors, and what are the primary conceptual gaps in holistic behavioral models?
- RQ3: How do psychological catalysts, such as Fear of Missing Out (FoMO), self-congruence, and the "pain of paying," correlate with the relationship between integrated financial behaviors and the decision to adopt BNPL services?
- RQ4: How can the integration of these multifaceted financial behaviors be utilized to enhance creditworthiness assessments and risk management strategies for the "credit-invisible" young adult demographic?

The research objectives of this study are as follows:

- RO1: To synthesize the fragmented evidence from the most recent systematic and empirical literature concerning BNPL adoption drivers and their associated financial outcomes.
- RO2: To identify and map the specific intersections where traditional money management (saving and budgeting) either mitigates or exacerbates the impulsive spending and borrowing patterns triggered by BNPL technologies.
- RO3: To evaluate the role of intertemporal decision-making and present bias in shaping the financial health of young adults as they transition from parental guidance to independent digital credit management.
- RO4: To propose a comprehensive conceptual framework that integrates saving, budgeting, spending, borrowing, and investing as a unified signal for creditworthiness, providing a basis for more ethical and sustainable digital lending practices.

RESEARCH METHOD

Given the refined set of included studies, the following Methodology section has been devised to reflect the specific two-stage filtering process and the final selection of 31 articles, adhering to the framework for stand-alone reviews as established by [Xiao & Watson, \(2019\)](#) in these eight steps below:

Step 1: Formulating the Research Problem

The research objective is to explore the psychological and structural determinants of Buy Now, Pay Later (BNPL) adoption among young adults by integrating fragmented financial behavior variables into a cohesive conceptual framework. This approach aims to address the current "*siloed*" state of literature by examining how saving, budgeting, spending, borrowing, and investing interact within the digital credit ecosystem.

Step 2: Developing and Validating the Review Protocol

A rigorous review protocol was established as a preset plan to guide the search strategy, inclusion criteria, and quality appraisal, thereby minimizing potential researcher bias. This protocol ensures the systematic nature of the inquiry and allows for the reliable replication of results by independent scholars.

Step 3: Searching the Literature

The literature search followed a multi-modal strategy incorporating electronic databases and a purposive search for review papers.

1. Primary Search

A systematic search was performed using the Scopus database to identify English, high-impact, peer-reviewed primary research articles in the past 3 years. The search string used Boolean operators: (“Buy Now Pay Later” OR BNPL OR “Pay Later” OR “Installment payment”) AND “young adults”, which yielded 24 initial articles.

2. Secondary Search

To establish a theoretical baseline, a targeted search was conducted in the Google database to identify existing systematic literature reviews and English, peer-reviewed primary research articles for the past 3 years, yielding 12 prospective review articles.

Step 4: Screening for Inclusion and Exclusion

The identified articles underwent a two-stage screening process based on established inclusion criteria, including language, document type, and thematic relevance. The primary search, conducted using the Scopus database, yielded 24 articles, of which 19 met the inclusion criteria and were retained as the core empirical corpus. These studies form the primary evidence base for the analysis.

To complement this corpus and strengthen the review's theoretical and conceptual grounding, a secondary search was conducted using Google Scholar over the last 2 years. This step specifically targeted review articles and broader conceptual discussions related to BNPL and financial behavior. As a result, 12 additional studies were included. This resulted in a corpus of 35 articles identified for full-text review.

However, during the full-text retrieval stage, 4 articles were excluded from the main search due to lack of access to complete manuscripts. As a result, 31 articles were retained for final analysis. Importantly, while the Scopus-indexed articles provide the primary empirical foundation, the secondary sources serve a complementary role in contextualizing and enriching the conceptual synthesis.

Step 5: Assessing Quality

To ensure the credibility of the evidence base, a structured but pragmatic quality screening process was undertaken. Given the heterogeneity of research designs within the corpus—including cross-sectional surveys, experimental studies, and computational modeling approaches—a formal standardized appraisal tool (e.g., full CASP or JBI protocols) was not applied.

Instead, the evaluation focused on identifying the overall methodological soundness of each study based on commonly accepted principles of research quality. Attention was given to three aspects: (1) the clarity of research design and data sources, (2) the adequacy and transparency of construct definitions and measurements, and (3) the appropriateness of the analytical approach relative to the research objective.

Based on this assessment, studies were broadly grouped into three indicative categories: high, moderate, and lower methodological rigor. This classification was not used as a strict scoring system, but rather as a guiding lens during the synthesis process, allowing greater emphasis to be placed on more methodologically robust evidence while still incorporating the diversity of emerging studies in the BNPL field. Overall, most of the included studies were assessed as moderate in methodological rigor, reflecting the dominance of cross-sectional survey designs in the current BNPL literature.

Step 6: Extracting Data

A standardized data extraction tool was applied to capture key study attributes, including

geographic context, theoretical foundations, and financial behavior constructs. This process prioritized the extraction of "first-order" findings and "second-order" interpretations to facilitate high-level synthesis.

Step 7: Analyzing and Synthesizing Data

Following an integrated review design, the data from the 31 articles were synthesized using thematic synthesis to identify overarching intellectual currents. This method allowed for the qualitative interpretation of diverse findings across primary studies and existing reviews to construct third-order interpretations regarding financial resilience.

Step 8: Reporting the Findings

The review concludes with a comprehensive report that maps the integrated behavioral model and highlights opportunities for future longitudinal research. The study selection process followed PRISMA guidelines, and the full screening procedure is illustrated in Figure 1.

