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The Psychology of Subscription Economies: Are Young Consumers Overpaying Without Realizing?

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Abstract

This study examines the relationship between subscription usage, financial awareness, and the psychological factors influencing continued subscription behaviour among young consumers. Using a quantitative, cross-sectional design, data were collected from 50 respondents and analysed through descriptive statistics and correlation. The findings reveal a negative relationship between subscription usage and awareness of total monthly spending, indicating that higher usage is associated with reduced financial awareness. In contrast, perceived affordability and convenience show a strong positive influence on continued subscription behaviour. The results highlight the role of behavioural biases such as mental accounting and payment decoupling in shaping consumer decisions. The study concludes that overpayment in subscription economies is not merely a result of poor financial discipline but is significantly driven by system design and cognitive biases, emphasizing the need for improved financial awareness and greater platform transparency.

Keywords: Subscription Economy; Consumer Behaviour; Financial Awareness; Behavioural Economics; Mental Accounting; Payment Decoupling; Subscription Fatigue; Affordability Perception; Convenience; Digital Consumption

Chapter 1: Introduction

1. 1 Background of the Study

In the last ten years or so, the world economy has experienced a great change with the emergence of subscription-based business models. Contrary to the old ways of buying and owning, subscription economies depend on payments made at intervals which allow the customer to continuously have goods and services at their disposal. This change has been hastened by swift digitalization, more people getting connected to the internet, and consumers' taste for convenience and personalization going stronger (Chen et al. 2018).

Many industries such as entertainment software e-commerce, and fitness are progressively adopting subscription-based models. The general public has come to accept the practice of making regular payments to access streaming, cloud services, and digital tools rather than to own them. Such services may be deceptively cheap due to their small monthly fees but at the same time, they create a psychological effect where people end up spending a lot if they subscribe to many such services without even realizing it (Prelec & Loewenstein, 1998).

The study of behavioral economics can help us explain this. Things like mental accounting and payment decoupling go to show that when people make their payments automatically, and in a quite separated way, they feel less "pain of paying" leading them to be less aware of the real amount of their spending (Thaler,

1999). This paper will investigate how these psychological tactics function in the subscription economy context, especially considering young consumers.

1. 2 Expansion of the Subscription Economy

The subscription economy has grown very quickly and continuously over time, becoming the most widely used business model in the digital era. More and more companies are changing their business strategies to the subscription model as it allows them to have predictable income, and also they can build strong and enduring relationships with their customers (Zuora, 2020).

On the other hand, consumers very much like subscription services because they seem cheap, flexible, and give you convenience. Nowadays, streaming services, online education platforms, and digital memberships have become a part of our daily living. And, the COVID-19 pandemic has even sped up this inclination, as during the times of restricted physical movement, people significantly increased their dependence on digital platforms (Sheth, 2020).

Still, along with this increasing presence of subscription services, the worry of subscription fatigue has come up. People tend to be subscribed to several services at the same time which leads to confusion about tracking their usage and expenses. So this brings up the question of whether or not the value people think they are getting from these subscriptions is matched by the amount they are actually paying for them and their usage (McCarthy et al. 2021).

1. 3 Youth Adoption and Digital Lifestyle

Younger consumers, mainly Generation Z and Millennials, are the biggest consumers of subscription-based services. Being raised in a digitally connected world, they are naturally more attracted to access-based consumption rather than ownership (Belk, 2014).

Subscriptions form an integral part of their lives, spanning entertainment education productivity, and lifestyle services. Apart from the simple subscription process, other incentives such as auto-renewal, free trials, etc. are some of the reasons why the generation adopts new services quite frequently. On the other hand, a digital lifestyle can increase susceptibility to behavioral biases as well.

For instance, the ease of automated payments results in less active financial tracking, and at the same time, social factors and the fear of missing out (FOMO) can lead to higher subscription acquisitions. Subsequently, young people tend to have several subscriptions without properly considering the necessity or cost-effectiveness (DellaVigna, 2009).

1. 4 Problem Statement

Even though subscription-based business models provide a number of benefits, there is a rising concern that customers might be paying more for the services than they think. Due to the subscription pricing method - small, continuous payments - the total amount spent per month can be hidden, which disconnects the thoughts about spending from the actual one.

Young consumers are the group most affected by this problem because they are digital natives and love to spend time online, so their subscription accounts are likely to increase, but they are not used to keeping financial records. Less knowledge about one's overall spending may be an effect of higher subscription consumption to the extent that it may cause serious financial problems by surprise. On the other hand, at least two of the factors at work are affordability on the budget and convenience in exchange for continuation of the subscription behavior, albeit under the condition of less usage of services.

This is because consumers get stuck with their subscriptions and do not know how to get out of them, so the pathway of least resistance that is convenience prevails while the additional cost that is hidden has no bearing on their consciousness. In light of this, the current research intends to investigate if a decline in

the awareness level of total monthly spending goes along with an increase in subscription usage, and if the perceived affordability and convenience are drivers for the continuance of subscription behavior of the young consumers.

1.5 Research Gap

While existing literature has explored the rapid growth of subscription-based business models and their impact on consumer behavior, there remains a limited understanding of the psychological mechanisms that influence spending awareness and continued usage among young consumers. Prior studies have largely focused on customer acquisition, retention strategies, and pricing models, with comparatively less attention given to how consumers perceive and evaluate their ongoing financial commitments (Chen et al., 2018; Zuora, 2020).

