

ISLAMIC LEGAL REVIEW OF PAYLATER INSTALLMENT PRACTICES IN E-COMMERCE TRANSACTIONS

Alfina Rahma¹, Edy Tristiyanto², Jihan Aulia Isman³, Daecha Erina Monica⁴, Nur Laeli Sakinah⁵, Mila Musyarofah⁶, Siti Aliyah Mu'minah⁷
Sekolah Tinggi Agama Islam Barus Brebes¹²³⁴⁵⁶⁷
alfinarahma090@gmail.com

ABSTRACT

The rapid integration of financial technology within Indonesia's e-commerce ecosystem has driven exponential growth in Buy Now, Pay Later (paylater) services. While offering transactional convenience, its debt-based digital model sparks significant theological and legal concerns among the majority Muslim population. Objective: This study aims to analyze the compliance of conventional paylater practices with Islamic jurisprudence (fiqh muamalah) and evaluate potential sharia-compliant structural alternatives. Method: This study is designed as normative legal research utilizing a library research method. Data secondary sources including the Quran, Hadith, scholarly consensus (Ijma'), and fatwas of the National Sharia Council-Indonesian Ulema Council (DSN-MUI) were analyzed through integrated normative-sharia, conceptual, and comparative approaches using deductive qualitative reasoning. Results: The findings reveal that conventional paylater mechanisms violate sharia principles. The interest rates and late fees constitute *riba nasi'ah* (usury), while non-transparent pricing and unilateral clauses trigger *gharar* (uncertainty). Additionally, predatory marketing tactics encourage *maysir* (speculation) and destructive consumerism (*israf* and *tabzir*). Financial Services Authority (OJK) regulations provide positive legal protection but do not substitute for sharia validity. Conclusion: Conventional paylater is deemed *haram* (forbidden), and the doctrine of emergency (*dharurah*) is inapplicable under normal shopping conditions. As a solution (*makharij fihiyyah*), the fintech industry must restructure these services into sharia-compliant models utilizing *murabahah*, *Ijarah Muntahia bi al-Tamlik* (IMBT), or *qardh hasan* frameworks to ensure spiritual and legal certainty for Muslim consumers.

Keywords: E-Commerce, Fiqh Muamalah, Gharar, PayLater, Riba.

INTRODUCTION

The rapid development of information and communication technology in the digital era has brought about fundamental transformations in various aspects of human life, including the global economy and trade. One of the most significant manifestations of this transformation is the emergence of electronic commerce (e-commerce) (Achmanda, 2023). The presence of these digital platforms has not only changed the medium of interaction between sellers and buyers, but has also completely overhauled transaction patterns, logistics efficiency, and consumer consumption behavior, shifting from conventional to all-digital. In Indonesia, e-commerce growth has shown a highly progressive trajectory year after year (Wahyudi et al., 2025). This acceleration is driven simultaneously by increasing internet penetration in remote areas, high smartphone ownership rates, and shifting consumer preferences, which increasingly demand convenience, practicality, and speed in completing financial transactions (Carvallo et al., 2023).

This massive digital market activity is clearly reflected in various national macroeconomic indicators. According to data released by the Indonesian E-Commerce Association (idEA), the value of domestic e-commerce transactions continues to climb exponentially (Nugrahanti et al., 2024). In line with this, an official report from Bank Indonesia (BI) noted that the volume of digital economy transactions in Indonesia by 2025 had reached a staggering figure, exceeding 4,500 trillion rupiah (Mardiah et al., 2025). This

fiscal record automatically solidifies Indonesia's position as one of the largest and most promising digital economy market epicenters in Southeast Asia. Interestingly, this extraordinary market dynamics are not isolated; they are also fueled by the penetration of the financial technology (fintech) industry, which continues to produce innovative payment systems. One fintech product experiencing the most aggressive growth and being favored by modern society today is the buy now, pay later (BNPL) service, popularly known as paylater (Rojabi, 2025).

