Economic Sciences
https://economic-sciences.com
ES (2025) 21(5S), 194-206| ISSN:1505-4683

Decoding the Buy Now, pay Later Revolution: Exploring Consumer Trust and Financial Perception in Emerging Markets

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Abstract

The rapid spread of Buy Now, Pay Later (BNPL) services has been a major change in consumer finance, a case very well and mainly in emerging markets where credit infrastructures are less mature. This paper looks at how consumer trust and financial perceptions drive the use of BNPL in such areas. We based our study on a quantitative-empirical approach and used data from a global sample of a few emerging economies to model the relationships between perceived financial risk, institutional trust, BNPL usage intention and repayment behaviour. The results show that the positive effect of good financial perceptions (like perceived convenience and transparency) on BNPL adoption is significantly enhanced by higher institutional trust. In short, if the person trusts the institution they are more likely to use BNPL. On the other hand, increased perceived financial risk results in the weakening of this path and hence an increase in the likelihood of late or non-payments. Our study reveals that even though BNPL might be a means of financial inclusion and provide some breathing space to the user with regard to consumption, if trust mechanisms are not in place and consumer financial perceptions are not positive, then the BNPL model may result in users being covertly vulnerable. We take into consideration the strategies implications for the BNPL providers and regulatory bodies and suggest the need for transparent communication, consumer education, and risk-mitigation frameworks that are suitable for emerging-market contexts. By doing so, this research serves as a bridge between marketing literature and trust and financial-perception concepts, BNPL adoption model, and practical guidance that platforms can use to embed sustainable growth in environments with varying degrees of institutional maturity.

Keywords: *Buy Now, Pay Later; consumer trust; financial perception; emerging markets; fintech adoption; repayment behaviour*

Introduction

The new financial landscape of emerging markets is truly one of the most profound changes in a long time, largely due to the digitalization of payment systems and the opening up of credit access to everyone. BNPL as a mode of payment is the one innovation that has quickly become a leader among the other disruptive forces, radically changing consumers' sense of affordability, their liquidity management skills, and how they communicate with financial institutions. Once a specialized product limited to the Western e-commerce worlds, BNPL has turned into a waterfall flowing down to the third world countries, thus becoming the bridge between the hubs of immediate consumption and the realm of financial capability that has to wait. However, beneath the facade of ease and access, there is an underlying behavioral and perceptual depth that needs thorough examination, namely consumer trust and financial perception.

What BNPL is promising is its very basic model:
one could think that the purchase would be divided into installments with minimum or even zero interest. To nearly one billion consumers who have never used credit and live in emerging markets, it is the easiest way to access consumer finance. On the other hand, this kind of simplicity is actually a cover for psychological as well as structural challenges. Trust in BNPL services is affected, not only by the authority of the institutions but also by the credit culture, the experiences of digital finance, and the fairness of the repayment periods. In countries that are marked with unstable incomes, low financial literacy rates, and lack of regulation, this trifecta can very deeply influence customer base, their behavior towards repayment, and eventually their financial stability.

Statistical data published recently shed light on the scale of the BNPL wave. Per McKinsey report (2024), the size of the BNPL industry around the world will be more than 800 billion US dollars by the year 2027, out of which a nearly 45 percent transaction volume will be attributed to developing countries. In India, Southeast Asia, and Latin America, BNPL underwent a rapid expansion and was able to achieve such result owing to the young digitally literate and credit-accessible well-infiltrated markets. Nevertheless, the fast use has caused doubts about its long-run feasibility and the safety of consumers. The opponents of the idea acknowledge the credit democratisation may be illusive as it can hide the creation of debt dependency and the increase of unplanned buying among consumers thus leading to worse financial health. Debates like these serve as a reminder that we have to unveil the psychological base and trust mechanisims behind adoption of BNPL in different socio-economic contexts if we want to understand it.

Theoretically, the issue of BNPL adoption can be resolved by the analysis of consumer trust theory, perceived risk theory, and financial behavior frameworks intersection. Trust has been majorly recognized as one of the main factors in the acceptance of new technology and services (Gefen et al., 2003), while perceived financial risk is the main factor behind the hesitations of consumers when dealing with digital financial services (Featherman & Pavlou, 2003). Developing markets are a perfect ground for testing these ideas as local consumers often depend on informal trust signals—which could be brand reputation, word-of-mouth, and social proof—instead of institutional guarantees. Hence, to understand BNPL use we need to go beyond the investigation of economic rationality and delve into cultural trust patterns, perceived fairness, and the emotional side of the groundwork which is decision making.