One critical gap lies in examining the relationship between subscription usage and consumers' awareness of their total monthly spending. Although behavioral economics highlights concepts such as payment decoupling and reduced salience of recurring costs, empirical research specifically testing whether increased subscription usage leads to lower financial awareness remains underdeveloped (Prelec & Loewenstein, 1998; Thaler, 1999). This gap is particularly relevant for young consumers, who frequently engage with multiple digital services but may not actively track cumulative expenses.

Additionally, while perceived affordability and convenience are widely recognized as key drivers of subscription adoption, there is insufficient research investigating how these perceptions influence continued subscription behavior over time. Most studies emphasize initial adoption rather than sustained engagement, leaving a gap in understanding whether these factors contribute to prolonged subscription even in cases of low usage (DellaVigna, 2009).

Furthermore, existing research is predominantly centered on Western markets, with limited focus on emerging economies where digital consumption patterns among youth are rapidly evolving. There is also a lack of integrated studies that simultaneously examine both financial awareness and behavioral drivers within the subscription economy.

This study addresses these gaps by empirically analyzing (1) the relationship between subscription usage and awareness of total monthly spending, and (2) the influence of perceived affordability and convenience on continued subscription behavior among young consumers.

1.6 Significance of the Study

This study holds both academic and practical significance. Academically, it contributes to the field of behavioral economics and consumer psychology by examining how cognitive biases influence financial awareness and consumption patterns in the subscription economy.

From a consumer perspective, the research aims to highlight hidden spending behaviors and promote greater financial awareness among young individuals. By identifying the psychological factors that contribute to overpayment, the study can encourage more informed and conscious decision-making. For businesses, the findings may provide insights into how consumers perceive value, enabling companies to design more transparent and user-centric subscription models. This can improve customer trust and long-term engagement.

Finally, from a policy perspective, the study may contribute to discussions around consumer protection and digital financial literacy, particularly in relation to subscription transparency and automated payment systems.

Chapter 2: Review of Literature

2.1 Evolution of the Subscription Economy

The subscription economy has shifted dramatically. Over time it went from merely offering print media and utilities to becoming a mainstay in the digital world. Back then, subscriptions mainly covered newspapers and magazines but also included telecom services. Now with digital platforms, the model has penetrated many sectors such as entertainment software retail, and even health care (Chen et al. 2018).

Adopting a subscription-based consumption method goes hand in hand with technological progress and data analytics. By studying people's behavior, companies can now offer tailored products and services, set prices to attract more customers, and make even more people want to get subscriptions. The change from owning to sharing a product is just one aspect of a fundamental shift in consumer values where people are more willing to pay for flexibility and convenience than for permanent ownership (Belk, 2014).

Besides that, digital services' capability of being scaled up easily has allowed businesses to adopt subscription models at the global level. This has led to a market competition scenario where firms keep coming up with new ideas to hold on to customers, often by combining products, giving discounts, or offering exclusive content (McCarthy et al. 2021).Although those tactics deepen users' involvement, at the same time, they make the consumption environment more complicated.

2.2 Changing Consumer Behaviour in the Digital Age

Consumer behavior has changed dramatically in the digital age with features such as fast response, personalization, and constant engagement. Thanks to the spread of smart phones and Internet accessibility, consumers have the ability to get services any time, any place, which has changed not only their expectations, but also the way they make decisions (Sheth, 2020).

Digital platforms have changed consumption from being a purposeful, one-time decision, to a regular, ongoing behavior. Subscription services especially promote passive consumption, where users keep paying for services without periodically checking their worth. Such a change leads to less frequent making of conscious financial decisions, and more dependence on the automated systems.

Moreover, digital settings aim at eliminating the inconvenience of the consumption process. For example features like one-click subscriptions, auto-renewals, and payment integrations without disruptions allow consumers to sign up for a service with very little effort. Although this improves the user experience, it also creates issues of lowered financial consciousness and increased vulnerability to impulsive behaviors (DellaVigna, 2009).

2.3 Mental Accounting and Micro-Payments

(Thaler 1999) introduced the concept of mental accounting which refers to the way people mentally separate and assess their financial transactions. The role of mental accounting in subscription economies is quite significant as it influences consumer perception of spending. Due to the size and frequency of the payments, consumers tend to disregard the small subscription payments and do not realize their total impact. With subscription services, micro-payments are a common matter and even enhance the effect.

When prices are broken down into smaller amounts, consumers see them as less daunting, less significant, and more payable despite the fact that the overall spending may be quite high (Prelec & Loewenstein, 1998). This is a way to psychologically reduce the "pain of paying" and makes the customers more open to the idea of continuing their subscriptions. Besides this, separating payment from consumption i. e. separating the action of paying from the experience of using the service, is another factor which leads to the weakening of the relationship between price and value.

Therefore, one possible consequence is that consumers who find such componentization of payment and usage less disruptive are more likely to miss the fact that they are automatically paying for products or services that they rarely use.

2.4 Subscription Fatigue and Decision Overload

As the number of subscription services increases, consumers are increasingly experiencing what is referred to as "subscription fatigue." This occurs when individuals feel overwhelmed by the sheer volume of subscriptions they manage, leading to confusion, frustration, and difficulty in tracking expenses (McCarthy et al., 2021).

Decision overload is another critical factor contributing to this phenomenon. With numerous options available across various categories, consumers are required to make frequent decisions regarding which services to subscribe to, retain, or cancel. This cognitive burden often leads to avoidance behavior, where individuals delay or neglect decisions related to subscription management. Consequently, many consumers adopt a passive approach, maintaining subscriptions even when they are no longer valuable. This inertia is reinforced by the effort required to evaluate alternatives, compare options, and cancel services. Over time, this can result in accumulated costs that exceed the perceived benefits of the subscriptions.

