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## Financial literacy and Buy Now Pay Later (BNPL) use among Indonesian millennials: A narrative review

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### ABSTRACT

Buy Now Pay Later (BNPL), commonly known in Indonesia as paylater, has become a prominent form of digital consumer credit embedded in e-commerce, travel, ride-hailing, and lifestyle applications. For Indonesian millennials, BNPL offers convenience, payment flexibility, promotional incentives, and access to short-term credit without the procedural burden of conventional credit cards. Simultaneously, it raises concerns about impulsive consumption, repayment stress, loan stacking, and an uneven understanding of fees, penalties, data use, and credit consequences. This study examines the relationship between financial literacy and BNPL use among Indonesian millennials through an IMRAD-based narrative review. The synthesis draws on official Indonesian demographic, financial literacy, regulatory, and BNPL market data, together with recent literature on digital financial literacy, consumer credit, financial management behavior, and responsible BNPL use. The review suggests that financial literacy is necessary but insufficient for responsible BNPL behavior. General financial knowledge may improve budgeting, cost recognition, and risk perception; however, BNPL decisions are also shaped by platform design, promotional framing, perceived behavioral control, social influence, and self-control. This study proposes an integrative framework in which financial literacy affects BNPL outcomes through digital financial literacy, risk perception, budgeting behavior, understanding of terms, and repayment discipline. Regulation, disclosure quality, and ethical platform design are essential complements to consumer capabilities. This study contributes to business management scholarship by connecting fintech adoption, consumer behavior, financial well-being, and responsible digital finance in an emerging market context.

**Keywords:** financial literacy; digital financial literacy; buy now pay later; paylater; millennials; consumer behavior; fintech

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RESEARCH & PUBLISHING



## 1. INTRODUCTION

The Buy Now Pay Later (BNPL) has changed the practical meaning of consumer credit in digital markets. A purchase that previously required saving, cash payment, a credit card, or a formal loan can now be divided into short instalments at the moment of checkout. Therefore, credit decisions are embedded in consumption. This embedding is consequential because it changes consumers' perception of borrowing. Instead of entering a bank branch, completing a formal application, or reading a lengthy loan contract, consumers encounter BNPL as one of several payment choices on an e-commerce or lifestyle platform. In Indonesia, this product is widely known as *paylater*, a term that makes delayed payment appear ordinary, convenient, and platform native. Its growth has implications for consumer welfare, retail strategies, platform governance, prudential supervision, and financial education.

The Indonesian context is particularly important because BNPL has developed within the broader transformation of digital payments, platform commerce, and financial inclusion. Indonesia has a large, young, and digitally active population that is growing rapidly. The 2020 Population Census showed that Generation Z and millennials are the two largest generational groups, with millennials representing approximately one-quarter of the population and generally defined as those born between 1981 and 1996 (Badan Pusat Statistik, 2021). This cohort is not merely a youth market segment. In the current decade, Indonesian millennials are entering or have already entered life stages associated with full-time employment, household formation, parenting, housing decisions, entrepreneurship, and long-term financial planning. Therefore, their financial decisions influence not only individual consumption but also household resilience and the quality of national financial inclusion.

This problem is exacerbated by Indonesia's persistent gap between financial access and financial capability. The 2024 National Survey on Financial Literacy and Inclusion reported a national financial literacy index of 65.43% and a financial inclusion index of 75.02% (Otoritas Jasa Keuangan, 2024a). The same survey reported that people aged 26-35, 36-50, and 18-25 had the highest financial literacy and inclusion levels among the age groups (Otoritas Jasa Keuangan, 2024a). Because the millennial cohort overlaps substantially with the 26-35 and 36-50 groups, these data suggest that millennials may be relatively more financially literate and financially included than other age groups. Nevertheless, higher financial literacy at the group level does not guarantee responsible credit behavior at the individual level. It may even coexist with higher product adoption because more financially included consumers have more frequent contact with digital financial products.

BNPL has also become financially significant in Indonesia. The Otoritas Jasa Keuangan (OJK) reported that, as of March 2026, banking BNPL credit outstanding recorded in the Financial Information Services System reached Rp28.3 trillion with 30.81 million accounts, while BNPL financing by finance companies reached Rp12.81 trillion with gross non-performing financing of 2.51% (Otoritas Jasa Keuangan, 2026). These figures show that BNPL is no longer a marginal, promotional tool. It is a mass-market consumer credit product that can shape household cash flows and the risk profile of digital finance. Aggregate data may show manageable risk, but aggregate figures can hide pockets of stress among consumers with repeated small loans, multiple providers or unstable income.