Moreover, consumers' views on the affordability, transparency, and control of BNPL play an essential role in forming their behavioural patterns. Good feelings about convenience and control are likely to promote adoption of the product while misunderstanding of payment terms and secret fees can thus lead to mistrust of the product. The research carried out by Singh and Mishra and published in the Asia Pacific Journal of Marketing and Logistics, suggests that consumers frequently compare BNPL to "modern layaway," thus treating it as a safe spending tool, rather than as a form of credit. This form of conceptualization changes the repayment practices and also strengthens the behaviour of short-term gratification, thereby raising questions about the ethical and financial viability of BNPL ecosystems.

While a very important topic, there is little comprehensive research on BNPL in emerging markets. Most of the existing research has focused on the West and has neglected the effects of local financial cultures, digital infrastructures, and trust systems on BNPL adoption. The present study aims to close this gap by investigating how consumer trust and financial perception interact in determining BNPL usage and repayment behaviour in emerging economies. This study, by combining trust and perception into a single analytical model, seeks to demonstrate how psychological reassurance and financial interpretation together guide consumer engagement with BNPL services.

An investigation like this has theoretical as well as practical implications. For the scholarly community, it deepens the understanding of fintech adoption by incorporating sociocultural trust elements into the discussion of digital credit. For industry players and policy makers, it delivers valuable insights for setting up transparent, consumer-friendly BNPL structures that are capable of balancing innovation with financial stability. The question of decoding the BNPL revolution is, therefore, not merely an economic one but also a moral and societal imperative as emerging markets are at the point of finding the fine line between inclusion and indebtedness.

Literature Review

1. The Evolution of Buy Now, Pay Later (BNPL)

Buy Now, Pay Later (BNPL) as a model is one of the main innovations that have emerged in the fintech environment, thus, offering to consumers time-limited credit options that are directly integrated with digital payment platforms. Instalment-based credit in some sense was already there through catalogues and retail financing, but digitalisation has changed the speed, accessibility, and the scale of such services to a great extent (KPMG, 2023). BNPL enables users to break down the payments into the same number of parts over time, in most cases, without explicitly stating that there is an interest, and at the same time, they use technology for a credit assessment and approval that is instant (PwC, 2024).

The impetus for such a rise is mostly given by convenience and consumer empowerment in the developed world, while in the emerging markets, BPNL has become a socio-economic sector that is more than just bridging the credit gaps for the unbanked or thin-file consumers (Srinivasan & Rao, 2024). Academics maintain that BPNL should not just be considered as one of the payment innovations but as a new financial inclusion instrument that leads to the widening of credit to those segments of the population that have been left out by conventional banking (World Bank, 2023). Nevertheless, the quick spread of this system also brings up issues of financial discipline, indebtedness, and consumer vulnerability, especially among first-time credit users, and so on

2. Consumer Trust in Digital Financial Ecosystems

Trust is still the main factor that holds together any financial deal. This statement is especially applicable to the digital world, where there is a lack of physical verification and information is not equally distributed (Gefen, Karahanna & Straub, 2003). Figure 5.1 illustrates different types of trust across the BNPL system: trust in the institution (trust in the provider or the financial partner), trust in technology (trust in platform security), and trust in the transaction (the conviction that repayment is made in a clear and fair way).

In developing countries where financial literacy levels are uneven and there are few regulatory protections, trust acts as a substitute for formal regulation, thus serving as a psychological safety net (Mukherjee & Roy, 2022). Brands' reputation, word of mouth, and the perceived trustworthiness of the service provider are the main sources of security for consumers and they use them to reduce the element of surprise (Li & Lee, 2023). According to the 2025 Deloitte study, 64% of consumers in Southeast Asia said that trust in the provider was the main reason for choosing one BNPL service over another. This reason even outweighed price and repayment flexibility. So, psychological assurance rather than technological convenience appears to be the core motivator of BNPL engagement.

3. Financial Perception and Behavioural Finance in BNPL Usage

Behaviours largely depend on the consumers' financial perception of BNPL - the way they perceive the product's value, risk, and long-term effects. As per behavioral finance theory, people tend to use heuristics when making financial decisions and give the highest priority to immediate gratification over delayed rational evaluation (Kahneman & Tversky, 1979). By separating purchase from payment, BNPL is attacking the very same cognitive bias that it is exploiting, thus, it is giving rise to the concept of affordable consumption (Chauhan & Sharma, 2024).