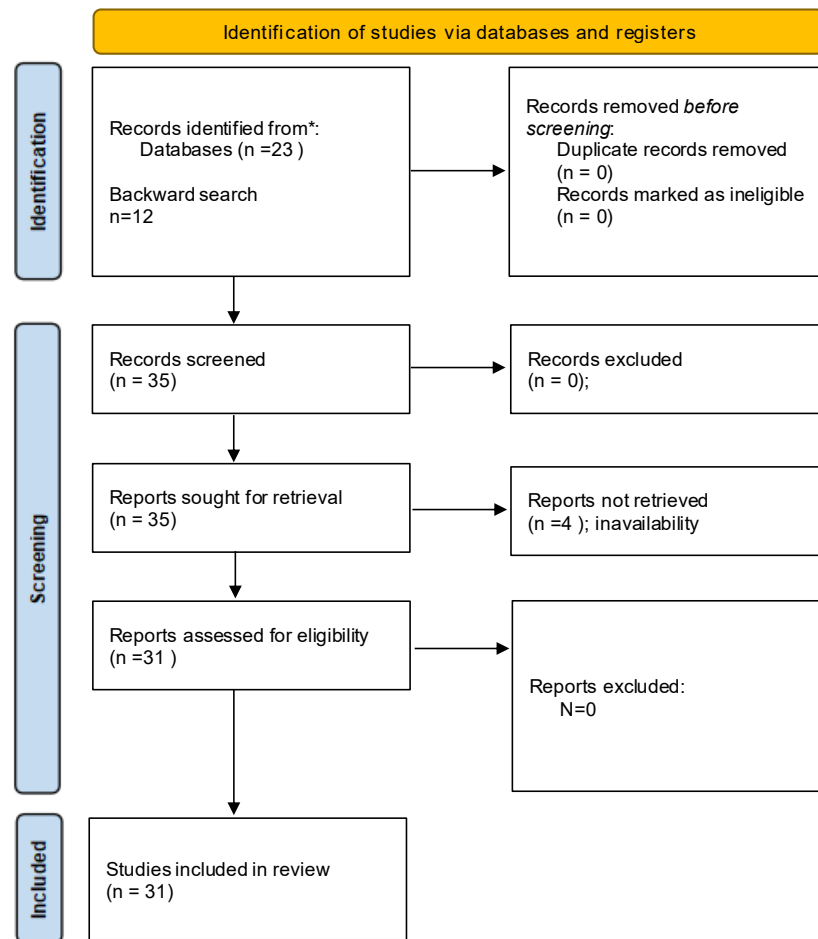


Figure 1. The screening step-by-step according to PRISMA for this study

Table 1 below summarizes the literature's contexts, methodologies, and key variables/constructs to be synthesized within this study.

Table 1. Comprehensive Summary of Included Studies (N=32)

No	Author (Year)	Context / Population	Methodology	Key Variables / Constructs
1	Ashby et al. (2025)	Australia (Gen Z & Millennials)	Experimental Design	Numerosity Effect, Price Focalism, Pain of Paying
2	Wang et al. (2025)	China (E-commerce platform)	Sequential Model (GLEN)	Wealth Capability, Digital Footprints, Repayment Frequency
3	Relja et al. (2025)	UK (Young Adults)	Qualitative (BDSM Metaphor)	Power Dynamics, Pleasure/Pain, Consensual Debt
4	Donou-Adonsou & Leslie-Piper (2025)	USA (Households)	Econometric (PSM)	Financial Fragility, Emergency Savings, Income Irregularity
5	Al-Sharafi et al. (2026)	Saudi Arabia (App Reviews)	AI-driven Mixed-Methods	Ethical Congruence, Sharia Compliance, Loyalty
6	Guttman-Kenney et al. (2023)	UK (Transactional Data)	Data Analysis	Debt Stacking, Credit Card linkage, Default Risk
7	Ji et al. (2023)	China (Alipay Users)	Field Experiment	Liquidity Insurance, Precautionary Savings
8	Mayvita et al. (2025)	Indonesia (Literature review)	SLR (PRISMA)	FoMO, Self-Congruence, Digital Credit Adoption
9	Kumar et al. (2024)	Nordic (Clothing Retailer)	Synthetic DiD	Order Size, Basket Value, Demographics
10	Koay & Liew (2026)	Gen Z (Social Media Users)	Quantitative (PLS-SEM)	Dark Triad Traits, Materialism, Usage Intentions
11	Sundarassen et al. (2025)	Global / Bibliometric	VOSviewer Analysis	Financial Socialization, Capability, Well-being
12	Salma et al. (2026)	Indonesia (Urban Consumers)	SLR	E-Wallet Impact, Consumption Patterns
13	Wei et al. (2024)	Global / Scopus	SLR	Behavioral Silos, Intention Determinants
14	Ahmadi et al. (2026)	FMCG Sector	Data Mining (RFM)	Customer Segmentation, Purchase Patterns
15	Djamhari et al. (2024)	Indonesia (Shopee Users)	Experiment & Survey	FoMO, Sales Promotion, Impulsive Buying
16	Bakar et al. (2025)	Indonesia (E-commerce)	Quantitative	Pain of Payment, E-Wallet vs BNPL
17	Fitriyah & Nadlifatin (2024)	Indonesia (M-commerce)	SLR	Perceived Usefulness, Perceived Ease of Use
18	Kusmalinda (2025)	Indonesia (Literature review)	Qualitative	Lifestyle Choices, Modern Hedonism
19	Anggorowati (2025)	Indonesia (Marketplace)	SLR	Digital Financial Literacy, Consumptive Behavior

20	Adhani et al. (2025)	Shopee PayLater Users	SLR	Maqashid Syariah, Hifz al-Mal, Israf
21	Akhtar et al. (2024)	Global / Supply Chain	Math Modeling	BNPL Facility, Carbon Emissions, Deterioration
22	Berg et al. (2025)	Germany (Furniture Sales)	Randomized Experiment	Price Discrimination, Default Probability
23	Chen et al. (2024)	New Zealand	Econometric	Credit Demand, Calendar Effects, Interest Rate
24	deHaan et al. (2024)	High-frequency data	Empirical Analysis	Overdraft Fees, Financial Health Decline
25	Dadra et al. (2024)	India (Consumers)	Quantitative	TEP Perspective, BNPL Adoption
26	Filotto et al. (2024)	Italy (Banking Clients)	Logistic Regression	Financial Literacy, Disruptive Threat
27	Feng et al. (2023)	Young Store Owners	Math Analysis	Optimal Pricing, Product Life Cycle
28	Mukherjee (2025)	India (Expert Panel)	Mixed-Method	Adoption Barriers, Psychological Determinants
29	Najafi-Ghobadi (2026)	Fashion Industry (ZARA)	Game Theory	Return Policies, Platform Fees, Equilibrium
30	Sun et al. (2026)	Platform Markets	Game Theory	Try-Now-Pay-Later (TNPL), Matching Rate
31	Wulandari (2022)	Indonesia (BNPL Users)	Quantitative	Digital Literacy, Anticipatory Control

FINDINGS AND DISCUSSION

Theme 1: The Multi-Dimensionality and Fragmentation of Financial Behavior in the BNPL Ecosystem

The current empirical landscape regarding Buy Now, Pay Later (BNPL) adoption among young adults is characterized by a heavy focus on immediate transactional outcomes, leaving long-term financial management behaviors significantly under-researched. This section synthesizes the evidence across the five primary dimensions of financial behavior: spending, borrowing, saving, budgeting, and investing.

