

FROM INTENTION TO INDEBTEDNESS: A NARRATIVE REVIEW ON BEHAVIORAL, FINANCIAL, AND ISLAMIC FINANCE DETERMINANTS OF BUY NOW PAY LATER (BNPL) USAGE IN MALAYSIA

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Abstract

The rapid expansion of Buy Now Pay Later (BNPL) services in Malaysia has reshaped consumer finance by offering interest-free instalment options as alternatives to conventional credit instruments. Despite enhancing accessibility and payment convenience, accumulating evidence links BNPL usage to rising household indebtedness and impulsive consumption behaviour. National data reveal that as of June 2025, 168,967 Malaysians recorded overdue BNPL balances totalling RM3.8 billion, indicating growing financial vulnerability. This review synthesises recent empirical studies published between 2023 and 2025, focusing on BNPL adoption and usage behaviour within the Malaysian context, supported by selected regional studies incorporating Malaysian data. Anchored in behavioural finance theory and Islamic ethical perspectives, the review adopts an integrative behavioural-financial framework. Key determinants influencing BNPL usage are categorised into technological, psychological, financial literacy and religious awareness dimensions. The findings indicate that perceived usefulness, convenience, and social influence drive BNPL intention, while financial literacy, self-control and perceived risk moderate responsible usage. The review advocates integrating behavioural and Islamic consumer awareness constructs to promote

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financially sustainable and ethically aligned BNPL practices.

Keywords: Buy Now Pay Later (BNPL); consumer behavior; behavioral finance; financial literacy; impulsive consumption; Islamic finance; Malaysia.

INTRODUCTION

The rise of e-commerce and the expansion of financial services provided by non-bank FinTech companies, which are less strictly regulated than banks, as well as changing consumer expectations about making and delaying payments, have all contributed to the emergence and rapid growth of Buy Now Pay Later (BNPL) (Waliszewski et al., 2024). BNPL platforms have revolutionized short-term credit by allowing consumers to make purchases and defer payments without traditional banking intermediaries. BNPL services typically do not charge interest as long as customers settle their payments within the stipulated period. This feature makes PayLater an appealing option for those who wish to make purchases without taking on long-term financial commitments (Ahmad Khan et al., 2024). Platforms such as Atome, Grab PayLater and ShopBack have rapidly penetrated the e-commerce ecosystem, particularly among Gen Z and millennial consumers seeking flexible, cash-flow-friendly payment options.

The rapid expansion of Buy Now Pay Later (BNPL) services across Malaysia represents one of the most significant evolutions in consumer finance. This scheme has seen strong growth with 102.6 million transactions worth RM9.3 billion recorded in the first half of 2025, representing a 31% increase

from the RM7.1 billion reported in the second half of 2024 (Khoo et al., 2025). Youth aged 30 and below made up 40% of these transactions, highlighting growing concerns about indebtedness among younger consumers (Shahrial, 2025). According to a previous study by Arisandy et al. (2023), PayLater services are not primarily used by Generation Z. Instead, the most likely generation to use these services is millennials aged 26 to 35.

As of 30 June 2025, the outstanding BNPL balance reached RM3.8 billion, equivalent to 0.2% of total household debt. Although overdue amounts remained manageable at RM121.8 million (3.2% of the total BNPL balance), Malaysia still recorded 6.5 million active BNPL account holders, with 168,967 (2.6%) having overdue payments. A 2024 study by the Consumer Credit Oversight Board Task Force (CCOBTf) also reported that 88% of BNPL users paid on time, with fewer than 0.5% unable to make repayments (Shahrial, 2025). These figures underscore the growing tension between intention to use BNPL and the ability to manage repayments responsibly.

The ease of access to BNPL services may encourage impulsive spending, particularly among those with limited financial literacy or inconsistent income, thereby trapping them in a vicious debt cycle. Furthermore, the deferred payment system may encourage customers to make multiple purchases without fully accounting for their total liabilities, increasing the risk of financial overextension and difficulties in repaying accumulated debts (Ahmad Khan et al., 2024). According to Yamuna & Sahila (2025), BNPL adoption intent appears more socially driven than value-driven, with people using BNPL because peers or influencers normalize it, rather than because they carefully weigh its functional or economic value.

While numerous studies have investigated the determinants of BNPL adoption, most have done so from a technological acceptance lens focusing on perceived usefulness, ease of use, or social influence (Abu Seman, 2025; Hoo et al., 2024). Few have examined the financial, psychological, and religious-ethical dimensions that underpin Malaysian consumers' decision-making. This narrative review thus seeks to integrate these diverse perspectives to understand better how behavioral, financial and Islamic finance factors shape BNPL usage intention and its implications for consumer well-being.

