

## Buy Now Pay Later from an Islamic Perspective: Implications for Financial Management and Sustainability among Millennials

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### Abstract

Buy Now Pay Later (BNPL) services have become increasingly popular among millennials in Langsa City. However, the widespread use of BNPL raises potential conflicts with Islamic financial principles such as *riba*, *gharar* and *maysir*. This study aims to analyze BNPL's compliance with Islamic financial principles and its implications for the financial management and financial sustainability of millennials in Langsa City. The research employs a mixed methods approach by combining a questionnaire survey and interviews. A total of 150 millennial respondents were selected through cluster sampling and the data were analyzed using SmartPLS. The results indicate that BNPL has a positive and significant effect on millennials' financial management and financial sustainability. However, BNPL still contains elements of *riba* and *gharar*. The analysis shows that Islamic financial principles mediate the influence of BNPL on financial management, but not on financial sustainability. Overall, BNPL has potential as a beneficial modern financial instrument if aligned with Sharia principles. Enhancing Islamic financial literacy is crucial to minimize Sharia-related and financial risks.

*Sistem Buy Now Pay Later (BNPL) semakin populer di kalangan generasi milenial di Kota Langsa, namun popularitas ini menimbulkan potensi konflik dengan prinsip keuangan Islam seperti riba, gharar dan maysir. Penelitian ini bertujuan untuk menganalisis kesesuaian BNPL dengan prinsip keuangan Islam serta implikasinya terhadap pengelolaan keuangan dan keberlanjutan finansial generasi milenial di Kota Langsa. Penelitian ini menggunakan pendekatan mixed methods dengan mengombinasikan survei kuesioner dan wawancara. Sebanyak 150 responden generasi milenial dipilih menggunakan teknik cluster sampling dan data dianalisis dengan SmartPLS. Hasil penelitian menunjukkan bahwa*

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*BNPL berpengaruh positif dan signifikan terhadap pengelolaan keuangan dan keberlanjutan finansial generasi milenial. Namun, skema BNPL ini masih mengandung unsur riba dan gharar. Prinsip keuangan Islam terbukti memediasi pengaruh BNPL terhadap pengelolaan keuangan, tetapi tidak terhadap keberlanjutan finansial. Kesimpulannya, BNPL berpotensi menjadi instrumen keuangan modern yang bermanfaat jika disesuaikan dengan prinsip syariah. Peningkatan literasi keuangan Islam penting untuk meminimalkan risiko syariah dan finansial.*

**Keywords:** Buy Now Pay Later; Islamic Financial Principles; Financial Management; Financial Sustainability

## Introduction

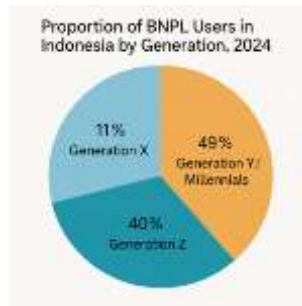
Currently, we are witnessing the rapid development of financial technology, which has significantly transformed the way transactions are conducted. In the past, individuals had to visit banks to perform transfers or settle bills; however, these activities can now be carried out effortlessly through smartphone applications. This digitalization trend has become increasingly popular due to its speed, convenience, and efficiency. Data from BPS indicate that the value of e-commerce transactions continues to grow each year.

In 2023, the value of e-commerce transactions reached IDR 1,100.87 trillion, representing a 40% increase compared to the previous year's total of IDR 783 trillion<sup>1</sup>. This reflects the growing number of people opting to shop and transact online, driven by innovations such as digital wallets, mobile banking, and increasingly sophisticated online payment systems that are widely accessible to the public.

Alongside the widespread adoption of fintech, another noteworthy trend has emerged, particularly among the millennial generation. The development of fintech has influenced millennials' transactional behavior, with the Buy Now, Pay Later (BNPL) payment method gaining increasing popularity. BNPL allows consumers to purchase goods immediately while deferring payment through installments, making it an attractive alternative for millennials seeking greater flexibility in managing their finances.

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<sup>1</sup> Badan Pusat Statistik, "Statistik E-Commerce 2022–2023" (Jakarta: Badan Pusat Statistik (BPS), 2023), <https://www.bps.go.id/id/publication/2023/09/18/f3b02f2b6706e104ea9d5b74/statistik-ecommerce-2022-2023.html>.