Spending and Consumption Dynamics

Spending is the most robustly documented behavior, with BNPL significantly inflating online purchase frequency ([Kumar et al., 2024](#); [Maesen & Ang, 2025](#)). This increase is elucidated by the numerosity effect, where consumers focus on the lower Arabic numeral of individual installments rather than the aggregate price ([Ashby et al., 2025](#)). This phenomenon, termed price focalism, diminishes the psychological "*pain of paying*" ([Ashby et al., 2025](#)). Data mining reveals that BNPL users display higher average basket values and a preference for diversified, aspirational products ([Ahmadi et al., 2026](#)).

Borrowing and the "Debt Stacking" Phenomenon

Scholarship on borrowing behavior identifies BNPL as a disruptive force that often complements, rather than substitutes, traditional high-interest debt. [Guttman-Kenney et al. \(2023\)](#) document a concerning pattern of "debt stacking," where young consumers—particularly those in

poor areas—use credit cards to pay off interest-free BNPL installments. This behavior effectively transforms a 0% interest loan into a 20% interest revolving debt, signaling a severe "*ability-to-pay*" crisis that traditional credit scores fail to capture.

Additionally, borrowing demand is sensitive to macroeconomic shifts; absolute demand for BNPL credit inquiries correlates negatively with wholesale interest rates, suggesting that general economic tightening reduces the appetite for deferred payments even in interest-free formats (Chen et al., 2024).

Saving and Budgeting: Indicators of Fragility vs. Active Management

In the current literature, saving and budgeting are primarily treated as static predictors of "financial fragility" rather than active, integrated behaviors. Donou-Adonsou & Leslie-Piper (2025) find that a "*lack of emergency savings*" and "*income irregularity*" are the strongest ex-ante predictors of BNPL usage, suggesting that for many young adults, BNPL is a coping mechanism for financial instability rather than a tool for convenience.

Conversely, the "*Try*" aspect of "*Try-Now-Pay-Later*" (TNPL) provides a form of "liquidity insurance," allowing consumers to release their precautionary savings into consumption because they have a guaranteed credit buffer for future needs (Ji et al., 2023). Regarding budgeting, Relja et al., (2025) identify that while some users (the "*Credit Dom(me)*" archetype) use in-app budgeting tools proactively to maintain control, the "*Debt Subs*" often selectively disregard budget notifications, leading to a cycle of "*snoozing*" payments and increasing late fees.

The "Investing" Blind Spot

The dimension of investing remains the most significant gap in scholarship. Only one study within the analytical corpus explicitly incorporates investment behavior into a creditworthiness model. Study of Wang et al. (2025) developed the GLEN (GRU-based Linear Explainable Network) model, which includes the "monthly amount invested" as a key variable.

Their findings suggest that wealth capability (as evidenced by investment frequency) becomes a more crucial predictor of default risk over time than simple credit behaviors. However, the direct psychological or behavioral link between the decision to use BNPL and the decision to invest for the future remains largely unexplored in primary consumer research.

However, it is important to acknowledge that the "investing" dimension is currently supported by limited empirical evidence within the BNPL literature, with only a study explicitly incorporating investment-related variables into creditworthiness models. As such, the inclusion of "wealth capability"—proxied by investment frequency—within the proposed Integrated Psychosocial-Financial Health Model should be interpreted as a preliminary theoretical extension rather than a fully established empirical relationship.

This dimension is incorporated not as a dominant predictor, but as an indicative signal of long-term financial orientation, complementing more established behavioral indicators such as repayment behavior and budgeting practices. Its inclusion reflects an emerging research direction that connects consumption-based credit behavior with asset-building capacity, which remains underexplored in current scholarship.

Gap Analysis for RQ1, "The Fragmentation Gap"

The synthesis of RQ1 reveals a "*Fragmentation Gap*." While the literature provides deep dives into how BNPL triggers spending and borrowing, it fails to model how these are balanced against saving and investing in a holistic financial ecosystem. Current research is primarily reactive (looking at how BNPL causes debt) rather than integrative (looking at how a user's total financial behavior determines their creditworthiness). This fragmentation confirms the need for a

multidisciplinary framework that combines behavioral finance with consumer identity (Munoz Valenciano et al., 2025; Relja et al., 2025).

Theme 2: The Interdependence of Behaviors and the Holistic Blind Spot

The second intellectual current in the BNPL scholarship concerns the degree to which financial behaviors are treated as an integrated system. RQ2 seeks to uncover the "theoretical linkages" between these behaviors and identifies where the literature fails to provide a cohesive model for risk assessment and consumer financial health.

Pairwise Interdependency: The Borrowing-Saving Nexus

The most frequently documented interdependence in recent empirical work is the relationship between borrowing (BNPL engagement) and saving habits. The study of Donou-Adonsou & Leslie-Piper, (2025) demonstrates that BNPL usage is not an isolated choice but is deeply contingent upon a consumer's "*pre-existing financial fragility*," specifically a lack of emergency savings. Their causal analysis using propensity score matching indicates that low savings levels do not merely correlate with BNPL adoption but act as a primary "upstream predictor" of usage frequency.

This relationship is further nuanced by the "*liquidity insurance*" theory proposed by Ji et al. (2023). They argue that access to digital credit alters the psychological function of savings; the presence of a BNPL credit line allows consumers to release their "precautionary liquidity reserves" into immediate spending. This demonstrates a synergistic effect where borrowing capacity directly increases the marginal propensity to consume from actual savings, a dynamic that traditional "siloes" models of credit adoption fail to capture.