OBJECTIVES

The purpose of this paper is to synthesize current research on the factors shaping Malaysians' intention to use BNPL services, with particular emphasis on behavioral and financial determinants and on the influence of Islamic finance awareness. The narrative review aims to move beyond the traditional technological focus of BNPL studies and situate consumer intention within the broader framework of financial literacy, psychological bias, and ethical awareness. Through this integrative perspective, the paper seeks to explain why the appeal of convenience and flexibility often outweighs risk perception and how Islamic financial understanding may mitigate such tendencies by reinforcing financial discipline and ethical consciousness.

The objectives of this review are fourfold. First, it aims to identify and analyze the theoretical frameworks employed in BNPL research between 2023 and 2025. Second, it examines the dominant determinants influencing Malaysian consumers' adoption and use of BNPL. Third, it highlights gaps in existing research on the link between BNPL adoption and financial vulnerability, especially in the context of Islamic consumer ethics. Finally, the paper proposes a conceptual perspective that integrates behavioral finance theory and Islamic finance awareness to promote responsible fintech engagement in Malaysia.

METHODOLOGY

This study employs a narrative review design, which is particularly suited to exploring emerging, multidisciplinary topics such as BNPL, where research findings are diverse and often conceptually fragmented. Unlike systematic reviews, which rely on exhaustive searches and quantitative synthesis, narrative reviews emphasize interpretive depth, contextual understanding and theoretical integration (Baumeister & Leary, 1997). This approach allows the reviewer to draw meaningful connections between behavioral, financial and ethical dimensions within a rapidly evolving fintech context.

Data Collection Procedure And Keywords

To ensure transparency and reproducibility, the review employed a structured literature search across major academic databases, including Scopus, Web of Science, and Google Scholar. Keywords such as "Buy Now Pay Later," "BNPL Malaysia," "behavioral finance," "financial literacy," and "Islamic

finance" were combined using Boolean operators (AND, OR, NOT). The search was limited to studies published between January 2023 and June 2025, reflecting the recent emergence of BNPL research in Malaysia. Studies were excluded if they were non-academic sources (e.g., blogs, news articles) or lacked relevance to the determinants of BNPL intention and usage.

This review synthesizes a comprehensive selection of contemporary empirical literature (2023–2025) on the Malaysian context, integrating foundational theories from behavioral finance and Islamic ethics. The studies were selected based on their relevance to BNPL usage and intention, with a focus primarily on the Malaysian context or on comparative regional studies that included Malaysian data. Selection criteria included: (a) empirical or conceptual papers that examined behavioral, financial or ethical determinants of BNPL use; (b) studies employing relevant theoretical frameworks such as the Technology Acceptance Model (TAM), Theory of Planned Behavior (TPB), Unified Theory of Acceptance and Use of Technology (UTAUT), Behavioral Finance Theory, or Family Financial Socialization Theory (FFST); and (c) publications accessible through academic databases, institutional repositories, or conference proceedings. Conceptual works without primary data were included when they provided significant theoretical or contextual insight.

A thematic synthesis method was used to analyze the literature. Each study was reviewed for its research objectives, theoretical underpinnings, methodology, findings, and implications. Key variables, including perceived usefulness, perceived risk, trust, financial literacy, impulsivity and awareness of *Riba*, were extracted and categorized into thematic domains. These domains represent recurring patterns in the determinants of BNPL usage: technological, behavioral-psychological, financial, social-cultural, and Islamic-finance-related factors. Cross-comparison among these studies enabled a narrative synthesis that identifies theoretical overlaps, empirical consistencies, and conceptual gaps.

While this review offers a comprehensive account of contemporary BNPL scholarship, it acknowledges several limitations. First, because narrative reviews rely on interpretive analysis rather than meta-analytical techniques, they may be influenced by the author's interpretive judgment. Second, the review is constrained by the availability of recent studies, as BNPL research in Malaysia is still developing. Nevertheless, the selected body of work provides a solid foundation for theoretical integration and

future research development.

To enhance clarity, a summary table of the reviewed studies was prepared, highlighting authors, year, theoretical framework, key determinants and main findings. This table representation facilitates quick identification of thematic patterns and research gaps.

Table 1: Summary of Reviewed Studies

Author(s)	Year	Theoretical Framework	Key Determinants	Main Findings
Abu Seman	2025	TAM	Perceived usefulness, perceived ease of use, social influence, financial literacy	Perceived usefulness and social influence significantly and positively affect intention to use BNPL
Aji et al.	2024	Islamic Finance Ethics	Riba awareness, trust	Riba knowledge reduces positive BNPL attitude
Chuah et al.	2023	TAM UTAUT	Financial literacy	Literacy positively correlates with BNPL adoption frequency
Halim et al.	2024	Behavioral Finance	Impulsivity, perceived affordability	BNPL seen as extension of purchasing power
Harun & Ab Aziz	2025	Behavioral Finance	Self-control deficit, mental accounting	Behavioral biases predict over-indebtedness
Hoo et al.	2024	UTAUT	materialism, social influence, user-friendliness, trust	Materialism, social influence and user-friendliness significantly positively influence the intention to use BNPL
Irving et al.	2025	TPB	attitudes, subjective norms, perceived behavioral	Attitudes, subjective norms, and perceived behavioral control significantly predict BNPL adoption intentions.
Ismail et al.	2025	Financial Socialization	Family financial exposure	Early exposure shapes credit attitudes