2.5 Role of Free Trials and Auto-Renewal

Free trials and auto-renewal mechanisms are widely used by companies as strategies to attract and retain customers. While these features lower the initial barrier to entry, they also introduce behavioral biases that influence long-term subscription behavior. Free trials create a sense of ownership and familiarity with the service, making consumers more likely to continue their subscription once the trial period ends (DellaVigna, 2009). Additionally, the transition from free to paid service often occurs automatically, reducing the likelihood of active decision-making at the point of payment.

Auto-renewal further reinforces this behavior by eliminating the need for consumers to manually renew their subscriptions. While convenient, this feature can lead to "set-and-forget" consumption, where individuals continue paying for services without actively evaluating their usage or value. These mechanisms exploit cognitive biases such as inertia and status quo bias, making it easier for consumers to remain subscribed than to cancel, even when the service is underutilized.

2.6 Social Influence and Peer Behaviour

Social influence plays a significant role in shaping subscription behavior, particularly among young consumers. The desire to conform to peer groups and stay updated with popular trends often drives individuals to adopt subscription services that are widely used within their social circles (Belk, 2014). Platforms such as streaming services, gaming subscriptions, and digital tools are often associated with social identity and cultural participation. The fear of missing out (FOMO) further amplifies this effect, encouraging individuals to subscribe to services to remain connected and relevant.

Moreover, social media platforms act as powerful amplifiers of consumption behavior, promoting subscription services through influencers, advertisements, and peer recommendations. This creates a feedback loop where perceived popularity reinforces adoption, regardless of actual utility. As a result, subscription decisions are not always based on rational evaluation but are influenced by social dynamics and perceived norms.

2.7 Psychological Pricing and Anchoring

Psychological pricing strategies are central to the success of subscription-based models. Techniques such as anchoring, price framing, and tiered pricing influence how consumers perceive value and make

decisions. Anchoring refers to the tendency of individuals to rely on an initial reference point when evaluating prices. In subscription services, companies often present higher-priced plans alongside lower-priced options, making the latter appear more affordable by comparison (Tversky & Kahneman, 1974).
Similarly, pricing is often framed in monthly terms rather than annual totals, reducing the perceived cost and making subscriptions seem more accessible. This framing effect encourages consumers to focus on short-term affordability rather than long-term expenditure.
Tiered pricing structures further influence decision-making by offering multiple options with varying features and prices. Consumers are often nudged toward mid-tier plans, which are designed to appear as the most "reasonable" choice. These strategies, while effective from a business perspective, may contribute to distorted perceptions of value and increased spending.

2.8 Research Gap in Emerging Markets

Despite the growing body of literature on subscription economies, there is a notable lack of research focused on emerging markets. Most existing studies are concentrated in developed economies, where digital infrastructure and consumer behavior patterns differ significantly from those in developing regions. In emerging markets, rapid digital adoption, increasing smartphone penetration, and rising disposable incomes are driving the growth of subscription services. However, the behavioral and psychological implications of this shift remain underexplored. Young consumers in these markets may exhibit different spending patterns, levels of financial awareness, and susceptibility to behavioral biases. Cultural factors, economic conditions, and access to financial education may further influence subscription behavior.
Additionally, there is limited research integrating multiple dimensions of consumer behavior, such as spending awareness, perceived affordability, and social influence, within the context of subscription economies in emerging markets. Addressing this gap is essential for developing a more comprehensive understanding of global subscription trends and their impact on consumer well-being.

Chapter 3: Theoretical Background

3.1 Behavioural Economics Framework

Traditional economic theories assume that individuals make rational decisions by carefully evaluating costs and benefits. In reality, human decision-making often deviates from this assumption. Behavioural economics integrates psychological insights into economic theory, demonstrating that decisions are influenced by cognitive biases, emotions, and heuristics rather than pure rationality (Thaler, 1999; Kahneman, 2011).
In the context of the subscription economy, this framework is particularly relevant. Subscription models reduce friction in decision-making by automating payments and minimizing the need for repeated evaluation. As a result, consumers may continue paying for services without actively reassessing their utility or value.
Behavioural economics explains that individuals rely on simplified mental shortcuts rather than comprehensive financial evaluation. Factors such as perceived affordability, convenience, and habit often override objective cost-benefit analysis. This leads to a disconnect between actual expenditure and perceived spending, especially in environments where payments are recurring and less visible (Ariely, 2008). Thus, this framework provides the foundation for understanding how psychological biases contribute to reduced awareness of total expenditure and continued subscription behaviour among young consumers.

3.2 Mental Accounting Theory

Mental accounting, introduced by Thaler (1999), refers to the cognitive process by which individuals categorize and evaluate financial transactions. Instead of treating money as a single, interchangeable resource, people mentally separate expenses into different categories, often leading to inconsistent decision-making.

In subscription-based consumption, mental accounting plays a crucial role in shaping spending perception. Recurring payments are often classified as routine or insignificant expenses, reducing their perceived impact. A small monthly fee appears manageable in isolation, even though multiple subscriptions can accumulate into a substantial total over time.

This fragmentation of payments leads to an underestimation of total spending. Consumers tend to evaluate each subscription separately rather than considering the aggregate financial burden. As a result, they may maintain multiple subscriptions without recognizing their combined cost (Prelec & Loewenstein, 1998). Mental accounting, therefore, helps explain why increased subscription usage may be associated with lower awareness of total monthly expenditure.