Conceptually, paylater is a short-term financing facility that allows consumers to purchase goods or services instantly, while deferring payment to a future date. This deferral scheme is generally offered in two forms: a full, lump-sum payment (bullet payment) at the end of the following month or through structured installments with varying tenors (Zulfiani, 2022). The key differentiating factor that makes paylater so much more desirable than conventional credit cards lies in its accessibility and technological adaptability. While bank credit cards require strict administrative requirements, rigid income documentation, and lengthy verification processes, paylater services break down these barriers by offering a highly inclusive application process (Rashid, 2024). Consumers only need to upload basic identification through a digital application to receive credit line approval in minutes. In the Indonesian market landscape, this convenient service has been widely integrated through various major platforms, from GoPay Later (Gojek), OVO PayLater, SPayLater (Shopee), Kredivo, Akulaku, to various internal financing features provided directly by leading e-commerce ecosystems (Despileny et al., 2025).

However, behind all the simplification and transactional convenience offered, the massive penetration of paylater services in Indonesia leaves a crucial issue that requires critical examination (Koyyimah et al., 2023). Given Indonesia's demographics, where the absolute majority of the population is Muslim, the emergence of this debt-based digital financing model raises fundamental theological and juridical questions from an Islamic legal perspective (fiqh muamalah). Islam, as a universal and perfect religion, has established comprehensive guidelines to regulate all forms of human socio-economic interaction, ensuring they remain within the bounds of justice and well-being (Hayati et al., 2025). The basic principles of muamalah (religious transactions) affirm that all forms of transactions are permissible unless specifically prohibited. In this context, strict restrictions are imposed on practices containing elements of *riba* (interest or additional charges without compensation), *gharar* (uncertainty or uncertainty in contracts), and *maysir* (gambling or speculation that harms one party) (Fauziyah & Muttaqin, 2025).

A crucial point that often sparks academic debate and spiritual unrest among Muslim consumers is the validity of the contract structure within paylater applications. Islam's firm prohibition of *riba* (usury or unjust gains) is absolutely enshrined in various sacred texts, one of which is Surah Al-Baqarah, verse 275 of the Quran, which dichotomously affirms that "Allah has permitted trade and forbidden *riba*" (Sari et al., 2022). In the fast-growing landscape of financial technology, this scriptural boundary creates a profound psychological friction for devout users. While the convenience of instant credit aligns with the modern digital lifestyle, the underlying mechanism of these applications often blurs the line between a legitimate trade transaction and a forbidden interest-bearing loan.

The core of the academic controversy lies in how the contract (*aqd*) is structured. From an Islamic jurisprudence (*fiqh*) perspective, paylater services usually involve multi-

tiered agreements, typically combining qard (a benevolent loan), bai' (sale), and wakalah (agency/delegation). The debate intensifies when platforms impose late fees (gharamah) or administrative costs that scale proportionally with the loan amount or delay period. Scholars argue over whether these charges represent genuine operational costs or are merely riba in disguise, reminiscent of the pre-Islamic Riba al-Jahiliyyah where debts were doubled in exchange for more time. Consequently, Muslim consumers are left navigating a digital minefield, trapped between the necessity of financial inclusivity and the urgent spiritual imperative to keep their consumption entirely halal (Sari et al., 2022).

METHODS

This study is designed as normative legal research or library research, focusing on the analysis of written norms, principles, doctrines, and regulations. Data collection relies entirely on secondary data obtained through literature searches rather than fieldwork. These secondary sources are categorized into primary, secondary, and tertiary legal materials (Sudrajat, 2022).

The analytical focus is directed at interpreting and synthesizing Islamic legal norms from the Quran and Hadith as the primary theological foundation (P. Wulandari, 2026). This is supported by scholars' consensus (Ijma'), contemporary fatwas of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), and views of classical and modern jurists (fuqaha) regarding debt (qardh), installments (bai' taqsith), and usury (riba). These sources are critically contextualized to examine modern paylater practices within e-commerce transactions (Setiawan & Sulton, 2026).

To investigate these legal issues comprehensively, this study integrates three approaches: normative-sharia, conceptual, and comparative. The normative-sharia approach doctrinally examines whether paylater fees, interest, and penalties align with sharia law (Hamzani et al., 2023). The conceptual approach utilizes muamalah jurisprudence concepts such as exchange contracts ('iwadh), ambiguity (gharar), and transactional justice to evaluate the legal relationship between platforms and users (Negara, 2023). Finally, the comparative approach objectively compares operational features and fee structures across popular platforms in Indonesia, like GoPay Later, SPayLater, and Kredivo. Ultimately, all collected data are analyzed through a descriptive-qualitative method using deductive reasoning to draw valid conclusions (Hamzani et al., 2024).

