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ISLAMIC ECONOMICS AND PAYLATER PRACTICES IN THE DIGITAL SHOPPING ERA: A SYSTEMATIC LITERATURE REVIEW

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ABSTRACT

The rapid expansion of the digital economy has fundamentally transformed consumer behavior, particularly through the emergence of *Buy Now, Pay Later* (BNPL) or paylater services. These financial innovations offer instant credit access and flexible payment schemes, making them increasingly popular in digital shopping platforms. In Indonesia, the widespread adoption of paylater services has been driven by the growth of e-commerce, fintech innovation, and changing consumption patterns among younger generations. Despite their economic convenience, paylater practices raise critical concerns related to excessive consumerism, household indebtedness, and financial vulnerability. From the perspective of Islamic economics, these concerns are particularly significant due to the prohibition of interest (riba), excessive uncertainty (gharar), and unethical consumption behavior.

This article aims to systematically review existing literature on paylater practices within the framework of Islamic economics, focusing on their ethical, legal, and socioeconomic implications in the digital shopping era. Using a qualitative systematic literature review approach, this study synthesizes findings from peer-reviewed national and international journals, academic books, and institutional reports related to Islamic economics, digital finance, consumer behavior, and fintech regulation. The literature is analyzed thematically to identify key issues, scholarly debates, and areas of convergence and divergence between paylater practices and Islamic economic principles.

The review reveals that while paylater services contribute to financial inclusion and digital economic growth, their prevailing contractual structures and fee mechanisms often resemble interest-based credit, raising concerns regarding sharia compliance. Moreover, empirical studies highlight the association between paylater usage and increased impulsive consumption, debt accumulation, and financial stress. This article concludes that Islamic economics offers a critical ethical framework for evaluating paylater practices and underscores the need for sharia-compliant digital financing models that balance consumer convenience with financial responsibility and social welfare.

INTRODUCTION

Digital transformation has fundamentally altered the way economic activities are conducted across the globe, reshaping patterns of consumption, modes of financial intermediation, and the structure of modern markets. The rapid advancement of financial technology (fintech) has played a central role in this transformation by introducing innovative digital payment systems and credit facilities that emphasize speed, convenience, and broad accessibility. These technological developments have reduced transaction costs, increased market efficiency, and expanded access to financial services, particularly for populations previously underserved by traditional banking institutions (Arner, Barberis, & Buckley, 2016; Gomber et al., 2018; Philippon, 2016). Within this evolving digital financial ecosystem, Buy Now, Pay Later (BNPL), commonly referred to as paylater, has emerged as a prominent financing model that enables consumers to acquire goods and services immediately while deferring payment to a later date.

The rapid diffusion of paylater services reflects broader shifts toward cashless economies and instant credit facilities in the digital era. Unlike conventional credit cards or bank loans, paylater products are often seamlessly embedded into e-commerce platforms and digital marketplaces, offering consumers frictionless access to short-term financing at the point of purchase. This integration has significantly reduced psychological and procedural barriers to borrowing, thereby accelerating adoption rates, especially among younger consumers who are highly engaged in digital consumption practices. As a result, paylater has become an integral feature of the contemporary digital shopping experience, shaping consumption behavior in both developed and developing economies.

In Indonesia, the expansion of paylater services has been closely associated with the rapid growth of e-commerce and digital platforms. Statistics Indonesia (BPS) reports a substantial increase in the value of e-commerce transactions over the past decade, driven by rising internet penetration, widespread smartphone usage, and the increasing sophistication of digital marketplaces (BPS, 2023; BPS, 2024). These structural changes have created a conducive environment for fintech innovation, including the proliferation of digital credit products. Data published by the Financial Services Authority (OJK) indicate that paylater services represent one of the fastest-growing segments within Indonesia’s fintech industry, with particularly high adoption rates among consumers aged 18–35 (OJK, 2023; Bank Indonesia, 2022).

While the expansion of paylater services has contributed to the growth of the digital economy and has been framed as a tool for enhancing financial inclusion, it has also generated new challenges related to consumer debt management, financial literacy, and regulatory oversight. The ease of accessing deferred payment options, combined with aggressive marketing strategies and minimal credit assessments, raises concerns about the long-term financial well-being of users. These concerns are especially pronounced in developing economies, where institutional capacity for consumer protection and financial education may be limited.

A growing body of academic literature suggests that paylater services can significantly influence consumer behavior by reducing the psychological burden associated with immediate payment. Behavioral economics research demonstrates that deferring payment weakens the perceived cost of consumption, thereby increasing the likelihood of impulsive purchasing and excessive spending (Soman & Gourville, 2001; Shah et al., 2012; Duroy, 2021). When consumers do not experience the immediate outflow of cash, they may underestimate the financial consequences of their purchasing decisions, leading to higher levels of indebtedness over time.

