

Financial Literacy, Financial Parenting, and *Riba* Awareness: Drivers of BNPL Use Among Muslim Youth

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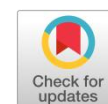
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Abstract

This study explores the effect of financial literacy, financial parenting, and knowledge about *riba* on Muslim consumer behavior using Buy Now Pay Later (BNPL) services, with financial self-efficacy and perceived risk of usury as mediators. Through a mixed approach (quantitative on 402 Muslim respondents of generation Y and Z with formal Islamic education and qualitative through interviews with six informants), this study found that financial literacy does not directly affect the use of BNPL. However, financial parenting significantly increases financial self-efficacy, which drives using BNPL. In addition, understanding *riba* increases the perception of usury risk, ultimately reducing the intention to use BNPL. The implications of this study highlight the importance of financial education in the family and understanding of Islamic values in shaping responsible consumer behavior, as well as its relevance for Islamic financial policy and education.



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Introduction

'Buy Now Pay Later' (BNPL) is a breakthrough in the digital payment system. An increasing number of financial technology (fintech) companies are offering this option to simplify transactions for buyers. Digital wallets are developing new features like BNPL, which successfully attract user attention (Aisjah, 2024). Consumer preferences for payment methods have significantly changed in recent years. The BNPL innovation facilitates transactions and increases access to financial services for people who previously struggled to access them (Filotto et al., 2024). Fintech companies provide more practical digital payment alternatives integrated into digital wallet platforms, making it a payment solution increasingly favored by consumers (Aji et al., 2024). BNPL provides convenience for consumers who shop for various online and offline needs. In Indonesia, several e-commerce platforms such as Traveloka, OVO, Tokopedia, Gojek, and Shopee have adopted this system (Cuandra, 2022). Although BNPL facilitates payments, consumers' purchasing decisions are still influenced by their needs and the availability of funds (Sari, 2021).

The population of Indonesia continues to grow, from 278.70 million people in 2023 to 281.75 million people in 2024 (Abdah et al., 2024), with 87.08% (approximately 245.97 million people) of the population being Muslim (Muhamad, 2024). Islamic teachings significantly influence financial preferences and societal consumption. It has led to concerns about using debt-based financial services, such as BNPL, especially among young people, who dominate its usage (millennials, 43.9%; Gen Z, 26.5%) (Muhamad, 2023). Although BNPL is becoming increasingly popular, various studies highlight

the potential financial problems if not used wisely (Min & Cheng, 2023; Powell et al., 2023; Schomburgk & Hoffmann, 2023).

Concerns about BNPL are becoming increasingly relevant because the concept of usury is a guiding principle for the majority of the Muslim community in making financial decisions. This service is similar to usury practices, especially when additional costs are due to late payments (Aji et al., 2024; Khairunnisa et al., 2022). However, Islamic financial ethics limit usury as an exploitative economic practice and emphasize social justice, individual responsibility, and blessings. These ethics sometimes align, but can also conflict with modern behavioral finance principles such as present bias or impulsive consumer behavior. For example, behavioral theory suggests that individuals often prioritize short-term satisfaction, a tendency that Islamic teachings aim to curb through the recommendation of frugal living and avoiding excessive debt. Therefore, exploring the dialogue between Islamic ethics and behavioral finance theory is crucial for comprehensively understanding the dynamics of BNPL usage. In this context, spiritual risk is not limited to violating usury prohibitions alone. This concept encompasses the broader spiritual impacts of financial behavior itself. The use of BNPL can trigger excessive consumer behavior (*israf*), an action that is spiritually disapproved (see QS. Al-A'raf: 31). Additionally, the habit of borrowing, even in installment schemes that do not involve usury, can erode financial responsibility and create dependency. This attitude contradicts Islamic teachings that advocate for independence, as reflected in the Prophet's prayer, "O Allah, I seek refuge in You from committing sins and being burdened with debt" (HR. Bukhari and Muslim). Thus, BNPL brings far more complex spiritual risks than just issues of interest, as it touches on the erosion of ethics and spiritual values in wealth management.

