

ANALYSIS OF ISLAMIC ECONOMIC PERSPECTIVES ON SHOPEE PAYLATER TRANSACTIONS

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Abstract

Shopee paylater is a digital payment method that makes it easy for consumers to buy goods now and then pay later according to an agreed time limit. Shopee paylater is an alternative that makes it easier for people to access loans without the need for a credit card. Because usually applying for a credit card at a bank requires very long steps, but with the "buy now, pay later" feature in Paylater, users can easily perform installment services without having to have a credit card and the application process is very easy. The rise of these transactions raises the question of how these transactions if seen in the view of Islamic economics. The purpose of this research is to find out how Islamic economics views transactions with the shopee paylater payment method. The method used by the author in this research is descriptive qualitative method with literature study data collection techniques in existing journals. The results of the study reveal that the shopee paylater payment method uses a qardh contract but does not fulfill Islamic sharia because it contains elements of usury where there are additional conditions of interest and fines if there is a delay in payment.

Keywords: Islamic Economics, Transactions, Shopee Paylater, usury

Introduction

The volume of buying and selling transactions has increased rapidly in the millennial era. Economic actors strive to market their products in various ways to retain consumer interest and earn profits. Offering a credit system for goods sold is a common approach because it attracts buyers to purchase products and pay in installments (Khaer & Nurhayati, 2019).

Advances in digital technology have brought significant changes in the world of commerce and financial transactions. One of the emerging trends resulting from this shift is the rise of online shopping through e-commerce platforms like Shopee. To accommodate consumer needs, Shopee offers a deferred payment feature, known as Shopee PayLater, which allows customers to make purchases first and settle payments at a later specified time (Shopee, 2023)

Shopee PayLater is a digital credit service designed to meet modern needs for user convenience. Until now, the general public could still borrow money from banks and other traditional financial institutions. However, along with technological progress, various service providers have emerged, making it easier for the public to access online loans or credit (Monica, 2020)

Without needing a credit card, people can easily access loans through this PayLater feature, making it a more practical and enjoyable alternative. This is because the process of applying for a credit card at a bank generally involves a series of lengthy steps, whereas with the PayLater "buy now, pay later" feature, users can easily access credit installment services without needing a credit card, and the application process is quick and uncomplicated (Nazla et al., 2023). However, understanding the PayLater feature is essential so that users can avoid burdensome debt or installment payments. There is a need for the involvement of various parties, including banking institutions, in developing this feature to make it more accessible to consumers. When used prudently and cautiously, such payment features can undoubtedly promote financial inclusion in Indonesia (Pratiwi & Fitria, 2021)

The Financial Services Authority (OJK) recorded issues with PayLater financing, reflected by a Non-Performing Financing (NPF) rate of 3.15% (gross) and a net NPF rate of 0.59%. As of March 2024, the national PayLater debt reached IDR 6.13 trillion, an increase of 23.90% compared to March 2023. Although the Shopee PayLater feature is beneficial, it also presents several challenges. Shopee PayLater users have complained that their repayment amounts exceed the original loan amount. Shopee PayLater users are required to pay installment interest, and the interest rate must be agreed upon by the user and Shopee PayLater. This practice can pose issues from an Islamic economic perspective (Syafuddin et al., 2022). The large number of PayLater users raises questions about how Islamic economics views purchases using deferred payment methods.

This study aims to understand the transaction mechanism with the Shopee PayLater payment method and how Islamic economics perceives Shopee PayLater transactions. By exploring this topic, this paper is expected to provide in-depth insights for online buyers, especially those using the Shopee PayLater feature, so they can make more selective decisions when shopping online.

Literature Review

The Islamic economic system is built upon the foundation of Islamic Sharia principles. The main principle guiding Islamic economics is to avoid the practice of *riba* (usury or interest) in all financial transaction activities (Iqbal & Mirakhor, 2011). Installment services for online purchases, such as Shopee PayLater, need to be evaluated and examined from the perspective of Islamic economics to ensure that their transaction mechanisms align with and do not deviate from Sharia principles.

