BUY NOW, PAY LATER OR PAIN LATER? A QUALITATIVE STUDY ON THE ADOPTION OF BNPL AND FINANCIAL RISKS AMONG GENERATION Z CONSUMERS IN KLANG VALLEY

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ABSTRACT

This study examines the adoption of Buy Now, Pay Later (BNPL) services among Generation Z consumers in Klang Valley, Malaysia, focusing on psychological, social, and financial drivers. A thematic analysis of semi-structured interviews with 12 participants, aged 18 to 25, reveals key factors influencing BNPL usage, including instant gratification and Fear of Missing Out (FOMO) as primary psychological motivators. Social factors, particularly peer influence and social media exposure, were also identified as significant in shaping consumer behaviour. Financial vulnerabilities, such as regret over impulsive purchases and difficulties managing repayments, were noted as frequent consequences, often leading to debt accumulation. Furthermore, a lack of financial literacy was observed, with participants expressing limited understanding of BNPL terms and long-term financial implications. These findings suggest the need for enhanced regulatory frameworks and consumer education programmes, advocating for clearer disclosures and targeted financial literacy initiatives to promote responsible BNPL use among vulnerable youth.

Keywords: Buy now pay later, consumer behavior, financial vulnerability, fintech, generation z

INTRODUCTION

The rapid rise of Buy Now, Pay Later (BNPL) services has fundamentally reshaped consumer finance, offering flexible payment options that are particularly appealing to younger demographics, such as Generation Z (Gen Z). Growing up in the digital age, Gen Z is characterised by a high reliance on technology, social media, and an inclination towards instant gratification, making them a key target for BNPL providers (Francis & Hoefel, 2018; Djafarova & Trofimenko, 2019). As part of the broader fintech revolution, BNPL services are praised for their potential to enhance financial inclusion by lowering barriers to accessing goods and services (World Bank, 2020).

Recent research continues to validate earlier concerns about the psychological mechanisms driving BNPL adoption. Cheng and Huo (2025) explore BNPL through the lens of time inconsistency, showing that consumers with present bias are particularly susceptible to deferred payment schemes. Their game-theoretic analysis reveals that BNPL services exploit consumers' tendency to prioritise immediate rewards over future costs, leading to over-consumption and reduced financial well-being in a modern extension of Laibson's (1997) theory on hyperbolic discounting.

Similarly, Kumar, Ankita, and Mayank (2024) provide a comprehensive review of emotional and social triggers influencing BNPL adoption. They highlight factors such as instant gratification, fear of missing out (FOMO), and status signalling, which resonate strongly with Gen Z's digital consumption habits. These findings reinforce the psychological appeal discussed by Prelec and Loewenstein (1998) and O'Donoghue & Rabin (1999), suggesting that BNPL services amplify short-term decision-making at the expense of long-term financial planning. Together, these contemporary studies underscore the enduring relevance of behavioural economics in understanding BNPL's impact on young consumers. They also emphasise the need for targeted financial education and regulatory oversight to mitigate risks associated with impulsive financial behaviour.

Studies in Malaysia reveal an increasing reliance on BNPL services among Gen Z, alongside growing concerns about financial risks linked to low financial literacy and overextension of credit (Sarifuddin, 2024). These findings resonate with global research, which highlights both the promise and the dangers of alternative credit systems that enable greater access to credit while simultaneously increasing the risk of debt cycles (Lusardi & Tufano, 2015; Fernandes, Lynch, & Netemeyer, 2014). Despite the widespread popularity of BNPL, young consumers often struggle with limited financial literacy, unstable income streams, and susceptibility to social pressures, leading to vulnerabilities like over-indebtedness and financial instability (Lusardi & Mitchell, 2011; Stoeckli, Dapp, & Wruuck, 2020). Behavioural tendencies such as present bias further exacerbate this issue by skewing decision-making towards immediate rewards without considering long-term financial consequences.

Social media and peer influence also play a significant role in shaping BNPL-related behaviour, amplifying impulsive purchasing and reinforcing the desire for instant gratification (Nguyen, Cavusgil, & Das, 2021a; Chatterjee & Rose, 2012). This is especially problematic in emerging markets like Malaysia, where economic pressures, social norms, and the lack of comprehensive financial education further increase these risks (OECD, 2020; Sarifuddin, 2024). Additionally, the absence of robust regulatory frameworks in Malaysia and other emerging economies leaves young consumers vulnerable to predatory lending practices and opaque fee structures (Ali, Bagley, & Rogers, 2021). Cross-country studies emphasise the need for stronger regulatory oversight and consumer protection to address the systemic risks associated with BNPL and similar financial innovations (Klapper, Lusardi, & Van Oudheusden, 2015; Gabor & Brooks, 2017; Sarifuddin, 2024).