Empirical studies conducted in various national contexts further indicate that users of BNPL services are more susceptible to accumulating short-term debt and experiencing repayment difficulties compared to individuals who rely on traditional payment methods such as debit cards or cash (ASIC, 2020; Di Maggio & Yao, 2021; Mian & Sufi, 2014). These findings highlight the potential risks associated with widespread paylater adoption, particularly among younger consumers and low-income households who may lack adequate financial buffers. In developing countries, these risks are compounded by uneven levels of financial literacy and weaker consumer protection frameworks, increasing the likelihood of over-indebtedness and financial distress.

From the standpoint of Islamic economics, economic behavior including consumption and financial transactions is evaluated not solely on the basis of efficiency or profitability but also in light of ethical, moral, and social considerations. Islamic economics emphasizes values such as moderation (*wasatiyyah*), responsibility, and the promotion of collective welfare, while discouraging extravagance, wastefulness, and exploitative financial practices (Chapra, 2000; Siddiqi, 2004; Haneef, 2013). Economic activities are expected to contribute to human well-being (*falāḥ*) and social justice, rather than merely satisfying short-term individual desires.

Within this normative framework, the widespread use of paylater services raises critical questions regarding their compatibility with Islamic economic principles. Central among these concerns is the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and unethical consumption behavior. Islamic jurisprudence strictly forbids financial arrangements that involve predetermined interest or unjust enrichment, as well as transactions characterized by ambiguity, deception, or asymmetric risk distribution. Consequently, the structural features of paylater products warrant careful scrutiny from a sharia perspective.

Several scholars argue that many paylater schemes closely resemble conventional credit arrangements, as they often involve explicit or implicit interest charges, penalty fees for late payment, and risk structures that disproportionately burden consumers (El-Gamal, 2006; Iqbal & Mirakhor, 2011; Khan, 2013). Even in cases where paylater services are marketed as “interest-free,” providers may impose administrative fees, service charges, or late payment penalties that function economically in a manner similar to interest. Such practices raise concerns regarding compliance with the substantive objectives of Islamic law, particularly when transparency, fairness, and proportionality are lacking (Dusuki, 2008; Obaidullah, 2016; Hasan, 2011).

Beyond the technical issue of *riba*, Islamic economics also places significant emphasis on ethical consumption. Consumption is viewed as a means to sustain life and support human development, not as an end in itself. Excessive consumerism and debt-driven lifestyles are considered harmful to individual well-being and social cohesion, as they may lead to financial vulnerability, widening inequality, and social instability (Chapra, 2008; Aydin, 2015; Kamali, 2010). From this perspective, the normalization of paylater usage within digital shopping environments may conflict with Islamic ethical norms that advocate financial discipline, prudence, and accountability.

The digital design of paylater platforms characterized by seamless integration, minimal friction, and persuasive user interfaces can further exacerbate these ethical concerns. By encouraging consumers to prioritize immediate gratification over long-term financial planning, such platforms may undermine the Islamic principle of moderation and contribute to patterns of overconsumption. These dynamics highlight the need for a more critical evaluation of paylater practices within the broader moral economy envisioned by Islamic economics.

In Indonesia, where Islamic economics has increasingly been incorporated into national development strategies, the proliferation of paylater services presents both opportunities and challenges. On the one hand, digital financing solutions have the potential to enhance financial inclusion, expand access to credit for small businesses, and support the growth of the digital economy. On the other hand, the dominance of conventional fintech models many of which are not fully aligned with sharia principles raises concerns about regulatory oversight, ethical consistency, and consumer protection (Ascarya, 2017; OJK, 2023; Bappenas, 2023).

Although sharia-compliant fintech initiatives have begun to emerge in Indonesia, including Islamic peer-to-peer lending platforms and sharia-based digital payment solutions, their market share remains relatively limited compared to conventional paylater services. This imbalance reflects both structural challenges and gaps in consumer awareness, as well as regulatory complexities associated with developing competitive and scalable Islamic fintech models. Consequently, the ethical and developmental implications of paylater practices remain an important area of concern for policymakers, regulators, and scholars.

Despite the growing relevance of paylater services in the digital economy, academic research examining these practices through the lens of Islamic economics remains fragmented. Existing studies often focus either on consumer behavior in digital finance or on theoretical discussions of Islamic financial principles, with limited integration between these two strands of literature. As a result, there is a lack of comprehensive analysis that systematically examines paylater services as a socio-economic phenomenon situated at the intersection of digital consumption, fintech innovation, and Islamic ethical norms.