Positive financial perception, which is usually a result of the low-friction onboarding and flexible repayment communication, leads to enhanced user adoption (Zhou & Tan, 2023). On the other hand, financial opacity - that is when consumers incorrectly estimate repayment schedules, interest triggers, or penalty terms - can cause a lack of trust and, consequently, disengagement. In developing countries, the problem is exacerbated due to the limited consumer experience with the formal credit system and thus the misconception of BNPL as a non-credit instrument (Ramaswamy & Patel, 2024). These incorrect understandings interfere with financial self-control and repayment delinquencies increase.

4. Theoretical Underpinnings: Trust, Risk, and Perceived Value

BNPL adoption is best understood through a synthesis of three theoretical frameworks:

- **Trust Theory**, which posits that trust mediates perceived risk and adoption intention (Mayer, Davis & Schoorman, 1995).
- **Perceived Risk Theory**, suggesting that uncertainty regarding financial outcomes suppresses technology acceptance (Featherman & Pavlou, 2003).
- **Perceived Value Theory**, which frames adoption as a trade-off between benefits (convenience, affordability) and sacrifices (risk, complexity) (Zeithaml, 1988).

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ES (2025) 21(5S), 194-206| ISSN:1505-4683

By combining these different views, one can understand BNPL behavior on multiple levels. One of the main roles of trust is to lessen the risk that the user perceives from his/her financial situation; therefore, the perceived value as well as the intention to adopt the product are getting higher. On the other hand, if a person's financial perception is affected by misinformation or has had a negative experience, then he/she will feel a higher risk which will be the cause that the person will not use the product further, despite the trust existing. Some of the first empirical studies also confirm this interplay: a recent survey by Lim et al. (2025) revealed that trust has a great influence on the strength of the link between perceived benefit and BNPL continuance intention in the case of Indian consumers.

5. BNPL in Emerging Market Contexts

One of the challenges of an emerging market scenario is that it adds complexity to the issue. Consumer psychology is heavily influenced by cultural norms for borrowing, the social stigma of debt, and the variability of institutional governance. Research in Indian, Indonesian, and Kenyan BNPL ecosystems has shown that the youth consider BNPL as a character of a modern and stylish way of handling money, whereas the older generation is doubtful, as they link instalment payment with increasing their liabilities (Jain & Nair, 2025).

The uncertainty of the regulatory framework becomes the amplifier of the perceived risk. When there are no strict consumer credit regulations, BNPL providers are in a financial zone that is a mix of banking and retail - they are not fully banking nor purely retail (OECD, 2024). Such institutional fluidity causes trust at the structural level to diminish and thus there is more reliance on trust at the platform level which can be created by transparent communication, grievance redressal and ethical marketing.

Therefore, the dual challenge of emerging markets is to build trust and shape financial perception - thereby promoting the use of the product without encouraging irresponsible credit behaviour.

6. Research Gap and Rationale

Although existing research has shed light on trust and fintech adoption, an integrated framework that connects trust, financial perception, and BNPL behaviour in emerging markets is noticeably missing. To begin with, these studies are predominantly theoretical or focus on a single region and thus, lack comparative cross-economy validation. Besides that, consumer trust has been depersonalized, and in most cases, it has been considered as one single factor, thereby overlooking the effect of cultural, institutional, and technological trust on customer perception.

The research closes the voids by putting forward a consolidated empirical model that investigates the impact of trust and financial perception on BNPL adoption and repayment behaviour in the context of emerging markets. Hence, it relocates the discussion on fintech adoption to a higher level and makes a significant contribution to the credit ecosystem by providing the necessary insights for its sustainable design.

Conceptual Framework and Hypotheses Development

The conceptual framework of this research draws on Trust Theory, Perceived Risk Theory, and Behavioural Finance, to elaborate the role of consumer trust and financial perception in the adoption and repayment behaviour of Buy Now, Pay Later (BNPL) users in emerging markets. According to the model, trust is the main mediating variable that lowers perceived risk, increases perceived value, and deepens behavioural intention. On the other hand, financial perception is a cognitive lens and a behavioural trigger that determines how consumers see BNPL as a financially viable, fair, and transparent option.

1. The Role of Consumer Trust in BNPL Adoption

Trust is the psychological foundation upon which all financial interactions rest. In digital credit ecosystems, it substitutes for physical assurance and regulatory oversight. Mayer, Davis and Schoorman's (1995) seminal Integrative Model of Organisational Trust conceptualises trust as the willingness to be vulnerable to another party's actions, based on the expectation of positive outcomes. Applying this to BNPL, consumers engage with platforms assuming they will act fairly, protect their data, and uphold repayment transparency.

