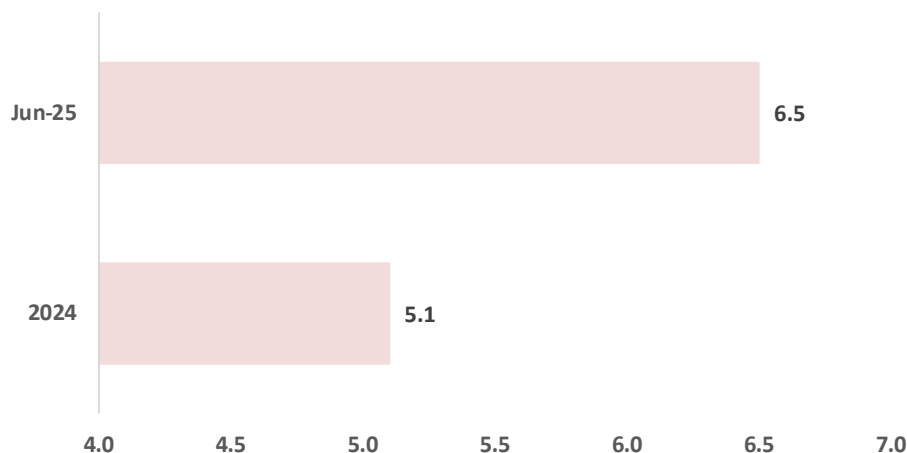


THE DOUBLE-EDGED SWORD OF BUY NOW PAY LATER (BNPL): CONVENIENCE TODAY, RISK TOMORROW?

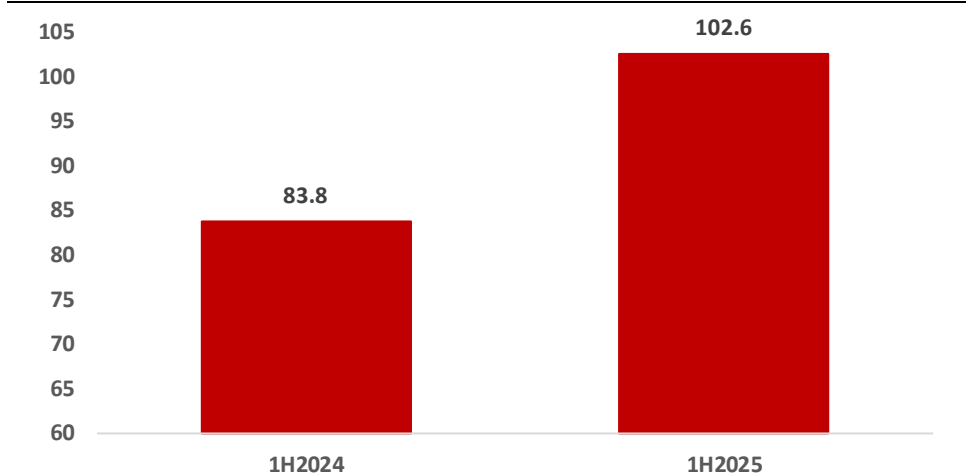
- Buy Now, Pay Later (BNPL) is a short-term financing option that allows consumers to make purchases immediately but pay for them later, typically through installments over a fixed period (e.g., 3 or 6 months), often without interest if payments are made on time. It's commonly used in e-commerce and retail settings, offering a more flexible alternative to credit cards.
- In Malaysia, BNPL started gaining traction around 2020, especially during the pandemic-fueled e-commerce boom. Recognising its rapid growth and potential risks to consumers and financial stability, Bank Negara Malaysia (BNM) and the Securities Commission (SC) began overseeing BNPL under the Consumer Credit Act, which is being implemented in phases from 2024 onwards. BNPL providers are now required to register with the Consumer Credit Oversight Board (CCOB) and will eventually need to be licensed under a more comprehensive regulatory framework by 2025, focusing on responsible lending, transparency, and consumer protection.
- The Buy Now Pay Later (BNPL) method of payment has been phenomenal in the recent years, specifically among young consumers seeking more flexible payment options. Among those that frequently use for today's spending including Atome, which widely used for fashion, electronics, and lifestyle purchases, Grab PayLater that use for rides and food delivery, Shopee SPayLater for varieties type of purchase and many more other platforms. These platforms allow users to split purchases into interest-free installments, normally over three to six months and they are increasingly integrated into e-commerce and retail platforms across Malaysia.

