

Financial Well-Being: Indications on Buy Now Pay Later Users in Indonesia

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Abstract

Buy Now Pay Later (BNPL) is a payment method that allows consumers to purchase goods and pay for them later within a specified period. This study aims to explore the influence of financial knowledge, financial behavior, and self-control on the financial well-being of BNPL users in Indonesia, where the service is becoming increasingly popular, particularly among the younger generation. The research sample focuses on Millennials and Gen Z in Indonesia who have used BNPL services in the past six months. The analytical tool used is Partial Least Squares-Structural Equation Modeling (PLS-SEM) based on SmartPLS. The results indicate that financial knowledge has a significant but negative direct effect on financial well-being, yet becomes positive and meaningful when mediated by financial behavior. Meanwhile, both financial behavior and self-control have a strong and beneficial impact on financial well-being, either directly or indirectly through financial behavior. These findings highlight the importance of financial education and the role of BNPL providers in offering features such as payment reminders and credit limits to support users' financial well-being.

1. INTRODUCTION

In recent years, Buy Now Pay Later (BNPL) has become an increasingly widely accepted payment method, particularly among Generation Z and Millennials. Gen Z or post-millennials are referred to being the first generation to be born and raised in a technologically advanced and digitally oriented world, they may even be called addicted to technology, having learned how to utilize it and engage with social media at an early age (Lanier 2017; Márquez et al., 2022). BNPL users are predominantly young, with 48.27% millennials, 39.94% Gen Z, and 11.35% Gen X (IDXChannel.com, 2025). According to Association Fintech Indonesia (AFTECH, 2021), BNPL is a fintech innovation that provides consumers with access to digital financial services, such as payments, loans, investments, and insurance. Consumers can make transactions, get loans, choose financial products, invest, and receive financial advice easily without having to meet in person or go to the bank. Powell et al. (2023) BNPL allows consumers to purchase goods immediately and defer payment over a fixed period, typically through instalments that are often interest-free. By 2024, It is anticipated that BNPL payments in Indonesia will rise by 16.3% a year to US\$7.57 billion. The BNPL industry in Indonesia has a history of strong growth from the medium to long term. Over the period 2024-2029, it is estimated that the implementation of BNPL payments will grow steadily between 2024 and 2029, with a Compounded Annual Growth

Rate (CAGR) of 10.7%. This growth is driven by the rapid e-commerce market, the number of unbanked people and factors such as the increasing popularity of online shopping, ease of use, and flexible payment options (Yahoo Finance, 2024). The reasons for using BNPL are quite diverse, for example, from a study of BNPL users in Australia, the Australian Financial Industry Association (AFIA, 2022) revealed that 54% use BNPL because they can pay in installments without having to bear interest. In addition, 54% said BNPL gives them more control over their money because they can adjust the payment time to the salary payment period.

Despite the fact that there is an increase in BNPL users, the impact of BNPL on welfare still needs to be re-examined. In the context of Indonesia, although BNPL services are rapidly growing in popularity, they raise concerns regarding over-indebtedness and financial vulnerability among young consumers. Powell et al. (2023) emphasize that when individuals fail to apply responsible financial behaviours, the use of BNPL can negatively affect their long-term financial well-being, especially for those with limited financial literacy. The results of previous studies still show mixed findings regarding the impact of BNPL on its consumers' well-being. Some studies mention positive impacts, for example, Powell et al. (2023) mention that BNPL users allow them to enjoy life and feel safe about their financial future. In addition, a study conducted in 2021 by the New Zealand Government (Ghuthrie, 2021) found that BNPL helps customers spend more than they could, as costs appear cheaper when divided into smaller payments. Meanwhile, other studies highlight its negative impact on users' financial condition. While BNPL provides flexibility, there are concerns that users with low financial knowledge or self-control are at risk of financial problems in the future. A survey conducted by Financial Counseling Australia (2021, cited in Powell et al., 2023) found that around 84% of financial counselors said that their clients in financial difficulty had BNPL debt. This shows that BNPL services can increase consumer purchasing power, but uncontrolled use can exacerbate financial problems for vulnerable people.

Considering these mixed research results, it is important to further explore the function of internal elements, including financial well-being and the ability to manage expenses, in determining the ultimate impact of BNPL on users' welfare. Financial knowledge alone does not necessarily bring about welfare, but it requires concrete actions and wise financial management for the knowledge to truly have a positive impact on one's welfare. Previous study, conducted by Chen et al (2023) Financial knowledge can help customers make decisions in using BNPL services wisely, or help them manage better. The theory of economic behavior faces challenges due to differences in individual character, where many people still make poor financial decisions despite having sufficient information.

In managing personal finance, having knowledge is not enough. It requires concrete actions that are reflected in wise financial behavior, such as budgeting, saving, and avoiding impulse purchases. This financial behavior is strongly influenced by self-control, the capacity to restrain transient impulses to achieve long-term financial goals. People who have high self-control are more likely to manage their money with discipline, which enhances their financial well-being. Financial well-being itself is a condition when a person feels financially secure and able to enjoy life without economic pressure. Therefore, many recent studies have highlighted the importance of the variations in financial behaviour across individuals, particularly the part played by self-control. Success in various aspects of life, including finance, relies heavily on one's capacity to withstand urges and control unwanted behaviors (Mischel et al., 1989; Miller et al., 2011; Moffitt et al., 2011; Strömbäck et al., 2020).