Kumar et al.	2025	Financial Literacy	Budgeting skills	Low discipline increases BNPL adoption
Lee & Tai	2023	UTAUT	Performance expectancy, facilitating conditions, perceived security, social influence, effort expectancy	Performance expectancy, facilitating conditions, and perceived security affect consumers intention to use BNPL
Mukhtar et al.	2023	DOI	Financial knowledge	Financial knowledge and budgeting habits jointly predict safer BNPL attitudes
Pertiwi et al.	2025	TAM	Perceived security, trust	Trust critical for initial adoption
Prasetyani et al.	2024	TAM	Perceived ease of use, perceived usefulness, perceived trust	Perceived usefulness and perceived trust have a positive effect on the intention to use Paylater
Raj et al.	2024	UTAUT2	Perceived benefits, performance expectancy, effort expectancy, habit and social influence, perceived risk	Perceived benefits, performance expectancy, effort expectancy, habit and social influence increase consumers' behavioural intention towards BNPL
Soong et al.	2024	TPB	Social norms, perceived control	Social endorsement boosts BNPL intention
Tang et al.	2025	TPB	Regional cultural norms	Digital maturity reduces social influence
Tay et al.	2024	TAM	Ease of use, social influence	Ease of use less significant for digital natives

FINDINGS AND THEORETICAL FOUNDATIONS

Scholarly examination of BNPL adoption in Malaysia has primarily drawn on technology-driven frameworks, particularly the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT). These frameworks, first introduced by Davis (1989) and Venkatesh et al. (2003), have proven instrumental in explaining how cognitive appraisals such as perceived usefulness and perceived ease of use shape behavioral intention. Within the Malaysian context, studies by Abu Seman (2025) and Hoo et al. (2024) found that the perceived convenience, affordability, and time-saving attributes of digital credit platforms primarily influence consumers' intention to adopt BNPL services. Consistent with Malaysian adoption work, study from Lee & Tai (2023) further situates BNPL within a UTAUT/TAM perspective, showing that performance expectancy (usefulness) remains the dominant cognitive driver of intention, while effort expectancy (ease of use) becomes less salient among digitally fluent users once baseline app familiarity is established. Social influence and perceived security further reinforce these behavioral tendencies, as peer recommendations, influencer marketing, and the perceived safety of digital platforms generate trust and normalize BNPL adoption across demographic groups.

However, technology acceptance alone is often insufficient to explain why adoption may transition into harmful credit outcomes. Behavioral evidence on BNPL indicates that repayment distress and over-indebtedness are closely tied to self-regulation and judgment biases, particularly **self-control deficits** and misperceptions of repayment burden. This suggests that BNPL vulnerability may arise even when perceived usefulness and convenience remain high (Harun & Ab Aziz, 2025). From this integrated perspective, financial literacy is better positioned not merely as a general background trait but as a protective capability that can strengthen borrowers' understanding of deferred-payment obligations and reduce susceptibility to bias-driven overuse, functioning as a cognitive buffer that supports more disciplined BNPL decision-making (Harun & Ab Aziz, 2025).

While such dynamics are increasingly acknowledged in developed markets (e.g., Australia's BNPL credit checks), limited evidence exists in developing economies, where financial literacy is lower and regulatory protections are weaker (World Bank, 2023). In Malaysia, most studies focus on

macroeconomic or demographic factors, overlooking the psychological mechanisms underlying BNPL misuse.

Although the TAM and UTAUT frameworks provide valuable insights into the technological dimension of BNPL use, their explanatory power is limited in understanding the behavioral and financial consequences of adoption. As fintech services increasingly blur the line between consumption and credit, a growing number of studies have turned to Behavioral Finance Theory (BFT) and Family Financial Socialization Theory (FFST) to explain the psychological and social mechanisms behind BNPL decisions. Drawing on behavioral economics by Thaler (1999), these models posit that consumers often make financial decisions that deviate from rationality due to biases such as impulsivity, overconfidence, and loss aversion. In Malaysia, research by Halim et al. (2024) and Harun & Ab Aziz (2025) demonstrates that BNPL's promise of instant gratification reduces the "pain of payment," encouraging emotional rather than deliberate decision-making. This behavioral shift leads to overspending and, in some cases, difficulty managing debt repayment.