The growth of BNPL schemes has also attracted regulatory attention. The OJK issued Regulation Number 32 of 2025 concerning the implementation of BNPL. The regulation defines BNPL as a financing facility provided by financial service institutions through electronic systems for purchasing goods and/or services. It also addresses provider eligibility, consumer protection, cooperation, disclosure, collection, reporting, and termination of operations (Otoritas Jasa Keuangan, 2025a). In its press communication, the OJK emphasized that BNPL providers must apply prudential principles, consumer protection, personal data protection, and clear information disclosure (Otoritas Jasa Keuangan, 2025b). This regulatory development confirms that BNPL should be treated as credit, not merely as payment convenience.

Financial literacy is a central lens for examining BNPL schemes because it links knowledge, behavior, and welfare. Financial literacy is commonly understood as a combination of financial awareness, knowledge, skills, attitudes, and behaviors required to make sound financial decisions and achieve financial well-being (Lusardi & Mitchell, 2014; Organisation for Economic Co-operation and Development, 2023).

However, BNPL requires more than just traditional financial literacy. It also requires digital financial literacy, which the Organisation for Economic Co-operation and Development (OECD) defines as the knowledge, skills, attitudes, and behaviors needed to be aware of and safely use digital financial services and technologies for financial well-being (Organisation for Economic Co-operation and Development, 2024). For BNPL users, digital financial literacy includes recognizing that a platform payment option may be a regulated credit product, checking provider legitimacy, reading digital disclosures, understanding data permissions, monitoring instalments across apps, and making informed decisions under promotional pressure.

Prior studies have supported the relevance of these issues. Fatmawati and Suwardi (2024) found that Indonesian millennial paylater users were motivated by ease of access, flexibility, promotions, and social influence, while also recognizing risks such as spontaneous purchasing, financial difficulties, and default. Internationally, Kumar et al. (2024) found that BNPL adoption increased online spending by an average of 6.42%, with stronger effects among younger and lower income customers. Consumer protection research has also identified loan stacking, sustained usage, privacy concerns, and uneven consumer protection as important BNPL risks (Consumer Financial Protection Bureau, 2022). Together, these findings suggest that BNPL behavior cannot be explained by financial literacy. This must be analyzed through the interaction of literacy, behavioral control, platform design, market incentives, and regulation.

Therefore, this study addresses the following three questions. First, how does financial literacy shape the BNPL use of Indonesian millennials? Second, what mechanisms explain responsible and risky BNPL behaviors in this cohort? Third, what are the implications for policy, platform governance, financial education, and business management research? This study contributes to the literature by integrating Indonesian official data, international BNPL literature, digital financial literacy concepts, and behavioral theory into a single framework. The main argument is that financial literacy is necessary but insufficient for achieving financial well-being. Responsible BNPL use occurs when financial knowledge becomes applied digital behavior and when the surrounding ecosystem supports transparency, prudence, and consumer protection.

## 2. METHOD

This article uses a narrative review method organized according to the IMRAD structure. A narrative review is appropriate because BNPL in Indonesia is a fast-developing topic, and the available evidence comes from regulatory documents, official statistics, conceptual definitions, qualitative studies, quantitative consumer research, and international policy reports. The aim was not to estimate a pooled effect size or present new survey data. Rather, the aim was to synthesize evidence and construct a theoretically grounded explanation of how financial literacy relates to BNPL behavior among Indonesian millennials.

The review drew on four categories of materials. First, official Indonesian sources were used to define the demographic and regulatory contexts. These include Statistics Indonesia material on generational composition, OJK's 2024 financial literacy and inclusion survey (Otoritas Jasa Keuangan, 2024a; Otoritas Jasa Keuangan, 2024b), OJK's 2025 BNPL regulation and related press communication, and OJK's 2026 financial-sector update. Second, international policy sources were used to define financial literacy, digital financial literacy, and consumer risks associated with BNPL. These include OECD/INFE material and the Consumer Financial Protection Bureau report on BNPL market trends and consumer impacts. Third, peer-reviewed academic literature was used to examine BNPL adoption, online spending, responsible financial behavior, and PayLater users in Indonesia. Fourth, behavioral theory was used to interpret the mechanisms through which literacy may influence action, especially the Theory of Planned Behavior (Ajzen, 1991).