While results from earlier research have been inconsistent on the effect of BNPL on financial well-being, this study presents a new perspective by integrating financial behavior and self-control variables as mediating roles in the relationship between financial well-being and financial knowledge. In contrast to prior research that usually suggest that financial knowledge has a direct and positive effect on financial well-being, the findings in this study show that knowledge alone is not enough. Good self-control and prudent financial behaviour are necessary for the usage of BNPL to have a favourable effect. Thus, the purpose of this study is to assess how financial behaviour, financial knowledge, and self-control affect the degree of financial well-being among Indonesian BNPL customers.

2. LITERATURE REVIEW

Financial Well-being

There have been many previous studies related to financial well-being. Some of them relate to retirement, saving behavior, and debt behavior, one of which is BNPL. A person's view of their capacity to sustain a desired level of living both now and in the future, as well as their financial independence, is known as their financial well-being (Brüggen et al., 2017). This definition includes an intertemporal aspect, specifically the future financial status; a feeling of financial security is a crucial component in defining and functioning as financial well-being (Netemeyer et al, 2017).

The definition of financial well-being can be viewed in two aspects: objective and subjective. First, rather than being based on an objective metric, financial well-being is subjective as it is determined by an individual's viewpoint (Brüggen et al., 2017). This means that only the individual himself can assess his financial well-being, and others cannot determine it. Two people with the same money might have different perceptions depending on their values and preferences. These perceptions are influenced by various factors, such as demographic characteristics (gender, age, education, marital status, and family structure) (Joo & Grable, 2004; Malone et al., 2010; Brüggen et al., 2017). In

addition, financial behaviors such as budgeting, saving, and compulsive spending habits also influence these perceptions (Joo & Grable, 2004; Shim et al., 2009; Brüggen et al., 2017). Second, the definition of financial well-being has a time dimension that includes current and future conditions (Brüggen et al., 2017). This definition acknowledges that a person's current financial evaluation and behaviour are also influenced by their beliefs about their future financial well-being, in contrast to earlier definitions that primarily focused on the present (Norvilitis et al., 2003; Brüggen et al., 2017). Moreover, perceptions of financial well-being are dynamic, as they are influenced by personal and contextual factors that may change over time. Life events such as divorce, for example, bring short- and long-term financial repercussions, such as the cost of living separately or the division of assets. Therefore, an individual's evaluation of their financial well-being is not set in stone, and any understanding of the concept should include its subjective and changing nature. (Norvilitis et al., 2003; Brüggen et al., 2017). Both are equally important; individuals with high assets can still feel financially distressed if they are dissatisfied or experiencing financial stress.

Further developments from (Prawitz, 2006; CFPB, 2015; Powell et al., 2023) added the dimension of each person's ability to achieve their financial goals. It recognizes that a person's financial well-being depends not just on their present financial situation, but also on their ability to plan and achieve their short- and long-term financial goals (Brüggen et al., 2017; Eberhardt et al., 2021). The perceived ability to sustain a desired level of freedom and lifestyle is known as financial well-being, which also reflects a sense of stability regarding one's financial prospects. In addition, Netemeyer et al. (2021) argue that future financial stability is an important part of the definition and operationalization of financial well-being, since this definition includes an intertemporal dimension that encompasses future financial situations (Eberhardt et al., 2021).

Financial Knowledge and BNPL Behavior

Understanding fundamental ideas like budgeting, credit, investments, debt, and money management is a component of financial literacy. This information has a significant impact on how people behave financially, according to Lusardi and Mitchell (2011, in Powell et al., 2023). High financial literacy increases the likelihood that people would use Buy Now Pay Later (BNPL) services and make other wise financial decisions, which will improve their long-term financial outcomes. Nonetheless, research by Gerrans et al. (2022) demonstrates that the absence of regulation of BNPL is problematic, particularly given that the bulk of users are young individuals with limited financial awareness. Financial difficulties are predicted to result from this. As highlighted by ASIC (2020) and Guthrie (2021), they state that a lack of financial understanding can lead to unwise financial decisions, risking the financial well-being of young users.

The study by Chen et al. (2023) emphasizes the importance of improving financial literacy, which not only helps in making investment decisions but also supports the management of pension funds and savings. However, financial literacy does not necessarily encourage the use of credit instruments such as credit cards, especially among low-income people who are financially constrained. Furthermore, Coffey et al. (2023) and Aalders (2023, as cited in Lupşa-Tătaru et al., 2023) discovered that those who have a solid grasp of finance are more likely to use BNPL with caution and to behave more responsibly and logically. This demonstrates that financial literacy influences sound financial behaviour in addition to imparting information.

H1: Financial knowledge has a positive effect on the financial well-being of BNPL users.

H2: Financial knowledge has a positive effect on the financial behavior of BNPL users.