Complementing these perspectives is the Theory of Planned Behavior (TPB), proposed by Ajzen (1991), which integrates attitude, subjective norms, and perceived behavioral control to explain human action. Studies such as Irving et al. (2025) illustrate how positive attitudes toward convenience and flexibility, combined with social endorsement and low perceived control over finances, can increase Malaysian youths' intention to use BNPL. However, when financial literacy and risk perception are introduced as moderating variables, this relationship becomes more complex. Financially literate consumers exhibit stronger self-regulation and a lower likelihood of impulsive credit use.

Finally, Islamic finance frameworks have begun to enrich the discourse on BNPL, introducing ethical and moral considerations into what has traditionally been viewed as a technological issue. Aji et al. (2024) employed a Commitment–Trust model grounded in Islamic ethics to investigate the effects of *riba* awareness on BNPL re-usage intention among Muslim consumers. Their findings reveal that knowledge of *riba* and perceived *riba* risk reduce positive attitudes toward BNPL, though habitual users may continue to rely on these services for convenience. This highlights a gap between religious understanding and behavioral practice, where consumers' trust in digital platforms often overrides their

ethical reservations. By combining insights from TAM, behavioral finance, and Islamic consumer theory, this review advocates for a multi-layered understanding of BNPL usage that captures technological acceptance, psychological bias, and moral reasoning within Malaysia's financial ecosystem.

Thematic Review of Literature

Technological Determinants

Across the reviewed studies, perceived usefulness emerges as the most consistent determinant of BNPL adoption. Consumers view BNPL as a mechanism for managing short-term liquidity, facilitating larger purchases, and improving cash flow flexibility (Abu Seman, 2025). These findings align with TAM's core proposition that perceived usefulness directly predicts behavioral intention. Malaysian evidence from Lee & Tai (2023) further demonstrates that perceived usefulness outweighs ease-of-use effects in predicting intention once baseline app familiarity is high, reinforcing the notion that usability becomes less differentiating as fintech use normalizes. Meanwhile, perceived ease of use has diminished in significance, particularly among younger, digitally fluent users for whom user interface simplicity is a given rather than a differentiating factor (Tay et al., 2024). Raj et al. (2024) add that perceived risk can coexist with strong usefulness beliefs, producing an "accept-despite-risk" pattern characteristic of convenience-oriented credit products, in which perceived benefits often override caution in shaping intention. Perceived security and trust also play critical roles: Malaysian consumers tend to adopt BNPL more readily when they believe that their personal and financial information is protected and when the platform is affiliated with recognized financial institutions (Pertwi et al., 2025). However, several studies suggest that trust becomes less influential as consumers become more familiar with BNPL systems, indicating that adoption is increasingly normalized as part of routine digital consumption.

Behavioral and Psychological Determinants

The second thematic cluster centers on behavioral and psychological factors that underlie BNPL intention. Behavioral finance research attributes BNPL adoption to a cognitive disconnect between the act of purchase and the experience of payment, a phenomenon that lowers psychological resistance to spending. Halim et al. (2024) found that consumers often perceive BNPL as an extension of their purchasing power rather than a credit liability, reinforcing a sense of affordability. Harun & Ab Aziz

(2025) identified behavioral biases, including self-control deficit, mental accounting, and availability bias, as predictors of over-indebtedness among Malaysian users. Mental Accounting refers to the cognitive tendency to categorize funds differently based on their source or usage. In the context of BNPL, users often engage in "payment splitting" mental gymnastics. A purchase of RM300 is cognitively reframed as "RM100 per month," which feels like a petty cash expense rather than a debt obligation. This creates an "Illusion of Affordability," where users aggregate multiple "small" payments across different platforms, only realizing the total cumulative debt burden when it exceeds their disposable income.

This aligns with Thaler's (1999) foundational theory, which posits that individuals assign money to specific "mental accounts." In the case of BNPL, splitting payments causes users to categorize the expense as "petty cash" rather than "debt," leading to overconsumption. Halim et al. (2024) found that consumers often perceive BNPL as an extension of their purchasing power rather than a credit liability, reinforcing a sense of affordability. Extending this behavioral account, Prasetyani et al. (2024) highlight impulse tendency and instant gratification as proximal antecedents of BNPL use, with self-control functioning as a buffering mechanism that weakens the pathway toward high-frequency usage and potentially problematic reliance.