Addressing these challenges requires an interdisciplinary approach that integrates perspectives from consumer behaviour, financial psychology, and public policy. However, there is a notable gap in research exploring the societal implications of BNPL adoption among Gen Z in emerging markets. This study aims to fill this gap by examining the intersection of Gen Z's vulnerabilities, BNPL usage, and broader societal impacts, with a particular focus on Malaysia. This study seeks to find answers to these three research questions:

1) What are the key factors driving BNPL adoption among Gen Z in Malaysia?
2) How does BNPL usage contribute to financial vulnerabilities and challenges among Gen Z?
3) To what extent do social media and peer influence impact Gen Z's BNPL-related consumer behaviour?
4) What policy and educational interventions can be implemented to mitigate the financial risks associated with BNPL usage by Gen Z?

In accordance with the questions, this study was conducted with the following objectives:

1) To examine the factors influencing BNPL adoption among Gen Z.
2) To investigate the financial vulnerabilities and challenges faced by Gen Z due to BNPL usage.
3) To analyse the role of social media and peer influence in shaping Gen Z's BNPL-related consumer behaviour.
4) To provide recommendations for policymakers, educators, and financial institutions to promote responsible BNPL usage and reduce financial risks among Gen Z.

LITERATURE REVIEW

The emergence of Buy Now, Pay Later (BNPL) services has fundamentally transformed the way consumers, particularly those in Generation Z, engage with financial products and make purchasing decisions. Gen Z, defined as individuals born between 1997 and 2012, is increasingly adopting BNPL platforms due to their ease of use, instant gratification, and flexible payment options. While these services offer convenience, they also introduce a range of financial risks, particularly given Gen Z's relatively low levels of financial literacy and inexperience with managing credit and debt.

This literature review explores key themes related to BNPL adoption, focusing on the psychological and social drivers behind its appeal to Gen Z, as well as the financial vulnerabilities this cohort faces. By examining global and local studies, including research from Malaysia, this review highlights both the opportunities and potential pitfalls associated with BNPL services. It begins by discussing Gen Z's unique characteristics and their growing affinity for BNPL, before delving into the financial risks, social influences, and strategies for improving financial literacy to mitigate these challenges.

Generation Z and the Rise of BNPL Adoption

Generation Z (Gen Z) consists of individuals born between 1997 and 2012. This group has grown up in a technology-driven world filled with social media and e-commerce platforms (Francis & Hoefel, 2018). As a result, Gen Z is highly familiar with digital payment systems and has developed a strong preference for services that provide immediate gratification, such as Buy Now, Pay Later (BNPL) options. BNPL allows consumers to make purchases and pay in instalments, often without interest, as long as payments are made on time. This feature appeals to Gen Z's desire for instant satisfaction (Deloitte, 2022). However, while BNPL offers flexible payment solutions, its popularity among Gen Z raises concerns about financial vulnerability and long-term economic stability, as it can lead to overspending and financial mismanagement.

Gen Z's Vulnerability in Financial Decision Making

Gen Z's financial vulnerability is compounded by their relatively limited experience in managing credit and debt, a challenge exacerbated by their low levels of financial literacy compared to older generations (Lusardi & Mitchell, 2011). According to Deloitte (2022), many Gen Z consumers lack a thorough understanding of credit products, including the terms and conditions of BNPL agreements. This knowledge gap increases the likelihood of missed payments, late fees, and overall financial stress. Gen Z is particularly susceptible to making impulsive purchasing decisions, often driven by social media trends and the Fear of Missing Out (FOMO), both of which are exacerbated by BNPL services that promote affordable purchases with instalment payments (Nguyen et al., 2021). Additionally, peer recommendations and the pressure to maintain an aspirational lifestyle further encourage BNPL adoption, despite the associated financial risks.

Consumer Behavior and BNPL Usage

The consumer behavior of Gen Z is shaped by a strong preference for convenience, speed, and personalized experiences. BNPL services align perfectly with these desires by providing immediate access to products without the need for upfront full payment (Stoeckli et al., 2020). As a result, Gen Z is more likely to engage in impulsive buying and overspend, as BNPL reduces the perceived cost of purchases through its installment structure. According to Thaler's (1985) mental accounting theory, splitting a large purchase into smaller payments appears more affordable, even though the total amount remains unchanged. This illusion of affordability encourages overspending, and with limited budgeting skills, many Gen Z consumers find it difficult to manage multiple repayment obligations, leading to debt accumulation (Lusardi & Mitchell, 2011a). Furthermore, BNPL's instalment structure exploits this cognitive bias, promoting short-term financial relief that overlooks long-term consequences. Stoeckli et al. (2020) found that many consumers fail to account for future financial obligations when using BNPL, ultimately leading to financial strain and overleveraging.

