

## BUY NOW PAY LATER TRANSACTIONS (BNPL) IN INDONESIA: IMPLICATIONS FOR MAQĀSĪD SHARIA IN THE DIGITAL ERA

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### Abstract

Buy Now Pay Later (BNPL) services have gained significant popularity among Indonesian customers, particularly within the younger demographic that values convenience and flexibility in online shopping. This research uses a qualitative approach to examine the applications of Islamic law on the utilization of BNPL inside digital transactions in Indonesia, while also assessing its effects on consumer behavior and economic stability. The findings indicate that although Buy Now Pay Later (BNPL) provides ease and accessibility for consumers, substantial obstacles exist in aligning this practice with maqāṣid sharia principles, especially with usury and consumer protection issues. Factors such as financial literacy, governmental laws, and product transparency significantly impact the adoption of BNPL, shaping customer comprehension and utilization of these services. Islamic financial institutions bear a significant obligation to deliver several items that not only meet the demands of consumers but also sharia compliance. As such, this research contributes to strengthening the integration between digital technology and the financial system, as well as supporting sustainable economic growth that is compliant with Shariah principles.

**Keywords:** BNPL, Fintech Lending, Maqāṣid Sharia.

### Abstrak

Layanan Beli Sekarang Bayar Nanti (BNPL) telah mendapatkan popularitas yang signifikan di kalangan konsumen Indonesia, terutama di kalangan demografi muda yang menghargai kenyamanan dan fleksibilitas dalam berbelanja online. Penelitian ini menggunakan pendekatan kualitatif untuk mengkaji penerapan hukum Islam dalam penggunaan BNPL di dalam transaksi digital di Indonesia, serta menilai dampaknya terhadap perilaku konsumen dan stabilitas ekonomi. Temuan penelitian menunjukkan bahwa meskipun Beli Sekarang Bayar Nanti (BNPL) memberikan kemudahan dan aksesibilitas bagi konsumen, terdapat hambatan substansial dalam menyelaraskan praktik ini dengan prinsip-prinsip maqāṣid syariah, terutama terkait masalah riba dan perlindungan konsumen. Faktor-faktor seperti literasi keuangan, peraturan pemerintah, dan transparansi produk secara signifikan mempengaruhi adopsi BNPL, membentuk pemahaman nasabah dan pemanfaatan layanan ini. Lembaga keuangan syariah memikul kewajiban yang signifikan untuk menyediakan produk yang tidak hanya memenuhi permintaan konsumen, tetapi juga kepatuhan syariah. Oleh karena itu, penelitian ini berkontribusi dalam memperkuat integrasi antara teknologi digital dan sistem keuangan, serta mendukung pertumbuhan ekonomi yang berkelanjutan yang sesuai dengan prinsip-prinsip syariah.

**Kata Kunci:** BNPL, Pinjaman Online, Maqāṣid Syari'ah.

### Background

The digital era has brought significant changes in various aspects of life, particularly in the financial system, which has now become more complex and

dynamic. Buy Now Pay Later (BNPL) services have emerged as one of the innovations in payment systems, offering consumers the convenience of

making purchases without having to pay upfront.<sup>1</sup> This concept provides financial flexibility,<sup>2</sup> allowing consumers to acquire wanted items or services and pay for them later within a specified period. However, with the convenience offered, questions and challenges also arise regarding the financial and social implications that may result from using this service. Consumers, especially those in vulnerable groups, may not fully realize the risks associated with taking on debt without careful consideration. Therefore, it is crucial to understand the context and impact of BNPL services in society, including how these services operate and the consequences they may have on their users.<sup>3</sup>

The principles governing financial transactions, such as buying, selling, and lending, are essential to integrate into BNPL practices. Islamic law regulates various aspects of transactions, emphasizing justice, transparency, and the protection of involved parties, in the view of *maqāṣid* Sharia. For example, a clear contract (*aqad*) must exist between the seller and buyer to ensure no uncertainty (*gharar*) could harm either party. Additionally, interest (*riba*), which is often a part of conventional loan systems, is prohibited in Islamic law. Therefore, it is important to explore how these principles can be applied in the context of BNPL to ensure that this service not only benefits consumers but also adheres to Sharia principles. By understanding the relevance of Islamic law in BNPL transactions, industry players and policymakers can develop a more ethical business model that aligns with Islamic values, thus creating a more sustainable and just financial environment.<sup>4</sup>

The importance of clear and consistent regulations in BNPL practices cannot be overlooked, especially with the growing adoption of this service among the public. Good regulations will help create a framework that allows BNPL services to comply with the boundaries set by Islamic law, thereby protecting consumer interests and preventing harmful practices. Regulations also play a crucial role in raising consumer awareness of their rights and obligations when using BNPL services.<sup>5</sup> With clear regulations in place, consumers can better understand the risks they may face and make more informed decisions regarding the use of such services. Additionally, good regulations will encourage financial institutions to be more responsible in offering BNPL products, reducing potential misuse that could harm consumers. In this context, policymakers need to involve various stakeholders, including Islamic financial institutions, consumer organizations, and the broader community, in formulating balanced and inclusive policies that benefit all parties involved in BNPL transactions.

Islamic financial institutions play a crucial role in developing Buy Now Pay Later (BNPL) products that comply with Sharia principles. In the context of the growing digital economy, these institutions are expected to innovate solutions that not only meet the needs of society but also align with Islamic values, which emphasize justice and transparency. One of the challenges faced is creating products that can compete with conventional BNPL services without compromising Sharia principles, such as avoiding *riba* (interest) and ensuring the presence of a clear

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<sup>1</sup> Robert Egwea, "The Global Downward Trend in the Death Penalty and a Paradox of Rehabilitative Purpose of Prison Sentences: A Focus on Uganda and the United Kingdom," *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.3772925>.

<sup>2</sup> Ahlam Kutbi, Ahlam Alsilimani, and Rahatullah Muhammad Khan, "The Effect of Buy Now, Pay Later Fintech on Traditional Financial Services and Consumer Behavior in Saudi Arabia," *Financial and Credit Activity Problems of Theory and Practice* 2, no. 55 (2024): 281–97, <https://doi.org/10.55643/fcaptop.2.55.2024.4323>.

<sup>3</sup> Siti Aisjah, "Intention to Use Buy-Now-Pay-Later Payment System among University Students: A Combination

of Financial Parenting, Financial Self-Efficacy, and Social Media Intensity," *Cogent Social Sciences* 10, no. 1 (2024), <https://doi.org/10.1080/23311886.2024.2306705>.

