

Islamic legal analysis of pay-later usage as an electronic transaction

Sri Maskanah^{1*}, Wargo², Kuswanto³

¹Institut Islam Al-Mujaddid Sabak (IIMS) Tanjung Jabung Timur, Indonesia

²Institut Islam Al-Mujaddid Sabak (IIMS) Tanjung Jabung Timur, Indonesia

³Institut Islam Al-Mujaddid Sabak (IIMS) Tanjung Jabung Timur, Indonesia

*Corresponding Author: maskanah@gmail.com

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Abstract:

The rapid expansion of financial technology in Indonesia has propelled the popularity of buy now pay later (BNPL) services, notably Shopee PayLater, which enable deferred payments for electronic transactions while raising legal and ethical concerns from an Islamic law perspective due to interest charges and late-payment penalties. This study examines how PayLater operates as an instrument for electronic transactions and evaluates its compliance with Islamic legal principles. Adopting a Systematic Literature Review (SLR) approach, the analysis synthesizes academic literature, national regulations, and relevant Sharia fatwas. Findings indicate that, although PayLater fosters digital financial inclusion, monthly interest and late-payment penalties are inconsistent with the core structures of *qardh* (interest-free loans) and *bai' al-taqsih* (credit sales with predetermined prices), and potentially contravene *maqasid al-sharia*, particularly the protection of wealth (*hifz al-mal*). The article advances theory by reinforcing Islamic law as a robust framework for assessing contemporary fintech, and offers practical guidance for regulators and providers to develop Sharia-compliant PayLater models grounded in fairness, transparency, and sustainability. These results also underscore the need for future empirical and cross-jurisdictional research on Islamic fintech regulation.

Keywords:

PayLater; electronic transactions; BNPL; Sharia-compliant fintech; qardh; bai' al-taqsih; maqasid al-sharia.



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INTRODUCTION

The development of financial technology (fintech) has brought major changes to the global payment system, including in Indonesia. One of the fastest-growing innovations is the buy now pay later (BNPL) or PayLater service, which allows consumers to purchase goods and services instantly with deferred payment. This phenomenon reflects the global trend of financial digitization that is expanding financial inclusion in developing countries (Suryono et al., 2021). In Indonesia, Shopee PayLater has become one of the most popular BNPL services due to the ease of access with just an ID card, without conventional credit scoring. However, behind this convenience, legal and ethical issues arise, especially regarding the potential elements of usury in the practice of interest and additional fees (Rahmawati & Hidayat, 2022).

The academic urgency in studying PayLater is rooted in the gap between digital business practices and the principles of Islamic law. Although national regulations through POJK No. 77/POJK.01/2016 have regulated technology-based lending and borrowing, these rules have not fully

accommodated sharia principles (Putra & Nugroho, 2021). DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 emphasizes that Islamic fintech must be free from usury, gharar, and maisir. This gap creates a dilemma for Muslims who want to take advantage of the convenience of digital services without violating sharia principles. In addition, previous research focuses more on economic aspects and consumer behavior, while Islamic law studies on PayLater practices are still minimal and fragmented (Hidayat & Nugraha, 2022).

Conceptually, this research is based on the theory of Islamic law related to qardh contracts and credit buying and selling. In Islam, qardh is a loan without additional compensation, while credit buying and selling is allowed if the price and terms are clear from the start (Alwi, 2018). Shopee PayLater's practice of applying 2.95% interest per month and a 5% late fee raises questions regarding its compliance with these principles (Cahyadi, 2020). For this reason, this study uses a systematic literature review (SLR) approach to analyze the suitability of PayLater with Islamic law and applicable national regulations (Snyder, 2019). This approach allows the integration of various empirical and normative research results to build a comprehensive analysis.

This research seeks to answer two main questions: (1) how is the mechanism of using PayLater as an electronic transaction tool, and (2) how does Islamic law view it. Through a structured literature analysis, this research aims to assess the practice of PayLater in the context of positive law and sharia, thus providing a deeper understanding of the legal and ethical implications of using BNPL services among the Muslim community (Monica, 2020). In addition, this research also emphasizes its scientific position in filling the study gap between fintech regulation and sharia contract theory.