3.3 Present Bias and Instant Gratification

Present bias refers to the tendency of individuals to prioritize immediate rewards over future consequences (Laibson, 1997). This behavioral tendency leads consumers to make decisions that offer short-term satisfaction while underestimating long-term costs.

Subscription services are specifically designed to appeal to present bias. They provide immediate access to content, convenience, or functionality, allowing consumers to experience instant gratification. In contrast, the financial cost is spread over time and often goes unnoticed. The presence of free trials, introductory pricing, and low initial commitment further strengthens this effect. Consumers are more likely to subscribe because the immediate benefit outweighs the perceived future cost (DellaVigna, 2009).

Over time, repeated decisions driven by present bias can result in the accumulation of multiple subscriptions. This contributes to reduced financial awareness and increases the likelihood of overpayment, as consumers focus on immediate utility rather than long-term expenditure.

3.4 Default Effect and Inertia

The default effect refers to the tendency of individuals to stick with pre-selected options rather than actively changing them (Johnson & Goldstein, 2003). In subscription models, this is most evident in auto-renewal systems, where services continue unless the user takes deliberate action to cancel.

Inertia, closely related to the default effect, describes the resistance to change even when alternatives may be more beneficial. Consumers often avoid making decisions that require effort, such as reviewing subscriptions or canceling unused services.

Subscription platforms are intentionally designed to leverage these tendencies. While signing up is quick and effortless, cancellation may involve multiple steps, creating friction that discourages users from unsubscribing. As a result, consumers tend to remain subscribed by default. This “set-and-forget” behavior leads to continued payments without active evaluation, contributing to sustained subscription behavior even when usage is low (Madrian & Shea, 2001).

3.5 Loss Aversion and Subscription Retention

Loss aversion, a key principle of behavioural economics, suggests that individuals experience losses more intensely than equivalent gains (Tversky & Kahneman, 1979). This asymmetry influences decision-making by making people more sensitive to potential losses than to potential benefits.

In subscription economies, loss aversion plays a significant role in retention. Once consumers become accustomed to a service, canceling it may feel like losing access to benefits, even if the service is not frequently used. This perceived loss creates psychological resistance to unsubscribing. Subscription services often reinforce this effect by highlighting what users will lose upon cancellation, such as premium features, exclusive content, or personalized settings. This framing increases the emotional cost of canceling and encourages continued subscription.

As a result, consumers may continue paying for services not because they derive value, but because they wish to avoid the discomfort associated with loss (Kahneman & Tversky, 1979).

Chapter: 4 Objectives of the Study

4.1 To examine the relationship between subscription usage and awareness of total monthly spending among young consumers.

4.2 To analyse the psychological factors such as perceived affordability and convenience that influence continued subscription behaviour.

Chapter: 5 Hypothesis

H1: There is a significant negative correlation between subscription usage and awareness of total monthly spending along young consumers.

H2: There is a significant positive correlation between perceived affordability and convenience of subscription services and continued subscription behaviour among youth.

Chapter 6: Methodology

6.1 Research Design

The present study adopts a quantitative and correlational research design to examine the relationship between subscription usage, spending awareness, and continued subscription behaviour among young consumers. A quantitative approach is suitable for this research as it allows for the measurement of behavioural patterns and the statistical analysis of relationships between variables. The study is cross-sectional in nature, with data collected at a single point in time through a structured survey. This design enables the identification of trends and associations within the target population, particularly in relation to the hypotheses concerning spending awareness and psychological drivers of subscription behaviour (Creswell, 2014).

6.2 Sample and Population

The population for this study consists of young consumers, primarily within the age group of 15 to 40 years, who actively engage with digital subscription services such as streaming platforms, online tools, and app-based services. This demographic was selected due to its high level of digital engagement and frequent interaction with subscription-based models. The sample includes respondents who have at least one active subscription, ensuring that the data collected is directly relevant to the objectives of the study. The participants represent individuals who are familiar with recurring payment systems and digital consumption habits.

6.3 Sampling Method

A simple random sampling method was employed in this study, where respondents were selected based on accessibility and willingness to participate. The survey was distributed through online platforms, making it easier to reach a large number of young consumers within a limited time frame. This method is

commonly used in behavioural research where the primary objective is to explore patterns and relationships rather than achieve full population generalization. While convenience sampling may introduce certain biases, it is considered appropriate for exploratory studies focusing on consumer behaviour.

6.4 Sample Size

The sample size for this study consisted of **50 respondents**, collected through the online survey. This sample size was considered appropriate for a preliminary quantitative analysis aimed at identifying patterns and correlations among variables. In behavioural and social science research, especially studies using Likert-scale responses, a sample size of this range is sufficient to conduct basic statistical analyses such as correlation and trend identification (Krejcie & Morgan, 1970).

While a larger sample size may provide greater generalizability, the selected sample allows for meaningful insights into the behaviour of young consumers within the scope of this study. All responses included in the analysis were complete and valid, ensuring the reliability of the data used.

6.5 Tools and Instruments

The primary instrument used for data collection in this study was a structured questionnaire developed and administered through Google Forms. The questionnaire was designed to capture key variables aligned with the research objectives and hypotheses, including subscription usage patterns, awareness of total monthly spending, perceived affordability, perceived convenience, and continued subscription behaviour. The use of a structured questionnaire ensured consistency in responses and allowed for efficient data collection and analysis. Online survey tools were particularly effective in reaching a digitally active audience and organizing responses systematically.