Understanding knowledge about *riba* plays an important role in shaping financial behavior according to Islamic principles. *Riba* is defined by Harahap and Risfandy (2022) as illegal extra earnings in buying-selling or borrowing-lending transactions. From an Islamic legal perspective, any excess in debt transactions is considered *riba* or interest, which is forbidden because it can potentially create social and economic injustices (Siddique, 2022). The application of *riba* is considered unfair because it allows the party receiving *riba* to gain benefits without any real contribution to the transaction. The prohibition of *riba* is emphasized in a hadith reported by Ibn Masud that the Prophet Muhammad SAW condemned those who consume *riba* and those who pay it (see HR. Muslim) (Ashafa, 2021). As stated in the words of Allah in the Qur'an (see QS. Al-Baqarah: 275), Allah has made trade lawful and has forbidden usury, which demonstrates the fundamental difference between fair trade practices and harmful *riba* practices (Kadi, 2023). Imam al-Qurthubi's exegesis explains that the verse fundamentally distinguishes between trade, which is considered a fair and productive transaction, and usury, which is viewed as an unfair practice that tends to oppress others. Al-Qurthubi expands on this explanation, stating that the prohibition of usury applies not only to explicit forms but also to any imbalanced excess in debt contracts. In line with this, Imam Fakhruddin ar-Razi in Mafatih al-Ghayb argues that usury leads to moral and social decay due to greed and weakens economic ties in society (Bachtiar & Rochman, 2025).

A deep understanding of *riba* encourages the Muslim community to be more cautious about financial decisions. The perceived risk of *riba* influences the public's preference for financial products. A study by Aji et al. (2020) shows that individuals with a good understanding of *riba* and perceived risk of *riba* tend to avoid financial services that may contain *riba*, including BNPL services. This avoidance is driven by spiritual and ethical factors and awareness of *riba*'s financial and economic risks. *Riba* harms individuals and can potentially create an economic crisis since its profits are enjoyed only by certain parties. In economic theory, interest rates aligned with *riba* can trigger significant inflation, which ultimately disrupts stability and impedes equitable economic growth (Saragih & Rikumahu, 2022).

Financial literacy is crucial because a good understanding of finance enables individuals to make wiser economic decisions, including avoiding financial products that may lead to usury. Managing risks and profits efficiently helps individuals avoid financial practices that do not comply with religious laws (Noor et al., 2020). Lotto (2020) states that individuals with high financial literacy tend to be more prudent in managing their finances to avoid debt accumulation that could lead to usury. Moreover,

research shows that financial parenting significantly impacts individuals' financial behavior in their teenage years and early adulthood. The role of parents is critical in providing education and understanding about financial management and financial behavior (Rudi et al., 2020). The financial parenting that individuals receive can influence their perceptions and financial management in the future.

Financial self-efficacy can be a significant mediator in this context. Previous research has shown that self-efficacy affects various aspects of life, including goals, choices, commitment, and mindset (Noor et al., 2020). Specifically, financial self-efficacy plays an important role in shaping an individual's financial behavior and well-being, as an increase in financial self-efficacy can help individuals make wiser and more accurate financial decisions (Aisjah, 2024). On the other hand, understanding Islamic values, such as knowledge about *riba* and the perceived risk of *riba*, becomes a spiritual dimension that needs to be studied in depth. Knowledge about *riba* is not only normative knowledge that *riba* is *haram*, but also includes a critical understanding of contemporary forms hidden in modern practices. Meanwhile, perceived risk of *riba* reflects an individual's moral and spiritual sensitivity to the risks of *riba* in financial services. When knowledge about *riba* and perceived risk of *riba* are combined with financial literacy, financial parenting, and financial self-efficacy, Muslim individuals are expected to make rational, responsible financial decisions that follow Islamic law and spiritual values.