A recent empirical study by Harun & Ab Aziz (2025) provides strong behavioral evidence supporting this relationship. Based on survey data from 200 Malaysian BNPL users, the findings revealed that self-control deficit, overconfidence, mental accounting, and availability bias are key behavioral factors that predict over-indebtedness. Among these, self-control deficit emerged as the most significant driver of repayment failure, underscoring the role of psychological discipline in credit behavior. Interestingly, mental accounting and moderate overconfidence served as protective mechanisms, enabling some users to maintain regular payments despite extensive BNPL use. These results reinforce that behavioral tendencies, rather than income level alone, are central to understanding BNPL-related financial stress. These biases are amplified by the persuasive design of BNPL interfaces and marketing cues that emphasize "interest-free" convenience. Overconfidence, meanwhile, can foster a false sense of repayment capability, leading to delayed payments or revolving debt. In addition, Raj et al. (2024) show that attitude toward BNPL mediates the effects of perceived risk and social cues on intention,

suggesting that consumers may proceed with adoption when positive attitudes shaped by convenience perceptions and social proof outweigh risk signals. Together, these studies highlight the interplay between emotion-driven consumption and the structural features of BNPL platforms that encourage impulsive financial behavior.

Financial Determinants

Consumers with greater financial knowledge are more likely to understand the obligations associated with deferred payments and to avoid unsustainable borrowing. However, younger Malaysians often lack the literacy required to navigate BNPL responsibly (Harun & Ab Aziz, 2025). Conversely, individuals with weaker financial discipline or limited budgeting skills demonstrate stronger intentions to adopt BNPL, viewing it as a form of “soft credit” without fully comprehending its consequences (Kumar et al., 2025). Mukhtar et al. (2023) extend this financial capability argument by showing that financial knowledge and budgeting habits jointly predict safer BNPL attitudes. Notably, weak budgeting habits can dilute the protective effect of knowledge, underscoring the importance of “literacy-in-practice” rather than “literacy-in-abstract.” Several studies also note that financial struggles, particularly among students and early-career individuals, heighten BNPL usage as a coping mechanism for cash flow constraints (Ismail et al., 2025). From a socialization perspective, consumers’ early exposure to financial discussions within the family environment can shape their long-term attitudes toward credit management and debt responsibility, consistent with FFST assumptions. Collectively, these findings underscore that financial behavior and literacy not only determine BNPL adoption but also act as protective factors against over-indebtedness.

Social and Cultural Determinants

Social influence continues to exert a powerful effect on BNPL intention in Malaysia, reflecting the collectivist tendencies of local consumer culture. Studies by Tay et al. (2024) and Soong et al. (2024) reveal that peer endorsement, family approval, and influencer marketing play significant roles in legitimizing BNPL use, particularly among Gen Z and millennials. In environments where social conformity and technological enthusiasm intersect, BNPL becomes embedded in lifestyle aspirations rather than being perceived purely as a financial tool. However, this influence varies across regions. For instance, research conducted in Sarawak by Tang et al. (2025) indicates that users in more digitally

mature communities rely less on social cues and demonstrate greater autonomy in financial decision-making. These cultural nuances suggest that BNPL adoption in Malaysia cannot be understood solely through technological models. However, it must be contextualized within the nation's evolving social norms and digital identity.

Islamic Finance Determinants

The final theme concerns integrating awareness of Islamic finance into BNPL research. Although Malaysia's financial system is globally recognized for its Shariah governance, consumer understanding of Shariah-compliant fintech products remains uneven. Aji et al. (2024) found that Muslim consumers' knowledge of *riba* and perceived *riba* risk significantly influence their attitudes toward BNPL. Those who associate BNPL with potential *riba* elements demonstrate greater hesitation, while others remain ambivalent due to limited awareness of Islamic contract principles such as *bay' al-muajjal* or *murabahah*. The authors further observed that emotional commitment and habitual use can override ethical considerations, leading consumers to continue using BNPL despite moral reservations. This highlights a persistent gap between formal Shariah compliance at the institutional level and subjective moral certainty at the consumer level. As Malaysia continues to innovate in Islamic fintech, addressing this perceptual gap through education and transparency is essential to align consumer behavior with ethical financial principles.

DISCUSSION, RESEARCH GAPS, AND CONCEPTUAL INSIGHTS

The synthesis of previous studies reveals that a complex interaction of technological appeal, psychological tendencies, financial capability, and ethical awareness drives BNPL usage in Malaysia. While BNPL is positioned as a modern financial convenience, its behavioral underpinnings point to a more profound consumer paradox: financial decisions are guided not only by utility but also by emotion, social pressure, and moral negotiation. This section interprets these findings through the lens of behavioral consumer finance, connecting them to the broader questions of financial well-being and ethical fintech engagement. It also identifies significant gaps in the literature and proposes conceptual directions for future research.

Interplay between Technology, Behavior, and Financial Literacy

The reviewed studies collectively suggest that technological factors such as perceived usefulness and ease of use continue to play a vital role in shaping adoption intention. However, once consumers are familiar with BNPL systems, their behavior tends to be guided more by habit and emotional gratification than by rational evaluation. This finding resonates with behavioral finance theory, which emphasizes that individuals do not always act in economically rational ways but are influenced by psychological biases and heuristics (Thaler, 1999). Malaysian consumers' confidence in digital technology, coupled with persuasive marketing that emphasizes zero-interest convenience, often produces what can be described as an "illusion of affordability." The boundary between responsible consumption and overextension becomes blurred, particularly among younger users with limited experience managing credit.