<sup>4</sup> Dirah Nurmila Siliwadi, "Jual Beli Online Menggunakan Kredit ShopeePay Later: Kajian Hukum Ekonomi Syariah," *Al-Ammal: Journal of Islamic Economic Law* 7, no. 1 (2022): 50–69, <https://doi.org/10.24256/alw.v7i1.2996>.

<sup>5</sup> Dodi Yarli, "Analisis Akad Tijarah Pada Transaksi Fintech Syariah Dengan Pendekatan Maqhasid," *YUDISIA: Jurnal Pemikiran Hukum Dan Hukum Islam* 9, no. 2 (2018), <https://doi.org/10.21043/yudisia.v9i2.4766>.

contract (*aqad*). Therefore, this research will discuss various strategies that Islamic financial institutions can adopt to offer innovative BNPL products, including the development of fair and ethical payment systems and approaches that enable consumers to understand better and manage their financial obligations.<sup>6</sup> Through this approach, Islamic financial institutions can contribute not only to economic growth but also to the improvement of financial literacy among the Muslim community.

Previous research addresses various topics related to Buy Now Pay Later (BNPL) services and their relationship with Financial Technology (FinTech), including aspects of user adoption, regulatory challenges, ethical considerations, as well as its impact on consumer behavior and financial inclusion. *First*, Salma S. Abed and Rotana S. Alkadi emphasize that performance expectations, effort expectations, and social influence significantly influence users' intention to continue using BNPL applications. In addition, within the framework of the IS Success model, system quality, service quality, and information quality are strongly related to user satisfaction.<sup>7</sup> *Second*, Ilmi emphasizes that the implementation of fiqh principles in Sharia-compliant transactions must consider aspects of justice, transparency, and adherence to Sharia law. In the context of BNPL products, ensuring that the financing structure does not violate principles such as the prohibition of *riba* (usury) and *gharar* (uncertainty) is crucial.<sup>8</sup> *Third*, Katterbauer et al. conducted a legal analysis of Sharia-compliant BNPL schemes, highlighting the legal challenges arising from the rapid growth

of these schemes. The study reveals that while BNPL provides convenient access to financial services, there are significant risks regarding Sharia compliance, particularly related to additional fees that may be charged to consumers.<sup>9</sup> *Fourth*, Aji et al. examined the intention to use BNPL systems among Muslim consumers in Indonesia and Malaysia, finding that religion-based ethics play a significant role in the decisions to use these services. The research supports the commitment-trust theory, showing that trust in Sharia-compliant financial products can enhance users' intentions to engage in transactions.<sup>10</sup> *Fifth*, Aisjah found that financial parenting, financial self-efficacy, and social media intensity influence students' intentions to use BNPL systems. This system indicates that financial education and social influence significantly impact the adoption of new financial services among the younger generation.<sup>11</sup>

This research aims to explore the implications of Islamic law on Buy Now Pay Later transactions in Indonesia within the context of the digital era. This study focuses on analyzing the relevant Sharia principles to assess the compliance of BNPL services with Islamic law and to evaluate their impact on consumer protection and economic stability within society. By understanding the relationship between BNPL transactions and Sharia principles, this research seeks to provide a deeper understanding of how these services can be integrated into the Islamic legal framework without violating existing regulations. Furthermore, the research aims to identify potential risks that consumers may face when using BNPL, thereby providing comprehensive recommendations for

<sup>6</sup> Hendy Mustiko Aji et al., "Religious-Based Ethics and Buy-Now-Pay-Later Re-Usage Intention among Muslim Consumers in Indonesia and Malaysia: A Commitment-Trust Theory Perspective," *Cogent Business & Management* 11, no. 1 (2024), <https://doi.org/10.1080/23311975.2024.2363441>.

<sup>7</sup> Salma S. Abed and Rotana S. Alkadi, "Sustainable Development through Fintech: Understanding the Adoption of Buy Now Pay Later (BNPL) Applications by Generation Z in Saudi Arabia," *Sustainability* 16, no. 15 (2024): 6368, <https://doi.org/10.3390/su16156368>.

<sup>8</sup> Zujajatul Ilmi, "The Application of Fiqh Principles in Contemporary Sharia Transactions in The Development of Innovative Products of Islamic Financial Institutions in Indonesia," *OECOMICUS Journal of Economics* 7, no. 2

(2023): 142–56, <https://doi.org/10.15642/oje.2023.7.2.142-156>.

<sup>9</sup> Klemens Katterbauer et al., "AI Driven Islamic Buy Now Pay Later (BNPL) – A Legal Analysis," *Journal of Management and Islamic Finance* 3, no. 1 (2023): 1–19, <https://doi.org/10.22515/jmif.v3i1.6671>.

<sup>10</sup> Aji et al., "Religious-Based Ethics and Buy-Now-Pay-Later Re-Usage Intention among Muslim Consumers in Indonesia and Malaysia: A Commitment-Trust Theory Perspective."

<sup>11</sup> Aisjah, "Intention to Use Buy-Now-Pay-Later Payment System among University Students: A Combination of Financial Parenting, Financial Self-Efficacy, and Social Media Intensity."

their protection. As a result, the findings from this study are expected to offer valuable insights for Islamic financial institutions and policymakers in developing BNPL practices that not only adhere to Sharia but also contribute to the economic well-being of the Muslim community in Indonesia.

This research adopts a qualitative approach to analyze the implications of Islamic law on Buy Now Pay Later (BNPL) transactions in Indonesia, aiming to explore the compatibility of this service with the underlying principles of Sharia in Indonesia. In this context, data will be collected through various methods, including systematic document studies, which encompass regulations issued by the Financial Services Authority (OJK), fatwas from the Indonesian Ulema Council (MUI), and relevant academic literature discussing Islamic law and BNPL practices in the modern context. This study will also involve in-depth interviews with various stakeholders involved in this sector, including Islamic law experts with a deep understanding of Sharia principles, Islamic finance practitioners experienced in applying law in financial transactions, and representatives from fintech institutions providing BNPL services to gain their perspectives. Semi-structured interviews will be carefully designed to delve into the views and experiences of informants regarding the implementation of Sharia law in BNPL transactions, as well as the challenges and opportunities they face in adhering to Islamic values.

Data analysis techniques will include content analysis and thematic analysis, aimed at identifying themes, patterns, and relationships emerging from the collected data, thus providing a clearer picture of the legal implications at hand. The data validation process will also involve source triangulation to ensure the accuracy and credibility of the information obtained from various perspectives. With this comprehensive approach, it is expected that this research will not only provide deep insights into the application of Sharia

principles in BNPL services but also recommend best practices for developing services that align more closely with Islamic values in the digital era, thus contributing positively to Muslim communities wishing to engage in digital transactions without violating religious provisions. Furthermore, the research findings are anticipated to serve as a reference for policymakers and financial industry players in formulating policies and strategies that support the provision of ethical and responsible financial services while creating a more inclusive and sustainable financial ecosystem.