The Theory of Planned Behavior (TPB) is a model frequently used in studies of behavioral intentions because it explains how attitudes, subjective norms, and perceived behavioral control influence a person's decisions, including in financial contexts (Hendrawan & Musshoff, 2024). In using financial services such as BNPL, TPB provides a relevant theoretical framework for understanding consumer intentions. This model allows for integrating various related factors such as financial literacy, financial parenting, financial self-efficacy, knowledge about *riba*, and perceived risk of *riba*. Using the TPB, this study examines how the interaction among these factors influences the intention to use BNPL among Muslim Generation Y and Z consumers.

Research on BNPL generally focuses on consumer behavior and financial literacy, highlighting psychological, demographic, and basic financial concept understanding factors. However, there is a research gap regarding the lack of links between studies on using BNPL and Islamic values, particularly knowledge, and perception of the risks of *riba*. This issue is very relevant considering that Indonesia has the largest Muslim population, where religious aspects significantly influence financial behavior. Therefore, this research comprehensively integrates modern financial approaches and Islamic financial ethics. The aim is to understand the behavior of Muslim BNPL users and provide a foundation for inclusive, contextual, and values-based financial policies and education.

Literature Review

Theory of Planned Behavior

The Theory of Planned Behavior (TPB) by Ajzen (1991) is often used to analyze the factors influencing individual financial behavior. TPB explains that intention is the best predictor of behavior, influenced by three main components: attitude toward the behavior, subjective norms, and perceived behavioral control. In the financial context, TPB has been used to study investment decisions and the use of financial services. For example, Usman et al. (2025) explain that positive attitudes, social support, and self-efficacy influence the intention to adopt Islamic financial products. This understanding helps financial institutions design effective strategies.

However, TPB does not explain financial behavior because financial decisions are often irrational and influenced by cognitive biases. One of them is present bias, which is the tendency for people to prefer short-term satisfaction over long-term benefits (Ainy et al., 2025). Encourages many young generations to choose BNPL, even though they know the debt risks, because they focus more on immediate gratification. In addition, impulse buying also has a significant impact. Wulandari et al. (2023) explain that impulse buying is the act of purchasing without planning due to emotional urges. This behavior is

increasingly strong in the digital era due to massive promotions, ease of transactions, and time pressure (Harjanti et al., 2025). Therefore, combining behavioral economics and consumer psychology can complement the TPB. This approach provides a deeper understanding of why BNPL is rapidly accepted, especially among young Muslim generations. Although they are aware of religious teachings and financial risks, emotional biases and consumption patterns still influence their decisions.

The trend of religiosity among young Muslim generations also plays an important role in the TPB framework. Attitudes toward behavior today are influenced by Islamic values, such as views on usury and the importance of halal transactions. Subjective norms also arise from an increasingly religious social environment, where many people encourage one another to choose Islamic financial products. Young Muslims today are more concerned with Sharia finance, whether in savings, investments, or digital transactions (Fitri & Ziahrarah, 2025). This awareness is driven by Islamic content on social media, online preaching, and Islamic financial literacy. However, perceived behavioral control can be disrupted by a digital lifestyle that makes it easy for people to shop instantly. Ultimately, there is a clash between religious values (such as the prohibition of usury) and consumer desires. It explains why some young Muslim people continue to use BNPL, even though they are aware of the risks. By incorporating the aspect of religiosity into the TPB framework, we can better understand how they balance spiritual values with the realities of life in the digital era.

Buy Now Pay Later

Buy Now Pay Later (BNPL) is a payment innovation that offers transaction convenience and financial inclusion through deferred payment schemes. However, this service also carries negative impacts, as several studies indicate that BNPL can increase consumer behavior and trigger debt (Guttman et al., 2023). Psychologically, the deferred payment system reduces the 'pain of paying,' which makes it easier for consumers to make impulsive purchases (Wulandari et al., 2023). The flexibility of BNPL often encourages users to shop without planning, and late payments can lead to fines that worsen financial conditions (Waluyo et al., 2022). In addition, cost transparency has become a crucial issue. Although many BNPL services offer interest-free installments, Novendra and Aulianisa (2020) note that users often remain unaware of penalties or hidden fees, which risks trapping them in debt. This phenomenon is reinforced by present bias in behavioral economics, where BNPL leverages individuals' tendency to prioritize instant gratification over long-term financial consequences (Pasek & Widiastina, 2025). This situation is particularly risky for Generation Y and Z, who are not yet financially stable but are exposed to a consumptive lifestyle in the digital era.