This review focused on three core concepts: financial literacy, BNPL or pay-later use, and millennials in Indonesia. Financial literacy was interpreted broadly to include financial knowledge, attitudes, behavior, and digital financial literacy. BNPL use was interpreted as being beyond adoption alone. The questionnaire included motivation, purchase planning, frequency of use, repayment awareness, perceived risk, and

potential implications for financial well-being. Millennials were defined using the commonly cited birth year range of 1981-1996, consistent with the Indonesian census classification (Badan Pusat Statistik, 2021). Because age-group statistics in official financial literacy data do not perfectly map onto generational categories, age-group findings were used as contextual indicators rather than exact estimates of millennials' financial literacy.

The synthesis followed a thematic approach, as described below. The reviewed material was conceptually coded into recurring themes: demographic relevance, the literacy-inclusion gap, BNPL adoption motives, behavioral risk, contractual and disclosure risk, digital financial literacy, social influence, responsible financial behavior, regulation, and managerial implications. The themes were then organized into a conceptual flow: context, motivation, risk, behavioral mechanisms, and governance responses. This structure supports the IMRAD format by treating the thematic synthesis as the article's results and interpreting the implications in the discussion.

Several limitations should be acknowledged. This review does not measure the actual BNPL prevalence among millennials using primary data. It also does not claim that all Indonesian millennials are equally vulnerable or active BNPL users. The millennial cohort is heterogeneous in terms of income, education, region, occupation, family responsibility, and credit history. Furthermore, BNPL market data change rapidly and may be reported separately for banks and finance companies. Therefore, market figures are used to describe the scale and relevance rather than to present a complete census of all BNPL activities. Despite these limitations, the method is suitable for developing a submission-ready conceptual manuscript and identifying propositions that can guide future empirical research.

### **3. RESULTS AND DISCUSSION**

#### **3.1. Results**

##### **3.1.1. Indonesian Millennials as a Digitally Embedded Credit Segment**

The first theme is the strategic importance of Indonesian millennials as a digital credit segment. The 2020 census positioned millennials as one of Indonesia's largest generational cohorts, behind Generation Z but ahead of several older cohorts (Badan Pusat Statistik, 2021). This demographic scale is important because even small shifts in millennial borrowing behavior can affect household liquidity, retail sales, platform competition, and consumer credit risk. Millennials are also in a life stage where consumption and financial commitments often expand. Many are managing housing costs, transportation, household equipment, family expenses, education costs, health expenditures, and social obligations. BNPL enters this environment as a tool that appears to smoothen cash flow and reduce the immediate burden of purchases.

The distinctive feature of BNPL is that credit is not encountered in traditional lending environments. It is embedded in a digital consumption environment. Consumers often begin with a desire for a product, not with a search for credit. BNPL becomes relevant only after the consumer has selected a product, seen the price, and entered the checkout process. This sequence can affect cognition negatively. A formal loan application invites a comparison of interest rates, repayment obligations, and affordability. The checkout option invites the completion of the purchase. This difference is not merely procedural; it changes the psychological meaning of debt. When BNPL is presented alongside e-wallets, bank transfers, virtual accounts, and cards, consumers may treat it as a payment method rather than as borrowing.

This same embeddedness creates a risk of invisibility. Consumers who use BNPL across several platforms may not easily see their total monthly repayment obligations. Individual instalments may appear small, but combined instalments can crowd out savings, emergency funds, or essential expenses. The problem is not only the size of any single purchase but also the cumulative effect of repeated short-term commitments. Therefore, responsible BNPL use requires a shift from transaction-level to portfolio-level thinking. Consumers need to know not only whether they can afford one instalment but also whether all instalments across providers fit within a realistic monthly budget.

### **3.1.2. Financial Literacy, Inclusion, and the BNPL Context**

The second theme is the relationship between financial literacy and inclusion. Indonesia's financial literacy and inclusion indicators have improved, but inclusion remains higher than literacy indicators. The OJK's 2024 survey reported a literacy index of 65.43% and an inclusion index of 75.02% (Otoritas Jasa Keuangan, 2024a). This gap is important because access without capability may expose consumers to products with risks that are not fully understood. In digital finance, the gap can widen quickly because account opening, product activation, and credit approval may occur faster than the learning process. The result is not simply more access; it is access under conditions of uneven comprehension.