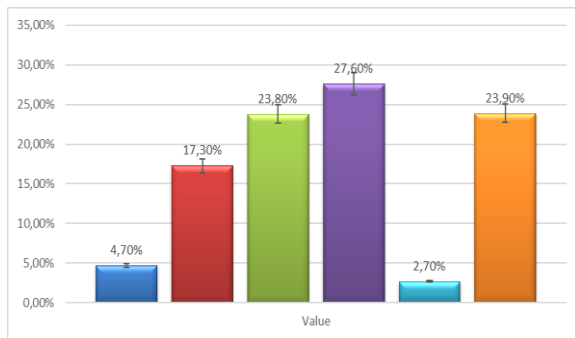
### **The Concept of Buy Now Pay Later (BNPL) from the Perspective of Islamic Law**

Buy Now Pay Later (BNPL) is a payment mechanism that offers consumers the convenience of purchasing goods or services now and paying for them later, often in the form of interest-free or low-interest installments. This concept is becoming increasingly popular in the modern world, particularly among younger generations who are attracted to flexible shopping methods without waiting until they have the full amount to pay for the item. The BNPL process begins when the consumer selects the BNPL option at checkout in a store or e-commerce platform. The BNPL service provider covers the full cost to the seller, while the consumer then makes installment payments to the provider over an agreed-upon period.<sup>12</sup> The installment period varies from a few weeks to several months, depending on the service provider's policies. Some BNPL services offer interest-free installments as long as payments are made on time, but if the consumer exceeds the payment deadline, interest or additional late fees may apply. BNPL's popularity is driven by changing shopping patterns that rely more on technology and a growing interest in payment methods that do not burden consumers with large upfront payments. However, behind this flexibility, there are significant risks, especially if consumers fail to meet their installment obligations, which can

<sup>12</sup> Sarah Safira Aulianisa, "Konsep Dan Perbandingan Buy Now, Pay Later Dengan Kredit Perbankan Di Indonesia: Sebuah Keniscayaan Di Era Digital Dan Teknologi," *Jurnal*

*Rechts Vinding: Media Pembinaan Hukum Nasional* 9, no. 2 (2020): 183, <https://doi.org/10.33331/rechtsvinding.v9i2.444>.

lead to unwanted fees and negatively impact their credit scores.



**Figure 1.** Monthly Interest Rates for Pay Later Services Reported by Respondents

Buying and selling have principles that must be fulfilled to ensure the transaction is valid and fair for all parties involved. In Islamic law, a sales contract (*aqad*) is not only limited to the exchange of goods and money but also encompasses the underlying moral and ethical principles. There are several key elements or requirements (*rukun*) that must be met in a sales contract: the seller, the buyer, the goods being sold, the agreed price, and the offer and acceptance (*ijab kabul*) as a form of agreement between the seller and buyer. The goods sold must be halal, beneficial, and free from uncertainty (*gharar*). The price must also be clear and agreed upon before the transaction to prevent disputes later. The sales transaction must also be free from *riba*, which is defined as an unjust or disproportionate gain in the transaction, especially in debt-based transactions. Therefore, the sales contract in Islam strongly emphasizes transparency, justice, and mutual consent between both parties. When these principles are correctly applied, the transaction becomes legitimate and blessed in the eyes of Sharia. In a modern context like BNPL, the contract made between the consumer and the service provider must meet

these requirements to be considered valid under Islamic law.

Debt in Islam has very clear and structured rules to prevent exploitation and ensure fairness for all parties involved. In Islam, debt is known as *qardh*, which refers to a loan given without any additional benefit for the lender. The main principle in Islamic debt transactions is the absence of *riba*, or interest, charged on the loan. *Riba* is explicitly prohibited in the Qur'an because it is considered a form of exploitation that harms the borrower. In the context of BNPL and its relation to the concept of debt is highly relevant because, essentially, BNPL is a form of debt given to consumers, which they are required to repay within a specific period.<sup>13</sup> If BNPL offers interest-free installments, the service can be considered compliant with Islamic law as long as no additional fees are imposed that are not transparently disclosed. However, if interest or late fees are applied to consumers who fail to pay on time, this could be considered *riba*, which is not in line with Sharia principles. Therefore, Muslim consumers need to be cautious when using BNPL services and ensure that they fully understand the terms and conditions so they can avoid practices that contradict Islamic teachings.<sup>14</sup> The use of BNPL within the framework of Islamic law must always prioritize justice, transparency, and responsibility to prevent harm (*mudarat*) that could negatively affect consumers.

The contemporary fiqh approach to digital transactions has rapidly evolved in response to the emergence of new technologies that are transforming the way people interact and conduct business.<sup>15</sup> In this modern world, many transactions are carried out online, including buying and selling, investments, and financial services like Buy Now Pay Later (BNPL). Islamic

<sup>13</sup> Volker Nienhaus and Mohammed Muslehuddin Musab, "Financial Services by BigTech: Impacts and Opportunities for Islamic Banks," *Mashura Journal*, no. 19 (2023): 251–81, <https://doi.org/10.33001/M0104202319/113>.

<sup>14</sup> Ying Liu et al., "The Reproductive Number of COVID-19 Is Higher Compared to SARS Coronavirus,"

*Journal of Travel Medicine* 27, no. 2 (2020), <https://doi.org/10.1093/jtm/taaa021>.

<sup>15</sup> Abdullah A Afifi and Afifi Fauzi Abbas, "Future Challenge of Knowledge Transfer in Shariah Compliance Business Institutions," in *International Colloquium on Research Innovation & Social Entrepreneurship (Ic-RISE) 2019* (UKM Graduate School of Business, 2019), <https://doi.org/10.58764/conf.icrise2019.4>.

scholars and thinkers continue to strive to provide relevant and Sharia-compliant guidance in facing these technological developments. Digital transactions, including BNPL, must meet the basic requirements of a valid contract in Islam, such as the form clarity of items, price, and the mutual consent of both parties (*ijab kabul*) between sellers and customers. One of the main challenges in the context of digital transactions is avoiding elements of *gharar* (uncertainty) and *riba* (unlawful gain), which are often hidden within the contracts or terms of digital services. For instance, in BNPL services, there must be full transparency regarding the payment schedule, late fees, and whether interest is applied.<sup>16</sup> Some Islamic scholars argue that as long as these transactions are clear and free from exploitation, BNPL services can be accepted in Islam. Thus, the contemporary fiqh approach to digital transactions is an effort to uphold fundamental Sharia principles while adapting to the realities and needs of modern society.

