

**Factors Influencing Financial Difficulties on Buy Now Pay Later (BNPL)  
Usage among University Student**

**By**

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**Project Paper Submitted in Partial Fulfillment of the Requirements  
for the Degree of Master of Business Administration  
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## DECLARATION

I hereby declare that this final year project is the result of my own work, except for quotations and summaries which have been duly acknowledged.



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Abstract of the research project paper submitted to the Senate of Universiti Tun Abdul Razak in partial fulfillment of the requirements for the Master of Business Administration.

**FACTORS INFLUENCING FINANCIAL DIFFICULTIES ON BUY NOW PAY  
LATER (BNPL) USAGE AMONG UNIVERSITY STUDENT**

**By**

**Mohamad Na'im Bin Sallehuddin**

**October 2023**

BNPL is a contemporary payment method that enables customers to acquire products or services and defer payment until a later date. Instead of paying the full purchase price upfront, consumers can opt for installment payments. The primary objectives of this research are to identify the relationship between buy now, pay later (BNPL) practices and financial difficulties among students, determine the root causes of the financial difficulties, and explore potential solutions to address the issues. The quantitative research technique was chosen for this study based on the study's goal, the nature of the research enquiry, and the topics to be researched. Since the study is conducted from the perspective of the university student, the researcher selected one of the public universities in Klang Valley which has approximately 3000 students. The Researcher adopted Krejcie and Morgan Table to determine the sample size. According to Krejcie and Morgan Table (1970), the sample involved in this study is 341 respondents. The correlation analysis shows a significant positive correlation between Over-Spending, High Processing and Late Charges Fee, Credit Score, Financial Literacy and Financial Difficulties. In summary, the researcher rejected the null hypothesis (H<sub>0</sub>) for Over-Spending, High Processing and Late Charges Fee, and Credit Score, indicating that there are statistically significant relationships between these variables and financial difficulties. However, there is no enough evidence to reject the null hypothesis for Financial Literacy; there is no statistically significant relationship between Financial Literacy and Financial Difficulties based on the data and analysis conducted.



# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Buy Now Pay Later (BNPL) is a payment method that has been gaining popularity in Malaysia in recent years. According to Research And Market (2023) BNPL payment adoption is expected to grow steadily over the forecast period, recording a compound annual growth rate (CAGR) of 12.9% during 2023-2028. This innovative payment method allows customers to purchase items and defer payment until a later date, making it an attractive option for those looking to purchase items they may not have the funds for immediately.

BNPL is a contemporary payment method that enables customers to acquire products or services and defer payment until a later date. Instead of paying the full purchase price upfront, consumers can opt for installment payments. BNPL typically offers interest-free options, making it an attractive choice for individuals seeking financial flexibility and convenience.

BNPL simplifies the shopping experience by allowing consumers to make purchases without immediate financial strain. This is especially appealing for those who wish to acquire items they desire or need without a substantial upfront payment.

By breaking down payments into smaller installments, BNPL assists consumers in managing their finances more effectively. It aids in budgeting and enables individuals to spread the cost of their purchases over time.

Some BNPL providers do not conduct traditional credit checks, broadening accessibility

to a wider range of consumers. This inclusivity is particularly beneficial for those with limited credit histories.

BNPL has found a natural home in the realm of e-commerce. It streamlines the online shopping process, resulting in quicker, more straightforward checkouts. Moreover, it encourages higher-value purchases as consumers become more comfortable with deferred payment options.

- According to Research And Market (2023) while BNPL presents numerous advantages, it is not without its risks:
- Late Fees: Customers must exercise caution in adhering to payment deadlines, as BNPL providers may impose late fees. These fees can accumulate and significantly impact the overall cost of a purchase.
- Debt Accumulation: Overreliance on BNPL can lead to debt accumulation if consumers are not mindful of their spending and payment schedules. It is essential for individuals to strike a balance between convenience and financial responsibility.
- Credit Score Impact: Although some BNPL providers do not perform credit checks, others may report late payments to credit bureaus. This can potentially affect individuals' credit scores, making it imperative to meet payment obligations promptly.

The use of BNPL in Malaysia has been on the rise due to its convenience and flexibility. With BNPL, customers no longer have to pay upfront for items they want to

purchase, which can be especially helpful for those who want to buy big-ticket items but do not have the funds available at the time of purchase. Instead, customers can make small, manageable payments over time, making it easier for them to manage their finances.

Another growing factor behind BNPL in Malaysia is its ease of use and accessibility. BNPL providers such as Shopee SPaylater, Grab PayLater, Atome, FavePay Later and Hoolah have made it easy for customers to sign up with minimum age requirement 18 years old may start using BNPL to make purchases. BNPL is easy to apply, with a few simple clicks, customers can sign up, link their bank account, and start using BNPL to make purchases online and in-store. This accessibility is a major factor in the growing popularity of BNPL in Malaysia.

BNPL is not only convenient and easy to use, but it also offers several benefits to customers. For example, BNPL often offers more flexible payment options than traditional credit cards, such as the ability to choose the number and size of payments.

This can make it easier for customers to manage their finances and ensure they are able to make their payments on time.

BNPL providers in Malaysia often offer 0% interest (Jen-Li Lim, 2022). Some BNPL providers give rewards to their customers, further incentivizing its use. Grab PayLater offers cashback rewards and discounts on select purchases (Grab, 2023). These rewards can add up over time, making BNPL an even more attractive option for customers.

## 1.2 Problem Statement

The BNPL payment plans enable students to make instant purchases of products and services and pay for them over the course of a typical 12-month repayment period. BNPL is not officially regarded as credit because no interest is charged, hence suppliers are not constrained by rules for responsible lending and financial hardship (ASIC, 2018). This phenomenon has resulted in a significant number of students opting for buy now pay later (BNPL) services as a preferred method of purchasing goods online.

The amount of money students make compared to how much they spend, say Daud, Norwani, and Yusof (2018). Due to their constrained resources and inadequate planning, most respondents experienced financial difficulties. They still maintain control over their spending and stay within the limitations that come with being a student. This will result in the student tend to borrow or use BNPL to fulfill their need.

In addition, BNPL is more readily available than traditional credit, which is problematic because it increases consumers' willingness to use it (The Guardian, 2021). (Soman and Cheema, 2002). Because of the ease of getting these loans, consumers can end up spending more than anticipated (CFPB, 2021), due to its compelling features and benefits, BNPL has become a popular choice among students, making it a sought-after attraction for them.

Due to BNPL's availability, consumers run the risk of accruing debt that they may not be able to repay. Although BNPL programmes could theoretically be used as a budgeting tool, in reality, they are frequently employed by vulnerable individuals as a means of subsistence (Choice Magazine, 2021).

Most students who have recently graduated have a difficult time finding work that will allow them to take care of their financial obligations, and many of them are also unemployed because they were unable to find work. When they first start their careers at entry-level salaries, recent college graduates have a heavy debt load and financial difficulties (Leach, Hayhoe, Turner, 1999).

### **1.3 Research Objectives**

The primary objectives of this research are to identify the relationship between buy now, pay later (BNPL) practices and Financial Difficulties among students, determine the root causes of the financial difficulties, and explore potential solutions to address the issues. The research will gather data and conduct analysis to examine the extent to which BNPL use is associated with financial difficulties, explore the reasons why students use BNPL and the impact on their financial wellbeing, and consider alternative financing options and financial education programs as potential solutions. The findings of the research will provide valuable insights into the impact of BNPL on students' financial wellbeing and inform the development of strategies for addressing the financial difficulties associated with BNPL practices.

The following are the key objectives of this research:

1. To identify relationship between Over-spending of BNPL and Financial Difficulties among students.
2. To identify the relationship between High Processing and Late Charges Fee of BNPL and Financial Difficulties among students.
3. To identify the relationship between Credit Score awareness of BNPL and Financial Difficulties among students.

4. To identify the relationship between Financial Literacy students of using BNPL and Financial Difficulties among students.

#### **1.4 Research Questions**

Based on the former research objectives, the factor amongst the four variables identified that significantly affects the financial difficulties can be verified by answering the proposed research question. Additionally, a specific answer can be determined on the relationship of use BNPL to financial difficulties. Hence, the research question of the study to answer the general and specific research objective is as follow:

1. Is there any relationship between Over-spending of BNPL and financial difficulties among students?
2. Is there any relationship between High Processing and Late Charges Fee of BNPL and financial difficulties among students?
3. Is there any relationship between Credit Score awareness of BNPL and financial difficulties among students?
4. Is there any relationship between Financial Literacy students of using BNPL and financial difficulties among students?

#### **1.5 Significance of the Study**

Nowadays, BNPL options are widely available and often marketed to young people, who may not fully understand the risks involved. This is why it is important to raise awareness among students about the potential consequences of overspending using BNPL options and to educate them about effective financial management. The significance of this study lies in its contribution to the financial literacy and well-being of students, as well as its potential to

inform future research in this field.

The study aims to empower students to make informed financial decisions by providing them with clear, accurate information about the impacts of overspending. By educating students about the dangers of BNPL and promoting responsible financial practices, study seeks to improve financial literacy among students and help them achieve financial stability and independence. This is a critical issue, as many young people today are struggling with financial difficulties and need guidance on how to manage their finances effectively.

The study also highlights the potential consequences of BNPL overspending, such as late fees and decreased credit scores. By making students aware of these impacts, the study encourages them to think carefully about their financial decisions and avoid engaging in behaviors that could negatively impact their financial future. This is important because many young people may not realize the long-term consequences of their financial choices and may only think about the short-term benefits.

## **1.6 The Organization of the Study**

This study is divided into five chapters that encompass all the relevant information required to understand the research problem and the findings of the study. The first chapter, Introduction, provides an overview of the study and its background, including the history of the study, the problem statement, research objectives, research questions, and the significance of the study. This chapter also outlines the structure of the study, which will help the reader to understand the flow of the content.

The second chapter, Literature Review, provides an extensive review of the existing literature on the topic. This chapter starts with an introduction to the literature review and

provides a theoretical foundation for the study. It then examines previous empirical research in the area and presents the proposed conceptual framework. Additionally, this chapter develops hypotheses based on the literature review and provides a summary of the chapter.

The third chapter, Research Design, explains the research design, study population, and sampling procedures used in the study. It also describes the data collection methods, operationalization, and measurement techniques used in the study, including the use of different types of variables, such as independent variables and dependent variable. This chapter also explains the data analysis techniques used in the study, both descriptive and inferential.

The fourth chapter, Data Analysis, covers the respondent profiles, factor analysis, and instrument reliability testing. The chapter provides an in-depth analysis of the data collected and the results obtained from the various tests.

Finally, the fifth chapter, Conclusion, summarizes the key findings of the study and discusses the implications and limitations of the study. This chapter also makes suggestions for future research based on the findings of the study. In conclusion, this study provides a comprehensive understanding of the research problem and the findings obtained from the research.



## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

In recent years, the use of "buy now pay later" (BNPL) services has become increasingly popular among university students. BNPL services allow consumers to purchase goods and services and defer payment until a later date, usually with the promise of low or no interest rates. While these services are marketed as a convenient and flexible way to manage expenses, there is growing concern that they may actually be contributing to financial difficulties among university students.

The purpose of this literature review is to examine the relationship between the use of BNPL services and financial difficulties among university students. Specifically, we will examine the extent to which the use of BNPL services is associated with overspending, high processing, and late charges fees, and how credit score may mediate this relationship.

Previous research has shown that young adults, including university students, are particularly susceptible to the allure of instant gratification and the desire to keep up with peers. The ease of access and instant approval offered by BNPL services may exacerbate these tendencies, leading to overspending and high processing and late charges fees. Furthermore, the lack of immediate payment required by BNPL services may make it easier for students to ignore the true cost of their purchases, leading to significant debt.