Chart 1: Active BNPL Accounts (million, units)



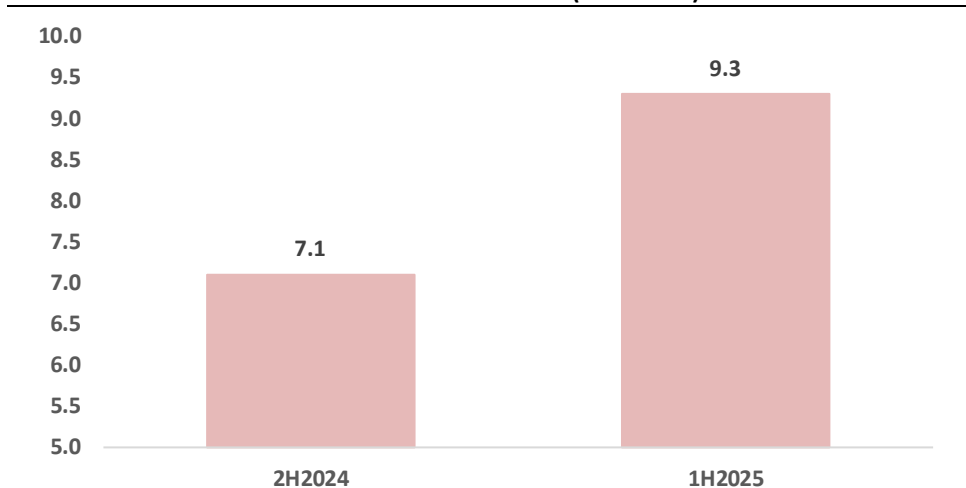
Sources: MOF

Chart 2: Transaction Volume (million, units)



Sources: MOF

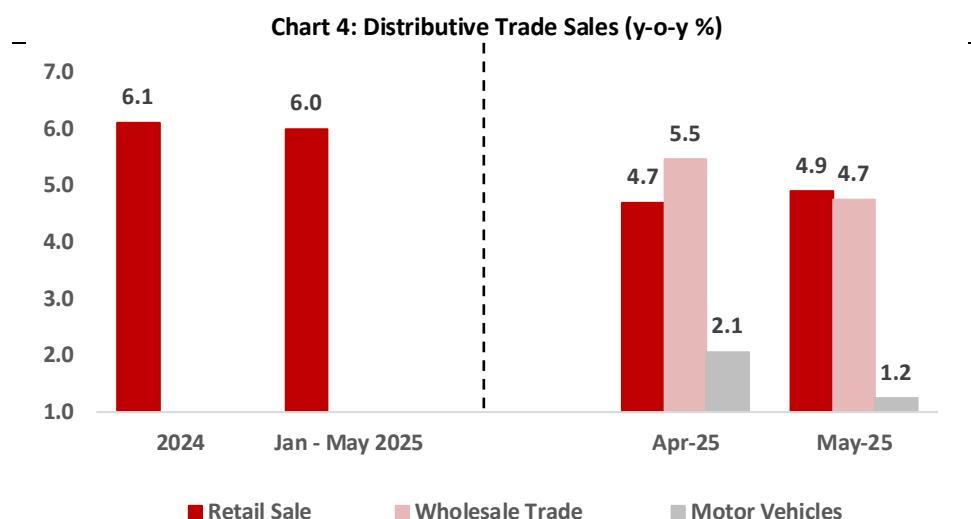
Chart 3: Transaction Value (RM billion)