The Role of social media and FOMO

Social media platforms such as Instagram, TikTok, and YouTube are key drivers behind Gen Z's adoption of BNPL services. These platforms are inundated with aspirational content that promotes consumerism and an idealised lifestyle that is seemingly attainable through BNPL (Nguyen et al., 2021b). Fear of Missing Out (FOMO) is a psychological driver that encourages Gen Z to engage in impulsive consumption, often at the cost of their financial stability (Zhou et al., 2021). BNPL providers exploit these dynamics by offering limited time offers, exclusive deals, and instant gratification, further deepening the sense of urgency and increasing the likelihood of impulse purchases (Buchanan & Van Rooij, 2019). This marketing strategy creates a cycle of consumption where immediate gratification is prioritised over long-term financial health, leaving consumers vulnerable to accumulating debt. In fact, many BNPL services market themselves as affordable alternatives to traditional credit cards. However, they may lack transparency regarding the actual costs of deferred payments, such as late fees or interest rates (Buchanan & Van Rooij, 2019).

Financial Literacy and Mitigating BNPL Risks

Financial literacy is paramount in mitigating the risks associated with BNPL services. Lusardi & Mitchell (2011b) argue that individuals with strong financial literacy are better equipped to make informed financial decisions and avoid the pitfalls of overspending. Unfortunately, many Gen Z users in Malaysia, where BNPL adoption is on the rise, have limited knowledge of the long-term consequences of instalment payments, including late fees, interest charges, and the total cost of the product (Moser & Pohl, 2019).

Chien and Wei (2020) emphasise that increasing consumer education and ensuring transparency regarding BNPL terms are crucial steps in fostering responsible usage. Without clear communication about hidden costs, such as fees and penalties, consumers are more likely to face unexpected financial burdens. To address this, Stoeckli et al. (2020) advocate for the implementation of financial literacy programmes that would empower consumers to manage their instalment payments better and make more informed financial decisions.

The growing popularity of BNPL services among Gen Z, particularly in Malaysia, highlights both the advantages and risks associated with this payment method. While BNPL offers convenience and flexibility, its potential to lead to financial mismanagement among a vulnerable cohort underscores the importance of enhancing financial literacy. By focusing on education, transparency, and consumer empowerment, BNPL providers and policymakers can help mitigate the risks associated with this payment option and support the financial well-being of young consumers.

METHODOLOGY

This study employs a qualitative research design as an extension of a previous quantitative survey to explore the usage patterns, motivations, and psychological impacts of Buy Now, Pay Later (BNPL) services among Generation Z consumers in Klang Valley, Malaysia. The primary aim of the qualitative phase was to provide a deeper, more nuanced understanding of the findings from the quantitative survey by gathering insights into participants' experiences, perceptions, and behaviours regarding BNPL services. This methodological approach was informed by previous research on consumer behaviour in financial services and theoretical frameworks on decision-making and psychological impacts (Patton, 2002; Creswell, 2014).

Participants

Participants for the qualitative interviews were selected from a pool of respondents who had completed the quantitative survey. The survey had collected demographic data, including age, gender, education, and frequency of BNPL usage. Eligibility criteria for the qualitative phase included participants aged 18 to 24, identified as regular users of BNPL services (defined as using BNPL at least once a month), and who voluntarily agreed to participate in the interview. Purposive sampling was used to select 12 participants who met these criteria and had indicated their willingness to engage in further research. The selection was done to capture diversity in usage behaviours and demographic characteristics (Patton, 2002; Lincoln & Guba, 1985). The sample was balanced across gender and represented a range of socio-economic backgrounds. Participants were invited to participate in semi-structured interviews, which were either conducted in person or via online platforms such as Zoom, based on their preferences (Creswell, 2014). The semi-structured format allowed for flexibility while ensuring that key themes were explored, which is particularly important for in-depth exploration of attitudes and behaviours (Braun & Clarke, 2006; Saldana, 2016).

Data Collection

The qualitative data collection process consisted of two key components: the quantitative survey and the subsequent qualitative interviews.

