

LITERATURE REVIEW

Small Payments, Large Commitments: How Installment Framing Influences Consumer Financial Decisions

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Abstract

This paper examines how installment price framing affects consumer financial decisions. It asks whether consumers perceive a product as more affordable when sold in installments rather than as a lump sum. This paper does not collect primary data. It synthesizes published research and public data. We coded all 10 empirical evidence records for product, sample, frame, outcome, effect direction, and disclosure. The hypothesis (H1) is that presenting a purchase as smaller payments increases perceived affordability and purchase likelihood compared to presenting it as one full cost. Six of the 10 records support H1, one indirectly supports it, two produce mixed evidence, and one focuses only on disclosure. Four of the five Buy Now Pay Later (BNPL) records support H1, but one produces mixed results. Recent BNPL research has also revealed an increase in order sizes and that financial constraints are not as important. Disclosure results are less predictable. While clear information can increase understanding, it does not always lead to behavior change. The findings indicate that digital checkout design is not neutral. Small-payment framing can increase purchasing, while consumers may downplay the overall financial commitment. The findings support displaying the total price, payment terms, fees, and risk of late payment next to the installment payment. Consumers need to consider the total cost before buying and decide whether it is affordable.

Keywords: Buy Now Pay Later (BNPL); Installment Pricing; Price Framing; Consumer Behavior; Consumer Credit; Behavioral Finance; FinTech; Financial Literacy

1. Introduction

Consumers now view prices in a variety of ways. The checkout page has a starting price of \$50 per month for 24 months, while the phone itself costs \$1,200. The total cost is the same, but the smaller monthly number may feel easier to manage. This is crucial as BNPL usage is widespread today. The 2025 Federal Reserve survey found that 16% of U.S. adults used BNPL in the last year, and 26% of those who used BNPL said that they made a late payment (Board of Governors of the Federal Reserve System 2026). The

Consumer Financial Protection Bureau (2022) also points out that having several loans, late fees, and not having enough information from the various providers can make it difficult to pay back.

The primary research question is: (RQ1) When comparing installment-based price framing to total-cost presentation, how does it affect consumers' perception of affordability and willingness to purchase? The hypothesis is: (H1) When the purchase is made in the form of smaller recurring payments, it is perceived as more affordable and is more likely to be purchased than when the purchase is made in the form of the total cost. The research questions (RQs) we will answer are: (RQ2) Does disclosing the total cost reduce this effect? (RQ3) Is this issue especially severe with BNPL and point-of-sale financing? (RQ4) What are the implications for businesses and financial education? The paper addresses these questions by reviewing existing evidence in a structured manner rather than conducting a new survey or experiment.

2. Behavioral Finance Framework

2.1 Framing and Mental Accounting

Framing is the phenomenon that the same economic decision can be presented in two different ways and yield two different responses. Tversky and Kahneman (1981) demonstrated that wordings and reference points can cause choices to vary even if the outcomes are similar logically. An important installment pricing benchmark may be the overall cost or the subsequent installment. A buyer may ask, "Can I pay \$40 today?", instead of, "Is this \$160 purchase worth the total sacrifice?".

This change is explained by the mental accounting theory. People tend to group money into mental budgets, rather than treat all dollars as being equal (Thaler 1999). The total cost may be more than the buyer can afford in his or her "shopping budget." It can accommodate the smaller installment. This can make a product appear to be more affordable than it really is while not changing the cost or income.

2.2 Payment Salience, Pain of Paying, and Present Bias

The salience of payment refers to the person's awareness of the cost of the behavior. The cost is tangible when it comes in the form of cash and immediate payment. When a customer pays digitally, the act of purchasing can become less connected to the immediate feeling of giving up money. This separation is known as "payment-consumption coupling" by Prelec and Loewenstein (1998), which is the difference between spending when payment is coupled and uncoupled with use. Soman (2001) has also found that the mode of payment affects the memory of past spending and how much the spending reduces the likelihood of a future purchase.

There is an additional pressure: present bias. Most payments are to be made in the future, and the product is delivered at the time of the sale. People tend to focus on their current responsibilities, rather than their future ones. Not all installment purchases are bad. Households can use installments to help them with timing. The risk comes into play when the frame changes the decision more than the buyer's actual ability to pay.

3. Existing Research on Installment and Price Framing

3.1 Smaller Frames Change Perceived Cost

The preliminary results are very supportive of a framing effect. It was named the "pennies-a-day" effect by Gourville (1998). During a key charity test, 52% consented to the \$0.85/day request, and 30% to the

\$300/year request. The smaller interval of time was used to compare with the small daily costs. Atlas and Bartels (2018) followed up on this concept with eight lab experiments and a field test. They found that periodic pricing can increase perceived benefits and purchase intentions by encouraging consumers to think about recurring benefits rather than one high overall cost. It is important in the context of subscriptions, memberships, and services that are used over time.