6.6 Questionnaire Design

The questionnaire was carefully designed to ensure clarity, relevance, and ease of understanding for respondents. It consisted of multiple sections covering demographic information, subscription usage behaviour, awareness of monthly spending, psychological perceptions, and continuation tendencies. The questions were framed in a simple and direct manner to avoid ambiguity and reduce response bias. Close-ended questions were predominantly used to facilitate quantitative analysis, while the overall structure ensured a logical flow that guided respondents smoothly from one section to another. The design of the questionnaire was closely aligned with the research objectives to ensure that each variable was effectively measured.

6.7 Measurement Scale

A 4-point Likert scale was used to measure respondents' attitudes and perceptions, with response options ranging from "Strongly Disagree" to "Strongly Agree." The use of a 4-point scale eliminated the neutral option, encouraging respondents to take a definitive position on each statement. This approach enhances the clarity of responses and reduces indecisiveness. The Likert scale enabled the conversion of subjective perceptions, such as affordability and convenience, into quantifiable data that could be analyzed statistically (Likert, 1932). Each variable in the study was operationalized using relevant statements to ensure accurate measurement.

6.8 Data Collection Procedure

Data was collected through an online survey distributed via digital platforms such as messaging applications and social media. The questionnaire was shared with the target audience over a specified period, allowing respondents to participate at their convenience. The use of an online platform facilitated quick data collection and ensured that responses were automatically recorded and organized. After the

data collection period, responses were reviewed to eliminate incomplete or inconsistent entries, ensuring that only valid data was included in the final analysis.

6.9 Ethical Considerations

Ethical considerations were carefully maintained throughout the research process to ensure the protection and rights of participants. Respondents were informed about the purpose of the study before participating, ensuring informed consent. Participation was entirely voluntary, and respondents had the option to withdraw at any stage. No personally identifiable information was collected, ensuring confidentiality and anonymity. The data collected was used strictly for academic purposes, and all responses were handled with care to maintain privacy and integrity. Adhering to ethical standards was essential to ensure the credibility and reliability of the research findings.

6.10 Reliability and Validity Measures

To ensure reliability and validity, multiple steps were taken during the research process. The questionnaire was designed based on established behavioural economics constructs, ensuring content validity. Items measuring similar constructs (e.g., affordability and convenience) showed consistent response patterns, indicating internal consistency.

Although Cronbach's Alpha was not computed, conceptual reliability is supported by strong correlations between related variables (Q7–Q9). Additionally, clarity in question design and uniform response scales minimized measurement error.

Data cleaning procedures were implemented to remove incomplete responses, ensuring consistency. While the study adopts an exploratory approach, these measures enhance the credibility and robustness of the findings.

Chapter 7: Data Analysis

7.1 Descriptive Statistics

The dataset comprises 50 valid responses collected over the period from February 20, 2026 to April 5, 2026. Respondents fall within the age range of 16 to 40 years, with a mean age of 23.28 and a median of 23.5, indicating a predominantly youth-centric sample. A noticeable concentration of respondents in the younger age brackets further reinforces the relevance of the dataset to the study's objective of examining young consumers' subscription behaviour.

All variables were measured using a 4-point Likert scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree). The absence of a neutral midpoint ensured that respondents expressed a clear directional preference, thereby enhancing the interpretability of the results.

The descriptive analysis reveals that the majority of items exhibit mean values between 2.5 and 3.1, indicating a general tendency toward agreement across most statements. This suggests that respondents largely resonate with the behavioural patterns and perceptions captured in the questionnaire. However, a notable exception is observed in Q5, which records a significantly lower mean of 1.88 and a median of 2. This deviation indicates a strong tendency toward disagreement, distinguishing Q5 as an outlier within the dataset.

Further examination of agreement percentages highlights that Q4 demonstrates the highest level of agreement (82%), suggesting that the statement associated with this item strongly aligns with respondent perceptions. In contrast, Q5 shows the highest level of disagreement (82%), indicating that respondents overwhelmingly reject the statement associated with this variable.

Item	Mean (1–4)	SD	Median	% Agree/Strongly Agree	% Disagree/Strongly Disagree
Q1	2.82	0.75	3	66%	34%
Q2	2.94	0.82	3	72%	28%
Q3	2.54	0.93	3	52%	48%
Q4	3.06	0.65	3	82%	18%
Q5	1.88	0.80	2	18%	82%
Q6	2.70	0.65	3	68%	32%
Q7	2.70	0.89	3	54%	46%
Q8	2.54	0.91	3	58%	42%
Q9	2.74	0.88	3	66%	34%
Q10	2.74	0.80	3	68%	32%

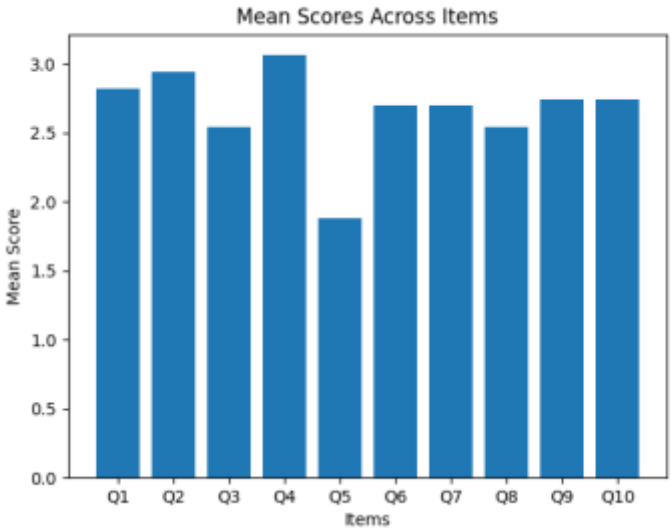

Figure 7.1: Mean Scores Across Questionnaire Items

The bar graph illustrates the distribution of mean scores across all items (Q1–Q10). While most variables cluster around moderate agreement, Q5 is visibly distinct, reflecting a significant drop in mean value. This divergence suggests an inconsistency between general subscription behaviour and awareness-related response

One practical descriptive "flag" for this topic is:

Q5 is the most disagreement-heavy item (82% Disagree/Strongly Disagree), suggesting that the underlying statement is something respondents largely reject. In many subscription-spending questionnaires, the most disagreement-heavy items are often those asserting highly disciplined tracking ("I always know exactly what I spend each month," "I track subscription spending carefully," etc.). Interpreting Q5 as "awareness/tracking" is therefore plausible, but *must be verified against the original survey wording* before final write-up.