This gap in the literature underscores the need for a more integrative research approach that synthesizes insights from Islamic economics, behavioral economics, digital finance, and development studies. A systematic synthesis of existing research can help clarify the ethical, economic, and social implications of paylater services, while also identifying pathways for developing sharia-compliant digital financing models that align with the objectives of sustainable and responsible consumption.

Accordingly, this article seeks to address this research gap by conducting a systematic literature review on Islamic economics and paylater practices in the context of the digital shopping era. By integrating conceptual frameworks, empirical evidence, and institutional perspectives, this study aims to provide a comprehensive understanding of how paylater services interact with Islamic economic principles. The findings are expected to contribute to academic discourse by advancing theoretical debates on Islamic digital finance, while also offering practical insights for policymakers, regulators, and industry practitioners. Ultimately, this research aspires to support the development of ethical, sharia-compliant digital financing models that promote financial inclusion, consumer protection, and sustainable consumption within the rapidly evolving digital economy.

METHOD RESEARCH

Research Design and Approach

This study adopts a qualitative research design using a systematic literature review (SLR) approach. A systematic literature review is a structured and transparent method for identifying, evaluating, and synthesizing existing scholarly works relevant to a specific research topic (Tranfield, Denyer, & Smart, 2003; Kitchenham & Charters, 2007; Snyder, 2019). Unlike traditional narrative reviews, SLR applies explicit procedures to minimize bias, enhance replicability, and ensure methodological rigor.

The use of a qualitative SLR is particularly appropriate for this study, as it aims to explore conceptual interpretations, ethical considerations, and theoretical debates regarding paylater practices within the framework of Islamic economics. Since the study does not seek to test hypotheses or analyze numerical data, qualitative synthesis enables an in-depth understanding of values, principles, and normative implications embedded in the literature (Creswell & Poth, 2018; Denyer & Tranfield, 2009). This approach is well suited to interdisciplinary topics involving Islamic economics, fintech, digital consumption, and ethical finance.

Scope and Focus of the Review

The scope of this review focuses on literature addressing paylater or Buy Now, Pay Later (BNPL) practices in the context of digital finance, consumer behavior, and Islamic economic principles. Specifically, the review examines how paylater services are conceptualized, regulated, and evaluated from the perspectives of Islamic economics, Islamic finance, and sharia ethics.

The review includes both conceptual and empirical studies to capture theoretical foundations as well as observed implications of paylater usage. Thematically, the literature covers issues such as digital consumption behavior, consumer indebtedness, fintech innovation, riba and credit structures, sharia compliance, and ethical consumption in Islam. Geographically, the review encompasses global literature with particular attention to developing countries and Muslim-majority contexts, including Indonesia, where digital paylater services have experienced rapid growth.

Temporally, the review prioritizes studies published from 2000 onwards to reflect contemporary developments in fintech and digital commerce, while also incorporating seminal works in Islamic economics and finance where relevant. This temporal scope allows the study to capture both foundational theories and recent empirical findings.

Data Sources

This study relies exclusively on secondary data derived from academic and institutional sources. The primary data sources consist of peer-reviewed journal articles, academic books, edited volumes, and conference proceedings related to Islamic economics, fintech, consumer behavior, and digital finance. These sources were selected to ensure academic credibility and relevance.

In addition to scholarly literature, institutional reports from authoritative organizations were included to contextualize the discussion of practical phenomena. These institutions include Statistics Indonesia (BPS), the Financial Services Authority (OJK), Bank Indonesia, and international organizations such as the World Bank and OECD. Institutional publications are used to illustrate trends in digital consumption and paylater adoption rather than as primary analytical evidence.

Search Strategy

A systematic search strategy was employed to identify relevant literature. Keywords and search strings were developed based on the research objectives and refined iteratively to ensure comprehensive coverage. The primary keywords included combinations of terms such as “Islamic economics,” “Islamic finance,” “paylater,” “buy now pay later,” “BNPL,” “digital consumption,” “fintech,” “consumer credit,” and “sharia compliance.”

Boolean operators (AND, OR) were used to combine keywords and expand search results. For example, search strings included “Islamic economics AND paylater,” “BNPL AND consumer behavior,” and “Islamic finance AND digital credit.” The search was conducted across multiple academic databases, including Scopus-indexed journals, Web of Science-indexed journals, and nationally accredited journals relevant to Islamic economics and finance.

