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Analysis of The Determinants of Buy-Now-Pay-Later Payment Mode Among Malaysians in Klang Valley

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Abstract

The Buy Now, Pay Later (BNPL) service has become increasingly popular in Malaysia in recent years, especially in the Klang Valley. The BNPL service offers consumers a more convenient payment method and access to credit, raising concerns about increased household debt and financial vulnerability. In this study, this paper used financial literacy, perceived risk, credit attitude, and economic vulnerability to examine which factors influence the intention to use the BNPL payment mode. The Theory of Planned Behaviour (TPB) is used to explain the factors influencing consumers' intention to use BNPL services. This study adopts a quantitative research design and collects primary data through a self-administered questionnaire. A total of 250 responses were collected and analysed using SPSS. The findings of this research show that financial literacy, credit attitude, and economic vulnerability have a significant positive influence on the intention to use BNPL. Only perceived risk has no significant impact on intention to use the BNPL mode. The findings can have practical implications for policymakers, regulators, and BNPL service providers to improve BNPL regulation and support sustainable development in Malaysia.

Keywords: Buy-Now-Pay-Later, Financial Literacy, Perceived Risk, Credit Attitude, Economic Vulnerability

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1.0 Introduction

Buy-Now-Pay-Later is an electronic payment mode that allows customers to purchase immediately and pay in short-term instalments with lower or zero interest rates (Ashby et al., 2025). As of December 2024, there are 12 BNPL service providers available in Malaysia, including 4 Shariah-compliant BNPL providers. According to Bank Negara Malaysia, more than 95% of the Market Share is held by three major companies, which are Shopee Pay Later, Grab Pay Later, and Atome. At the end of December 2024, the number of active BNPL users in Malaysia increased by more than 58% from 2023, from 11.2 million to 17.7 million. Surprisingly, 73% of BNPL account holders are from the B40 group, 30% of account holders said they have no savings, meaning they are behind on bills or have no extra money at the end of the month, and 69% of users use BNPL as their only source of personal financing. The trend of BNPL has also led to a rapid increase in total outstanding debt from 2023 to 2024 (Zahiid, 2025). BNPL had an outstanding debt of RM 3.4 million in 2023, but by the end of 2024, the total outstanding debt had increased to RM 8.2 million, a rise of more than 140%. This surge has raised concerns about consumers’ ability to manage deferred payments and maintain financial stability. Compared with traditional credit cards, BNPL services may encourage overspending due to their ease of access and deferred payment structure (Ashby et al., 2025b). This risk is particularly pronounced among B40 users, who may face greater difficulty meeting instalment repayments. Furthermore, BNPL platforms typically require only minimal credit assessments and may offer relatively higher credit limits, increasing the likelihood of excessive borrowing. The instalment-based pricing structure can also create a perception of affordability, leading consumers to overestimate their purchasing power and engage in impulsive spending (Jing et al., 2024; Ng, 2023).

This study will focus on the Klang Valley region because it is one of the most populous regions in Malaysia and a region where digital products are more popular. The region's active e-commerce activities and its demographic structure make it an ideal environment for analysing BNPL services. The research findings in the Klang Valley region can serve as a reference for understanding the use of BNPL in other urban areas in Malaysia. Currently, there are relatively few studies examining the factors influencing Malaysians' intention to use the BNPL payment mode. Moreover, the existing literature presents contradictory findings regarding the factors that influence the intention to use the BNPL payment mode. Considering these gaps, the present work set out to identify the factors shaping Malaysians' intention to use the BNPL payment method. Specifically, it examines the roles of financial literacy, credit attitude, perceived risk, and economic vulnerability in affecting Malaysians’ intention to use the BNPL payment mode.