The survey also reported that the highest financial literacy and inclusion levels were found among the 26-35 age group, followed by the 36-50 and 18-25 age groups (Otoritas Jasa Keuangan, 2024a). These groups overlap substantially with millennials and younger adults. This finding suggests that productive-age Indonesians have a relatively strong financial engagement. However, this interpretation should be approached with caution. A higher index does not imply mastery of all digital financial products. Financial literacy indicators often measure general knowledge, attitudes, and behaviors, whereas BNPL decisions require product- and platform-specific competence. A consumer may know the value of budgeting and still fail to calculate their total BNPL obligations across apps.

Traditional financial literacy helps consumers understand interest, inflation, risk diversification, debt obligations, and saving behaviors (Lusardi, 2019; Lusardi & Mitchell, 2014). These competencies remain important, but BNPL requires the application of skills. Consumers must ask whether the purchase is necessary, whether the instalment schedule matches income timing, whether fees or penalties apply, whether a late payment affects credit history, whether refunds cancel instalments automatically, and whether automatic debits create overdraft or liquidity problems. These practical questions are often absent from generic financial literacy initiatives.

Digital financial literacy adds a second layer to this. The OECD's definition emphasizes the safe use of digital financial services and technologies for financial well-being (Organisation for Economic Co-operation and Development, 2024). For BNPL, digital financial literacy includes recognizing regulated providers, reading digital consent screens, understanding how data are used to assess creditworthiness, maintaining passwords and account security, tracking app notifications, and distinguishing marketing messages from contractual terms. It also includes the ability to pause before accepting default or highlighted options. This pause is a behavioral skill, not only a cognitive one.

The Indonesian regulatory framework reinforces this interpretation. The OJK's 2025 BNPL regulation defines the product as a financing facility and places it within the responsibilities of financial service institutions (Otoritas Jasa Keuangan, 2025a). This formal definition helps correct a common consumer misunderstanding: BNPL is not simply a delayed payment by a merchant; it is a credit arrangement. The regulation's emphasis on disclosure, reporting, consumer protection, and collection practices indicates that the product has consequences beyond checkout convenience alone. Therefore, financial literacy education should teach BNPL as credit embedded in commerce, not as a neutral payment shortcut.

### **3.1.3. Motivational Pathways for BNPL Adoption**

The third theme concerns why millennials adopt the BNPL payment method. The literature suggests that adoption is driven by a combination of convenience, flexibility, promotions, perceived control and social influence. Fatmawati and Suwardi's (2024) qualitative study of Indonesian millennial paylater users found that ease of access, payment flexibility, promotions, and social pressure influenced usage. This finding is consistent with the broader consumer behavior theory: people adopt financial technologies when the products reduce friction, solve practical problems, and appear socially acceptable. The BNPL satisfies all three conditions.

Convenience is the most visible of these pathways. BNPL reduces procedural effort by allowing consumers to activate credit during the purchase journey. Consumers do not need to compare institutions, complete complex paperwork, or wait for lengthy approval processes. From a management perspective, this convenience can increase conversion rates and reduce cart abandonment rates. From a consumer

welfare perspective, it can also reduce deliberations. The lower the friction, the more important it is that consumers have pre-existing decision rules. Without such rules, convenience may convert temporary desires into debt before the consumer has reflected on affordability.

Flexibility is the second pathway. BNPL can help consumers match payment timing with their salary cycles or temporary liquidity constraints. Consumers may use BNPL for necessary purchases, such as work equipment or household replacement goods, when cash flow is temporarily constrained. In such cases, BNPL can be rational if the consumer has a stable income, understands the total cost, and has a clear repayment plan. The product may be less harmful than informal borrowing or high-cost credit if it is transparent and is repaid on time. This is important because a responsible analysis should not assume that all BNPL use is irresponsible.

Promotional incentives are the third pathway. Discounts, vouchers, cashbacks, free shipping, and exclusive offers can make BNPL appear financially attractive. Consumers may justify a purchase by focusing on the discount rather than the obligation. Promotional framing can also transform discretionary purchases into apparent opportunities. This mechanism is especially powerful when promotions are time-limited or algorithmically targeted. Consumers may experience urgency, scarcity, and fear of missing out. In this setting, financial literacy must compete with marketing pressures.

Social influence is the fourth pathway. The Theory of Planned Behavior states that behavior is shaped by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). For BNPL, subjective norms may come from peers, family members, influencers, online reviews, and social-media trends. Millennials may not use BNPL only because they need liquidity; they may use it because the product has become normalized in their consumption communities. Fatmawati and Suwardi (2024) observed that social pressure and social media shaped the motivations of Indonesian millennial users. This insight is crucial because financial literacy programs often assume that consumers decide individually, whereas digital consumption is often socially mediated.