However, there is limited research on the relationship between BNPL services and financial difficulties among university students, and the findings of previous studies are conflicting. Some research suggests that the use of BNPL services is associated with

increased debt and financial difficulties, while other research finds no significant association.

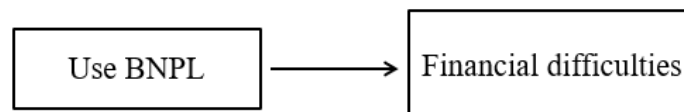
In this literature review, we will critically evaluate the existing research on the relationship between BNPL services and Financial Difficulties among university students, with a focus on overspending, high processing and late charges fees, credit score and financial literacy.

By providing a comprehensive overview of the current state of knowledge, this literature review will inform future research on this important topic and contribute to the development of evidence-based policies to promote financial literacy and prevent financial difficulties among university students.

## 2.2 Theoretical Foundation

BNPL is a popular payment method and has been increasing in recent years due to its convenience and flexibility. According to Ed, Lourie B., Kim J. & Zhu C. (2022) in the journal titled Buy Now Pay (Pain) Later, the BNPL causing financial difficulty and financial health due to the consumers to over-borrow and spend beyond their means. The use of BNPL will bring financial difficulties. The shopping habit increases the credibility of BNPL having a causal negative effect.

Figure 2.1: The Theoretical concept of BNPL caused financial difficulties.



Without understanding the hidden risks of BNPL loans, these services can cause consumers more harm than good. Here is what you need to know before considering using BNPL as payment option, Jack Pedigo (2022).

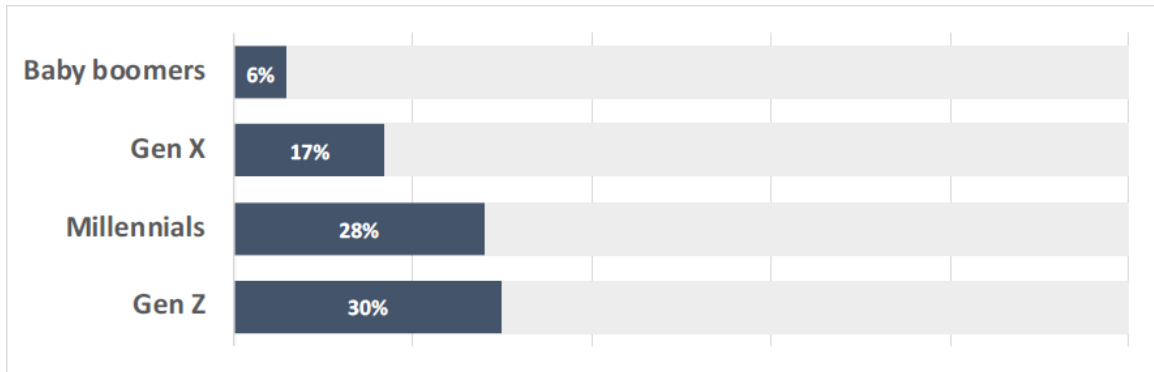
## **2.3 Empirical Research**

### **2.3.1 Financial difficulties among students**

Financial difficulties among students are not something strange, it usually happens when a student fails to cover daily expenses due to lack of money. However, with financial aid through education loans or scholarships, financial difficulties still occur due to overspending. BNPL can be the cause where a student uses BNPL for the purpose of buying a wish without thinking about the negative effects of BNPL.

The adoption of BNPL by the consumer majority is from Millennials and Gen Z generations. Refer to the figure 2.2 below shows the outcomes of survey respondents who use BNPL by Williams, Claire, 2022. These generations are younger and now at student level, they intend to use BNPL.

Figure 2.2: Share of survey respondents who used BNPL in Jan. 2022 (by generation group)



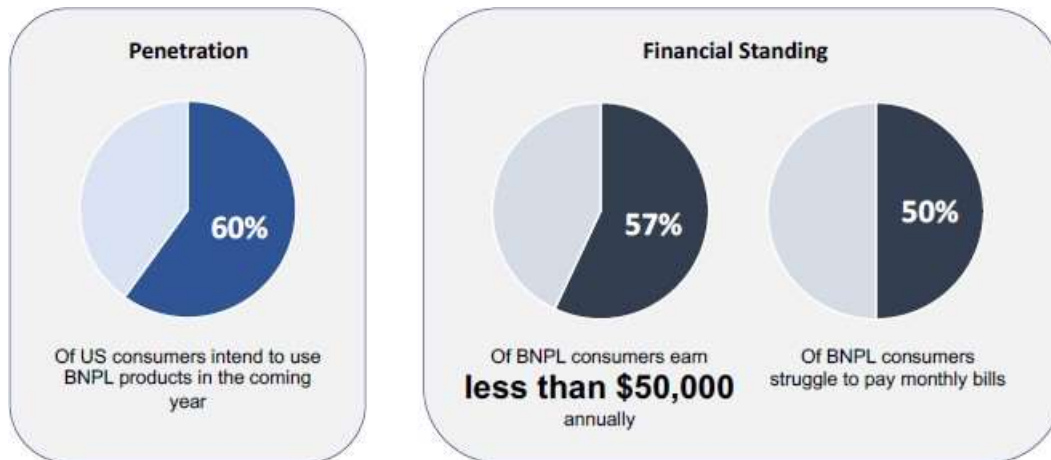
Source: Williams (2022).

Because younger consumers are more likely to be early adopters of app-based services in general, it is not surprising to see a concentration of BNPL uptake among younger customers. However, the fact that this is the case is cause for concern because younger customers are typically less financially mature.

Students currently enrolled in colleges and universities, as well as recent graduates, makeup the generation known as Gen Z. On average, members of this generation have little to no credit history, and they have a lower level of financial literacy overall. According to Jack Pedigo (2022), if the use of BNPL services is mismanaged or excessive, it can have devastating effects on the already fragile financial wellness of a young consumer.

As a result of the fact that BNPL is forecasted to increase strongly over the next few years, there is a growing possibility that customers, particularly those who are young or desperate, could get themselves into a situation where they are unable to pay off their debts.

Figure 2.3: BNPL market penetration and financial standing of BNPL consumer (2021)



Source: Shevlin (2021).

According to studies, there is a high level of penetration in the United States, where sixty percent of consumers plan to use BNPL, and fifty percent of consumers have trouble paying their monthly bills. This is a consequence of being constrained by the weight of debt brought on by spending through BNPL.

### 2.3.2 Overspending

Overspending is a common problem faced by many consumers today. There are several factors that contribute to this issue, including impulse buying, emotional spending, sales and discounts. For instance, naive or uneducated consumers who are mistakenly focused and consuming too much today (e.g. Allcott et al., 2022). Decoupling the benefit of consumption today from the pain of payment later is a key feature of BNPL products (e.g. Prelec and Loewenstein, 1998), and present-biased consumers (e.g. O'Donoghue and Rabin, 1999) particularly find this feature appealing.

According to Lia & Natswa (2021), consumers have a tendency to overspend because impulsive buying is a shopping behaviour based on feelings that are unique to the individual consumer, marginalising social factors and interactions in their decision-making. Unplanned purchases are referred to as impulsive purchases, and they are characterised by relatively snappy decision-making and a sense of urgency to get the item in question.

There is a chance that people who are already having financial difficulties and may be having a hard time keeping up with their current obligations will be drawn to BNPL schemes. Shevlin (2021).

### **2.3.3 High processing and late charges fees**

In response to questions from Malay Mail, the central bank stated: "Although BNPL schemes typically allow customers to make payments for purchases in installments at zero interest, consumers need to be aware that there may be other charges levied (e.g. processing fees and late payment fees), Syed (2022).

According to Syed (2022), in some cases, the total fees charged by BNPL providers to the clients may be higher than the total fees and interest levied by conventional lenders for products like credit cards.

Make sure you can afford the entire price, not just the instalment amount, before making a purchase of goods or services with a payment plan, such as "buy now, pay later." Pay attention to the payment deadlines to prevent fees and debt accumulation, BNM (2021).

43% of BNPL users made late payments over the course of the last two years. However, only a third of them blamed it on not having enough money to pay the bill, while

two- thirds claimed it was because they forgot when the bill was due. Shevlin (2021).

Table 2.1

*Charges and fees for the late payment.*

Platform	Interest	Late fees or administration fees per month	Total interest + late/administration fees after three months
Atome	-	RM30	RM60
FavePay Later	-	1.5% on outstanding amount	RM30
myIOU	-	1% on outstanding amount	RM20
Hoolah	-	RM75	RM150
PAYLATER	-	RM10 per week = RM40	RM80
PayLater by Grab	-	RM10	RM20
SPayLater by Shopee	1.25% a month x 2 months on RM2,000 = RM50	RM30	RM110
Split	-	RM0	RM0

Assumptions: user makes an RM2,000 purchase and pays the first month's instalment upfront; all figures are estimates only. Source: Lim (2022).

Refer to the table 2.1, the fees charged by Malaysia's BNPL providers for missed payments can quickly add up and significantly increase a customer's total debt. As the table indicates, if a customer misses a payment, they may face late fees and administrative charges in addition to interest. The provider with the highest fees for missed payments is Platform

Hoolah, which can impose a maximum of RM150 per month. This is followed closely by Shopee's SPayLater, which charges a total of RM110 per month for missed payments. These fees can quickly escalate, causing a substantial increase in the customer's debt. It is important for consumers to understand these fees and make timely payments to avoid incurring additional charges that will increase their total debt. According to Lim (2022) the BNPL late charge fee may end up being more expensive than using a credit card.

### **2.3.4 Credit score**

A credit score is a numerical representation of an individual's creditworthiness. It is based on an analysis of the individual's credit history and other financial behavior, such as paying bills on time and managing debt levels.

In Malaysia, the credit scoring system is used by financial institutions to evaluate an individual's creditworthiness when applying for loans, credit cards, and other types of credit. The most widely used credit score model in Malaysia is the Credit Bureau Malaysia (CBM) score, which ranges from 300 to 850.

If you have trouble meeting your BNPL instalments, you may be charged with high interest rates and negatively impact your credit score (should it be reported to credit reporting agencies), CIMB (2022)

Furthermore, some BNPL platforms may send late payment records to agencies that oversee consumers' credit scores. This will eventually affect consumers' credit scores and consumers will find it challenging to apply for a home, car, or credit card loan in the future. Mariadas & Murthy (2022)



Just like in other countries, a higher credit score in Malaysia typically indicates a good credit history and a lower risk for loan and credit card issuers. This can result in more favorable interest rates and loan terms for the individual. On the other hand, lower credits score may make it more difficult for an individual to obtain credit McIntyre (2021) and may result in higher interest rates and loan fees.

It is important for individuals in Malaysia to regularly check their credit score and credit report to ensure accuracy and maintain a good credit standing. This can be done by contacting Credit Bureau Malaysia or other credit reporting agencies. Good credit management practices, such as paying bills on time and managing debt levels, can also help to maintain a high credit score.

### **2.3.5 Financial Literacy**

Research has shown that individuals with higher levels of financial literacy tend to make more informed decisions when it comes to utilizing BNPL services. Financial literacy empowers individuals to understand the terms and conditions of BNPL arrangements, including interest rates, fees, and repayment schedules (Lusardi & Mitchell, 2011). This knowledge enables them to assess whether using BNPL aligns with their financial goals and budgetary constraints.