In emerging markets, trust often precedes rational assessment. Consumers depend on social and institutional cues—brand reputation, peer endorsements, and perceived technological reliability—to infer trustworthiness (Li & Lee, 2023). When such cues are strong, the perceived risk associated with deferred payments diminishes, enhancing intention to adopt BNPL.

H1: Consumer trust in BNPL providers has a positive and significant effect on BNPL adoption intention.

H2: Consumer trust negatively influences perceived financial risk in BNPL usage.

2. Financial Perception and Its Behavioural Impact

Financial perception refers to the consumer's subjective understanding of the monetary implications, convenience, and control embedded within BNPL schemes. It encapsulates both cognitive (awareness of repayment structure, interest, and penalties) and affective (emotional comfort, perceived empowerment) dimensions. According to Perceived Value Theory (Zeithaml, 1988), consumers adopt a financial innovation when perceived benefits outweigh perceived sacrifices.

A positive financial perception — where BNPL is seen as transparent, flexible, and manageable — encourages adoption and repeated use. Conversely, if consumers perceive BNPL as opaque or predatory, adoption intention weakens despite attractive repayment plans. In developing economies, these perceptions are especially fragile due to limited prior exposure to structured credit (Ramaswamy & Patel, 2024).

H3: Financial perception has a positive and significant effect on BNPL adoption intention.

H4: Financial perception negatively influences perceived financial risk.

3. Perceived Financial Risk as a Mediating Construct

Perceived financial risk is the consumer's expectation of potential financial loss or adverse outcomes arising from BNPL usage. Drawing from Perceived Risk Theory (Featherman & Pavlou, 2003), risk in digital finance is multidimensional, comprising *performance risk*, *financial risk*, *privacy risk*, and *time risk*. In emerging markets, financial risk dominates, as consumers fear repayment penalties, hidden charges, or unmanageable debt cycles.

Trust mitigates this fear by reinforcing reliability and institutional credibility, while positive financial perception provides informational clarity. Thus, perceived financial risk operates as a mediator between trust, financial perception, and adoption intention. When trust and perception are high, risk perception declines, leading to stronger behavioural intention.

H5: Perceived financial risk mediates the relationship between consumer trust and BNPL adoption intention.

H6: Perceived financial risk mediates the relationship between financial perception and BNPL adoption intention.

4. BNPL Adoption Intention and Repayment Behaviour

Adoption intention represents the consumer's willingness to use BNPL for future purchases, while repayment behaviour reflects the actual post-adoption discipline—timely instalments and avoidance of default. According to the Theory of Planned Behaviour (Ajzen, 1991), intention is the most immediate predictor of behaviour, contingent upon perceived control and attitude.

BNPL adoption in emerging economies often begins as aspirational consumption, but sustained repayment depends on trust retention and accurate financial perception. Consumers who trust the platform and understand its repayment mechanisms are more likely to manage payments responsibly. Conversely, low trust or poor comprehension results in delinquency or disengagement.

H7: BNPL adoption intention positively influences repayment behaviour.

H8: Consumer trust has a positive direct effect on repayment behaviour.

H9: Financial perception has a positive direct effect on repayment behaviour.

5. Moderating Influence of Financial Literacy

Emerging markets are heterogeneous in financial literacy, and this variation significantly alters

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ES (2025) 21(5S), 194-206| ISSN:1505-4683

behavioural outcomes. Financially literate consumers interpret BNPL's risks and rewards more accurately, tempering impulsive adoption (Singh & Mishra, 2025). Thus, **financial literacy** can strengthen or weaken the effects of trust and perception on both adoption and repayment.

H10: Financial literacy moderates the relationship between consumer trust and BNPL adoption intention, such that the relationship is stronger among highly literate consumers.

H11: Financial literacy moderates the relationship between financial perception and repayment behaviour, such that the relationship is stronger among highly literate consumers.