(1) Quantitative survey

A structured online survey was administered to a large sample of Generation Z consumers in Klang Valley. The survey gathered data on demographics, BNPL usage frequency, and attitudes toward BNPL services. The survey results provided insight into participants' usage patterns, which were crucial in selecting those with regular BNPL usage for follow-up qualitative interviews (Creswell, 2014; Patton, 2002).

(2) Qualitative interviews

After completing the survey, 12 participants who identified as regular BNPL users were invited to participate in the qualitative interviews. The interview guide was developed based on the survey results and informed by existing literature on BNPL adoption. The interview questions were designed to explore key themes such as reasons for using BNPL services (e.g., convenience, affordability), psychological influences (e.g., peer pressure, social media), challenges related to managing BNPL payments (e.g., financial stress), and financial awareness (e.g., understanding of BNPL terms and conditions) (Braun & Clarke, 2006; Saldana, 2016). To ensure the robustness of the interview guide, pilot testing was not conducted due to time constraints; however, the guide was reviewed by a research team member for clarity and comprehensiveness. Reflexive practice was integrated into the interview process, with the researcher being mindful of their position and potential biases when interpreting responses. The interviews lasted between 20 and 35 minutes, and participants were encouraged to provide both positive and negative experiences to offer a balanced view of BNPL usage (Patton, 2002; Braun & Clarke, 2012).

Data Analysis

The qualitative data were analysed using thematic analysis, following the approach outlined by Braun and Clarke (2006). The process involved several stages, each designed to capture meaningful patterns from the interview data.

(1) Thematic analysis process

a) Familiarisation with the Data: The researcher first reviewed the interview transcripts multiple times to ensure familiarity with the data and to identify initial ideas and recurring themes (Braun & Clarke, 2006; Creswell, 2014).
b) Generating Initial Codes: Key phrases and concepts related to BNPL usage were highlighted, and initial codes were assigned. These codes included terms such as "impulse buying," "payment flexibility," and "financial stress" (Saldana, 2016).
c) Searching for Themes: The initial codes were grouped into broader themes based on their relationships and similarities. For example, codes related to financial strain and anxiety were consolidated under the theme "Psychological Impact" (Braun & Clarke, 2006; Creswell, 2014).
d) Reviewing and Refining Themes: Themes were reviewed and refined to ensure that they accurately reflected the data. Themes were redefined or merged where necessary for clarity, ensuring a coherent presentation of participants' experiences (Braun & Clarke, 2012).
e) Defining and Naming Themes: Each theme was clearly defined and named. For instance, the theme "Financial Awareness and Risk Perception" reflected participants' limited understanding of BNPL terms, including hidden costs and the potential risks associated with BNPL services (Braun & Clarke, 2006; Creswell, 2014).
f) Reporting: The final thematic analysis was written up, with participant quotes integrated into each theme to illustrate the findings and provide a deeper understanding of the psychological and social dynamics influencing BNPL usage (Patton, 2002; Braun & Clarke, 2006).

(2) Saturation and trustworthiness

Saturation was assessed through ongoing data analysis, and it was determined to be achieved after 12 interviews. No new themes or insights emerged in the final interviews, indicating that further data collection would not yield significantly different findings (Guest et al., 2006). To enhance the trustworthiness of the analysis, several strategies were employed:

a) Peer Debriefing: A colleague reviewed the thematic categories to ensure consistency and validity in interpreting the data (Creswell, 2014; Braun & Clarke, 2006).
b) Memoing and Coding Meetings: Regular memos were written throughout the process to capture thoughts and potential biases. Additionally, coding meetings were held to discuss and refine the themes, ensuring transparency and coherence (Lincoln & Guba, 1985; Saldana, 2016).
c) Member Checking: After initial themes were developed, participants were invited to provide feedback to ensure that the themes accurately represented their experiences (Braun & Clarke, 2012; Lincoln & Guba, 1985).
d) Audit Trail: A detailed audit trail was maintained, documenting decisions made throughout the data collection and analysis process to ensure transparency and replicability of the research (Lincoln & Guba, 1985).

(3) Example of thematic analysis

For example, in the theme "Psychological Impact," one participant stated, "Sometimes I feel stressed because I keep delaying my payments, and the interest just keeps adding up. I didn't realize how much I'd pay in the end." This quote was coded as "financial stress," and the code was grouped under the broader theme, reflecting participants' emotional responses to using BNPL services. Similar patterns of anxiety and stress were identified across multiple interviews, reinforcing the relevance of the theme.