**Figure 1.**  
**Proportion of BNPL Users in Indonesia by Generation 2024**

Statistics from Data Indonesia Id show that the proportion of BNPL users in Indonesia by generation is dominated by millennials, currently aged 29–44 years<sup>2</sup>. This trend is supported by ease of access, fast approval processes, and attractive promotional offers from e-commerce platforms and BNPL service providers, indicating rapid adaptation to digital financial innovations among the younger generation. However, behind the convenience offered, the BNPL payment method also carries potential risks that could affect millennials' financial sustainability, such as more impulsive spending that exceeds their financial capacity. Therefore, if not used wisely, excessive use of BNPL can result in unmanageable debt accumulation, increasing the risk of default and future financial difficulties<sup>3</sup>.

The trend of BNPL usage has created a need to examine its compliance from an Islamic perspective, considering that Langsa City, as part of the Province of Aceh, has a strong commitment to implementing Sharia principles in various aspects, including financial transactions. In Islamic financial systems, transactions must be based on the principles of justice, transparency and freedom from elements of *riba* (usury), *gharar* (uncertainty) and *maysir* (speculation)<sup>4</sup>. BNPL may involve *riba* if it charges interest or additional fees for late payments, *gharar* if there is a lack of clarity in the terms, costs, or transaction consequences, and *maysir* if there is an element of speculation or

<sup>2</sup> DataIndonesia.id, "Data: Proporsi Pengguna PayLater Menurut Provinsi Di Indonesia Pada 2021–2023" (DataIndonesia.id, 2023), <https://dataindonesia.id/keuangan/detail/data-proporsi-pengguna-paylater-menurut-provinsi-di-indonesia-pada-20212023>.

<sup>3</sup> N N Alhakim, S Septiani, and E D Viana, "The Influence of Psychological Factors, Financial Literacy, and Paylater Misuse toward Compulsive Buying on Paylater Application Users in Jabodetabek," *Jurnal Manajemen Dan Organisasi (JMO)* 14, no. 1 (2023): 57–68, <https://doi.org/10.29244/jmo.v14i1.42798>.

<sup>4</sup> Z Ulum and A Asmuni, "Transaksi Paylater Perspektif Hukum Islam," *Al-Mawarid: Jurnal Syariah Dan Hukum (JSYH)* 5, no. 1 (2023): 59–72, <https://doi.org/10.20885/mawarid.vol5.iss1.art5>.

gambling that could harm one of the parties in the transaction<sup>5</sup>. Therefore, it is necessary to examine whether the mechanisms applied are in line with Sharia principles or contain elements prohibited in Islam. This highlights the need for research to explore how BNPL operates within the framework of Islamic principles and its impact on financial management and financial sustainability, particularly among millennials in Langsa City.

Langsa City, as one of the developing cities, has significant potential to enhance Islamic financial literacy, particularly among the millennial generation. If BNPL complies with Sharia principles, this service has the potential to become a more ethical and responsible financial solution for young Muslim generations. Therefore, this study aims to analyze BNPL from an Islamic perspective and examine its implications for the financial management and financial sustainability of millennials in Langsa City.

Theoretically, this study builds on the integration of Islamic finance theory and the literature on fintech adoption. The core principles of Islamic finance such as justice, prohibition of *riba*, *gharar*, and *maysir* are not merely restrictions but also frameworks shaping more ethical financial behavior. Meanwhile, fintech adoption theory highlights that younger generations embrace digital financial innovations due to factors such as convenience, speed, and accessibility. The intersection of these two perspectives creates a paradox: BNPL provides technological convenience but may conflict with Shariah principles.

Contemporary Islamic finance literature emphasizes various Shariah compliant financing alternatives, including murabahah, ijarah, and qardh hasan<sup>6</sup>. These models serve as reference points for constructing a more operational Shariah-compliant BNPL framework, while also expanding scholarly discussions on integrating Islamic principles into modern fintech. Thus, this study not only evaluates BNPL's compliance with Shariah but also contributes to academic discourse by demonstrating how Islamic financial principles act as an ethical filter in fintech adoption.

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<sup>5</sup> A Ramly, "Konsep *Gharar* Dan *Maysir* Dan Aplikasinya Pada Lembaga Keuangan Islam," *Islam Universalia: International Journal of Islamic Studies and Social Sciences*, 2019, <https://doi.org/10.56613/islam-universalia.v1i1.107>.

<sup>6</sup> Ali, R Markom, and M I A M Arif, "Buy Now Pay Later (BNPL) in Malaysia: A Shariah and Consumer Protection Analysis," *International Journal of Research and Innovation in Social Science* 9, no. 7 (2025): 5557–66, <https://rsisinternational.org/journals/ijriss/articles/buy-now-pay-later-bnpl-in-malaysia-a-shariah-and-consumer-protection-analysis/>.