Financial Behavior and BNPL Behavior

According to Falahati et al. (2012), the capacity of an individual to manage finances to achieve life goals is known as financial behavior. This behavior includes activities such as budgeting, managing credit, saving, investing, and making daily financial decisions. Tang (2021) discovered that financial behaviour is significantly influenced by cognitive capacity, especially in older adults. This positive effect remained strong even when controlled by factors such as self-efficacy, education, income, and wealth, indicating the important role of cognition in financial decision-making. Understanding this relationship can inform the design of more effective financial education, especially for vulnerable groups.

Financial behavior also has a significant impact on how financially well-off a person is, especially among BNPL users. Individuals who can manage budgets, resist consumptive urges, and plan their finances well tend to have more stable financial conditions (Powell et al., 2023). Conversely, impulsive behavior and the use of BNPL without consideration can increase the risk of financial distress (Rahman et al., 2021). Therefore, healthy financial behavior can be an important mediator between financial knowledge and self-control in shaping the financial well-being of BNPL users (Strömbäck et al., 2020).

H3: Financial behavior has a positive effect on the financial well-being of BNPL users.

Self-Control

Self-control is the capacity of an individual to resist urges, follow a budget, and save for long-term goals. Research by Strömbäck et al. (2017) demonstrates that those with strong self-control typically have more savings, less debt, and better financial well-being. In contrast, low self-control is often connected to impulsive behavior that negatively affects financial conditions (Strömbäck et al., 2020). Strömbäck et al. (2020) also discovered that financial behaviour and well-being may be predicted by self-control. As found, Self-control has a positive influence on financial behavior and financial well-being, and how control is assessed determines the connection.

Self-control is also an important determinant in the behavior of using BNPL services. According to Tang (2021), individuals with good self-control can avoid excessive use of BNPL and make wiser financial decisions. Conversely, a lack of self-control can trigger impulse purchases that lead to debt accumulation. Lușa-Tătaru et al. (2023) added that BNPL users often make purchases without considering the long-term financial impact. However, with high self-control, individuals are better able to evaluate their financial capabilities, respond to economic shocks, and achieve financial goals without excessive pressure. Thus, self-control not only plays a role in restraining consumptive behavior but also becomes a psychological factor that influences behavior and overall financial well-being (Strömbäck et al., 2020).

H4: Self-control has a positive effect on financial well-being in BNPL users.

H5: Self-control has a positive influence on financial behavior in BNPL users.

The Mediating Role of Financial Behavior

Financial knowledge and financial behavior play a significant part in determining financial well-being, especially for Buy Now Pay Later (BNPL) service users. Financial understanding helps individuals make wiser decisions and realize the long-term consequences of using BNPL. Discipline in financial behavior encourages more regular financial management and controlled spending, thereby improving financial well-being (Beatriz, 2021). From a consumer perspective, financial well-being is a state in which an individual feels safe, happy, and free from financial-related anxiety, and believes they are able to fulfill their current and future financial obligations. This is usually reflected in positive and prudent financial behavior.

Therefore, financial behavior acts as a mediator that connects financial knowledge with financial well-being in BNPL users. In addition, subjective self-control also has a significant effect on financial behavior and well-being. People's opinions on their capacity to control urges and make wise financial decisions can predict how they use BNPL and maintain their financial well-being (Powell et al., 2023). Income and education factors reinforce this relationship, as higher levels usually support self-control and healthy financial behaviors (Powell et al., 2023).

Self-control also impacts the risk of excessive debt, where those who lack self-control are more prone to buy things on impulse and take out high-cost credit such as store cards or quick loans, which increases the likelihood of default (Edwards, 1993; Gathergood, 2012). Compulsive shopping behavior, the repeated urge to shop without control, also exacerbates this condition (Powell et al., 2023). On the other hand, happiness and good mental health correlate with the desire to buy new things and explore innovative things. Happy individuals tend to use BNPL to fulfill these needs, as the service allows them to enjoy goods immediately without having to wait for full funding, which also contributes to psychological well-being (Schoffham & Barnes, 2011).

H6: Financial behavior mediates the effect of financial knowledge on financial well-being in BNPL users.

H7: Financial behavior mediates the effect of Self-control on financial well-being in BNPL users.