RESULT AND DISCUSSION

Overview and Operational Mechanism of PayLater, (Maskanah, 2025) In PayLater services are rapidly emerging as a disruptive payment method within the global e-commerce ecosystem, revolutionizing consumer behavior by enabling deferred purchases without the friction of conventional credit cards. Historically, this service represents a sophisticated digital evolution of traditional consumer credit, supercharged by financial technology (fintech). This integration turns what used to be a rigid banking bureaucracy into a seamless, micro-targeted, and impulse-driven checkout experience (Maskanah, 2025). In Indonesia, this phenomenon reached a critical booming point in the mid-2010s, catalyzed by the aggressive market penetration of dominant ecosystem-backed platforms such as SPayLater, GoPay Later, Kredivo, OVO PayLater, and Akulaku. What began as an

alternative payment button has now mutated into a primary lifestyle enabler for the digital-native generation.

Technically, the operational machinery of PayLater relies heavily on big data and automated risk assessment. The process initiates with a rapid, paperless digital identity verification known as electronic Know Your Customer (e-KYC), where users provide personal metadata, national identity numbers, and real-time facial biometrics (selfies). Instead of traditional income verification, proprietary algorithms instantly analyze these data points alongside alternative digital footprints to calculate a dynamic credit score.

Once approved, users are granted immediate purchasing power with customizable installment terms stretching from one to twenty-four months. However, this illusion of financial flexibility carries a hefty premium. For payment terms exceeding the one-month grace period, platforms generally extract compound interest rates ranging from 1.5 percent to 3.5 percent monthly, or cleverly rebrand these charges as "monthly administration fees." The true financial sting, however, lies in the subprime nature of these agreements: any delay in repayment triggers aggressive compounding penalties and immediate credit downgrades. This mechanism, while democratizing access to credit, simultaneously exposes vulnerable consumer segments to high-interest debt traps under the guise of financial inclusion.

Analysis of Fiqh Contracts and Identification of Usury Elements, Determining Islamic law regarding paylater requires a thorough identification of the characteristics of the potential underlying contracts, such as qardh (debt), bai' bi al-taqsih (installment sale and purchase), ijarah (service rental), and hawalah (debt transfer). If constructed as a qardh contract, charging interest or additional financial support on top of the principal automatically falls into the category of *riba nasi'ah*, which is prohibited based on the legal principle that any debt that generates one-sided profit is *riba*. On the other hand, this scheme is not in line with the ideal concept of *bai' bi al-taqsih* because the paylater platform essentially acts as a provider of bridging funds (*tamwil*), not as an owner or seller of goods directly to consumers. The claims of several platforms that declare interest as a service fee under the umbrella of the *ijarah* contract are also rejected by the majority of contemporary Islamic jurists, because the rate is calculated based on a percentage of the loan amount and term, which is substantially identical to the characteristics of *riba* (usurious) interest. Similarly, when linked to the *hawalah* contract, the transfer of debt from the buyer to the platform must be purely non-commercial, therefore, charging additional fees tied to the duration of the debt is still considered flawed under Sharia law (I. Wulandari et al., 2026).

Conventional paylater practices are also strongly indicated to contain elements of *gharar* (unclear gambling) and *maysir* (speculation), which are prohibited under Islamic law. The element of *gharar* is clearly demonstrated in the lack of transparency regarding the total accumulated costs borne by users due to hidden costs such as digital stamp duty and multiple penalty schemes. Furthermore, the platform's unilateral clauses allowing changes to terms, conditions, and interest rates mid-contract create detrimental legal uncertainty. Asymmetric information also exists in credit scoring algorithms, which consumers are unaware of. Meanwhile, elements of *maysir*, or hidden speculation, emerge through psychological stimulation in the form of random prize schemes, shopping coupons, and the illusion of zero percent installment plans, which are actually overshadowed by high operational costs. These marketing strategies sociologically encourage consumers to

speculate and spend beyond their actual financial means.