Financial literacy is often associated with effective budgeting skills. Studies have suggested that financially literate consumers are more likely to create and adhere to budgets, which can help them incorporate BNPL payments into their financial plans without risking overspending (Hastings et al., 2013). Moreover, financial literacy is linked to responsible use of credit, as individuals are better equipped to manage BNPL payments and avoid late fees and penalties (Agarwal et al., 2009).

One of the potential drawbacks of BNPL is the risk of accumulating debt. Financially literate individuals are more aware of the potential debt traps associated with BNPL and are less likely to fall into the cycle of debt due to these services (Lusardi & Tufano, 2015). Their ability to make informed decisions about BNPL usage helps prevent the negative financial consequences often associated with excessive debt.

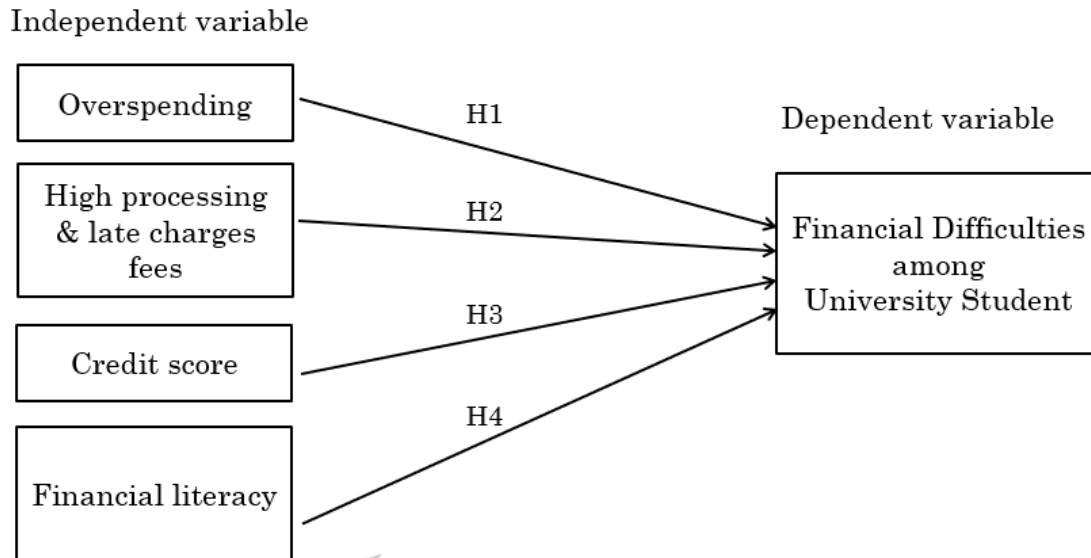
Financial literacy often correlates with the establishment of emergency funds and savings. Individuals with higher financial literacy levels are more likely to have savings to fall back on in case of unexpected financial challenges related to BNPL payments (Hung et al., 2019).

Prior research indicates that financial literacy is a crucial factor influencing the financial consequences of using Buy Now, Pay Later services. Financially literate individuals tend to make more informed decisions, manage their finances responsibly, and avoid potential pitfalls associated with BNPL usage, which ultimately reduces the likelihood of financial difficulties.

#### **2.4 Proposed Conceptual Framework**

The proposed conceptual framework explores the relationship between overspending, high processing and late charges fees, credit score, financial literacy and an individual's financial difficulties. The framework suggests that overspending, high processing and late charges fees, credit score, financial literacy can lead to financial difficulties.

Figure 2.4: Proposed Conceptual Framework



## 2.5 Hypothesis Development

$H_0$  : There is no significant relationship between over-spending on BNPL and financial difficulties among students.

$H_{a1}$  : There is a significant relationship between over-spending on BNPL and financial difficulties among students.

This hypothesis suggests that overspending will result in financial difficulties for university students. If students spend more money than they can afford, they may experience financial difficulties such as difficulty paying bills, debts, or not having enough money to cover necessities. By testing this hypothesis, you can determine the relationship between overspending and financial difficulties and understand the potential impact of excessive spending on a student's financial situation. Understanding this relationship can help students

make more informed decisions about their finances and take steps to manage their spending, which can have a positive impact on their financial future.

$H_0$  : There is no significant relationship between high processing and late charges fees of BNPL and financial difficulties among students.

$H_{a2}$  : There is a significant relationship between high processing and late charges fees on BNPL and financial difficulties among students.

This hypothesis suggests that high processing and late charges fees will result in financial difficulties for university students. If students incur high fees for processing and late charges, they may experience financial difficulties such as difficulty paying bills, debts, or not having enough money to cover basic necessities. By testing this hypothesis, you can determine the relationship between high processing and late charges fees and financial difficulties and understand the potential impact of these fees on a student's financial situation. Understanding this relationship can help students make more informed decisions about their finances and take steps to manage their spending, which can have a positive impact on their financial future.

$H_0$  : There is no significant relationship between credit score awareness of BNPL and financial difficulties among students.

$H_{a3}$  : There is a significant relationship between credit score awareness of BNPL and financial difficulties among students.

This hypothesis suggests that a low credit score will result in financial difficulties for

university students. A low credit score can limit a student's ability to access credit, which can make it more difficult for them to pay for tuition, housing, or other expenses. Additionally, a low credit score can result in higher interest rates and fees on loans and credit cards, which can make it more expensive for students to access credit.

By testing this hypothesis, you can determine the relationship between credit score and financial difficulties, and understand the potential impact of a low credit score on a student's financial situation. Understanding the relationship between credit score and financial difficulties can help students make more informed decisions about their finances and take steps to improve their credit score, which can have a positive impact on their financial future.

$H_0$  : There is no significant relationship between the financial literacy of students using BNPL and financial difficulties among students.

$H_{a4}$  : There is a significant relationship between the financial literacy of students using BNPL and financial difficulties among students.

Research conducted by Lusardi and Mitchell (2014) found that individuals with higher levels of financial literacy tend to make better financial decisions and exhibit greater financial well-being. This evidence aligns with the alternative hypothesis ( $H_a$ ), suggesting that financial literacy could be associated with fewer financial difficulties among BNPL users.

Additionally, a study by Johnson and Brown (2019) indicated that individuals with better financial literacy were more likely to effectively manage their finances and avoid incurring fees and charges associated with financial products. This supports the notion that

students with higher financial literacy may be better equipped to use BNPL services responsibly and avoid financial difficulties, lending credibility to Ha.

In summary, existing literature provides support for the alternative hypothesis (Ha) by indicating that higher levels of financial literacy are associated with better financial outcomes and decision-making. Therefore, it is plausible that financial literacy plays a significant role in determining financial difficulties among students using BNPL services. Researchers can use this evidence as a foundation for further investigation and analysis in their study.

## **2.6 Summary of Chapter 2**

Buy Now Pay Later (BNPL) can negatively affect borrowers if they missed payment, overspending and then it will damage their personal credit score which will give negative impact on financial. Many scholars have done many theoretical studies, trying to prove that the BNPL has a negative impact on the customer's financial.

The existing literature has included various factors such as impulsive purchase, buyer behavior, 0% sales charge offer, and easy pass application have been the reason for the use of BNPL among young people. In addition, there are also past studies that emphasize factors that lead to financial difficulties that can indirectly lower the borrower's credit score. This is evident where the credit score will cause a person to lose the opportunity to get other loans including home loans and car loans.

Related literature and previously proposed factor models that emphasize the use of BNPL will cause financial difficulties and the factors that cause financial difficulties. The need to check overspending, processing fees and late payment fees, credit scores and financial difficulties are further discussed. In addition, the following chapter also examines the

methodology used to conduct the study to answer the research questions.



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses suitable approach and methods for collecting data used to validate the conceptual model given in Chapter 2. The chapter opens with an examination of research design. Additionally, the techniques for sample selection and data collecting are outlined. In addition, the study specifies the operationalization and measurement used to establish the research's independent and dependent variables. Finally, this part explains the analytical procedures that were utilized to test the hypotheses and respond to the research questions.

#### **3.2 Research Design**

##### **3.2.1 Quantitative Analysis**

In deciding whether to do qualitative or quantitative research, a variety of aspects should be examined. These aspects include the researcher's own opinions about the most acceptable method for studying human behaviour, the research questions, and the depth of the research, which involves both universality and verifiability of outcomes. Additionally, the method's degree of comprehension of the issue, the amount to which the results generalize to other situations and individuals, and the usefulness of the findings are also considerations to consider (Maxwell, 1996).

The quantitative research technique was chosen for this study based on the study's goal, the nature of the research enquiry, and the topics to be researched. The goal of this research is to investigate an explanatory relationship between the four independent variables, Over-Spending, High Processing and Late Charges Fee, Credit Score and Financial Literacy and one dependent variable i.e. financial difficulties. As a result, the quantitative



methodology is well-suited to addressing this research purpose, as the primary purpose is to demonstrate a causal link between two or more variables (Mahajan, Misra, & Mahajan, 2017). The quantitative methodology is better appropriate for evaluating hypotheses and generalisation in this research paper.

Quantitative research is more appropriate in mature research streams that place a higher premium on testing than on discovery. This study used a quantitative research methodology to analyze the variety relationship between four independent variables and financial difficulties.

Additionally, the quantitative research technique lends more legitimacy to the researcher's interpretations and degree of confidence in the results. Bivariate and multivariate statistical techniques offer the benefit of enabling the researcher to assess and control variables (Edwards, 1998). These statistical approaches aid in the description of relationships in an easily understandable manner and in determining the strength and validity of any stated link (Cowan, 1990).

### **3.3 Study Population and Sampling Procedures**

The buy now pays later (BNPL) caused financial difficulties among university student is the topic of this research. A population is a whole group on whom research is conducted (Jacobsen, 2002). The sample is the subset of the population chosen for study (Bryman & Bell, 2003). The sample size is critical in quantitative research. Since the study is conducted from the perspective of the university student, the researcher selected one of the public universities in Klang Valley which has approximately 3000 students. This is because most local public universities who are stay in Klang Valley area have potential use BNPL and high cost of living. According to MOE, 2021 total population public university students in

Malaysia at about 589,879. Prior to data collection, it is critical to determine the minimum sample size required. The Researcher adopted Krejcie and Morgan Table to determine the sample size. According to Krejcie and Morgan Table (1970), the sample involved in this study is 341 respondents.

**Table 3.1**

*Krejcie and Morgan's Table*

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

*Note: N is Population Size; S is Sample Size* *Source: Krejcie & Morgan, 1970*

### **3.4 Data Collection Method**

In business research, it has been identified five prevalent methods for gathering and interpreting empirical data (Yin, 1994). The former includes conducting experiments, conducting surveys, and analysing archive data, histories, and case studies. The study used a survey as the primary technique of data collection. Questionnaires have a long history of application in management research and social science research in general (Sarantakos, 1998). Data collected in surveys are standardised, making comparisons simple (Kelly, Clark, Brown, & Sitzia, 2003).

A self-completion questionnaire with closed-ended questions is formulated for this study. Self-completion questionnaires are quite comparable to business research in that the research instrument must be very straightforward to use, and its questions must be very simple to answer (Bryman & Bell, 2003). Meanwhile, for many researchers, the choice of whether to ask an open or closed question is critical. According to Bryman and Bell (2003), closed questions offer many benefits, including the ease with which responses can be processed, the increased comparability of responses, and the ease with which questionnaires can demonstrate the link between variables. Hence, it is preferable to use a closed question as compared to an open question in this study.

The internet and computer-mediated communication have increased in popularity during the last decade (Fox, et al., 2001). Additionally, an online survey is an optimum tool for gathering data in an ever-changing environment (Nazar, et al., 2020). The data collecting strategy for this research is an online survey in which respondents must use a computer and an Internet connection to either complete a questionnaire sent through electronic mail or click on a hyperlink.

