

When Convenience Becomes Commitment: Strengthening Digital Financial Literacy for Responsible Buy Now, Pay Later Use in Malaysia

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A Familiar Purchase, an Unseen Burden

Aina, who is a 26-year-old executive living in Klang Valley, finds an online discount offer for a laptop. The platform allows her to make payments through a seemingly affordable Buy Now, Pay Later (BNPL) plan in instalments. The first payment is certainly a manageable amount, and she feels that the purchase is an informed one.

However, this is not Aina's first experience with BNPL. She already has several charges incurred through various apps for her mobile phone, clothing and household goods. Individually, these instalments seem manageable, but collectively they account for a major part of her disposable income. When an accidental car repair disturbs her plans for the month, she uses another BNPL service to pay for groceries. Convenience has become necessity.

Aina is well-educated, has a job and has experience of using digital payment services. But she has no idea about how to calculate her total BNPL dues, how to differentiate between payment ability and buying ability, how to understand the terms of the payment she has to make digitally and how various promotions and advertising can affect her decision-making. Overall, she is a clear example of the central concern discussed in this article.

Why BNPL Matters in Malaysia

The adoption of BNPL has surged from being a niche service within the realm of FinTech to achieving mass-market status within Malaysia's consumer credit environment. The product is now commonly

available at physical and online storefronts, where it is sold alongside debit cards, e-wallets, and all forms of online banking.

This presentation makes BNPL seem like yet another payment option rather than an agreement involving future income commitments. BNPL's growth trajectory has been impressive. The value of Malaysian BNPL transactions increased from RM4.9 billion in the first half of 2024 to RM7.1 billion in the second half, representing a 44.9% increase (Hishamudin, 2025). As of the end of 2025, the number of BNPL users had reached approximately 7.5 million, up from 2.6 million in 2023. The total value of outstanding BNPL financing stood at RM4.9 billion, while overdue accounts amounted to RM160.2 million, equivalent to 3.3% of outstanding financing (Ministry of Finance Malaysia, 2026). According to the Ministry of Finance Malaysia (2026), BNPL exposure remained manageable, accounting for approximately 0.3% of total household debt.

The numbers require careful reading. In terms of value, BNPL is still minor compared to national statistics for home mortgage, vehicle financing, personal loans, and credit card debt. It must be noted that a small share in the economy does not mean insignificant consumer pain or damage. The RM300 payment may be negligible in national statistics yet still represents a lot of inconvenience for a household with unstable income, poor savings or multiple other obligations at the same time. The discussion of the BNPL phenomenon in terms of policy in Malaysia shows that it is used, in part, by the poorest consumers, including the B40 group (Hishamudin,

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2025).

Young consumers have to be studied carefully but should not be reduced to the stereotype of being irresponsible. They actively engage in mobile commerce, social media marketing, online payments, and mobile applications, and at the same time make progress towards stable income and learning how to use formal loans. BNPL is appealing due to its simplicity: the approval process is very fast, payments are cheap, and getting BNPL is easier than getting a usual credit card.

From Convenience to Financial Vulnerability

In economic terms, buy now pay later is a form of consumer credit which differs from other payment systems since payment systems entail moving money while credit systems allow for consumption regardless of the current obligation already incurred. Opting for buy now pay later entails that the consumer assigns a portion of their future income towards the payment. The commercial terms such as “pay later”, “four easy payments” or “interest free payments”, imply that the consumer gets quick access to the goods without the need to think much about the total commitment in financial terms.

For example, a purchase costing RM600 can be defined as RM150 per payment instead of RM600 lost. Therefore, the purchase cost stays unchanged but differs in timing and presentation. This provides a crucial distinction between instalment payment affordability and total purchase affordability. The former consideration ensures whether the forthcoming payment can be made while the latter assesses whether the overall money obligation can be paid without having any effect on necessary spending, saving, debt obligations and emergency reserve. Approval does not guarantee affordability since it only says that the lending company is willing to provide money.

BNPL does possess genuine advantages. It allows for an expense to be spread out through salary cycles,

provides short-term liquidity, and serves as an interest-free solution to credit options, assuming payments are made on time. BNPL users have been seen to engage in some operation factors linked with improved financial success, such as planning, doing budget comparisons, reading contracts, and avoiding impulsive purchases (Powell et al., 2023). So the issue here is not about access but based more on people's behaviour around access.

Experiments using real-life transaction data suggest that BNPL may facilitate buying and spending due to lower perception of financial constraints. Kumar et al. (2024) demonstrated that BNPL users tend to spend much more than traditional payment option users, while Maesen and Ang (2025) articulated that the instalment payment option allows for seeing purchases as manageable, hence increasing the frequency of transactions. This does not say that all payments made via BNPL lead to excessive spending but indicates that customers regard product affordability differently when it comes to the payment structure options offered.