Validity and Reliability

Several strategies were employed to ensure the validity and reliability of the findings:

a) Triangulation: The qualitative data were compared with the quantitative survey results to ensure that the two data sources aligned, providing a comprehensive understanding of BNPL usage (Patton, 2002; Creswell, 2014).
b) Peer Debriefing: A colleague reviewed the themes and interpretations to ensure that the conclusions were grounded in the data (Creswell, 2014; Lincoln & Guba, 1985).
c) Audit Trail: A detailed audit trail was maintained, documenting decisions made during the research process to ensure transparency and consistency in data analysis (Lincoln & Guba, 1985).

RESULT

This section presents the findings from the qualitative study on Buy Now, Pay Later (BNPL) usage among Gen Z participants in Malaysia. The analysis identifies five key themes: Demographic Profile and BNPL Usage Frequency, Reasons for Choosing BNPL, Psychological and Social Influences, Payment Discipline, and Regret and Financial Impact of BNPL, as well as Financial Awareness.

Demographic Profile and BNPL Usage Frequency

The demographic profile of Gen Z participants, ranging from 19 to 25 years old, reveals diverse educational backgrounds (Diploma, Foundation, and Degree levels in fields like Business, Accounting, and Engineering) and varied patterns of BNPL (Buy Now, Pay Later) usage. While the majority are Malay, the sample also includes Chinese and Indian participants, showing ethnic diversity. The frequency of BNPL usage varies across the group, with some using it rarely, while others engage with it frequently for purchases such as tech, fashion, and lifestyle items. Notably, younger participants with Diplomas or Foundation degrees tend to use BNPL more often, reflecting a potential lack of financial literacy (Sullivan, 2023), while those with higher education (like Business or Accounting degrees) demonstrate more cautious use (Nguyen, 2022b). This finding suggests that BNPL adoption is influenced by factors such as education level, peer influence, and social media marketing, with younger, less educated individuals being more vulnerable to overspending (Lopez & Huang, 2021). This data highlights the need for financial literacy programmes and more stringent regulatory oversight of BNPL services, particularly for Gen Z, to protect them from the risks of debt accumulation and financial mismanagement (Bank Negara Malaysia, 2023).

Table 1 Demographic and BNPL Usage Frequency Among Participants in Malaysia

Participant	Age	Gender	Ethnicity	Education	Frequency of BNPL Use
1	23	Female	Malay	Diploma in IT	Occasionally
2	25	Female	Malay	Degree in Business	Frequently
3	22	Female	Malay	Degree (Business)	Frequently
4	24	Female	Malay	Diploma in Hospitality	Frequently
5	21	Male	Malay	Degree in Business	Occasionally
6	23	Male	Indian	Foundation in Business	Occasionally
7	22	Female	Indian	Degree in Accounting	Rarely
8	24	Female	Chinese	Degree (Engineering)	Frequently
9	23	Female	Chinese	Diploma in Technology Management	Occasionally
10	20	Male	Malay	Degree in Accounting	Occasionally
11	19	Female	Malay	Diploma Management	Frequently
12	24	Male	Chinese	Degree (IT)	Frequently

Reason for Choosing BNPL

One of the most prominent reasons for selecting BNPL services is the flexibility they offer, enabling consumers to manage larger purchases over time. Platforms like Atome, GrabPay, and Spay allow users to divide their payments into manageable instalments, often without immediate interest charges, which makes these services highly appealing for purchases ranging from electronics to daily necessities. Research indicates that BNPL is often chosen for larger or impulse purchases, especially during sales or promotions, providing a solution for consumers who may not have the full amount available upfront (Smith, 2024; Lee, 2022b).

> *"...I used Spay to buy gaming accessories because it spread out the cost. Without BNPL, I wouldn't have bought it; it's too expensive. BNPL makes sense for tech items. I can get what I need now without waiting months to save up..."*
>
> (Participant 5)

This quote reflects the practical motivation of spreading costs to access desired goods immediately, a theme prevalent across most participants. However, it also hints at potential impulsivity tied to perceived affordability.

> *"...I chose GrabPay for groceries because it helps me budget better throughout the month. The flexibility in payment timing makes it easier to manage my expenses. Without BNPL, I'd have to wait for my salary..."*
>
> (Participant 9)

Here, the emphasis on budgeting suggests some users view BNPL as a cash flow management tool rather than impulsive spending, demonstrating a more disciplined usage pattern.

> *"...I used BNPL for laptop accessories during a sale. The ability to break payments into instalments allowed me to buy more than I usually would. BNPL lets me buy what I want now and pay overtime, which is so convenient when I can't afford to pay the full amount upfront..."*
>
> (Participant 8)

This quote illustrates how BNPL encourages incremental spending, particularly during promotions, indicating its role in facilitating higher consumption.

