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THE HALAL DEBT PARADOX: HOW SHARIAH-COMPLIANT BUY NOW PAY LATER (BNPL) NORMALIZES LIFESTYLE DEBT

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Introduction

With a single tap, checking out a digital shopping cart turns the financial pain of a three-figure purchase into three zero-interest monthly slices. That's how Buy Now, Pay Later (BNPL) works. In many Muslim-majority countries, such as Malaysia, financial transactions often bear a small green badge labelled "Shariah-compliant." This badge certifies that the transaction avoids usury (Riba). As one participant in a focus group observed, "I chose it over a debit card because BNPL is easy to use, easy process, just click and get it." However, this ease of checkout raises an ethical paradox. Although Shariah-compliant frameworks were created to safeguard consumers from exploitative debt, their incorporation into lifestyle shopping has led to unforeseen consequences and unexpected side effects. This situation normalized lifestyle debt, transforming a financial liability into a guilt-free enabler of a digital lifestyle.

From Emergency Shield to Lifestyle Wand: Redefining Islamic Debt

In traditional Islamic finance, borrowing is treated with deep caution and careful consideration. Debt is viewed as a last resort, a final option, meaning it is reserved for absolute necessities or indispensable needs (Dharuriyyat), such as medical emergencies or critical survival tools. However, in the digital age, BNPL services are frequently used to finance comforts and hedonic desires (Hajiyyat and Tahsiniyyat), ranging from high-end electronics to home furnishings. The results from the focus group interview with BNPL users reveal this shift in real time. BNPL users use installment payments to rationalize purchases they would otherwise hesitate to make.

One of the respondents recounted furnishing a new home by buying electrical appliances, such as air conditioners, using Shopee PayLater (SPayLater). At the same time, another respondent believes that this kind of payment acts as an immediate budget stabilizer, having bought a bed and mattress using SPayLater with the 3-month zero-interest option. BNPL encourages breaking down a prohibitive price tag into smaller payments, which, based on psychological "pain of paying," is severely diminished. As respondents explained, instead of paying RM300 per transaction, the item can be offered in a 3-month plan, making ownership much easier now. This scenario shows that through payment fragmentation, a major lifestyle purchase is transformed from an unaffordable luxury into an achievable, low-friction monthly utility bill.

The Halal Certification Effect: Lowering the Spiritual Guard

In a market where consumers actively avoid conventional credit cards due to their association with interest, the "Patuh Shariah" certification serves as an immediate green light. It replaces consumer skepticism with absolute trust and complete confidence in spending. The respondent agreed that it influences their decision to buy, since Shopee PayLater is Shariah-compliant. This certification, which aims to reassure consumers that transactions are ethical and free of interest, could indirectly reduce their level of concern when making financial decisions.

In the context of conventional finance, high interest rates can increase borrowing costs, thereby reducing individuals' willingness to seek financing. When BNPL applications eliminate interest rates and replace them with a Shariah-compliant administrative structure, consumer concerns regarding interest costs may diminish. The assurance that transactions adhere to Shariah principles can foster confidence and security among users, thereby increasing their willingness to take on multiple installment plans simultaneously, including for non-essential purchases. In this context, consumers might focus heavily on avoiding usury (Riba) while being less aware that continuous BNPL use can lead to reliance on accumulated small-scale debt. Such a situation has the potential to shape a lifestyle increasingly dependent on short-term debt financing.

Conclusion

Findings from focus group discussions reveal a significant gap in consumer financial literacy, specifically a lack of a comprehensive understanding of Tasharruf al-Mal, which emphasizes the ethical and responsible management and disposal of wealth in Islam. While consumers demonstrate a high level of awareness regarding the importance of avoiding usury (Riba) as a Shariah compliance requirement, there is insufficient emphasis on financial implications, such as late payment charges (Gharamah), and the principle of moderation in wealth utilization. This indicates that Shariah-based financial literacy should not be limited to knowledge of prohibitions; rather, it must also encompass an understanding of the responsibility to manage wealth with moderation and prudence, in alignment with Islamic ethical values.

Shariah compliance within the digital financial ecosystem cannot be reduced merely to obtaining a "halal" confirmation on a transaction screen. Although fintech innovation has enabled Buy Now, Pay Later (BNPL) schemes to be structured without interest, the responsibility for managing wealth ethically and prudently ultimately rests with the consumer. Therefore, holistic financial literacy must go beyond distinguishing between ‘halal’ and ‘haram’; it must foster an awareness that encourages consumers to evaluate their needs, financial capacity, and the long-term implications before committing to debt. In an environment where financing is accessible with a single click, fostering ethical awareness and prudent financial practices serves as a crucial safeguard, preventing consumers from becoming trapped in a debt cycle fueled by the convenience of digital credit.