

Extended TPB: The Role of Perceived Trust and Financial Self-Efficacy in Intention to Use BNPL Among Gen Z and Millennials

Evelyn Edgina¹, Syahvina Bianca², Lukman Hamzah³, Willy Gunadi⁴

Business Management Program, Management Department, BINUS Business School Graduate Program,
Bina Nusantara University Jakarta

Corresponding Author: Evelyn Edgina

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ABSTRACT

BNPL services is a Fintech product popular among Gen Z and Millennials and used as an alternative payment method other than credit cards. Some previous studies that have been conducted on BNPL services found many variables that could affect a person's intention to adopt new technologies. This study uses the TPB framework and extends with two variables, Perceived Trust and Financial Self-Efficacy to determine how they affect intention to use BNPL services. The results of this study indicate that Perceived Trust has a positive relationship with attitude and is connected to the use of BNPL services, while Financial Self-Efficacy does not. Furthermore, the Attitude, Subjective Norms, and Perceived Behavioral Control variables also positively correlate to the Intention to use BNPL. The results of this study can provide additional insight for BNPL service providers to understand what factors affect a person's intention to use BNPL. On the other hand, the results of this research can also be an input for policymakers to focus on protecting consumer data and improving financial literacy in the community so that they can use credit services wisely.

Keywords: *BNPL, perceived trust, financial self-efficacy, TPB, intention to use*

INTRODUCTION

Buy Now Pay Later (BNPL) services are currently a phenomenon in the world of digital payments in Indonesia, with a trend of use that continues to increase yearly. In 2023, pay later users were dominated by the Millennial Generation with 43.9%, followed by Gen Z with 26.5% (Muhamad 2024). Data from the OJK shows that BNPL users in Indonesia are increasing, especially among Gen Z and Millennials, with the total debt from BNPL services recorded as of August 2024 reaching IDR 26.37 trillion with 18.95 million accounts (OJK 2024). In the 2023 e-commerce consumer trend report, the phenomenon of using pay later as a payment method in e-commerce has increased and surpassed the use of bank transfer methods (Kredivo 2023). In the same report, individuals who have not used pay later feel unsure about their ability to manage their finances using BNPL, such as fear of late payments, waste, and not wanting to increase debt. According to a report prepared by Jakpat, the use of Fintech in the pay later category increased by 25%, with factors such as the ease of payment methods, user-friendly interface, and is registered with the Financial Services Authority contributing to its popularity (Jakpat 2024). One of the reasons users want to stop using pay later services is the fear of data leaks and the difficulties faced

when using the service (Kredivo 2024). These two factors also drive someone to be reluctant to adopt BNPL services.

With the increasing popularity of BNPL over credit cards, the use of BNPL as a way of payment is a relatively recent development; hence, the factors contributing to its popularity have not been studied broadly (Schomburgk and Hoffmann 2023). Previous research on the intention to use BNPL by using an extended TPB model is still limited and has not been widely explored in the context of BNPL services. A study by Raj et al. on university students in India found that the TPB model is relevant in increasing the intention to use BNPL services (Raj et al. 2023). However, similar studies applying the TPB model in other countries or among different demographic groups are still limited. Similarly, the variable of Financial Self-Efficacy (FSE) has received limited attention in studies of BNPL usage intentions. A study (Aisjah 2024) found that a high level of FSE is negatively related to the intention to use BNPL services. However, Aisjah's research was conducted only among university students, leaving a gap in understanding how FSE influences BNPL usage intention among other groups, such as Gen Z and Millennials.

In the context of this study, since trust and financial self-efficacy are the factors that limit users from adopting BNPL services (Kredivo 2024), the TPB model is extended by incorporating the variables Perceived Trust and Financial Self-Efficacy. Our study will contribute to the theoretical development of The Planned Behavior (TPB) model by integrating trust and financial self-efficacy as key constructs influencing the intention to use BNPL. By incorporating these two constructs into the extended TPB model, this research will thoroughly comprehend the psychological and relational factors that impact the intentions to use BNPL.