2.0 Literature Review and Hypotheses Development

2.1 Underlying Theory

The Theory of Planned Behaviour (TPB) was proposed by Ajzen (1991) as an extension of the Theory of Reasoned Action (TRA) proposed by Fishbein and Ajzen (1975). According to TRA, an individual's behaviour is influenced by his or her intention to perform it, which is primarily shaped by two factors: attitude and subjective norm (Fishbein & Ajzen, 1975). Ajzen recognized the limitations of TRA, especially when individuals cannot fully control their behaviour, and added a new predictor to the TPB: perceived behavioural control (Ajzen, 1991). TPB posits that attitude (ATU), subjective norm (SN), and perceived behavioural control (PBC) affect human behaviour. First, attitude is how someone feels about an action shape whether that action feels worth doing. Attitude (ATU) can be used to explain two independent variables in this study, which are credit attitude and perceived risk. Attitude refers to a positive or negative feeling toward a person or object, often measured through empirical indicators (Lee & Lee, 2021; Lown & Cook, 1990). Credit attitude, as a specific aspect of personal finance, extends money attitude research, focusing on beliefs and feelings about borrowing, repayment, and credit use (Roberts & Jones, 2001; Wilhelm et al., 1993).

This provides a logical link from general financial attitudes to credit-specific behaviours. In short, credit attitude refers to an individual's feelings about using credit (Roberts & Jones, 2001). For example, if an individual has a positive credit attitude, he will be more accepting of using credit because he believes it can improve his financial flexibility and convenience (Zainudin et al., 2019). Therefore, this aligns with the attitude

(ATU) theory because individuals with a positive attitude toward credit feel more worthy and are more willing to use the service.

Perceived risk is represented as an individual's subjective feeling about the potential negative consequences associated with a particular decision (Andrian & Selamat, 2022). Perceived risk also affects an individual's willingness to use the service because if an individual believes that the BNPL payment model is dangerous, high-risk, and has privacy data issues, it will negatively affect the individual's intention to use BNPL services. When people perceive their actions as involving financial, security, and privacy risks, they deem them not worthwhile, leading to a negative evaluation, a less favourable attitude, and lower behavioural intention. Therefore, within the TPB framework, attitude (ATU) can be used to explain how credit attitude and perceived risk influence willingness to use BNPL payment methods.

Perceived behavioural control (PBC) can be understood as individuals' perceptions of the uncertainty and consequences associated with their ability to perform a behaviour, including past experiences and expected barriers (Ajzen, 1991). Individuals who believe in their ability to perform a certain task or behaviour are more likely to do so and to develop behavioural intention. Financial literacy refers to the ability to master financial knowledge and effectively apply a variety of knowledge, skills, awareness, attitudes, and behaviours (Huston, 2010). It is related to perceived behavioural control, which explains an individual's perception of their ability to perform certain behaviours. Individuals with higher financial literacy may feel they have more control over their use of BNPL services. Understanding the mechanics of deferred payments, interest charges, and repayment plans will increase their confidence in financial instruments. Therefore, PBC aligns with financial literacy, as individuals with greater financial knowledge are more confident in completing tasks and more likely to form behavioural intentions.

Subjective norm refers to the perceived social pressure to perform or refrain from a certain behaviour. Subjective norm reflects an individual's perception of whether important people in their life, such as family, friends, or peers, approve or disapprove of the behaviour in question. If a person believes it is important for others to expect them to engage in a certain behaviour, they are more likely to be willing to do so (Ajzen, 1991).

Although the concept of subjective norm is one of the three core elements of the Theory of Planned Behaviour, it cannot be used directly as an independent variable in this study. This research focuses on personal and cognitive factors, such as financial literacy, credit attitudes, and perceived risk, which are more aligned with internal motivations and perceived control than with external social influences. Therefore, the subjective norm component is recognized as part of the TPB model but is not considered in the further analysis in this study due to its limited connection to the chosen variables.