Budgeting as a Moderator of Spending and Borrowing

The role of budgeting appears in the literature primarily as a self-regulatory mechanism that mediates the impact of BNPL on spending. Relja et al., (2025) identify a "power exchange" where certain user archetypes, such as "*Credit Dom(me)s*," use in-app budgeting tools to maintain fiscal dominance. At the same time "*Debt Subs*" selectively ignore these tools to facilitate impulsive borrowing.

Despite this, only a few studies incorporate "*budget awareness*" into their formal risk models. For example, Donou-Adonsou & Leslie-Piper, (2025) utilize budget awareness as an instrumental variable to correct for endogeneity in financial fragility, noting that active budget tracking is a significant mitigator of the debt cycles triggered by BNPL. However, the literature lacks a standardized framework for measuring how digital budgeting tools (e.g., Klarna's Money Manager) interact with the "*numerosity effect*" to alter the perception of purchase expensiveness.

The "Investing" and "Loyalty" Gap

A critical conceptual gap identified in RQ2 is the near-total exclusion of investing from BNPL behavioral models. While (Ahmadi et al., 2026; Kumar et al., 2024) link spending patterns to loyalty and "*Customer Lifetime Value*" (CLV), these models remain focused on consumption-side outcomes rather than wealth-building behaviors. The sole exception is the work of Wang et al. (2025) who found that "*wealth capability*"—measured by the monthly amount invested—is a superior long-term predictor of creditworthiness compared to simple borrowing history. This suggests that the current literature suffers from a "*Temporal Bias*," focusing on immediate repayment rather than the holistic integration of an individual's asset-building and debt-management strategies.

Gap Analysis for RQ2, The "Integration Deficit"

The synthesis of RQ2 reveals that current models are "*fragmented*". While scholars have begun to link Borrowing to Saving, and Spending to Loyalty, there is no existing model that simultaneously accounts for all five behaviors (Saving, Budgeting, Spending, Borrowing, and Investing). This "*Integration Deficit*" represents a significant opportunity for the current study to extend the theory of digital financial health. The literature currently lacks an understanding of whether investing behavior can act as a "psychological buffer" against the impulsive spending triggered by BNPL, confirming the need for the multidisciplinary framework proposed in this review.

Taken together, these findings suggest that financial behaviors within the BNPL ecosystem are not merely correlated but structurally interdependent through underlying mechanisms of liquidity perception, cognitive framing, and self-regulation capacity. Rather than functioning as independent variables, saving, borrowing, and budgeting behaviors appear to co-evolve within a shared psychological and financial system.

More specifically, the evidence indicates that access to BNPL reshapes the psychological meaning of liquidity itself. As proposed in the "liquidity insurance" mechanism, the availability of deferred payment reduces the perceived necessity of precautionary savings, thereby increasing the marginal propensity to consume from existing resources. This creates a feedback loop in which reduced saving buffers increase reliance on borrowing, while continued borrowing further weakens saving discipline over time.

At the same time, budgeting operates not as a static control mechanism but as a contingent moderator whose effectiveness depends on the presence or absence of psychological "overrides." In contexts where cognitive distortions—such as price focalism—or affective triggers—such as FoMO—are active, formal budgeting practices become selectively ignored or cognitively bypassed. This explains why similar levels of budget awareness may produce divergent financial outcomes across individuals.

Taken together, these patterns point to a dynamic system in which financial behaviors are jointly shaped by both structural conditions (e.g., income instability, access to credit) and internal psychological processes. The current literature, however, remains limited in capturing these recursive dynamics over time, as most studies rely on cross-sectional designs that isolate variables rather than modeling their co-evolution. This reinforces the need for an integrated framework that treats financial behavior as a system of interacting processes rather than discrete predictors of BNPL adoption.

Theme 3: Psychological Catalysts and the Erosion of Self-Regulatory Boundaries

While the technical accessibility of digital credit is a necessary condition for adoption, empirical evidence suggests that psychological catalysts serve as the primary moderators that determine the intensity and frequency of BNPL engagement. This section evaluates how FoMO, self-congruence, and cognitive distortions of the "*pain of paying*" interact to override rational money management behaviors such as budgeting and saving.

The Affective Trigger: Fear of Missing Out (FoMO) as an Emotional Driver

FoMO creates "*emotional urgency*" that overrides rational financial self-regulation (Mayvita et al., 2025; Djamhari et al., 2024; Selvina Adhani et al., 2025). It creates distress when consumers feel excluded from digital trends, leading to the use of PayLater as an emotional coping mechanism (Mayvita et al., 2025; Relja et al., 2025; Kastanakis et al., 2026).

This affective mechanism significantly moderates the relationship between systematic budgeting and impulsive spending patterns (Relja et al., 2025; Sundarassen et al., 2025). Consumers

experiencing high levels of Fear of Missing Out (FoMO) are found to disregard their internal financial limits or pre-set constraints, treating BNPL as a psychological instrument to mitigate the "social pain" of exclusion (Mayvita et al., 2025; Adhani et al., 2025).

In this context, BNPL adoption is not merely a financial decision but an emotional balancing act where the immediate pleasure of "keeping up" with digital peers and maintaining social status effectively outweighs the long-term disutility of debt and subsequent financial distress (Djamhari et al., 2024; Pan, 2026).

Furthermore, this emotional engagement creates a "structure of feeling" that differentiates BNPL from traditional credit by prioritizing immediate gratification over future obligations (Cook et al., 2023; Pan, 2026). The pervasive influence of materialistic social comparison, amplified through social media channels, further weakens self-control and encourages the use of PayLater as a coping mechanism for perceived social inadequacies (Mayvita et al., 2025; Sundarasan et al., 2025).

Consequently, when these psychological "overrides" are active, the efficacy of financial self-regulation is significantly diminished, leading to a decoupling of the pleasure of consumption from the eventual "pain of paying" (Ashby et al., 2025; Relja et al., 2025).

Symbolic Consumption and Identity: The Power of Self-Congruence

The decision to adopt BNPL is deeply rooted in how a consumer perceives their identity, a construct defined as self-congruence (Mayvita et al., 2025; Xu (Rinka) & Pratt, 2018). BNPL services are frequently marketed as lifestyle brands rather than mere financial tools, targeting "digital natives" who aspire to an image of tech-savviness, modernity, and efficiency (Mayvita et al., 2025; Munoz Valenciano et al., 2025).