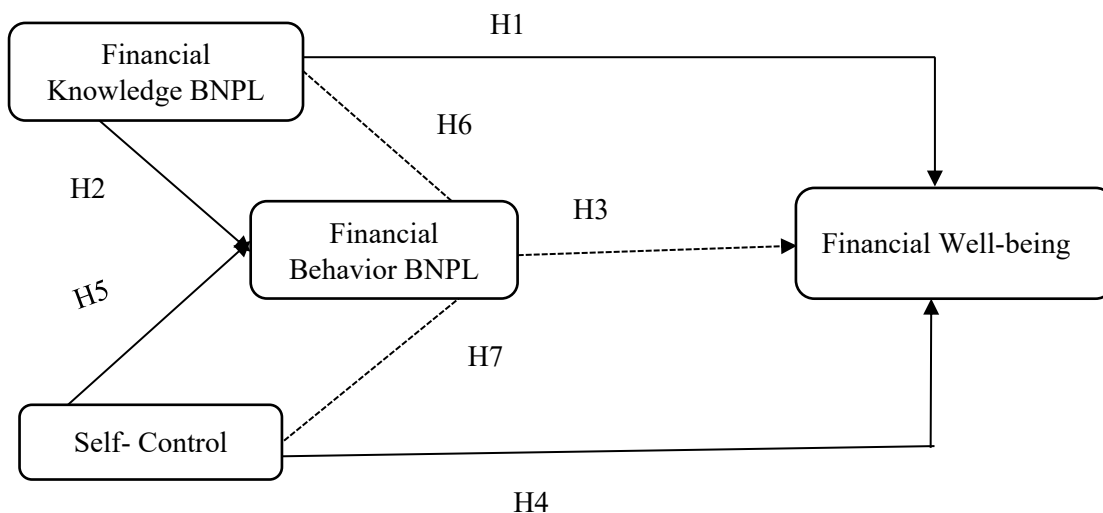


Figure 1. Research Framework

Source: the author

This research framework illustrates the interrelationship between financial knowledge, self-control, financial behavior, and financial well-being in the context of using BNPL services. Good financial knowledge helps individuals make wiser financial decisions and shape healthy financial behaviors, like budgeting and avoiding consumptive debt (H1, H2). Positive financial behaviors contribute directly to improved financial well-being (H3). In contrast, self-control allows individuals to avoid impulsive behavior, manage spending, and make rational decisions, thus positively impacting their well-being as well as their financial behavior (H4, H5). In this model, financial behavior acts as a mediator that bridges the influence of financial knowledge and self-control on the financial well-being of BNPL users (H6, H7), which confirms the importance of synergy between cognitive, psychological, and behavioral factors in achieving a more stable and prosperous financial condition.

3. METHOD

Data collection and sampling methods

This research employs quantitative methodologies and survey-based data collection strategies that generate primary data. This research evaluates the behavior and financial well-being of BNPL service users with a special emphasis on Millennials and Gen Z. The population of this study consists of Millennials (born 1981–1996) and Gen Z (born 1997–2012) who are active BNPL users in Indonesia (Dimock, 2019). Considering that the study was conducted in 2025, the appropriate age range for respondents is between 18 and 43 years old. However, the inclusion criteria were expanded up to 45 years old to ensure respondents were legally adults, had income, and were financially independent, which are essential for evaluating financial behavior. Data was gathered using a questionnaire survey that was distributed online.

The research sample consists of BNPL users aged 18 to 45 years old who come from various regions, ages, incomes, and educational backgrounds. The research sample consisted of 510 respondents, a number determined based on the minimum requirement for Structural Equation Modelling (SEM). According to Hair et al. (2019), SEM requires a sample size of at least 10 times the maximum number of paths directed at a construct to ensure robust model estimation. Therefore, 510 respondents were considered sufficient to represent the population and ensure validity. Respondents were chosen by the use of purposive sampling, with the condition that they must have been active as BNPL users in the past 6 months and understand and be able to answer questions about their financial behavior. Financial behavior and well-being were measured in the research questionnaire using a five-point Likert Scale, such as the statement, “I read the BNPL provider’s terms and conditions before opening an account,” with options from “Strongly Agree” to “Strongly Disagree.” In addition, the questionnaire was completed with multiple open-ended and multiple-choice questions to obtain additional information from the attached questionnaire.

This study examines the association between variables using the Partial Least Squares-Structural Equation Modelling (PLS-SEM) approach with the use of SmartPLS 4.0 software. Structural Equation Model (SEM) is used to see how financial behavior as an independent variable affects financial well-being as a dependent variable. SEM uses path analysis. The extent to which BNPL users’ behavior affects their well-being and the cause-and-effect relationship was studied with SEM.

4. RESULT AND DISCUSSION

RESULT

Descriptive Statistics

Based on *Table 1* demographic profile, most BNPL users are from the age group of 18-22 years (56%) and 23-27 years (33%). This shows that women use BNPL more in their daily lives, perhaps due to their tendency to purchase household, fashion and beauty items. This shows that young people, especially Gen Z and Millennials, who are already familiar with technology and tend to look for more flexible payment options, prefer BNPL services. In this study, the majority of respondents (89%) are aged 18–27 years, which corresponds to Gen Z and younger Millennials, a cohort that is generally more adaptive to digital financial services and alternative payment methods. The relatively high proportion of respondents with income below Rp. 1,000,000 (36%) is consistent with this age group, as many of them are still students (46%) or early career individuals.

Most BNPL users make one-time transactions 44%, which indicates that most users are still in the early stages of exploration or only use this service for certain urgent or one-time needs, such as the purchase of goods with large amounts or limited promotions. Furthermore, 38% of respondents use BNPL two to three times each time, which indicates a more consistent interest and the formation of habits in utilizing this payment system. Users in this category may already be aware of the practical benefits of BNPL, such as flexible payments and attractive promotions, but still use it wisely and moderately. Meanwhile, 18% of users made transactions with BNPL more than four times, indicating that 9% used four to five times and another 9% used more than five times. This group can be categorized as active users or even potentially intensive users, indicating a higher level of dependency of some users on BNPL services. BNPL was chosen because it allows purchases without direct payment, quick access through the app, as well as without credit card requirements, making it an inclusive solution for more consumers. In addition, another factor that attracts BNPL users is the many exclusive promotions, such as special discounts and interest-free installments. The BNPL platform often works with merchants and e-commerce to provide exclusive promotions to its users. Consumers tend to use payment methods that offer additional benefits, such as extra vouchers and cashback, which can save them more money.