The emergence of the Islamic economic system is based on the reality that Islam, as a comprehensive religion, not only provides its followers with divine guidance and principles of faith but also offers solutions to human issues, including those in the economic field. The goal of Islamic economics is to bring about *falah* (prosperity, success) for humanity in both this world and the hereafter. *Riba* refers to any additional charge, whether in the context of trade or lending, that contradicts Islamic principles. The term *riba* has been known for a long time, and its meaning has evolved significantly over time. Discussions about *riba* are not limited to the Muslim community; non-Muslim groups (Hindus, Buddhists, Jews, Greeks, Romans, and Christians) also regard *riba* as a serious issue. The legal basis for the prohibition of *riba* is derived from the Qur'an, the Sunnah, and *ijma* (scholarly consensus). These three sources unanimously agree that *riba* is forbidden (*haram*) and constitutes a major sin that must be avoided (Budiantoro et al., 2018).

Research Methodology

The author selected a qualitative descriptive method for this research. The purpose of this approach is to describe, explain, interpret, and analyze events, social activities, attitudes, beliefs, perceptions, or ideas of individuals or groups (Moleong, 2017). Data was gathered through a literature review, utilizing scientific data from national and international journals on the mechanisms of debt and Islamic installments. The data collection method for this study involved reviewing journal literature on perspectives regarding Shopee PayLater from an Islamic standpoint (Prastiwi & Fitria, 2021).

Result and Discussion

In May 2015, Shopee entered the Indonesian market. The majority of Shopee users are young people who are accustomed to using gadgets for various activities, including online shopping. Shopee's presence has accelerated and simplified the transaction process. Today, Shopee has expanded into various regions, including remote cities. Many business owners use Shopee as a platform to offer their products, while numerous consumers choose Shopee as their primary online shopping destination. Shopee provides a variety of practical payment methods, such as online credit/debit card payments, payments through Indomaret/Saku and Alfamart, bank transfers, Kredivo, Akulaku, cash on delivery (COD), and Shopee PayLater services (Rahmi et al., 2023). An important factor in supporting e-commerce growth is the development of payment systems. Payment systems, which form the foundation of today's financial system, have continued to evolve from cash to increasingly advanced digital systems. Most e-commerce platforms offer various online payment methods, such as interbank transfers, virtual accounts, online credit and debit card payments, and e-wallets. Nevertheless, cash payments are still a relatively popular choice. One such cash payment option is through the cash on delivery (COD) service, allowing consumers to pay in cash to the courier upon delivery. Besides COD, some e-commerce platforms also offer cash payment options through convenience stores. Since 2018, society has been introduced to a new payment method called PayLater technology (Sari, 2021).

PayLater is a payment method where users receive funds provided by the related application company and then repay the application later. This method gives customers the opportunity to use services or products without paying immediately, with payments made later according to a specified deadline (Hasanah, 2020). This function is equivalent to a transaction in a credit system. In a credit system, the seller provides goods to the buyer, who then pays in installments over a certain period. However, the total price paid is usually higher compared to purchasing the item with cash (Khaer & Nurhayati, 2019).

Shopee launched a credit payment feature called Shopee PayLater. This feature was introduced on March 6, 2019, in collaboration with a peer-to-peer lending company named PT Lentera Dana Nusantara (LDN). Shopee PayLater allows users to pay shopping installments easily without needing a credit card. Each credit transaction incurs a service fee or other charges as per the Credit Agreement. The interest rate is also not disclosed in the payment report. Similar to the PayLater function on other platforms, Shopee PayLater can only be used for all transactional payments within the Shopee application. The loan application process for Shopee PayLater is also very easy and fast. Users only need to register with their national ID and do not have to go through the BI-Checking verification process, applications, or user eligibility checks. The verification process is supervised by the Financial Services Authority (OJK). Shopee PayLater has its advantages and

disadvantages. One advantage is the introductory 0% interest rate offer, coverage of services throughout Indonesia, and support for Small and Medium Enterprises (SMEs) in accessing capital loans. However, the downside of Shopee PayLater includes late payment penalties and the requirement for a recommendation from Shopee for application approval (Hardila, 2023).