This is not a permanent effect. Small frames may be seen as manipulative, and the results will depend on the type of product, the size of the price frame, and the frequency of the benefits. A daily time frame for a very costly product may not be as convincing. So, periodic framing is more of a common influence than a rule that governs all buyers.

3.2 Installments Increase Spending and Purchase Willingness

In recent studies, the older concept of framing has been related to real-life situations. Based on experiments and transaction data, Ashby et al. (2025) concluded that BNPL resulted in higher spending than other payment options. The effect also varied depending on factors such as the number of installments, the size of the first installment, and whether the installment price was displayed. Kumar et al. (2024) analyzed 63,672 online orders from 42,882 customers to discover that BNPL adoption resulted in a 6.42% increase in expenditure per online order relative to nonadopters. Bian et al. (2024) analyzed 1.1 million e-wallet transactions, alongside a randomized BNPL rollout. They found that digital credit can increase spending and shift payment preferences. These studies examine both BNPL adoption or access and price presentation, so they don't isolate the effect of installment-based pricing.

In particular, Maesen and Ang (2025) provide direct evidence. They analyzed 25,000 BNPL adopters with 25,000 nonadopters during their field study. After adoption, purchases using BNPL rose by about 9 percentage points, and purchase amounts rose by 10% with frequent use compared to the trends for nonadopters. The authors then validated the mechanism in three pre-registered experiments. Participants exhibited less financial constraint, lower cost, higher budget control, and higher spending when they were shown installments. The percentage-point change in purchases using BNPL and the percent change in purchase amounts are different and shouldn't be interpreted as equivalent in effect size.

3.3 Mixed Evidence About Disclosure

Disclosure is a good tool, but not the only tool. Navarro-Martinez et al. (2011) found that the smallest payment required on a credit card serves as an anchor, which reduces repayment. The inclusion of extra information about interest costs and payoff time did not have a significant positive impact, unless it offered an alternative action for consumers. A clearer prototype version was observed to enhance consumers' mortgage cost recognition ability over older versions in the mortgage research context (Lacko and Pappalardo 2007). This is an example of why design is important, not only the information.

The most direct disclosure test is the one of Jose et al. (2025). The study, which was carried out by a nationally representative sample of 3,001 Irish adults, revealed that those who used BNPL spent 4.39% more than those who used a debit card. A brief, salient risk disclosure led to small but significant increases in understanding by about 10%, with no significant overall change in BNPL use or spending. The overall results indicate that the provision of total cost and risk information can enhance knowledge, but knowledge is not sufficient to overcome the small-payment frame.

4. FinTech and Buy Now, Pay Later

Installment framing is more crucial than ever, given that it seems to be in the fast digital checkout. The minimum installment can be displayed alongside the “Add to cart” button, but it is also important to take into account the total repayment amount, due dates, and penalties for late payments. Another difference between BNPL and a traditional loan is that it’s part of the shopping process. The credit decision and the purchase decision are in the same interface.

This design could be beneficial. Interest-free installment payments can help consumers to maintain their payments and income. There is a risk of stacking. A number of small plans can equal a big debt. The Consumer Financial Protection Bureau (2022) lists the following risks: loan stacking, autopay failures, late fees, and limited visibility of credit reports. Customer information can also be utilized by digital businesses to send installment offers at the ideal time. That’s why Business Analytics is more than just a measure of post-sales performance; it’s a part of the decision environment.

5. Secondary Data and Cross-Study Analysis

5.1 Method

This structured evidence review was based on the studies that were mentioned in the paper. Searches of Google Scholar, journal pages, publisher pages, central bank and government research pages were conducted for various combinations of “installment framing,” “periodic pricing,” “payment salience,” “buy now pay later spending,” “BNPL purchase behaviour,” and “BNPL disclosure” to check and document that set. For the purposes of an empirical comparison of periodic versus total-price framing, immediate versus delayed payment, BNPL adoption or use, or cost and risk disclosure, titles, abstracts and available full reports were assessed. The ten records in Table 1 were kept as they represent classic framing, payment mechanisms, disclosure of credit, and contemporary BNPL behaviour. Theory papers, surveys, and policy reports are other background sources mentioned in the paper that are not included as empirical evidence records on this map. A complete original screening log and/or a database hit was not available, and the review should be described as a structured, purposive evidence map, rather than as an exhaustive systematic review. Records were coded once by year, sample or design, financial product and frame, main outcome, direction, and disclosure. “Supports H1” indicates a positive response to smaller payment or BNPL condition in affordability, purchase intention or spending; BNPL adoption comparisons should also be included here but cannot independently account for framing and credit access. “Supports H1 indirectly” indicates that an immediate-versus-delayed payment mechanism is in the direction predicted by H1 but does not directly test installment labels. “Mixed” indicates that the outcomes differ across conditions or outcomes or that there is no main effect but a positive conditional effect. “Disclosure only” indicates that the study doesn’t directly assess H1 through affordability, spending, or purchases. Counts refer to records and not pooled participants or meta-analytic effects.

