



Regulating Buy Now Pay Later (BNPL) in Asean: a Comparative Analysis on Regulatory Challenges and Opportunities

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Abstract. *This study provides a comparative analysis of the regulatory frameworks governing Buy Now Pay Later (BNPL) services across ten ASEAN countries: Indonesia, Malaysia, Singapore, Thailand, the Philippines, Laos, Brunei Darussalam, Vietnam, Myanmar, and Cambodia. As BNPL services rapidly expand throughout the region, understanding the diverse regulatory landscapes and their implications becomes increasingly critical for fostering financial stability, consumer protection, and innovation in the digital financial ecosystem. Utilizing a literature review methodology, the research examines existing regulations, legal frameworks, and market trends, assessing their impact on financial stability, consumer protection, and fintech innovation. Singapore is identified as the leader in regulatory practices, effectively balancing fintech innovation with stringent consumer protection. Indonesia and Malaysia emphasize financial inclusion and systemic risk management, with Indonesia's framework focusing on transparency and financial literacy. Thailand and the Philippines are refining their frameworks, while Myanmar, Laos, Brunei, Vietnam and Cambodia are still developing their regulatory approaches. BNPL services, driven by growing e-commerce and fintech ecosystems, offer significant opportunities for financial inclusion but also pose challenges related to over-indebtedness, credit risk, and data protection. The analysis emphasizes that while BNPL presents significant opportunities for financial inclusion and fintech innovation, effective regulation is critical to ensuring sustainable growth and protecting consumers from debt traps and financial instability.*

Keywords: *BNPL, regulatory framework, ASEAN, financial stability, consumer protection, fintech innovation*

1. INTRODUCTION

The rise of Buy Now Pay Later (BNPL) services represents a notable shift in the digital financial landscape within the ASEAN region, driven by fintech innovation and growing consumer demand for flexible payment options. BNPL services allow consumers to purchase goods and services with payments spread over time, often interest-free, which has made them particularly appealing to younger demographics and regions with limited access to traditional credit. Despite their benefits, the rapid adoption of BNPL services has raised concerns about consumer protection, financial sustainability, and potential risks to the broader financial system.

Globally, the BNPL market is projected to reach USD 38.57 billion by 2030, with a compound annual growth rate (CAGR) of 26.1% from 2023 to 2030. This growth is fueled by rising consumer purchasing power, the appeal of interest-free payment options, and the increasing demand for deferred payments, particularly in the rapidly expanding e-commerce

sector. BNPL platforms provide consumers with greater financial flexibility, which has become integral to the online shopping experience.

Given this global context, this paper conducts a comparative analysis of BNPL regulatory frameworks across ASEAN countries: Indonesia, Malaysia, Singapore, Thailand, the Philippines, Laos, Brunei Darussalam, Vietnam, Myanmar, and Cambodia. The focus is on understanding how different regulatory approaches shape the development and sustainability of BNPL services, particularly regarding their impact on financial ecosystems, consumer behavior, and fintech innovation. By examining these diverse regulatory landscapes, the study offers insights for policymakers on best practices for consumer protection, financial stability, and promoting responsible innovation. The study also addresses challenges such as over-indebtedness, credit risk, and data privacy.

2. LITERATURE REVIEW

Majone (2000) presents regulation as a complex, dynamic process involving interactions between government, industry, and civil society, with diverse objectives such as consumer protection, competition, and environmental sustainability. He underscores the importance of adaptable, context-specific regulations that account for both positive and negative consequences. His framework includes regulatory approaches like command-and-control, market-based, and self-regulation. Similarly, Baldwin and Cave (1999) emphasize the interaction between public and private actors, highlighting the need for accurate information, cooperation, accountability, and adaptability in regulatory processes. They advocate for transparency and oversight, stressing the importance of balancing consumer protection, competition, and financial stability.

Majone's (2000) approach is highly applicable to the analysis of BNPL regulatory frameworks in ASEAN, where varying political, economic, and technological contexts demand adaptable regulations. Given the complexity of the BNPL ecosystem, where governments, fintech firms, and consumers intersect regulations must strike a balance between protecting consumers, fostering competition, and ensuring financial stability. Baldwin and Cave's (1999) focus on transparency, accountability, and cooperation is equally relevant, as effective BNPL regulation requires accurate information sharing and policies that can adapt to rapid technological changes. Combining command-and-control, market-based, and self-regulation approaches can help mitigate risks such as consumer debt accumulation while encouraging innovation in the BNPL space.

The global surge in Buy Now, Pay Later (BNPL) services is reshaping consumer preferences, particularly among younger generations. This model offers flexibility through deferred, interest-free payments with minimal credit checks, making it more accessible to individuals with limited credit history. However, regulators are increasingly concerned about issues like over-indebtedness and transparency, particularly for vulnerable consumers. Fintech innovation has been a driving force behind the rapid adoption of BNPL services. However, this innovation has also posed challenges for regulators, who must balance the need for consumer protection with the desire to foster financial inclusion and economic growth. BNPL services, which often operate at the intersection of traditional finance and digital technology, have disrupted conventional financial products and services, offering new ways for consumers to manage their finances. This disruption has raised important questions about how to regulate these services without stifling innovation. (Gambacorta & Pancotto, 2023a)

The rapid expansion of BNPL services reveals significant regulatory gaps, particularly concerning credit assessments, consumer protection, and transparency. BNPL services often operate outside traditional credit regulations, leading to risks of irresponsible lending and higher delinquency rates. This lack of oversight raises concerns about lax credit assessments and hidden fee structures. In response, countries are now crafting regulations focused on transparency, capping fees, and increasing consumer awareness to ensure financial inclusion and stability. The literature highlights the need for adaptive regulatory strategies to ensure financial inclusion, market sustainability, and consumer protection (Gambacorta & Pancotto, 2023; Johnson et al., 2021).