The Shopee PayLater service has a maximum limit of Rp750,000. Consumers are not charged interest if they pay within one month, or they can opt to pay in two or three months with installment payments. No credit card is required to use this service, but balance top-ups can only be made once per user. The credit limit is displayed in the Shopee application. The funds are provided digitally and not in cash, and this service is only available on the Shopee application. When making a transaction, consumers can choose between three payment options: one month without interest, two months with 2.95% interest, or three months with the same interest rate. The monthly payment amount is displayed for each payment option. Late payments incur an additional fee of 5% of the total bill, and the account may be blocked or closed, preventing further usage. Consumers cannot use the Shopee PayLater feature again until the bill is paid off but can resume usage after settling the outstanding amount. Shopee PayLater is a payment system where consumers benefit through credit they receive, but with interest and penalties determined by Shopee. Shopee has designed Shopee PayLater to generate profit for the company itself (Khasanah & Ridwan, 2022).

Khaer & Nurhayati (2019) state that a sale can be considered valid if its requirements are met. If any requirement is not fulfilled, the purchase or sale will be considered invalid or void. We are not allowed to do anything that is clearly prohibited by Allah. Generally, buying and selling is permissible according to Allah SWT, as stated in the Qur'an, Surah al-Baqarah, verse 275:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۚ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۖ هُمْ فِيهَا خَالِدُونَ

The meaning is: "Those who consume (take) usury cannot stand except as one stands who is being driven to madness by the touch of Satan. This is because they say, 'Trade is just like usury,' whereas Allah has permitted trade and has forbidden usury. So, whoever has received the prohibition from his Lord and stops taking usury, for him is what he has already taken (before the prohibition came), and his matter is with Allah. But whoever returns (to taking usury), then they are the companions of the Fire; they will abide therein forever."

Reference: <https://tafsirweb.com/1041-surat-al-baqarah-ayat-275.html>

The verse indicates that Allah permits trade and prohibits usury. Allah always allows His servants to engage in trade without the intention of usury. This is because the word of Allah clearly states that anything containing elements of usury is forbidden. In general, there are several key rules related to the prohibition of trade in Islam. First, transactions involving uncertainty (gharar), second, transactions that contain gambling elements (maisir), and third, items that are impure and forbidden (Ubaidillah, 2020).

Nazla et al. (2023) state that transactions using Shopee PayLater are similar to credit-based transactions, because users receive the goods they desire and then pay for them in installments. Buying and selling with a credit system is allowed by several scholars from the Shafi'i, Maliki, and Hanbali schools of thought, as well as by Zaid bin Ali, as long as the terms of the transaction are clear.

PayLater is a service that provides electronic loans, assisting users by offering installment payments. This service does not rely on credit cards, so it operates as a debt (qardh). Borrowing and lending are not prohibited in Islam; in fact, they are encouraged to foster mutually beneficial relationships and strengthen the bonds of brotherhood. However, it is important to note that these relationships must follow Islamic teachings (Khasanah & Ridwan, 2022). According to Article 19, letter e of Law No. 2 of 2008, Qardh is a contract to lend money to a customer with the condition that the customer repays the money by an agreed-upon date. According to the MUI fatwa, Qardh is a loan provided to a customer in need. The customer of Qardh is required to repay the principal loan by the agreed-upon date (Ash-Shiddiqy, 2018). In Islam, there are legal texts concerning debt, where debt is permitted as long as it is for good purposes and aimed at helping or alleviating someone's hardship. As stated by Allah SWT in Surah al-Baqarah, verse 245:

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضَاعِفَهُ لَهُ أَضْعَافًا كَثِيرَةً ۗ وَاللَّهُ يَقْبِضُ وَيَبْسُطُ وَإِلَيْهِ تُرْجَعُونَ

The meaning is: "Who is it that will give a good loan to Allah (spending his wealth in the way of Allah), so that Allah will multiply it for him many times over? And Allah is the One who withholds and extends provision, and to Him you will be returned." Reference: <https://tafsirweb.com/979-surat-al-baqarah-ayat-245.html>

(Fitriyani et al., 2022) state several interpretations regarding the key elements in the Shopee PayLater transaction method:

1. There are (Muqridh) the lender and (Muqtaridh) the borrower, which in this context refers to Shopee as the lender and the Shopee PayLater user as the borrower.
2. The object of the loan is the funds with a limit that has been set by Shopee.
3. There is a process of agreement or Ijab and Qabul, where Shopee provides the loan details to the Shopee PayLater user, which is then reconciled into the invoice for the use of Shopee PayLater.