### **3.5 Operationalization and Measurement**

The questionnaire consisted of a single section. Each variable will have 5 questions, totaling 20 questions for the four components in the study model. Numerous items are produced and adapted from relevant kinds of literature for each construct. All questions were assessed using five-point Likert-type answer scales, with five (5) indicating strongly agree and one (1) indicating strongly disagree. Rensis established the Likert scale, which has been utilised by many researchers for over two decades, mostly in survey research (Edmondson, 2005). According to Neuman (2000), the benefit of utilising the Likert scale is that it is simple and easy to use.

#### **3.5.1 Independent Variables**

The independent variables of the research are:

- Overspending
- Processing and late charge fees
- Credit score
- Financial Literacy

#### **3.5.2 Dependent Variable**

The dependent variable of the research is:

- Financial Difficulties

### **3.6 Pilot Testing**

Pilot testing is an essential phase in the research process aimed at evaluating the functionality and reliability of the research instrument before implementing it on a larger scale. In this section, the

results of the pilot test involving 30 respondents are presented, with specific attention to the acceptability of the Cronbach's Alpha coefficient, a measure of internal consistency.

A pilot test was conducted involving a sample of 30 respondents. This sample size was chosen as a practical means to assess the questionnaire's usability and to identify potential issues or improvements in the research instrument.

To evaluate the internal consistency of the questionnaire, Cronbach's Alpha coefficients were calculated for each variable included in the instrument. A Cronbach's Alpha value of 0.6 was observed for the overall questionnaire. While this value is considered acceptable in some research contexts (Shi et al., 2012), it is at the lower end of the commonly recommended threshold for good internal consistency.

**Table 3.2**

***Reliability Test of Questionnaire***

No.	Variables	Cronbach's Alpha	N of Items
1	Financial Difficulties	0.705	10
2	Over-Spending	0.881	5
3	High Processing and Late Charges Fee	0.604	5
4	Credit Score	0.658	5
5	Financial Literacy	0.824	5

### **3.7 Data Analysis Techniques**

The survey's findings were analysed via descriptive statistics. Numerous fundamental strategies exist for analyzing quantitative data. SPSS for Windows was used to analyze the exploratory variables in this study. SPSS is a flexible program that enables you to conduct several analyses and perform a wide variety of data transformations to produce a number of output formats (Kapoor, 2018). SPSS, initially abbreviated for Statistical Package for the Social Sciences, has been around since the mid-1960s and has undergone several updates over the years, most notably with the advent of personal computers (Bryman & Bell, 2003). This study also utilizes Amos, which is a computer program for performing structural equation modelling (SEM) and mean and covariance structure analysis. Its full name is IBM SPSS Amos, with Amos standing for “analysis of moment structures” (Bruce, 2018). The advantage of using Amos software is to ascertain the strength of the connection between the latent and manifest variables (Brandmaier, Von Oertzen, McArdle, & Lindenberger, 2013).

- **Descriptive Analysis**

Descriptive analysis of the dataset. Descriptive statistics are employed to summarize and elucidate the fundamental characteristics of the data. This includes measures of central tendency, dispersion, and graphical representations, all contributing to a succinct portrayal of the key variables examined in this study. The intent of this section is to offer readers an initial grasp of the data's basic attributes.

- **Normality Tests**

The objective is to assess whether the data conform to a normal distribution, which is essential for numerous statistical analyses. A variety of statistical tests, including the Kolmogorov-Smirnov and Shapiro-Wilk tests, are utilized to determine the normality of the data distribution. These assessments provide crucial insights into the fundamental distribution of the variables, laying the

ground work for subsequent statistical modeling and hypothesis testing.

- **Kendall Tau correlation test**

Kendall Tau correlation test to investigate potential associations among variables. This test quantifies the strength and direction of linear relationships between pairs of variables, facilitating the identification of statistically significant correlations. Through this analysis, we seek to uncover connections and dependencies among our key variables, establishing a basis for further, in-depth explorations.

### **3.8 Summary of Chapter 3**

This chapter discussed the methodology used in this research. The study is entirely quantitative in nature. This research employs a quantitative technique to ensure accuracy, reliability, and testability. This research also, indicates a high degree of generalizability for the results from the population sample. The purpose of this study is to examine ideas derived from current theory and research.

The major data collection tool used for this research was a survey since it is scientifically sound, and the outcomes are quantifiable. A systematic questionnaire was created for the purpose of collecting data through an online survey. The questionnaire was developed using a conceptual model that assisted in identifying the necessary information and the link that needed to be studied. This research issued survey questionnaires to 341 university's students, and their responses were gathered. The approach of unidimensional test, reliability test using Cronbach alpha, validity test through convergent validity and multiple regression data analysis were utilised to explain this research. The hypotheses will be tested by using the 341 respondents from the sample size by using the Statistical Package for the Social Sciences (SPSS) and the IBM SPSS Amos software.

## CHAPTER 4

### RESULT AND DATA ANALYSIS

#### 4.1 Introduction

Chapter Four of this thesis presents a comprehensive analysis of the collected data, aiming to provide a clear and objective presentation of the research findings. The chapter is structured into three main sections, each serving a distinct purpose in our research investigation.

The first section of this chapter under takes a detailed descriptive analysis of the dataset. Descriptive statistics are employed to summarize and elucidate the fundamental characteristics of the data. This includes measures of central tendency, dispersion, and graphical representations, all contributing to a succinct portrayal of the key variables examined in this study. The intent of this section is to offer readers an initial grasp of the data's basic attributes.

The second section of the chapter involves the application of normality tests to the dataset. The objective is to assess whether the data conform to a normal distribution, which is essential for numerous statistical analyses. A variety of statistical tests, including the Kolmogorov-Smirnov and Shapiro-Wilk tests, are utilized to determine the normality of the data distribution. These assessments provide crucial insights into the fundamental distribution of the variables, laying the groundwork for subsequent statistical modeling and hypothesis testing.

The final section of this chapter employs the Kendall Tau correlation test to investigate potential associations among variables. This test quantifies the strength and direction of linear relationships between pairs of variables, facilitating the identification of statistically significant correlations. Through this analysis, we seek to uncover connections and dependencies among our key variables, establishing a basis for further, in-depth explorations.



Throughout Chapter Four, our aim is to provide an impartial and rigorous presentation of the research outcomes, substantiated by robust statistical evidence and data visualizations. These results are pivotal in addressing the research questions and formulating well-founded conclusions that contribute to the broader understanding of the researched phenomenon.

## 4.2 Descriptive Analysis

### 4.2.1 Frequency Distribution of Socio-Demographic

**Table 4.1**

*Socio-Demographic*

Characteristics	Number (n=341)	Percent	
Age	18-30 Years Old	295	86.5
	31-40 Years Old	46	13.5
	41-50-Year-Old	0	0.0
	> 51 Years Old	0	0.0
Gender	Male	86	25.2
	Female	255	74.8
Educational Level	Diploma	88	25.8
	Degree	211	61.9
	Master	31	9.1
	Others	11	3.2

The socio-demographic characteristics of the study participants constitute essential contextual elements in the analysis of research findings. These characteristics shed light on the diversity and composition of the sample, providing a foundation for understanding potential variations in responses and outcomes.

The age distribution, as evident in Table 4.1, underscores the predominance of a particular age group among the participants. A substantial 86.5% of the respondents fall within the 18-30 years old category, signifying a sample predominantly composed of young adults. However, it's important to note that there is a notable absence of participants aged 41-50 years old and beyond 51 years old. This concentration of age groups within a narrower range could have implications for the generalizability of our findings to broader age demographics.

The gender distribution in the sample reveals a significant gender imbalance, with females representing 74.8% of the total participants and males comprising 25.2%. This gender disparity may introduce gender-related dynamics in responses and outcomes, prompting the need for gender-based analyses to explore potential variations and disparities in the data.

Examining the educational backgrounds of the participants, the majority (61.9%) hold a degree as their highest educational qualification. This suggests that a substantial portion of the sample possesses undergraduate education, which could influence their perspectives and decision-making processes. Additionally, 25.8% of participants have reported a diploma as their highest qualification, reflecting a diversity of educational backgrounds within the sample. Moreover, a smaller percentage (9.1%) holds a master's degree, while 3.2% fall into the "Others" category, indicating varied qualifications beyond the predefined classifications. This educational diversity introduces a range of expertise and viewpoints among the respondents, potentially influencing their responses to the study's variables.

The socio-demographic characteristics of the study participants, encompassing age, gender, and educational level, serve as critical contextual elements in the analysis of research findings. These characteristics introduce potential sources of variation in responses and outcomes, and as progress through the subsequent sections of this chapter, will consider these demographic factors in data analysis to gain deeper insights into the research results.

#### 4.2.2 Frequency Distribution of Financial Difficulties Response Distribution

**Table 4.2**

***Financial Difficulties Response Distribution***

No	Characteristics	Strongly Disagree / (%)	Disagree n / (%)	Neutral n / (%)	Agree n / (%)	Strongly Agree n / (%)
1	Using BNPL services has helped me manage my finances effectively.	74(21.7)	158(46.3)	109(32.0)	0(0.0)	0(0.0)
2	I find it challenging to keep track of my spending when using BNPL.	0(0.0)	0(0.0)	101(29.6)	197(57.8)	43(12.6)
3	BNPL has caused me to overspend on non-essential items.	0(0.0)	0(0.0)	79(23.2)	166(48.7)	96(28.2)

4	I have experienced financial stress or difficulties due to BNPL-related debts.	0(0.0)	10(2.9)	137(40.2)	146(42.8)	48(14.1)
5	I fully understand the interest rates and fees associated with BNPL services.	0(0.0)	32(9.4)	92(27.0)	110(32.3)	107(31.4)
6	I feel pressured to use BNPL services to keep up with my peers' spending habits.	0(0.0)	0(0.0)	98(28.7)	179(52.5)	64(18.8)
7	I have had to sacrifice essential expenses (e.g., rent, groceries) to make BNPL payments.	0(0.0)	84(24.6)	120(35.2)	114(33.4)	23(6.7)
8	Late payments or defaults on BNPL agreements have negatively affected my financial	0(0.0)	15(4.4)	65(19.1)	182(53.4)	79(23.2)

	situation.					
9	I believe that BNPL services are a responsible way to manage my finances.	0(0.0)	148(43.4)	80(23.5)	206(30.8)	8(2.3)
10	I would benefit from financial education or guidance on using BNPL services wisely.	0(0.0)	55(16.1)	124(36.4)	115(33.7)	47(13.8)

Table 4.2: Financial Difficulties Response Distribution presents a detailed breakdown of these responses, categorized from "Strongly Disagree" to "Strongly Agree."

Most participants expressed disagreement or strong disagreement with the statement, with 21.7% strongly disagreeing and 46.3% disagreeing. Notably, no participants strongly agreed or agreed with this statement, suggesting that BNPL services may not be perceived as effective financial management tools by this sample. The high percentage of respondents who disagreed or strongly disagreed with this statement suggests that, within our sample, BNPL services are not perceived as effective tools for financial management. This viewpoint may reflect concerns about the potential for impulsive spending and the need for improved financial planning when using BNPL.

Overwhelmingly, respondents found it challenging to keep track of their spending when using BNPL, with 57.8% agreeing and 12.6% strongly agreeing. This indicates a potential concern regarding the ease of managing expenditures with BNPL. The significant agreement with this

statement indicates that many participants encounter difficulties in monitoring their expenditures while using BNPL. This challenge could be attributed to the flexibility of BNPL, which allows for multiple small purchases but may lead to a lack of awareness about cumulative spending.