In terms of demographics, female respondents dominate with 70.8%, indicating that women tend to use BNPL more actively than men. The majority of respondents reside in Sumatra (61%) and Java (34%), suggesting that BNPL adoption is quite strong in major population centers outside Java. Educationally, most respondents had completed high school (62%), followed by undergraduates (28%). In terms of occupation, students (46%) and private employees (37%) make up the largest groups, further confirming that the sample is dominated by young adults with relatively modest income.

Table 1. Demographics of Respondents

Demographic profile	Frequency	Percentage
Gender		
Male	149	29,2%
Female	361	70,8%
Ages		
18-22 Years	285	56%
23-27 Years	168	33%
28-32 Years	36	7%
33-37 Years	8	2%
38-45 Years	13	3%
Residence		
Java Island	172	34%
Sumatra Island	309	61%
Papua Island	15	3%
Sulawesi Island	12	2%
Kalimantan Island	2	0%
Education		
Elementary/Middle School/Equivalent	6	1%
High School/High School/Equivalent	314	62%
Diploma	43	8%
Undergraduate	141	28%
Postgraduate	12	2%
Jobs		
Student	236	46%
Entrepreneur	42	8%
Private Employee	190	37%
Civil Servant (PNS)	17	3%

Academics	2	0%
Police	1	0%
Lecturer	2	0%
Intern	8	2%
Housewife	1	0%
Freelancer	4	1%
Retail	6	1%
Administrative Staff	1	0%
Income		
< Rp. 1.000.000	185	36%
Rp. 1.000.000 – Rp. 3.000.000	179	35%
Rp. 3.000.000 – Rp. 5.000.000	138	27%
> Rp. 5.000.000	8	2%
BNPL Frequency of Use		
1 time	225	44%
2-3 times	196	38%
4-5 times	45	9%
>5 times	44	9%

Source: Primary Data Processed (2025)

Measurement Model

In *Table 2*, Convergent validity is examined in the first step of the measurement model analysis to make sure that each construct's indicators can reliably measure the desired hidden variable. The findings of the outer loadings demonstrate that every sign in the variables related to financial behaviour, self-control, financial knowledge, and financial well-being has values above 0.7, which indicates that the indicators are suitable for use because they meet the convergent validity criteria. This validity is reinforced by the Average Variance Extracted (AVE) values, all of which are higher than the 0.5 cutoff, such as the financial well-being variable, which obtained an AVE of 0.625. In addition, construct reliability testing through Results from Cronbach's Alpha and composite reliability were good, with all variables recording values above 0.9. For example, financial knowledge (0.941) and self-control (0.924), showing that the research instrument has a high level of internal coherence.

Table 2. Convergent Validity and Reliability

Construct	Items	Loading	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Knowledge (FK)	FK1	0,706	0.941	0.943	0.949	0.607
	FK2	0,780				
	FK3	0,751				
	FK4	0,812				
	FK5	0,787				
	FK6	0,781				
	FK7	0,738				
	FK8	0,767				
	FK9	0,818				
	FK10	0,794				
	FK11	0,762				
	FK12	0,845				
Self-Control (SC)	SC1	0,753	0.924	0.929	0.937	0.623
	SC2	0,823				
	SC3	0,842				
	SC4	0,719				
	SC5	0,780				
	SC6	0,805				
	SC7	0,777				
	SC8	0,757				
	SC9	0,836				

Financial Behavior (FB)	FB1	0,803	0.954	0.954	0.959	0.645
	FB2	0,817				
	FB3	0,863				
	FB4	0,800				
	FB5	0,718				
	FB6	0,811				
	FB7	0,870				
	FB8	0,837				
	FB9	0,832				
	FB10	0,854				
	FB11	0,745				
	FB12	0,731				
	FB13	0,739				
Financial Well-being (FWB)	FWB1	0,792	0.914	0.917	0.930	0.625
	FWB2	0,853				
	FWB3	0,834				
	FWB4	0,769				
	FWB5	0,844				
	FWB6	0,776				
	FWB7	0,709				
	FWB8	0,737				

Source: Primary Data Processed (2025)

Based on *Table 3*, the HTMT score is designed to prevent conceptual overlap between the constructs within the model and discriminant validity testing following Heterotrait-Monotrait Ratio (HTMT) method. The analysis results reveal that all the HTMT values are below 0.90 threshold, between financial knowledge and financial behavior at 0.899, and between self-control and financial well-being at 0.873. This implies that each of the constructs being analyzed is individual and is able to be used as an individual in isolation. The model's discriminant validity can thus be said to be satisfied, allowing structural analysis results to be explained more specifically in testing cause-and-effect connections between the study's variables.