Theory of Planned Behaviour (TPB) explains people's behavioural intentions primarily through internal factors such as attitudes, perceived behavioural control, and subjective norms, but it does not account for external influences, such as personal economic problems. Therefore, economic vulnerability is a key variable for studying the real structural pressures that affect consumer behaviour. Issues such as income and job instability may affect individuals' reliance on short-term loans, including "buy now, pay later" (BNPL) services (Donou-Adonsou & Leslie-Piper, 2025). Studies have shown that economic vulnerability is positively associated with credit use, and individuals with economic vulnerabilities are more likely to use credit (Chiang, 2024). In summary, the Theory of Planned Behaviour (TPB) provides the theoretical foundation for understanding individual behaviour in this study. The variables in this study are all logically consistent or extend the TPB framework. Credit attitude and perceived risk constitute the attitude (ATU) element, reflecting an individual's positive or negative assessment of BNPL services. Financial literacy is perceived behavioural control (PBC), referring to an individual's perceived ability to effectively manage BNPL services. Although subjective norms (SN) are an integral part of TPB, they were not included in this study because they were deemed less relevant to the personal and cognitive factors examined. Finally, economic vulnerability adds a further dimension to the framework, involving external structural factors that influence change and are not sufficiently captured by TPB, such as income instability and reliance on short-term credit. In conclusion, this integration provides evidence that TPB can incorporate economic factors from a contextual standpoint while accounting for the internal factors that determine BNPL adoption.

2.2 Intention to Use BNPL

Intention is defined as a particular probability that one will perform a specified behaviour (Ajzen, 1991). From a psychological perspective, intention is a mental state that represents a commitment to perform an action or achieve a goal in the future, encompassing both planning and the determination to execute it. This concept is crucial to understanding human behaviour because it explains the gap between thought and action (Conner & Norman, 2022). Buy-Now-Pay-Later (BNPL) is a short-term financing payment method that allows consumers to purchase goods immediately and repay the amount later in interest-free instalments (Kleinbard et al., 2022). Compared with traditional credit cards, BNPL does not require a physical card and typically involves a simpler application process, making it more accessible to a wider range of consumers (Alessa & Alabdan, 2025; Cuandra, 2022). While BNPL offers zero-interest repayment within a specified period, late payments may result in penalties and negatively affect users' credit standing (Kleinbard et al., 2022). In summary, behavioural intention is a key predictor of BNPL adoption within the TPB model (Ajzen, 1991). It reflects an individual's intention to use BNPL and links attitudes, perceived behavioural control, and actual behaviour. Factors such as credit attitude, perceived risk, financial literacy, and economic vulnerability influence this intention and help explain how internal evaluation and external conditions coexist with consumers' intention to use the BNPL payment mode.

2.3 Financial Literacy

Financial literacy plays an important role in shaping consumers' intention to use the buy-now-pay-later (BNPL) payment mode, indicating that it is a significant factor influencing users' intention to use the BNPL service. The study, which surveyed 257 BNPL users, found that this effect varied by gender, with women showing a stronger effect of financial literacy on BNPL service adoption, likely due to their role as managers of household finances (Juita et al., 2024). Research shows that students with higher financial literacy are more cautious when using BNPL services. They are usually less likely to make impulse purchases and carefully evaluate their purchasing decisions to avoid potential losses. The study conducted in-depth interviews with 26 students, and the results emphasized the important role that financial literacy plays in students' evaluation of various financial products and services (Chernovita, 2020). In addition, the study pointed out that financial literacy has a significant impact on consumers' consumption behaviour, especially when using financial services such as BNPL. This means that people with higher financial literacy have a positive impact on their consumption behaviour and are more cautious about delaying payment behaviour. This study collected the data from millennials between the ages of 25 - 40 (Setiawan et al., 2020). In summary, financial literacy affects the intention to use the BNPL payment mode, as consumers' financial knowledge leads them to make different financial decisions. Based on the above explanation, the following hypothesis can be proposed:

H1: Financial literacy affects the intention to use of the BNPL payment method.