LITERATURE REVIEW

BNPL

Buy Now, Pay Later (BNPL) refers to a form of consumer credit that allows individuals to purchase goods and make payments in installments over a period of time rather than paying the full amount upfront (Raj et al. 2024a). BNPL represents a modern type of credit that enables consumers to make payments for goods and services using mobile apps, whether for online or in-store purchases (Powell et al. 2023), and is a financial technology that is transforming online consumption by allowing users to split payments for goods into interest-free digital installments. When offered by reputable companies, these services have the potential to increase consumer trust and reduce the perceived risk of online payments, especially when the merchant is unknown (Threadgold et al. 2024).

Theory of Planned Behavior

The research in this journal uses The Theory of Planned Behavior (TPB) introduced by (Ajzen 1991), extended by adding two other variables, Perceived Trust and Financial Self-Efficacy. This approach is used since human acceptance of technology is a convoluted process, hence the extended TPB model is used (Dionysis et al. 2022) TPB is also a leading model theory for assessing or understanding human behavior (Ogiemwonyi 2022). TPB model is generally used to predict intentions and, in this study, is used to determine user intention to use BNPL. The Theory of Planned Behavior includes key variables such as attitudes, subjective norms, and perceived behavioral control. TPB is a widely used theory in social and behavioral sciences, with applications across diverse fields like health, environment, business, management, and education.

Intention to Use

Intention is considered to reflect the level of a person's effort to invest in a behavior. The greater a person's intention to do something,

the greater the performance of his behavior (Ajzen 1991). Behavioral Intention that benefits consumers increases the usage of BNPL and its long-term usage intentions (Raj et al. 2024b). In Behavioral Intention studies regarding e-wallets, Behavioral Intention has a significant effect on the use of e-wallets in Indonesia (Hakim et al. 2023). The same results were also found in a study of mobile payment adoption in India (Patil et al. 2020). NFC mobile wallets in the U.S. and Korea (Shin and Lee 2021), and internet banking in Jordanian (Alalwan et al. 2018).

Perceived Trust

(Ryu and Ko 2020) define trust as the confidence users have that a Fintech company will meet its transactional responsibilities to satisfy their needs and expectations. Trust plays an important role user's intention to adopt new technology (Kurniasari et al. 2023). Trust gives consumers a personal belief that they will have a positive experience related to the ability, reliability, and good intentions of the technology provider (Patil et al. 2020). Users concerned about their data's security are less likely to trust a service provider to keep their information safe (Raj et al. 2023). Customers who feel that a particular service or product is trustworthy tend to develop a more favorable attitude toward the service. Therefore, trust is expected to affect consumers' attitudes towards BNPL.

H1: Perceived trust increases attitude towards BNPL

Financial Self-Efficacy

Financial self-efficacy refers to an individual's confidence in their capability to effectively use and gain advantages from financial products or services, make informed financial choices, and handle complex financial challenges (Ghosh and Vinod 2017). Noor et al define that Financial self-efficacy describes an individual's confidence in their ability to make sound financial decisions, effectively use financial products and services, and

manage complex financial situations (Noor et al. 2020). Individuals with a high robust financial self-efficacy display a heightened propensity and have positive results in adopting Fintech solutions (Islam and Khan 2024). Thus, a person with high financial self- efficacy will likely have a positive attitude toward using BNPL services as they are confident in managing their finances.

H2: Financial self-efficacy increases attitude towards BNPL

Attitude

Attitude refers to how an individual evaluates something, whether good or bad, pleasant or unpleasant (Ajzen 1991). Attitude has a crucial influence on forming behavioral intention, particularly in the early stages of technology adoption (Upadhyay et al. 2022). The relationship between attitude and intention to use refers to how consumers assess a behavior based on their beliefs about a product or service, which leads to either a positive or negative judgment (Upadhyay et al. 2022; Raj et al. 2023). When an individual holds a positive attitude toward a behavior, their intention to engage in that behavior tends to be stronger (Knauder and Koschmieder 2019). Research by (Raj et al. 2023), and (Upadhyay et al. 2022) shows that attitude enhances intention to use. A positive attitude plays a crucial role in encouraging an individual's intention to use the technology, as the more positive the evaluation of behavior, the greater the intention to engage in it (Ajzen 1991).

H3: Attitude increases the intention to use BNPL.