Table 3. Skor HTMT.

	FB	FK	SC	FWB
FB				
FK	0,899			
SC	0,740	0,681		
FWB	0,891	0,761	0,873	

Source: Primary Data Processed (2025)

The research model has a strong predictive ability, according to the R-squared analysis in *Table 4*. Financial behaviour has an R-squared value of 0.776, meaning that it and financial knowledge account for 77.6% of the difference, with other variables influencing the remaining portion. This finding is consistent with Powell et al. (2023), who claim that both factors influence the financial behaviour of BNPL users.

However, the R-squared value of 0.798 for financial well-being indicates that financial behavior, financial knowledge, and independence are responsible for 79.8% of the variation. Strömbäcks et al.'s (2020) study supports this finding by stating that responsible financial behavior improves financial well-being, whereas risky behavior leads to financial stress.

Table 4. R.-Square

	R-square
FB	0,776
FWB	0,798

Source: Primary Data Processed (2025)

Structural Model Evaluation

Based on *Table 5*, model appropriateness analysis in this study was done according to some of the main indicators in the modelling of structural equations using partial least squares (PLS-SEM). Considering the outcomes of the data processing, Standardized Root Mean Square Residual (SRMR) is obtained with a value of 0.082, which is in the peak position of the limit of the cut-off value (≤ 0.08). Although somewhat higher than the best value, this figure can still be regarded as marginally fit, and thus the model is still good enough for further analysis (Henseler et al., 2016; Hair et al., 2019). Also, Unweighted Least Squares Discrepancy (d_ULS) is 6.014, and Geodesic Distance (d_G) is 3.168. Even though they lack world-standardized threshold values, both these indicators record a low value for the

difference between the actual data covariance and the theoretical model, i.e., the model possesses an apt description of the under-study data structure. Therefore, both values are categorized as fit.

Meanwhile, the value of Chi-square equal to 7,833.975 is not the main point of reference in PLS-SEM. This is due to the sensitivity of the Chi-square to a large sample size, so that even while the value of the Chi-square is large, model fit cannot necessarily be inferred from this. In variance-based PLS-SEM, Chi-square can be said to be irrelevant or not applicable as a model assessment measure (Hair et al., 2019). The NFI value is 0.662 and is less than the best possible figure of 0.90. However, as per some studies, more than 0.60 value can be taken safely as an initial indication of model fit in the scenario of PLS-SEM (Hair et al., 2019). In this study, however, NFI was not fit as it didn't cross the best possible cutoff point to indicate good model fit. Overall, the set of model fit indices indicates that the structural model utilized in the study can be considered acceptable for further examination, especially when analyzing the relationship among financial knowledge, financial behavior, self-control, and financial well-being of BNPL service users.

Table 5. Result of model fit

	Value	Kategori
SRMR	0,082	Marginally Fit
d_ULS	6,014	Fit
d_G	3,168	Fit
Chi-square	7833,975	Not Applicable
NFI	0,662	Not Fit

Source: Primary Data Processed (2025)