2.4 Perceived Risk

A study based on a survey of 169 respondents found that perceived security risks negatively affected perceptions of BNPL services. This finding suggests that data protection and data security play a key role in consumers’ use of BNPL (Kinanthi et al., 2024). Research shows that perceived risk weakens consumers' intention to use BNPL services. In other words, even if individuals have a positive attitude towards BNPL services, higher perceived risk will hinder their actual adoption. This study empirically examines the role of perceived risk as a mediating factor with 339 young Indian shoppers and focuses on its impact on consumer behavioural intention to use the BNPL payment mode (Kumar & Nayak, 2024). A recent study involving 430 young Vietnamese consumers showed that perceived privacy risks negatively impact consumers’ behavioural intention to use BNPL services. In other words, the possibility that their data could be misused weakens users’ willingness to use BNPL services (Nguyen et al., 2024). Based on the aforementioned, this study will examine how perceived risk affects the intention to use BNPL in the Klang Valley to address the research gap. Based on the above explanation, the following hypothesis can be proposed:

H2: Perceived risk affects the intention to use of the BNPL payment method.

2.5 Credit Attitude

Many scholars have shown that credit attitudes are a key factor in debt accumulation. Lee and Lee (2021) found a strong correlation between personal credit attitudes and credit card debt. In other words, a positive attitude toward credit increases the likelihood of borrowing behaviour. Similarly, Kao and Lau (2024) and Zainudin et al. (2019) observed that students with credit card debt showed positive attitudes towards using credit cards, further supporting the important relationship between credit attitude and debt. In addition, Bhandari (2025) and Chien and Devaney (2005) further showed that people with positive credit attitudes are more inclined to use credit cards for consumption. In summary, these existing findings show that a positive credit attitude tends to lead to higher credit card usage, but offer a limited understanding of how credit attitude specifically affects the intention to use BNPL. Based on the above explanation, the following hypothesis can be proposed:

H3: Credit attitude affects the intention to use of the BNPL payment method.

2.6 Economic Vulnerability

Economic vulnerability users are more likely to choose a pay-now, pay-later service, with more than 75% of financially challenged consumers using a BNPL service (PYMNTS, 2025). The data show that BNPL is more attractive to consumers struggling to pay their bills. When households face a financial problem, they are more than four times more likely to use the BNPL service to extend their payment period compared with households without financial problems (Webster et al., 2025). Individuals who are lower-income and have limited emergency savings are more likely to use BNPL payment methods. The study shows that individuals who are struggling to make ends meet are twice as likely to use BNPL as those who are financially comfortable. Not only that, but people with less than $500 in emergency funds are also more likely to use BNPL in the United States (Larrimore et al., 2024). Furthermore, the study collected data from more than 6,500 American adults. The data collected from the years 2021-2023 U.S. Household Economics and Decision-Making Survey (SHED). This dataset allows for a more accurate analysis of how economic vulnerability affects the intention to use the

BNPL payment mode. In summary, people with economic vulnerability have a strong correlation with the use of BNPL services, suggesting financial stress increases reliance on deferred payment options. However, these studies focus on consumer behaviour in the U.S., so this study will examine how economic vulnerability affects the intention to use BNPL in the Klang Valley. Based on the above explanation, the following hypothesis can be proposed:

H4: Economic vulnerability affects the intention to use of the BNPL payment method.