There are many relevant mechanisms. Mental accounting proposes that consumers take all payments into account separately although all payments come from the same earnings. BNPL eases the pain of paying since the creation of debts happens in the present while the expenses begin to manifest later. Present bias additionally makes the current offering more enticing than payments scheduled for the following month. Countdown timers, targeted ads, free shipping limits, vouchers, and recommendations from social media can reinforce this phenomenon by shifting the consumer's question from whether they should buy anything to which credit payment option to select.

Digital platforms may also legitimise frequent borrowing thanks to the rewards, larger limits, and signs of status via the app. Qualitative research indicates that gamified elements allow consumers to perceive enhanced access to credit as an

accomplishment (Threadgold et al., 2025). The research connects such risky borrowing behaviour and impulse buying with the problematic use of BNPL depending on self-control, stable income, and design of the goods (Kumar & Nayak, 2024).

The most serious risk is often debt stacking. One consumer may use separate providers for clothing, electronics, groceries, and transport. Each application displays only its own instalments, while the combined claims fall on the same future salary. AKPK has warned that managing multiple BNPL payments across platforms increases the risk of missed payments, late charges, and over indebtedness, particularly among consumers already facing financial difficulty (Agensi Kaunseling dan Pengurusan Kredit [AKPK], 2025).

Financial vulnerability should therefore not be measured only by formal default. A consumer may keep every BNPL account current while reducing savings, delaying healthcare, missing another bill, borrowing from family, or transferring repayments to a credit card. Evidence from the United Kingdom documents BNPL obligations being paid through credit cards, converting short-term commitments into potentially longer and more expensive debt (Guttman-Kenney et al., 2023). Repeated BNPL use for food, transport, or utilities may also signal persistent income insufficiency rather than discretionary spending.

Low arrears are reassuring at the market level, but they do not prove that repayment occurs without sacrifice. The relevant welfare question is whether BNPL preserves or weakens consumers' capacity to meet all obligations, withstand shocks, and maintain control over future cash flow. Recent evidence suggests that BNPL and social-media shopping exposure can interact to intensify financial stress and unsecured debt, particularly among digitally connected consumers (Donou-Adonsou & Leslie-Piper, 2026).

Digital Financial Literacy as a Protective Capability

Traditional financial literacy is very important, but it is not enough due to credit being built into mobile apps and the unique algorithms behind them. Digital financial literacy (DFL) brings financial knowledge to the environment marked by technology and social behaviour. It encompasses the skills necessary for the appropriate use of digital financial services, understanding their risks and benefits, protecting personal data, understanding consumer rights, and supporting financial well-being (Organisation for Economic Co-operation and Development [OECD], 2026). In the case of BNPL, DFL has to provide six important capabilities. First, consumers must realise that BNPL represents credit and a future income obligation. Second, they must calculate the total amount payable across instalments and understand their cumulative BNPL exposure. Third, they must assess real affordability based on all the current expenses, debts, savings, and emergency needs. Fourth, they need to understand instalment framing, urgency of promotions, social comparison, and incentives and other persuasion techniques. Fifth, they should use various reminders, calendars, reports, and budgets for tracking their obligations. Finally, they need to know how fees are charged, how personal data are processed, and how complaints are handled.

These competencies convert knowledge into behaviour. A digitally financially literate consumer should review all instalments due within a salary cycle, set a personal BNPL limit below the provider's approved limit, pause new purchases until existing plans are cleared, and ask whether the purchase would still be made if full payment were required. Consumers should also know how to preserve transaction records, contest an incorrect deduction, obtain a refund, request hardship assistance, and escalate an unresolved complaint.

Evidence supports this protective role. Digital financial literacy among university students was favourable in terms of preventing impulsive behaviour and enhancing self-control, which affected their financial well-being (Bhat et al., 2025). In addition, the levels of financial and digital literacy across developing countries were linked to more successful saving, borrowing, and risk-taking practices in the countries concerned (Kass-Hanna et al., 2022).

The OECD's 2026 Digital Financial Literacy Core Competency Framework for Adults in ASEAN is especially relevant. Developed at the request of Malaysia and Indonesia as co-leads of an ASEAN financial-inclusion initiative, it provides an outcome-based basis for identifying competency gaps, designing programmes, and evaluating results (OECD, 2026). Malaysia can adapt this framework to BNPL through practical scenarios involving instalment comparison, cumulative repayment calculations, digital persuasion, data protection, and complaint procedures.

DFL, however, must not become a device for blaming consumers. Even knowledgeable individuals can be harmed by weak affordability checks, misleading interfaces, excessive limits, or inaccessible redress. Education and regulation are complementary: regulation determines what providers must do, while DFL strengthens consumers' capacity to interpret information, manage commitments, and exercise their rights.