Financial Literacy

Financial literacy is an individual's ability to understand and manage finances wisely, including making appropriate and responsible decisions (Marheni, 2023). Financial literacy includes budgeting, saving, investing, and debt management. According to Fong (2025), financial literacy helps individuals make better financial decisions, reduce the risk of mistakes, and improve economic well-being. A good understanding of financial management enables individuals to manage income effectively, prepare for the future, and be better equipped to face economic changes. Bellocchi and Travaglini (2025) further emphasize that financial literacy is not just a theory but also an application in everyday life. It includes forming positive habits such as saving for emergencies, avoiding excessive debt, and wisely planning monthly expenses. The application of financial literacy in daily life helps individuals achieve better financial stability.

Financial Parenting

Financial parenting is how parents teach children about financial understanding and management from an early age. Children who receive financial education from their parents tend to be more skilled at managing money later. Parents can teach budgeting and saving, and involve children in daily financial

planning, such as shopping for household needs. These habits reduce the risk of financial problems for children in the future (Krisdayanthi, 2019; Murugiah et al., 2023). Additionally, financial communication within the family is very important. Parents' openness about money management increases children's awareness of the importance of wise financial decisions. Helps children avoid wastefulness and prepares them to face economic challenges (Putri et al., 2023).

Financial Self-efficacy

Self-efficacy is crucial in developing individuals' skills and competencies, supporting better decision-making, broadening the freedom to act, and maintaining mental and emotional balance (Budiman & Marvina, 2021). In the financial context, financial self-efficacy is an individual's belief in their ability to manage and plan finances effectively. This belief influences thoughts before acting, financial decision-making, and motivation to achieve financial goals (Nisa & Haryono, 2022). Furthermore, financial self-efficacy is closely related to an individual's confidence in improving financial behavior. Factors influencing it include previous experiences of success and failure, environmental support, and the success of others as motivation. However, financial self-efficacy is fundamentally affected by one's attitude and self-reflection when facing financial challenges (Sari & Listiadi, 2021).

Knowledge about Riba

Usury is an addition or excess in financial transactions, especially in debt and credit. In Islam, usury is prohibited because it is considered detrimental and unfair (Aji et al., 2019; Badali & Athaya, 2020; Badali & Athaya, 2023). The practice of usury is a primary concern in Islamic economics because its effects can exacerbate social inequality and increase the financial burden on the less fortunate. Asyari et al. (2022) emphasize that understanding usury is important in making Sharia-compliant financial decisions and raising awareness of fairer alternative financial systems, such as Islamic banking and insurance. The growth of Islamic financial literacy has made more individuals aware of the importance of applying Islamic economic principles in everyday life.

Perceived Risk of Riba

The perception of the risk of usury in financial decision-making refers to an individual's awareness of the negative impacts of usury, both spiritually and financially. According to Mohammad et al. (2022), this awareness is based on moral aspects and aims to create a fairer and more sustainable financial system. Individuals who understand the risks of usury tend to choose interest-free Islamic financial products, such as Islamic banking and Islamic insurance. This preference is influenced by religiosity, Islamic financial literacy, and trust in the Islamic financial system.