Structural Model

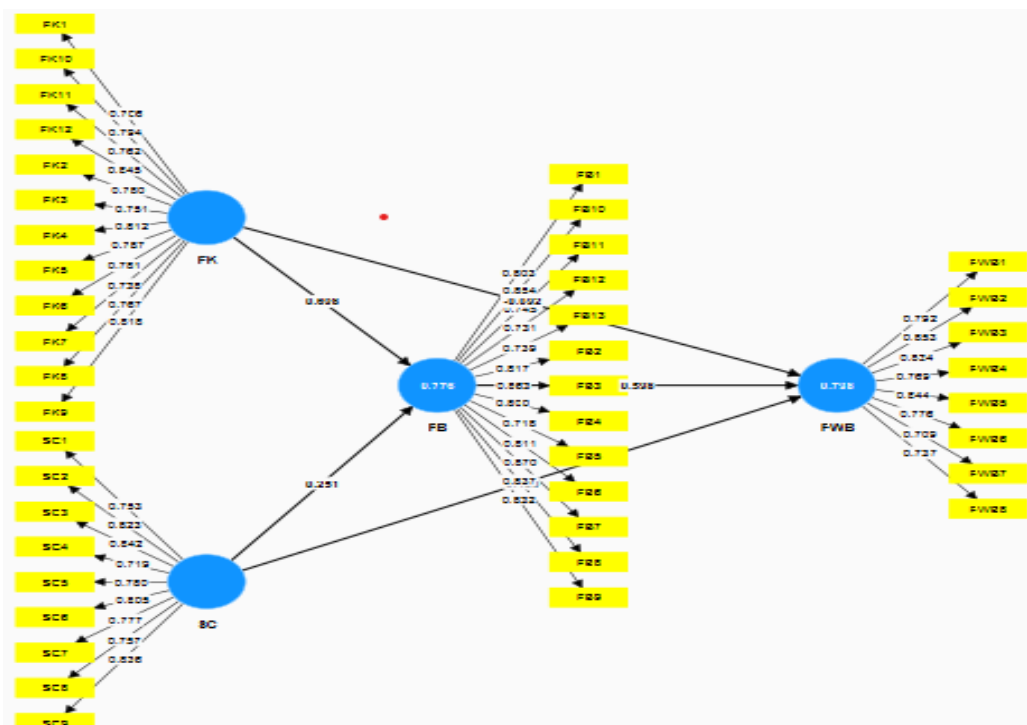


Figure 2. Graphical Output

Based on *Table 6* on according to the path coefficient, the hypothesis test findings show that the financial well-being of BNPL service customers is significantly but negatively influenced by an individual's degree of financial knowledge ($\beta = -0.092$, $t = 2.311$, $p = 0.021$). Even though a person understands financial concepts, this is not enough to guarantee a stable and prosperous financial condition. This is indicated by the statistical analysis's findings, which do not meet the significance criteria required to state a direct relationship. However, the effect of financial knowledge on financial well-being becomes significantly meaningful when mediated by financial behavior (indirect effect $\beta = 0.417$, $t = 11.338$, $p = 0.000$). This means that the knowledge needs to be realized in the form of real actions, such as budgeting, saving, or avoiding consumptive debt, to have a positive impact on individual financial conditions. Without implementation in real behavior, the knowledge becomes passive and less impactful.

Furthermore, results of the analysis also reflect that the higher one's understanding of various concepts and risks involved in finance, the healthier the way one structures and plans their finances. This suggests that a key component of financial literacy is forming good financial habits. Good financial habits in the way one manages their finances, such as

planning their expenses and avoiding consumptive tendencies, have been found to bear a strong relationship with levels of satisfaction and financial stability.

From a psychological perspective, the ability to resist impulses or self-control has also been shown to play a significant role in financial wellness. Individuals who can control the need to make impulse buys are more likely to maintain stable finances. Actually, exercising self-control not only directly affects financial wellness ($\beta = 0.450, t = 11.882, p = 0.000$) but also affects better financial behavior ($\beta = 0.251, t = 8.000, p = 0.000$).

Overall, all of the relationships between the variables in this analysis have a significant impact. Financial knowledge is significantly influenced by financial behavior ($\beta = 0.698, t = 25.427, p = 0.000$), and when combined with the strength of self-control (total effect SC \rightarrow FWB $\beta = 0.600, t = 18.264, p = 0.000$), these two variables together have an enormous contribution to one's financial well-being. Financial behavior itself has a very strong effect on financial well-being ($\beta = 0.598, t = 12.047, p = 0.000$) and is the main bridge that connects variables such as education and psychological factors to the end result of a healthy and stable financial standing.

Table 6. Path Coefficient

Direct Effects dan Specific Indirect Effects					
Relationship	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P-values
FK->FWB	-0,092	-0,092	0,040	2,311	0,021
FK-> FB	0,698	0,698	0,027	25,427	0,000
FB -> FWB	0,598	0,599	0,050	12,047	0,000
SC ->FWB	0,450	0,450	0,038	11,882	0,000
SC ->FB	0,251	0,251	0,031	8,000	0,000
FK -> FB -> FWB	0,417	0,418	0,037	11,338	0,000
SC -> FB -> FWB	0,150	0,151	0,023	6,434	0,000
Total Effects					
Relationship	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P-values
FB -> FWB	0,598	0,599	0,050	12,047	0,000
FK -> FB	0,698	0,698	0,027	25,427	0,000
FK-> FWB	0,326	0,326	0,036	9,093	0,000
SC-> FB	0,251	0,251	0,031	8,000	0,000
SC -> FWB	0,600	0,601	0,033	18,264	0,000

Source: Primary Data Processed (2025)

DISCUSSION

Buy Now Pay Later (BNPL) services are growing in popularity in Indonesia, particularly among young people, as they offer flexibility in transactions without immediate payment (AFTECH, 2021). Based on *Table 1* of this study's demographic data, most BNPL users come from the 18-27 age group, with a female dominance of 70.8%. This shows a preference from the younger generation for payment methods that are more flexible, fast, and do not require complicated requirements such as credit cards. BNPL users among women tend to use this service to fulfill household, fashion, and beauty needs.

The results showed that BNPL users chose this method because of the flexibility of interest-free installments, easy online access without complicated credit requirements, and special offers such as discounts and cashback. BNPL also supports the use of QRIS for digital transactions, providing convenience without the need for cash or change. In addition, the platform's good track record and the availability of vouchers and cashback further attract users. The expansion of online shopping and preference for digital transactions are driving the adoption of BNPL as an accessible credit alternative (Yahoo Finance, 2024). However, challenges such as low financial literacy, impulsive consumptive behavior, and the risk of over-indebtedness may affect users' financial well-being (Powell et al., 2023). Therefore, this discussion will examine the benefits and risks of BNPL and the optimal solutions to ensure its wise and sustainable use.