## Method

This study adopts a mixed methods approach, integrating quantitative and qualitative analyses to obtain a comprehensive understanding of the compliance of Buy Now Pay Later (BNPL) services with Islamic financial principles and their implications for the financial management and financial sustainability of millennials in Langsa City. The study population consists of all millennials residing in Langsa City, with the sample selected using a cluster sampling technique based on five districts. Thirty respondents were taken from each district, resulting in a total of 150 participants. The sample size of 150 respondents meets the minimum requirements for PLS-SEM analysis; however, it remains limited for broader generalization. Potential bias may also arise since the cluster sampling technique only covered five districts in Langsa City, meaning that the findings should be interpreted within the context of the local setting. And then, primary data were collected through questionnaires tailored to the variable indicators and in-depth interviews to enrich contextual insights.

To provide a clearer understanding of the respondent profile and to address potential concerns regarding sample characteristics, the demographic distribution of participants is presented in Table 1.

**Table 1.**  
**Demographic Characteristics of Respondents**

No.	Characteristics of Respondents	Category	Frequency (n)	Percentage (%)
1.	Age	29-32 Years	60	40
		33-36 Years	45	30
		37-40 Years	25	16.67
		41-44 Years	20	13.33
		<b>Total</b>	<b>150</b>	<b>100 %</b>
2.	Gender	Male	77	51.33
		Female	73	48.67
		<b>Total</b>	<b>150</b>	<b>100 %</b>
No.	Characteristics of Respondents	Category	Frequency (n)	Percentage (%)
3.	Employment Status	Postgraduate student	2	1%
		Private employee	37	25%
		ASN	45	30%
		Entrepreneur	63	42%
		Unemployed	3	2%
		<b>Total</b>	<b>150</b>	<b>100%</b>
4.	Education Level	SMA / SMK	6	4%
		Diploma	18	12%

	Bachelor's degree	122	81%
	Postgraduate	4	3%
	<b>Total</b>	<b>150</b>	<b>100%</b>
5. Monthly Income	< Rp. 2.000.000	18	12%
	Rp. 2.000.000 – Rp. 4.999.999	132	88%
	Rp 5.000.000 – Rp 7.999.999	0	0
	≥ Rp 8.000.000	0	0
	<b>Total</b>	<b>150</b>	<b>100%</b>
6. Average Monthly BNPL Installments	< Rp 500.000	102	68%
	Rp 500.000 – Rp 999.999	45	30%
	Rp 1.000.000 – Rp 1.999.999	3	2%
	≥ Rp 2.000.000	0	0
	<b>Total</b>	<b>150</b>	<b>100%</b>

**Source :** Primary data, 2025.

The demographic distribution reveals that most respondents are aged 29–32 years (40%), reflecting the dominance of younger millennials in the sample. Gender composition is relatively balanced, with 51.33% male and 48.67% female, ensuring proportional representation of both perspectives. In terms of occupation, entrepreneurs constitute the largest group (42%), indicating a tendency among Langsa's millennials to pursue self-employment. Education levels are predominantly bachelor's degree holders (81%), suggesting a highly educated sample with the potential for stronger financial literacy. The majority of respondents belong to the middle-income group, earning between IDR 2,000,000 and 4,999,999 per month (88%), showing a relatively homogeneous economic profile. Meanwhile, BNPL usage remains modest, with 68% reporting monthly installments below IDR 500,000, reflecting cautious financial behavior and an effort to avoid excessive consumer debt burdens.

Quantitative data analysis was carried out using SmartPLS version 3, which included instrument validity and reliability testing (outer model), evaluation of relationships between latent variables (inner model), and hypothesis testing using t-statistics and p-values. Meanwhile, qualitative data from interviews served to support or complement the quantitative findings. This approach enables the researchers not only to test statistical relationships between variables but also to understand the reality of BNPL usage from the perspective of respondents' direct experiences.

Prior to testing the structural relationships between latent variables, the reliability and validity of the constructs were assessed. This step ensures that the indicators are consistent and accurately represent the constructs under study.

Reliability was evaluated using Composite Reliability and Cronbach's Alpha values.