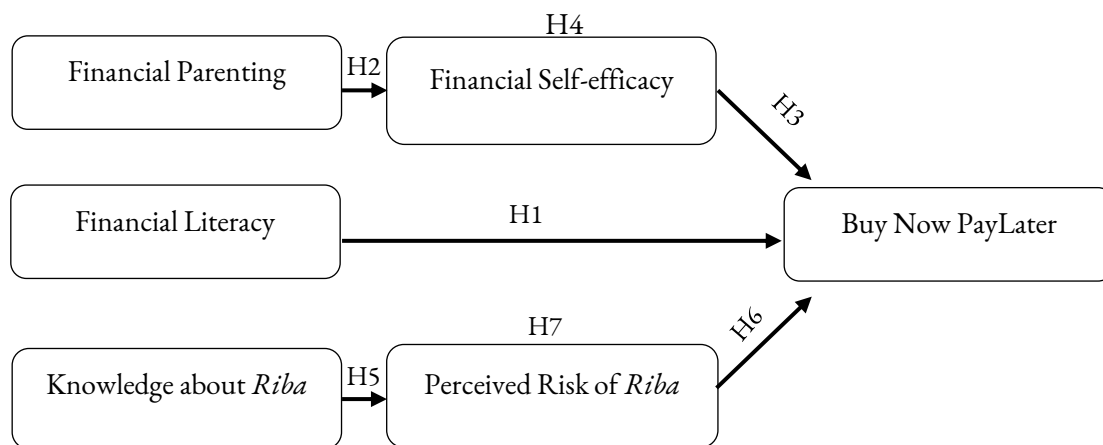


Figure 1. Research Model

Financial Literacy and Buy Now Pay Later

Financial literacy is the ability of individuals to understand and manage finances well, encompassing awareness, knowledge, skills, attitudes, and financial behaviors that support sound decision-making (Lanciano et al., 2024). This knowledge includes confidence in facing various financial situations. Shah et al. (2024) explain that individuals with high financial literacy generally understand financial concepts and market dynamics, making them more confident in making wise financial decisions and reducing risk-taking. On the other hand, new payment methods like BNPL are increasingly popular, especially among those with limited financial understanding, as they allow deferred payments through interest-free installments over a certain period (Juita et al., 2024). However, Filotto et al. (2024) found that individuals with low financial literacy are likelier to choose BNPL. Indicates that limitations in financial understanding can influence payment method preferences, which may impact individual financial management. Financial literacy influences an individual's preferences for payment methods, including using BNPL.

H1. Financial literacy negatively impacts the use of BNPL.

Financial Parenting and Financial Self-efficacy

Financial parenting is crucial in shaping children's financial self-efficacy. The financial learning process from parents, including budgeting, saving, and debt management (Vosylis et al., 2023), tends to equip children with a better understanding of money management, which boosts their confidence in financial decisions (Aisjah, 2024). Financial self-efficacy, based on social cognitive theory, plays an important role. Individuals' belief in their ability to manage finances effectively influences their financial satisfaction, goals, decisions, and perseverance in facing financial challenges (Kae et al., 2020; Noor et al., 2020). Individuals with high financial self-efficacy tend to think and act more positively and are more motivated to tackle financial problems. Research by Rudi et al. (2020) and Aisjah (2024) shows that early financial education from parents enhances children's self-efficacy in managing finances in the future. For example, saving from a young age increases confidence in financial management as an adult. Allowing children to manage a certain amount of money for their needs also trains them in making wise financial decisions. The synergy between effective financial parenting and high financial self-efficacy produces individuals who are more prepared and confident in facing financial challenges in the future.

H2. Financial parenting has a positive relationship with financial self-efficacy.

Financial Self-efficacy and Buy Now Pay Later

Financial self-efficacy is an individual's belief in managing finances effectively and responsibly. This belief reflects a person's confidence level in controlling and managing financial aspects, including budgeting, saving regularly, avoiding unnecessary debt, and making smart investment decisions (Aisjah, 2024). Individuals with high financial self-efficacy are more confident in financial decisions, tend to have mature financial planning, and avoid impulsive decisions (Kae et al., 2020; Karystin et al., 2024). Financial self-efficacy also plays an important role in using BNPL. Although BNPL makes purchasing easier with interest-free installments, irresponsible use can increase financial risks, such as difficult-to-repay debts (Kumar et al., 2024). Aisjah (2024) shows that individuals with higher financial self-efficacy use BNPL wisely and avoid potential financial risks.

H3. Financial self-efficacy negatively affects the use of BNPL.