#### **3.1.4. Risk Pathways: Impulse, Overextension, and Information Asymmetry**

The fourth theme concerns the BNPL risk. The most obvious risk is late payment; however, the broader risk structure includes impulsive buying, loan stacking, sustained usage, information asymmetry, data privacy concerns, and repayment stress. The Consumer Financial Protection Bureau (2022) identified loan stacking and sustained usage as important consumer risks, noting that borrowers may take several BNPL loans within a short period or use the product repeatedly over several months and years. Although the Consumer Financial Protection Bureau report examines the United States, the mechanisms are relevant to any market where BNPL is integrated into frequent digital shopping experiences.

Impulse risk occurs because BNPL lowers the immediate psychological cost of purchasing. Consumers often experience less payment pain when they do not pay the full amount at the time of purchase. The instalment amount becomes the salient price, whereas the total obligation becomes less prominent. This can increase the willingness to purchase. Kumar et al. (2024) found that BNPL adoption increased online spending by 6.42% on average. For businesses, an increased order size may be attractive. For consumers, the same effect can be harmful if spending growth is not matched with income growth or budget discipline.

Overextension risk occurs when consumers accumulate multiple small obligations to pay. Each obligation may appear manageable in isolation, but their combined effect can reduce financial flexibility. This is especially relevant for millennials with multiple, diverse household responsibilities. Overextension does not always appear immediately as a default. It may first appear as reduced savings, delayed bill payments, the use of other credit to cover instalments, or psychological stress. Guttman-Kenney et al. (2023) found that some consumers charged BNPL instalments to credit cards in the United Kingdom, a pattern that raises concerns about debt refinancing and repayment capacity. The broader lesson is that BNPL can interact with other credit products in ways that obscure the total debt burden.

Information asymmetry is another risk factor. BNPL terms may be simple in marketing but are more complex in practice. Consumers may not fully understand late fees, administrative charges, refund procedures, dispute rights, collection practices, or credit reporting consequences. Even when terms are

disclosed, they may be presented after the consumer has formed a purchase intention. Disclosure timing matters because consumers are less likely to reconsider their choices after they have selected a product and reached the checkout. Therefore, clear disclosure must appear before confirmation and in a format that supports a comparison with paying in full.

Data privacy is also a part of the BNPL risk. BNPL providers and platforms may collect transaction, behavioral, device, and identity-related data. Such data can support credit assessment and fraud prevention, but they can also raise concerns about profiling, targeted marketing, and consumer autonomy. The [Consumer Financial Protection Bureau \(2022\)](#) identified data harvesting and monetization as consumer protection issues. Therefore, digital financial literacy should include awareness of data permissions and the long-term implications of using credit products embedded in platform ecosystems.

Indonesian data show that the scale of BNPL justifies these concerns. OJK reported Rp28.3 trillion in banking BNPL outstanding and 30.81 million accounts as of March 2026, while BNPL financing by finance companies reached Rp12.81 trillion ([Otoritas Jasa Keuangan, 2026](#)). These data do not imply systemic distress by themselves, and the reported gross non-performing financing ratio for finance companies' BNPL was 2.51%. However, the scale increases the importance of preventive governance. A product used by millions of accounts can affect household financial resilience, even when aggregate risk indicators remain within manageable levels.

### **3.1.5. From Financial Literacy to Responsible BNPL Behavior**

The fifth theme is that financial literacy becomes protective only when it is converted into a behavior. Knowledge of financial concepts is useful, but responsible BNPL use requires a routine. These routines include setting a monthly instalment ceiling, checking all active obligations before purchase, reading the repayment schedule, calculating the total cost, using BNPL only for planned purchases, and avoiding new instalments when emergency savings are insufficient. This interpretation is consistent with the OECD's view that financial literacy includes not only knowledge but also skills, attitudes, and behavior ([Organisation for Economic Co-operation and Development, 2023](#)).

Financial literacy may influence BNPL behavior through the recognition of costs. Consumers with stronger financial knowledge may be more likely to identify explicit and implicit costs. They may ask whether the product is truly interest-free, whether administrative fees change the effective cost, whether missed payments trigger penalties, and whether the opportunity cost of future income has been considered. Cost recognition changes the consumer's frame from the affordability of one instalment to the affordability of the entire obligation.