The following is the analysis of the Qard conditions in the Shopee PayLater transaction:

1. The willingness of both parties is evident when the marketplace offers a loan to the Shopee PayLater user to pay for their purchase. Meanwhile, the Shopee PayLater user shows their consent by choosing the Shopee PayLater payment method, confirming the invoice, and repaying it within the specified deadline.
2. The funds received by the user must be used to purchase Halal products that are beneficial. Based on this analysis, the Shopee PayLater practice appears to be in line with the principles and legal requirements.

The Shopee PayLater transaction incurs a processing fee, commonly referred to as an administrative fee, amounting to 1% of the transaction amount. This Qardh allows for a set deadline or time frame. However, the 1% processing fee is not compliant with Sharia law, as mentioned earlier, since the fee is tied to the transaction amount, and additional charges are prohibited by Ijma (consensus). Although the Shopee PayLater transaction complies with the principles and requirements of a Qardh (loan) agreement from an Islamic perspective, it cannot guarantee compliance with the terms of the Qardh agreement by the borrower or Shopee PayLater user. This is because the contract is conducted online via an application, using an ID card as proof of identity, which does not ensure that the borrower has sufficient legal knowledge. However, this provision can serve as evidence that the user is an individual who is legally competent to engage in the transaction (Rahmi et al., 2023).

From an Islamic perspective, Shopee PayLater is considered a Qardh contract, which is an agreement between the borrower and the lender to mutually assist each other in doing good. Credit-based sales transactions are allowed in Islam, but they must follow Sharia principles and guidelines. According to various scholars from different Islamic schools of thought, such as the Shafi'i, Hanafi, Maliki, Hanbali, Zaid bin Ali, and most other scholars, credit sales are permissible as long as the terms of the contract are clear. However, with the implementation of Shopee PayLater, Shopee offers users the option to pay for their purchases in the following month without interest or with an interest of 2.95% if the payment exceeds the set deadline. Therefore, the Shopee PayLater transaction contains elements of *riba* (usury) in Islam. Credit services involving *riba*, whether online or offline, are prohibited in Islamic law, even if agreed upon voluntarily (Rahmi et al., 2023).

Regarding the requirements for Sharia-compliant electronic money, as outlined in the DSN-MUI Fatwa No. 116/DSN-MUI/IX/2017, Shopee PayLater's implementation does not align with Islamic legal principles. Shopee PayLater was created to gain personal profit through late payment penalties. The use of this e-commerce platform can be seen as a marketing strategy aimed at attracting consumers and making Shopee more attractive than other e-commerce platforms. In conclusion, Shopee PayLater does not adhere to the principles of Islamic Sharia law and is not allowed in Islam. This is because the transaction involves *riba*, as the company gains profit even if the initial payment is interest-free. Nevertheless, Shopee PayLater is still considered *riba* because it imposes penalties and sanctions if the consumer misses the deadline or delays payment. All of this indicates that Shopee's primary objective in developing the Shopee PayLater feature is to generate profit from consumers (Khasanah & Ridwan, 2022).

Conclusion

Shopee PayLater is a payment method where the company provides an advance payment to consumers, allowing them to purchase items now and pay later in installments. However, this comes with added interest or fees and penalties for late payments. From the perspective of Islamic economic law, the Shopee PayLater practice can be categorized as a qardh (loan) contract. Despite this, Shopee PayLater does not comply with Islamic Sharia principles due to the presence of *riba* (interest), as it includes conditions such as interest on installments and penalties for late payments, which result in the company profiting from these transactions.

Based on this conclusion, there are several recommendations related to the research findings. As Muslims, we are encouraged to avoid or steer clear of practices prohibited or haram according to Islamic law. Although the Shopee PayLater feature may seem convenient for transactions, it carries risks, especially in the case of late payments, where penalties can accumulate over time if not settled quickly. Ultimately, such transactions involve *riba*, and it is imperative for us to avoid engaging in them..

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