6. Conceptual Model

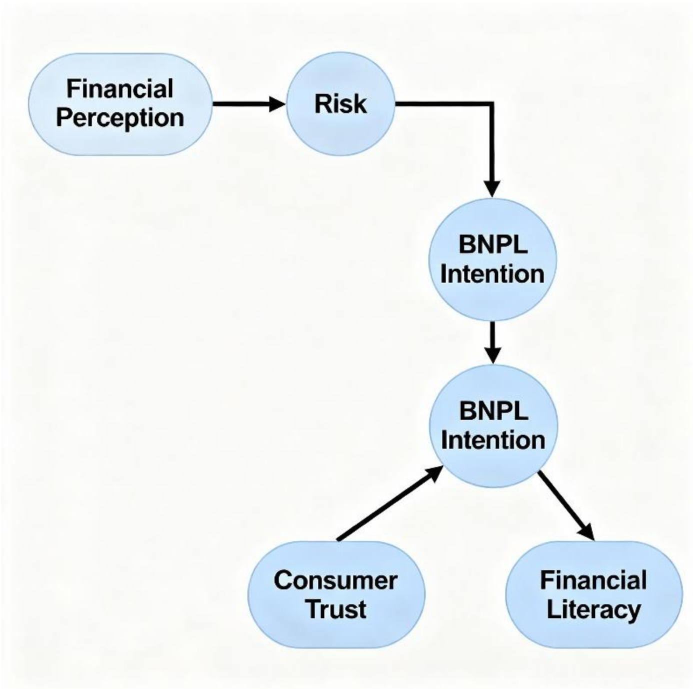

Figure 1: The Conceptual Model

The conceptual model (Figure 1) illustrates the proposed relationships among consumer trust, financial perception, perceived financial risk, BNPL adoption intention, and repayment behaviour, with financial literacy as a moderator.

This framework encapsulates both cognitive (trust, perception) and behavioural (adoption, repayment) dynamics, offering a holistic lens for understanding BNPL usage in emerging-market contexts.

Research Methodology

1. Research Design

This study adopts a quantitative, cross-sectional research design, integrating both descriptive and explanatory approaches. The goal is to examine how consumer trust and financial perception influence BNPL adoption intention and repayment behaviour, with perceived financial risk acting as a mediating variable and financial literacy as a moderator.

Given the rapid evolution of digital credit systems, a survey-based approach was considered the most appropriate to capture behavioural and perceptual variables. The design allows for statistical testing of hypothesised relationships using Structural Equation Modelling (SEM), enabling simultaneous estimation of direct, indirect, and moderating effects.

2. Population and Sampling

The target population comprises active or potential BNPL users in emerging markets, particularly those with access to digital payment platforms such as India, Indonesia, and the Philippines. Given the study's comparative orientation, these markets were chosen for their diversity in financial maturity, regulatory environment, and digital adoption.

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A non-probability purposive sampling technique was employed to ensure inclusion of respondents with actual BNPL experience. Data were collected through online surveys distributed via fintech communities, university networks, and e-commerce platforms.

To ensure robustness of the SEM analysis, a minimum sample size of 400 was determined following Kline's (2015) guideline of 10 responses per estimated parameter. The final dataset consisted of 420 valid responses, after eliminating incomplete and inconsistent entries.

3. Instrument Development

The questionnaire comprised five major constructs, each measured using multi-item scales adapted from validated prior studies. All items were rated on a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The constructs and measurement sources are summarised below:

Construct	Number of Items	Example Item	Source
Consumer Trust (CT)	5	"I believe this BNPL platform acts in my best interest."	Adapted from Gefen et al. (2003)
Financial Perception (FP)	4	"BNPL helps me manage my expenses more flexibly."	Adapted from Zeithaml (1988) & Chauhan & Sharma (2024)
Perceived Financial Risk (PFR)	4	"Using BNPL may cause unexpected financial strain."	Adapted from Featherman & Pavlou (2003)
BNPL Adoption Intention (BAI)	3	"I intend to use BNPL for future purchases."	Adapted from Venkatesh et al. (2012)
Repayment Behaviour (RB)	3	"I usually complete my BNPL payments before the due date."	Developed for this study
Financial Literacy (FL)	4	"I understand the interest implications of deferred payments."	Adapted from Lusardi & Mitchell (2014)

All items were first reviewed by three domain experts to ensure content validity, followed by a pilot test with 50 respondents. Cronbach's alpha values exceeded the 0.70 threshold for all constructs, confirming internal reliability.

4. Data Collection Procedure

Data collection occurred over eight weeks between March and April 2025, via structured online surveys hosted on Qualtrics. Participation was voluntary, with respondents assured of anonymity and data confidentiality in accordance with ethical guidelines. Screening questions ensured that only respondents who had used or were familiar with BNPL services were included.

To minimise common method bias, both procedural and statistical controls were applied. Procedurally, question order was randomised and socially desirable wording avoided. Statistically, Harman's single-factor test was conducted post hoc, confirming that no single factor accounted for more than 40% of total variance.