Financial literacy may also influence cash flow planning. Responsible users align due dates with income dates, map instalments against rent, utilities, transportation, food, family transfers, and savings, and avoid commitments that reduce liquidity below a safety threshold. This behavior is especially important for consumers with variable incomes. Salaried employees may face predictable repayment capacity, whereas freelancers, entrepreneurs, and informal workers may experience volatility. Therefore, the same BNPL product can be low-risk for one user and high-risk for another.

The third pathway is risk perception. Financially literate consumers may better understand that credit approval is not the same as financial suitability. A provider may approve a transaction because the consumer meets the minimum criteria, but the consumer remains responsible for deciding whether the purchase fits their personal goals. This distinction between eligibility and prudence is central to responsible financial behavior. It also shifts attention from provider approval to consumer self-governance.

The fourth pathway is consumer rights awareness. Digitally literate users are more likely to check whether a provider is regulated, understand complaint channels, save transaction records, monitor notifications, and question unclear terms. OJK's BNPL regulation provides a legal structure for consumer protection and disclosure ([Otoritas Jasa Keuangan, 2025a](#)), but consumers need sufficient awareness to use these protections. Regulation is more effective when consumers know that rights exist and when providers make these rights accessible.

However, the relationship between financial literacy and BNPL use is not necessarily negative. More literate consumers may use BNPL more often because they are more financially included, confident, and

active in digital commerce. Therefore, the relevant outcome is not simply whether a consumer uses BNPL but how the consumer uses it. A literate consumer may use BNPL responsibly for planned liquidity management purposes. Less literate or more impulsive consumers may use the same product in a way that produces repayment stress. Future research should distinguish between adoption, intensity, and harm. Adoption indicates whether a consumer has used BNPL. Intensity indicates how often and how much the consumer uses the product. Harm indicates late payments, debt stress, reduced savings, or lower financial well-being.

Research on Indonesian paylater users supports this interpretation. [Gunawan et al. \(2023\)](#) examined financial management behavior among PayLater users in Medan and linked financial socialization, financial knowledge, financial experience, and locus of control to financial management behavior. The presence of a locus of control is important because BNPL outcomes depend partly on whether consumers believe they can manage financial consequences through their own actions. An external locus of control may increase vulnerability when consumers attribute repayment difficulty to circumstances alone and do not adjust their behavior. An internal locus of control can support budgeting and repayment discipline, but it may also lead to overconfidence if not grounded in a realistic cash-flow assessment.

### **3.1.6. Regulatory and Managerial Context**

The sixth theme is that consumer literacy must be supported by regulations and responsible business design. Placing all responsibility on consumers is inadequate because BNPL decisions are made in environments designed by platforms, lenders, and merchants. Interface design determines which payment options are most visible, how instalments are framed, when disclosures appear, whether total costs are salient, and how strongly promotions are tied to credit use. Even financially literate consumers can be nudged toward choices that conflict with their long-term welfare.

Therefore, OJK's BNPL regulation is a significant institutional response. Regulation Number 32 of 2025 establishes BNPL as a formal financing activity conducted by banks or finance companies and addresses product characteristics, consumer protection, cooperation, disclosure, collection, reporting, and termination ([Otoritas Jasa Keuangan, 2025a](#)). The regulation's framing supports the idea that BNPL is not merely a retail feature. It is a financial product that requires governance. In addition, OJK's press communication emphasizes prudential principles, consumer protection, personal data protection, and clear information ([Otoritas Jasa Keuangan, 2025b](#)). These elements are essential because BNPL is both a credit product and data-intensive digital service.

For providers, responsible BNPL management should include affordability assessment, transparent cost presentation, repayment reminders, fair collections, accessible complaint mechanisms, and limits on risky repeat use. A dashboard that shows the total outstanding instalments, all due dates, and cumulative monthly obligations would support consumer self-control. Warning messages should be triggered when a consumer's new obligation may exceed a self-set or provider-assessed threshold. Such features should not be treated as obstacles to business growth; they are mechanisms for sustaining trust and reducing future regulatory and reputational risks.

For educators and employers, BNPL is a practical entry point for teaching digital financial literacy. Financial education for millennials should not be limited to saving, budgeting, investment, and insurance. It should include platform credit, data privacy, automated repayment, credit scoring, complaint rights, and psychological triggers. Scenario-based education may be more effective than abstract lecture-based education. For example, learners can compare paying cash, saving first, using BNPL, and using a credit card to make the same purchase. They can then calculate the total cost, repayment burden, risk under income delay, and effects on other financial goals.

