

Kingdom of Saudi Arabia  
Midocean  
Project Management

**GRADUATION PROJECT 1**

**The Impact of Buy Now Pay Later (BNPL) Services on  
Consumer Purchasing Decisions in Saudi Arabia**

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## **Chapter One: Introduction**

### **1.1 Research Introduction**

Over the past few years, fintech has become one of the fastest-growing sectors in Saudi Arabia. Mobile payments, digital wallets, and now Buy Now Pay Later (BNPL) services have changed the way people shop, especially online. BNPL lets a customer buy something today and split the cost into smaller payments later, usually without interest if the payments are made on time. It sounds simple, but it has had a real effect on how people spend money.

In Saudi Arabia specifically, BNPL has grown very quickly. Providers like Tabby, Tamara, and Madfu are now built into checkout pages across almost every major online store, and a lot of physical retailers have started offering it too. Part of this growth is tied to Vision 2030 and the push toward a cashless, digitally-driven economy, but a lot of it also comes down to how easy these apps make spending feel. What used to be a niche option for a small group of online shoppers is now something most young Saudis have used at least once, whether for clothes, electronics, or everyday purchases.

Even with all this growth, there isn't much research that looks specifically at the Saudi market. Most of the existing studies on BNPL come from places like the US, the UK, or Australia, and while that research is useful, it doesn't really capture what makes Saudi consumers different — things like the preference for Shariah-compliant, interest-free financing, or the fact that such a large share of the population is young and constantly online. These are not small details; they shape how and why people here actually use BNPL.

This research looks at three things that are commonly believed to drive BNPL usage: how easy the platforms are to use, how much financial flexibility they offer, and how aware consumers actually are of the risks involved. The goal is to figure out which of these factors really matters most when a Saudi consumer decides to use BNPL at checkout, and to give fintech companies, retailers, and regulators something concrete to work with.

### **1.2 Research Problem**

BNPL has clearly caught on in Saudi Arabia, but that popularity has started to raise some flags. SAMA and a few consumer protection groups have pointed out that some users are juggling multiple BNPL plans across different apps at once, often without really tracking how much they owe in total until it becomes a problem.

That's really the gap this study is trying to address — nobody seems to know for certain which factor is actually driving the decision to use BNPL in the first place. Is it just that it's fast and convenient? Is it that it makes an otherwise unaffordable purchase feel manageable? Or are people genuinely thinking through the risk of late fees and stacked debt before they tap 'confirm'? Companies market BNPL heavily as the easy, flexible option, but it's not clear whether that convenience is quietly overriding any real risk awareness on the consumer's part.

Until this is understood better, providers will likely keep optimizing for convenience without much regard for whether that's actually good for the consumer long-term, and regulators won't have the data they need to build sensible protections. This study tries to bring some actual evidence into that conversation.

### **1.3 Research Significance**

- Academically, there's just not much research on BNPL specific to Saudi Arabia. Most studies focus on Western markets, which don't account for things like Islamic finance norms or the local regulatory environment, so this fills a fairly specific gap.
- For BNPL providers themselves (Tabby, Tamara, Madfu, and similar), the findings could help clarify which feature actually matters most to users — is it the convenience, or the flexibility? That has direct implications for how they design their apps and communicate risk.
- Retailers that already offer BNPL at checkout, or are thinking about adding it, can use this to better understand how it affects whether a customer actually completes a purchase.
- From a regulatory standpoint, as SAMA continues shaping BNPL oversight, having real data on how aware (or unaware) consumers are of the risks involved is genuinely useful for designing better consumer protections.
- And on a more personal level, if the findings show that risk awareness is low, that's a signal that financial literacy around BNPL specifically needs more attention — which matters for everyday consumers, not just for the industry.

### **1.4 Research Questions**

With that problem in mind, this study tries to answer the following questions:

1. Does ease of use affect consumer purchasing decisions when using BNPL services in Saudi Arabia?

2. Does financial flexibility affect consumer purchasing decisions when using BNPL services in Saudi Arabia?
3. Does risk awareness affect consumer purchasing decisions when using BNPL services in Saudi Arabia?
4. Out of these three factors, which one has the strongest effect on a Saudi consumer's decision to use BNPL?

