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Bridging Income Shortfalls with BNPL under Rising Costs: Mental Accounting, Financial Management Practices, and Financial Stress among Malaysian Urban BNPL Users

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Introduction

There is empirical evidence that Malaysian consumers have increasingly turned to consumer credit to manage rising cost-of-living pressures in the post-COVID-19 period (The Edge Malaysia, 2022). Within this consumer credit landscape, Buy Now, Pay Later (BNPL) has emerged as a readily accessible form of short-term credit. For consumers who do not have conventional credit, BNPL is a potential lifeline (Hishamudin, 2024). Unlike conventional consumer credit such as credit cards, BNPL is embedded within the consumer digital financial ecosystem such as e-commerce platforms, e-wallets, merchant networks, food delivery applications, and mobility services. These digital financial services offered BNPL at the point of purchase as a convenient checkout option. This embedded structure makes BNPL easy to access as it blurs the distinction between payment convenience and consumer credit.

This ease of access has drove BNPL's growth in Malaysia. In 2023, Malaysians used BNPL for 77.3 million purchases, spending a combined RM6.2 billion. In the first three months of 2024, another 29 million transactions worth RM2.3 billion were recorded. This growth represents approximately 37% of the entire 2023 transaction volume and value (Hishamudin, 2024; The Edge Malaysia, 2024). In parallel with the rapid growth, outstanding BNPL also increased by 34% in a single quarter, from RM1.06 billion to RM1.42 billion (Hishamudin, 2024). By the first half of 2025, Malaysia recorded 6.5 million active BNPL account users where most of the concentrated mainly across SPayLater, Atome, and PayLater by Grab (Fintech News Malaysia, 2025; Payments and Commerce Market Intelligence, 2024). These figures suggest that BNPL has evolved into a important form of short-term consumer credit in Malaysia (Ahmad et al., 2025; Tan et al., 2026).

Research Problems and Objectives

As BNPL usage expands, existing research has focused on its credit-risk implications, including overspending, repayment difficulty, over-indebtedness, impulse buying, and potential debt traps (Halim et al., 2024). However, such risk focus research may understate the financial context in which consumers use BNPL. Contrary to existing studies, this study takes a different but complementary position. It does not assume that BNPL users are financially illiterate, irrational, or primarily driven by impulsive buying. Instead, consumers are assumed to be financially aware but may still rely on BNPL to cope with rising cost-of-living pressure. Therefore, BNPL usage is examined as a coping response under rising cost of living pressure. This coping response is examined through two constructs: mental accounting and financial management practices. Mental accounting is the cognitive lens. It explains how consumers mentally sort money into separate accounts — income, expenses, savings, debt — instead of treating it as one pool (Thaler, 1985, 1999). In consumer credit, this shows up through specific mechanisms: pain of paying, payment decoupling, debt aversion, earmarking, and expense forecasting (Prelec & Loewenstein, 1998; Sui et al., 2021). These shape how borrowing and repayment actually feel to the consumer.

This research does not treat mental accounting as a practice of overspending. It treats it as a coping mechanism. Specifically, it is a mental coping mechanism of using BNPL.
Financial management practices provide the behavioural lens. It covers budgeting, saving, expense tracking, repayment planning, and debt management (Huston, 2010; Sabri & Falahati, 2013).

The aim of this study is to examine how mental accounting, financial management practices, and BNPL usage are associated with financial stress among Malaysian urban BNPL users. Because mental accounting is treated as a coping response, it was expected to be linked to lower financial stress. The study tests this link. It also examines whether BNPL usage is linked to higher financial stress, and whether stronger financial management practices are associated with lower financial stress. Financial stress is understood as subjective worry, perceived money shortage, reduced control, and concern about meeting financial obligations (Simonse et al., 2022; Xiao & Kim, 2022).

Methodology

This study adopted a quantitative correlational design. Non-probability purposive sampling was used. The sampling frame of this study focused on Malaysian urban BNPL users because urban consumers are more likely to face stronger cost-of-living pressures, particularly due to higher rent, transport, and daily expenses in larger towns and cities (World Bank, 2020). Although urban residents may have access to higher income opportunities, the World Bank (2020) notes that higher urban living costs can still reduce their real purchasing power. Urban consumers are also more exposed to digital platform-based consumption and BNPL-enabled payment ecosystems, making them a relevant group for examining how BNPL is used to manage raising cost of urban living. . Participants were included if they were aged 18 years and above, resided in an urban area in Malaysia, had used BNPL services, and provided informed consent. Incomplete responses and responses that failed the screening criteria were excluded.

Data were collected through a self-administered structured online questionnaire between 18 November and 4 December 2025. The questionnaire covered consent and screening, demographic profile, BNPL usage behaviour, mental accounting, financial management practices, and financial stress. Data were cleaned, coded, and analysed using IBM SPSS Statistics. Descriptive statistics summarised BNPL usage patterns, while Cronbach's alpha assessed the reliability of multi-item constructs. Composite mean scores were computed for the main variables. Pearson correlation analysis examined bivariate relationships between each independent variable and financial stress, with significance determined at the 0.05 level using two-tailed tests. Because the study used purposive non-probability sampling and an online survey, the findings should not be generalised to all Malaysian BNPL users, especially rural users or offline consumers. The results should be interpreted as associations within the sampled urban BNPL users.