**Table 2.**  
**Construct Reliability and Validity**

<b>Variable</b>	<b>Composite Reliability</b>	<b>Cronbach's Alpha</b>
BNPL (X)	0.898	0.873
Financial Management (Y <sub>1</sub> )	0.871	0.832
Financial Sustainability (Y <sub>2</sub> )	0.890	0.856
Islamic Financial Principles (Z)	0.944	0.929

*Sumber: Smart PLS 3.3.3 (2025)*

As shown in Table 2, all constructs achieved Composite Reliability values above 0.87 and Cronbach's Alpha values above 0.83. These results exceed the commonly accepted threshold of 0.70, indicating that all constructs demonstrate good internal consistency. Therefore, the measurement model in this study can be considered reliable and appropriate for further structural analysis.

## **Result and Discussion**

### **BNPL Mechanism Examined from an Islamic Perspective**

Buy Now, Pay Later (BNPL) services are becoming increasingly popular in Indonesia through e-commerce platforms and financial technology providers such as Shopee PayLater, TikTok PayLater, Kredivo, Akulaku and others. Their popularity among Indonesia's younger generation is driven by ease of access, quick approval processes and attractive promotional offers from e-commerce and fintech platforms. However, this trend also raises questions about BNPL's compliance with Sharia principles, particularly regarding *riba*, the prohibited practice of charging interest or profit on loans, *gharar*, which refers to uncertainty or ambiguity in contractual terms, and *maysir*, which involves gambling or speculative elements. These concerns are especially relevant in regions with a strong commitment to Sharia compliance, such as Langsa City, making it necessary to examine BNPL's adherence to these principles.

#### **1. Riba (Interest)**

In the context of BNPL, *riba* primarily arises through the mechanism of loan interest or additional charges that must be paid in excess of the principal debt. Most BNPL services apply fixed installment interest rates or monthly administrative fees, along with late payment penalties. For example, Shopee PayLater charges interest of approximately 1.95% per month, with a

late payment penalty of 5% of the total bill<sup>7</sup>. Kredivo applies an interest rate of approximately 2.6% per month for installment tenors of 6 and 12 months. For short-term installments of 30 days or 3 months, the interest rate is 0%, with late payment penalties of up to 0.3% per day or a maximum of 6% per month<sup>8</sup>. Akulaku is also known to apply an effective interest rate of 2.6%–3% per month for its BNPL facility<sup>9</sup>.

From an Islamic perspective, any additional charge stipulated on a loan is considered *riba*, which is prohibited. MUI affirms that lending services, whether offline or online, which contain *riba* are unlawful, even if conducted with the mutual consent of both parties<sup>10</sup>. The DSN-MUI Fatwa No. 19/DSN-MUI/IV/2001 on the Qardh (loan) contract also stipulates that a loan may only require repayment of the principal amount without any additional charges. Therefore, all BNPL platforms such as Shopee, Kredivo, Akulaku, TikTok, and others violate the Qardh principle because they contain elements of *riba*, obliging users to pay more than the principal debt, whether in the form of installment interest, administrative fees, or late payment penalties, all of which are categorized as *riba* and thus inconsistent with the Islamic perspective<sup>11</sup>.

## 2. *Gharar* (Uncertainty)

*Gharar* refers to uncertainty or ambiguity in a contract that may disadvantage one of the parties. In the context of BNPL, *gharar* may arise when terms and conditions are insufficiently transparent, such as the presence of additional administrative fees, unilateral changes in interest rates, or late payment consequences that are not disclosed at the outset of the agreement<sup>12</sup>. Research indicates that several BNPL platforms are not fully transparent in disclosing such fees, causing users to often be unaware of

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<sup>7</sup> Shopee Indonesia, “Shopee Indonesia - Situs Belanja Online” (Shopee Indonesia, 2023), <https://shopee.co.id/>.

<sup>8</sup> Tuwaga.id, “Review Kredivo PayLater Pinjaman Online” (Tuwaga.id, 2023), <https://tuwaga.id/artikel/review-kredivo-paylater-pinjaman-online/>.

<sup>9</sup> D A Nazwa, M Sari, and N Safitri, “Pinjaman Uang Online Pada Aplikasi Akulaku Menurut Perspektif Hukum Ekonomi Syariah,” *Religion: Jurnal Agama, Sosial, Dan Budaya* 2, no. 2 (2023): 161–71, <https://maryamsejahtera.com/index.php/Religion/article/view/85>.

<sup>10</sup> Dewan Syariah Nasional Majelis Ulama Indonesia, “Fatwa DSN-MUI No. 19/DSN-MUI/IV/2001 Tentang Al-Qardh” (Jakarta: Majelis Ulama Indonesia, 2001).

<sup>11</sup> Bhanurasmı and G Fisnawati, “Islamic Law Analysis of PayLater Contracts in Online Marketplace Applications,” *SYARLAT: Akhwal Syaksyah, Jinayah, Siyasah and Muamalah* 1, no. 3 (2024).