## **1.5 Research Objectives**

Broadly, this research is trying to understand how BNPL services affect purchasing decisions among Saudi consumers, and more specifically, how much of that comes down to ease of use, financial flexibility, and risk awareness.

More specifically, the study aims to:

1. Examine whether ease of use of BNPL platforms relates to consumer purchasing decisions.
2. Examine whether the financial flexibility BNPL offers relates to consumer purchasing decisions.
3. Examine whether consumer risk awareness relates to purchasing decisions when using BNPL.
4. Compare the three variables to see which one carries the most weight.
5. Translate the findings into practical recommendations for providers, retailers, and regulators.

## **1.6 Research Hypotheses**

Based on the research questions and the theory covered in Chapter Two, this study proposes the following hypotheses:

**H1:** Ease of use has a significant positive relationship with consumer purchasing decisions regarding BNPL services in Saudi Arabia.

**H2:** Financial flexibility has a significant positive relationship with consumer purchasing decisions regarding BNPL services in Saudi Arabia.

**H3:** Risk awareness has a significant relationship with consumer purchasing decisions regarding BNPL services in Saudi Arabia.

## 1.7 Research Model

The model below shows how the three independent variables — ease of use, financial flexibility, and risk awareness — are expected to relate to the dependent variable, consumer purchasing decisions.

| Independent Variables      | Dependent Variable                         |
|----------------------------|--------------------------------------------|
| Ease of Use (EOU)          | <b>Consumer Purchasing Decisions (CPD)</b> |
| Financial Flexibility (FF) |                                            |
| Risk Awareness (RA)        |                                            |

Figure 1.1: Conceptual Research Model — H1, H2, and H3 represent the hypothesized paths from each independent variable to consumer purchasing decisions.

## 1.8 Scope of the Study

This study targets consumers in Saudi Arabia who have used at least one BNPL service — Tabby, Tamara, or Madfu being the most common — whether online or in a physical store. Data was collected through an online questionnaire so that respondents from different cities and regions could be reached without being limited to one area.

The study sticks to three independent variables: ease of use, financial flexibility, and risk awareness, measured against purchasing decisions as the dependent variable. There are obviously other things that could influence BNPL adoption too — social influence, trust in the brand, marketing exposure — but those are left for future research rather than being folded into this study.

This is a quantitative, cross-sectional study, meaning the data reflects a single point in time rather than tracking the same consumers over months or years. That means the results describe current attitudes and behavior, not necessarily how BNPL usage might evolve going forward.

## 1.9 Project Structure

Here's roughly how the rest of this project is laid out:

- Chapter One: Introduction — covers the background, the problem this study is addressing, why it matters, the research questions and objectives, the hypotheses, the conceptual model, and the scope of the study.

- Chapter Two: Literature Review — walks through the relevant theory and prior research on BNPL, ease of use, financial flexibility, and risk awareness.
- Chapter Three: Research Methodology (next assignment) — will cover the research design, the sample, the data collection instrument, and how the data will be analyzed.
- Chapter Four: Data Analysis and Findings (next assignment) — will present the SPSS results, including descriptive statistics, reliability testing, and the hypothesis testing itself.
- Chapter Five: Conclusion and Recommendations (next assignment) — will pull everything together and offer recommendations for providers, retailers, regulators, and future research.

## **Chapter Two: Literature Review**

This chapter goes through the existing literature relevant to BNPL, starting with a general overview of the industry, moving into the theoretical models commonly used in payment adoption research, and then looking specifically at each of the three variables this study focuses on: ease of use, financial flexibility, and risk awareness.

### **2.1 Overview of Buy Now Pay Later (BNPL) Services**

BNPL is essentially a point-of-sale installment plan. A customer splits the cost of a purchase into several payments, usually interest-free as long as they pay on time. Compared to a credit card, the approval process is much lighter — often instant — which is part of why it has become so popular with younger consumers who may not have an established credit history.

Globally, companies like Klarna, Afterpay, and Affirm pioneered this model from around 2018 onward. In Saudi Arabia, the market has mostly been shaped by Tabby, Tamara, and Madfu, all regulated under SAMA. These providers have leaned heavily into the fact that their products are interest-free, which fits naturally with Islamic finance principles and likely explains a good part of their rapid local adoption — many Saudi consumers who would avoid a conventional credit card for religious reasons don't have the same hesitation with BNPL.