A critical aspect of regulating BNPL services is ensuring consumer protection while maintaining financial stability. Although interest-free installments attract consumers, they can obscure the true cost of borrowing. Research by Martino et al. (2023) highlights that inadequate disclosure of fees and terms often leads to over-indebtedness, especially among younger consumers. Martino also provides an analytical framework showing how fintech innovations and political agendas influence global regulatory landscapes, prompting convergence or divergence in financial regulations as regulators adapt to new technological advancements and local conditions. (Martino et al., 2023). Countries like Australia have addressed BNPL challenges by implementing stricter regulations, requiring providers to obtain credit licenses and adhere to responsible lending rules. Despite these efforts, high delinquency rates persist. The Bank for International Settlements (BIS) emphasizes the systemic risks posed by unchecked BNPL growth, warning that without proper regulation, it could destabilize the financial system. This underscores the need for continued regulatory adaptation to mitigate

credit risks and the sector's higher delinquency rates compared to traditional credit providers (Gambacorta & Pancotto, 2023b)

Globally, BNPL platforms continue to face profitability challenges due to high operational costs and rising credit losses. While BNPL remains popular, particularly in countries with strong e-commerce and lighter financial regulation, the BIS emphasizes the need for better integration of BNPL into credit reporting systems and the use of advanced technologies to improve credit assessments. Regulatory bodies are increasingly focused on aligning BNPL with broader consumer credit regulations to ensure stability and fairness in the financial system ((Deloitte & Touche LLP, 2022);(Gambacorta & Pancotto, 2023b)).

Regionally, studies on BNPL regulation show varying approaches across different markets. For example, Indonesia faces regulatory challenges as BNPL gains popularity, while Malaysia and Singapore are grappling with the consumer debt implications of these services. Broader analyses underscore the need for adaptive regulatory frameworks that can mitigate risks, protect consumers, and support financial sustainability across different regions (Hidayat, 2022; Tiong, 2020; Tan, 2022; Putri & Andarini, 2022; Raj, 2024).

3. METHODS

This study adopts a qualitative approach through a literature review to analyze the regulatory frameworks governing Buy Now Pay Later (BNPL) services across ten ASEAN countries. The research systematically examines country-specific regulations, legal frameworks, and market trends, evaluating their impact on financial stability, consumer protection, and fintech innovation. Each country is treated as a distinct case, with a comparative analysis conducted to identify regulatory patterns and contextual differences.

The selection of literature and reports was based on relevance to BNPL regulation, a geographic focus on ASEAN, and publication dates between 2020 and 2024, ensuring up-to-date insights. The sources included peer-reviewed articles, government reports, and publications from authoritative bodies such as the Bank for International Settlements (BIS), central banks, and industry reports from ResearchAndMarkets.com, Deloitte and KPMG. Keywords like "BNPL regulation" and "ASEAN fintech" were employed to source relevant data from academic databases and government websites. Extracted data focused on regulatory maturity, consumer protection, and fintech innovation, with Majone's (2000) regulatory theory used to draw comparisons across countries. Cross-referencing with government reports and academic studies helped validate the findings, ensuring a balanced analysis.

Key aspects examined in the study include regulatory framework maturity, BNPL business model, the role of primary regulatory authorities, and the economic context in which these regulations have developed. Additionally, the study explores emerging trends and challenges that may shape the future of BNPL regulation, with particular attention to consumer protection, innovation, cross-sectoral coordination, and financial literacy.

4. ANALYSIS AND DISCUSSION

Phenomena of BNPL Implementation Across ASEAN Country

1. Indonesia

In Indonesia, Buy Now Pay Later (BNPL) services have rapidly become a significant part of the digital finance landscape. Initially led by fintech companies collaborating with e-commerce platforms, these services offer consumers flexible payment options and generate revenue primarily through merchant fees and interest on extended payment plans. To attract a broader range of consumers, especially younger individuals and those with limited access to traditional credit, some providers offer interest-free installment options (Hidayat, 2022). The BNPL market has further expanded with the participation of multifinance institutions and digital banking services, broadening consumer choices and significantly advancing financial inclusion in Indonesia. (Laporan Perilaku Pengguna PayLater Indonesia 2024, 2024)

Indonesia's BNPL market has experienced significant growth, driven by factors such as the country's large unbanked population and the booming e-commerce sector. The market is expected to grow by 16.3% in 2024, reaching USD 7.57 billion, with further expansion projected to continue at a CAGR of 10.7%, achieving a gross merchandise value (GMV) of USD 12.59 billion by 2029. However, rising inflation and declining disposable incomes are pushing more consumers towards BNPL, raising concerns about potential debt traps.