Empirical work by Xu (Rinka) & Pratt, (2018) confirms that self-congruence is a critical predictor of consumer intentions to engage with digital service brands, as the alignment between a user's ideal identity and the service image forms a potent internal drive for adoption.

In the context of integrated behaviors, self-congruence acts as a "justification mechanism" for borrowing, where the emotional connection to a brand overrides rational financial constraints. Consumers who perceive BNPL as congruent with their "ideal self" are more likely to justify the use of credit for non-essential or aspirational items, even when their savings accounts are insufficient to support such expenditures (Mayvita et al., 2025).

This identity-driven adoption suggests that BNPL allows consumers to "perform" an urban, affluent identity in the present while deferring the "uncomfortable" financial reality of that performance to the future (Mayvita et al., 2025; Cook et al., 2023). Consequently, this symbolic consumption serves as a balancing mechanism for one's emotional and social conditions, often at the expense of long-term financial resilience.

Cognitive Distortions: "Price Focalism" and the Decoupling of Payment Pain

The most robust cognitive moderator identified in the corpus is the reduction of the "pain of paying" via symbolic numerosity, a genuine mental and physical phenomenon associated with the activation of the brain's insula. Traditional economic logic, informed by Prospect Theory (Kahneman & Tversky, 2012; Tversky & Kahneman, 1981) and the concept of Mental Accounting (Thaler, 1985), posits that individuals do not experience money as a homogeneous resource. Instead, monetary outcomes are mentally organized into distinct categories depending on their source, timing, or intended use. This cognitive segmentation shapes how financial gains and losses are perceived and evaluated.

Within this framework, the structure of payments is expected to influence perceived financial pain. Prospect Theory suggests that losses are experienced more intensely than gains, and that

repeated losses can amplify discomfort due to the convex shape of the value function in the loss domain (Kahneman & Tversky, 2012; Tversky & Kahneman, 1981). Consequently, separating a single integrated payment into multiple installments should theoretically heighten the perceived loss, as each installment constitutes a new instance of paying and, therefore, a renewed experience of loss.

However, recent empirical evidence challenges this theoretical expectation in the context of Buy Now, Pay Later (BNPL) schemes. Experimental studies by Ashby et al. (2025) and Maesen & Ang (2025) show that installment-based payment structures in BNPL settings may instead soften the psychological impact of spending. By delaying payments and distributing them over time, BNPL arrangements appear to decouple consumption from immediate financial sacrifice, thereby reducing the subjective "*pain of paying*." As a result, installment payments in these contexts can feel less burdensome than a single lump-sum payment, despite the total monetary cost remaining unchanged.

Due to the numerosity effect, consumers cognitively focus on the lower Arabic numeral used to represent the installment price rather than the aggregate total—a phenomenon termed price focalism (Ashby et al., 2025). For instance, a total purchase price of \$160 is perceived as significantly more "*painful*" than four payments of \$40, even though the objective cost remains identical, because the lower face value of the installment price gives the impression of greater purchasing power (Ashby et al., 2025; Prelec & Loewenstein, 1998; Relja et al., 2025). This cognitive distortion directly moderates spending behavior by creating an "*affordability illusion*" that inflates both purchase incidence and average basket value (Ashby et al., 2025; Kumar et al., 2024; Maesen & Ang, 2025).

Furthermore, the magnitude of the first installment has a disproportionate impact on this perception; empirical results indicate that a lower upfront cost increases purchase intent more than lower subsequent installments, confirming that BNPL users operate with a heavy present bias and hyperbolic discounting. As established by Laibson, (1997) and Thaler, (1985), individuals exhibit time inconsistency by overvaluing immediate rewards (the product) while underestimating or discounting future costs (the remaining installments).

Consequently, this focus on proximal gains over distal costs renders traditional budgeting strategies ineffective, as the perceptually salient installment price becomes the primary anchor for financial decision-making, potentially leading to "*debt stacking*" and long-term financial fragility.

The "Bittersweet" Paradox: Power Imbalance and Post-Purchase Regret

A significant development in recent scholarship, led by Kastanakis et al., (2026) challenges the traditional hedonic principle by exploring pain's paradoxical role as a catalyst for consumer engagement and value creation. Within the specific context of Buy Now, Pay Later (BNPL), Relja et al., (2025) utilize BDSM-inspired metaphors to characterize the experience through three distinct user archetypes: the Credit Dom(me), the BNPL Switch, and the Debt Sub.

These personas demonstrate how young adults navigate power exchanges with platforms, where users like "*Mistress Mona*" enjoy the power of controlling financial resources, while "*Slave Scarlet*" archetypes willingly sacrifice fiscal control in exchange for "*care*" and immediate product access (Relja et al., 2025).

However, Relja et al. (2025) and Kastanakis et al. (2026) observe that this immediate pleasure is frequently followed by a "*drop*" or emotional exhaustion once the excitement of the purchase fades and the repayment cycle commences. This phenomenon aligns with findings by Ashby et al., (2025) regarding present bias, where the initial decoupling of payment from consumption creates an "*affordability illusion*" that later results in cognitive dissonance.

Despite the significant theoretical urgency of these findings, Kastanakis et al. (2026) and

Relja et al. (2025) identify a critical '*Evaluation Gap*,' noting that contemporary literature lacks validated psychometric instruments for the direct measurement of post-purchase regret. Consequently, regret is typically captured only through indirect proxies—such as financial distress, compulsive spending, or diminished psychological well-being (deHaan et al., 2024; Relja et al., 2025). This reliance on secondary indicators ultimately represents a methodological blind spot in mapping the comprehensive emotional trajectories of digital credit users

Synthesis for RQ3: Psychology as the "Override" of Strategy

The synthesis addressing RQ3 indicates that psychological catalysts play a role that extends beyond merely shaping the adoption of Buy Now, Pay Later (BNPL) services. Rather, these factors appear to interact with—and in many cases systematically diminish—the effectiveness of traditional forms of financial self-regulation, such as budgeting, planning, and deliberate spending control (Schomburgk & Hoffmann, 2022). In BNPL contexts, psychologically driven responses may therefore attenuate rational financial oversight, even among individuals who otherwise demonstrate awareness of prudent financial management.