Table 1. Structured Comparison of Ten Evidence Records

Study and sample	Product and frame	Outcome	Direction	Disclosure
Gourville (1998) $n = 120$ key test	Donation; daily vs. annual	Agreement / perceived cost	Supports H1	No
Atlas and Bartels (2018) 8 labs + 1 field test	Contracts and donations; periodic vs. total	Benefits and purchase intention	Supports H1	Varied
Soman (2001) 2 experiments	Payment mechanisms; immediate vs. delayed	Recall and later purchase intention	Supports H1 indirectly	No
Navarro-Martinez et al. (2011) 481 experiment + field data	Credit cards; minimum payment and payoff data	Repayment amount	Mixed	Yes
Lacko and Pappalardo (2007) 819 tests + 36 interviews	Mortgages; current vs. prototype form	Cost comprehension	Disclosure only	Yes
Bian et al. (2024) 1.1M transactions + rollout	E-wallet BNPL vs. other payment options	Spending and payment choice	Supports H1	Not central
Kumar et al. (2024) 42,882 customers; 63,672 orders	Online retail; BNPL adoption	Order size	Supports H1	Not central
Ashby et al. (2025) Transactions + 4 experiments	BNPL vs. cash/card; installment price	Spending and costly choices	Supports H1	Varied
Maesen and Ang (2025) 50,000 matched + $n = 1,389$ experiments	Retail BNPL vs. lump sum	Incidence, amount, constraints	Supports H1	Total visible
Jose et al. (2025) $n = 3,001$	BNPL vs. debit; salient risk notice	Spending, use, understanding	Mixed	Yes

Note. Samples summarize the main test or paper design. Six records directly support H1 (Gourville; Atlas and Bartels; Bian et al.; Kumar et al.; Ashby et al.; Maesen and Ang), one supports it indirectly (Soman), two are mixed (Navarro-Martinez et al.; Jose et al.), and one is disclosure only (Lacko and Pappalardo). Each record has one direction category. “Supports H1 indirectly” means the study tested payment salience rather than installment labels alone.

5.2 Patterns in the Evidence

The ten evidence records do not all measure the same outcome. Five focus mainly on purchasing, spending, or payment choice; three focus on perceived cost, benefits, recall, or purchase intention; and two examine repayment or cost comprehension. Figure 1 shows this distribution. The concentration of studies on purchasing behavior means the evidence is strongest for understanding how installment framing affects whether consumers spend or buy, while there is less evidence on what happens after the purchase, such as repayment and understanding the full cost. For this reason, the studies are better compared within similar outcome categories rather than treated as one pooled effect.

[Figure 1. Main Outcome Focus Across the Ten Evidence Records. Each record was assigned to one primary outcome group using Table 1. Studies with several outcomes were classified by their main outcome.]

Figure 2 shows how the findings differ across study types. Temporal pricing studies support the basic framing effect, while general credit studies show mixed results, particularly for repayment or comprehension of total cost. BNPL research provides the most consistent support for the effect: four of the five studies found increased spending or a stronger purchase response. The Irish study produced more mixed findings, showing that actual BNPL use increased spending, while simply making BNPL available had less of an effect. This suggests that installment framing may be the most influential when consumers actually use the payment method, rather than when it is only given as an option.

[Figure 2. Evidence Direction by Product Group. Product groups were assigned based on the primary setting of each evidence record. Each of the ten records is assigned once to its primary product group and

once to the direction category defined in Table 1; totals are six direct, one indirect, two mixed, and one disclosure only. BNPL includes four direct and one mixed record.]

Figure 3 compares three reported BNPL estimates, which have different denominators and designs. In Jose et al. (2025), the average amount spent was 4.39% higher on BNPL than on a debit card. Kumar et al. (2024) estimated an increase of 6.42% in expenditure per online order following BNPL adoption, relative to those who did not adopt BNPL. Maesen and Ang (2025) projected a 10% increase in purchase amounts after BNPL adoption, relative to the nonadopter trend. These are estimates of the amount of spending or purchase, not a common estimate of installment-price framing alone. Figure 3 presents the estimates to show this pattern without implying that the effects are identical.

[Figure 3. Selected Reported BNPL Spending Effects. The 4.39% estimate compares BNPL use with debit card use in an experiment; 6.42% compares order spending for BNPL adopters and nonadopters; and approximately 10% compares purchase amounts after BNPL adoption with the nonadopter trend. Differences in outcomes and designs mean the bars must not be averaged or interpreted as equivalent causal effects of price labels.]