The Financial Services Authority (Otoritas Jasa Keuangan, OJK) is responsible for the regulatory oversight of BNPL services in Indonesia. OJK plays a pivotal role in ensuring that BNPL providers adhere to financial regulations, promoting financial inclusion, managing systemic risks, and prioritizing consumer protection within the digital finance ecosystem. The OJK's regulatory framework prioritizes transparency, particularly in the clear communication of terms and conditions, to shield consumers from hidden fees and the risk of excessive debt.

BNPL services in Indonesia are regulated by the Financial Services Authority (OJK), prioritizing consumer protection and financial stability. OJK's regulatory strategy addresses critical areas such as credit scoring, interest rates, fees, data privacy, complaint resolution, and debt collection practices (Otoritas Jasa Keuangan, 2024). This approach ensures transparency and accountability, mitigating risks associated with BNPL services. Key regulatory focuses

include managing credit risks, protecting consumer data, and fostering responsible lending practices, while promoting partnerships with financial providers for sustainable growth in the digital finance sector. This comprehensive regulatory approach ensures BNPL innovations adhere to established guidelines, fostering an inclusive and fair financial ecosystem in Indonesia. The framework emphasizes robust credit scoring to manage higher risks, transparency in fees and terms to protect consumers, and strong systemic risk management practices to mitigate potential threats to the financial system due to the rapid growth of BNPL services. Data privacy is another key focus, ensuring that consumer information is protected in accordance with national regulations.

The regulatory framework involves cross-sector collaboration, with OJK working alongside other financial regulators to align BNPL regulations with broader financial policies. BNPL providers must implement consumer complaint resolution mechanisms to ensure accountability. This balanced approach promotes fintech innovation while protecting consumers and maintaining financial stability. OJK continuously monitors BNPL's impact on consumer debt and the financial market, conducting regular audits to prevent systemic risks and ensure transparency. The framework supports both innovation and competition, ensuring a fair and inclusive financial ecosystem in Indonesia.

Indonesia encourages fintech innovation while maintaining a focus on regulatory compliance to sustain a dynamic fintech ecosystem. However, balancing rapid fintech growth with consumer protection presents challenges due to limited enforcement capabilities and the need to manage systemic risks, such as credit bubbles. Despite these challenges, BNPL services offer substantial opportunities for financial inclusion, particularly in rural areas. By partnering with digital finance providers and traditional multifinance institutions, Indonesia can enhance financial access and support the growth of small and medium-sized enterprises (SMEs).

2. Malaysia

In Malaysia, Buy Now Pay Later (BNPL) services are provided through collaborations between fintech companies and merchants. These services typically offer interest-free installment plans, with the primary revenue stream being merchant fees (Tiong, 2020). The BNPL business model functions as a type of personal financing product where a financial service provider (FSP) offers consumers the ability to purchase goods or services upfront, with payments made either in a single installment or spread out over an agreed period. The FSP covers the cost to the seller upfront, while the consumer repays the FSP according to the agreed payment schedule.

Malaysia's BNPL market is experiencing steady growth, with an expected annual increase of 17.9%, reaching USD 2.19 billion in 2024. The market's long-term outlook is strong, with a projected CAGR of 12.0% through 2029. E-commerce and digital payments are critical drivers of BNPL expansion in Malaysia. Data-driven insights into consumer behavior help BNPL providers optimize their offerings, although increasing regulatory scrutiny is likely to influence the market's future development (Tiong, 2020).

Bank Negara Malaysia (BNM) is leading the regulation of Buy Now Pay Later (BNPL) services in Malaysia, working in collaboration with the Ministry of Finance (MoF) and Securities Commission Malaysia (SC). To address the previously unregulated BNPL schemes offered by non-bank operators and to mitigate growing concerns about consumer protection and financial stability, BNM is introducing a comprehensive regulatory framework under the Consumer Credit Act. This framework integrates BNPL services into the broader financial services sector, promoting prudent and responsible financing practices among providers. BNM's approach includes specific policies for BNPL arrangements and coverage of personal financing products with salary deductions.

BNM's regulatory framework emphasizes consumer protection while fostering innovation within the digital finance sector. This framework is designed to support the growth of fintech, maintain financial stability, and shield consumers from potential risks associated with BNPL services (Nasir et al., 2021). Key regulatory focuses include requiring financial service providers to consider the consumer's overall BNPL credit limit when conducting affordability assessments, setting fair and reasonable late payment charges that only cover actual recovery costs, and prohibiting BNPL from being set as the default payment option for consumers. To mitigate the risks associated with BNPL schemes, BNM has collaborated with the Financial Education Network to educate the public about the potential dangers of overspending. Additionally, banking institutions offering BNPL services or partnering with BNPL providers are expected to adhere to responsible lending practices.

BNM has highlighted that while BNPL schemes often advertise interest-free installments, they may include other charges such as processing and late payment fees. In some cases, the total cost of using a BNPL scheme can exceed the cost of traditional financing options. Therefore, consumers are advised to carefully review the terms and conditions before opting for BNPL services.