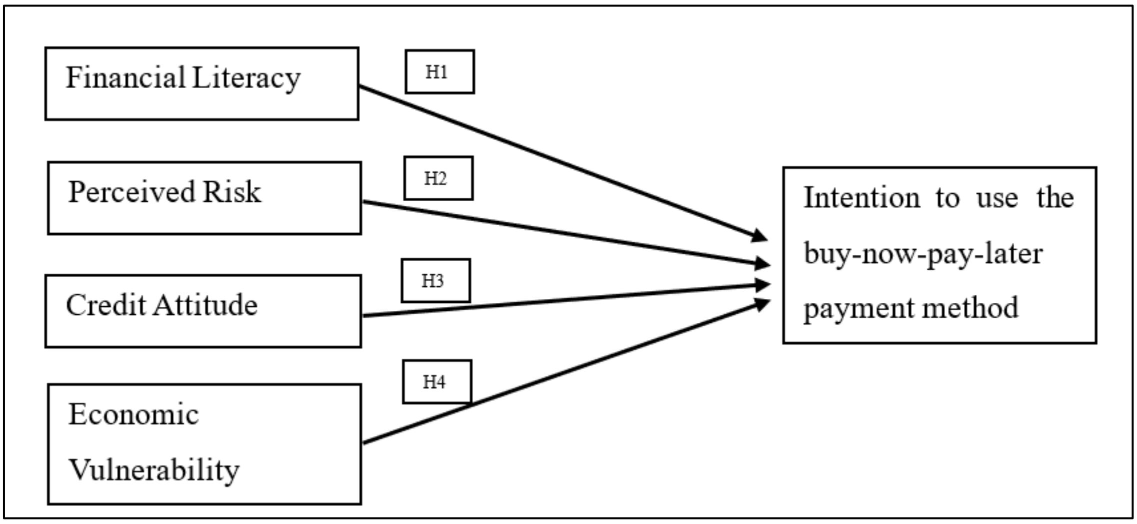

Figure 1: Proposed Research Framework

3.0 Methodology

This research used the quantitative research methodology to test the relationship between the independent variables including financial literacy, perceived risk, credit attitude, and economic vulnerability and the dependent variable, intention to use BNPL. In this study, we used primary data. Primary data were collected through a questionnaire distributed to approximately 250 respondents by using a non-probability purposive technique. The target respondents were Malaysians aged 18 and above living in the Klang Valley who intended to use BNPL services. The questionnaire items were adapted from past studies. Financial literacy was assessed through a 10-item instrument from Haws et al. (2011), while this paper used a 5-item questionnaire from Koenig-Lewis et al. (2015) and Lu et al. (2011) to measure the perceived risk. In addition, credit attitude was assessed using the 6-item scale adapted from Fauziah et al. (2008) and Amin et al. (2011), and economic vulnerability was assessed through a 5-item scale from Németh et al. (2023). All constructs were measured using a five-point Likert scale. This quantitative research study analysed descriptive statistics, reliability, and multiple regression using SPSS software.

4.0 Results and Discussion

4.1 Demographic Profile

Table 1 illustrates that the respondents comprised 51% (127) males and 49% (123) females. Most of the respondents have been using the BNPL for more than 4 years, and 3 – 4 years, 32% (80) of the respondents for each. Then, 23.60% (59) of the respondents used 1-2 years, and 12% (31) used less than a year. Most users used the SPayLater (Shopee), 54.4% (136). This was followed by Grab PayLater with 32.8% (82 respondents), while Atome ranked third with 10.4% (26 respondents).

Table 1: Demographic Profile

Variables	Category	Frequency	Percentage (%)
Gender	Female	123	49.00%
	Male	127	51.00%
Frequency	Less than a year	31	12.00%
	1–2 years	59	23.60%
	3–4 years	80	32.00%
	More than 4 years	80	32.00%
Platform	SPayLater (Shopee)	136	54.40%
	Grab PayLater	82	32.80%
	Atome	26	10.40%
	Other	6	2.40%

4.2 Reliability Analysis

Before testing the hypotheses, we conducted a reliability test to ensure the instruments were reliable. The table above shows that Cronbach's alpha of Intention to use BNPL is 0.907, and the independent variables are financial literacy (0.953), perceived risk (0.755), credit attitude (0.951), and economic vulnerability (0.922), all the variables are considered excellent results, only perceived risk, but still acceptable.