A few industry reports also point to high smartphone usage, a young population, and fast-growing e-commerce as conditions that made the GCC region especially receptive to this kind of payment option.

### **2.2 Theoretical Framework**

A few theoretical models show up repeatedly in fintech adoption research, and they're useful here too. The Technology Acceptance Model (TAM), developed by Davis, argues that perceived usefulness and perceived ease of use are the main things that determine whether someone adopts a new technology. It's been applied to digital payments extensively, which makes it a reasonable starting point for the ease of use variable in this study.

The Theory of Planned Behavior (TPB) builds on this by adding perceived behavioral control as a factor — essentially, how much control a person feels they have over a decision. That maps fairly well onto financial flexibility: a consumer who feels more in control of their payment schedule is arguably more likely to use BNPL in the first place.

Then there's Perceived Risk Theory, originally from Bauer and later expanded by other researchers, which says that how risky a transaction feels has a real influence on whether someone goes through with it. This is the basis for including risk awareness as a variable — it's meant to capture whether consumers are actually weighing things like late fees or debt buildup, or just ignoring that part entirely.

Put together, these three frameworks roughly map onto the three independent variables in this study, which is part of why they were chosen.

### **2.3 Ease of Use and Consumer Purchasing Decisions**

Ease of use is basically how simple and effortless a service feels to use — in this case, how fast and frictionless the BNPL approval process is at checkout. This has consistently come up as one of the strongest predictors of fintech adoption in past research, and it makes intuitive sense: nobody wants to deal with a complicated approval process at the point of purchase.

Research on mobile payment adoption in the Middle East specifically backs this up, showing that consumers in the region put a lot of weight on transaction speed. Since BNPL platforms are essentially built to remove friction at checkout, it would be surprising if ease of use didn't play a meaningful role in Saudi consumers' decisions to use it.

That said, some researchers have raised a fair concern: if something is too easy, people may not think it through as much. There's a real tension between convenience and the kind of deliberate decision-making that normally happens before a purchase, and that tension is part of what this study is trying to unpack.

### **2.4 Financial Flexibility and Consumer Purchasing Decisions**

Financial flexibility here refers to how much BNPL eases someone's budget by letting them spread a cost over time instead of paying it all upfront. This matters a lot for people with irregular income or who are early in their financial independence — both of which describe a large chunk of Saudi Arabia's younger population.

Past research on installment payments generally finds that splitting a cost reduces how burdensome a purchase feels, which in turn makes someone more likely to go through with it. Given how young the Saudi consumer base skews, financial flexibility is likely to be a fairly strong driver of BNPL usage here.

The flip side, which several studies mention, is that this same flexibility can make it easy to lose track of how much you actually owe — especially if someone is using more than one BNPL provider at a time. That's really why financial flexibility needs to be looked at alongside risk awareness rather than on its own.

## **2.5 Risk Awareness and Consumer Purchasing Decisions**

Risk awareness, for the purposes of this study, means how much a consumer actually thinks about the downsides before using BNPL — late fees, the effect on their credit standing, or just having too many payment plans running at once. Perceived risk has long been studied as something that can hold people back from a purchase, but it doesn't always work that way, especially when convenience is winning out.

Some newer research on BNPL specifically suggests that the simplicity of the checkout process might actually work against risk awareness — people aren't really stopping to think about the consequences because the platform doesn't ask them to. Younger users in particular seem to treat BNPL with less scrutiny than they would a traditional loan or credit card, even though the financial risk is real.

In Saudi Arabia, regulators have started paying more attention to financial literacy as BNPL usage climbs. Whether risk awareness genuinely factors into the purchase decision, or just exists somewhere in the back of a consumer's mind without actually changing their behavior, is one of the more interesting questions this research tries to answer.

## **2.6 Summary and Research Gap**

Taken together, the literature suggests that ease of use, financial flexibility, and risk awareness are all reasonably well-established factors in fintech adoption research. The problem is that almost none of this research has been done specifically in Saudi Arabia, where religious considerations around interest, a notably young population, and a regulatory environment that's still evolving all combine to create a fairly different consumer landscape than what's been studied in the US, UK, or Australia.