Malaysia's regulatory framework for BNPL services addresses several critical areas to ensure the sector's responsible growth and consumer protection. First and foremost, consumer protection is emphasized through transparency in terms and conditions, with clear disclosures

on fees and penalties to prevent consumer exploitation. In terms of financial stability, Bank Negara Malaysia (BNM) closely monitors consumer debt levels and the broader impact of BNPL services on the financial market to mitigate potential systemic risks. The framework also encourages innovation in fintech while maintaining fair competition in the market, ensuring that new financial products do not disadvantage any market participants. Crosssectoral coordination is another key aspect, with BNM collaborating closely with consumer protection agencies to ensure comprehensive and effective regulation.

Additionally, the framework includes initiatives to enhance financial literacy, educating consumers on the risks and benefits of BNPL services to promote informed decision-making. Continuous research on consumer behavior and usage patterns is conducted to keep regulatory policies relevant and effective. Finally, regulatory transparency and accountability are upheld through strict compliance and reporting requirements, ensuring that all stakeholders adhere to established standards and practices (Tiong, 2020). However, challenges persist in ensuring non-bank BNPL providers meet regulatory standards, particularly as younger populations increasingly adopt BNPL. Despite these challenges, BNPL presents significant opportunities for financial inclusion and sustainable digital finance growth in Malaysia.

3. Singapore

In Singapore, BNPL services are predominantly offered by fintech companies in partnership with various merchants to provide consumers with interest-free installment options, generating revenue through merchant fees and late fees imposed on consumers for missed payments (Sng & Tan, 2021). The regulatory oversight of BNPL falls under the purview of the Monetary Authority of Singapore (MAS), which integrates these services within the broader financial regulatory framework. MAS takes a comprehensive approach to fintech regulation, ensuring that BNPL services are well-regulated, closely monitored, and contribute positively to the financial ecosystem (Monetary Authority of Singapore, 2021).

Singapore's BNPL market is expected to grow by 13.5% in 2024, reaching USD 1.19 billion. With a steady CAGR of 8.8%, the market will expand to USD 1.82 billion by 2029. Singapore has a mature financial ecosystem, and the BNPL industry has benefitted from strategic partnerships with traditional financial institutions. E-commerce penetration continues to drive growth, and BNPL providers are expanding their ecosystem through collaborations with digital wallets, banks, and e-commerce platforms.

Singapore's regulatory framework for BNPL is well-developed and emphasizes three primary pillars: consumer protection, financial stability, and the promotion of innovation. MAS adopts global best practices to ensure that BNPL services are secure and transparent, fostering

their positive impact on the financial sector (Tan, 2022). Key regulatory considerations include a clear and transparent communication of BNPL terms to prevent consumer exploitation, alongside stringent monitoring of the effect of BNPL services on consumer credit and the broader financial market to mitigate systemic risks. At the same time, MAS promotes fintech innovation while ensuring consumer protection is not compromised.

The regulatory framework also features coordination with consumer protection bodies to ensure comprehensive coverage, along with the promotion of financial literacy programs to educate consumers about responsible BNPL usage. MAS additionally conducts ongoing research into consumer behavior to better inform its regulatory decisions. Compliance and reporting requirements are strictly enforced to maintain transparency and accountability among BNPL providers (Sng & Tan, 2021).

A significant development in Singapore's BNPL regulation is the establishment of an industry-led BNPL Code of Conduct, guided by MAS and the Singapore FinTech Association (SFA). This code, which applies to accredited BNPL providers, seeks to establish best practices while mitigating consumer risks such as excessive debt. Some key provisions include offering BNPL services only to customers aged 18 and above, with an initial maximum debt limit of SGD 2,000 unless a creditworthiness assessment justifies a higher limit. The policy also mandates that late fees be capped and prohibits the compounding of interest (BNPL-CoC-Final-170822-C, 2022). Furthermore, BNPL providers are required to offer financial hardship assistance, including the option to defer payments or arrange alternative repayment plans. The policy ensures ethical marketing practices, mandates transparent communication of terms and conditions, and requires debt collection practices to comply with relevant laws. Providers also share information regarding outstanding BNPL balances to assess credit risk and prevent over-indebtedness (BNPL-CoC-Final-170822-C, 2022).

Singapore's BNPL regulatory framework effectively balances fostering innovation and protecting consumers. MAS promotes transparency, consumer protection, and financial stability, ensuring BNPL services contribute positively to the financial ecosystem while minimizing risks. However, a key challenge remains in encouraging innovation while ensuring compliance, especially as new fintech products emerge. Singapore has the opportunity to set a regional standard by harmonizing innovation with strong consumer protection and financial stability through ongoing collaboration between public and private sectors. (Monetary Authority of Singapore, 2021).

4. Thailand

In Thailand, Buy Now Pay Later (BNPL) services are primarily offered by fintech startups that collaborate with e-commerce platforms and retail businesses. These services typically provide consumers with interest-free payment plans, generating revenue through merchant fees and late fees imposed on consumers who miss payments. The regulatory framework for BNPL services in Thailand is jointly managed by the Bank of Thailand (BOT) and the Office of the Consumer Protection Board (OCPB). The BOT oversees the financial aspects, ensuring that the financial system remains stable, while the OCPB focuses on consumer protection, making sure that consumers are not exploited by unclear terms or excessive fees.

Thailand's BNPL market is set to grow by 17.8% in 2024, reaching USD 3.43 billion, with a CAGR of 11.9% through 2029. The market's GMV is expected to reach USD 6.03 billion by 2029, driven by increased e-commerce and shifting consumer behaviors following the COVID-19 pandemic.