The regulatory and managerial lesson is that BNPL governance should be ecosystem based. Consumers need capability, providers need prudence, platforms need ethical design, merchants need responsible promotion, and regulators need monitoring capabilities. When these elements are aligned, BNPL can function as a useful liquidity tool for merchants. When they are not aligned, convenience can become a pathway to vulnerability.

### 3.2. Discussion

The synthesis indicates that the relationship between financial literacy and BNPL use among Indonesian millennials is conditional, rather than linear. A simple expectation is that higher financial literacy reduces BNPL use or automatically prevents repayment problems. However, the evidence suggests a more complex pattern. Financial literacy may increase understanding and support responsible use, but it may also coexist with greater adoption because financially literate consumers are often more financially included and active in digital markets. The key question is not whether financially literate consumers use the BNPL service. The key question is whether they use it with planning, awareness, and restraint or not.

The theoretical interpretation can begin with Theory of Planned Behavior. BNPL use is shaped by attitudes toward products, subjective norms, and perceived behavioral control (Ajzen, 1991). Financial literacy can influence attitudes by helping consumers evaluate the costs and benefits. It can influence subjective norms by making consumers less vulnerable to social pressure or influencer-driven consumption. It can influence perceived behavioral control by improving budgeting and repayment plans. However, perceived control can also become a risk if consumers overestimate their ability to manage their future obligations. Therefore, financial literacy must be paired with self-monitoring and a realistic assessment of income stability.

This review also supports a broader behavioral finance interpretation. BNPL changes the timing of payment and, therefore, the salience of the cost. Consumers often respond more strongly to immediate prices and near-term emotions than to future obligations. Instalments make the present cost appear smaller, while the total cost is distributed over time. This structure can be beneficial when it supports planned liquidity management but harmful when it enables impulsive or socially pressured purchases. Therefore, financial literacy interventions should teach consumers to reconstruct the full cost at the time of purchase. A simple rule is to ask yourself: Would I still buy this item today if I had to pay the full price now? If the answer is no, the BNPL decision should be cautious.

The Indonesian context adds an inclusive dimension. Financial inclusion is a policy achievement, but inclusion through digital credit can create new vulnerabilities when consumer capability lags behind product access. OJK's 2024 data show that literacy remains below national inclusion (Otoritas Jasa Keuangan, 2024a). Therefore, the policy goal should shift from access alone to quality of access. Quality inclusion means that consumers can not only use financial products but also use them safely, understand their obligations, compare alternatives, resolve disputes, and maintain their financial well-being. BNPL is a test case for the quality-of-inclusion agenda.

The concept of digital financial literacy is particularly important. Traditional financial literacy asks whether consumers understand debt, interest, inflation, and budgeting. Digital financial literacy asks whether consumers can make these judgments in app-based environments, where choices are fast, personalized, and influenced by interface design. The OECD's digital financial literacy framework is relevant because it emphasizes the safe use of digital financial services and technologies (Organisation for Economic Co-operation and Development, 2024). For Indonesia and ASEAN more broadly, digital financial literacy frameworks are increasingly important as consumers encounter digital wallets, online investments, crypto assets, peer-to-peer lending, and BNPL in the same device environment (Organisation for Economic Co-operation and Development, 2026).

For business management scholarship, BNPL should be studied as a responsible innovation. Providers and merchants may view BNPL as a growth tool, but responsible innovation requires attention to the downstream effects on consumers. The same product can create value or harm, depending on its design and governance. A transparent BNPL system can help consumers manage their liquidity. An opaque or aggressively promoted system can exploit these behavioral biases. Therefore, high-quality management research should examine not only adoption and sales performance but also consumer welfare, complaint patterns, repayment stress, and trust.

The managerial implications of this study are practical. First, BNPL providers should make the total repayment more salient than the instalment amount. The interface should show the full price, total fees, instalment schedule, and consequences of late payment before the consumer confirms the transaction. Second, providers should offer consolidated obligation dashboards and repayment calendars. Third,

platforms should avoid making BNPL the default or visually dominant option when full payment is available. Fourth, merchants should avoid presenting BNPL promotions as savings without explaining that consumers are entering a credit arrangement. Fifth, providers should use risk analytics not only to increase approvals but also to prevent harmful repeat borrowings.