The contribution of this research lies in the conceptual synthesis between national regulations, DSN-MUI fatwa, and contract theory in Islamic law to assess the suitability of Shopee PayLater with sharia principles. The SLR approach is used to bring together various previous literatures that were previously only normative or descriptive in nature (Umar & Mukharrom, 2023). By following recent methodological trends in fintech studies that move towards empirical and multidisciplinary analysis (Zetsche et al., 2020) this article offers a new perspective on the relationship between digital financial innovation and Islamic law. As such, it not only enriches the Islamic fintech literature, but also provides a conceptual foundation for the development of ethical digital finance regulation and practice in Indonesia.

METHOD

This research uses the Systematic Literature Review (SLR) strategy as the main approach, because the focus of the study is directed at analyzing relevant academic literature regarding the practice of using PayLater in electronic transactions and its compatibility with Islamic law. SLR was chosen to ensure repeatability, transparency, and objectivity in the process of collecting and analyzing literature, so that the research results can be scientifically accounted for (Snyder, 2019). The data sources of this research consist of primary literature in the form of official regulations such as POJK No. 77/POJK.01/2016, DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, and Islamic legal documents related to qardh contracts and credit purchase. Meanwhile, secondary data was obtained

from reputable journal articles, academic books, and previous research reports that discuss fintech, BNPL, and Islamic law. The literature search protocol was conducted through academic databases such as DOAJ, Scopus, and Google Scholar with the keywords "Islamic law," "PayLater," "BNPL," "Islamic fintech," and "electronic transaction." The search process focused on publications of the last five years (2019-2024) to ensure relevance and novelty of the data (Xiao & Watson, 2019).

Literature inclusion criteria include: (1) articles that discuss fintech, BNPL, or PayLater in the context of Islamic law; (2) publications in reputable and open-access journals; (3) literature published in the last five years; and (4) articles using Indonesian or English. The exclusion criteria included: (1) non-academic articles such as popular news or blogs; (2) publications that are not fully accessible; and (3) literature that only discusses technical aspects of fintech without relevance to Islamic law. The unit of analysis in this study is academic and regulatory documents relevant to the practice of PayLater. The data analysis technique was conducted using a narrative and thematic synthesis approach, in which the collected literature was categorized based on main themes such as fintech regulation, sharia contracts, usury risk, and consumer protection. The analysis process was done manually with the help of reference management software such as Zotero to organize citations and literature (Gusenbauer & Haddaway, 2020). Methodological validity was maintained through triangulation of literature sources and the use of the PRISMA protocol as a guide in reporting SLR results (Page et al., 2021). Thus, this research method ensures that the resulting analysis is comprehensive, systematic, and in accordance with international academic standards (Tranfield et al., 2003).

RESULTS AND DISCUSSION

Results

The results of this study were obtained through a Systematic Literature Review (SLR) approach that examines academic literature related to the practice of using PayLater in electronic transactions and its conformity with Islamic law. Based on the literature selection process, 42 relevant publications were found, consisting of 28 reputable international journal articles, 9 national journal articles indexed by SINTA 1 and 2, and 5 official regulatory documents and fatwas. The distribution of publications shows a significant increase in the last five years, with a peak in 2022-2023, which indicates that the issue of Islamic fintech and buy now pay later (BNPL) services is getting academic attention (Sasmita & Karimah, 2024). In terms of geography, the majority of research comes from Indonesia, Malaysia and Middle Eastern countries, while international studies mostly highlight regulatory aspects and consumer risks in Europe and North America (Ali et al., 2021).

The methodological characteristics of the reviewed literature show that 60% of studies used a qualitative approach with normative analysis or case studies, 25% used quantitative methods based on consumer behavior surveys, and 15% used a systematic review or integrative review approach. Qualitative research generally emphasizes the analysis of Islamic law on the contracts used in PayLater, while quantitative research mostly highlights consumer behavior, satisfaction levels, and the risk of default (Umar & Mukharrom, 2023). Systematic literature studies are still relatively

limited, but have begun to develop in the last two years with a focus on the integration of fintech regulations and sharia principles (Rahmawati & Hidayat, 2022).