High levels of Fear of Missing Out (FoMO) and the internal drive for self-congruence create an emotional urgency that significantly weakens the protective effect of a systematic budget (Mayvita et al., 2025; Djamhari et al., 2024). This is further complicated by the cognitive distortion of installment prices—specifically the numerosity effect—which effectively renders the "*pain of paying*" ineffective as a natural psychological deterrent to overspending (Ashby et al., 2025; Maesen & Ang, 2025).

Consequently, any robust Integrated Behavioral Model must account for these psychological "*hubs*" to accurately assess a consumer's true creditworthiness and mitigate the risk of falling into a "*debt spiral*" (Guttman-Kenney et al., 2023; Wang et al., 2025).

Theme 4: Advancing Creditworthiness Assessment through the Operationalization of Psychosocial-Financial Signals

The final intellectual current in the corpus explores the transition from traditional, static credit scoring to dynamic, integrated risk models that treat a consumer's digital footprint as a mirror of their internal psychological and financial state. This review proposes that creditworthiness in the modern digital economy is best assessed by capturing the intersection of the "*What*" (Themes 1 & 2: actual financial behaviors regarding BNPL) and the "*Why and How*" (Theme 3: psychological drivers).

From Psychological "Why" to Digital "How": Operationalizing FoMO and Impulsivity

Technical scholarship, specifically the development of the GLEN (GRU-based Linear Explainable Network) model, suggests that digital platforms can effectively quantify internal psychological states such as Fear of Missing Out (FoMO) and impulsivity through behavioral proxies like "*browsing and purchase diversity*" (Wang et al., 2025).

While the previous analysis in Theme 3 identifies FoMO primarily as an affective trigger for immediate gratification, this theme demonstrates that this state is empirically observable and measurable via sequential digital footprints (Djamhari et al., 2024; Wang et al., 2025). Empirical validation of these sequential models reveals that consumers who exhibit narrow, rapid-click browsing patterns followed by immediate purchase are at a statistically higher risk of credit default (Wang et al., 2025).

Conversely, a high level of "*platform involvement*"—characterized by the exploration of diverse product categories and prolonged session engagement—serves as a robust proxy for rational decision-making and cognitive commitment (Al-Sharafi et al., 2026; Wang et al., 2025). By

integrating these digital footprints into predictive algorithms, fintech platforms can transcend traditional, static income-based metrics to identify high-risk impulsive profiles, providing a critical assessment tool for the "*credit-invisible*" youth demographic (Filotto et al., 2024; Wang et al., 2025).

Cognitive Discipline and the "Pain of Paying": Repayment Frequency as a Behavioral Anchor

A disruptive insight in modern risk management is the shift in analytical focus from the total amount borrowed to the specific frequency of micro-repayments (Wang et al., 2025). This review proposes that repayment frequency functions as the digital operationalization of "cognitive discipline" and serves as a behavioral countermeasure to the reduced "*pain of paying*" inherent in digital credit (Relja et al., 2025).

Because Buy Now, Pay Later (BNPL) mechanisms effectively lower the immediate psychological discomfort of spending through the decoupling of purchase and payment, consumers exhibiting low self-control are particularly prone to financial overextension (deHaan et al., 2024; Pan, 2026; Schomburgk & Hoffmann, 2022).

However, advanced sequential models demonstrate that platforms can identify "*resilient*" users by tracking a high frequency of micro-repayments, a metric that signals a proactive commitment to budgeting obligations and a future-oriented financial mindset (Wang et al., 2025).

This behavioral anchor effectively counters the "*affordability illusion*" generated by installment framing, where consumers typically focus on the lower Arabic numeral of the installment rather than the aggregate cost (Ashby et al., 2025; Pan, 2026). Ultimately, these integrated signals provide a significantly more reliable indicator of a young adult's true creditworthiness than traditional, static repayment totals (Wang et al., 2025).

Detecting Archetypal Risks: Fusing "Debt Sub" Behaviors with Debt Stacking Analysis

The synthesis of Theme 3's psychological archetypes, specifically the "*Debt Sub*" (or "*Slave Scarlet*"), finds direct operational utility in the diagnostic detection of "*debt stacking*" across digital platforms (Guttman-Kenney et al., 2023; Relja et al., 2025). As empirically documented by Guttman-Kenney et al., (2023), a concerning pattern has emerged where young consumers, particularly those residing in poor geographies, utilize high-interest credit cards to fund zero-interest Buy Now, Pay Later (BNPL) installments (Guttman-Kenney et al., 2023; Pan, 2026).

Within the proposed integrated model, this "*debt stacking*" is viewed as the behavioral manifestation of a "*Debt Sub*" profile—a user who has transitioned into a state of financial vulnerability by relinquishing fiscal control to the provider in exchange for immediate product access (Pan, 2026; Relja et al., 2025).

By monitoring these cross-instrument linkages and associated "*snoozing*" behaviors in real-time, advanced risk assessment models, such as the GLEN model proposed by (Wang et al., 2025), can identify the early stages of a "*debt spiral*" and trigger proactive interventions (Guttman-Kenney et al., 2023; Wang et al., 2025). Such algorithmic oversight fulfills the "*care and nurturing*" responsibility of the dominant provider, a critical ethical duty identified in the power-exchange dynamics of modern digital credit (Relja et al., 2025).

Ultimately, integrating these psychological signals into technical underwriting allows platforms to protect "*credit-invisible*" youth from the cumulative interest burdens and long-term financial fragility associated with unmanaged debt (Donou-Adonsou & Leslie-Piper, 2025; Pan, 2026).

Wealth Capability and Ethical Congruence: The Long-Term Buffer

For long-term financial sustainability within the digital credit ecosystem, this review identifies "*Wealth Capability*"—proxied by monthly investment frequency and the presence of

emergency savings—as the primary risk buffer. The study of [Donou-Adonsou & Leslie-Piper, \(2025\)](#) provides empirical confirmation that the absence of a dedicated emergency fund is the most potent ex-ante predictor of household financial fragility and subsequent Buy Now, Pay Later (BNPL) adoption.

However, the technical advancement of the GLEN model by [Wang et al. \(2025\)](#) extends this understanding by demonstrating that a consumer's monthly investment frequency serves as a superior long-term predictor of credit default risk compared to traditional, static borrowing histories.