The regulatory environment for BNPL in Thailand is still developing, with a strong emphasis on consumer protection and financial stability. The framework aims to foster innovation within the fintech sector while also safeguarding consumers from potential risks. This includes ensuring transparency in terms and conditions and clear communication between service providers and consumers to avoid hidden fees and penalties. Additionally, the BOT monitors the impact of BNPL on consumer debt levels and the broader financial system to mitigate systemic risks. Effective regulation requires coordination between various regulatory bodies, including financial regulators and consumer protection agencies, to ensure comprehensive oversight.

Emerging considerations for BNPL regulation in Thailand include consumer protection, financial stability, and innovation within the fintech industry. Cross-sectoral coordination between regulators is crucial for effective oversight, and efforts are made to promote financial literacy, ensuring that consumers are well-informed about the risks and benefits of using BNPL services. Continuous research into consumer behavior also plays a key role in shaping regulatory adjustments, ensuring that the regulatory framework remains responsive to the evolving market dynamics. To maintain transparency and accountability, strict compliance and reporting requirements are enforced within the industry.

The BOT's approach aligns with broader regulatory trends in Thailand's payment systems, where comprehensive licensing and compliance frameworks are established under the Payment Systems Act. This ensures that all service providers, including those offering BNPL

services, operate within clearly defined legal boundaries to protect public financial interests and maintain market stability.

In 2023, the Bank of Thailand (BOT) issued several policies regarding the regulation and supervision of the Buy Now, Pay Later (BNPL) industry. The BOT has tightened oversight to ensure that BNPL services are managed in ways that protect consumers and minimize risks to financial stability.

The key policies governing BNPL services in Thailand emphasize consumer protection, stricter supervision, and sustainable financial innovation. BNPL services are classified as short-term consumer credit, with providers required to follow credit regulations, including transparency and robust credit assessments. The Bank of Thailand (BOT), in coordination with the OCPB, enforces credit risk management and consumer rights protection. Thailand faces challenges in ensuring non-bank fintech providers comply with regulations and improving cross-sector coordination. However, BNPL offers opportunities for expanding financial inclusion and driving digital transformation in the country. (Bank of Thailand, 2023).

5. The Philippines

In the Philippines, Buy Now Pay Later (BNPL) services are primarily offered by fintech companies in collaboration with e-commerce platforms. These services typically provide interest-free installment plans, generating revenue through merchant fees and late payment charges levied on consumers who do not adhere to payment schedules). The regulation of BNPL services falls under the jurisdiction of the Bangko Sentral ng Pilipinas (BSP), which integrates these services into the broader financial services sector as part of its initiatives to modernize the financial system and promote financial inclusion.

The Philippines is witnessing a surge in BNPL adoption, with payments projected to reach USD 2.29 billion in 2024, growing at 16.4% annually. The market is set to expand further with a CAGR of 11.0% through 2029, driven by inflationary pressures and the rising popularity of flexible payment solutions.

The regulatory framework for BNPL in the Philippines is in the nascent stages, with the BSP focusing on balancing the need for innovation with the imperative of consumer protection. BSP's approach emphasizes transparency in financial transactions, enhancement of financial literacy, and cross-sectoral coordination to ensure that BNPL services contribute positively to the financial ecosystem without compromising consumer safety.

In 2023-2024, the Bangko Sentral ng Pilipinas (BSP) introduced key regulations to govern the Buy Now Pay Later (BNPL) industry, prioritizing financial stability, consumer protection, and the responsible use of digital payment systems. The BSP's Digital Payments

Transformation Roadmap highlights its commitment to advancing financial inclusion and digitization by enhancing regulatory frameworks for digital financial products, including BNPL, ensuring secure and efficient operations. Additionally, the BSP updated its guidelines for operators of payment systems, including BNPL services, to adopt strict governance and risk management measures that protect consumers and merchants in digital transactions. As part of its broader regulatory agenda, the BSP also focuses on promoting sustainable financial practices, ensuring that institutions offering BNPL services maintain operational resilience and adhere to responsible finance principles.

Key considerations in The Philippines' BNPL regulatory framework emphasizes consumer protection through transparency in fees and repayment terms, while closely monitoring consumer debt and financial stability. The BSP supports innovation and fair competition, collaborating with fintech firms and consumer agencies for comprehensive regulation. Financial literacy programs are promoted to educate consumers on BNPL risks. Challenges include enforcing responsible lending and integrating non-bank providers into the financial system, especially in rural areas. BNPL offers an opportunity for greater financial inclusion, with BSP strengthening regulation to balance innovation with consumer protection.

6. Vietnam

Vietnam's regulatory framework for Buy Now Pay Later (BNPL) services is still in its early stages, evolving alongside the country's broader push for digital payments. While there is no specific regulation solely governing BNPL, existing regulations for non-cash payments provide a foundation. Notable laws include Decree 101/2012/ND-CP, which sets guidelines for non-cash payments, and Decision No. 2545/QD-TTg, which aims to promote non-cash payments and transform payment habits. These regulations ensure that digital payments, including BNPL, align with Vietnam's financial inclusion goals. Despite this, more comprehensive regulations are needed to address BNPL-specific risks and dynamics.