Table 2: Reliability Analysis

Variables	Cronbach's Alpha	Number of items	Reliability Result
Intention to Use BNPL	0.907	5	Excellent
Financial Literacy	0.953	10	Excellent
Perceived Risk	0.755	5	Acceptable
Credit Attitude	0.951	6	Excellent
Economic Vulnerability	0.922	5	Excellent

4.3 Multiple Regression Analysis

When the p-value is below 0.05, it indicates a significance level of 95% (Bonovas & Piovani, 2023). The results showed a significant hypothesis relationship between (1) financial literacy and intention to use BNPL (t=3.831, p<0.001), (3) credit attitude and intention to use BNPL (t=2.079, p<0.039), and (4) economic vulnerability and intention to use BNPL (t=7.052, p<0.001). Therefore, H1, H3, and H4 are supported. Only the hypothesis (2) relationship between perceived risk and intention to use BNPL is rejected (t=1.936, p>0.054). R^2 value reflects the influence of the selected independent variables on the dependent variables. Based on the table 3, the model summary of multiple regression analysis indicates that the variables of financial literacy, perceived risk, credit attitude, and economic vulnerability predict 91% of the variance in intention to use BNPL. The F-value is 632.32, demonstrating that the regression model is statistically significant. This result indicates that the independent variables, taken together, have a significant effect on the dependent variable. In summarize, the relationship of the dependent variable

(Intention to use BNPL) and the independent variables (Financial Literacy, Perceived Risk, Credit Attitude, and Economic Vulnerability) can be interpreted by developing:

$y = \alpha + \beta 1(X1) + \beta 3(X3) + \beta 4(X4)$

y = 0.230 + 0.252(*Financial Literacy*) + 0.158(*Credit Attitude*) + 0.475(*Economic Vulnerability*)

Based on the estimated regression equation, a one-unit increase in Financial Literacy, Credit Attitude, and Economic Vulnerability is expected to lead to an increase of 0.252, 0.158, and 0.475 in intention to use BNPL.

Table 3: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t	Sig.
Constant	0.230	0.081		2.837	0.005
FL > BNPL	0.252	0.066	0.248	3.831	<0.001
PR > BNPL	0.07	0.036	0.065	1.936	0.054
CA > BNPL	0.158	0.076	0.162	2.079	0.039
EV > BNPL	0.475	0.067	0.509	7.052	<.001

R^2= 0.910; F-value = 632.32, $p < 0.001$

4.4 Discussion

Based on the results in Table 3, financial literacy (FL) has a significant positive influence on the intention to use the BNPL payment mode. Hence, this result differs slightly from the existing literature. The literature suggests that higher financial literacy may reduce the intention to use credit services (Chernovita, 2020; Juita et al., 2024b; Setiawan et al., 2020). However, the study by Kshatri (2025) shows that financial literacy is positively correlated with the intention to use BNPL. This is because an individual with higher financial literacy will have a better understanding of the BNPL service. Another study by Sady et al. (2024) also shows a positive correlation between financial literacy, as individuals with higher financial literacy can better understand financial products and services. Therefore, FL is a key factor affecting the individual's intention to use the BNPL payment mode. Furthermore, perceived risk has no significant effect on the intention to use BNPL as a payment method. An insignificant relationship between perceived risk and intention to use the BNPL payment mode is unexpected. According to the existing literature, these studies show significant relationships between PR and intention to use BNPL (Kinanthi et al., 2024; Kumar & Nayak, 2024; Nguyen et al., 2024).