Subjective Norms

Subjective norms refer to an individual's perceived social influences from others when performing a behavior (Ajzen 1991). These norms are social pressure faced by their family, friends, and community, whether a behavior is expected of them or not (Ajzen 1991). The greater the perceived influence from others, the greater it would affect an individual's intention to perform a behavior (Bosnjak et al. 2020). Public

opinion, when amplified by close associates can influence decisions to use digital means to handle financial transactions, whereas a positive user experience in Fintech services can influence others to use the services (Oladapo et al. 2022). Moreover, subjective norms are one of the factors that could instigate a user's intention to perform a behavior (Zhang et al. 2023).

H4: Subjective Norms increase the intention to use BNPL

Perceived Behavioral Control

Perceived Behavioral Control (PBC) refers to an individual perception of how easy or difficult it is to manage and do a specific behavior (Lihua 2022). Subsequently, higher perceived behavioral control

increased the behavioral intention to perform a behavior (Ajzen 1991). In Fintech, such as cryptocurrency adoption, perceived behavioral control is found to be one of the essential factors (Firmansyah et al. 2022). Raj et al. study of BNPL usage intention found that the perceived behavioral control enhances the behavioral intention (Raj et al. 2023). Other studies also found that perceived behavioral control significantly impacts behavioral intentions across various contexts, including the use of BNPL services (Suntornsan et al. 2022; Zhang et al. 2023). Therefore, it is expected that perceived behavioral control will influence the intention to use BNPL.

H5: Perceived Behavioral Control increases the intention to use BNPL.

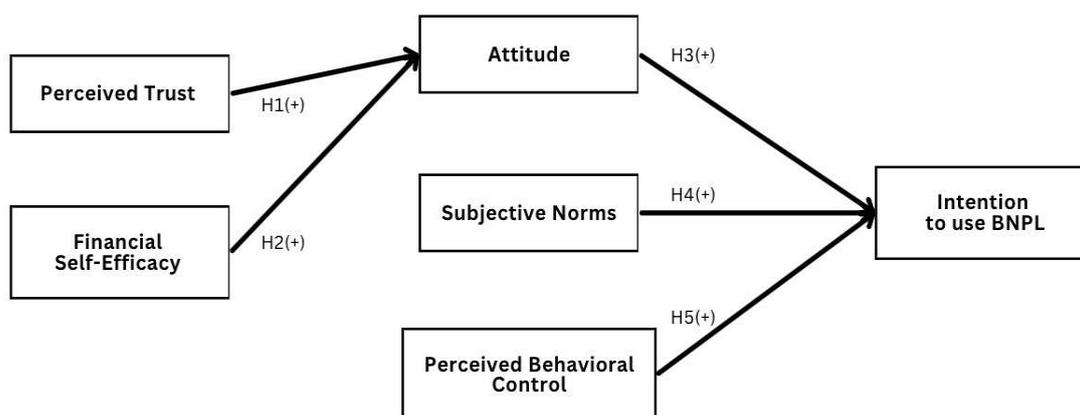


Figure 1. Conceptual Framework

MATERIALS & METHODS

Measurements

A questionnaire was developed using measurement items that have already been adapted from several previous research. The survey that is created will be divided into two parts, namely Part A for filter questions and Part B, which contains questions based on Measurement Items. A Likert scale with a range of 1 – 5 was used, with “1” as strongly disagree and “5” as strongly agree. The measurement items comprise 6 variables, amounting to 21 items. These variables included a four-item perceived trust (PT) scale adapted from (Gefen 2002; Kim et al. 2011), a five-item financial self-efficacy (FSE) scale adapted from (Mindra and Moya 2017), a three-item attitude

(ATT) scale adapted from (Taylor and Todd 1995), a three-item subjective norm (SN) scale adapted from (Taylor and Todd 1995; Bhattacharjee 2000) a three-item perceived behavioral control (PBC) scale adapted from (Armitage et al. 1999; Cheon et al. 2012) and a three-item intention to use (ITU) scale adapted from (Venkatesh and Davis 2000).

