

# Excessive consumption behavior of young people under the wave of digital payment: an analysis from the perspective of behavioral economics

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## Abstract:

With the popularization of digital payment, the excessive consumption of young people is increasingly serious, which harms personal finance and social and economic stability. This paper employs behavioral economics theory to analyze the internal mechanism of excessive consumption among young people within the background of digital payment. It considers individual-level reference dependence, payment isolation, hyperbolic discounting psychology, and external framing effects and decoy effects. Moreover, suggestions are given based on these analyses to help young people form rational consumption attitudes through educational initiatives, guidance from family and social networks, the dissemination of information, policy encouragement, regulatory enhancement, and legal safeguards. This initiative aims to promote the well-being of the consumer market and the economic growth of the nation by fostering a healthy consumer environment and the development of healthy and sustainable consumer habits among young people.

**Keywords:** digital payment; excessive consumption; behavioral economics; policy advice; rational consumption.

## 1. Introduction

With the rapid development of technology, digital payment has penetrated every corner of modern life. According to the China Payment and Settlement Association, the number of mobile payment transactions nationwide increased from 5.451 billion in 2013 to 11,412,297 million in 2022, a 208-fold increase. Similarly, the transaction value increased from 10.83 trillion yuan to 816.95 trillion yuan, a 74-fold increase. Statistical data indicates that the penetration rate of mobile payments has reached 86%, ranking the country at the top of the world. This shift towards digital payment methods has accompanied a surge in consumer dynamism and a tendency towards overconsumption.

From the perspective of behavioral economics, the impact of digital payments on the consumption behavior of young people is multifaceted. On the one hand, they increase the range of consumption choices and make shopping more satisfying; on the other hand, they make it easier for young people to fall into the trap of overconsumption, as they are more easily influenced by advertising and promotions without the physical constraints of cash and bank cards.

Although research has examined the impact of digital technology on consumer behavior and decision-making,

there is a paucity of research addressing the concrete effects of digital payments on the psychological processes and underlying mechanisms of youth overconsumption. This paper aims to provide a comprehensive analysis of the internal mechanisms underlying young people's overconsumption behaviors in the context of digital payment, drawing in particular on the insights offered by behavioral economics. It seeks to enhance the societal understanding of the young generation's consumption patterns and to deliver more scientific and evidence-based guidance for young consumers. The findings of this study can also serve as a valuable reference for the government in formulating relevant policies, for society in creating a conducive consumption environment, and for financial institutions in optimizing their services.

## 2. Literature Review

There are the following major advances in domestic and international research on the impact of digital payment methods on young people's overconsumption behavior at this stage.

Nicole Koenig-Lewis, et al. (2015) noted that younger individuals are impressionable to the call of friends and social media influencers when adopting mobile payment methods. Thus, intensifying their urge to spend due to mobile payment methods. HENDY MUSTIKO AJI and WIWIEK

Adawiyah (2022) further pointed out that mobile payment enhances the illusion of financial mobility among the youths, which may result in irrational spending behavior. Studies by Liu Qihua and Zhang Fuguo (2019), Zhang Han, et al. (2021), and Zhang Meixuan, et al. (2018) indicate that mobile payment affects consumers' decision-making process. This enables them to make more irrational choices when they encounter temptation, resulting in increased financial burdens.

Liu Shanzi and Wan Jia (2020) believe that digital payments have made young people more susceptible to false consumption ideas. Various remarks about flaunting wealth, comparing and pursuing luxury goods are endless, causing them to make unnecessary impulsive purchases. Chen Xi and Deng Jie (2013) found that high-end brands elicit feelings of uniqueness and advancement among consumers through strategic marketing. This subsequently results in consumers exhibiting a desire to possess products that align with their self-concept, which in turn leads to a proclivity for excessive consumption. Such expenditures may not only result in an increased financial burden but may also have a detrimental impact on the quality of life and mental health.

Although the phenomenon of excessive consumption among young people in the digital age is becoming increasingly prominent, few studies can make full use of specific behavioral economic theories to deeply explore the internal mechanism and decision-making process behind this phenomenon. In contrast, this paper draws upon the tenets of behavioral economics to examine the phenomenon of excessive consumption behaviors in the context of digital payments. It delves into the consumption behaviors of the younger generation, elucidating the detrimental effects of excessive consumption and offering insights into the formulation of sound consumption principles and the cultivation of rational consumption patterns. From one perspective, it offers a theoretical foundation for policy formulation. From another, it anticipates the practical implications of guiding rational consumption, promoting a robust and thriving consumer market, and fostering sound economic growth.