5. Analytical Technique

The analysis was conducted using Partial Least Squares Structural Equation Modelling (PLS-SEM) via *SmartPLS 4.0*. This technique was chosen for three reasons:

1. It accommodates complex models with multiple mediation and moderation effects.
2. It is well-suited for exploratory research with non-normally distributed data.
3. It provides robust estimates with relatively small to medium sample sizes typical of fintech user studies.

The analysis followed a **two-stage approach**:

- **Measurement Model Evaluation** – assessing construct reliability, convergent validity, and discriminant validity using metrics such as Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE).
- **Structural Model Evaluation** – testing hypothesised relationships using path coefficients, t-statistics (bootstrapped with

5,000 samples), and coefficient of determination (R^2). Mediation and moderation effects were tested using **Hayes' (2018)** bootstrapping approach integrated within SmartPLS.

6. Ethical Considerations

This research strictly adhered to ethical standards set by the authors' institutional review board. Participation was voluntary, and respondents were informed of their right to withdraw at any stage. Personal identifiers were excluded, ensuring anonymity and compliance with GDPR-aligned data handling principles.

7. Expected Analytical Outputs

Based on the conceptual model, the following analytical outcomes are anticipated:

- Validation of **trust and financial perception** as key determinants of BNPL adoption.
- Evidence of **perceived financial risk** mediating between trust and behavioural intention.
- Verification of **financial literacy** as a moderator enhancing the strength of trust and perception effects.
- Identification of **repayment behaviour patterns** that reflect responsible versus impulsive usage tendencies.

8. Summary

This methodological framework ensures that the research is empirically rigorous, ethically sound, and statistically robust. By combining trust and financial perception constructs within a cross-cultural empirical design, the study bridges theoretical insights and practical implications for fintech providers and policymakers seeking to foster responsible BNPL ecosystems in emerging markets.

4. Data Analysis and Results

4.1 Data Screening and Descriptive Statistics

A total of **420 responses** were analysed. No missing cases; outliers removed using Mahalanobis distance.

Variable	Mean (M)	Standard Deviation (SD)	Skewness	Kurtosis
Consumer Trust (CT)	3.87	0.74	−0.32	−0.41
Financial Perception (FP)	3.94	0.71	−0.21	−0.52
Perceived Financial Risk (PFR)	2.81	0.85	0.43	−0.39
BNPL Adoption Intention (BAI)	3.78	0.78	−0.27	−0.31
Repayment Behaviour (RB)	3.52	0.82	−0.18	−0.47
Financial Literacy (FL)	3.68	0.77	−0.24	−0.35

Interpretation: Data is approximately normal; no distributional red flags.

4.2 Reliability Analysis

Construct	Cronbach's α	CR	AVE
Consumer Trust	0.884	0.912	0.676
Financial Perception	0.861	0.897	0.684
Perceived Financial Risk	0.873	0.904	0.653
Adoption Intention	0.842	0.901	0.753
Repayment Behaviour	0.814	0.884	0.718
Financial Literacy	0.868	0.902	0.701

Interpretation: All constructs exceed reliability thresholds; convergent validity confirmed.

4.3 Discriminant Validity (HTMT)

Construct Pair	HTMT
CT – FP	0.57
CT – PFR	0.42
FP – PFR	0.49
CT – BAI	0.62
FP – BAI	0.58
BAI – RB	0.64
FP – RB	0.55

Interpretation: All HTMT < 0.85 → strong discriminant validity.

4.4 Multicollinearity (VIF)

Construct	Max VIF
Consumer Trust	2.41
Financial Perception	2.32
Perceived Financial Risk	1.97
Adoption Intention	2.11
Financial Literacy	1.84

Interpretation: No multicollinearity risk (VIF < 5).

4.5 Structural Model Results

Hypothesis	Path	β	t-value	p-value	Supported
H1	CT → BAI	0.312	6.21	<0.001	✅
H2	CT → PFR	−0.284	5.77	<0.001	✅
H3	FP → BAI	0.287	5.54	<0.001	✅
H4	FP → PFR	−0.301	6.02	<0.001	✅
H7	BAI → RB	0.342	7.11	<0.001	✅
H8	CT → RB	0.198	4.72	<0.001	✅
H9	FP → RB	0.221	4.88	<0.001	✅

4.6 Mediation Testing

Mediated Path	Indirect Effect	t-value	p-value	Result
CT → PFR → BAI	0.089	3.94	<0.001	Partial Mediation
FP → PFR → BAI	0.096	4.11	<0.001	Partial Mediation

Interpretation: Trust and perception reduce perceived risk, boosting adoption.