The behavioral dimension of BNPL adoption is further supported by Harun & Ab Aziz's (2025) findings, which showed that impulsivity and low self-control significantly increased the risk of over-indebtedness, even after controlling for income and education level. Their study provides empirical validation for the behavioral finance premise that emotional convenience, rather than economic necessity, often motivates BNPL use. Incorporating such behavioral insights into financial literacy interventions enhances self-regulation and mitigates repayment distress among Malaysian users.

Financial literacy moderates this dynamic, serving as a critical filter between blind adoption and calculated usage. Evidence on this moderation effect reveals a "dual-path" phenomenon. Earlier research by Chuah et al. (2023) found that financial literacy positively correlates with BNPL adoption frequency, suggesting that for some users, financial knowledge facilitates confidence in navigating fintech tools. However, more recent empirical work by Abu Seman (2025) contradicts this, discovering a significant negative relationship between financial literacy and BNPL intention among Gen Z consumers in Malaysia. Abu Seman (2025) argue that financially literate individuals are less inclined to adopt BNPL because they are more aware of debt risks and hidden costs, which override the convenience factor.

This behavior underscores the importance of consumer education not merely in understanding BNPL functionality but in cultivating long-term financial awareness. BNPL providers' marketing narratives rarely highlight repayment discipline, creating an asymmetry between perceived convenience and actual financial responsibility.

The Role of Social Influence and Cultural Norms

Social influence emerged as another critical behavioral determinant in Malaysian BNPL adoption. Consistent with collectivist tendencies in Malaysian society, peer endorsement, family acceptance, and influencer marketing strongly shape consumer perception of BNPL legitimacy (Tay et al., 2024; Soong et al., 2024). The diffusion of BNPL within social networks contributes to its normalization, positioning it not as a debt instrument but as a lifestyle tool. This transformation of perception carries psychological consequences, as individuals' sense of social belonging and digital identity intertwine with their spending behavior. The moral dimension of debt becomes diluted when convenience and social acceptance align, leading to what Halim et al. (2024) describe as “emotional consumption under rational disguise.”

While social validation accelerates BNPL adoption, it also amplifies financial risk. Consumers influenced by social proof may underestimate repayment obligations or overestimate their financial control. In this regard, perceived behavioral control, a key construct from the Theory of Planned Behavior (Ajzen, 1991), becomes critical. Those who believe they can easily manage repayment are more likely to adopt BNPL, even when objective indicators suggest potential financial strain. Addressing these misperceptions requires not only regulation but also behavioral interventions that reshape public narratives around debt and consumption.

Integrating Islamic Finance Awareness

In Malaysia, Islamic finance principles provide an ethical foundation for understanding consumer responsibility and moral restraint in financial decision-making. As a Muslim-majority country, Malaysia's fintech ecosystem operates within a dual framework where both conventional and Shariah-compliant models coexist. However, the rapid evolution of digital credit platforms has created a

knowledge gap between institutional-level Shariah compliance and consumers' personal understanding of what constitutes *riba*-free financing.

Findings from Malaysian BNPL studies highlight that although many platforms market themselves as "interest-free," consumer perception often conflates this with Shariah compliance. This reveals an important ethical paradox: trust in technology can overshadow religious or moral caution. As Harun & Ab Aziz (2025) observed, even financially literate consumers can exhibit impulsive tendencies when convenience and social validation are present. This pattern suggests that *Riba* awareness functions as a moral moderator; its effectiveness depends on how strongly individuals internalize ethical financial norms.

Integrating Islamic finance awareness into financial literacy programs yields a dual benefit: strengthening consumer self-regulation and promoting ethical fintech behavior. The principles of *Maqasid al-Shariah*, especially the preservation of wealth (*hifz al-mal*), offer a normative guide for managing debt responsibly, discouraging wastefulness (*israf*) and prioritizing transparency. From a behavioral perspective, *Riba* awareness may act as a cognitive anchor that tempers impulsivity, transforming ethical knowledge into financial self-control. This interplay underscores that responsible BNPL use in Malaysia requires not only regulatory oversight but also the internalization of ethical awareness at the consumer level, aligning financial innovation with spiritual accountability.