From the results of the literature synthesis, four main thematic categories were found. First, the regulatory aspect that emphasizes the role of POJK No. 77/POJK.01/2016 as the legal basis for information technology-based lending and borrowing services, but has not fully accommodated sharia principles (Putra & Nugroho, 2021). Second, aspects of Islamic law that highlight the use of qardh and credit purchase contracts in PayLater, where the majority of studies conclude that there is potential for usury due to the 2.95% interest per month and 5% late fee. Third, the consumer behavior aspect shows that although PayLater increases digital financial inclusion, there is a high risk of default and debt bondage, especially in the younger age group (Hidayat & Nugraha, 2022). Fourth, aspects of Islamic business ethics that emphasize the importance of the principles of fairness, transparency, and consumer protection in Islamic fintech services (Zetsche et al., 2020).

Further analysis shows that most studies assess Shopee PayLater and similar BNPL services have not met the maqashid syariah criteria, especially in the aspects of protecting assets (hifz al-mal) and preventing usury practices. The study by Laili and Karimah (2024) confirms that although PayLater provides ease of access, the practice of interest and late fees contradicts maqashid sharia which emphasizes justice and sustainability of the people's economy. Meanwhile, international research highlights that BNPL globally faces criticism due to weak consumer protection regulations and high default risk (Ali et al., 2021).

In addition, the results of the literature review also show variations in the use of theoretical approaches. Some studies use classical Islamic law theories related to qardh and bai' al-taqsih (credit sale and purchase) contracts, while other studies adopt the maqashid syariah approach to assess the suitability of PayLater services with sharia objectives (Sasmita & Karimah, 2024). Some studies also relate this issue to modern consumer protection theory, which emphasizes the importance of information transparency and contractual fairness in electronic transactions (Nugroho & Prasetyo, 2021). Thus, the results of this study show that the existing literature has identified various legal, regulatory and ethical dimensions related to PayLater, although there are still different approaches in assessing its compatibility with Islamic law.

Overall, the results of the literature synthesis show that research on PayLater in the perspective of Islamic law is still dominated by normative and descriptive analysis, while empirical and systematic studies are still limited. Publication trends show an increase in academic interest in this issue, especially in the context of fintech integration with sharia principles. However, the majority of studies agree that the practice of interest and fines in PayLater services raises serious issues from the perspective of Islamic law, so further studies are needed to formulate an Islamic fintech model that is in accordance with maqashid sharia and national regulations (Cahyadi, 2020).

Discussion

The results of this study confirm that the practice of using PayLater, especially Shopee PayLater, still leaves serious problems from the perspective of Islamic law. The main findings show

that although this service provides easy access to finance and increases digital inclusion, the existence of an interest of 2.95% per month, as well as a 5% late fee, raises a strong indication of usury. This is directly related to the formulation of the research problem, namely, how PayLater works as an electronic transaction and how Islamic law views it. In terms of regulation, POJK No. 77/POJK.01/2016 does provide legitimacy to information technology-based lending and borrowing services, but the regulation does not specifically regulate compliance with sharia principles (Sasmita & Karimah, 2024). Thus, the results of this study show that there is a tension between national regulations and the principles of Islamic law on which the analysis is based.

Interpretation of the findings within the theoretical framework of the qardh and bai' al-taqsih contracts shows that the PayLater practice is not fully in accordance with Sharia principles. The qardh contract in Islam emphasizes loans without additional compensation, while bai' al-taqsih allows credit sale and purchase on the condition that the price and term are clear from the start. However, the application of interest and penalties in Shopee PayLater violates these principles, thus raising issues of Islamic law (Ria et al., 2024). From the perspective of maqashid sharia, this practice also potentially violates the principle of hifz al-mal (protection of wealth) because it ensnares consumers in excessive financial burdens (Hassan et al., 2022). Therefore, these findings strengthen the argument that PayLater needs to be reviewed in order to comply with the principles of justice and sustainability in Islamic law.

When compared to previous studies, the results of this study are in line with the findings of Monica (2020), who stated that Shopee PayLater contains elements of usury due to additional fees beyond the principal loan. However, this study differs from the study by Nugraha and Hidayat (2022), which emphasizes the benefits of PayLater in increasing digital financial inclusion without highlighting in depth the aspects of Islamic law. This difference shows that previous studies tend to focus on economic aspects and consumer behavior, while this study emphasizes a more comprehensive analysis of Islamic law. In addition, international research by Ali et al. (2021) highlights the risks of BNPL globally, especially regarding fee transparency and default risk, which is also relevant to the Indonesian context.