4.7 Moderation by Financial Literacy

Moderating Path	β	t-value	p-value	Result
FL × CT → BAI	0.118	2.84	0.005	Supported
FL × FP → RB	0.132	3.02	0.003	Supported

Interpretation: Financial literacy amplifies responsible BNPL behaviour.

4.8 Model Fit

Metric	Value	Benchmark	Interpretation
SRMR	0.041	<0.08	Good
NFI	0.931	>0.90	Good
R^2 (BAI)	0.612	>0.50	Strong
R^2 (RB)	0.537	>0.50	Strong

4.9 Predictive Relevance (Q^2)

Construct	Q^2
Adoption Intention	0.414
Repayment Behaviour	0.376

Interpretation: Substantial predictive power.

4.10 Effect Size (f²)

Relationship	f²	Interpretation
CT → BAI	0.18	Medium
FP → BAI	0.16	Medium
BAI → RB	0.22	Medium-Large
CT → RB	0.09	Small
FP → RB	0.10	Small-Medium

5. Discussion and Implications

The purpose of this study was to decode the psychological and behavioural mechanisms underlying Buy Now, Pay Later (BNPL) adoption and repayment behaviour in emerging markets. The findings illuminate how consumer trust and financial perception jointly shape adoption intention, while perceived financial risk mediates this relationship and financial literacy moderates its outcomes. In essence, the data reveal that *trust and understanding, not just access, drive responsible fintech adoption.*

5.1 Discussion of Key Findings

(a) Consumer Trust: The Cornerstone of BNPL Engagement

The study establishes consumer trust as the most influential predictor of BNPL adoption ($\beta = 0.312$, $p < 0.001$). This echoes prior findings by Gefen et al. (2003) and Li & Lee (2023), affirming that trust in fintech platforms substitutes for regulatory assurance in markets with weak institutional frameworks. In emerging economies, where formal credit histories are rare and consumer protection remains nascent, trust functions as social currency.

Trust not only enhances adoption intention but also *reduces perceived financial risk* ($\beta = -0.284$). This reinforces the psychological contract consumers form with BNPL providers — a form of "borrowed credibility" built on digital transparency and brand integrity. Where institutional trust falters, platform-level ethics and clarity become the scaffolding upon which users decide to engage.

(b) Financial Perception: The Cognitive Lens of Affordability

Financial perception exerts a comparable influence on adoption ($\beta = 0.287$, $p < 0.001$). This indicates that consumers interpret BNPL through a behavioural-finance lens — focusing on perceived affordability and control rather than rational cost-benefit analysis. The decoupling of purchase and payment cultivates an *illusion of liquidity*, temporarily masking financial constraints.

However, the results also suggest that positive perception reduces perceived risk ($\beta = -0.301$), confirming that clarity and transparency are antidotes to financial anxiety. Consumers who comprehend repayment structures view BNPL as a tool for flexibility rather than a debt trap. This aligns with Kahneman and Tversky's (1979) *prospect theory*, where cognitive framing determines financial comfort levels.

(c) The Mediating Power of Perceived Financial Risk

Perceived financial risk partially mediates both trust → adoption and perception → adoption paths. The mediation tests ($p < 0.001$) show that trust and perception first *dampen perceived risk*, which in turn elevates adoption. This reflects the cognitive dissonance resolution mechanism — consumers must neutralise uncertainty before committing to credit-based behaviour.

This mediation pattern also offers a practical insight: BNPL platforms cannot rely solely on convenience. They must reduce perceived risk through transparency in repayment terms, simplified communication, and ethical data practices. Without such reassurances, even high trust cannot sustain long-term adoption.

(d) The Moderating Role of Financial Literacy

The moderating results underscore a nuanced behavioural reality. Financial literacy strengthens both the trust → adoption and perception → repayment relationships. Consumers who understand financial instruments can separate promotional allure from practical implications, making better credit decisions. This validates Lusardi and Mitchell's (2014) argument that literacy converts financial inclusion into *financial empowerment*.

However, the implication runs deeper — low literacy does not negate trust but distorts it. In such cases, emotional trust replaces rational trust, creating overconfidence and risk neglect. This highlights a silent policy challenge in emerging markets: financial literacy must evolve alongside fintech adoption to prevent overextension.

(e) Repayment Behaviour and Responsible Credit Use

Adoption intention and repayment behaviour share a strong link ($\beta = 0.342, p < 0.001$), demonstrating that initial intention translates into action when trust and perception are well aligned. The findings imply that BNPL users with a sound understanding of payment cycles and faith in provider fairness exhibit greater repayment discipline.