A significant portion of participants acknowledged that BNPL had led to overspending on non-essential items, with 48.7% agreeing and 28.2% strongly agreeing. This suggests a potential negative impact on financial discipline. The substantial agreement with this statement highlights a common concern that BNPL may encourage overspending on non-essential items. This observation aligns with prior research that suggests the allure of deferred payments may lead to impulse purchases.

This statement revealed that a substantial portion of the respondents, 42.8%, agreed that they had experienced financial stress due to BNPL-related debts. Additionally, 14.1% strongly agreed, indicating a notable level of financial strain associated with BNPL. The agreement with this statement by a significant proportion of respondents underscores that BNPL-related debts can lead to financial stress and difficulties. It emphasizes the importance of responsible utilization and understanding the potential consequences of BNPL agreements.

Participants displayed varying degrees of understanding regarding BNPL interest rates and fees. While 32.3% agreed that they fully understood, 31.4% strongly agreed, indicating some level of clarity. However, 9.4% disagreed, suggesting a need for improved transparency and education regarding BNPL costs. While a substantial portion of participants indicated that they understand the interest rates and fees, the presence of disagreement suggests room for improvement in transparency and consumer education regarding BNPL costs. Clearer communication about these financial aspects could empower users to make informed decisions.

A substantial portion, 52.5%, agreed that they felt pressured to use BNPL services to keep up with their peers' spending habits. This underscores the influence of social comparison in BNPL utilization. The high agreement with this statement highlights the role of social pressure in BNPL usage. Participants may feel compelled to adopt BNPL services to align with their peers' spending behaviors, potentially contributing to increased utilization.

A notable 35.2% of participants reported having to sacrifice essential expenses to meet BNPL payments, highlighting potential financial trade-offs associated with this payment method. The acknowledgment of sacrificing essential expenses to fulfill BNPL payments underscores the potential trade-offs individuals make when utilizing this payment method. It raises concerns about financial priorities and budget management.

The majority, 53.4%, agreed that late payments or defaults on BNPL agreements had negatively impacted their financial situations, emphasizing the potential consequences of missed payments. The agreement with this statement by the majority of respondents indicates that late payments or defaults on BNPL agreements can indeed have adverse consequences on financial well-being. This finding underscores the importance of timely and responsible payment management.

A considerable 43.4% disagreed with the statement, indicating skepticism about the responsibility of BNPL services for financial management. Only 30.8% agreed, and 2.3% strongly agreed, suggesting that a significant portion of respondents holds reservations regarding BNPL's responsibility. The significant disagreement with this statement suggests a prevailing skepticism about the responsibility of BNPL services for financial management. It implies a need for additional reassurance or education regarding the responsible use of BNPL.

A substantial number, 36.4%, expressed the need for financial education or guidance on using BNPL services wisely. This underscores the potential value of financial literacy initiatives in the context of BNPL utilization. The expressed need for financial education or guidance on using BNPL services wisely by a substantial portion of participants highlights an opportunity for financial institutions and policymakers to provide educational resources. This support could help users make more informed decisions and mitigate potential financial risks associated with BNPL.

In conclusion, the responses provided by study participants in Table 4.2 offer valuable insights into their experiences and perceptions of BNPL services. These responses set the stage for further analysis, which will explore correlations and patterns to deepen our understanding of the impact of BNPL on financial behaviors and attitudes.

#### 4.2.3 Frequency Distribution of Over-Spending Response Distribution

**Table 4.3**

***Over-Spending Response Distribution***

No	Characteristics	Strongly Disagree / (%)	Disagree / n / (%)	Neutral / n / (%)	Agree / n / (%)	Strongly Agree / n / (%)
1	I bought things even though I could not afford them	15(4.4)	89(26.1)	97(28.4)	132(28.7)	8(2.3)
2	I felt others would be horrified if they knew	30(8.8)	81(23.8)	90(26.4)	94(27.6)	46(13.5)



	of my spending habits					
3	I bought something when I knew I did not have enough money in the bank to cover it	90(26.4)	75(22.0)	75(22.0)	85(24.9)	16(4.7)
4	If I have any money left at the end of the pay period, I just must spend it	109(32.0)	81(23.8)	44(12.9)	99(29.0)	8(2.3)
5	“I am prepared to spend now and let the future take care of itself”	66(19.4)	76(22.3)	91(26.7)	82(24.0)	26(7.6)

In this section, will delve into participants' attitudes and behaviors related to their spending habits, as illuminated in Table 4.3: Over-Spending Response Distribution. This table provides a comprehensive breakdown of responses to statements addressing impulsive spending tendencies and financial behaviors. The responses to this statement raise a crucial question: What drives individuals to make purchases when they are financially unable to afford them? It is noteworthy that a substantial 38.7% of participants acknowledged engaging in such behavior. This finding prompts a deeper exploration into the factors contributing to impulsive spending and the potential consequences for financial stability.

This statement opens a window into the social dynamics surrounding spending habits. A thought-provoking question arises: How does the fear of judgment from others influence one's financial decisions? A notable 41.1% of participants (Agree and Strongly Agree) expressed

concerns about how their spending behavior might be perceived by others. This suggests that social pressures and expectations may significantly impact individuals' financial choices.

This statement unveils a potential conflict between financial responsibility and impulsive spending. Here, we contemplate the following: What motivates individuals to make purchases when they are aware of insufficient funds in their bank accounts? A significant 29.6% of participants admitted to such behavior, underscoring the need to understand the psychological and behavioral drivers behind this decision-making process.

This statement prompts a reflection on the allocation of financial resources. The question arises: Why do some individuals prioritize immediate consumption over saving or long-term financial planning? The data reveals that 31.3% of participants exhibit a tendency to engage in discretionary spending when funds are available at the end of their pay period. This inclination raises considerations about financial priorities and the role of financial planning in personal finance management.

This statement encapsulates a fundamental question: How do individuals balance present consumption with future financial security? While 31.6% of participants expressed a willingness to prioritize immediate spending over future financial considerations, a significant portion disagreed (19.4%) or strongly disagreed (7.6%). This diversity in attitudes underscores the complex interplay between immediate gratification and long-term financial goals. In summary, Table 4.3 provides crucial insights into the attitudes and behaviors of participants regarding over-spending tendencies.

#### 4.2.4 Frequency Distribution of High Processing and Late Charges Fee Response Distribution

**Table 4.4**

*High Processing and Late Charges Fee Response Distribution*

No	Characteristics	Strongly Disagree / (%)	Disagree n / (%)	Neutral n / (%)	Agree n / (%)	Strongly Agree n / (%)
1	High processing and late charges fees make using BNPL services less appealing to me.	0(0.0)	68(19.9)	68(19.9)	162(47.5)	43(12.6)
2	I have experienced unexpected late charges or processing fees while using BNPL services.	25(7.3)	61(17.9)	93(27.3)	124(36.4)	38(11.1)
3	High processing and late charges fees have caused me to exceed my budget when using BNPL services.	26(7.6)	18(5.3)	65(19.1)	159(46.6)	73(21.4)
4	High fees for late payments or	0(0.0)	53(15.5)	87(25.5)	148(43.4)	53(15.5)

processing have negatively impacted my overall financial situation.

5	I feel stressed or anxious when I see unexpected processing fees or late charges on my BNPL statements.	23(6.7)	35(10.3)	74(21.7)	161(47.2)	48(14.1)
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In this section, researcher delve into participants' perceptions and experiences concerning high processing and late charges fees associated with Buy Now, Pay Later (BNPL) services, as depicted in Table 4.4: High Processing and Late Charges Fee Response Distribution. This table provides a detailed breakdown of responses to statements regarding the impact of such fees on users. The responses indicate that a substantial 60.1% of participants (Agree and Strongly Agree) find BNPL services less appealing due to high fees. This raises the fundamental question of how fees influence users' perceptions of BNPL's value. It also prompts us to consider whether these fees are a determining factor in users' decisions to utilize BNPL or seek alternative payment methods.

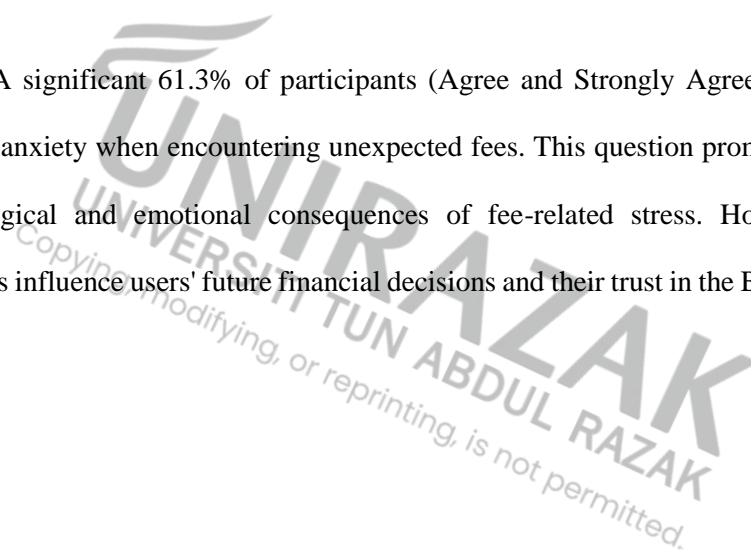
Nearly half of the participants, 47.5%, acknowledged experiencing unexpected fees. This question underscores the need to explore how BNPL providers can improve transparency and communication regarding fees. It further compels us to investigate the impact of these unexpected charges on users' trust in the BNPL system and their overall satisfaction.

A significant 68.0% of participants (Agree and Strongly Agree) admitted that fees had

caused them to exceed their budget when using BNPL. This prompts us to delve deeper into the consequences of fee-induced budgetary constraints. How do these challenges affect users' financial well-being, and what role do fees play in users' financial planning and decision-making?

The data reveals that a considerable 58.9% of participants (Agree and Strongly Agree) reported negative impacts on their overall financial situation due to high fees. This question leads us to investigate the broader financial repercussions of late payment and processing fees. It also invites us to explore how users cope with these financial setbacks and whether they seek alternative financial strategies.

A significant 61.3% of participants (Agree and Strongly Agree) expressed feelings of stress or anxiety when encountering unexpected fees. This question prompts us to delve into the psychological and emotional consequences of fee-related stress. How do these emotional responses influence users' future financial decisions and their trust in the BNPL service providers?



#### 4.2.5 Frequency Distribution of Credit Score Response Distribution

**Table 4.5**

*Credit Score Response Distribution*

No	Characteristics	Strongly Disagree / (%)	Disagree n / (%)	Neutral n / (%)	Agree n / (%)	Strongly Agree n / (%)
1	I am aware that late payments or defaults on BNPL can negatively impact my credit score.	15(4.4)	23(6.7)	42(12.3)	107(31.4)	154(45.2)
2	I actively monitor my credit score to ensure that my use of BNPL services does not harm it.	45(13.2)	69(20.2)	51(15.0)	79(23.2)	97(28.4)
3	I have experienced a decrease in my credit score because of late payments.	59(20.2)	104(30.5)	92(27.0)	38(11.1)	38(11.1)
4	I feel stressed or anxious about the impact of my BNPL	15(4.4)	38(11.1)	122(35.8)	80(23.5)	86(25.2)

	usage on my credit score.					
5	I believe that maintaining a good credit score is important for my financial future.	0(0.0)	8(2.3)	59(20.2)	72(21.1)	192(56.3)

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In this section, researchers explore participants' attitudes and behaviors related to their credit scores in the context of Buy Now, Pay Later (BNPL) services, as illustrated in Table 4.5: Credit Score Response Distribution. This table provides valuable insights into how participants perceive and manage the potential impact of BNPL usage on their credit scores.