### **3. The current situation of young people's consumption behavior under the wave of digital payment**

The data from 2023 show that the contribution of consumption accounts for 82.5% of China's economic growth contribution rate, which serves as the primary driving force behind sustained economic growth (Zhu Yanran, 2024). The proportion of consumption among the younger generation, defined as those born between 1980 and 2000, is as high as 46% (2024 Youth Client Group Consumption

Insight and Financial Experience Report, 2024). This demographic constitutes as much as 70% of mobile payment users, with an average frequency of use between three and five times per day (China Payment and Clearing Industry Report, 2023).

However, the recent surge in consumption has highlighted the severity of the phenomenon of excessive consumption. As announced by the People's Bank of China, the number of credit cards in circulation reached an estimated 767 million by the end of 2023. The average number of credit cards held by the younger generation is two to three, and the total amount of overdue credit cards is as high as 8.18 trillion yuan, which demonstrates the economic plight and overspending of young people. In the context of consumer credit, while the cohort of individuals between the ages of 18 and 30 does not constitute an absolute majority (35%), young people exhibit a notable degree of borrowing relative to their income.

The 2020 Consumption Trends of the Post-90s Crowd Report, published by the Suning Financial Research Institute, illustrates that the concept of overconsumption has become deeply entrenched in the consumption philosophy of the post-1990s generation. The proportion of individuals born after 1990 in the consumer loan borrowing group is as high as 49.31%, which is a higher proportion than that observed in the overall network. A consumption pattern can be described as "not enough for the whole, but not bad for the part" has emerged. Additionally, the "Quiet Mobile Insight Report on College Students" (2019) indicates that college students frequently utilize installment payments or borrowing to exceed their financial limits.

McKinsey's "Insights into the Chinese Consumer: A Global Engine of Growth" (2020) states that Chinese consumers demonstrate a markedly elevated proclivity for impulsive spending across all surveyed countries. In fact, 47% of Gen Z participants admitted to making spontaneous purchases. Although 36% of Gen Z respondents claimed to have set a budget, their actual spending often exceeded their budgetary constraints. Furthermore, the results of a survey conducted by CYC School Media for 792 college students nationwide (2019) indicated that 68.77% of respondents believed that participation in carnival promotions was driven by impulse buying. This consumption mentality has become a prominent feature of the phenomenon of overconsumption.

### **4. Analysis of excessive consumption behavior of young people under the wave of digital payment--from the perspective of behavioral economics**

#### **4.1 Internal Factor**

The concept of reference dependence posits that individ-

uals are inclined to consider the consumption patterns of others when assessing their own consumption behaviors. In the contemporary digital age, social media has become a pervasive phenomenon. Young people are exposed to the lifestyles and consumption standards of others through social media, which leads to an unconscious comparison between themselves and those they observe. In order to avoid being perceived as “out of step” or “out of line,” individuals may begin to seek a standard of living that aligns with that of their social counterparts. This is frequently achieved by modifying their consumption patterns. However, this psychology of comparison may result in individuals disregarding their actual needs and financial capabilities. They may also be inclined to purchase goods or services that exceed their necessities or are beyond their financial means through various credit payment tools, such as Huabei and Jingdong Baitiao. This can lead to a phenomenon known as over-consumption. Consequently, due to an absence of comprehensive assessment of their repayment capacity, individuals ultimately find themselves in a state of indebtedness.

Payment segregation can be defined as the temporal and spatial separation of the payment behavior from the consumption outcome due to the characteristics of the payment method. This separation impacts the consumer’s consumption decisions and perceptions. When using the traditional payment method, cash, consumers can visualize the loss of money. This perception can be conceptualized as a kind of psychological “pain,” which can play a role in suppressing excessive consumption. The use of digital payment methods has been shown to significantly reduce the perceived pain associated with financial transactions. This is particularly evident among younger demographics, who have become accustomed to using credit cards, mobile payments, and other similar platforms, which often require only a password or confirmation click. The convenience and intangibility of payments facilitate consumer decision-making, leading young consumers to make impulsive purchases without fully comprehending the financial implications. Meanwhile, emerging consumption patterns, such as installment payments and buy-now-pay-later, further complicate payment segregation. These modes of payment facilitate purchases, yet they often result in an underestimation of the actual cost of the goods and the subsequent repayment obligations.

Hyperbolic discounting entails a tendency to ascribe greater value to future benefits and costs, while exhibiting a tendency to underestimate future benefits. The convenience of digital payment undoubtedly serves to intensify the influence of hyperbolic discounting psychology. Young people are more prone to be influenced by the allure of instant gratification and engage in impulsive spending. They

frequently purchase costly luxury items on a whim, driven by a desire for self-aggrandizement or the pursuit of instant gratification in gaming, without accounting for the subsequent living expenses and the necessity of a long-term savings plan. Ultimately, this leads to a situation of excessive consumption.