The search process was carried out in several stages. First, an initial broad search identified potentially relevant studies. Second, titles and abstracts were screened to assess relevance to the research topic. Third, full-text screening was conducted to ensure that the selected studies met the inclusion criteria. This multi-stage process aligns with best practices in systematic literature reviews and enhances methodological transparency (Petticrew & Roberts, 2006; Snyder, 2019).

Inclusion and Exclusion Criteria

To ensure consistency and relevance, explicit inclusion and exclusion criteria were applied. Studies were included if they met the following conditions: (1) published in peer-reviewed journals or reputable academic outlets; (2) written in English; (3) focused on paylater, BNPL, digital credit, or consumer financing; and (4) discussed ethical, economic, or regulatory aspects relevant to Islamic economics or finance.

Both conceptual and empirical studies were included to provide a comprehensive overview of theoretical arguments and observed outcomes. Empirical studies were included even if they did not explicitly adopt an Islamic framework, provided that their findings were relevant for ethical or sharia-based evaluation.

Studies were excluded if they: (1) focused solely on technical system design without discussing financial or ethical implications; (2) lacked academic rigor, such as opinion articles without theoretical grounding; or (3) duplicated findings already addressed in more comprehensive studies. This filtering process ensured that the final body of literature was analytically robust and aligned with the study's objectives.

Data Analysis Technique

The selected literature was analyzed using qualitative thematic analysis. Thematic analysis is a widely recognized qualitative method that involves identifying, analyzing, and interpreting recurring patterns or themes within qualitative data (Braun & Clarke, 2006; Guest, MacQueen, & Namey, 2012). In this study, thematic analysis was used to synthesize insights across diverse sources.

The analysis followed several stages. First, the selected articles were read in full to gain a comprehensive understanding of their arguments and findings. Second, key concepts and issues were coded, including themes such as consumer behavior, debt risk, riba, sharia compliance, ethical consumption, and regulatory challenges. Third, these codes were grouped into broader analytical themes reflecting the intersection between paylater practices and Islamic economic principles.

The final stage involved interpreting the relationships between themes and integrating them into a coherent analytical narrative. This process allowed the study to move beyond descriptive summaries and develop a critical discussion of paylater practices from an Islamic economic perspective.

Validity and Reliability

Several strategies were employed to enhance the validity and reliability of the review. Transparency was ensured by clearly documenting the search strategy, inclusion criteria, and analytical procedures. The use of multiple databases and diverse sources helped reduce selection bias and improve coverage.

Reliability was further strengthened through consistent application of coding procedures and cross-referencing findings across multiple studies. Interpretations were grounded in repeated patterns observed in the literature rather than isolated findings. These practices align with established standards for qualitative rigor and trustworthiness (Lincoln & Guba, 1985; Creswell & Poth, 2018).

Ethical Considerations

As this study relies solely on secondary data from publicly available sources, it does not involve human participants and therefore does not require formal ethical approval. Nevertheless, ethical academic practices were strictly observed, including accurate citation of all sources, avoidance of plagiarism, and balanced representation of scholarly perspectives.

Summary of Methodological Approach

In summary, this study employs a qualitative systematic literature review to examine paylater practices in the digital shopping era through the lens of Islamic economics. By synthesizing academic and institutional literature using transparent and rigorous procedures, the methodology provides a solid foundation for analyzing ethical, economic, and regulatory dimensions of paylater services. This approach enables a comprehensive understanding of how Islamic economic principles can inform the evaluation and future development of digital financing models.

RESULT AND DISCUSSION

Overview of the Literature Reviewed

The systematic examination of existing studies indicates a growing and increasingly diverse body of literature that addresses paylater or Buy Now, Pay Later (BNPL) services from multiple academic perspectives. Researchers from fields such as economics, finance, consumer behavior, and digital technology have contributed to understanding the rapid expansion of BNPL within the digital economy. This expanding literature reflects the rising importance of paylater services as a financial innovation that reshapes consumption patterns and payment systems. Nevertheless, studies that explicitly incorporate Islamic economic principles into the analysis of paylater practices remain relatively scarce.

Most of the existing research approaches BNPL primarily through conventional economic and financial frameworks. These studies tend to emphasize aspects such as enhanced consumer convenience, increased access to short-term credit, financial inclusion, and the growth of digital markets. While such analyses provide valuable insights into the functional and economic dimensions of paylater services, ethical considerations and normative evaluations are often treated as secondary concerns or are entirely absent. As a result, questions related to moral responsibility, fairness, and long-term consumer welfare receive limited attention within mainstream BNPL research.