<sup>12</sup> M Munawarsyah, “Analisis Hukum Ekonomi Syariah Terhadap Transaksi PayLater Pada Aplikasi Shopee,” *Glossary: Jurnal Ekonomi Syariah* 2, no. 2 (2024): 89–102, <https://doi.org/10.52029/gose.v2i2.236>.



their actual debt burden. One example is TikTok Pay Later, which has been found to lack transparency in communicating additional charges, thereby violating Islamic financial principles<sup>13</sup>. This situation underscores the importance of clearly conveying all costs to be borne by consumers, including interest, penalties, and other fees from the outset, to minimize the risk of *gharar*.

The analysis of *gharar* requires a more nuanced approach. Classical Islamic jurisprudence distinguishes between *gharar fahish* (excessive uncertainty that can harm one party, such as hidden costs or unilateral changes to terms) and *gharar yasir* (minor uncertainty that is negligible, such as small delays in payment notifications). In BNPL, practices like late payment penalties and lack of fee transparency clearly fall under *gharar fahish*, whereas minor operational uncertainties may be categorized as *gharar yasir*.

This distinction sharpens the Shariah evaluation of BNPL mechanisms. However, unlike TikTok Pay Later, some platforms such as Shopee PayLater, Kredivo, and Akulaku generally state interest rates and penalties on their terms and conditions page. Nevertheless, users' limited financial literacy may result in these details being inadequately understood, meaning that the potential for *gharar* remains.

### 3. *Maysir* (Gambling or Speculation)

*Maysir* refers to elements of gambling or speculative chance in a transaction, where one party may gain profit without effort while the other bears a loss due to random or unpredictable factors. In principle, the BNPL scheme does not directly involve gambling elements, as it is not a game of chance but rather a debt contract for the purchase of tangible goods. Therefore, there is no speculative component at stake in its contractual structure. This is supported by research which states that Pay Later contracts generally do not involve speculation or gambling classified as *maysir* and this is positive from a Sharia perspective, as Pay Later services are based on real or actual transactions rather than chance<sup>14</sup>. In other words, there are no lotteries, bets, or random mechanisms in Pay Later, as consumers are aware that the goods purchased are real and must be paid for later according to the

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<sup>13</sup> S F Azis and [et al.], "TikTok PayLater Dan Praktik *Riba*: Kajian Hukum Islam," *Jurnal Riset Ekonomi Syariah* 5, no. 1 (2025).

<sup>14</sup> Bhanurasmi and Fisnawati, "Islamic Law Analysis of PayLater Contracts in Online Marketplace Applications."

agreed schedule. Thus, overall, the element of *maysir* is not present in BNPL services.

Based on interviews with several BNPL users among the millennial generation in Langsa City, it was found that most users are attracted to BNPL due to its convenience, yet are less aware of its financial consequences. Many respondents admitted to making impulsive purchases for consumptive goods using BNPL services, later experiencing difficulties when installment payments became due. Some respondents only became aware of interest charges and penalties after receiving their bills, raising concerns about the permissibility of such transactions under Islamic law. This lack of understanding of the cost structure reflects both insufficient transparency from BNPL providers and low financial literacy among users, resulting in *gharar*. Another finding revealed religious concerns among Muslim users: those aware of interest charges expressed apprehension because such practices contradict Islamic principles prohibiting *riba*. Conversely, some users perceived interest or penalties as normal and interpreted them as service fees.

A deeper qualitative analysis of the interviews reveals four main themes. First, Shariah perception, where respondents expressed differing views on interest and penalties: some regarded them as *riba*, while others considered them ordinary service fees. Second, consumption behavior, most respondents admitted to using BNPL for non-essential purchases such as fashion and electronics, indicating impulsive tendencies, although some limited its use to essential needs. Third, debt risk, several respondents struggled to make installment payments, causing anxiety and fear of default, whereas others found BNPL helpful in maintaining cash flow. Fourth, ethical perception, some respondents highlighted the importance of limiting debt, paying on time, and avoiding excessive consumption as part of ethical awareness. These thematic findings enrich the quantitative analysis by showing that BNPL can provide benefits when accompanied by Shariah awareness and ethical discipline, but may lead to financial strain if used impulsively.