Building a Responsible BNPL Market in Malaysia

Malaysia's Consumer Credit Act 2025 (Act 873) provides the institutional foundation for stronger protection. The Act was approved on December 31, 2025, and came into effect on March 1, 2026, with the formation of the Suruhanjaya Kredit Pengguna (Consumer Credit Commission). Companies dealing with BNPL (Buy Now Pay Later), leasing, and factoring are required to obtain licences, while some credit service providers are required to register. The

requirements for licensing and registration took effect on June 1, 2026, with a transition period of six months (Consumer Credit Oversight Board Task Force, 2026). This legislation establishes BNPL as a credit activity that needs governance, appropriate conduct standards, monitoring, and enforcement mechanisms. The success of the initiative will be dependent on its execution.

First, consumers need to receive a standardised BNPL key facts statement before they can complete a transaction. The statement should show the full cash price, the amount that the consumer has to pay immediately, the number of instalments and their dates, the total amount to be paid, all fees that might be applicable, consequences of a missed payment, refund policy, complaint procedures, and how it can affect credit history. The total amount to be paid must have equal or higher prominence than the amount of the instalment. This addresses the difference between legal disclosure and effective disclosure, as while one might be able to obtain the information, it might not be visible in practice.

Second, providers should conduct proportionate affordability assessments. A small first-time purchase may justify a simplified check, whereas repeated use, several active plans, missed payments, or rapidly increasing exposure should trigger a more detailed assessment. Where legally and technically feasible, assessment should account for aggregate BNPL commitments across providers. Several individually small approvals can become collectively unaffordable when no provider sees the consumer's complete position.

Third, consumers require repayment options in one place. As a minimum, there should be a total outstanding balance displayed together with instalments due within 30 days of the viewing, current plans and information about any missed payments. In the longer run, Malaysia should investigate the adoption of solutions to allow consumers and approved providers to view their complete outstanding

balance across all licensed providers, provided consent and sufficient data protection measures are put in place.

Fourth, the regulation ought to tackle digital marketing as well as choice architecture. The use of BNPL as a pre-selected form of payment should also be prohibited, and its use should not be given priority over the regular price format. The oversight should also extend to the combination of countdown timers with instant credit, BNPL-only discounts, automatic increases of credit limits, bonuses for repeated borrowing, as well as the advertising of credit products for consumers with low income. The mandatory brief confirmation pause for repeated and larger transactions can offer consumers a chance to remind themselves of the full price, the current obligations, and the amount of payment in the next payday period.

Fifth, providers should establish early-warning, hardship, complaint, and redress arrangements. Repeated failed deductions, rapid increases in use, frequent late payments, and continuous borrowing immediately after earlier plans are settled may signal emerging distress. Early intervention should prioritise reminders, temporary suspension of new borrowing, reasonable restructuring, and referral to accredited financial-advisory services. Consumers should not be encouraged to use new credit merely to repay existing BNPL obligations. Returns and disputed transactions should also trigger prompt coordination between merchants and providers so that consumers are not required to continue paying for goods already returned.

These measures require shared responsibility. It is crucial that consumers analyse the intention behind the use of BNPL, total costs of transactions, cumulative exposure, and payment affordability. Moreover, providers should aim at sustainable lending practices of offering and extending credit. In addition, merchants and platforms should be forthright when it comes to communicating the offer of buy-now-pay-later products. Educational institutions, employers,

and community organisations should focus on transmitting practical competencies associated with the use of digital credit rather than generic “spend wisely” phrases. It is vital for regulators to provide the data regarding the existing plans at the same time, the occurrence of late payments, hardship requests, complaints, and consumer patterns regarding the use of multiple service providers used among younger and less wealthy consumers.

Malaysia requires focused research on specific key issues. Evidence is needed on the extent of multi-provider exposure, the differences between discretionary and necessity-based use, and the influence of the Consumer Credit Act on provider conduct and consumer welfare. Research over time and at the transaction level will allow distinguishing between responsible use of liquidity and use prompted by distress and thus will assist in identifying effective interventions.

In the meantime, a simple decision rule could help consumers: Does the purchase represent a need? What is the total cost? How much is owed to various providers? Is it possible to pay off the debt after covering essential expenses while retaining some funds in case of an emergency? Would repayment be possible in the event of an income shock? In case of uncertainty regarding any of these questions, postponing purchases would be the right decision rather than losing an opportunity to buy something.

Conclusion

Aina’s difficulty did not begin with one huge purchase but rather from many small commitments, all appearing to be manageable when considered by themselves. Her case illustrates why BNPL should not only be looked at in terms of transaction volume or default rates but assessed in terms of its total impact on cash flow, financial resilience, and well-being. BNPL can be useful if it is used prudently and responsibly. It is dangerous when meaningful costs are hidden behind instalments or when credit is used

multiple times instead of being used wisely. Malaysia has a chance to lay the groundwork while its BNPL sector is still young.

The decisive question is therefore not, “Can this purchase be divided into instalments?” It is: “Can I accept the full commitment without weakening my ability to meet essential needs, manage unexpected events, and protect my future financial well-being?” When consumers can answer that question accurately—and when the market makes the answer visible—BNPL can function as a controlled financial tool rather than a concealed source of vulnerability.

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