> *"...When I bought skincare products on sale using Atome, I was able to get the items I wanted and split the payments. The option to pay in instalments was so convenient..."*
>
> (Participant 7)

Convenience remains a key driver, reinforcing the perception of BNPL as an enabler of immediate gratification. Divergent or antagonistic cases were minimal within this theme, suggesting flexibility and convenience as near-universal motivators. The theme aligns closely with research question 1 regarding reasons for BNPL adoption.

Social Influences

The social influence's theme explores how external factors, such as peer pressure, social media trends, and marketing strategies, shape BNPL usage. Participants frequently reported being influenced by social media advertisements and recommendations from friends or family. Platforms like Atome and GrabPay have capitalised on these influences, using targeted ads and promotions to encourage consumers to opt for BNPL when making purchases. This phenomenon is well-documented in consumer behaviour literature, which suggests that external cues significantly impact financial decision-making (Johnson & Lee, 2023; Lee, 2022a).

> *"...When I saw everyone using BNPL for groceries, I thought, 'Why not?' Social media ads pushed me even more. It felt like everyone was doing it as well."*
>
> (Participant 1)

This quote illustrates how social conformity and advertising create normative pressures influencing BNPL adoption.

> *"...I saw Atome being advertised everywhere, especially on Instagram. All the influencers were posting about using BNPL to buy cosmetics, and I felt left out. It felt like a cool thing to do, so I tried it. But now I see I was just following the trend..."*
>
> (Participant 7)

The participant's reflection shows awareness of social influence but also highlights how trends drive initial engagement.

> *"...Gaming communities influenced me to use Spay. Everyone was talking about how easy it is to buy new accessories with BNPL, so I gave it a go..."*
>
> (Participant 8)

Peer groups and interest-based communities also serve as vectors for BNPL normalisation. Social media and the immediate social environment emerge as key external factors.

> *"...I noticed my friends and also social media influencers using BNPL for their daily purchases, and it seemed so convenient to me. ..."*
>
> (Participant 6)

Payment Discipline

Effective payment discipline is a critical factor in ensuring BNPL services do not lead to financial distress. While many participants express the intention to stay disciplined with their payments, the ease and convenience of BNPL platforms can sometimes lead to lapses in payment management. Consistently paying on time helps consumers avoid late fees and accumulating interest, but the difficulty in tracking payments and due dates remains a challenge for some (Smith, 2024; Lee, 2022b).

"...I try to pay on time but sometimes I forget the due dates. I always try to stay disciplined, but it's tough with my busy schedule..."

(Participant 1)

"... But there are times when I struggle, especially if there's an unexpected expense..."

(Participant 6)

"... I make sure to pay as soon as the instalment is due. But sometimes, the temptation to delay payments creeps in, especially when I'm tight on cash...."

(Participant 3)

"... Keeping track of all the payments can be a hassle. I try to be disciplined, but it's easy to lose track, especially during sales..."

(Participant 10)

These quotes collectively reveal a spectrum of payment behaviours: while most participants intend to be disciplined, real-world challenges such as busy schedules, financial shocks, and temptation often undermine their ability to pay on time. Payment discipline emerges as a pivotal mediating factor between BNPL use and financial outcomes. It links closely with financial awareness and regret, underscoring the importance of user capabilities in managing BNPL responsibly.

Regret and Financial Impact of BNPL

A significant theme that emerged in the data is regret and financial impact. Many participants expressed regret after using BNPL, particularly when they realised, they had overspent or purchased non-essential items. While BNPL services offer flexibility, they can also lead to financial strain if payments are not well-managed. Consumers may not fully realise the accumulated costs of small payments until they are too late (Smith 2024a; Lee, 2022a).

"... now I regret it. The convenience made me think it was a good idea, but now I'm paying for something I didn't even need. I didn't realize how those small payments would add up and strain my budget..."

(Participant 2)

"...I bought some clothes and food delivery using GrabPay, but looking back, I didn't need them. I regret those purchases because now I'm stuck with payments that I could've avoided. BNPL made it so easy to make those buys, but it's harder to pay them off than I thought..."

(Participant 3)

"...I used BNPL to buy gaming accessories, and at first, it felt great. But now, I have more installments payment than I expected, and I regret it. BNPL didn't feel like a burden at first, but now I realize I could've waited for sales instead..."

(Participant 5)

"...I regret using BNPL for my purchased. It seemed like a smart way to handle the cost, but now I'm paying for items I didn't need. It's easy to forget about the instalments once the products are delivered..."