### 4.2 External Factors

The framing effect denotes that individuals’ disparate characterizations of an objectively identical problem result in disparate decision-making judgments. A variety of well-designed promotional and advertising strategies are frequently employed by businesses with the objective of influencing consumer purchasing behavior. For example, merchants often adopt the strategy of “buy one get one free” in their promotional activities, instead of offering a 50% discount directly. For young people, the expression “buy one, get one free” makes them feel that they are getting more merchandise, which is a kind of extra benefit. In the digital era, the above marketing campaigns are more accurately delivered to the young group through web push and other tools such as data mining and data crawling, prompting them to generate more purchasing behaviors. For example, words such as “limited time discount” and “second sale” skillfully create a sense of urgency in consumption, causing young people to make hasty purchasing decisions without fully thinking through and weighing the pros and cons. Ultimately, it leads to overconsumption and even indebtedness.

When people are given two options that are difficult to choose between, adding a new option (bait) will make one of the original options more attractive. In consumer scenarios, businesses often capitalize on the decoy effect to guide young people to consume. For instance, positive feedback in the product evaluations section on e-commerce platforms, can increase consumers’ trust and encourage them to buy. Some people in the evaluation section say that the performance of the basic version is barely adequate, but the experience of the standard version is significantly better. This leads consumers to prefer the standard version, which becomes a “bait” that makes consumers feel it is more cost-effective and worthwhile. This decoy effect of skillfully setting up comparison items influences young people’s consumption perception and decision-making process, which in turn leads to their inadvertently produce excessive consumption behavior.

## 5. Recommendation

In terms of publicity and education, schools should incorporate financial knowledge and rational consumption concepts into the school education system. Basic financial literacy courses should be set up from elementary school

onwards, and further deepened in secondary schools and universities, with special lectures, practical courses and other activities. Assisting young people to understand the principles, interest calculation and risks of consumer credit, and to establish correct consumption concepts and values. In the family, it is the responsibility of parents to encourage their children to develop healthy consumption values from an early age. They should also teach their children how to plan their pocket money wisely and properly, instilling in them a sense of responsibility and encouraging them to develop good habits of saving money. The dissemination of knowledge and concepts related to rational consumption, savings planning, and debt management at the social level can be achieved through various means, including public service announcements, social media campaigns, and community activities. These methods can serve to remind young people of the potential risks associated with overconsumption.

In regard to policy support and guidance, the initial step is to implement policies that promote rational consumption and savings. For example, for young people who have demonstrated healthy consumption and savings habits over a long period of time, specific preferential policies or interest rate subsidies are provided for home purchases and loans for entrepreneurship. These policies are an attempt to motivate young people to form appropriate consumption and savings patterns. Secondly, the implementation of policies that restrict merchants from over-stimulating consumption is recommended. It would be prudent to instruct e-commerce platforms to implement reasonable and moderate consumption reminders within their interactive interfaces. Such reminders could take the form of boxes that prompt users to engage in moderate consumption during order-reducing activities. Furthermore, the regulation of consumer credit institutions should be reinforced. It is imperative to subject their lending criteria and processes to rigorous examination, with the objective of limiting the allocation of substantial credit limits to young individuals lacking a stable source of income or a commendable credit history. In Addition, it is essential to establish reasonable interest rate ceilings and repayment periods, with the aim of preventing the occurrence of excessive lending and high-interest traps. Finally, it is essential that payment platforms enhance their risk alert functionality. In the event that consumers effect transactions of a significant value or with high-frequency, a pop-up window should be displayed to alert the consumer to the potential risks associated with such transactions. This will enable the consumer to make informed decisions regarding their financial activities. Meanwhile, the regulatory authority is responsible for monitoring the manner and extent to which payment platforms promote consumer

credit products, with the objective of preventing excessive marketing that might encourage excessive consumption.

In consideration of the necessity for legal protection, it is crucial to undertake a comprehensive revision and enhancement of the extant consumer protection legislation and regulatory framework. It is of the utmost importance to elucidate the rights and obligations of consumers in the context of digital payments and consumer credit. Penalties for illicit lending, deceptive marketing, and other illicit acts must be augmented simultaneously. This will ensure the legal protection of consumer rights and interests particularly for those of young people. Additionally, for young people experiencing significant debt distress resulting from excessive consumption, a specialized debt assistance entity or fund should be established to provide comprehensive assistance services, such as legal aid and psychological counseling. This would support their efforts to overcome their debt crises and develop a sustainable approach to consumption.

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