The distinction between *riba* and non-*riba* in BNPL services is an important topic in discussions surrounding Islamic finance. In this context, *Riba* refers to an unjust gain imposed on the borrower, often in the form of interest on loans. In Islam, *riba* is strictly prohibited as it is considered a form of oppression that can harm the vulnerable and also ruin the healthy ecosystem over time. In Sharia-compliant BNPL services, no interest should be charged on deferred payments. If consumers are required to pay more than the original price of the goods due to late payments, this could be considered *riba*. However, if BNPL offers interest-free installments or only charges a reasonable and transparent administrative fee, it can be regarded as a non-*riba* transaction. This distinction is critical for Muslim consumers who wish to utilize BNPL services without violating Sharia principles. Services that offer flexible payments without

interest or hidden fees are seen as more aligned with Islamic teachings, whereas those that impose excessive interest or late fees are considered to involve *riba*.

### **Regulations and Fatwas on Buy Now Pay Later (BNPL) in Islamic Law in Indonesia**

Fatwa DSN-MUI No. 117 of 2018 provides specific guidelines on technology-based financing services that comply with Sharia principles. This fatwa explains that Information technology-based financing services based on Sharia principles involve providing financial services that connect the financing provider with the financing recipient through electronic systems using the internet.<sup>17</sup> The fatwa emphasizes that such services must adhere to Sharia principles, ensuring that financing agreements are conducted transparently without involving elements of *riba* (usury), *gharar* (uncertainty), *maysir* (speculation), or other prohibitions in Islamic law. The fatwa also defines various concepts, including electronic systems, which refer to the technology used to collect, process, and disseminate information related to financial services, and explains the roles of participants, such as financing providers, financing recipients, and service operators. It distinguishes between various types of Sharia-compliant contracts, such as sales contracts, *ijarah* contracts (leasing), *musharakah* contracts (partnership), *mudharabah* contracts (profit-sharing), and *qardh* contracts (loans), as well as the importance of electronic documents and electronic signatures in verifying and authenticating transactions. Furthermore, the fatwa highlights the importance of avoiding *riba*, *gharar*, and other elements that could invalidate contracts in Islamic law while providing clear parameters for the use of technology in financial transactions to remain aligned with Sharia principles.<sup>18</sup> This guidance

<sup>16</sup> Ram Ahmad Y A Bani Ahmad et al., "The Role of Cybersecurity in E-Commerce to Achieve the Maqasid of Money," in *2023 International Conference on Computer Science and Emerging Technologies (CSET)* (IEEE, 2023), 1–8, <https://doi.org/10.1109/CSET58993.2023.10346972>.

<sup>17</sup> Muhammad Sularno and Muh Asy'ari Akbar, "Pinjaman Online Dalam Fikih Muamalah: Menganalisis

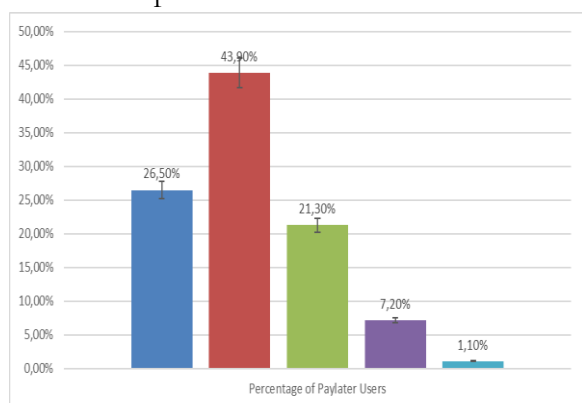
Implikasi Fatwa DSN-MUI No. 117/Dsn-MUI/IX/2018," *Lisyabab: Jurnal Studi Islam Dan Sosial* 4, no. 2 (2023): 186–200, <https://doi.org/10.58326/jurnallisyabab.v4i2.191>.

<sup>18</sup> Larisa Yarovaya, Ahmed H Elsayed, and Shawkat Hammoudeh, "Determinants of Spillovers between Islamic and Conventional Financial Markets: Exploring the Safe Haven Assets during the COVID-19 Pandemic," *Finance*



serves as a framework to ensure that financial services offered through digital platforms are consistent with Islamic values, particularly in the context of internet-based financing in the modern era.

A legal review of the legality of BNPL in Indonesia involves examining the conformity of these services with existing regulations, both from commercial law and Sharia law perspectives. Generally, BNPL is an innovation in the fintech sector that allows consumers to purchase with deferred payments without interest for a specified period. From a legal perspective, the legality of BNPL must align with applicable regulations, such as the Consumer Protection Law and financial service regulations issued by the Financial Services Authority (OJK).<sup>19</sup> Moreover, Islamic legal aspects are also a concern, particularly for Muslim communities using these services. Trough various regulations, the Indonesian government strives to ensure that BNPL services operate fairly and transparently, protecting consumer rights and avoiding practices that may harm certain parties. Institutions like OJK and Bank Indonesia play a role in overseeing the implementation of these services, while the National Sharia Council and MUI provide guidance on the Sharia compliance that BNPL providers must follow in Indonesia.



**Figure 2.** Age Demographics of Pay Later Users

The harmonization between Sharia law and positive law in regulating Buy Now Pay Later

(BNPL) is a crucial topic, especially in ensuring that these technology-based financial services can be applied fairly and in accordance with religious and state law. In Indonesia, positive law is represented by regulations issued by institutions such as the Financial Services Authority (OJK) and Bank Indonesia (BI), while Sharia law is regulated by the National Sharia Council (DSN), which is part of the Indonesian Ulema Council (MUI). In the context of BNPL, this harmonization includes efforts to ensure that deferred payment schemes do not violate basic Sharia principles such as *riba*, *gharar*, and *maysir*, and comply with positive law regulations governing consumer protection and transaction transparency. This harmonization process also involves developing policies that accommodate the advancement of financial technology while maintaining Sharia integrity, allowing BNPL to be widely applied without causing legal or ethical conflicts.

The influence of the Financial Services Authority (OJK) on Sharia BNPL services is significant in shaping the legal and operational framework for these technology-based financial services. OJK is obligated to oversee, regulate, and maintain stability in the financial services sector, including fintech, which offers BNPL services. In the context of Sharia BNPL, OJK needs to ensure that service providers comply with rules related to fee transparency and consumer protection and avoid violations of Islamic finance principles such as avoiding *riba*. OJK regulations can provide clear guidelines on how Sharia BNPL services should operate to remain compliant with Sharia provisions, especially regarding deferred payment and additional fee imposition. The regulations will also emphasize the importance of compliance with operational standards and risks in digital transactions to protect consumers from potential financial losses or data misuse.