Based on the systematic review, the literature can be broadly classified into four main thematic areas. First, a substantial portion of studies focuses on the economic, technological, and institutional factors that drive the adoption of paylater services in digital marketplaces. Second, numerous works examine the effects of BNPL usage on consumer behavior, spending patterns, debt accumulation, and overall financial well-being. Third, a smaller but growing body of research analyzes the contractual structures of paylater services, particularly in relation to their compatibility with Islamic economic principles, including concerns about interest, risk allocation, and transparency. Finally, several studies address the regulatory, governance, and ethical challenges associated with the widespread use of paylater services, especially in Muslim-majority countries. Together, these thematic strands provide the analytical foundation for the discussion presented in this section.

Paylater Services as a Feature of Digital Consumerism

A key insight emerging from the reviewed literature is that paylater or Buy Now, Pay Later (BNPL) services have evolved into a defining characteristic of contemporary digital consumerism. Numerous scholars emphasize that BNPL models are particularly well suited to online retail environments that prioritize rapid transactions, user convenience, and minimal procedural barriers (Philippon, 2016; Gomber et al., 2018; Duroy, 2021). By embedding paylater options directly into digital shopping platforms, providers significantly reduce friction at the point of payment, making the cost of consumption less immediately apparent to consumers. This reduction in payment salience increases the likelihood that consumers will finalize purchases that might otherwise be delayed or abandoned.

Insights from behavioral economics help explain why deferred payment mechanisms such as BNPL have a powerful influence on consumer decision-making. Research indicates that separating the act of consumption from the moment of payment weakens self-regulatory behavior, as consumers are less likely to fully consider the financial implications of their purchases (Soman & Gourville, 2001; Prelec & Loewenstein, 1998; Shah et al., 2012). The psychological discomfort typically associated with spending is diminished when payment is postponed, resulting in a higher propensity for impulsive buying and overconsumption.

Empirical evidence supports these theoretical insights, showing that users of BNPL services tend to spend more per transaction and exhibit a greater frequency of purchasing non-essential or discretionary goods compared to consumers who rely on debit cards or other immediate-payment methods (Di Maggio & Yao, 2021; ASIC, 2020). This behavioral pattern is particularly pronounced among younger consumers, who are often more comfortable with digital technologies and online shopping environments but may lack experience in long-term financial planning and debt management. As a result, the widespread adoption of paylater services among this demographic raises concerns about the potential for accumulating unsustainable levels of short-term debt.

From the perspective of Islamic economics, these consumption dynamics pose important ethical questions. Islamic teachings explicitly discourage *isrāf* (excessive consumption) and *tabdhīr* (wasteful spending), viewing both practices as detrimental to individual welfare and social balance (Chapra, 2000; Kamali, 2010; Haneef, 2013). Consumption in Islamic economics is not intended to maximize immediate utility or personal gratification, but rather to support balanced well-being (*falāḥ*) and uphold moral responsibility. Economic behavior is expected to reflect moderation, prudence, and accountability.

In this normative framework, the normalization of impulsive and debt-fueled consumption facilitated by paylater services appears to conflict with core Islamic ethical principles. By encouraging consumers to prioritize instant gratification over financial discipline, paylater mechanisms may undermine the Islamic emphasis on moderation and responsible spending. Consequently, the growing role of paylater services in digital consumerism necessitates critical evaluation from an Islamic economic perspective, particularly with regard to their implications for ethical consumption and long-term financial well-being.

Financial Inclusion versus Financial Vulnerability

One of the most frequently cited justifications for the expansion of paylater or Buy Now, Pay Later (BNPL) services is their perceived contribution to financial inclusion. A number of studies argue that BNPL platforms broaden access to short-term credit for individuals who are traditionally excluded from formal financial systems, such as those without established credit histories, stable income documentation, or access to conventional banking products (Philippon, 2016; World Bank, 2020; Di Maggio & Yao, 2021). By leveraging digital platforms, alternative data, and simplified approval processes, paylater services reduce entry barriers and enable wider participation in the digital economy.

In the Indonesian context, this inclusionary potential is reflected in institutional data showing the rapid growth of paylater services alongside the expansion of digital wallets and fintech ecosystems (OJK, 2023; Bank Indonesia, 2022). These developments have been widely interpreted as evidence that fintech-based credit products can complement traditional banking in reaching underserved populations, particularly younger consumers and informal sector workers. From a development perspective, increased access to digital credit is often associated with enhanced consumption smoothing and participation in economic activities.

However, the literature also points to a paradoxical dynamic in which increased financial access may simultaneously heighten financial vulnerability. While paylater services simplify credit acquisition, they often expose users to hidden charges, late payment penalties, and the accumulation of multiple short-term obligations across different platforms (ASIC, 2020; Mian & Sufi, 2014; Duroy, 2021). Several empirical studies suggest that consumers frequently underestimate their total repayment commitments, especially when repayment schedules are fragmented and fee structures lack transparency. These risks are particularly pronounced in emerging markets, where levels of financial literacy and consumer awareness remain uneven.