Therefore, from an Islamic perspective, the current BNPL mechanism still carries potential risks of *riba* and *gharar*, which are inconsistent with Sharia principles and could ultimately threaten the financial management and sustainability of millennials in Langsa City. The discussion of *maysir* should also be broadened. While BNPL does not involve gambling in a

conventional sense, speculative consumption driven by aggressive promotions and impulsive purchasing behaviors can mirror the risks of *maysir*. This aligns who emphasizes that *maysir* is not limited to gambling but also includes speculative financial practices that unfairly disadvantage one party<sup>15</sup>. Considering the weaknesses of conventional BNPL, which still contains elements of *riba* and *gharar*, it is necessary to design a Sharia-compliant BNPL framework. One feasible model is the murabahah contract, in which the BNPL provider purchases the item first and then sells it to the consumer at a predetermined price including a fixed profit margin. This price remains unchanged even in cases of late payment, ensuring that the margin is legitimate trade profit rather than *riba*. Another option is the ijarah contract, suitable for non-tangible services such as digital subscriptions, where the rental fee is clearly defined, transparent, and free from hidden charges. Additionally, *qardh hasan* may be adopted for urgent needs, where the provider offers an interest-free loan with only a proportionate administrative fee agreed upon from the outset. This approach not only eliminates *riba*, *gharar*, and *maysir* but also ensures contractual certainty, price transparency, and consumer protection. Hence, Sharia-compliant BNPL can serve as a halal financial tool that supports millennials' financial management and enhances financial sustainability. These insights are consistent with previous studies that highlight murabahah and ijarah as practical models for Islamic fintech innovation.

### **Implications of BNPL on the Financial Management of Millennials in Langsa City**

A beta coefficient of 0.422 for the effect of BNPL (X) on financial management (Y1) indicates a positive relationship. The t-statistic value of 4.933, which is greater than the t-table value of 1.96, along with a p-value of  $0.00 < 0.05$ , confirms that this effect is statistically significant. These findings suggest that BNPL usage is correlated with an improvement in the ability of millennials in Langsa City to manage their finances. In practical terms, BNPL provides payment flexibility through installment schemes that help millennials align their expenses with their financial conditions. Interview findings with one respondent reinforce this result, as the respondent stated that BNPL allows them to arrange installments in line with their monthly salary, reducing the

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<sup>15</sup> Ramly, A. "Konsep *Gharar* Dan *Maysir* Dan Aplikasinya Pada Lembaga Keuangan Islam." *Islam Universalia: International Journal of Islamic Studies and Social Sciences*, 2019. <https://doi.org/10.56613/islam-universalia.v1i1.107>.

burden of lump-sum payments, while also fostering the habit of noting due dates.

This statement affirms that BNPL’s payment flexibility plays a role in helping users manage monthly cash flow and encourages more disciplined debt management behavior.

**Table 3.**  
**Direct Effect**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
BNPL (X) -> Financial Management (Y <sub>i</sub> )	0.422	0.430	0.086	4.933	0.000

Source : *Smart PLS 3.3.3 (2025)*

In addition, field observations revealed that many young consumers perceive BNPL as a tool to assist in financial management. Installment reminder features in BNPL applications are considered helpful in maintaining payment commitments and controlling expenses<sup>16</sup>. This finding aligns with a qualitative study in Malaysia, which showed that millennial consumers with high financial literacy are able to integrate BNPL into their budgeting strategies without compromising their savings<sup>17</sup>. Features such as payment notifications and automatic expense tracking are even viewed as aiding users in maintaining discipline in budget monitoring, thereby enabling BNPL to function as a prudent financial control tool<sup>18</sup>. Conversely, for users with low financial literacy, particularly among Generation Z, BNPL poses risks of encouraging consumptive behavior and triggering financial instability due to consumerist temptations and weak money management skills<sup>19</sup>.

Although the statistical results indicate that BNPL positively influences financial management, this finding requires critical interpretation. On the one hand, BNPL provides payment flexibility and helps some users manage monthly cash flow. On the other hand, interview findings revealed a tendency

<sup>17</sup> S H Chuah et al., “The Rise of Buy-Now-Pay-Later (BNPL) Service in Malaysia” (Malaysia: University Tunku Abdul Rahman, Faculty of Business and Finance, Department of Banking and Risk Management, 2023).

<sup>18</sup> Paydibs, “Malaysia’s Economic Growth Forecast and Its Impact on Digital Transactions,” 2025, <https://paydibs.com/impact-of-economic-growth-on-digital-transactions/>.