The policy implications are equally important. OJK's BNPL regulation provides a foundation, but implementation will determine its effectiveness. Supervisors may need to monitor multiple provider exposures, repeated small-ticket borrowings, age group patterns, complaint categories, collection practices, and the relationship between BNPL and other credit products. Reporting through credit information systems can reduce hidden debt, but it should be balanced with the fair treatment of consumers who use BNPL responsibly. Regulators should also require disclosure testing to be conducted. A disclosure is not effective merely because it exists; it is effective when ordinary consumers can understand it before making decisions.

This review also suggests several research propositions. First, financial literacy is likely to reduce risky BNPL outcomes indirectly through budgeting behaviors, risk perceptions, and understanding of terms. Second, digital financial literacy is likely to add explanatory power beyond general financial literacy because BNPL is embedded in application-based environments. Third, impulsive buying tendency and social influence are likely to weaken the protective effect of digital literacy. Fourth, platform transparency is likely to strengthen the protective effect of literacy because consumers can act on their knowledge only when relevant information is visible. Fifth, perceived financial control may have a non-linear effect: too little control may produce passive borrowing, while excessive perceived control may produce overconfidence in the future.

Therefore, future empirical studies in Indonesia should distinguish objective financial literacy from perceived financial literacy. Objective literacy measures what consumers actually know, whereas perceived literacy measures what they think they know. This difference may be important for BNPL because overconfident consumers may borrow more while underestimating risk. Studies should also separate BNPL adoption, frequency, outstanding balances, late payments, repayment stress, and financial well-being. A binary variable indicating whether someone has used paylater is not sufficient. Responsible and harmful use are different outcomes and should be modeled separately in future studies.

Overall, this discussion supports an integrated framework. Financial and digital financial literacies influence BNPL behavior through four main mediators: risk perception, budgeting behavior, understanding of terms, and repayment discipline. These pathways are moderated by social influence, promotional intensity, income stability, self-control, and platform transparency. BNPL behavior then affects financial well-being through debt burden, stress, saving capacity, consumption satisfaction, and repayment outcome. Regulation and provider conduct form a governance environment that can either strengthen or weaken the protective role of literacy. This framework can guide future survey design, structural equation modeling, experimental disclosure testing, and qualitative research on millennials' financial decision-making.

#### **4. CONCLUSION**

This study examined financial literacy and BNPL use among Indonesian millennials through an IMRAD-based narrative review. The review shows that BNPL has become an important digital credit product in Indonesia because it is embedded in everyday platform consumption and is used at a substantial scale. Millennials are a key cohort because of their demographic size, productive age responsibilities, and familiarity with digital platforms. Their BNPL decisions affect not only individual purchases but also household cash flow, financial well-being, and the quality of digital financial inclusion in Indonesia.

The central conclusion is that financial literacy is necessary but insufficient. General financial knowledge can help consumers recognize costs, plan for repayment, and avoid excessive debt. However, BNPL decisions are also shaped by convenience, promotions, social influence, interface design, perceived behavioral control, and income stability. Therefore, digital financial literacy is essential. Consumers must understand that BNPL is credit, not merely a payment option. They must also be able to read digital terms,

monitor obligations across platforms, protect personal data, and resist promotional pressure when purchases do not align with financial priorities.

Responsible BNPL use does not require the rejection of the product. BNPL can be useful for planned purchases and short-term liquidity management when consumers have stable repayment capacity and clear information about the program. Risks emerge when BNPL supports impulsive consumption, repeated small debts, loan stacking, or repayment through other credit products. Therefore, policy and management responses should focus on responsible use rather than adoption.

The OJK's BNPL regulation is an important foundation for consumer protection and market governance. However, regulation must be complemented by a transparent platform design, ethical merchant promotion, affordability assessment, accessible complaint mechanisms, and targeted financial education. For researchers, the next step is to empirically test the framework proposed in this study using Indonesian millennial samples. For practitioners, the priority is to design BNPL systems that support consumer welfare while maintaining sustainable growth. When consumer capability, provider responsibility, and regulatory oversight align, BNPL serves as a useful digital finance tool. When they do not, convenience can lead to financial vulnerability.

### **Ethical Approval**

Not Applicable

### **Informed Consent Statement**

Not Applicable

### **Authors' Contributions**

Not Applicable

### **Disclosure Statement**

No potential conflict of interest was reported by the author(s).

### **Data Availability Statement**

The data presented in this study are available on request from the corresponding author due to privacy reasons.

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