Sample, Data Collection, and Analysis

This study will adopt a quantitative method to analyze the phenomenon being studied. In this context, the focus of the study consists of Gen Z and Millennials. To determine the sample size for this study, the 10 times rule (Hair et al. 2017) was applied based on the highest number of structural

paths. To determine the sample to be used, the Purposive Sampling method will be applied. In collecting relevant data, an online survey methodology will be used as it has a wide coverage and is considered more cost-effective than other data collection methods (Al-Sharafi et al. 2022; Cham et al. 2022). The survey will be distributed through a link designed using the Google Forms tool, which allows data collection in an efficient and structured manner. In order to ensure that only respondents who truly fall into the Gen Z and Millennial categories can participate in the survey, a filter question will be applied to the survey. A total of 326 respondents were collected, which is sufficient for this study. The PLS-SEM method will be used to analyze the collected data. In this study, the type of measurement model that will be used is the reflective measurement model, which is more suitable for this research objective of knowing the user's perception of BNPL.

RESULT

Reflective Measurement Models Assessments

From the reflective measurement model assessments, the indicator loading of all constructs passed the minimum requirement of 0.708 (Hair et al. 2019). To further assess whether all items passed the convergent validity test, the Average Variance Extracted (AVE) will be used. The Average Variance Extracted (AVE) values for all constructs passed the minimum limit of 0.50 (Hair et al. 2019), thus, all variables and items passed the convergent validity assessment. The Heterotrait-Monotrait for all variables is less than or equal to 0.85 (Henseler et al. 2015), and all variables are declared to have passed the discriminant validity assessment. To assess the reliability of the constructs, Cronbach's Alpha (CA) and Joreskog's composite reliability (CR) will be used (Joreskog 1971; Hair et al. 2019). The composite reliability for all constructs is greater or equal to 0.7, meaning all constructs have passed the reliability test. From the reflective measurement model assessments, all constructs and items were declared to have passed the validity and reliability test.

Table 1 Summary of Validity and Reliability Results

Construct	Items	Indicator Loading	CA	CR	AVE
Attitude	ATT1	0.907	0.880	0.926	0.807
	ATT2	0.892			
	ATT3	0.896			
Subjective Norms	SN1	0.900	0.885	0.929	0.813
	SN2	0.903			
	SN3	0.902			
Perceived Behavioral Control	PBC1	0.908	0.885	0.929	0.814
	PBC2	0.901			
	PBC3	0.896			
Financial Self-Efficacy	FSE1	0.890	0.915	0.936	0.746
	FSE2	0.872			
	FSE3	0.896			
	FSE4	0.835			
	FSE5	0.834			
Perceived Trust	PT1	0.900	0.919	0.943	0.805
	PT2	0.902			
	PT3	0.894			
	PT4	0.893			
Intention to Use	ITU1	0.861	0.894	0.934	0.826
	ITU2	0.900			
	ITU3	0.890			

Table 2 HTMT Ratio

	ATT	FSE	ITU	PBC	PT	SN
ATT						
FSE	0.270					
ITU	0.103	0.788				
PBC	0.808	0.371	0.332			
PT	0.814	0.411	0.234	0.827		
SN	0.287	0.658	0.839	0.448	0.379	