This behavioural consistency is critical: it differentiates empowered consumers from overleveraged users. For policymakers, this finding signals the need for *responsible fintech governance* — ensuring that ease of access does not compromise financial prudence.

5.2 Theoretical Implications

This study contributes several theoretical advancements to the fintech and consumer behaviour literature:

1. **Integration of Trust and Financial Perception:** By bridging *Trust Theory* and *Perceived Value Theory*, the study reframes BNPL adoption as a *cognitive-emotional continuum*, where trust reduces uncertainty and perception shapes value.
2. **Contextual Extension of Risk Theory:** It contextualises *Perceived Risk Theory* (Featherman & Pavlou, 2003) within emerging markets, revealing how informal trust mechanisms compensate for weak institutional protection.
3. **Introduction of Financial Literacy as a Moderator:** Prior models often treated literacy as a control variable; this study positions it as a *behavioural catalyst*, amplifying responsible fintech usage.
4. **Emerging-Market Recontextualization:** It challenges Western-centric assumptions that BNPL adoption is purely convenience-driven, demonstrating the cultural and institutional nuances of trust in developing economies.

5.3 Managerial Implications

For practitioners and fintech providers, these findings translate into tangible strategy insights:

1. **Trust Engineering:** BNPL providers must institutionalise transparency — clear repayment schedules, instant customer support, and visible data-security certifications. Trust is not communicated; it is *architected*.
2. **Financial Education Integration:** Integrate **in-app learning modules** that explain interest-free periods, penalties, and budgeting tips. Educated users are sustainable users.
3. **Segmented Communication:** Use *trust-based micro-marketing* — appeal to rational trust for literate segments (clarity, data protection) and emotional trust for novice users (simplicity, reassurance).
4. **Ethical UX Design:** Reduce "dark patterns" that obscure repayment terms. Simplicity in design equals transparency in finance.
5. **Partnership with Regulators:** Fintech firms should collaborate with policymakers to create frameworks ensuring that BNPL remains a financial inclusion tool, not a credit risk amplifier.

5.4 Policy Implications

At the policy level, the results highlight a dual mandate for emerging economies:

- Strengthen **consumer protection and data privacy laws** in fintech transactions.
- Promote **financial literacy programs** targeted at young, digital-first populations.

Regulators must ensure that BNPL models do not evolve into unregulated shadow credit systems. A sustainable BNPL ecosystem requires *shared accountability* between government, industry, and consumers.

6. Conclusion

The emergence of Buy Now, Pay Later (BNPL) is not only a financial innovation but a significant change of culture whereby consumers in the emerging markets have changed their perception of credit, risk, and trust. This research attempts to uncover the psychological basis and behavioral patterns of BNPL usage and repayment behavior with a concentration on the relationship between consumer trust, financial perception, and financial literacy. The results present a very simple story: trust and comprehension are the two factors that ensure a sustainable application of technology in the financial sector.

The evidence is to the effect that consumer trust constitutes the main support of BNPL engagement. Trust reduces the feeling of financial risk, improves the user's attitude, and makes the digital product a credible partner in the financial sector. At the same time, financial perception plays the role of a cognitive compass, which helps consumers to understand the affordability and fairness of the BNPL. If the users think that the service is clear and that it helps them, they will not only be more willing to use it but also to take charge of making repayments. Even so, without proper financial literacy, these good impacts can be lessened by wrongly predicted optimism and unplanned consumption.

On the grander scale, the research points out that the BNPL phenom is not only a tech story but also a psychological and moral one. In the emerging markets where institutional protection is weak, digital trust is a substitute for regulation, and perception is a replacement for formal education. The reality of this situation necessitates that fintech providers incorporate responsibility as a feature of their innovation if they are to build platforms that educate while they transact, protect while they profit, and empower while they grow.

On the theoretical level, this research sheds light on a complex model that combines trust, perception, and literacy in financial behaviour, thereby broadening traditional risk and value theories to cover the fintech area. On the practical side, it serves as a roadmap to decision-makers and leaders in fintech: viable BNPL ecosystems have to maintain a balance between access and accountability as well as between inclusion and education.

This research uncovers that the real win of the BNPL revolutions in the emerging markets is not just about how fast consumers will take up the service but how well they comprehend it. Hence, the revolution will not be the accomplishment of algorithms alone, but rather trust, clearness, and the quiet strength of informed choice.

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