(Participant 4)

The quotes under this theme reveal that while BNPL services initially offer convenience and flexibility, many participants experience regret stemming from impulsive or non-essential purchases that lead to unexpected financial burdens. Users often underestimate how small instalment payments accumulate, resulting in budget strain and a sense of loss of control over their spending. This regret highlights a gap between the perceived ease of BNPL and the reality of managing multiple payments, emphasising the importance of financial awareness and disciplined repayment to avoid negative consequences. Overall, these reflections illustrate how BNPL's appeal can mask underlying risks, contributing to financial stress when payments become difficult to manage.

Financial Awareness

Financial awareness refers to how well participants understand the terms and risks associated with BNPL services. Many participants admitted that, initially, they did not fully understand the potential costs associated with BNPL platforms. Some consumers were unaware of the risks, such as interest fees and penalties for late payments, leading to financial mismanagement and regret later (Johnson & Lee, 2023; Smith, 2024b).

"...I understand how BNPL works and use it cautiously. But I admit I didn't read all the fine print when I first signed up. I didn't realise that missing payments could lead to interest charges. I now keep track of everything, but I should have been more aware from the start...."

(Participant 6)

"...I knew that Atome allowed me to pay in instalments, but I didn't fully understand the interest rates when I first used it. I thought it was a straightforward, but I now realise how easy it is to fall into a trap if you're not careful with your spending."

(Participant 3)

"...I thought BNPL was just about spreading payments out, but now I see how interest and hidden fees can quickly turn a good deal into a financial burden..."

(Participant 1)

"...I didn't fully understand the implications of BNPL when I first started using it. I didn't realise that missing payments would affect my credit score and lead to late fees. Now I make sure I understand all terms before signing up..."

(Participant 12)

The quotes illustrate varying levels of financial awareness among participants regarding BNPL services, highlighting common misunderstandings about key terms, such as interest charges, late fees, and the broader financial implications of missed payments. Many participants initially underestimated the complexity and potential risks associated with BNPL, often overlooking critical fine print and assuming a straightforward repayment process. This limited awareness frequently contributed to unexpected financial consequences, underscoring the necessity for improved consumer education. The reflections emphasise how enhanced understanding of BNPL terms and responsible usage can mitigate the risk of financial distress, reinforcing the role of financial literacy in fostering informed decision-making and prudent management of BNPL obligations.

In a nutshell, this study provides valuable insights into consumer experiences with BNPL services. Most participants identified flexibility and social influences as primary factors driving their use of BNPL. However, payment discipline and financial awareness varied significantly among users, which influenced whether they experienced regret or financial strain. Although less common, some participants demonstrated strong payment discipline and did not express regret, highlighting important divergent cases that contribute to a balanced analysis. The overlap of some quotes across themes, such as convenience affecting both the decision to use BNPL and feelings of regret, reflects the multifaceted and dynamic nature of BNPL usage. Overall, while BNPL platforms offer convenience and flexibility, they also raise concerns about overspending and limited financial literacy. These findings underscore the importance of improving financial awareness to help consumers manage BNPL responsibly and avoid negative financial outcomes. As BNPL continues to gain popularity, ensuring that consumers understand the associated risks is crucial for promoting informed and sustainable financial decisions.

DISCUSSION

This study highlights the rapid uptake of Buy Now, Pay Later (BNPL) services among Malaysian Gen Z consumers, reflecting a notable shift in purchasing behaviour. The appeal of platforms such as Atome, GrabPay, and Spay lies primarily in the flexibility and convenience they provide for managing purchases over time. Consistent with previous research (i.e., Johnson & Lee, 2023), our findings indicate that many young consumers are drawn to BNPL services for non-essential items, influenced strongly by peer networks, social media trends, and promotional campaigns. However, the findings also reveal a complex picture. While BNPL offers immediate gratification, participants frequently encountered challenges related to recurring payments and the accrual of interest fees, which often led to feelings of regret and financial strain. This finding underscores the critical role of financial literacy in enabling users to make informed choices and manage BNPL responsibly. Although digitally literate, Gen Z participants showed gaps in understanding the longer-term implications of these financial products, corroborating earlier observations by Sullivan (2022).