Based on *Table 6*, the analysis displays the route analysis's findings, which indicate how the main research variables relate to each other. Financial Knowledge has a significant but negative effect on Financial Well-Being. However, the effect of financial knowledge on financial well-being increases significantly when financial behaviour is added as a mediating variable, suggesting that information will only significantly affect financial well-being when it is mediated by prudent financial behaviour (Powell et al., 2023). This means that knowledge does not always guarantee a

person's financial well-being. Although financial knowledge theoretically helps individuals make smarter financial decisions, the reality is that many people still make bad financial decisions even though they know what is right. In this context, knowledge alone is not enough if it is not followed by action and other psychological influences, such as FOMO “fear of missing out” and behavioral biases. In addition, the study demonstrates that BNPL users' financial behaviour is significantly impacted by their level of financial literacy. This means that the higher a person's level of understanding about financial aspects, the better the way they manage their daily finances. In other words, individuals who understand the risks and benefits of using BNPL tend to be more cautious in making financial decisions. This supports the view that financial education is crucial to forming healthy money management habits. This means that knowledge alone does not guarantee good financial outcomes without implementation in real behavior.

In addition, financial behavior has a positive and considerable influence on financial well-being. Empirical evidence supports that financial behavior significantly mediates the impact of both financial literacy and income level on financial well-being (Ramadhani, Norisanti, & Nurmala, 2025). This means that simply knowing what good financial practices are is not enough; behavioral implementation in budgeting, saving, and wise spending is essential. For BNPL providers, this suggests a practical recommendation: integration of behavioral nudges or educational prompts into the platform (e.g., reminders to review budget before checkout) could help users translate knowledge into healthier financial behavior, thereby improving their overall financial wellness. In line with this, previous studies also demonstrate the correlation between improved financial behaviour and financial well-being (Rahman et al., 2021). Financial behavior refers to a person's concrete activities in managing their daily finances, such as budget planning, saving, investing, debt management, and decision-making when shopping. Meanwhile, financial well-being includes quantitative dimensions such as income and wealth, as well as psychological aspects that include a sense of satisfaction and security with current and future financial conditions. Financial behavior is the most significant indicator in determining one's financial well-being (Powell et al., 2023).

Self-control has a significant influence on financial well-being, which indicates that individuals with high levels of self-control are more likely to have better financial well-being. Individuals with a high level of self-control are more likely to have better financial well-being. In addition, financial behavior also mediates the relationship between self-control and financial well-being. These results support the research of Strömbäck et al. (2020), which discovered that self-control affects one's financial well-being and is crucial to improved financial management. The study also discovered that self-control has a favourable and significant influence on financial behavior. This shows that individuals with good self-control abilities tend to have wiser financial behavior. They are better able to resist the urge to impulse shop or overuse BNPL services. These results reinforce that mental attributes like self-control play an important role in how people manage their finances, even when they have adequate financial knowledge.

Although they may seem similar, behavioral finance and Self-control have fundamental differences. Financial behavior relates to how one manages money, such as budgeting or saving, while Self-control is more about the capacity to withstand impulsive urges in financial decision-making. This study demonstrates that while self-control helps cut down on wasteful expenditure, financial behaviour has a major influence on one's financial security. External factors such as money, life experience, and financial education often have an impact on financial behaviour. In contrast, Self-control is more influenced by internal factors like personality and mindset. For instance, someone may have a disciplined financial budget, but if Self-control is low, they may still be tempted to impulse spend.

Therefore, high financial literacy is not always directly proportional to strong Self-control. Overall, these findings show that financial knowledge and self-control significantly impact one's financial well-being through financial action as a mediating variable. Therefore, financial knowledge and increased Self-control when making financial decisions can help BNPL users in Indonesia become better off.

5. CONCLUSION

This research reveals that the use of BNPL services has a complex influence on the financial well-being of users in Indonesia. Responsible financial behavior is shown to play a significant role that improving financial well-being, while self-control helps control spending and prevent over-indebtedness. Financial knowledge only has a positive impact if accompanied by healthy financial behaviors, so education alone is not enough without action.

The implication is that efforts to improve financial well-being are not enough through improving financial literacy, but also need a holistic approach that includes behavioral education and strengthening self-control. BNPL service providers need to play an active role by providing educational features such as installment simulations, spending limits, and payment reminders to help users make wise financial decisions. This conclusion is drawn from the results of data processing in *Table 6*, which show that all relationships between variables are statistically significant, where financial knowledge has a negative direct effect on financial well-being (H1) but becomes positive and significant when mediated by financial behavior (H6). Likewise, self-control has both a direct positive effect on financial well-being (H4) and an indirect effect through financial behavior (H7). These findings strengthen the view that financial behavior plays a crucial mediating role, connecting knowledge and psychological factors to actual financial outcomes, and therefore must be a key focus in BNPL service design and education features.

However, Limitations of this study include a concentration on Millennials and Gen Z youth that restricts generalizability and cross-sectional data that does not reflect changes in behaviour over time. In addition, the quantitative approach underrepresents the psychological and social dynamics of financial decision-making.

As a recommendation for further study, it is advised to use a longitudinal approach to monitor changes in financial behavior in the long term. Further research can also expand the demographic coverage and integrate quantitative approaches to dig deeper into users' motivations and barriers in using BNPL services. For policymakers and financial institutions, the results of this research may be used as a foundation for creating financial literacy programs that are not only informative but also applicable and relevant to the needs of the younger generation.

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