Sources: MOF

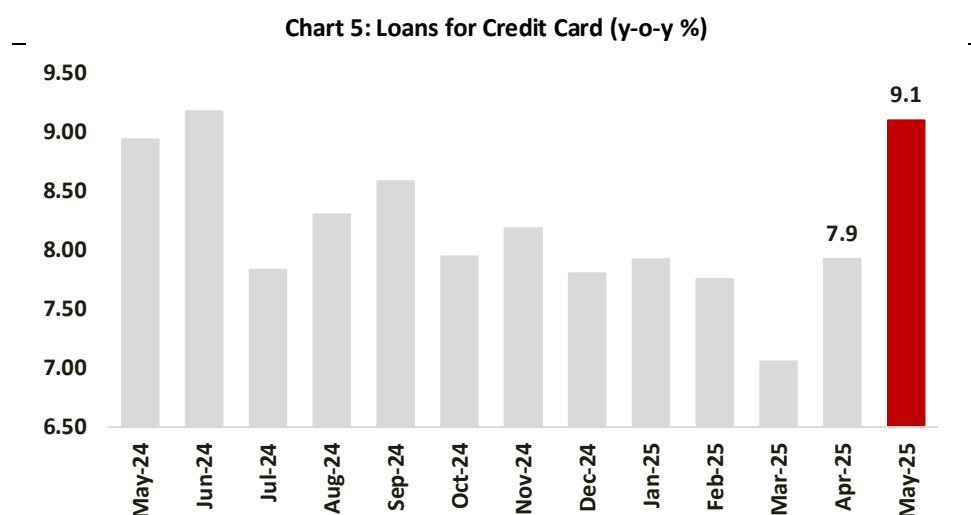
- For consumers with limited access to credit cards, BNPL has emerged as a popular alternative payment method. As of June 2025, the number of active BNPL accounts rose to 6.5 million, up from 5.1 million in 2024. Transaction volume climbed by 22.4% y-o-y to RM102.6 million in 1H25. At the same time, the transaction value surged by 31.0% to RM9.3 billion in 1H2025, compared to the second half of 2024, underscoring the growing adoption and scale of BNPL services in Malaysia.
- Is BNPL fueling sustainable growth in retail sales?** Retail sales are a key indicator of consumer spending strength and a vital gauge of a nation's private consumption performance. Despite mounting external challenges, including escalating trade tensions and ongoing geopolitical uncertainties, retail sales in Malaysia have remained resilient, posting sustainable growth averaging 6.0% YTD (Jan–May 2025), only marginally below the 6.1% average recorded in 2024. In May, retail trade growth edged up to 4.9% (April: 4.7%), while wholesale trade and motor vehicle sales saw a more noticeable moderation, slowing to 4.7% (April: 5.5%) and 1.2% (April: 2.1%), respectively. The sustained momentum in retail sales is likely supported in part by the wider

adoption of BNPL, alongside a favourable labor market, wage growth, government cash assistance programs, and continued recovery in tourism.



Sources: DOSM, CEIC Data

- Beside BNPL, retail sales may also be supported by a credit cards usage, as reflected in the spike of credit card loan growth, which rose to 9.1% y-o-y in May from 7.9% in the previous month. It was the highest growth in 11 months. This trend suggest that consumers are increasingly relying on credit to finance their purchases, likely driven by higher cost of living. While this supports near-term consumption, just like BNPL, it may also raise concerns over rising household debts and financial vulnerability if not managed properly.



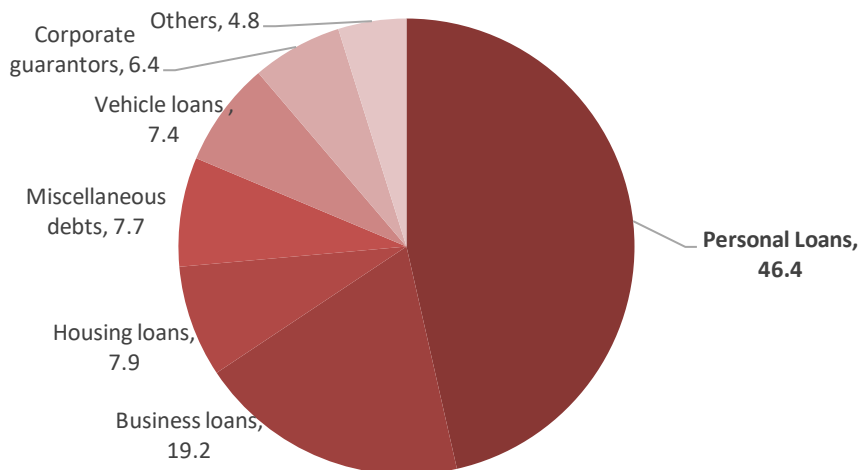
Sources: BNM, CEIC Data

- While both methods can stimulate short-term spending, boost retail sales, and support sustainable private consumption growth, there is growing concern that overreliance, particularly on BNPL, may lead to consumer overleveraging, especially in the context of a high cost of living. BNPL, in particular, extends credit-like access