This tension between inclusion and vulnerability raises important questions about the quality of financial access being provided. From an Islamic economic perspective, access to credit is not viewed as an objective in itself, but rather as a means to promote justice, social welfare, and sustainable economic well-being. Islamic economics emphasizes that financial inclusion must be evaluated not only in terms of accessibility, but also in terms of ethical integrity and social impact (Chapra, 2008; Iqbal & Mirakhor, 2011). Financial arrangements that lead to exploitation, excessive indebtedness, or disproportionate risk transfer to consumers are considered inconsistent with the principles of justice (*'adl*) and public interest (*maṣlaḥah*).

Accordingly, the literature suggests that forms of financial inclusion achieved through ethically problematic instruments may ultimately undermine long-term socio-economic stability. When credit expansion prioritizes ease of access over consumer protection and moral accountability, it risks exacerbating inequality and financial distress rather than alleviating them. From this standpoint, Islamic economics provides a critical evaluative framework that highlights the importance of aligning financial inclusion initiatives with ethical standards, transparency, and the promotion of genuine social welfare.

Contractual Structures and the Issue of Riba

One of the most critical issues discussed in the literature relates to the contractual design of paylater or Buy Now, Pay Later (BNPL) services and their conformity with Islamic legal and ethical principles. Most BNPL arrangements are structured to allow consumers to postpone payment by dividing the purchase price into installments, which are frequently accompanied by administrative charges or penalties in cases of delayed repayment. Although many providers promote these services as “interest-free,” a substantial body of scholarship questions this claim, arguing that such charges often perform an economic function similar to interest (*riba*) (El-Gamal, 2006; Dusuki, 2008; Hasan, 2011).

From the perspective of Islamic jurisprudence, any predetermined excess over the principal amount in a credit-based transaction is classified as *riba* and is therefore strictly prohibited. Islamic scholars emphasize that the prohibition applies not only to explicitly labeled interest but also to any financial arrangement that generates a guaranteed return without corresponding risk or productive activity (Siddiqi, 2004; Obaidullah, 2016). Within fintech-based paylater practices, the boundary between legitimate service fees and prohibited interest often becomes ambiguous, particularly when charges are calculated based on the size of the credit or the length of the repayment period. This ambiguity raises concerns regarding transparency, contractual clarity, and the underlying intent (*niyyah*) of the transaction.

Several studies highlight that when fees are systematically linked to the duration or amount of deferred payment, they may contradict the substantive objectives of *sharia*, even if they formally comply with regulatory or contractual standards. In such cases, the economic substance of the transaction resembles an interest-bearing loan rather than a permissible trade- or service-based contract. This divergence between form and substance is a recurring concern in critiques of contemporary Islamic finance practices, and it is particularly pronounced in the context of digital credit products.

In addition to the issue of *riba*, the literature also draws attention to the pattern of risk allocation embedded within paylater contracts. Empirical analyses suggest that BNPL arrangements are typically characterized by asymmetric risk distribution, whereby consumers assume the majority of default and repayment risk, while providers secure revenue streams through fixed fees and penalty charges (Mian & Sufi, 2014; Di Maggio & Yao, 2021). Such arrangements contrast sharply with the principles of Islamic economics, which emphasize fairness, shared responsibility, and proportional risk-taking.

Islamic financial theory promotes risk-sharing and asset-based contracts such as *murābaḥah*, *ijārah*, and *mushārakah*, in which returns are linked to real economic activity and the risks are distributed more equitably between parties (Iqbal & Mirakhor, 2011; Ascarya, 2017). In this normative framework, profit is justified only when accompanied by exposure to risk and contribution to productive exchange. Consequently, the dominance of debt-based BNPL models centered on deferred payment and penalty-driven revenue represents a structural departure from the core ideals of Islamic finance.

Overall, the literature suggests that the contractual features of most paylater services pose significant challenges to their alignment with Islamic economic principles, particularly with regard to *riba*, transparency, and risk-sharing. These concerns underscore the need for alternative sharia-compliant digital financing models that prioritize ethical integrity and substantive compliance over formalistic design.