Vietnam is experiencing rapid BNPL adoption, with growth expected at 44.0% annually, reaching USD 1.91 billion by 2024. By 2029, Vietnam's GMV is projected to reach USD 6.89 billion, with a CAGR of 29.2%. The rising middle class, changing consumption habits, and low credit card penetration make Vietnam a fertile ground for BNPL expansion.

In Vietnam, Buy Now Pay Later (BNPL) services are primarily provided by fintech startups and financial institutions that collaborate with e-commerce platforms and retailers to offer interest-free installment plans. These services generate revenue from merchant fees and late payment charges, making them an attractive alternative for consumers seeking flexible payment options without upfront costs. The growth of BNPL in Vietnam is driven by a young,

tech-savvy population. BNPL services are integrated into e-commerce platforms, with many firms forming partnerships with retailers to extend credit to consumers with limited access to formal financial services.

The regulation of BNPL services in Vietnam is managed by the State Bank of Vietnam (SBV), which integrates these services into the broader financial services framework. The SBV's regulatory approach ensures that BNPL providers comply with existing financial regulations and contribute to the overall stability of the financial system. This includes monitoring BNPL activities to prevent risks associated with financial instability and consumer debt.

Vietnam's emerging BNPL regulatory framework focuses on maintaining financial stability, protecting consumers, and fostering fintech innovation. The SBV emphasizes transparency in fees and penalties, ensuring consumer protection and systemic stability. Coordination across sectors, ongoing consumer behavior research, and financial literacy programs are central to the strategy. The SBV enforces strict compliance and reporting requirements for BNPL providers, adapting to the evolving market while promoting innovation in the digital finance sector.

Vietnam faces significant challenges in establishing a comprehensive BNPL regulatory framework, particularly in managing consumer protection and addressing systemic risk. Ensuring that non-bank providers comply with regulations as the fintech sector expands is a key hurdle. However, Vietnam has the opportunity to leverage BNPL for greater financial inclusion, especially in rural areas. By developing a clear and robust regulatory structure, Vietnam can support the sustainable growth of BNPL services while safeguarding consumer interests and fostering responsible financial practices.

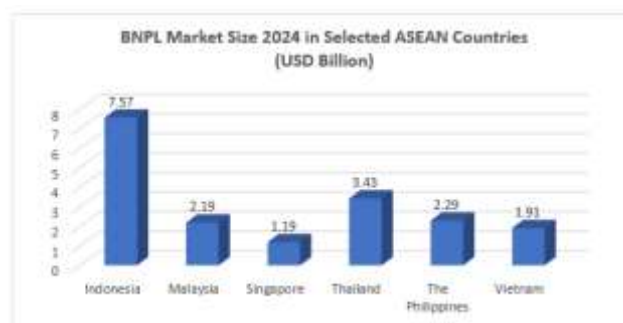


Figure 1. BNL market size 2024 in selected ASEAN Countrien (USD Billion)

7. Brunei Darussalam

In Brunei, Buy Now Pay Later (BNPL) services are primarily offered by fintech companies that partner with various merchants to provide interest-free installment options to consumers. These services generate revenue through merchant fees and, in some instances, late

payment penalties, making them a viable alternative for consumers seeking flexible payment methods.

The regulatory oversight of BNPL services in Brunei is handled by the Autoriti Monetari Brunei Darussalam (AMBD). AMBD's role is to ensure that these services comply with both conventional financial regulations and Islamic financial principles. This regulatory framework is designed to integrate BNPL services into Brunei's broader financial ecosystem while maintaining adherence to Sharia law, which is a critical component of the nation's financial regulations.

Brunei's regulatory framework for BNPL services focuses on several key areas, including ensuring transparency and fairness in the terms offered to consumers. This includes clear disclosures of any fees, penalties, and the extent of Sharia compliance to protect consumers from potential exploitation. Financial stability is another core concern, with AMBD actively monitoring the impact of BNPL services on both consumer debt levels and the broader financial system to mitigate any systemic risks. Additionally, the framework supports innovation within the fintech sector while ensuring that all BNPL services comply with Islamic finance principles.

To promote a comprehensive regulatory approach, AMBD emphasizes cross-sectoral coordination, working closely with consumer protection bodies and fintech providers. This collaboration ensures thorough and effective BNPL regulation. AMBD also prioritizes financial literacy and Sharia compliance, and continuously adapts its framework based on research into consumer behavior. Regular audits ensure transparency and accountability in BNPL operations. One challenge for Brunei is maintaining oversight of rapidly growing fintech while ensuring compliance with both conventional and Islamic finance principles. This presents an opportunity to create a Shariah-compliant BNPL model for Islamic markets, supporting financial inclusion and economic growth.

8. Laos

Laos is currently in the nascent stages of developing a comprehensive regulatory framework for BNPL services. Buy Now Pay Later (BNPL) services are gradually emerging, primarily driven by fintech startups in collaboration with e-commerce platforms. These services generally offer installment payments without interest, generating revenue through merchant fees and charges for late payments.