The legal implications of Sharia violations in BNPL transactions can include both administrative

*Research Letters* 43 (2021): 101979, <https://doi.org/10.1016/j.frl.2021.101979>.

<sup>19</sup> Hurin 'In Pujiastutik and Agus Sumanto, "The Effect of ROA, FDR, and NPF on the Profit-Sharing Rate

for Mudharabah Deposit in BPRS, Indonesia," *Quantitative Economics Journal* 9, no. 1 (2021): 37, <https://doi.org/10.24114/qej.v9i1.23598>.

and criminal sanctions, depending on the severity of the violations. If a BNPL service violate Sharia principles,<sup>20</sup> such as imposing riba or having unclear contracts, the service provider could face sanctions from the National Sharia Council (DSN) or the Indonesian Ulema Council (MUI). Additionally, supervisory bodies like the Financial Services Authority (OJK) also have the authority to impose fines or revoke the operational licenses of fintech companies that fail to comply with legal provisions.<sup>21</sup> Another implication of Sharia violations is the loss of trust among Muslim consumers, which can adversely affect the reputation and sustainability of BNPL service providers.<sup>22</sup> The violations could harm consumers. In this case the company may face lawsuits from affected parties, potentially leading to compensation or other legal actions. Therefore, it is essential for BNPL providers to ensure that all aspects of their services comply with both Sharia law and applicable positive regulations.

### The Role of Digital Technology in Buy Now Pay Later (BNPL) Transactions in Indonesia

The digitalization of the economy has brought significant changes to the global financial system,<sup>23</sup> including the Islamic financial system. In the context of Islamic finance, digitalization presents opportunities to expand public access to financial products and services that adhere to Islamic principles. Islamic finance, which has traditionally been seen as limited due to strict regulations on interest-based transactions (riba), uncertainty (gharar), and speculation (maysir), is now able to compete through the adoption of financial technology (fintech) that supports Sharia-compliant services. With digital platforms, Islamic

banks and other financial institutions can provide banking services more efficiently, such as savings, financing, and halal investments, all accessible via smartphone applications. Additionally, Sharia-compliant fintech facilitates peer-to-peer lending (P2P lending) and Sharia-compliant crowdfunding, in line with principles of fairness and profit-sharing. However, despite the convenience and accessibility brought by the digitalization of the economy, the main challenge for the Islamic financial system is ensuring that all technological innovations continue to comply with Sharia principles, as well as increasing digital literacy and Islamic financial literacy among the public.

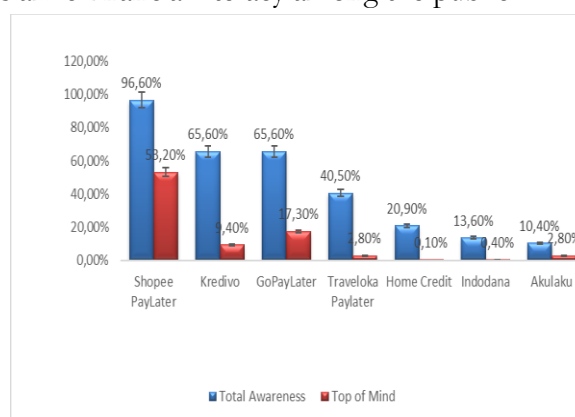


Figure 3. Awareness Levels and Top-of-Mind Responses for Pay Later Services

Buy Now Pay Later (BNPL) applications in Indonesia have shown a rising trend, particularly among the younger generation and urban communities. According to recent data, the adoption of BNPL services in Indonesia continues to grow in line with the expanding e-commerce ecosystem and the public's need for flexibility in payment methods. BNPL attracts consumers by offering the option to purchase goods or services without having to pay in full upfront. Instead, it

<sup>20</sup> Sharifah, "Strategy Marketing In Increase Amount Customer Financing Bank Sharia In Indramayu," *Al-Arfa: Journal of Sharia, Islamic Economics and Law* 1, no. 1 (2023): 37–47, <https://doi.org/10.61166/arfa.v1i1.5>.

<sup>21</sup> Tri Hidayati et al., "Digitalization of Islamic Finance: Epistemological Study of the National Sharia Board-Indonesian Council of Ulama's Fatwa," *Al-Ahkam* 33, no. 2 (2023): 255–78, <https://doi.org/10.21580/ahkam.2023.33.2.17324>.

<sup>22</sup> Doddy Afandi Firdaus and Masngudi Masngudi, "Comparative Analysis of Waqf Link Governance of Sukuk

(CWLS) Money to Finance Infrastructure in the Perspective Studies of Law Number 41 of 2004 and Sharia Economic Law Study," *Wealth: Journal of Islamic Banking and Finance* 2, no. 2 (2023): 135–60, <https://doi.org/10.24090/wealth.v2i2.9676>.

<sup>23</sup> Michelle Buckley and Adam Hanieh, "Diversification by Urbanization: Tracing the Property-Finance Nexus in Dubai and the Gulf," *International Journal of Urban and Regional Research* 38, no. 1 (2014): 155–75, <https://doi.org/10.1111/1468-2427.12084>.



allows installments over a certain period, either interest-free or with relatively low interest. A survey conducted in 2023 revealed that around 30% of online shoppers in Indonesia have used BNPL services, with the majority of users aged between 18-35 years. Moreover, sectors such as fashion, electronics, and household necessities are the most frequent categories where BNPL methods are utilized. Although BNPL provides ease of transactions, there are concerns that users may fall into a habit of excessive consumption and unknowingly accumulate debt, especially if these services are not managed wisely. Therefore, there is a need for consumer education on good financial management, as well as stricter government regulations, to ensure that BNPL service providers adhere to ethical standards and do not exploit consumers.