<sup>19</sup> I Osman et al., “How Buy Now, Pay Later (BNPL) Is Shaping Gen Z’s Spending Spree in Malaysia,” *Information Management and Business Review* 16, no. 3 (2024): 657–74, [https://doi.org/10.22610/imbr.v16i3\(I\)S.4092](https://doi.org/10.22610/imbr.v16i3(I)S.4092).

toward impulsive consumption driven by ease of access and aggressive promotions. This paradox suggests that BNPL's impact is highly conditional.

Key factors determining whether BNPL has positive or negative effects include the level of Islamic financial literacy, ethical discipline in debt management, and the purpose of usage. Users with strong financial planning skills may benefit from BNPL as a cash-flow management tool, while those with limited literacy are more prone to overconsumption and default risks. This aligns with who emphasize that consumer protection and Shariah compliance are decisive factors in differentiating between the benefits and harms of BNPL in the long run<sup>20</sup>. Therefore, the positive results of quantitative analysis must be balanced with awareness of potential long-term risks, ensuring that BNPL is not simplistically perceived as an entirely beneficial financial instrument.

Therefore, the positive results in this study suggest that millennials in Langsa City likely use BNPL with a high degree of caution, supported by financial literacy or ethical guidelines, enabling them to optimize BNPL's benefits while minimizing its potential negative impacts. Furthermore, the mediation test results show that the effect of BNPL (X) on financial management (Y<sub>1</sub>) among millennials, mediated by Islamic financial principles (Z), is significant, with a mediation coefficient of 0.225 and a p-value of 0.003. This finding indicates that Islamic financial principles serve as a partial mediator, channeling part of BNPL's effect on financial management performance. The impact of BNPL on personal finances tends to be more positive when millennials apply Islamic financial values in its use, such as avoiding *riba* and limiting purchases to urgent needs.

**Table 4.**  
**Specific Indirect Effects**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
BNPL (X) -> Islamic Financial Principles (Z) -> Financial Management (Y <sub>1</sub> )	0.225	0.220	0.076	2.955	0.003

*Source : Smart PLS 3.3.3 (2025)*

<sup>20</sup> Ali, R Markom, and M I A M Arif, "Buy Now Pay Later (BNPL) in Malaysia: A Shariah and Consumer Protection Analysis," *International Journal of Research and Innovation in Social Science* 9, no. 7 (2025): 5557–66, <https://rsisinternational.org/journals/ijriss/articles/buy-now-pay-later-bnpl-in-malaysia-a-shariah-and-consumer-protection-analysis/>.

Millennials in Langsa City who use BNPL while adhering to Sharia principles are generally able to manage short-term debt with discipline, allowing BNPL's flexibility to contribute positively to their finances rather than becoming a debt trap. Interviews revealed that some respondents only use BNPL if it meets Sharia-compliant criteria and aligns with their financial capacity. One respondent reported being tempted by a BNPL promotion but canceled the transaction after learning that interest would be applied in the event of late payment. For this respondent, adherence to Sharia principles was considered essential for both worldly and spiritual security. This demonstrates that Islamic financial principles function as an ethical filter, ensuring BNPL is used in a healthy, measured, and religiously compliant manner.

This finding aligns with the Islamic concept of prudent financial management, which encourages avoiding debt unless necessary, paying obligations on time, budgeting carefully, and avoiding extravagance (*israf*)<sup>21</sup>. The mediation mechanism also reflects the importance of ethical foundations in the use of modern financial technology. Previous studies support this finding, noting that religious ethics significantly influence the financial behavior of younger generations. Surveys in Indonesia and Malaysia likewise show that awareness of the prohibition of *riba* and sensitivity to *gharar* are key factors in Muslim consumers' decisions to use or continue using BNPL services<sup>22</sup>. Consumers who understand Sharia principles tend to be more selective, choosing only interest-free and halal BNPL schemes. This attitude is consistent with Islamic teachings, which do not prohibit debt but emphasize the intention and ability to repay promptly and to avoid burdensome obligations<sup>23</sup>.

### **The Effect of BNPL on the Financial Sustainability of Millennials in Langsa City**

The effect of BNPL (X) on financial sustainability (Y<sub>2</sub>) shows a beta coefficient of 0.408 with a positive direction, a t-statistic of 4.662—greater than the t-table value of 1.96—and a p-value of  $0.00 < 0.05$ . This indicates that BNPL has a positive and significant effect on the financial sustainability of millennials in Langsa City.

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<sup>21</sup> M F Adam, "The Islamic Perspective on Debt," *Qardus*, 2023, <https://www.qardus.com/news/the-islamic-perspective-on->.