On top of that, very few studies look at all three variables together in the same model to see which one actually has the most influence. That's the gap this study is aiming to fill — testing these three factors against each other, specifically within the Saudi BNPL market, rather than assuming findings from other countries automatically apply here.

## Reference List

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## Appendix

### Appendix A: Questionnaire for Research Variables

Below is the questionnaire used to measure the four constructs in this study — Ease of Use, Financial Flexibility, Risk Awareness, and Consumer Purchasing Decisions. Each item uses a five-point Likert scale (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), adapted from scales used in prior technology acceptance and consumer behavior studies.

#### **Screening Question**

1. Have you used a Buy Now Pay Later (BNPL) service (e.g., Tabby, Tamara, Madfu) in Saudi Arabia? (Yes / No — if No, survey ends)

#### **Demographic Information**

1. Gender: Male / Female
2. Age group: Under 18 / 18–24 / 25–34 / 35–44 / 45 and above
3. Monthly income level: Less than 5,000 SAR / 5,000–10,000 SAR / 10,001–15,000 SAR / Above 15,000 SAR
4. Which BNPL provider(s) do you use most frequently? Tabby / Tamara / Madfu / Other
5. How often do you use BNPL services? Weekly / Monthly / Occasionally / Rarely

#### **Section A: Ease of Use**

**EOU1.** I find BNPL platforms easy to navigate and understand.

**EOU2.** The process of applying for and using BNPL at checkout is simple and quick.

**EOU3.** Learning to use BNPL services requires little effort.

**EOU4.** I can complete a BNPL purchase without needing help from others.

**EOU5.** The overall user interface of BNPL apps/websites is clear and user-friendly.

#### **Section B: Financial Flexibility**

**FF1.** BNPL allows me to manage my budget more effectively.

**FF2.** BNPL makes it easier for me to afford purchases I want.

**FF3.** Splitting payments through BNPL reduces the financial burden of a single purchase.

**FF4.** BNPL gives me more control over the timing of my payments.

**FF5.** I am more likely to make a purchase when a BNPL option is available.

**Section C: Risk Awareness**

**RA1.** I am aware of the late payment fees associated with BNPL services.

**RA2.** I consider the risk of missing a payment before using BNPL.

**RA3.** I am concerned about accumulating multiple BNPL obligations at the same time.

**RA4.** I understand how missed BNPL payments could affect my credit standing.

**RA5.** I carefully evaluate my ability to repay before using BNPL for a purchase.

**Section D: Consumer Purchasing Decisions**

**CPD1.** I am more likely to complete a purchase when BNPL is offered as a payment option.

**CPD2.** BNPL availability influences my choice of retailer or platform.

**CPD3.** I tend to spend more when using BNPL compared to paying in full upfront.

**CPD4.** I would recommend BNPL services to others as a payment method.

**CPD5.** Overall, BNPL has positively influenced my purchasing decisions.

## Appendix B: Table of Research Instruments

The table below summarizes the measurement instrument: variable type, number of items, scale, and the theory each one is based on.

| Variable                            | Type                    | Items | Measurement Scale    | Source/Basis                                                                |
|-------------------------------------|-------------------------|-------|----------------------|-----------------------------------------------------------------------------|
| Ease of Use (EOU)                   | Independent             | 5     | 5-point Likert Scale | Adapted from Technology Acceptance Model (Davis, 1989)                      |
| Financial Flexibility (FF)          | Independent             | 5     | 5-point Likert Scale | Adapted from BNPL and consumer finance literature                           |
| Risk Awareness (RA)                 | Independent             | 5     | 5-point Likert Scale | Adapted from Perceived Risk Theory (Bauer, 1960; Featherman & Pavlou, 2003) |
| Consumer Purchasing Decisions (CPD) | Dependent               | 5     | 5-point Likert Scale | Adapted from consumer decision-making and purchase intention literature     |
| Demographic Variables               | Control/ Classification | 5     | Nominal/ Categorical | Developed by researcher for sample profiling                                |