Technological innovations in Sharia-compliant transactions create new challenges and opportunities that have the potential to reshape the landscape of Islamic finance in Indonesia and globally. One of the most significant innovations is the use of blockchain in Islamic finance, where this technology enables higher transparency in transactions, reduces the risk of fraud, and ensures adherence to Sharia principles. Blockchain technology can also be used to create smart contracts that automate processes previously requiring intermediaries, thereby reducing transaction costs and increasing efficiency.<sup>24</sup> Additionally, the development of Sharia fintech opens up great opportunities for micro and small entrepreneurs to gain access to financing that has traditionally been difficult to obtain through

conventional banking. However, behind these opportunities lies the challenge of ensuring that the technology truly complies with Sharia principles. For example, although blockchain can enhance transparency, further study is needed on how the technology is applied in practice to avoid elements of *gharar* (uncertainty) and *maysir* (speculation).<sup>25</sup> Another challenge is the lack of specific regulations for Sharia fintech, which can lead to a lack of public trust in its security. Therefore, collaboration between regulators, scholars, and Sharia finance practitioners is essential to create a technological innovation ecosystem that not only advances but also aligns with Islamic values.<sup>26</sup>

Sharia supervision on digital platforms is becoming an increasingly crucial aspect as the digitalization of financial services, including in the Sharia domain, progresses.<sup>27</sup> In this context, Sharia supervision focuses not only on products or services but also on the entire operational system of digital platforms. The primary responsibility for Sharia supervision lies with the Sharia Supervisory Board (SSB), which ensures that every transaction, process, and policy undertaken by digital platforms adheres to Sharia principles. This board is tasked with reviewing every new innovation in digital financial products, both in terms of the contracts (*aqad*) used and their operational mechanisms, to ensure they are free from elements of *riba* (*usury*), *gharar*, and *maysir*. Additionally, the SSB must ensure the technology used by the platform, such as the use of big data, artificial intelligence, and algorithms in determining risk profiles or product offerings, does not contradict the principles of justice in Islam.<sup>28</sup> On the regulatory side, the

<sup>24</sup> Rahmayati Rahmayati, "Strengthening Islamic Banking Services in Indonesia Through Blockchain Technology: The ANP- Step Approach," *At-Tijaroh: Jurnal Ilmu Manajemen Dan Bisnis Islam* 7, no. 2 (2021): 259–72, <https://doi.org/10.24952/tjtaroh.v7i2.4368>.

<sup>25</sup> Mahmoud Zoair and Dr. Amal Khairy Amin Mohamed, "Smart Sukuk Issuance Platforms Based on Blockchain Technology to Finance Small and Medium Enterprises in the Kingdom of Saudi Arabia: Opportunities and Challenges," *SSRN Electronic Journal*, 2022, <https://doi.org/10.2139/ssrn.4264925>.

<sup>26</sup> Muchlis Bahar, "Islamic Economic Development in Indonesia Through the Implementation of Sharia Fintech," *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi*

(*MEA*) 6, no. 3 (2022): 761–73, <https://doi.org/10.31955/mea.v6i3.2480>.

<sup>27</sup> Anisa Binti Roikatul Janah and Siti Sundari, "The Effect Of Sharia Supervisory Board, Board Of Commissioners And Board Of Directors On Islamic Social Reporting Disclosure At Sharia Commercial Banks In Indonesia," *International Journal of Economics, Management and Accounting* 1, no. 3 (2024): 43–53, <https://doi.org/10.61132/ijema.v1i3.141>.

<sup>28</sup> Rifdah Safinatun Najah and Dita Andraeny, "Does Shariah Supervisory Board Matter in Explaining Islamic Social Reporting by Indonesian Islamic Commercial Banks?," *Jurnal Ekonomi Syariah Teori Dan Terapan* 10, no. 3 (2023): 235–48, <https://doi.org/10.20473/vol10iss2023pp235-248>.

government and Islamic financial institutions need to work together to create regulations that support the development of Sharia fintech while ensuring its Sharia integrity.<sup>29</sup> The role of regulators in setting Sharia compliance standards for digital platforms must align with the principles of maqāṣid al-sharia, which aim to protect the welfare of the people and prevent potential harm or exploitation that may arise from the misuse of technology.

Digital payments and security from an Islamic perspective can be analyzed through the lens of maqāṣid al-sharia, which encompasses the five key objectives of Sharia: protection of religion, life, intellect, progeny, and wealth.<sup>30</sup> In terms of digital payments, the main principle to consider is the protection of wealth, ensuring that financial transactions are conducted securely, transparently and free from fraud. Digital security is critical to ensuring that payments made via digital platforms are not at risk of data breaches or identity theft. In line with maqāṣid al-sharia, this objective aligns with the goal of safeguarding wealth from harmful elements. The use of encryption technology, two-factor authentication, and regulations related to personal data protection are crucial to implementing in Sharia-compliant financial transactions.<sup>31</sup> Moreover, from a Sharia perspective, digital transactions must adhere to rules that prohibit elements of *gharar* and ensure that both parties involved in the transaction have a clear understanding of the contract they are entering. Therefore, alongside strong technology, transparency and fairness in transactions are

essential pillars in maintaining the security of digital payments within Islam. Implementing technology in line with maqāṣid al-sharia can provide maximum protection for consumers and ensure the integrity of the Islamic financial system.

Technological accessibility has had a significant impact on Sharia-compliant financial transactions, both in terms of transaction ease and expanding financial inclusion. Technology has made it easier for communities previously underserved by conventional financial services, particularly in rural or remote areas, to access Sharia-compliant financial services through mobile applications, Islamic e-banking, and Sharia fintech platforms.<sup>32</sup> These innovations provide broader opportunities for the public to engage in halal transactions in accordance with Sharia principles, such as *murabahah* (cost-plus sale) or *mudarabah* (profit-sharing) contracts. Another positive impact is increased transaction efficiency, where consumers no longer need to rely on physical transactions at banks or conventional financial institutions.<sup>33</sup> However, alongside these advancements, a challenge faced is the digital divide, which remains significant, especially among populations that are less tech-savvy or lack internet access. This limited accessibility may result in financial exclusion for certain segments of society, potentially increasing inequality in the distribution of technological benefits.<sup>34</sup> Therefore, it is essential for the government, regulators, and Islamic financial institutions to continuously promote digital and financial literacy while providing infrastructure that supports technological accessibility for all, ensuring that everyone can

<sup>29</sup> Hasan Mukhibad and Doddy Setiawan, "Shariah Supervisory Board Attributes and Corporate Risk-Taking in Islamic Banks," *Cogent Business & Management* 9, no. 1 (2022), <https://doi.org/10.1080/23311975.2022.2158607>.

<sup>30</sup> Guma Ali, Mussa Ally Dida, and Anael Elikana Sam, "A Secure and Efficient Multi-Factor Authentication Algorithm for Mobile Money Applications," *Future Internet* 13, no. 12 (2021): 299, <https://doi.org/10.3390/fi13120299>.

<sup>31</sup> Guma Ali, Mussa Ally Dida, and Anael Elikana Sam, "Two-Factor Authentication Scheme for Mobile Money: A Review of Threat Models and Countermeasures," *Future Internet* 12, no. 10 (2020): 160, <https://doi.org/10.3390/fi12100160>.