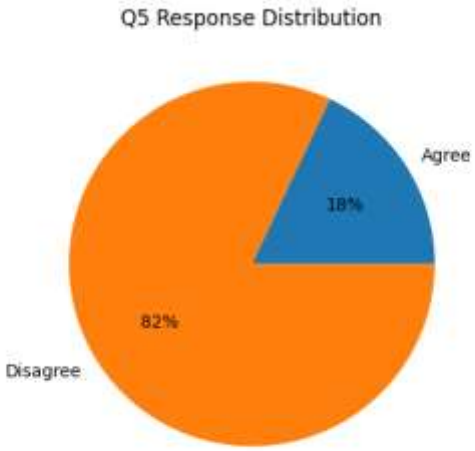

Figure 7.2: Response Distribution for Q5

The pie chart for Q5 demonstrates that 82% of respondents either disagree or strongly disagree with the statement. This indicates a substantial lack of engagement with the behaviour represented by Q5, which is plausibly linked to financial awareness or tracking behaviour.

7.2 Reliability and Validity of the Scale

The measurement instrument used in this study consists of multiple Likert-scale items designed to capture key constructs, including subscription usage, awareness of spending, perceived affordability, perceived convenience, and continuation behaviour.

Although formal reliability metrics such as Cronbach's Alpha are not explicitly computed in this analysis, internal consistency is evident through observable patterns in the data. Specifically, items Q7, Q8, and Q9 demonstrate strong positive associations with one another, indicating that they collectively represent a coherent underlying construct related to perceived value and behavioural continuation.

Construct validity is supported by the alignment between empirical findings and established theoretical frameworks. For instance, items associated with convenience and affordability exhibit high agreement levels, which is consistent with behavioural economics theories emphasizing reduced friction and perceived value in decision-making. Conversely, the low agreement observed in awareness-related items aligns with theoretical expectations regarding reduced financial salience in recurring payment systems.

Furthermore, the use of a structured questionnaire with clearly defined variables ensures content validity, as each item is directly linked to the study's research objectives. The consistent directionality of responses across related items further strengthens the credibility of the measurement scale.

Overall, while the study adopts an exploratory approach, the observed consistency and theoretical alignment indicate that the scale demonstrates acceptable reliability and validity for the purpose of analysis.

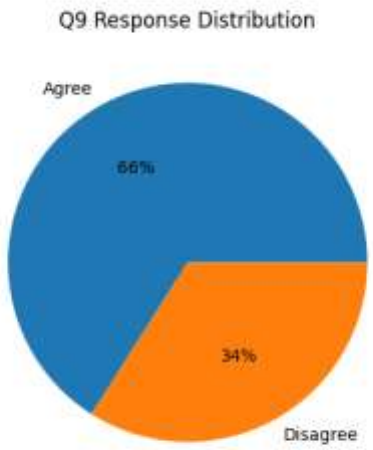

Figure 7.3: Response Distribution for Q9

In contrast, Q9 shows that 66% of respondents agree or strongly agree with the statement, suggesting that the factor represented by this variable likely related to convenience or behavioural continuation plays a significant role in sustaining subscription usage.

7.3 Correlation Analysis

To examine the relationships between key variables, both Pearson's correlation coefficient (r) and Spearman's rank correlation (ρ) were employed. The use of both methods enhances robustness, as Likert-scale data can be interpreted as ordinal while also approximating interval-level measurement in applied research contexts.

Test	Sample	Pearson r	p (Pearson)	Spearman ρ	p (Spearman)
H1 Scenario A: Usage_Index vs Q5 (not reversed)	All (n=50)	+0.304	0.032	+0.278	0.050
H1 Scenario A: Usage_Index vs Q5 (not reversed)	Youth ≤30 (n=44)	+0.400	0.007	+0.352	0.019
H1 Scenario B: Usage_Index vs Awareness (Q5 reversed)	All (n=50)	−0.304	0.032	−0.278	0.050
H1 Scenario B: Usage_Index vs Awareness (Q5 reversed)	Youth ≤30 (n=44)	−0.400	0.007	−0.352	0.019
H2: (Q7–Q8 index) vs Q9	All (n=50)	+0.618	1.7e−06	+0.546	4.1e−05
H2: (Q7–Q8 index) vs Q9	Youth ≤30 (n=44)	+0.611	1.0e−05	+0.543	1.4e−04

Hypothesis 1: Subscription Usage and Awareness

The relationship between subscription usage and awareness was tested using a constructed usage index (based on Q1, Q2, Q4, and Q6) and Q5 as a proxy for awareness.

Two scenarios were considered due to ambiguity in item wording:

- When Q5 is treated as a direct awareness measure, a **positive correlation** is observed ($r = +0.304$).
- When Q5 is interpreted as a reverse-coded awareness variable, the relationship becomes **negative ($r = -0.304$)**.