6. Discussion

The primary research question can be answered with reasonable support from the evidence: Installment-based presentation is associated with greater purchase willingness and spending, and makes the purchase appear more affordable. This supports H1, but not as a universal law. The effect is most pronounced when the small payment is the primary reference point, when payment is deferred, and when the interface does not make the total sacrifice more salient. It can weaken if the frame appears unusual, if the product does not match the time unit, or if the consumer is actively comparing total costs.

For RQ2, the evidence suggests that simply informing consumers about total costs may not be sufficient. Maesen and Ang (2025) reported effects in the presence of the full price. In their experiment, Jose et al. (2025) found that the brief, salient warning notice led to a 10% increase in understanding compared to the control group, but there was no significant impact on overall BNPL use or spending. In the mortgage industry, there is evidence that a carefully designed summary presented in the context of a mortgage payment helps consumers understand the cost. Conversely, in credit cards, evidence shows that multiple numbers are counterproductive when the minimum payment is a strong single anchor. Neither of these studies directly test H1; instead, both contribute to RQ2 by researching disclosure with mortgages and credit cards. The disclosure should therefore be simple, timely, and linked to an action, for example, comparing total repayment with the cash price or showing the total amount due for all options.

For RQ3, the BNPL evidence is very consistent. Four of the five BNPL studies supported H1, while the remaining study reported mixed results. The three studies that provided numerical estimates also showed the same direction, with BNPL use associated with 4.39% higher spending than debit-card use, a 6.42% increase in expenditure per online order with BNPL adoption compared to nonadopters, and a 10% increase in purchase amounts compared to trends of nonadopters. Although these percentages measure different outcomes and cannot be directly compared, their consistent direction strengthens the evidence that installment framing can affect actual purchasing behavior. Installment-based financing at the point of purchase may be especially influential because it makes financing part of the checkout decision rather than a separate credit decision.

For RQ4, these findings have clear implications for both businesses and consumers. For firms,

spending, purchase response, and order size increase. However, reputational risk and the possibility of increased regulation remain if consumers cannot understand the implications of BNPL. For the consumers, installment plans provide flexibility, but they can also create repayment commitments that are easy to underestimate. Several payments that seem manageable can also create a larger repayment burden. Financial education should cover the total cost of the product, not just the interest.

7. Limitations

This is a purposive review of 10 records rather than a systematic review: a complete search history and the number of screened and excluded records were not kept. Whole papers coded as single records allow for equal weighting of large field analyses and smaller experiments. Others BNPL comparisons assess both the availability and uptake of financing, as well as the price presentation, and a higher spending estimate cannot be attributed to just the framing. Products, outcomes, markets and samples vary and higher spending can be beneficial, not harmful. A future review should be conducted with the search dates, databases, screening log and quality criteria being registered prior to selection and price-label tests being differentiated from credit-access tests.

8. Business and BIT Implications

Analytics can allow retailers and FinTech to trial different formats of installment messages, message text, and message placement to see how customers respond. Other metrics of interest include conversion rate, average order value, repayment rate, return rate, customer complaints, and the probability of customer repeat borrowing. A dashboard's goal is not just maximizing sales. It should report metrics of customer risk due to loan stacking and the probability of missed payments.

The interface design must equate installment payments with the full amount. A clear checkout could display: "\$50 today, \$200 total, four payments, no interest if paid on time, next payment due dates." Relevant, unsurprising fees should not be hidden or moved to another page. The goal is to avoid targeting customers who will be highly responsive to small payment offers, but also to avoid economically constrained customers.

9. Financial Literacy Application

Young consumers should run a quick total cost check when offers with installments are presented. To do this, the consumer must first multiply the installment by the number of installments. Next, the consumer must add interest, fees, and required add-ons. After that, all due dates for all installments should go on one calendar along with the active plans. The total should then be compared with the cash price and the consumer's available income after necessary expenses. Then, the consumer should think about whether they would buy the product if all they saw was the full price. This last step will reveal the framing effect in action. While a small monthly payment may fit this month's budget, it creates a large future commitment.

10. Conclusion

To conclude, there are six empirical records that support H1, one that provides indirect support for payment salience, two that are mixed, and one that is related to disclosure only. Four of the five BNPL records provide positive results for H1, whereas Jose et al. (2025) found that there was a positive spending

effect of BNPL use, and no overall spending effects for availability or disclosure. The 4.39%, 6.42%, and ~10% estimates are descriptive and not a pooled framing effect, as they compare different groups and outcomes. The overall results of the experiment did not significantly change BNPL use or spending, but clear information can enhance understanding. Consumers and companies need to look at the overall commitment in addition to every individual payment.

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Conflicts of Interest

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