<sup>22</sup> N Ismail, A Zainuddin, and A Fikry, "A Conceptual Paper on Shariah-Compliant Buy Now Pay Later (BNPL): Reviewing Literature and Identifying Research Gaps," *International Journal of Law, Government and Communication* 10, no. 40 (2025): 203–14, <https://doi.org/10.35631/IJLGC.1040015>.

<sup>23</sup> Adam, "The Islamic Perspective on Debt."

**Table 5.**  
**Direct Effect**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
BNPL (X) -> Financial Sustainability (Y <sub>2</sub> )	0.408	0.416	0.087	4.662	0.000

*Source : Smart PLS 3.3.3 (2025)*

In other words, using BNPL in a planned and disciplined manner can enhance long-term financial stability by enabling the fulfillment of current and future obligations through spending flexibility or by easing sudden liquidity pressures. In this context, sudden liquidity refers to unexpected cash needs, such as covering emergency expenses or meeting unforeseen financial obligations, which if not managed properly can disrupt monthly cash flow stability. Interviews with one respondent further support this finding; the respondent stated that BNPL helped them plan expenses by allowing immediate purchase of essential items with deferred payment, thus avoiding the need to cut the monthly budget.

This narrative supports the conclusion that BNPL facilitates financial planning, contributing positively to financial sustainability, although the determining factor ultimately lies in individual usage patterns. These results are consistent with a report by Morning Consult, which found that 43% of BNPL users believe their future financial situation will improve, compared to only 26% of non-users. This reflects the perception of BNPL as a solution that can promote long-term financial sustainability for prudent users.

The mediation test for the Islamic financial principles variable (Z) in the relationship between BNPL (X) and financial sustainability (Y<sub>2</sub>) produced a mediation beta coefficient of 0.107 with a positive direction, but a p-value of  $0.201 > 0.05$ . These results indicate that Islamic financial principles do not serve as a significant mediator in the effect of BNPL on financial sustainability.

**Table 6.**  
**Specific Indirect Effects**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
BNPL (X) -> Islamic Financial Principles (Z) -> Financial Sustainability (Y <sub>2</sub> )	0.107	0.118	0.084	1.281	0.201

*Source : Smart PLS 3.3.3 (2025)*

Therefore, BNPL can contribute directly to the financial sustainability of millennials, but this effect is not channeled through Islamic financial values. In other words, BNPL is perceived as a tool for supporting cash flow, while Islamic financial principles play a greater role in daily financial management than in long-term financial sustainability. This distinction reflects the different functions of Islamic principles in strengthening financial behavior in general, but not directly influencing BNPL's impact on financial sustainability. However, this finding contrasts with the interview results. One respondent stated that, although BNPL facilitates transactions, their sense of financial security for the future arises from adhering strictly to Islamic financial principles such as avoiding unnecessary purchases, paying on time, and not taking on installments beyond one's capacity. These principles, they believed, are the main factors safeguarding financial stability. This statement reinforces the logic that applying Islamic financial principles serves as an ethical filter in BNPL usage, making users more selective, taking on installments only for priority needs, and maintaining payment discipline. Such habits ultimately support financial sustainability by preventing debt accumulation and fostering healthy financial behavior.

## **Conclusion**

Overall, the findings of this study indicate that BNPL services have the potential to bring both benefits and risks to millennials in Langsa City. BNPL offers transaction convenience and payment flexibility which, when used wisely, can enhance financial management capabilities while supporting long-term financial stability. However, the characteristics of BNPL which may involve interest charges and contractual ambiguities make it prone to contradict Islamic financial principles and to trigger debt problems if used recklessly. Therefore, the BNPL business model needs to be restructured to comply with Sharia principles, for example, through murabahah contracts where the platform purchases goods and sells them to consumers at a pre-agreed profit margin as a substitute for interest—*ijarah* schemes for installment management services, or interest-free *qardh hasan*. Efforts to introduce Sharia-based BNPL services have begun to emerge and require regulatory support, including strengthened oversight by the Financial Services Authority (OJK) to ensure product compliance with Islamic law. Until truly halal alternatives are available, Muslim consumers are advised to exercise caution and be aware of the Sharia implications of using BNPL.



Beyond its practical implications, this study makes a significant theoretical contribution. The findings demonstrate that Islamic financial principles function as an ethical filter in the use of modern financial technologies such as BNPL. This highlights that Shariah values are not merely religious norms but also behavioral control mechanisms that can reinforce financial discipline, mitigate debt risks, and enhance financial sustainability. This contribution advances the academic literature on the integration of Islamic ethics into fintech innovation and opens avenues for future research on operational models of Shariah-compliant BNPL.

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