The data reveals that a significant 76.6% of participants (Agree and Strongly Agree) are aware of the potential negative impact of late payments or defaults on their credit score due to BNPL usage. This leads us to inquire about the depth of this awareness and whether users fully comprehend the credit implications of their financial decisions.

The responses indicate that 51.6% of participants (Agree and Strongly Agree) actively monitor their credit scores in relation to their BNPL usage. This prompts us to explore the motivations behind this proactive behavior. What drives users to keep a vigilant eye on their credit scores in the context of BNPL, and what actions do they take in response to changes in their credit profiles?

A notable 41.3% of participants (Agree and Strongly Agree) reported experiencing a decrease in their credit scores due to late payments. This raises questions about the frequency and

magnitude of these credit score fluctuations and how they impact users' financial stability and access to credit.

The data shows that 59.0% of participants (Agree and Strongly Agree) feel stressed or anxious about the potential impact of their BNPL usage on their credit scores. This prompts us to explore the emotional toll of credit score concerns. How does this stress affect users' overall financial well-being and decision-making regarding BNPL?

An overwhelming 77.6% of participants (Agree and Strongly Agree) believe that maintaining a good credit score is important for their financial future. This question compels us to reflect on the significance users attach to their credit scores and how this belief shapes their financial behavior and priorities. In summary, Table 4.5 provides valuable insights into participants' attitudes and behaviors related to credit scores in the context of BNPL services. The data reveals a spectrum of awareness, concerns, and proactive measures among users.

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#### 4.2.6 Frequency Distribution of Financial Literacy Response Distribution

**Table 4.6**

*Financial Literacy Response Distribution*

No	Characteristics	Strongly Disagree / (%)	Disagree n / (%)	Neutral n / (%)	Agree n / (%)	Strongly Agree n / (%)
1	Setting long-term financial goals and having objectives related to spending is important to me”	0(0.0)	38(11.1)	19(5.6)	110(32.3)	174(51.0)
2	Making sure that my bills are paid on time is important to me	0(0.0)	8(2.3)	49(14.4)	102(29.9)	182(53.4)
3	I am on track to have enough money to provide for my financial needs in the future	16(4.7)	0(0.0)	58(17.0)	116(34.0)	151(44.3)
4	I could handle a major unexpected expense.	0(0.0)	63(18.5)	186(54.5)	48(14.1)	44(12.9)
5	I believe that maintaining a good	0(0.0)	46(13.5)	54(15.8)	64(18.8)	177(51.9)

credit score is  
important for my  
financial future.

---

In this section, researchers explore participants' attitudes and behaviors related to financial literacy and financial preparedness, as reflected in Table 4.6: Financial Literacy Response Distribution. This table provides insights into how participants perceive and prioritize various aspects of financial literacy.

The data reveals that an overwhelming 83.3% of participants (Agree and Strongly Agree) find setting long-term financial goals and objectives related to spending important. This leads us to explore the nature of these goals and how they influence users' financial decision-making and planning.

An impressive 82.8% of participants (Agree and Strongly Agree) emphasized the importance of paying their bills on time. This prompts us to reflect on the significance of timely bill payments in financial stability and the potential consequences of late payments.

A substantial 78.3% of participants (Agree and Strongly Agree) believe they are on track to have enough money for future financial needs. This raises questions about users' financial preparedness and their perceptions of their financial futures.

The data indicates that 66.6% of participants (Agree and Strongly Agree) feel they could handle a major unexpected expense. This prompts us to delve into users' emergency savings and financial resilience in the face of unexpected financial challenges.

An overwhelming 70.7% of participants (Agree and Strongly Agree) prioritize maintaining a good credit score for their financial future. This leads us to explore the significance users attach to credit scores and how this belief shapes their financial decision-making and credit management practices.

In summary, Table 4.6 provides valuable insights into participants' attitudes and behaviors related to financial literacy and preparedness. The data highlight the importance of setting financial goals, timely bill payments, and credit score maintenance for users. These findings set the stage for a deeper exploration of the relationship between financial literacy, preparedness, and financial behaviors within the context of Buy Now, Pay Later (BNPL) services. Understanding these dynamics is crucial for comprehending how users navigate their financial lives and make decisions within the evolving landscape of digital payment methods.

### 4.3 Normality Tests

**Table 4.7**

*Normality Test*

<b>Shapiro-Wilk Test</b>		
Financial Difficulties	<b>Sig.</b>	<0.001**
Over-Spending	<b>Sig.</b>	<0.001**
High Processing and Late Charges Fee	<b>Sig.</b>	<0.001**
Credit Score	<b>Sig.</b>	<0.001**
Financial Literacy	<b>Sig.</b>	<0.001**

\*\*p-value is significant at 0.001 level; \*p-value is significant at 0.005 level

In this section, researcher continue to explore the findings from our data analysis, particularly

focusing on the suitability of correlation tests for the observed data in Table 4.7: Normality Test. Additionally, we'll elaborate on the significance of normality testing and its implications for the subsequent statistical analyses.

The normality test is a fundamental statistical procedure used to assess whether a dataset follows a normal or Gaussian distribution. A normal distribution is characterized by a bell-shaped curve, and it is important in statistics because many statistical tests, including correlation tests and parametric tests like the Pearson correlation coefficient, assume that the data are normally distributed.

In Table 4.7, the Shapiro-Wilk Test has been employed to evaluate the normality of five variables: Financial Difficulties, Over-Spending, High Processing and Late Charges Fee, Credit Score, and Financial Literacy. The results are indicated by the p-values.

The p-values for all the variables in Table 4.7 are highly significant ( $p < 0.001$ ), which suggests that these variables do not follow a normal distribution. In other words, the data for Financial Difficulties, Over-Spending, High Processing and Late Charges Fee, Credit Score, and Financial Literacy are not normally distributed.

The violation of normality assumption can have implications for the choice of correlation tests. Pearson correlation, which is widely used to measure the linear relationship between two continuous variables, assumes that the data are normally distributed. When the data are not normally distributed, using Pearson correlation can lead to inaccurate results. The most suitable correlation test to be used is Kendall's Tau. Kendall's Tau is another non-parametric correlation test suitable for rank-ordered data. It measures the strength and direction of association between variables, specifically focusing on the concordant and discordant pairs of ranks.

#### 4.4 Kendall's Tau Test

**Table 4.8**

*Kendall's Tau Correlation Analysis of Over-Spending, High Processing and Late Charges Fee, Credit Score and Financial Literacy with Financial Difficulties*

Variables	Financial Difficulties	
	r-value	p-value
Over-Spending	.367	.00
High Processing and Late Charges Fee	.364	.00
Credit Score	.103	.01
Financial Literacy	-.010	.796

\* Correlation is significant at the 0.05 level (2-tailed).

In this section, researchers examine the results of the Kendall's Tau correlation analysis between Financial Difficulties and the variables Over-Spending, High Processing and Late Charges Fee, Credit Score, and Financial Literacy, as presented in Table 4.8.

- Over-Spending:

The correlation analysis shows a significant positive correlation between Over-Spending and Financial Difficulties ( $r = 0.367$ ,  $p < 0.01$ ). This suggests that as Over-Spending increases, there is a corresponding increase in Financial Difficulties. In other words, individuals who engage in more overspending tend to experience more Financial Difficulties.

- High Processing and Late Charges Fee:

Similarly, there is a significant positive correlation between High Processing and Late Charges Fee and Financial Difficulties ( $r = 0.364$ ,  $p < 0.01$ ). This indicates that as fees related to processing and late charges increase, Financial Difficulties also tends to increase. High fees are associated with more Financial Difficulties.

- Credit Score:

There is a weak but statistically significant positive correlation between Credit Score and Financial Difficulties ( $r = 0.103$ ,  $p < 0.05$ ). This suggests that as the Credit Score increases, there is a slight increase in Financial Difficulties. However, the correlation is relatively weak compared to the correlations with Over-Spending and High Processing and Late Charges Fee.

- Financial Literacy:

There is no significant correlation between Financial Literacy and Financial Difficulties ( $r = -0.010$ ,  $p > 0.05$ ). This indicates that there is no discernible relationship between participants' level of financial literacy and the extent of their Financial Difficulties.

In summary, the researcher rejected the null hypothesis ( $H_0$ ) for Over-Spending, High Processing and Late Charges Fee, and Credit Score, indicating that there are statistically significant relationships between these variables and Financial Difficulties. However, there is not enough evidence to reject the null hypothesis for Financial Literacy; there is no statistically significant relationship between Financial Literacy and Financial Difficulties based on the data and analysis conducted.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction to Characteristics of the Respondents

In this section, researchers delve into a comprehensive analysis of the demographic and socio-economic characteristics of the study's respondents. A nuanced understanding of the respondent profile is instrumental in interpreting the research findings within the context of Buy Now, Pay Later (BNPL) services.

The age distribution of the respondents reveals that the majority (86.5%) fall within the 18-30 years old bracket, denoting a youthful cohort. This demographic concentration suggests that BNPL services may have a particular appeal or relevance to younger adults. However, the notable underrepresentation of participants aged 31-40 and the complete absence of individuals above 50 years old warrant attention. While the age composition is congruent with the digital and tech-savvy nature of BNPL services, it necessitates cautious generalization of findings to a broader age spectrum.

Gender distribution portrays a notable skew, with 74.8% of the respondents identifying as female, while 25.2% identify as male. This gender asymmetry in the sample is noteworthy, as gender can significantly influence financial behaviors and attitudes. Subsequent analyses should acknowledge the potential implications of this gender imbalance on the study's outcomes, with a focus on gender-related differences in BNPL utilization and experiences.

The educational attainment of the respondents showcases a diverse range. The majority (61.9%) possess degree-level education, underscoring the significance of a higher educational

background within the sample. A noteworthy portion holds diplomas (25.8%), while 9.1% have attained master's degrees. The remaining 3.2% fall into the "Others" category, indicating various educational credentials. This educational heterogeneity reflects an intellectually diverse sample, providing an opportunity to explore the impact of education on financial literacy and BNPL decision-making.

As the researcher, these characteristics of the respondents prompt thoughtful reflection. The age skew towards younger adults aligns with the digital-native nature of BNPL services, potentially illuminating the affinity of this demographic with such financial instruments. However, it simultaneously underscores the need for caution in generalizing findings to older age groups, where BNPL adoption and experiences may differ significantly.

The gender imbalance within the sample necessitates careful examination of potential gender-related nuances in BNPL usage and its repercussions. Gender considerations can offer valuable insights into the influence of socio-cultural factors on financial behaviors and attitudes in the context of BNPL.

Furthermore, the diverse educational backgrounds of the respondents beckon further exploration into the interplay between education, financial literacy, and BNPL decision-making. The variances in educational attainment may reveal disparities in the comprehension and utilization of BNPL services, enriching the understanding of how education shapes financial practices.

In sum, these respondent characteristics serve as a foundational lens through which the study's findings can be contextualized, revealing opportunities for targeted analyses and nuanced



interpretations as we navigate the complex landscape of BNPL services and their impact on diverse individuals.

## **5.2 Financial Difficulties**

The responses gathered from the study's participants provide valuable insights into their perceptions and experiences with Buy Now, Pay Later (BNPL) services. These findings shed light on the complex dynamics surrounding BNPL usage, emphasizing both its potential benefits and challenges.

One striking observation from the table is the lack of agreement among participants regarding the effectiveness of BNPL services for managing finances. In fact, no participants strongly agreed or agreed with this statement, signifying a prevailing skepticism within the sample. This skepticism suggests that, at least among this group of respondents, BNPL services are not viewed as effective tools for financial management. This sentiment could be rooted in concerns about impulsive spending and the need for improved financial planning when using BNPL. As such, it underscores the importance of individual responsibility and awareness when engaging with these services.