Meanwhile, some researchers report insignificant results. According to the Pontoh et al. (2022) study that shows the perceived risk has no significant effect on the intention to use digital payment methods. The paper discusses why, in the current digital era, most people are familiar with digital payment systems and may prioritize the benefits of digital payments, such as transaction speed and convenience, over potential risks. As a result, perceived risk becomes less impactful on the individual's intention to use the digital payment system. (Tang et al., 2020) also indicate the same conclusion perceived risk in security concern is no longer affecting the intention to use the FinTech service. This is because the platform's cybersecurity protection is already advanced, so users may assume the risk will be low and reduce the impact on their intentions. The study from Acharya and Bhojak (2024), which studies the adoption of Fintech among generations Y and Z, indicating that higher trust in security features results in a lower impact of perceived risk on intention behavior. However, this finding aligns with the TPB, where attitude reflects how someone feels about an action, shaping whether that action feels worth doing. The perceived risk might be insignificant in this study because positive attitudes that have been formed through familiarity and frequent use of a platform (Descheemaeker et al., 2017). The insignificance of perceived risk may be explained by high user familiarity and trust in the platform's security, which weakens risk perceptions. From a TPB perspective, this indicates that positive attitudes toward BNPL dominate decision-making, thereby diminishing the effect of perceived risk on usage intention.

Credit attitude (CA) has a significantly positive influence on the intention to use the BNPL payment mode. This result is in line with the existing literature, as Lee and Lee (2021) found a strong correlation between personal credit attitudes and credit card debt. Similarly, Kao and Lau (2024) and Zainudin et al. (2019) observed that students with credit card debt had positive attitudes towards using credit cards. In addition, Bhandari (2025) and Chien and Devaney (2005) further showed that people with positive credit attitudes are more inclined to use credit cards for consumption. Therefore, CA is a key factor affecting the individual's intention to use the BNPL payment mode. Economic vulnerability (EV) has a significantly positive influence on the intention to use the BNPL payment mode. This result is consistent with the study by Webster et al. (2025), which indicates that when households face a financial problem, they are more likely to use credit services to extend payment periods. Larrimore et al. (2024) reach the same conclusion: individuals with lower income and savings are more likely to use credit services than those who are financially comfortable. Therefore, EV is a key factor affecting the individual's intention to use the BNPL payment mode.

5.0 Conclusion and Future Research

This paper used the Theory of Planned Behavior (TPB) to examine the factors influencing Malaysians' intention to use Buy-Now-Pay-Later (BNPL) services in the Klang Valley. The framework involved financial literacy (FL), perceived risk (PR), and credit attitude (CA) using TPB, and economic vulnerability EV was added as an economic variable to the classical TPB setup. The empirical results indicate that the positive impact of financial literacy, credit attitude, and economic vulnerability on BNPL usage intention is strong. It means that those with higher financial knowledge, more positive attitudes towards credit, and greater economic constraints are more likely to use BNPL services. The latter is particularly evident in economic vulnerability, where financially constrained consumers may use BNPL as a temporary coping strategy. In contrast, perceived risk was determined not to have a significant impact on intention. This indicates that where digital payment services are relatively well developed, such as in Malaysia, customers might value convenience and availability and ignore the perceived risk to their money. The findings suggest that interpretable perceived risk under TPB may not be universally applicable and may depend on specific circumstances, especially when fintech services are already mature, the impact of perceived risk on willingness to use will decrease.

The findings have valuable implications to policymakers and marketers. The positive correlation between economic vulnerability and BNPL intention is important to policymakers because it underscores the need for tighter credit controls, responsible lending, and consumer protection measures to curb consumers' high debt levels. The high impact of financial literacy for marketers and BNPL providers implies that consumer knowledge of BNPL arrangements, repayment systems, and financial implications should be strengthened to encourage consumers to use it wisely rather than be persuaded to adopt it on a whim. In general, this paper has shown that BNPL has been growing rapidly in Malaysia due to both behavioural and economic drivers. Although BNPL services offer short-term financial flexibility, their growing popularity among economically vulnerable populations raises concerns about long-term financial health. Hence, an intermediary between market participants and regulators is needed to ensure the sustainable development of the BNPL ecosystem without jeopardizing consumers' financial stability. In future studies, researchers can consider the geographical scope and extend it beyond the Klang Valley to enhance generalizability. Other behavioural variables could also be introduced by researchers to further broaden the TPB framework. To investigate the evolution of BNPL usage behaviour over time, longitudinal studies are advisable, especially given regulatory developments and the changing fintech landscape.

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