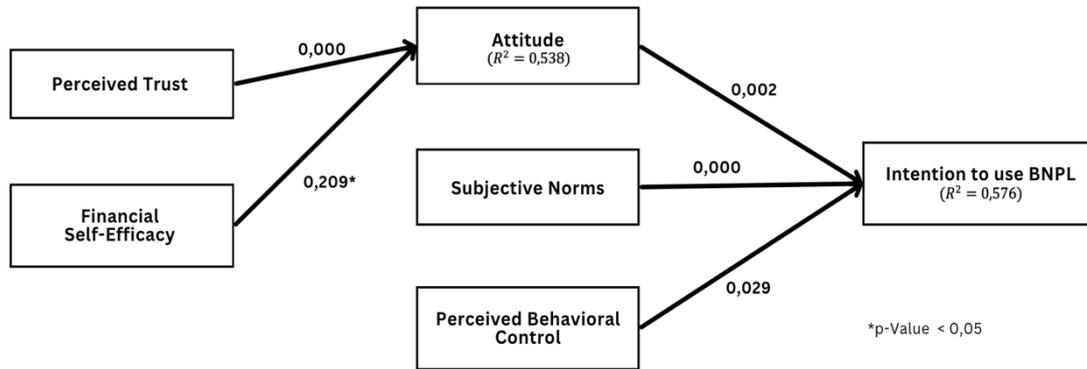


Figure 1 Model Result

Structural Model Assessment

Structural Equation Modeling will be checked for multicollinearity using the Variance Inflation Factor (VIF), and the test shows values below 3, meaning there is no multicollinearity present (Kock and Lynn 2012). R-squared can then be seen where the numbers can vary but should not be close to zero or too high, approaching one (Overfitted) (Hair et al. 2019). The resulting R-squared of the model is 0.576, showing a moderate explanatory power. To assess whether the hypothesis is supported or not, statistical significance is used by performing bootstrapping (Kock 2018). The p-value threshold used for hypothesis testing must be smaller than 0.05 (Kock 2016), and the t-

value should be greater than 1.645 (Aguirre-Urreta and Rönkkö 2018). The statistical significance test shows that all t-values are greater than 1.645, and the p-value is below 0.05 for PT-->ATT, ATT-->ITU, SN-->ITU, and PBC-->ITU. The p-value of path FSE-->ATT is greater than 0.05 and is not significant. The results of the path coefficient and statistical significance of the model show that H1: PT-->ATT ($\beta=0.46$), H3: ATT-->ITU ($\beta=0.198$), H4: SN-->ITU ($\beta=0.740$), H5: PBC-->ITU ($\beta=-0.143$) are supported. Meanwhile, the result of the path coefficient and statistical significance of H2: FSE-->ATT ($\beta=0.037$), is not supported.

Table 3 Variance Inflation Factors

	VIF
FSE → ATT	1.170
PT → ATT	1.170
ATT → ITU	2.040
SN → ITU	1.190
PBC → ITU	2.267

Table 4 Statistical Significance

Hypothesis	Relationship	β -value	t-value	p-value	Result
H1	PT → ATT	0.746	18.867	0.000	Supported
H2	FSE → ATT	0.037	0.811	0.209	Not Supported
H3	ATT → ITU	0.198	2.879	0.002	Supported
H4	SN → ITU	0.740	18.799	0.000	Supported
H5	PBC → ITU	-0.143	1.899	0.029	Supported

DISCUSSION

In recent years, Buy Now Pay Later (BNPL) services have grown rapidly, particularly among Generation Z and Millennials (Muhamad 2024). However, the adoption of BNPL still faces challenges, especially consumer trust in BNPL service providers has become an issue that hinders the adoption of this type of Fintech (Kredivo 2024). On the other hand, an individual's ability to control their finances to achieve their financial goals is also one of the factors that can influence BNPL adoption (Aisjah 2024). Therefore, this study extends the Theory of Planned Behavior (TPB) by adding Perceived Trust and Financial Self-Efficacy to explore how these factors influence the intention to use BNPL.

The study results show that Perceived Trust has a significant effect on Attitude toward BNPL, meaning that the higher a person's trust in BNPL services, the more positive their attitude toward using it. This finding aligns with previous research, which confirms that trust is a key factor in adopting digital financial services, including BNPL (Raj et al. 2023). When users strongly believe that BNPL service providers are trustworthy and will fulfill their commitments to providing services that prioritize their needs, they have a positive attitude toward BNPL services. This trust can be influenced by several factors, such as information transparency, the reputation of the BNPL service provider, and users' data security and privacy (Zhou 2015). Suppose the BNPL service provider can fulfill these things, users will become more confident in the paylater services offered and have a positive attitude towards BNPL, which can increase their intention to adopt BNPL services.

Financial Self-Efficacy was found not to have a significant effect on Attitude toward BNPL. This is contrary to the initial theory, where high financial self-efficacy gives a person a more positive attitude toward adopting Fintech (Maslow 1943). This finding contradicts previous studies, which indicate that Financial Self-Efficacy can

enhance individuals' confidence in making financial decisions, including using digital credit services (Noor et al. 2020; Islam and Khan 2024). However, this result aligns with research using the same context, namely BNPL, conducted by Aisjah, where high financial self-efficacy reduces a person's intention to use BNPL services (Aisjah 2024). Individuals who have high confidence in managing their finances and can manage their expenses to be lower than their monthly income are not interested in using paylater services. They see this type of pay later Fintech as a form of debt, so people with high financial self-efficacy do not intend to use it (Farrell et al. 2016).