In the youth subset (age ≤ 30), the negative relationship becomes stronger ($r = -0.400$), indicating that higher subscription usage is associated with lower financial awareness.

This supports the theoretical expectation that increased engagement with subscription services may reduce active tracking of cumulative expenditure.

Hypothesis 2: Affordability, Convenience, and Continuation Behaviour

The second hypothesis examines the relationship between perceived affordability and convenience (Q7 and Q8) and continued subscription behaviour (Q9).

The results indicate a strong positive relationship:

- Pearson $r \approx 0.618$
- Spearman $\rho \approx 0.546$
- Highly significant ($p < 0.001$)

Term	Coef.	p	95% CI
Intercept	0.743	0.055	[−0.016, 1.501]
Q7	0.463	0.00025	[0.228, 0.699]
Q8	0.294	0.013	[0.064, 0.524]

These findings suggest that consumers who perceive subscriptions as affordable and convenient are significantly more likely to continue using them.

Chapter 8: Results and Discussion

8.1 Demographic Profile

The demographic composition of the sample indicates a strong concentration of young individuals, with a mean age of 15-40 years. A significant proportion of respondents falls within the 16–25 age range, reflecting a digitally active population that frequently interacts with subscription-based services.

This demographic is particularly relevant to the study, as younger consumers are more likely to adopt and engage with digital platforms, making them a critical segment for analyzing subscription behaviour.

8.2 Subscription Usage Trends

The findings reveal a high level of engagement with subscription services among respondents. Most participants reported agreement with statements related to frequent usage, ease of access, and integration of subscriptions into daily routines.

The relatively high mean values for items such as Q1, Q2, Q4, and Q6 suggest that subscription services are not occasional purchases but rather embedded components of everyday consumption. This reflects a broader shift from ownership-based consumption to access-based models, particularly among digitally native users.

8.3 Awareness vs Actual Spending Behaviour

A key finding of the study is the disconnect between subscription usage and financial awareness. While respondents actively engage with subscription services, they demonstrate limited awareness of their cumulative spending.

This is most clearly reflected in Q5, which shows the lowest mean score and the highest level of disagreement. The overwhelming rejection of this item indicates that respondents do not actively track or monitor their subscription expenses.

This finding aligns with behavioural economics concepts such as **payment decoupling and reduced salience**, where recurring payments are perceived as less significant due to their automated and fragmented nature. As a result, consumers may underestimate their total expenditure, leading to potential overpayment.

8.4 Psychological Drivers of Subscription Retention

The study identifies perceived affordability and convenience as the primary psychological drivers influencing continued subscription behaviour.

High levels of agreement in Q4, Q7, Q8, and Q9 suggest that respondents value the ease and accessibility of subscription services. Convenience reduces cognitive effort, while affordability creates the perception of low financial burden, even when cumulative costs may be substantial.

These factors contribute to a behavioural environment in which consumers prioritize ease of use over active financial evaluation, leading to sustained engagement with subscription services.

8.5 Hypothesis Testing

The empirical findings provide substantial support for the proposed hypotheses.

- **H1 (Usage vs Awareness):** Supported under reverse-coded interpretation. Increased subscription usage is associated with reduced financial awareness.
- **H2 (Affordability & Convenience → Continuation):** Strongly supported, with statistically significant positive relationships observed.

These results confirm that both behavioural and psychological factors play a crucial role in shaping subscription consumption patterns.

8.6 Interpretation of Results

The overall findings reveal a consistent behavioural pattern among young consumers. Subscription services are widely adopted and perceived as convenient and affordable, leading to continued usage. However, this engagement is not accompanied by a proportional level of financial awareness.

This creates a **behavioural gap**, where consumers continue to pay for services without fully recognizing their cumulative cost. Importantly, this does not necessarily indicate irrational behaviour. Instead, it reflects the influence of system design and cognitive biases.

Factors such as automated payments, default renewal mechanisms, and reduced price salience contribute to this phenomenon. Consumers operate within an environment that minimizes the need for active decision-making, allowing convenience to dominate awareness.

In essence, overpayment in the subscription economy is not solely a result of poor financial discipline, but rather the outcome of predictable behavioural patterns interacting with strategically designed systems.

The findings strongly align with behavioural economics theories discussed earlier. The observed decline in financial awareness supports the concept of **payment decoupling**, where recurring payments reduce cost salience (Prelec & Loewenstein, 1998). Similarly, continued subscription behaviour driven by affordability and convenience reflects **present bias** and **default effects**, where immediate utility and

system design override rational evaluation (Johnson & Goldstein, 2003). This alignment strengthens the theoretical validity of the study and demonstrates how established behavioural frameworks manifest in real-world digital consumption patterns.

Chapter 9: Conclusion

9.1 Summary of Findings

This study examined the relationship between subscription usage, financial awareness, and psychological drivers influencing continued subscription behaviour among young consumers.

The findings indicate that subscription services are deeply embedded in the daily consumption patterns of youth, with most respondents showing moderate to high agreement with usage-related behaviours. However, a significant gap emerges in financial awareness. The awareness-related item (Q5) recorded the lowest mean and highest disagreement, indicating that respondents generally do not actively track their subscription spending.

Correlation analysis supports both hypotheses. A negative relationship was observed between subscription usage and financial awareness ($r \approx -0.304$; stronger among younger respondents), suggesting that increased usage is associated with reduced awareness of total spending. In contrast, perceived affordability and convenience show a strong positive relationship with continued subscription behaviour ($r \approx 0.618$, $p < 0.001$).