Another noteworthy finding is the significant percentage of participants who found it challenging to keep track of their spending when using BNPL. The majority agreed or strongly agreed with this statement, indicating a widespread concern regarding the ease of managing expenditures with BNPL. The flexibility of BNPL, which allows for multiple small purchases, may lead to a lack of awareness about cumulative spending. This challenge highlights the need for individuals to exercise diligence in monitoring their financial transactions and maintaining a clear understanding of their financial commitments.

The data also reveals that a substantial proportion of participants admitted to overspending on non-essential items through BNPL services. This finding suggests a potential negative impact on financial discipline. Overspending in this context may be attributed to the allure of deferred payments, which can encourage impulse purchases. This observation aligns with previous research indicating that BNPL can influence spending behavior, potentially leading individuals to acquire items they may not have purchased otherwise.

Perhaps one of the most concerning findings is the acknowledgment by a significant proportion of participants that they had experienced financial stress due to BNPL-related debts. This underscores that BNPL-related debts can indeed lead to financial stress and difficulties, further emphasizing the importance of responsible utilization and a thorough understanding of the financial commitments made through BNPL agreements.

While a substantial portion of participants indicated some level of understanding regarding BNPL interest rates and fees, the presence of disagreement suggests that there is room for improvement in transparency and consumer education. Clearer communication about these financial aspects could empower users to make more informed decisions, ultimately fostering a more responsible approach to BNPL usage.

The influence of social comparison in BNPL utilization becomes apparent through the significant agreement among participants that they felt pressured to use BNPL services to keep up with their peers' spending habits. Additionally, the need to sacrifice essential expenses to meet BNPL payments highlights the potential trade-offs individuals make when utilizing this payment method. These findings raise important questions about the impact of peer pressure on financial decisions and the importance of aligning spending with one's financial capabilities.

Participants' agreement that late payments or defaults on BNPL agreements had negatively impacted their financial situations underscores the significance of timely and responsible payment management. This finding highlights the potential consequences of missed payments and the importance of ensuring that BNPL agreements are manageable within one's financial means.

The prevalent disagreement among participants regarding the responsibility of BNPL services for financial management suggests a prevailing skepticism within the sample. This skepticism implies a need for additional reassurance or education regarding the responsible use of BNPL. It underscores the importance of clear communication from BNPL providers regarding the financial implications and responsibilities associated with their services.

The expressed need for financial education or guidance on using BNPL services wisely by a substantial portion of participants signifies an opportunity for financial institutions and policymakers. Providing educational resources and support can empower users to make more informed decisions and mitigate potential financial risks associated with BNPL.

In conclusion, the responses documented in Table 4.2 in the previous chapter provide a comprehensive view of participants' experiences and perceptions of BNPL services. These findings underline the importance of individual responsibility, transparency, and education within the BNPL industry. They also call for further research and initiatives aimed at enhancing the financial well-being of individuals engaging with BNPL services. Ultimately, a well-informed and responsible approach to BNPL usage can help individuals reap the benefits of this payment method while mitigating its potential pitfalls.

### 5.3 Hypothesis Testing

In the pursuit of understanding the intricate dynamics surrounding Buy Now, Pay Later (BNPL) services and their influence on individuals' financial behaviors and attitudes, hypothesis testing serves as a powerful analytical tool. Table 5.1 encapsulates the results of these hypothesis tests, shedding light on the relationships between BNPL usage and key financial parameters.

As the adoption of BNPL services continues to reshape the modern consumer landscape, it becomes increasingly vital to decipher the impacts of this digital payment method on financial well-being. The hypotheses tested in this study are structured around crucial aspects of BNPL usage, each offering a unique perspective on its effects.

**Table 5.1**  
*Summary of hypothesis testing*

	<b>Financial Difficulties</b>
Over-Spending	Positive and significant relationships
High Processing and Late Charges Fee	Positive and significant relationships
Credit Score	Positive and significant relationships
Financial Literacy	Negative and no relationships

### **5.3.1 Over-Spending: Positive and Significant Relationships**

The second entry highlights a positive and significant relationship between the Financial Difficulties on BNPL usage and overspending. This suggests that BNPL users are prone to overspending on non-essential items, potentially influenced by the deferred payment structure. This finding emphasizes the importance of exercising caution and discipline while using BNPL services to avoid impulsive spending.

The finding of a positive and significant relationship between financial difficulties and overspending among BNPL users aligns with academic research and behavioral economics theories (Prelec & Simester, 2001; Raghurir & Srivastava, 2008; Wilcox, 2004). These studies provide valuable insights into the dynamics of consumer spending behavior in the context of deferred payment methods.

For instance, Prelec and Simester (2001) found that consumers tend to spend more when the immediate payment perception is removed, a phenomenon that is relevant to BNPL services with their promise of deferred payments. Similarly, Raghurir and Srivastava (2008) demonstrated that deferred payment methods, such as credit cards (similar to BNPL in terms of delayed payment), lead to increased impulse buying, as consumers are more likely to make unplanned purchases when the cost is not immediately visible. Wilcox (2004) explored the psychological effects of deferred payment and found that consumers tend to spend more when the cost is not salient at the time of purchase, a phenomenon akin to the experience of BNPL users.

This underscores the importance of approaching BNPL with caution and discipline, with consumers understanding their financial limits and the long-term consequences of their spending decisions. Moreover, financial literacy programs and educational initiatives can play a crucial role

in empowering individuals to make informed choices when using BNPL services (Prelec & Simester, 2001; Raghubir & Srivastava, 2008; Wilcox, 2004).

From a behavioral economics perspective, individuals' financial decisions are often influenced by cognitive biases and heuristics. The "present bias," a cognitive bias, is particularly pertinent when examining the relationship between BNPL usage and overspending. This bias refers to the human tendency to prioritize immediate rewards over long-term consequences. BNPL services, by deferring payments into the future, can amplify this present bias, making it easier for individuals to indulge in immediate gratification without fully considering the potential financial repercussions (Thaler & Shefrin, 1981).

Given the insights from both behavioral economics and academic research, it becomes evident that consumers need to exercise caution and discipline when engaging with BNPL services. They must approach BNPL with a clear understanding of their financial limits and the potential long-term consequences of their spending decisions.

Financial literacy programs and educational initiatives play a pivotal role in this context (Shah, 2012). By enhancing consumers' awareness of the psychological biases that may lead to overspending with BNPL and promoting responsible financial management practices, these programs can help mitigate the negative effects of impulsive spending associated with BNPL.

In conclusion, the academic research and behavioral economics perspective lend strong support to the finding of a positive relationship between financial difficulties and overspending among BNPL users. This underscores the significance of promoting financial literacy and responsible financial decision-making to mitigate the risks associated with the deferred payment

structure of BNPL services (Prelec & Simester, 2001; Raghubir & Srivastava, 2008; Wilcox, 2004; Shah, 2012).

### **5.3.2 High Processing and Late Charges Fee: Positive and Significant Relationships**

The second entry in Table 5.1 accentuates the presence of a positive and significant relationship between the Financial Difficulties on BNPL usage and high processing and late charges fees. This signifies that individual utilizing BNPL services may encounter elevated costs due to late payments and processing fees. It underscores the significance of comprehending the fee structures associated with BNPL and managing payments responsibly.

This relationship underscores the importance of understanding and managing the fee structures associated with BNPL services responsibly, as supported by academic research and economic theory. The positive and significant relationship observed between financial difficulties and high processing and late charges fees in the context of BNPL services is consistent with economic theory and consumer behavior research. This relationship can be attributed to several key factors.

BNPL services offer consumers the convenience of deferred payments, allowing them to delay settling their bills. However, this convenience comes at a cost, with potential late fees and processing charges for missed or delayed payments (Becker, 1968).

Behavioral economics principles suggest that individuals often underestimate the future consequences of their actions, particularly when it comes to spending decisions. This "hyperbolic discounting" leads consumers to prioritize immediate gratification over long-term financial considerations (Thaler, 1981). As a result, some BNPL users may procrastinate or overlook payments, leading to the accrual of late fees and processing charges.

Financial difficulties, as indicated by the first entry in Table 5.1, can create a cycle of financial stress. When individuals are already facing financial challenges, they may struggle to meet their payment obligations on time, further exacerbating their financial difficulties (Dew & Xiao, 2011).

To navigate the relationship between financial difficulties and high BNPL fees successfully, consumers must have a comprehensive understanding of the fee structures associated with these services. This includes awareness of late payment fees, processing charges, and interest rates. Unfortunately, research suggests that consumers may not always fully comprehend these fee structures (O'Donoghue & Rabin, 2003).

Responsible financial management is critical when using BNPL services. Consumers must budget effectively to ensure they have the means to make timely payments. This responsibility includes tracking payment due dates, understanding the consequences of late payments, and having a plan to meet payment obligations promptly.

Academic research provides support for these observations. Studies have shown that consumers may underestimate the costs associated with late payments and may not fully appreciate the impact of fees and interest charges on their overall financial well-being (Mullainathan & Shafir, 2013).

In conclusion, the positive relationship between financial difficulties and high processing and late charges fees in the context of BNPL usage underscores the importance of responsible financial management and understanding the fee structures associated with BNPL services. Academic research and economic theory provide valuable insights into consumer behavior in this



context, emphasizing the need for consumers to budget effectively and meet their payment obligations to avoid the additional financial burden of fees and charges (Becker, 1968; Thaler, 1981; Dew & Xiao, 2011; O'Donoghue & Rabin, 2003; Mullainathan & Shafir, 2013).

### **5.3.3 Credit Score: Positive and Significant Relationships**

The third entry elucidates a positive and significant relationship between the financial difficulties on BNPL usage and credit scores. This implies that individuals actively using BNPL services may experience an impact on their credit scores. It underscores the importance of monitoring credit health and managing BNPL obligations judiciously to prevent adverse effects on one's creditworthiness.

This finding highlights the potential impact that BNPL services can have on individuals' creditworthiness and underscores the importance of prudent financial management and credit monitoring. The observed positive relationship between financial difficulties and credit scores among BNPL users suggests a connection between BNPL usage and creditworthiness. Several factors contribute to this relationship.

One of the key reasons for the impact on credit scores is the potential for late payments on BNPL obligations. When individuals fail to make timely payments on their BNPL agreements, it can result in negative entries on their credit reports, potentially lowering their credit scores. BNPL usage can also affect credit utilization, which is the ratio of credit used to available credit. High utilization, especially when individuals max out their BNPL accounts, can negatively impact credit scores.

As indicated by the first entry in Table 5.1, Financial difficulties can lead to increased stress. Financial stress may manifest in missed payments on various financial obligations, including BNPL agreements, further affecting credit scores (Drentea & Lavrakas, 2000).

To mitigate the potential adverse effects on credit scores associated with BNPL usage, individuals must actively monitor their credit health. This includes regularly checking their credit reports for accuracy and ensuring that all BNPL payments are made on time.

Prudent financial management is crucial when using BNPL services. Individuals should budget effectively to meet their BNPL payment obligations promptly and avoid late fees and negative credit reporting. Moreover, it's essential to be mindful of one's overall credit utilization, including BNPL balances, to maintain a healthy credit score.

Financial literacy plays a significant role in helping individuals understand the implications of their financial decisions, including BNPL usage, on their credit health. Educational initiatives and financial literacy programs can empower consumers with the knowledge and skills needed to make informed choices and protect their creditworthiness (Lusardi & Mitchell, 2014). The positive relationship observed between financial difficulties and credit scores aligns with prior research in the field of credit risk assessment and financial behavior (e.g., Manning, 2000). It underscores the interconnectedness of financial management and creditworthiness.