This study also shows that Attitude significantly influences the intention to use BNPL. People adopt BNPL services because they have a positive attitude towards it and have the perception that using BNPL is a good idea. This finding is in line with (Ajzen 1991), who said that the more positive an individual's attitude towards a behavior, the more likely they are to implement it. Building a positive attitude towards BNPL services is an important step for service providers in increasing the adoption rate and number of BNPL service users, and they can form a positive attitude towards BNPL by highlighting the benefits of effective communication (Raj et al. 2023). In this study, Subjective Norms were shown to have a significant influence on BNPL usage intention. This shows that the social environment can influence a person's decision to use BNPL services. The results of this study support previous studies that state that subjective norms play a key role in shaping behavioral intentions, especially in the context of financial technology adoption (Bosnjak et al. 2020). Individual assumptions about something that is considered common in a social group could influence their decision (Norisnita and Indriati 2022). Therefore, community-based marketing strategies and recommendations from other BNPL users can be an alternative way for service providers to get someone to adopt BNPL services.

This study confirms that the Perceived Behavioral Control significantly influences BNPL usage intentions. A person who trusts, has the resources, and has control over their financial decisions is more likely to adopt a BNPL service because they believe they can control the use of BNPL wisely. The results of this study aligning with previous research show that individuals with high PBC are more likely to adopt digital financial services, where the stronger the control of a person's behavior in taking action on an online service, the stronger the intention to use Fintech and e-commerce consumers for BNPL services (Lubi and Sanaji 2023).

CONCLUSION

This study aims to explore the factors influencing Generation Z and Millennials' intention to use BNPL services by extending the Theory of Planned Behavior (TPB) framework with the addition of two new variables: financial self-efficacy and perceived trust. This study results indicate that perceived trust significantly influences attitudes and plays a significant role in shaping the intention to use BNPL but financial self-efficacy doesn't have significant effect on Attitude toward BNPL. In addition, the Attitude, Subjective Norms, and Perceived Behavioral Control variables also have a positive effect on the intention to use BNPL.

Theoretical Implications

This study makes a significant theoretical contribution to literature. First, it examines the Theory of Planned Behavior (TPB) in the context of Buy Now Pay Later (BNPL), highlighting its high relevance compared to other theories. TPB provides a more comprehensive framework for understanding behavioral intentions. The findings offer deeper insights into the factors influencing the intention to use BNPL, particularly among Gen Z and Millennials. Second, the results emphasize the flexibility and universal applicability of TPB. In the BNPL context, adding relevant

variables such as perceived trust and financial self-efficacy demonstrates that TPB can easily adapt to different scenarios. These findings confirm that when enhanced with relevant constructs, TPB can effectively explain various contexts and technologies. Third, the findings suggest that TPB has substantial potential as a framework for future research, particularly in the adoption of financial technology (Fintech).

Managerial Implications

This study also provides important implications for the business sector, particularly for BNPL service providers. The findings offer valuable insights for service providers to focus more on safeguarding customer data and privacy, ensuring transparent information, and enhancing their service reputation to build customer trust. Moreover, BNPL service providers can introduce financial literacy programs to the public and design targeted marketing campaigns for specific groups to leverage social influence. Additionally, educating consumers about the risks and benefits of using BNPL services can help encourage a stronger intention to use these platforms. By taking these steps, BNPL service providers can more effectively address the needs and concerns of Gen Z and Millennials, ultimately promoting wider acceptance of BNPL services within society.

Limitations and Further Research

This research has certain limitations. First, the study focuses exclusively on Generation Z and Millennials respondents. Further research can be carried out by using Generation X for the respondents' demographic, as previous reports have shown an increasing growth of users in BNPL services by Generation X, and the study on this generation in the BNPL context is still limited. The second limitation is the phenomenon of individuals being reluctant to use the BNPL services as they perceive that the services are not easy to use (Kredivo 2024). This study only used

perceived trust and financial self- efficacy; thus, further studies can use perceived ease of use in the BNPL study. Apart from users' concern about their trust that BNPL provider can safeguard their data, fear of their data being leaked (privacy concern) has also been a factor inhibiting BNPL adoption (Kredivo 2024). Further research can then be carried out by adding privacy concerns to the BNPL adoption context.

Declaration by Authors

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