The scientific contribution of this article lies in the integration of national regulatory analysis, DSN-MUI fatwa, and contract theory in Islamic law to assess the suitability of PayLater. Using a systematic literature review approach, this research successfully synthesizes various empirical and normative findings to provide a more complete picture of the implications of Islamic law on PayLater. This enriches the Islamic fintech literature, which previously focused more on the potential development of the halal industry and financial inclusion (Zetsche et al., 2020). Thus, this article makes a conceptual contribution to the development of Islamic legal theory in the context of modern electronic transactions.

However, this research has limitations that need to be recognized proportionally. First, limited access to empirical data on PayLater consumer behavior causes the analysis to rely more on secondary literature. Second, most of the literature reviewed comes from the Indonesian context, so generalization to other countries with different legal and regulatory systems is still limited. Third, the

use of the SLR method, although systematic, still depends on the availability of open-access literature, so there is a possibility that important literature may not be reached.

The implication of this research for practitioners is the need to develop a sharia-based PayLater model that is truly in accordance with Islamic contract principles. For example, the use of murabahah or ijarah muntahiyah bittamlik contracts can be an alternative that is more in line with sharia principles (Hosen & Rahmawati, 2021). For policymakers, this study recommends that fintech regulations in Indonesia be more responsive to sharia principles, for example by integrating the DSN-MUI fatwa into the national legal framework. This is important to provide legal certainty for Muslims while encouraging the sustainable growth of the Islamic fintech industry (Suryono et al., 2021).

In addition, this research also has theoretical implications by strengthening the relevance of maqashid sharia in modern fintech analysis. By emphasizing the principles of fairness, transparency, and consumer protection, this study shows that Islamic law can be a relevant normative framework for assessing digital finance practices. This is in line with recent research trends that integrate maqashid sharia in the analysis of public policy and financial regulation (Dusuki & Bouheraoua, 2021). Thus, this article not only makes a practical contribution but also strengthens the position of Islamic law as a conceptual framework in fintech studies.

As a recommendation for further research, a more in-depth empirical study of Muslim consumer behavior in using PayLater services is needed. Quantitative research using survey or experimental methods can provide a clearer picture of the factors that influence consumer decisions, including perceptions of interest, penalties, and compliance with Sharia principles (Rahman et al., 2022). In addition, cross-country comparative research is also important to understand how sharia fintech regulation is implemented in different jurisdictions, which can provide valuable lessons for Indonesia. As such, this study opens up room for the development of a broader literature on the integration of Islamic law and fintech.

Finally, this research confirms that the issue of PayLater is not only a technical financial issue, but also involves ethical, legal, and social dimensions. Therefore, a multidisciplinary approach that combines the perspectives of Islamic law, national regulations, and consumer behavior is needed to produce a comprehensive solution. This is in line with global research trends that emphasize the importance of cross-disciplinary collaboration in studying the fintech phenomenon (Gomber et al., 2022). As such, this article contributes to the development of academic literature while providing practical recommendations for the development of Islamic fintech in Indonesia.

CONCLUSION

This research found that the use of PayLater services, especially Shopee PayLater, presents a dilemma between the ease of access to digital finance and the principles of Islamic law. From the results of the literature review, it can be concluded that although PayLater functions as a financial inclusion instrument that facilitates electronic transactions, the practice of monthly interest and late fees applied raises issues of conformity with sharia contracts. This shows that operationally,

PayLater has not fully complied with the principles of qardh and bai' al-taqsih that are valid according to Islamic law, causing significant legal and ethical implications.

The contribution of this article lies in the integration of national regulatory analysis, sharia fatwa, and contract theory in Islamic law to comprehensively assess PayLater practices. Theoretically, this research strengthens the relevance of maqashid sharia as an analytical framework in assessing digital financial innovation. Practically, this article provides input for regulators and fintech service providers to design a sharia-based PayLater model that is more in line with the principles of fairness, transparency, and consumer protection. Thus, this research not only enriches the academic literature on sharia fintech, but also makes a real contribution to the development of sustainable digital finance practices.

As an implication, future research should be directed towards empirical studies on Muslim consumers' behavior in using PayLater services, including the factors that influence their decision and its impact on financial well-being. In addition, cross-country comparative research can provide insights into best practices in sharia fintech regulation that can be adapted in Indonesia. For policymakers, it is important to strengthen the integration of sharia fatwas into the national regulatory framework, so as to create a fintech ecosystem that is not only innovative, but also in accordance with the values of Islamic law.

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