to individuals who may not qualify for traditional financing, often without thorough assessment of their repayment capacity, thereby increasing the risk of financial distress among vulnerable consumers.

- The downside of BNPL payment and its link to rising vulnerabilities.** While BNPL offer flexibility and short-term relief for consumers, its long-term implications raise red flags, particularly for low-income groups and youth with limited financial literacy. According to a Consumer Credit Oversight Board Task Force (CCOBTf survey), around 73% of BNPL users are from low-income earners with a monthly income of lower than RM5,000. This payment method encourages spending beyond means and may potentially worsen financial vulnerabilities. Without a clear understanding of how to manage expenses based on income level, many individuals tend to over use BNPL services due to their unawareness of such spending habits can quickly lead to growing debt burdens and increased stress from repayment pressures.
- According to the Malaysian Department of Insolvency, a total of 5,272 individuals aged 34 and below were declared bankrupt between 2020 and 2025, underscoring the growing financial vulnerability of the younger population. Youth and Sports Minister Hannah Yeoh highlighted that the trend of youth bankruptcy is on the rise, with 877 cases recorded in 2024, marking an increase of 150 cases from 727 in 2023. This worrying trend points to deepening financial challenges among Malaysian youth. In 2024, the leading cause of bankruptcy was personal loans, accounting for nearly 50% of the 5,977 total cases, followed by business financing, housing loans, and vehicle loans. Many of these bankruptcies are attributed to poor financial planning, excessive borrowing, and limited understanding of debt responsibilities, highlighting the urgent need for stronger financial literacy and more responsible lending practices.

Chart 6: Causes of Youth Bankruptcy in 2024 (Share %)



Sources: Malaysian Department of Insolvency

- This issue is compounded by Malaysia's high household debt, which reached RM1.63 trillion or 84.2% of GDP at end-2024, among the highest in the region. If BNPL remain unregulated, it could further inflate household debt, particularly among young consumers who are not subject to rigorous credit checks. Without proper financial safeguards and consumer protection measures, BNPL could evolve from convenience into a risk for the country's financial stability.

- **Government introduce Consumer Credit Bill 2025.** Due to rising public worries about the rapid growth of BNPL usage, the government introduced new law named as the Consumer Credit Bill 2025. On July 21 2025, Dewan Rakyat approved a new legislation to regulate non-bank credit and credit service providers with the growing fears over proliferation of BNPL schemes. It sets the stage for the establishment of a new body, known as the Consumer Credit Commission (CCC) that will be responsible for overseeing industry conduct, enforcing standards, and advising the government on consumer credit policy. Under the new bill, six types of businesses will fall under the CCC oversight. Three will require a licence to operate: BNPL providers, leasing, and factoring services (including Shariah-compliant). The other three: debt collection, acquisition of non-performing loans, and debt counselling must register with the CCC. Going forward, regulators like Bank Negara Malaysia (BNM) are expected to enhance oversee of BNPL operators to ensure responsible lending practices and protection, as the segment expands its role in Malaysia's retail and digital finance ecosystem.
- All in all, while BNPL has helped boost short term consumption, its long-term sustainability depends on stricter enforcement of responsible lending, stronger financial literacy among youth, and effective debt monitoring to prevent systemic risks. BNPL is undoubtedly reshaping Malaysia's retail landscape, but without proper regulation, it could contribute to a future household debt crisis. The Consumer Credit Act 2025 is a crucial step forward, introducing oversight through the newly established Consumer Credit Commission. Moving forward, close coordination between banks, fintech players, and regulators will be crucial to ensuring that BNPL practices support, rather than undermine, macroeconomic stability.

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