Findings

At the descriptive level, respondents commonly used BNPL to manage short-term income-expenditure gaps, especially for essential goods. This was reflected in high agreement that BNPL helped manage the rising cost of essentials (99.4%), served as a short-term solution during income shortfalls (99.4%), and was used mainly for essential purchases (89.9%). Many respondents also felt more secure knowing that BNPL could be used as a fallback for necessities (98.3%).

However, usage of BNPL is not stress-free. Most respondents reported feeling stressed about BNPL repayments (94.4%), agreed that repayments reduced money available for daily needs (96.1%), and felt that BNPL had increased their overall debt level (97.8%). These findings suggest that while BNPL provided immediate financial relief, it also creates future repayment pressure.

Mental accounting was positively associated with financial stress ($r = .286$, $p < .001$). Respondents with stronger mental-accounting behaviours, such as mentally separating expenses or framing BNPL instalments, tended to report higher financial stress. This positive correlation suggests that higher mental-accounting practice were linked to higher financial stress, not lower stress. This was contrary to the coping expectation. However, the relationship was modest. The correlation is significant but not strong. It should not be read as mental accounting strongly driving stress.

Financial management practices were found to be negatively associated with financial stress ($r = -.213$, $p = .004$). The negative correlation suggests that financial management practices such as budgeting, expense tracking, saving, repayment review, and spending-control were associated with lower financial stress. This relationship was also modest but statistically significant.

Taken together, these results matter — but they don't tell the whole story. Mental accounting explains part of the variation in financial stress, not all of it. Financial management practices show a modest protective effect. Both are contributors. Other forces such as income shortfalls, rising living costs, repayment timing, accumulated instalment obligations, and BNPL commitments may be at play too. They may carry substantial weight in driving financial stress, even though this study doesn't directly model them.

Discussion and Implications

The findings suggest that among Malaysian urban BNPL users, BNPL is more that payment convenience but is used as easy consumer credit for income shortfalls under rising living costs. The descriptive results indicate that BNPL provides immediate liquidity relief, but the high levels of repayment stress suggest that easy consumer credit may be transferred into future financial stress. This supports a double-edged coping interpretation: BNPL may help consumers manage immediate income-expensed gaps, but it also creates psychological and repayment burdens when instalments accumulate.

The positive correlation between mental accounting and financial stress extends mental accounting theory into the digital financial ecosystem context. Payment decoupling can reduce the immediate pain of paying and make credit-based consumption feel more manageable (Prelec & Loewenstein, 1998; Thaler, 1985, 1999). In the BNPL context, users may mentally frame instalments as routine expenses or manageable future payments. Splitting one cost into small, separate payments can make each one feel minor. This lowers the pain of paying at each purchase. But it does not lower the full amount owed. Such framing may help in the short term. It helps consumers organise financial pressure — especially when BNPL bridges income-expenditure gaps caused by rising living costs. But this coping is cognitive, not financial. It doesn't remove the income shortfall. It doesn't remove the repayment obligation.

Mental accounting may make BNPL feel easier to manage. However, with the repayment obligation, financial stress can still rise. This finding challenges a simplistic financial-illiteracy explanation of BNPL use. The findings suggest that users may be aware of their credit obligations and actively attempt to manage limited financial resources. Yet awareness can coexist with stress when consumers lack sufficient resources to resolve repayment pressure. This is consistent with Xiao and Kim's (2022) finding that financial capability may increase stress among consumers with debt problems because awareness of consequences can intensify worry. Sergeyev et al. (2023) similarly argue that financial stress drains the cognitive resources needed for effective financial decision-making. As the design is correlational, the direction of this link cannot be confirmed. Higher financial stress may also lead users to rely more on mental accounting.

The negative relationship between financial management practices and financial stress is consistent with evidence that budgeting, saving, expense tracking, and repayment flexibility are associated with lower chronic financial stress and improved capacity to handle economic shocks (Field et al., 2012; Fouché et al., 2025; Patel et al., 2016; Strömbäck et al., 2017). The modest association suggests that financial management practices may reduce but not fully eliminate stress when income shortfalls and cost pressures are repeated. In other words, good

financial management can help users cope, but it cannot fully compensate for persistent affordability pressure or multiple BNPL repayment commitments. This aligns with Korankye and Pearson (2023), who found that financial management activities can create short-term discomfort when they force consumers to confront constrained resources.

The overall findings suggest that BNPL-related stress should not be attributed mainly to lack of financial literacy or financial irresponsibility. Malaysian urban BNPL users appear to use mental accounting and financial management practices to manage repayment commitments. The deeper concern is this: As BNPL is easily available across the digital financial ecosystem, users with multiple BNPL accounts will find their debt is split across many platforms. Each instalment looks small on its own. So, the total repayment burden stays hidden during everyday spending. Policy should move past generic financial literacy campaigns. Instead, it should target behavioral tools that make repayment visible and support cash-flow planning. BNPL providers should show users their full repayment picture before any new purchase. This means showing active plans, repayment dates, and total monthly commitments — all in one place. .Platforms should also add timing prompts. These would show how a new instalment lines up against existing obligations and income cycles. These steps do not assume consumers are financially incapable. Instead, they support consumers who are already aware, helping them make informed credit decisions under rising cost pressure.

Keywords
Buy Now, Pay Later (BNPL); consumer credit coping; mental accounting; financial stress

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