<sup>32</sup> Abdul Aziz et al., "The Role of Digital Literacy and Financial Literacy on the Use of Islamic Fintech Moderated by Religiosity the Impact on Personal Financial Management," *International Journal of Sustainable Applied Sciences* 1, no. 6 (2023): 759–76, <https://doi.org/10.59890/ijzas.v1i6.1019>.

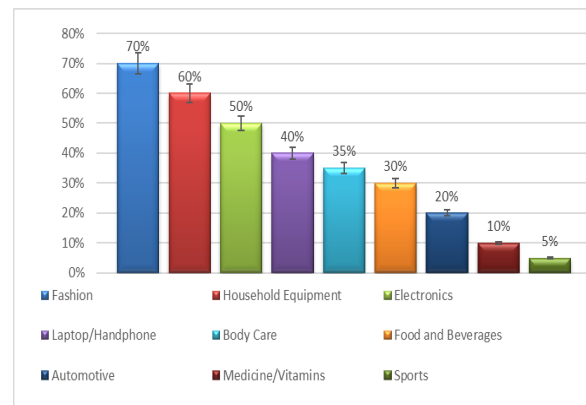
<sup>33</sup> Moritz Jünger and Mark Mietzner, "Banking Goes Digital: The Adoption of FinTech Services by German Households," *SSRN Electronic Journal*, 2019, <https://doi.org/10.2139/ssrn.3368133>.

<sup>34</sup> Dimitris Kenourgios, Nader Naifar, and Dimitrios Dimitriou, "Islamic Financial Markets and Global Crises: Contagion or Decoupling?," *Economic Modelling* 57 (2016): 36–46, <https://doi.org/10.1016/j.econmod.2016.04.014>.

benefit from safe, inclusive, and Sharia-compliant financial transactions.

### Buy Now Pay Later (BNPL) Transactions in the Perspective of Maqāṣid Al-Sharia

The principle of maṣlahah in maqāṣid Sharia has the primary objective of achieving goodness and preventing harm for humanity, including protecting religion, life, intellect, lineage, and property.<sup>35</sup> Applying this principle in Buy Now Pay Later (BNPL) services can be seen in efforts to ensure that the transactions conducted not only meet consumer needs practically but also comply with sharia requirements that safeguard the community's welfare. Sharia-compliant BNPL must pay attention to aspects of justice and transparency in the agreements made between service providers and consumers. In the context of maslahah, BNPL can serve as a solution for people to acquire goods or services without having to pay the full amount upfront, but it must also ensure that there are no elements of riba (interest) that burden consumers. Furthermore, BNPL should consider the balance between facilitating transaction ease and maintaining the consumer's ability to pay without falling into unhealthy debt.<sup>36</sup> Therefore, the implementation of BNPL within the framework of maqāṣid Sharia must be managed to ensure that the benefits gained by consumers outweigh the potential harms while also maintaining fairness in the execution of contracts and payment mechanisms.



**Figure 4.** Product Category Distribution Among Pay Later Users

Consumer protection in Islam is an essential element that must be considered in every transaction, including BNPL services. Islam emphasizes the importance of protecting consumers from harmful practices, such as fraud, *gharar* (uncertainty), or manipulation. In BNPL services, the benefits offered to consumers include ease of access to goods with deferred payments without needing the entire amount upfront. However, there are risks to be wary of, such as the potential for late payments that can lead to additional burdens or even endless debt traps. Therefore, from an Islamic perspective, transparency in contracts and clarity of information regarding terms and conditions must be maintained to protect consumers. BNPL service providers must provide clear information about payment mechanisms, late fees, and any additional costs that may arise so that consumers can make informed decisions. Islam also prohibits riba, so Sharia-compliant BNPL services must ensure that no interest elements are present in the transactions conducted. Thus, consumer protection in Sharia-based BNPL involves minimizing risks, promoting honesty, and providing fair services for all parties involved.<sup>37</sup>

<sup>35</sup> Murat Çokgezen and Timur Kuran, "Between Consumer Demand and Islamic Law: The Evolution of Islamic Credit Cards in Turkey," *Journal of Comparative Economics* 43, no. 4 (2015): 862–82, <https://doi.org/10.1016/j.jce.2015.07.005>.

<sup>36</sup> Buerhan Saiti, Obiyathulla Ismath Bacha, and Mansur Masih, "Testing the Conventional and Islamic Financial Market Contagion: Evidence from Wavelet Analysis," *Emerging Markets Finance and Trade* 52, no. 8 (2016):

1832–49,

<https://doi.org/10.1080/1540496X.2015.1087784>.

<sup>37</sup> Nurbaiti Nurbaiti et al., "Behavior Analysis of MSMEs in Indonesia Using Fintech Lending Comparative Study between Sharia Fintech Lending and Conventional Fintech Lending," *JPPi (Jurnal Penelitian Pendidikan Indonesia)* 9, no. 4 (December 1, 2023): 92, <https://doi.org/10.29210/020232273>.

Justice and Sharia compliance in resilient payment schemes, such as BNPL, play a crucial role in maintaining a balance between the interests of consumers and service providers. In Islam, justice is one of the fundamental principles that must be realized in every transaction. In the context of BNPL, justice must be reflected in how the deferred payment terms are arranged and how the rights and obligations of consumers are treated.<sup>38</sup> Sharia-compliant BNPL providers must ensure that the payment schemes do not burden consumers and continue to adhere to Sharia principles, particularly regarding not imposing *riba* or *gharar* elements that could harm consumers. In addition, service providers should help consumers who are facing difficulties in fulfilling their payment obligations, for example, through restructuring options or more flexible payment arrangements according to the consumer's ability. This aligns with Islamic teachings that advocate for providing relief for those facing difficulties in repaying debts. Sharia compliance in BNPL schemes must also ensure that the contracts used in these transactions are valid according to Sharia, both in terms of format and content. This involves a clear agreement between both parties, without any party feeling aggrieved, thus creating fair and transparent transactions.<sup>39</sup> Justice in deferred payment schemes is not only related to legal aspects but also to moral ones, requiring all parties to act according to ethical values and sharia principles in conducting their business.

The social and economic impacts of Buy Now Pay Later (BNPL) services on Muslim communities can vary depending on how this facility is utilized. From an economic perspective, BNPL offers easy access for communities to purchase essential items without full funds upfront, which can certainly increase consumer purchasing power, especially among those in need.