Furthermore, the model incorporates "*Ethical Congruence*" as a vital qualitative dimension, particularly in religiously regulated markets such as Saudi Arabia, where [\(Al-Sharafi et al., 2026\)](#) identify Sharia compliance as a critical cultural boundary condition for platform loyalty. Consumers who perceive a digital financial service as ethically legitimate exhibit significantly higher levels of retention and more stable repayment trajectories.

This suggests that creditworthiness in the digital age is an integrated product of moral and psychological alignment with platform values rather than a purely technical output, as value alignment can often override conventional psychological drivers of behavior in culturally embedded markets.

Synthesis for RQ4: Toward an Integrated "Financial Health" Model

The synthesis of RQ4 resolves the prevailing "*Signal Gap*" by proposing an original framework where individual behaviors (Theme 1), their structural interdependencies (Theme 2), and their psychological moderators (Theme 3) are unified into a single analytical system. This review advocates for a transition toward proactive risk management that builds upon the technical feasibility of Explainable AI (XAI) systems, such as the GLEN model ([Wang et al., 2025](#)), which have demonstrated the capacity to interpret complex consumer trajectories.

By synthesizing the fragmented evidence identified in this review, I propose a model that combines integrated signals from Saving (resilience), Budgeting (control), Investing (wealth capability), and Spending (engagement). While previous scholarship has identified these as isolated drivers (e.g., [Wang et al., 2025](#) for investment; [Al-Sharafi et al., 2026](#) for satisfaction/loyalty), this review argues that these signals must be filtered through psychological proxies for FoMO and the "*pain of paying*" to facilitate accurate, transparent, and ethical credit decisions for the next generation of consumers. This integration represents a conceptual extension beyond existing technical and service-related paradigms.

Comprehensive Analysis and Integrative Synthesis: The Integrative Model about Fusing Financial Behavior, Psychology, and Technology

The synthesis reveals that Buy Now, Pay Later (BNPL) adoption is not a discrete financial transaction but a complex psychosocial process where internal emotional catalysts and external digital footprints converge ([Munoz Valenciano et al., 2025](#); [Relja et al., 2025](#)). This review proposes an integrated model organized into three sequential layers, as detailed below.

1. The Foundational Layer (Financial Behavior Interdependence)

Contrary to the "*siloe*d" approach found in early literature, this model positions Saving, Budgeting, and Investing as critical buffers that determine the sustainability of Spending and Borrowing patterns. While BNPL can create a sense of financial flexibility that encourages consumption, its long-term sustainability depends on whether users exhibit strong financial discipline, such as consistent investment behavior.

2. **The Moderating Layer (Psychological Catalysts)**
The model identifies Fear of Missing Out (FoMO) and Self-Congruence as “*emotional overrides*” that weaken rational financial self-regulation. These catalysts interact with cognitive distortions like Price Focalism, where the lower numerosity of an installment price reduces the “*pain of paying*” and creates an “*affordability illusion*”. In this framework, psychology acts as the filter through which financial decisions are processed before they manifest as digital transactions.
3. **The Operational Layer (Digital Proxies for Risk)**
The final component of the model translates these internal states into quantifiable Digital Proxies for creditworthiness assessment. For the “*credit-invisible*” young adult demographic, the model proposes that browsing diversity (rationality proxy), repayment frequency (discipline proxy), and platform engagement (loyalty proxy) are superior indicators of risk compared to traditional, static income-based scores.

The synthesis of this review can be depicted by the illustration in the following Figure 1:

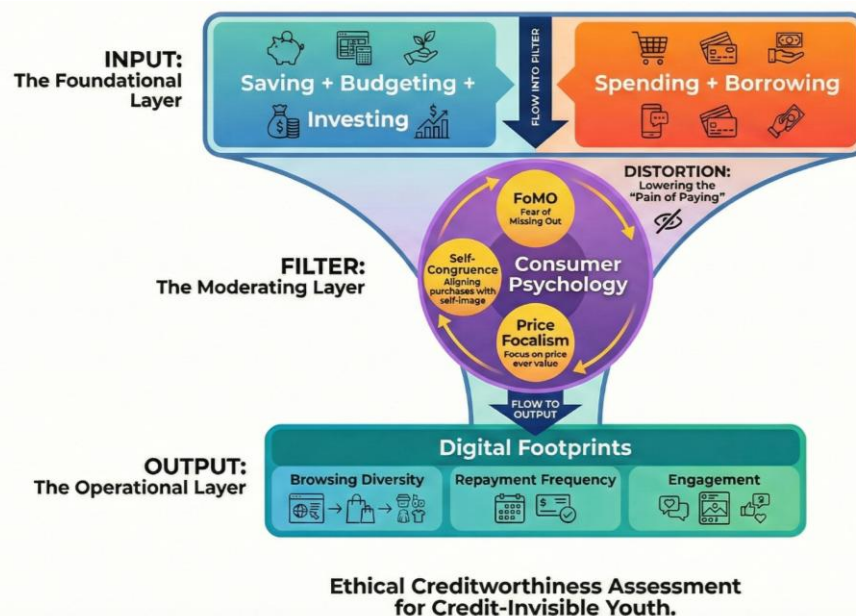


Figure 1. Theoretical Framework ‘Integrated Psychosocial-Financial Health Model’ results of this study are depicted as a funnel chart flow.

Figure 1 provides a visual representation of the ‘Integrated Psychosocial-Financial Health Model’ developed through this systematic review. Adhering to the “Extend” purpose of stand-alone reviews, the model illustrates the hierarchical flow from raw behavioral inputs to refined ethical creditworthiness assessments.

Contribution to the Literature Gaps

This review and the resulting integrative model offer three significant contributions to the existing body of knowledge:

1. **Bridging the “Methodological Silo” Gap**
Current studies predominantly focus on single behavioral dimensions, such as the increase in “order size” due to BNPL. By integrating all five financial behaviors (Saving, Budgeting,

Spending, Borrowing, and Investing), this research moves toward a holistic understanding of consumer financial health.