Gaps in Methodology and Theory

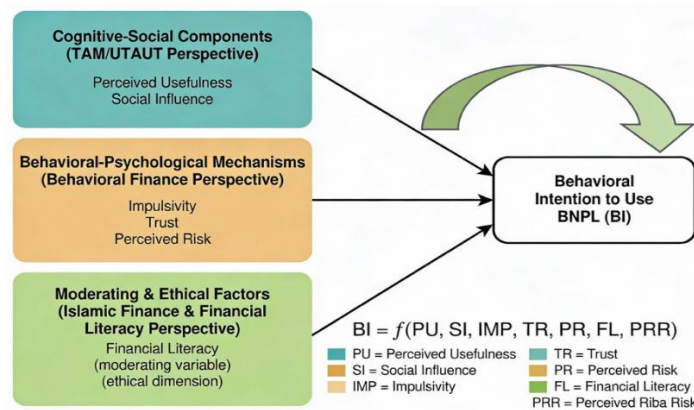
Despite growing interest in BNPL research, several gaps remain evident. Methodologically, the majority of studies reviewed employ cross-sectional survey designs, which limit the ability to observe behavioral evolution over time. Given that BNPL adoption involves both short-term decision-making and long-term repayment behavior, longitudinal studies are essential for capturing changes in financial habits, risk perception, and ethical reasoning. Moreover, qualitative research remains scarce, even though interviews or focus groups could illuminate the psychological motivations and moral deliberations behind BNPL usage that quantitative models often overlook.

Theoretically, BNPL studies in Malaysia have yet to integrate behavioral finance models with Islamic consumer ethics frameworks fully. Most research isolates these domains, focusing either on technological acceptance or on moral perception, without examining how cognitive bias and ethical reasoning interact. For instance, the emotional appeal of convenience and social conformity may override ethical concerns about potential *riba*, while strong religious commitment may counterbalance impulsive tendencies. This interaction between *bias* and *belief* deserves further empirical exploration, as it could yield a more holistic understanding of financial decision-making among Muslim consumers.

Conceptual Insight: Toward an Integrative Framework

Drawing from the synthesis of behavioral, financial, and ethical determinants discussed in this review, a conceptual framework is proposed to explain Malaysian consumers' intention to use BNPL services. The framework integrates technological acceptance factors with behavioral finance constructs and Islamic financial awareness. It posits that cognitive evaluations, affective impulses, and moral considerations jointly shape behavioral intention to use BNPL. Specifically, perceived usefulness and social influence represent the cognitive–social components of technology acceptance, while impulsivity, trust, and perceived risk capture the behavioral and psychological mechanisms influencing decision-making. Financial literacy serves as a moderating factor, enhancing consumers' ability to regulate spending and assess the consequences of repayment. In parallel, perceived *Riba* risk reflects the ethical dimension unique to Muslim consumers, serving as a moral regulator that can discourage irresponsible borrowing.

Conceptually, this integrated relationship can be summarized as follows:



This model underscores that the adoption of BNPL services in Malaysia cannot be understood solely in terms of technological convenience but must also consider behavioral biases and ethical awareness that influence financial decisions. It provides a foundation for future empirical studies examining the dynamic interplay among rational evaluation, emotional motivation, and moral reasoning in shaping fintech consumption behavior.

Implications of the Study

1.1 Theoretical Implications

This review demonstrates that technology acceptance frameworks such as the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT), while effective in explaining initial BNPL adoption, are insufficient for understanding post-adoption behaviors such as impulsive usage and over-indebtedness. Consistent with behavioral finance theory, BNPL usage is strongly influenced by psychological biases including impulsivity, mental accounting, and self-control deficits (Thaler, 1999; Harun & Ab Aziz, 2025). The findings further extend prior Malaysian BNPL studies by positioning financial literacy and Islamic finance awareness as moderating mechanisms that shape responsible usage rather than mere background characteristics (Abu Seman, 2025; Aji et al., 2024).

1.2 Practical Implications

From a regulatory and industry perspective, the findings suggest that BNPL governance should move beyond access facilitation toward behavior-sensitive consumer protection. Although BNPL is frequently marketed as interest-free, empirical evidence indicates that impulsivity and social influence increase repayment vulnerability among young users (Halim et al., 2024; Tay et al., 2024). Embedding financial literacy tools, cumulative repayment disclosures, and Shariah transparency within BNPL platforms may reduce misuse while enhancing long-term consumer trust (Aji et al., 2024).

For BNPL providers and fintech firms, the results suggest that responsible innovation requires balancing convenience with transparency. Clear disclosure of repayment obligations, cumulative liabilities, and Shariah compliance structures can help consumers make more informed decisions.

Embedding financial literacy tools and ethical prompts within BNPL platforms may reduce long-term default risk while enhancing consumer trust.

For educators and financial institutions, the study underscores the importance of integrated financial education that combines technical financial knowledge with behavioral self-regulation and Islamic ethical principles. Such programs are particularly relevant for Malaysian youth, who constitute a large proportion of BNPL users.