Review of Fatwas, Regulations, and Sharia Alternatives, Religious authorities, through the National Sharia Council of the Indonesian Ulema Council (MUI), have established several legal guidelines, outlined in Fatwa No. 4 of 2000 concerning Murabahah, Fatwa No. 17 of 2000 concerning Sanctions, and Fatwa No. 117 of 2018 concerning Information Technology-Based Financing. Based on the sanctions fatwa, the imposition of late fees in the form of financial penalties included in a financial institution's commercial income is declared invalid because it constitutes usury (riba), whereas the only permissible sanctions are social funds or ta'zir (ta'zir). On the positive regulatory side, the Financial Services Authority (OJK) has tightened oversight through OJK Regulation No. 77 of 2016, OJK Regulation No. 10 of 2022, and OJK Circular Letter No. 19 of 2023, which limits the maximum effective interest rate for consumer protection. However, this positive legal legality does not automatically invalidate the product's status as haram from a sharia perspective, as it has not yet adopted a comprehensive Islamic contract structure.

As a theoretical and practical solution (makharij fihiyyah), the fintech industry can restructure its products into a sharia-compliant paylater model through three main alternatives. The first alternative is a murabahah-based model, in which the platform first purchases goods from the merchant using a wakalah (proxy) power of attorney, then resells them to the consumer with an agreed-upon profit margin and a fixed price throughout the installment period. The second alternative uses the Ijarah Muntahia bi al-Tamlik (IMBT) scheme, which constructs the transaction as a rental of goods, ending with the transfer of ownership through a clear rental fee (ujrah). The third alternative is the qardh hasan scheme, or pure, interest-free benevolent loan, where the platform's business sustainability is supported entirely by revenue from the Merchant Discount Rate (MDR) charged to the seller, not the consumer (Wati, 2024).

Socio-Economic Impact and Conclusion of Discussion, This ease of access to digital financing has had a significant socio-economic impact on the consumption behavior of Muslims in Indonesia. At a macro level, the ease of instant credit disbursement has fueled a consumerist lifestyle that leads to behaviors such as israf (waste) and tabzir (wastefulness), which are prohibited in the Quran. Empirical data shows that this convenience has led to the phenomenon of overindebtedness, which disrupts the financial stability of Muslim families. This problem is exacerbated by the low national Sharia financial literacy index, which, according to official surveys, lags far behind the conventional financial literacy index. This leads people to neglect halal aspects in favor of purely transactional convenience.

As a final conclusion, this study concludes that the legal status of conventional paylater services currently in operation is forbidden for Muslims because it has been proven to contain elements of riba nasi'ah (riba nasi'ah) in its interest and fines, contain elements of gharar (gharar) in its non-transparent fees, and fuel a destructive consumerist culture. The doctrine of emergency (dharurah) in Islamic jurisprudence cannot be used as a legal justification for the use of this facility because fulfilling e-commerce shopping needs under normal conditions does not fulfill the element of compulsion that threatens life. Based on this conclusion, it is recommended that Muslim consumers prioritize cash payment methods or switch to Sharia-compliant financing platforms certified by the National Sharia Council of the Indonesian Ulema Council. Platforms and regulators are advised to immediately collaborate on formulating specific regulatory standards and accelerating

innovation in Sharia-compliant paylater products to ensure legal certainty and spiritual protection for the majority of consumers in Indonesia.

CONCLUSION

Conventional paylater services in e-commerce have grown rapidly as digital credit alternatives. However, analysis under Islamic law (fikih) reveals that their operational mechanisms violate sharia principles. The interest rates and late fees charged to consumers are classified as *riba nasi'ah* (usury). Furthermore, these services contain elements of *gharar* (uncertainty) due to hidden fees and unilateral policy changes, as well as *maysir* (speculation) driven by manipulative marketing tactics that fuel destructive consumerism (*israf* and *tabzir*).

Although regulated under Indonesia's positive law by the Financial Services Authority (OJK), conventional paylater remains haram (forbidden) because it lacks valid Islamic contract structures. The doctrine of emergency (*dharurah*) does not apply under normal shopping conditions. As a solution (*makharij fiqhiyyah*), the fintech industry must restructure these products into sharia-compliant models using *murabahah* (cost-plus margin), *Ijarah Muntahia bi al-Tamlik* (lease-to-own), or *qardh hasan* (benevolent loan) frameworks. Ultimately, Muslim consumers should prioritize cash payments, while regulators and platforms must collaborate to establish clear sharia-compliant standards to ensure legal and spiritual protection for the public.

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