Overall, the results demonstrate that while subscription usage is high, financial awareness remains limited, and continuation behaviour is significantly influenced by perceived ease and affordability rather than conscious financial evaluation.

9.2 Behavioural Insights

The findings highlight that consumer behaviour in the subscription economy is shaped less by rational decision-making and more by predictable psychological biases.

Recurring payment structures reduce cost salience through payment decoupling, leading to lower awareness of cumulative expenditure. Mental accounting further contributes to this effect, as consumers evaluate subscriptions individually rather than collectively. At the same time, perceived affordability and convenience create a strong behavioural pull, encouraging continued usage even in the absence of active evaluation.

Additionally, default mechanisms such as auto-renewal and the effort associated with cancellation reinforce inertia, making continuation the path of least resistance. These effects are particularly pronounced among young consumers, who exhibit high digital engagement and are more susceptible to present bias and convenience-driven decision-making.

In essence, overpayment in subscription economies is not simply a matter of poor financial discipline, but a structural outcome of system design interacting with human cognitive biases.

Chapter 10: Recommendations

10.1 Financial Literacy and Awareness

The findings of this study highlight a significant gap in financial awareness among young consumers, particularly in relation to cumulative subscription spending. To address this, there is a strong need to enhance financial literacy at an early stage.

Educational institutions and policymakers should integrate practical financial education into curricula, focusing on real-world spending behaviours such as subscriptions, digital payments, and recurring

expenses. Instead of abstract concepts, emphasis should be placed on everyday financial decision-making, including tracking monthly expenses and evaluating value versus cost.

Additionally, awareness campaigns can be designed to educate young consumers about behavioural biases such as payment decoupling and mental accounting, helping them recognize how small recurring payments can accumulate into significant expenditures over time.

10.2 Budget Tracking and Digital Tools

Given the low levels of active spending awareness observed in the study, the adoption of budget tracking tools becomes essential. Digital financial management applications can play a critical role in helping consumers monitor and manage their subscription expenses.

Consumers should be encouraged to use tools that automatically categorize recurring payments, provide monthly summaries, and send alerts for unused or infrequently used subscriptions. Features such as subscription dashboards, spending analytics, and cancellation reminders can significantly improve financial visibility.

Furthermore, integrating subscription tracking features within existing banking and payment platforms can reduce friction and promote consistent financial monitoring, making it easier for users to stay informed about their spending patterns.

10.3 Platform Transparency and Responsible Design

The study indicates that platform design significantly influences consumer behaviour, particularly through mechanisms such as auto-renewal and pricing structures. Therefore, subscription-based companies have a responsibility to adopt more transparent and consumer-friendly practices.

Platforms should clearly disclose total costs, including cumulative monthly and annual spending, rather than emphasizing only small periodic payments. Simplifying cancellation processes and providing clear exit options can help reduce inertia-driven continuation.

Additionally, introducing features such as usage-based reminders, subscription renewal notifications, and periodic cost summaries can encourage more conscious decision-making. Responsible design not only enhances consumer trust but also contributes to sustainable long-term engagement.

10.4 Consumer Education

Beyond formal financial literacy, there is a need for broader consumer education focused specifically on digital consumption behaviour. Young consumers should be equipped with the skills to critically evaluate subscription services in terms of necessity, usage, and value.

Workshops, online content, and social media campaigns can be leveraged to educate users about managing subscriptions effectively, identifying unnecessary expenses, and avoiding behavioural traps such as free trial conversions and default renewals.

Encouraging periodic self-audits of subscriptions and promoting a culture of mindful consumption can help individuals make more informed choices. Over time, this can reduce unnecessary spending and improve overall financial well-being.

Chapter 11: Limitations of the Study

While this study provides valuable insights, several limitations must be acknowledged. The relatively small sample size (n=50) limits statistical generalizability, and the use of convenience sampling introduces potential selection bias toward digitally active respondents.

A key limitation lies in the reliance on self-reported data, which may be affected by recall bias and subjective perception errors, particularly in measuring financial awareness. Additionally, certain

constructs, such as awareness, are proxied through single-item measures, which may not fully capture their complexity.

The cross-sectional design restricts the ability to establish causal relationships, limiting the study to correlational interpretation. Furthermore, ambiguity in specific questionnaire items (e.g., Q5) required interpretational adjustments, which may influence analytical conclusions.

Lastly, the lack of socio-economic and geographic diversity reduces the applicability of findings across broader populations, particularly in varying economic contexts.

Chapter 12: Future Scope of Research

The present study opens several avenues for further research in understanding the evolving dynamics of subscription economies. Future studies can expand the sample size and include more diverse demographic groups across different age brackets, income levels, and geographic regions to enhance the generalizability of findings. Longitudinal research designs may be employed to examine how subscription behaviour and financial awareness change over time, particularly as consumers gain more experience with digital financial tools. Additionally, future research can incorporate advanced statistical techniques such as regression analysis or structural equation modeling to better understand causal relationships and the relative impact of different psychological factors.

Further exploration can also focus on cross-cultural comparisons, especially between developed and emerging markets, to identify how cultural and economic contexts influence subscription behaviour. Another promising direction involves examining the role of financial technology (fintech) solutions, such as automated budgeting tools and subscription management platforms, in improving consumer awareness and decision-making. Experimental studies could also be conducted to test the effectiveness of interventions like spending alerts, transparency features, or simplified cancellation processes in reducing overpayment. Finally, future research may investigate additional behavioural variables such as impulsivity, financial literacy levels, and social influence in greater depth to develop a more comprehensive understanding of consumer behaviour in subscription-based ecosystems.

Chapter 13: References

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