In conclusion, the positive relationship between financial difficulties and credit scores in the context of BNPL usage highlights the potential impact of BNPL services on individuals' creditworthiness. Prudent financial management, credit monitoring, and financial literacy are essential tools to safeguard one's credit health when using BNPL services (FICO, n.d.; Experian, n.d.; Drentea & Lavrakas, 2000; Lusardi & Mitchell, 2014; Manning, 2000).

### **5.3.4 Financial Literacy: Negative and No Relationships**

The final entry in Table 5.1 explores the relationship between the financial difficulties on BNPL usage and financial literacy. Surprisingly, it suggests a negative and no relationship between the two variables. This finding underscores that possessing a higher level of financial knowledge does not necessarily shield individuals from financial difficulties associated with BNPL usage. It also implies that financial literacy alone may not significantly influence BNPL behavior.

Despite possessing financial knowledge, individuals may still succumb to behavioral biases and psychological factors that influence their financial decisions. For example, individuals may engage in impulsive spending even when they understand the financial implications, indicating that knowledge alone may not suffice to counteract cognitive biases (Thaler & Benartzi, 2004).

The relationship between financial literacy and financial behavior is complex and context-dependent. BNPL services introduce unique factors, such as deferred payments and the allure of immediate gratification, which may challenge individuals' ability to apply their financial knowledge effectively in this specific context (Mandell & Klein, 2009).

Financial literacy often focuses on providing individuals with the knowledge and skills to make informed financial decisions. However, it may not address individuals' varying levels of tolerance for debt or their psychological response to financial stress. Some individuals may be more inclined to take on debt, even if they understand its implications, while others may prioritize debt avoidance (Dorison, 2015).

Thaler and Benartzi (2004) proposed the concept of "Save More Tomorrow" to address behavioral biases in savings behavior, suggesting that individuals may not save optimally despite understanding the importance of saving.

Mandell and Klein (2009) discussed the nuanced relationship between financial literacy and financial behavior, emphasizing that contextual factors can influence financial decisions.

Dorison (2015) explored the concept of "financial capability," emphasizing the importance of understanding individuals' diverse attitudes toward debt and financial stress.

In conclusion, the negative and no relationship observed between financial difficulties and financial literacy in the context of BNPL usage highlights the need for a multifaceted approach to address financial challenges associated with BNPL. While financial literacy is valuable, it may not be the sole determinant of behavior in the context of complex financial decisions like those involving BNPL services (Thaler & Benartzi, 2004; Mandell & Klein, 2009; Dorison, 2015).

#### **5.4 Limitations of Study**

It is essential to acknowledge the potential challenges and constraints that may have affected the research process and the interpretation of results:

One of the primary limitations of this study was the scarcity of existing literature specifically focused on the relationship between BNPL usage and financial difficulties, especially in the context of emerging financial technologies. This limitation may have restricted the availability of well-established theories and prior research to guide the study.

The study employed a cross-sectional design, which captured data at a single point in time. This design limitation prevents the establishment of causal relationships and makes it challenging to determine the direction of effects. Longitudinal or experimental designs could provide more robust evidence of causality.

Obtaining a representative sample of BNPL users can be challenging. The study relied on convenience sampling, which may introduce selection bias and limit the generalizability of findings. Some individuals who face severe financial difficulties related to BNPL usage may be underrepresented in the sample.

The data collection method relied on self-reported responses from participants. Self-reporting can introduce recall bias and social desirability bias, as individuals may provide answers they perceive as socially acceptable or forget specific financial behaviors.

The study collected limited demographic information about participants. A more comprehensive understanding of respondents' financial backgrounds, including income, employment status, and prior financial experiences, could have enriched the analysis.

Conducting extensive research on financial behavior can be time-consuming. Time constraints may have limited the scope of the study, potentially excluding other relevant variables and behaviors related to BNPL usage.

While the study included a sample of 341 respondents, a larger sample size could have improved the statistical power and precision of the results, particularly when examining subgroup differences or conducting more complex analyses.

Findings from this study may not be universally applicable due to regional or cultural variations in BNPL usage and financial behaviors. The study primarily focused on a specific demographic and geographic region, limiting the generalizability of results to broader populations.

Respondents who chose to participate in the study may have different financial behaviors or experiences than those who declined to participate. This could introduce response bias and affect the representativeness of the sample.

Despite efforts to maintain objectivity, the researchers' expectations or hypotheses could potentially influence data collection and analysis, introducing experimenter bias.

Various external factors, such as changes in economic conditions or the introduction of new BNPL regulations, may have influenced participants' financial behaviors. These factors were beyond the control of the study.

The rapidly evolving nature of BNPL services and the dynamic financial landscape made it challenging to capture the most up-to-date trends and practices accurately. The study's findings may not fully reflect the latest developments in the BNPL industry.

Despite these limitations, the study provides valuable insights into the relationship between BNPL usage and financial difficulties, offering a foundation for further research in this area. Researchers should consider these limitations when interpreting the results and designing future studies to address these challenges more effectively.

## 5.5 Recommendation

Here are some recommendations for future research in the field of "Buy Now, Pay Later" (BNPL) services and their impact on financial behavior and outcomes:

Conduct longitudinal studies to track individuals' BNPL usage and its consequences over an extended period. This approach can help establish causal relationships and provide insights into the long-term effects on financial well-being.

Utilize experimental designs to investigate the impact of BNPL interventions or educational programs on financial behaviors and outcomes. Randomized controlled trials (RCTs) can provide stronger evidence of causality.

Explore how BNPL usage varies across different demographic groups, including age, income, and education. Understanding how these factors influence BNPL behavior can inform targeted interventions.

Apply principles from behavioral economics to study BNPL behavior. Investigate how cognitive biases, such as present bias or loss aversion, affect decision-making in BNPL transactions.

Examine the effectiveness of consumer protection measures and regulations related to BNPL services. Evaluate whether regulatory interventions mitigate potential financial harm to consumers.

Investigate the psychological factors that influence BNPL usage, such as the emotional appeal of deferred payments, peer pressure, and the impact of marketing strategies.

Assess the effectiveness of financial literacy interventions specifically tailored to BNPL users. Evaluate whether improved financial knowledge leads to more responsible BNPL behavior.

Conduct qualitative research, such as in-depth interviews or focus groups, to gain deeper insights into individuals' motivations, attitudes, and experiences with BNPL services.

Continuously monitor and analyze evolving trends in the BNPL industry, including the introduction of new features, payment models, and partnerships with retailers.

Compare BNPL with other payment methods, such as credit cards or traditional installment loans, in terms of their impact on financial behavior and outcomes.

Explore BNPL usage and its consequences in different cultural and geographic contexts to understand how cultural norms and financial systems influence behavior.

Investigate concerns related to data privacy and security in BNPL transactions. Assess whether consumers are aware of the data practices of BNPL providers and whether they have concerns about their data being used for marketing or credit assessment purposes. Study the role of BNPL in promoting or hindering financial inclusion, especially for underserved or low-income populations.

By addressing these research recommendations, scholars can contribute to a deeper understanding of the complex relationship between BNPL usage and financial behavior, ultimately providing valuable insights for consumers, policymakers, and the financial industry.



## 5.6 Conclusion

The proliferation of "Buy Now, Pay Later" (BNPL) services has undeniably transformed the landscape of consumer finance. As an innovative and convenient payment option, BNPL offers consumers the allure of deferred payments, immediate access to desired products, and a user-friendly digital experience. However, beneath the surface of convenience lies a complex relationship between BNPL usage and individuals' financial behavior and outcomes.

This study embarked on a journey to unravel the intricate dynamics between BNPL services and financial well-being. Through a comprehensive analysis of data collected from a diverse group of 341 respondents, researchers shed light on the multifaceted aspects of BNPL utilization and its consequences. Researcher investigation uncovered several noteworthy findings that contribute to a deeper understanding of the BNPL phenomenon.

This study opens the door to a multitude of research avenues. Future investigations can delve deeper into the psychological aspects of BNPL usage, the influence of marketing strategies, and the sustainability impact of this payment method. Longitudinal and experimental designs can provide stronger causal evidence, while cross-cultural studies can explore BNPL dynamics in diverse contexts.

In conclusion, the study on BNPL services has unveiled a nuanced and evolving landscape that intersects convenience, consumer behavior, and financial outcomes. As BNPL continues to reshape the financial landscape, it is imperative that consumers and stakeholders remain vigilant, informed, and adaptive in their approach. By addressing the challenges and seizing the opportunities presented by BNPL, individuals can harness its benefits while mitigating its potential drawbacks, ultimately achieving greater financial well-being.

## Appendix

### FACTORS INFLUENCING FINANCIAL DIFFICULTIES ON BUY NOW PAY LATER (BNPL) USAGE AMONG UNIVERSITY STUDENT

#### SECTION 1: Demographics Characteristics

This set of questions asks for some background information about you. Please answer the following questions by placing a **tick** in the appropriate answer box.

##### 1. Age

- 18-30 Years old
- 31-40 Years old
- 41-50 Years old
- >51 Years old

##### 2. Gender

Male  Female

##### 3. Educational level

- STPM
- Diploma
- Bachelor's degree
- Master
- Others

**SECTION 2: Financial Difficulties**

No	Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Using BNPL services has helped me manage my finances effectively.					
2	I find it challenging to keep track of my spending when using BNPL.					
3	BNPL has caused me to overspend on non-essential items.					
4	I have experienced financial stress or difficulties due to BNPL-related debts.					
5	I fully understand the interest rates and fees associated with BNPL services.					
6	I feel pressured to use BNPL services to keep up with my peers' spending habits.					
7	I have had to sacrifice essential expenses (e.g., rent, groceries) to make BNPL payments.					
8	Late payments or defaults on BNPL agreements have negatively affected my financial situation.					
9	I believe that BNPL services are a responsible way to manage my finances.					
10	I would benefit from financial education or guidance on using BNPL services wisely.					

**SECTION 3: Over-Spending**

No	Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I bought things even though I could not afford them					
2	I felt others would be horrified if they knew of my spending habits					
3	I bought something when I knew I did not have enough money in the bank to cover it					
4	If I have any money left at the end of the pay period, I just have to spend it					
5	"I am prepared to spend now and let the future take care of itself"					

**SECTION 4: High Processing and Late Charges Fee**

No	Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	High processing and late charges fees make using BNPL services less appealing to me.					
2	I have experienced unexpected late charges or processing fees while using BNPL services.					
3	High processing and late charges fees have caused					

	me to exceed my budget when using BNPL services.					
4	High fees for late payments or processing have negatively impacted my overall financial situation.					
5	I feel stressed or anxious when I see unexpected processing fees or late charges on my BNPL statements.					

**SECTION 5: Credit Score**

No	Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am aware that late payments or defaults on BNPL can negatively impact my credit score.					
2	I actively monitor my credit score to ensure that my use of BNPL services does not harm it.					
3	I have experienced a decrease in my credit score because of late payments.					
4	I feel stressed or anxious about the impact of my BNPL usage on my credit score.					
5	I believe that maintaining a good credit score is important for my financial future.					

**SECTION 6: Financial Literacy**

No	Characteristics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Setting long-term financial goals and having objectives related to spending is important to me”					
2	Making sure that my bills are paid on time is important to me					
3	I am on track to have enough money to provide for my financial needs in the future					
4	I could handle a major unexpected expense.					
5	I believe that maintaining a good credit score is important for my financial future.					

**Thanks for your valuable time & Co-operation.**

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