2. Resolving the "*Causality and Longitudinal*" Void

Scholarship has historically relied on cross-sectional data, failing to capture the transition of young adults toward financial independence. The proposed model advocates for using real-time digital sequences (e.g., via Gated Recurrent Units) to track behavioral shifts over time, providing a more dynamic view of creditworthiness.

In summary, the transition from parental financial socialization to independent money management in the digital age is fraught with "*bittersweet*" trade-offs between immediate pleasure and deferred pain. BNPL technologies, while democratising credit access, exploit cognitive biases that can lead vulnerable populations toward "*debt stacking*" and overextension.

However, by adopting the 'Integrated Psychosocial-Financial Health Model', fintech providers and regulators can move from reactive debt collection to proactive, ethical risk management. This integrated approach ensures that the "frictionless" convenience of BNPL is balanced by robust, behavior-based safeguards, fostering long-term financial well-being and a more sustainable digital economy.

Practicality

The practical utility of this systematic literature review extends beyond theoretical consolidation, offering actionable frameworks for the fintech industry, regulatory bodies, and consumer advocacy. By integrating multifaceted financial behaviors into a cohesive model, this study provides four primary dimensions of practicality:

Enhanced Risk Assessment and Credit Underwriting

The most immediate practical application is the transition from static, income-based credit scoring to dynamic, behavior-based risk models. Current systems are often reactive, but this research highlights that digital footprints—such as browsing diversity and the frequency of micro-repayments—serve as high-fidelity proxies for a consumer's cognitive discipline and "*wealth capability*".

For the "*credit-invisible*" young adult demographic, these integrated signals allow platforms to assess creditworthiness more accurately without relying on traditional credit history. Specifically, incorporating "Investing" and "Saving" data into deep learning models (such as the GLEN model) can identify "*positive outlier*" behaviors that act as long-term buffers against default.

Proactive Regulatory Oversight and Consumer Protection

This study provides a roadmap for regulators to move towards "*behaviourally informed policy*". By identifying the psychological "*overrides*" like Fear of Missing Out (FoMO) and the "*numerosity effect*" of installments, regulators can design targeted interventions, such as mandating the prominence of total purchase prices or restricting the use of "*urgency cues*" in BNPL marketing. This highlights the need for regulators to play a more active role in monitoring platform design and ensuring consumer protection in digital credit environments.

Strategic Merchant and Platform Management

For online marketplaces and retailers, the review offers guidance on optimizing the synergy between payment options and return policies. Additionally, businesses can use the identified customer segments—such as the "Credit Dom(me)" or "Debt Sub"—to tailor in-app budgeting tools

and "aftercare" services that foster long-term loyalty rather than short-term compulsive spending.

Digital Financial Literacy and Education

Finally, this research underscores the necessity of integrating financial education directly into the digital shopping interface. Rather than generic literacy programs, platforms are encouraged to provide "*interactive tools*" that allow users to simulate the impact of different borrowing scenarios on their future financial security.

By highlighting how "*financial consciousness*" can moderate the negative impacts of digital credit, the paper provides a basis for educational institutions and fintech providers to develop interventions that promote "*mindfulness*" in spending and protect young adults from falling into predatory debt cycles. In sum, the practicality of this paper lies in its ability to transform fragmented behavioral data into a holistic "*Financial Health Model*" that serves the diverse interests of the digital economy.

CONCLUSIONS

This systematic literature review has mapped the multifaceted landscape of Buy Now, Pay Later (BNPL) adoption among young adults, moving beyond simple transactional summaries to propose an Integrated Psychosocial-Financial Health Model. The synthesis reveals that BNPL is not merely a digital payment innovation but a disruptive financial ecosystem that reconfigures the relationship between immediate consumption and deferred repayment. For the "credit-invisible" young adult demographic, BNPL provides a crucial extensive margin of credit, yet it simultaneously exploits cognitive biases such as present bias and price focalism to reduce the psychological "pain of paying".

The core contribution of this review lies in its identification of the "Integration Deficit" in current scholarship. While spending and borrowing behaviors are well-documented, saving, budgeting, and particularly investing remain underdeveloped as active moderators in BNPL models. By bridging the gap between psychological catalysts (e.g., FoMO, self-congruence) and operational digital proxies (e.g., repayment frequency, browsing diversity), this review provides a theoretical foundation for more accurate and ethical creditworthiness assessments. Ultimately, fostering digital financial literacy is identified as the primary "firebreak" necessary to ensure that the convenience of BNPL does not lead to unsustainable debt stacking and financial fragility among the next generation of consumers.

LIMITATION & FURTHER RESEARCH

Limitation

Despite the methodological rigor applied, several limitations must be acknowledged. First, the literature is geographically concentrated in markets such as China, Indonesia, and the United Kingdom, limiting generalisability to other contexts. Second, most studies rely on cross-sectional designs, constraining causal inference and limiting insight into long-term behavioral dynamics. Third, emotional outcomes—particularly post-purchase regret—are rarely measured directly, with studies relying on indirect proxies such as financial stress.

Fourth, the review is subject to source and language bias, as it focuses on English-language, peer-reviewed articles indexed in Scopus to synthesize the framework, with the addition of relevant grey literature and regional studies to describe the context. Additionally, the relatively small corpus (31 articles) reflects the emerging nature of BNPL research and may limit coverage, especially for underexplored dimensions such as investing behavior for young adults. The integration of diverse methodologies also introduces challenges in maintaining conceptual consistency.

Finally, as an interpretive systematic review, the synthesis relies on second-order analysis,

meaning that the interpretation of psychological mechanisms remains shaped by the researcher's analytical lens. These limitations highlight the need for future research to combine systematic synthesis with context-specific empirical validation.

Further Research

To advance research in this domain, several priorities emerge. First, longitudinal studies are needed to clarify whether BNPL use drives financial stress or reflects pre-existing vulnerability. Second, future work should develop standardized measures of post-purchase regret specific to BNPL contexts. Third, interdisciplinary approaches—particularly integrating neuroscience with behavioral theory—could provide deeper insight into real-time decision processes.

Fourth, the role of investment behavior as a potential stabilizing factor warrants further investigation. Fifth, technical research should prioritize explainable AI models to support transparent and ethical credit assessment. Finally, cross-cultural studies are needed to examine how cultural and ethical frameworks shape BNPL-related financial behavior.

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