On the one hand, this has the potential to strengthen the economy by accelerating the circulation of goods and services. However, from a social perspective, BNPL also brings impacts that need to be monitored. Excessive use of debt facilities without proper planning can trap consumers, especially those without sufficient financial knowledge, into unhealthy debt burdens. This condition could lead to individual-level economic instability that, if it occurs on a large scale, can affect the economic stability of the broader community.<sup>40</sup> For Muslim communities, the influence of BNPL must also be reviewed from the perspective of alignment with Sharia principles, where debt utilization must be approached cautiously to avoid prohibited practices such as *riba*. Therefore, while BNPL offers many economic benefits, its use must be managed wisely so that the resulting social impacts do not lead to injustice or financial oppression of certain individuals within the Muslim community.

In Islam, the modesty (*zuhud*) principle of using debt facilities is highly encouraged. Islam does not prohibit its followers from borrowing, but it warns against using debt excessively or without careful consideration. The perspective of modesty in Islam teaches that debt should only be taken in emergencies or when genuinely needed, and it should be accompanied by a strong commitment to repay it on time. In the context of BNPL, where this facility makes it easier for consumers to purchase goods with deferred payments, the principle of modesty should remain the main guideline. Although BNPL offers convenience and flexibility, its use must be based on careful consideration of whether the purchased item is genuinely necessary and whether the financial ability is sufficient to repay the installments in the future. Modesty in borrowing also aims to maintain the economic stability of

<sup>38</sup> M Kabir Hassan et al., "Safe Havens in Islamic Financial Markets: COVID-19 versus GFC," *Global Finance Journal* 54 (2022): 100643, <https://doi.org/10.1016/j.gfj.2021.100643>.

<sup>39</sup> Dodo Khan Alias Khalid Malokani et al., "Mediating Role of Government Support for Fintech Adoption: Empirical Evidence from Islamic Banks of

Karachi, Pakistan," *Russian Law Journal* 11, no. 3s (April 5, 2023), <https://doi.org/10.52783/rlj.v11i3s.2188>.

<sup>40</sup> Laily Dwi Arsyianti and Adelia Adelia, "Sharia Compliance-Credit Card Exposure and Utilization in the Growing Digital Economy," *Journal of Islamic Monetary Economics and Finance* 5, no. 4 (2019): 891–918, <https://doi.org/10.21098/jimf.v5i4.1138>.

individuals and families and avoid the dangers of consumerism that can erode the spiritual and moral values taught by Islam.<sup>41</sup> In Islamic teachings, a debtor must also be aware of their moral and social responsibility to repay the debt punctually, as an inability or negligence in debt repayment can adversely affect social relationships and potentially create injustice.

The implications of BNPL for self-control and the community's economic welfare are significant, especially in the context of Muslim society. Islam encourages its followers to adopt a wise attitude in managing finances, including in borrowing matters.<sup>42</sup> Self-control is an important aspect of Islamic teachings aimed at maintaining a balance between material and spiritual needs. In the use of BNPL, self-control is essential to ensure that this facility is not misused to fulfill non-urgent consumer desires. If a person cannot control the urge to continue borrowing to purchase non-essential items, this could lead to more significant personal economic problems in the future, such as defaulting or becoming trapped in a cycle of debt.<sup>43</sup> From an economic welfare perspective, uncontrolled use of BNPL can harm individuals, families, and even the broader community if unlimited consumerism becomes a social norm.<sup>44</sup> Conversely, if BNPL is used wisely, in accordance with the principles of self-control taught in Islam, this service can provide significant benefits for the community's economic welfare.<sup>45</sup> Self-control in using BNPL also aligns with the maqāṣid Sharia principles aimed at protecting wealth and ensuring fair distribution of welfare in society.

## Conclusion

The conclusion of this research on the implications of Islamic law for Buy Now Pay Later (BNPL) transactions in Indonesia, particularly in the digital era, highlights several key findings. While BNPL schemes offer convenience to consumers in conducting transactions, they present serious challenges regarding their compliance with Sharia principles, such as the prohibition of *riba* (interest), *gharar* (uncertainty), and the potential for consumer exploitation, which contradict the values of justice in Islam. From the perspective of Islamic law, financial transactions like BNPL must meet requirements for clear contracts, transparency in costs, and a balance between easy access and consumer protection, ensuring that individuals do not fall into burdensome debt. This research emphasizes the crucial role of financial authorities and fatwa-issuing bodies in establishing more explicit regulations that align with the evolution of financial technology, ensuring that BNPL can be adopted by Muslim communities while adhering to Sharia provisions. Moreover, the relevance of these findings opens the door for new ideas on how Islamic law can continue to evolve and remain pertinent in addressing the challenges of the digital era, especially in increasingly complex financial transactions. The study also makes an important contribution to understanding how the integration of financial technology innovation and Islamic values can be achieved, while reinforcing the importance of protecting Muslim consumers, not only providing them with convenience but also safeguarding them from harmful practices from a

<sup>41</sup> Dariyoush Jamshidi and Nazimah Hussin, "Islamic Credit Card Adoption Understanding: When Innovation Diffusion Theory Meets Satisfaction and Social Influence," *Journal of Promotion Management* 22, no. 6 (2016): 897–917, <https://doi.org/10.1080/10496491.2016.1214206>.

<sup>42</sup> Ahdi Noomen Ajmi et al., "How Strong Are the Causal Relationships between Islamic Stock Markets and Conventional Financial Systems? Evidence from Linear and Nonlinear Tests," *Journal of International Financial Markets, Institutions and Money* 28 (2014): 213–27, <https://doi.org/10.1016/j.intfin.2013.11.004>.

<sup>43</sup> Elena Platonova et al., "The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector," *Journal of*

*Business Ethics* 151, no. 2 (2018): 451–71, <https://doi.org/10.1007/s10551-016-3229-0>.

<sup>44</sup> Abdelkader O el Alaoui et al., "Linkages and Co-Movement between International Stock Market Returns: Case of Dow Jones Islamic Dubai Financial Market Index," *Journal of International Financial Markets, Institutions and Money* 36 (2015): 53–70, <https://doi.org/10.1016/j.intfin.2014.12.004>.

<sup>45</sup> Anisah Novitarani and Ro'fah Setyowati, "Analisis Crowdfunding Syariah Berdasarkan Prinsip Syariah Compliance Serta Implementasinya Dalam Produk Perbankan Syariah," *Al-Manahij: Jurnal Kajian Hukum Islam* 12, no. 2 (2018): 247–62, <https://doi.org/10.24090/mnh.v12i2.1759>.

Sharia perspective. Therefore, this research provides a deeper understanding of the importance of a flexible yet firm approach to Islamic law in

dealing with the dynamics of modern financial transactions like BNPL, while remaining grounded in fundamental Sharia principles.

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