1.3 Societal and Ethical Implications

From a societal perspective, the review reveals a growing tension between consumption convenience and financial well-being. The normalization of BNPL as a lifestyle payment tool risks obscuring its debt-based nature, potentially undermining long-term household financial stability. The integration of Islamic finance principles, particularly Maqasid al-Shariah and *riba* awareness, provides an ethical lens through which BNPL usage can be evaluated, emphasizing moderation, accountability, and the preservation of wealth. This ethical framing is especially relevant in a Muslim-majority context such as Malaysia, where financial behavior is closely linked to moral values.

Contributions of the Study

2.1 Conceptual Contribution

This study contributes conceptually by proposing an integrative framework that combines technological acceptance, behavioral finance constructs, financial literacy, and Islamic ethical awareness in explaining BNPL usage. While prior studies largely rely on TAM or UTAUT to explain adoption intention (Lee & Tai, 2023; Hoo et al., 2024), this review extends the discourse by incorporating behavioral biases and moral reasoning as central explanatory mechanisms.

2.2 Contextual Contribution

Empirically, the review enriches the limited body of BNPL literature focusing on Malaysia and developing Islamic fintech markets. While much existing BNPL research is concentrated in Western economies, this study contextualizes BNPL adoption within Malaysia's unique socio-cultural,

regulatory, and religious environment. It thus provides valuable insights for scholars examining fintech adoption in emerging markets and Muslim-majority societies.

2.3 Methodological Contribution

By employing a narrative review approach, the study consolidates recent empirical findings (2023–2025) and identifies consistent patterns, contradictions, and research gaps across disciplines. This synthesis clarifies the evolving BNPL research landscape and establishes a foundation for more rigorous future studies, including longitudinal and mixed-method research designs.

Limitations of the study

Despite its contributions, this study has several limitations. First, as a narrative review, the findings rely on interpretive synthesis rather than systematic or meta-analytic techniques, which may introduce subjective judgment in theme selection and emphasis. Second, the review is constrained by the limited availability of BNPL research in Malaysia, as the field is still emerging. Consequently, some insights are drawn from comparative regional studies, which may limit full contextual specificity.

Third, most of the reviewed studies employ cross-sectional survey designs, restricting the ability to infer causal relationships or observe changes in BNPL behavior over time. Finally, although Islamic finance awareness is discussed as a key determinant, empirical measurement of ethical internalization and moral decision-making remains underdeveloped in existing studies. This limits the ability to fully assess how religious principles translate into actual financial behavior.

CONCLUSIONS

This narrative review sought to consolidate and interpret contemporary research on the determinants of Buy Now Pay Later (BNPL) usage in Malaysia, focusing on behavioral, financial, and Islamic finance perspectives. The review, which synthesizes data from 2023 to 2025, reveals that BNPL adoption in Malaysia is not solely a technological phenomenon but also a multidimensional behavioral pattern shaped by convenience, emotional gratification, social influence, and ethical perceptions. While models such as TAM and UTAUT effectively explain early adoption, they fall short in addressing post-adoption behavior, especially concerning indebtedness and repayment management. Integrating

behavioral finance theory provides a more comprehensive understanding by capturing psychological biases, such as impulsivity, optimism bias, and self-control limitations, that drive consumers to use BNPL beyond their financial means.

The review also highlights the moderating role of financial literacy and Islamic financial awareness. Financial literacy serves as a cognitive safeguard, enabling consumers to distinguish between responsible and risky credit use. Islamic finance awareness, particularly the understanding of *riba* and Shariah-compliant financial principles, introduces an ethical dimension that reinforces self-discipline and accountability in financial behavior. However, as Aji et al. (2024) observed, many Malaysian consumers remain uncertain about the permissibility of specific BNPL models, underscoring the need for greater transparency between fintech providers and Islamic finance institutions. The convergence of behavioral and ethical factors underscores the importance of developing integrative consumer education initiatives that link digital financial literacy with moral responsibility.

From a policy standpoint, the findings emphasize the need for a dual-pronged approach. Regulators should continue strengthening consumer protection frameworks for BNPL schemes while encouraging fintech providers to adopt transparent, Shariah-compliant financing models. Educational institutions, on the other hand, can incorporate behavioral and Islamic finance principles into financial literacy programs, fostering more conscientious spending behavior among youth. Future research should adopt longitudinal and mixed-method approaches to capture how attitudes, moral awareness, and financial habits evolve.

In sum, the expansion of BNPL services in Malaysia illustrates a broader transition in consumer finance, one that fuses digital efficiency with behavioral complexity. Understanding this interplay requires not only technological and economic analysis but also moral and psychological insight. By situating BNPL intention within a behavioral-financial framework moderated by ethical awareness, this review contributes to the growing discourse on responsible fintech engagement and the pursuit of financial well-being in a Muslim-majority context.

CONFLICT OF INTEREST

The author declares no conflict of interest related to the research, authorship or publication of this article.

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