The Bank of the Lao P.D.R. (BOL) serves as the primary regulatory authority overseeing BNPL services in the country. BOL's responsibilities include ensuring that these services align with the nation's financial regulations and contribute to broader goals such as

financial inclusion and stability. The focus of the regulatory approach is on fostering financial inclusion and maintaining financial stability, ensuring that the rapid growth of BNPL services does not jeopardize consumer protection or lead to financial instability. The framework emphasizes consumer protection with clear fee disclosures and close monitoring of BNPL's impact on debt levels to prevent systemic risks. BOL promotes responsible fintech innovation and ensures sustainable BNPL services through collaboration with consumer protection agencies and fintech firms. Financial literacy is a priority, with ongoing research informing regulatory adjustments. Regular audits and compliance checks maintain transparency and accountability in Laos' BNPL sector.

In the document "Positioning the Lao PDR for a Digital Future" outlines several key points aimed at advancing Laos' digital economy. The Lao government aims to grow its digital economy significantly by 2040, with efforts focused on expanding digital infrastructure, improving e-government systems, and enhancing cybersecurity. However, challenges such as low broadband penetration and inadequate legal frameworks persist. In the context of fintech, Laos is in the early stages of development, seeing BNPL as a potential driver for financial inclusion, especially in rural areas. The lack of a comprehensive financial infrastructure presents regulatory challenges, but BNPL also offers opportunities to support Laos' digital and financial inclusion goals.

9. Myanmar

The regulation of Buy Now Pay Later (BNPL) in Myanmar is still at an early stage as the market is just beginning to grow. The BNPL business model in Myanmar typically operates through partnerships between fintech companies and retailers, where consumers can purchase goods and defer payment through a series of interest-free installments. However, this model presents significant challenges due to the lack of a robust regulatory framework, particularly concerning credit assessments and consumer protection.

In Myanmar, the regulation of financial services, including fintech and BNPL (Buy Now Pay Later) services, primarily falls under the jurisdiction of the **Central Bank of Myanmar**. The Central Bank is responsible for overseeing the financial sector and ensuring the safety and soundness of payment systems, including mobile financial services and digital payments (Myanmar Library Information Services). The main focus of regulators is to ensure that BNPL providers do not exploit consumers through unclear contractual terms and to prevent consumers from falling into excessive debt. Discussions are ongoing as to whether BNPL products should be classified as consumer credit, which would necessitate stricter credit assessments and protections for consumers facing financial difficulties.

Myanmar's regulatory landscape for BNPL services faces challenges such as inadequate consumer protection, poor credit assessments, and weak data privacy measures. The lack of a comprehensive BNPL framework leads to risks like over-leveraging and data misuse. Ongoing discussions aim to integrate BNPL under existing consumer credit laws, with a focus on establishing creditworthiness standards and improving consumer awareness. BNPL offers opportunities for financial inclusion in Myanmar, but the country must strengthen its regulatory framework to support innovation while safeguarding consumers.

10. Cambodia

Cambodia is in the early stages of developing a regulatory framework for Buy Now Pay Later (BNPL) services. While the National Bank of Cambodia (NBC) and the Ministry of Economy and Finance (MEF) have established general consumer credit laws, there are no specific regulations tailored to BNPL yet. Companies like Mora BNPL are driving the growth of the digital financial ecosystem by partnering with local banks and capitalizing on the increasing use of digital payments and e-commerce. NBC's broader initiatives suggest that dedicated BNPL regulations may emerge in the future.

This regulatory gap presents significant challenges for both regulators and consumers. One of the most pressing concerns is consumer protection. BNPL agreements, which often feature zero-interest payment structures and quick approval processes, may be difficult for consumers to fully comprehend. This lack of transparency can result in consumers overextending their finances, particularly if they use multiple BNPL services simultaneously, leading to over-indebtedness. Furthermore, because BNPL services typically bypass traditional creditworthiness checks in favor of quick approvals, they increase the risk of consumers accumulating debt they cannot repay. The absence of robust credit assessments thus becomes a critical issue for regulatory authorities to address.

Cambodia faces regulatory challenges due to the absence of a specific BNPL framework, particularly regarding credit assessments, data protection, and managing consumer debt risks. As BNPL services continue to grow, especially in cross-border transactions, Cambodia must adopt coordinated regulatory efforts to avoid gaps. Opportunities include enhancing financial inclusion and digital finance by implementing clear BNPL regulations. With the right regulatory approach, Cambodia could become a key player in the regional digital finance sector, balancing the benefits of BNPL with the protection of consumers and financial stability.

BNPL Regulatory Issues Across ASEAN Country

The rise of Buy Now Pay Later (BNPL) services across ASEAN countries has highlighted several significant policy issues, particularly concerning unsustainable debt risks, consumer disclosure risks, consumer credit reporting, and consumer data privacy and security.

a. Credit Risk and Systemic Risk Management:

Regulatory frameworks struggle to balance the rapid growth of BNPL with the need to manage credit and systemic risks. For example, Indonesia faces challenges in preventing credit bubbles and systemic risks due to limited enforcement capabilities, while Vietnam and Myanmar also struggle to address systemic risks amid their evolving regulatory structures. Thailand and Malaysia are more proactive, with measures in place to manage systemic risks through stricter credit assessments.

b. Consumer Protection:

Consumer protection concerns arise from the potential for over-indebtedness, hidden fees, unclear terms, and weak data privacy protections. In Indonesia, transparency around fees and debt collection practices is a concern, while Malaysia addresses these risks through its Consumer Credit Act. Singapore and Thailand have implemented clear frameworks to protect consumers from exploitation, but Myanmar and Cambodia still face challenges due to their underdeveloped regulatory systems. Laos is focusing on mitigating risks related to debt accumulation, while Brunei ensures compliance with both conventional and Islamic finance regulations to protect consumers.

c. Non-Bank Provider Regulation:

Non-bank BNPL providers are difficult to regulate due to their rapid expansion. Malaysia and Thailand both encounter challenges in ensuring that non-bank providers meet regulatory standards, particularly as younger populations increasingly adopt BNPL services. Vietnam and Myanmar also face difficulties in integrating non-bank providers into their financial systems. Meanwhile, Singapore has implemented industry-led guidelines to ensure compliance, and Indonesia is working on cross-sectoral collaboration to align BNPL services with broader financial policies.

d. Transparency and Accountability:

Transparency in fees and terms is a major issue across ASEAN countries. Malaysia and Philippines emphasize transparency through clear disclosures, but hidden fees remain a concern, particularly in Cambodia and Myanmar, where consumers may struggle to fully comprehend BNPL terms. Indonesia and Thailand focus on transparency in debt collection and

fee structures, while Singapore has established a Code of Conduct to ensure clear communication of terms and capped fees.

e. Financial Literacy:

As BNPL services are increasingly adopted by younger and less financially literate populations, there is a pressing need to improve financial literacy. Malaysia, Singapore, and Thailand have implemented financial education programs to raise awareness about BNPL risks, while Philippines and Vietnam are emphasizing literacy programs as a key component of their regulatory frameworks. In countries like Cambodia and Laos, financial literacy is still underdeveloped, presenting challenges for informed consumer decision-making.

f. Innovation vs. Regulation:

Balancing fintech innovation with regulation is a significant challenge. Singapore and Indonesia are leading efforts to foster innovation while ensuring strong consumer protection and financial stability. Malaysia supports fintech growth through prudent financing practices, and Philippines is promoting innovation as part of its broader digitization efforts. In contrast, Cambodia, Laos, and Myanmar are still in the early stages of managing this balance, with regulatory frameworks lagging behind the growth of fintech.

g. Cross-Sectoral Coordination:

Effective regulation requires coordination between financial regulators and consumer protection agencies. Thailand, Malaysia, and Philippines are adopting cross-sectoral approaches, involving multiple agencies in regulating BNPL to ensure comprehensive oversight. Indonesia works with various financial regulators to ensure alignment with broader financial policies. However, countries like Cambodia and Laos still face significant challenges in coordinating their efforts across sectors.

h. Sharia Compliance (in certain countries):

In countries with Islamic finance systems, ensuring BNPL compliance with Sharia principles adds complexity. Brunei has successfully integrated BNPL into its Sharia-compliant financial ecosystem, focusing on transparent and fair terms. Indonesia also incorporates Islamic finance considerations, though it faces challenges in fully integrating BNPL with these principles while fostering innovation.

i. Emerging Markets and Infrastructure:

In less developed markets, regulatory frameworks and infrastructure present barriers to effective regulation and expansion of BNPL services. Laos and Myanmar are still developing their digital infrastructure and regulatory systems, which limits their ability to regulate BNPL

effectively. Cambodia is similarly facing challenges in building a comprehensive regulatory framework to address the risks of BNPL, especially in cross-border transactions.

5. CONCLUSION

The regulation of Buy Now Pay Later (BNPL) services across ASEAN countries varies significantly in terms of development and maturity. Countries like Singapore, Indonesia, and Malaysia are leading in the establishment of comprehensive BNPL regulatory frameworks. These nations emphasize transparency, consumer protection, and systemic risk management, while fostering fintech innovation. Singapore, has set a high standard with advanced regulations that incorporate global best practices, including a robust Code of Conduct to safeguard consumers and ensure financial stability.

Thailand, the Philippines, and Brunei are in the process of developing more mature regulatory frameworks. While their regulations are still evolving, these countries are making progress by focusing on enhancing consumer protection, promoting financial literacy, and coordinating across sectors to address the unique challenges of BNPL services. In Brunei's case, compliance with Islamic finance principles adds an additional layer of complexity to its regulatory framework.

On the other hand, countries like Vietnam, Laos, Myanmar, and Cambodia are still in the early stages of developing their BNPL regulatory structures. These countries face significant challenges related to underdeveloped infrastructure, low financial literacy, and gaps in key areas such as credit assessments and data protection. As BNPL services continue to grow, these nations will need to strengthen their regulatory frameworks to ensure both innovation and consumer protection are maintained.

BNPL services present significant opportunities for financial inclusion throughout ASEAN; however, the key challenge for all nations is finding the right balance between encouraging fintech innovation and maintaining strong consumer protection and financial stability. Countries at the forefront of BNPL regulation serve as valuable models for those still refining their frameworks, underscoring the importance of coordinated regional initiatives, enhanced financial literacy, and stronger data privacy measures to ensure a secure digital financial ecosystem.

6. LIMITATION

This study is limited by its reliance on secondary data, varying data availability across ASEAN countries, and the absence of primary data collection. The rapidly evolving nature of BNPL regulation may render some findings outdated, and the diverse socio-economic contexts in the region may limit the generalizability of the results.

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