Gharar, Transparency, and Information Asymmetry

Another major concern highlighted in the literature relates to the presence of *gharar*, or excessive uncertainty, within paylater or Buy Now, Pay Later (BNPL) transactions. Empirical studies indicate that consumers frequently do not receive sufficient or clearly presented information regarding key contractual elements, such as repayment timelines, penalty mechanisms, and the total financial cost of using paylater services at the point of purchase (ASIC, 2020; OECD, 2021). Although digital payment interfaces are often designed to be intuitive and convenient, they may simultaneously obscure important contractual details by embedding them within lengthy or complex terms and conditions that users rarely read or fully understand.

From the perspective of Islamic economics, transparency and informed consent are fundamental requirements of legitimate economic transactions. Islamic principles seek to eliminate ambiguity and prevent exploitation by ensuring that all parties clearly understand their rights and obligations prior to entering into a contract (Kamali, 2010; El-Gamal, 2006). When significant information asymmetries exist between paylater providers and consumers, these principles are compromised, increasing the risk of injustice and unethical financial practices. The lack of clarity surrounding fees, penalties, and repayment obligations thus raises serious ethical concerns within an Islamic framework.

Several scholars argue that the rapid expansion of fintech-based credit products has intensified these challenges, particularly when such services are marketed to financially vulnerable groups with limited financial literacy (Dusuki, 2008; Haneef, 2013). In these cases, digital innovation may inadvertently exacerbate informational disadvantages rather than reduce them. This outcome contradicts the normative expectation in Islamic economics that technological advancement should support fairness, empowerment, and social welfare.

The literature emphasizes that mitigating *gharar* in paylater services requires a combination of robust regulatory oversight and ethically informed product design. Regulatory authorities are encouraged to enforce stricter disclosure requirements and consumer protection standards to ensure transparency in digital credit markets. At the same time, scholars advocate for the development of sharia-compliant fintech models that prioritize simplicity, clear communication, and user education as integral components of their operational framework (Obaidullah, 2016; Ascarya, 2017).

Such alternative models are increasingly viewed as viable solutions for addressing the ethical shortcomings of conventional BNPL schemes. By embedding transparency and consumer awareness into the design of digital financial products, sharia-compliant fintech initiatives can reduce uncertainty, strengthen trust, and align digital credit practices with the broader objectives of justice and social well-being emphasized in Islamic economics.

Consumer Behavior and Moral Responsibility

Beyond contractual issues, the literature highlights the moral and behavioral implications of paylater usage. Studies in consumer psychology indicate that deferred payment mechanisms reduce the emotional pain of paying, leading to moral disengagement from financial responsibility (Prelec & Loewenstein, 1998; Soman & Gourville, 2001). Over time, this detachment may normalize debt-dependent consumption patterns.

Islamic economics conceptualizes moral responsibility as inseparable from economic behavior. Consumption decisions are viewed as ethically charged actions with social consequences (Chapra, 2000; Haneef, 2013). The literature suggests that paylater practices, when uncritically adopted, may erode values of self-discipline, accountability, and foresight that are central to Islamic moral economy.

This concern is particularly relevant in digital environments, where algorithmic marketing and personalized promotions amplify consumption impulses. Islamic scholars argue that ethical finance must account for behavioral influences and protect consumers from manipulative practices (Aydin, 2015; Kamali, 2010). The findings thus support calls for a values-based approach to digital finance that integrates moral education and ethical safeguards.

Regulatory Challenges and Sharia Governance

The reviewed literature also underscores regulatory challenges associated with paylater services. In many jurisdictions, BNPL providers operate in regulatory grey areas, falling between payment systems and credit institutions (OECD, 2021; ASIC, 2020). In Indonesia, regulatory bodies such as OJK have begun to address fintech risks, yet specific sharia governance frameworks for paylater services remain underdeveloped.

Islamic economics literature emphasizes the role of governance and institutional oversight in ensuring ethical compliance (Iqbal & Mirakhor, 2011; Chapra, 2008). The absence of clear sharia standards for digital credit products creates inconsistencies in implementation and public trust. Scholars advocate for stronger collaboration between regulators, sharia scholars, and fintech innovators to develop standardized guidelines for sharia-compliant paylater models.

Synthesis of Findings

Overall, the results of this literature review reveal a complex interplay between technological innovation, consumer behavior, and ethical considerations. While paylater services offer economic convenience and market expansion, they also pose significant challenges from an Islamic economic perspective. The literature consistently indicates that current paylater practices tend to prioritize short-term consumption and profit maximization, often at the expense of ethical principles central to Islamic economics.

The discussion highlights that Islamic economics does not reject innovation per se, but calls for innovation that aligns with justice, transparency, and social welfare. The findings suggest that paylater services could be restructured to comply with sharia principles through alternative contractual models, enhanced transparency, and ethical consumer protection mechanisms. Such reforms would allow digital finance to contribute positively to sustainable and morally grounded economic development.