Interpreted through a behavioural economics lens, the study's findings resonate with the concept of hyperbolic discounting, where individuals prioritise short-term rewards over future consequences (Ainslie, 2015). Social media and peer influence appear to exacerbate these tendencies, contributing to impulsive purchasing behaviours among younger consumers. The low entry barriers of BNPL platforms, including minimal credit checks, facilitate easy access but may inadvertently expose users to financial risks without adequate safeguards.In reflecting on these insights, it is important to acknowledge the study's limitations, including a modest sample size and its focus on a specific demographic, which may constrain the generalizability of the findings. Nevertheless, the research contributes valuable qualitative evidence regarding BNPL usage patterns and their associated risks. Based on these findings, future research should further explore diverse consumer groups and investigate effective interventions to improve financial education related to BNPL. Additionally, policy discussions might consider the development of clear regulatory frameworks aimed at protecting vulnerable consumers, particularly young users, from potential financial harm.

POLICY RECOMMENDATIONS

Regulation Similar to Credit Cards

The regulation of BNPL services should mirror the consumer protection measures applied to credit cards. Just as credit cards are subject to transparency requirements, including clear interest rate disclosures and responsible lending practices, BNPL services must also adhere to strict disclosure standards. For instance, Bank Negara Malaysia (BNM) could mandate that BNPL providers clearly disclose the total cost of credit upfront, including any interest rates or late payment fees, ensuring consumers are aware of the full financial commitment before committing to any purchase (Sarifuddin, 2024; Sullivan, 2022).

Stronger Consumer Education

There is a clear need for enhanced financial literacy programmes that specifically target younger consumers. It is important for these programmes to educate consumers about the long-term risks of BNPL services and help them develop responsible spending habits. Bank Negara Malaysia could collaborate with educational institutions and fintech companies to create easily accessible resources, such as online courses or informational materials, that explain the risks and benefits of BNPL services (Friedman & Smith, 2023). Given that many Gen Z consumers are unaware of the long-term financial implications of BNPL usage (Sullivan, 2022), such initiatives are essential to ensure informed decision-making.

Limitations on BNPL Usage for Vulnerable Consumers

Considering the financial risks associated with BNPL, policymakers could consider age-based restrictions or require financial background checks for consumers, particularly those under the age of 25 or those with limited financial history. This limitation would help prevent consumers with low incomes or poor credit history from becoming overburdened by debt, like regulations surrounding credit cards (Johnson & Lee, 2023). Such restrictions would protect vulnerable groups and ensure that BNPL services are only accessible to those who can manage the associated risks responsibly.

Transparency and Fair Practices in BNPL Contracts

It is imperative for BNPL platforms to provide transparent and standardised contracts that outline all terms and conditions, including interest rates, late fees, and payment schedules. These terms must be presented in an easily understandable format, particularly for younger users who may lack financial expertise. Bank Negara Malaysia should ensure that these disclosures are not only provided during the application process but also in all advertisements and marketing campaigns, which often target younger consumers (Friedman & Smith, 2023).

Promote Alternative Financial Products

It is essential to offer consumers alternative financial products that provide flexibility without leading them into debt traps. For example, low-interest microloans or savings-based instalment plans could serve as alternatives to BNPL services, allowing consumers to manage their purchases without the same risks of overspending and debt accumulation. Such products could be designed to provide the same financial flexibility that BNPL offers but without the revolving credit risks (Sullivan, 2022).

Collaboration with Social Media Platforms

Given the influence of social media on BNPL usage, Bank Negara Malaysia should explore collaborations with social media platforms to ensure that BNPL advertisements are not misleading. Awareness campaigns could be launched on these platforms to inform Gen Z consumers about the risks and benefits of BNPL services, helping to mitigate the impact of peer pressure and impulse buying. By partnering with platforms that already reach a broad audience, these campaigns can be more effective in promoting responsible BNPL usage (Johnson & Lee, 2023).

CONCLUSION

Social media and peer pressure significantly influence the adoption of BNPL services, often resulting in young consumers exceeding their financial limits. This tendency can lead to financial strain and subsequent regret. Many users are not fully informed about the terms associated with BNPL and the potential long-term consequences, such as accruing interest fees and negatively affecting credit scores. The absence of robust regulatory oversight in Malaysia exacerbates these risks, leaving consumers exposed without adequate protection. There is a pressing need for enhanced financial education and regulatory measures to protect Gen Z consumers, who may face challenges in managing their financial responsibilities. It is essential for policymakers, including Bank Negara Malaysia, to establish clear guidelines that ensure BNPL remains accessible while mitigating the risk of over-indebtedness. Although BNPL provides immediate purchasing power for young consumers, it carries significant financial risks if not understood and managed effectively. Strengthening education and regulatory frameworks is vital to ensure that BNPL serves as a beneficial financial tool rather than a potential burden.

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