CONCLUSION

This study has provided a systematic and critical examination of paylater (Buy Now, Pay Later) practices in the digital shopping era through the lens of Islamic economics. By synthesizing a wide range of conceptual, empirical, and institutional literature, the article highlights how the rapid expansion of digital credit services reflects broader transformations in consumer behavior, financial innovation, and market structures. At the same time, the findings underscore that such transformations raise profound ethical, economic, and regulatory questions when evaluated against the normative foundations of Islamic economic thought.

The literature reviewed demonstrates that paylater services have become a defining feature of digital consumerism, driven by technological convenience, platform integration, and shifting payment preferences. While these services are often promoted as tools for enhancing financial inclusion and stimulating economic growth, the findings indicate that their widespread adoption is closely associated with increased impulsive consumption, short-term indebtedness, and heightened financial vulnerability. From an Islamic economic perspective, these outcomes are problematic because they conflict with the principles of moderation (*wasatiyyah*), responsible consumption, and long-term well-being (*falāḥ*), which form the ethical core of Islamic economic behavior.

A central conclusion of this study is that the dominant contractual structures underlying paylater services tend to resemble conventional debt-based financing models. Although some providers label their products as interest-free, the presence of administrative fees, late payment penalties, and predetermined charges often replicates the economic substance of interest (*riba*). The literature consistently suggests that such arrangements pose serious challenges to sharia compliance, particularly when transparency and risk-sharing are limited. Islamic economics emphasizes justice (*'adl*), mutual consent, and equitable risk distribution, principles that are not fully reflected in most existing paylater models.

Furthermore, the review highlights the issue of *gharar* arising from information asymmetry and opaque contractual terms. Digital interfaces that prioritize user experience may inadvertently obscure critical financial information, undermining informed decision-making. Islamic economic theory strongly condemns transactions characterized by excessive uncertainty or deception, as they can lead to exploitation and social harm. The persistence of *gharar* in paylater practices therefore represents not only a technical flaw but also a fundamental ethical concern.

Beyond contractual and legal dimensions, this study emphasizes the moral implications of paylater usage. Islamic economics views economic actions as inherently moral choices with social consequences. The normalization of deferred payment and debt-dependent consumption may weaken personal accountability and financial discipline, values that are essential to Islamic moral economy. In digital environments shaped by algorithmic marketing and behavioral nudges, these risks are further amplified, calling for greater ethical awareness in the design and regulation of fintech products.

From a policy and regulatory standpoint, the findings suggest that existing regulatory frameworks have not fully kept pace with the ethical challenges posed by paylater services. In Muslim-majority countries such as Indonesia, the rapid growth of fintech has outstripped the development of comprehensive sharia governance mechanisms for digital credit products. Islamic economics underscores the importance of institutional oversight and moral regulation in safeguarding public interest (*maṣlaḥah*). Therefore, regulators, sharia boards, and fintech providers must collaborate to develop clear standards and guidelines that ensure both legal compliance and ethical integrity.

This study contributes to the literature by bridging the gap between Islamic economic theory and contemporary digital finance practices. By integrating insights from consumer behavior studies, fintech research, and Islamic ethical frameworks, the article demonstrates that Islamic economics offers a robust normative foundation for evaluating and reforming paylater services. Rather than rejecting digital innovation, Islamic economics advocates for innovation that is ethically grounded, socially responsible, and aligned with human well-being.

Several practical implications emerge from this conclusion. First, fintech providers are encouraged to redesign paylater products using sharia-compliant contractual models that emphasize transparency, fairness, and risk-sharing. Second, policymakers should strengthen consumer protection and sharia governance frameworks to address ethical risks associated with digital credit. Third, public education initiatives are needed to enhance financial literacy and ethical awareness among consumers, particularly younger generations who are most exposed to paylater services.

Finally, this study acknowledges its limitations and suggests avenues for future research. As a literature-based study, it does not provide empirical evidence on consumer experiences or behavioral outcomes. Future research could employ qualitative interviews or quantitative surveys to examine how Muslim consumers perceive and engage with paylater services.

Comparative studies between conventional and sharia-compliant fintech models would also enrich understanding of ethical finance in the digital age. Such research would further strengthen the contribution of Islamic economics to sustainable and responsible digital economic development.

In conclusion, paylater practices in the digital shopping era represent both an opportunity and a challenge for Islamic economics. When critically examined, they reveal the need for a more ethically conscious approach to digital finance one that balances technological efficiency with moral responsibility, individual convenience with social welfare, and economic growth with spiritual and ethical values.

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