Financial Parenting and Buy Now Pay Later: The Mediating Role of Financial Self-efficacy

Financial parenting shapes a child's understanding of wise money management through consistent education and real-life examples. This understanding influences money management habits in childhood and financial decision-making patterns in adulthood, including using BNPL (Vosylis et al., 2023). In addition to a basic understanding, financial parenting also contributes to the formation of self-confidence in managing finances. High self-confidence makes a person more cautious in economic decisions, able to

plan expenses, control impulsive spending, and avoid unnecessary debt (Kae et al., 2020). Research shows that positive and supportive financial parenting enhances self-confidence in financial management, making individuals more prudent in utilizing financial services, including BNPL (Kumar et al., 2024; Rudi et al., 2020). They are not easily tempted by credit without careful consideration and prioritize financial stability. Thus, financial parenting not only shapes a good economic understanding but also helps make more responsible financial decisions, increases awareness in managing expenses, and avoids impulsive BNPL usage. Financial education from an early age contributes to healthier and more sustainable financial habits.

H4. Financial self-efficacy mediates the relationship between financial parenting and BNPL usage.

Knowledge about Riba and Perceived Risk of Riba

Knowledge about *riba* is an important factor influencing Muslim individuals' perceptions of risk of *riba*-based financial services. The better the understanding of the negative impacts of usury, the lower the trust in such services due to awareness of the dangers (Amal, 2021). Previous research also indicates that individuals who understand usury tend to avoid financial products that do not comply with Islamic principles (Aji et al., 2020).

The prohibition of usury is emphasized in the Qur'an (see QS. Ar-Ruum: 39 and QS. Al-Baqarah: 275-276), warning that the practice of usury is not pleasing to Allah SWT (Mariyanti et al., 2023). From an economic perspective, interest will likely cause economic disparities (Saragih et al., 2023), uneven wealth distribution, hinder inclusive growth, and deepen social gaps. Interest-based financial systems also encourage speculation, increase economic instability due to defaults, and potentially diminish long-term financial well-being as income is allocated to interest payments. Therefore, the higher an individual's knowledge about interest, the greater their perception of risk regarding interest-based financial services. A better understanding of interest's economic and religious consequences makes individuals more cautious in using financial products that contain interest elements and more likely to choose alternatives that adhere to Sharia principles.

H5. Knowledge about interest positively affects the perceived risk of interest.

Perceived Risk of Riba and Buy Now Pay Later

The perception of risk towards usury significantly influences the decisions of Muslim individuals in choosing financial services. BNPL is often associated with usury because late payment fees are similar to interest (Aji et al., 2024). These fees can increase financial burdens, heighten the risk of default, and disrupt personal and societal economic stability if used excessively. From a religious perspective, BNPL raises concerns about elements of usury that are forbidden in Islam. Muslim individuals with a high awareness of Sharia may feel psychologically uncomfortable due to the potential violation of religious principles. As a result, consumers who understand the risks of usury tend to be skeptical and avoid BNPL (Asyari et al., 2022).

The increasing understanding of the impact of usury, both economic and religious, makes Muslim individuals more selective in choosing financial services, tending to prefer a Sharia system that is considered safer. Therefore, the perceived risk of usury shapes consumption patterns and becomes a determining factor in making more sustainable financial decisions that align with Sharia principles.

H6. The perceived risk of usury has a negative impact on BNPL.

Knowledge about Riba and Buy Now Pay Later: The Mediating Role of Perceived Risk of Riba

Individuals with a high understanding of usury tend to perceive its risks better. Knowledge of the negative consequences of usury increases sensitivity to potential dangers and influences decisions when choosing financial products, such as BNPL. In this case, the relationship between knowledge of usury and using BNPL is not direct but is mediated by an increased perception of risk. The increased

perception of risk plays an important role as a mediating factor that connects knowledge about *riba* with the decision to use BNPL. When individuals become aware of the potential risks of Riba in BNPL, they become more selective in choosing financial products and switch to financial systems that comply with Sharia principles.

Knowledge of usury influences individuals in their religious beliefs and personal financial management. The perception of the risks of usury can be a significant barrier to using BNPL, especially for consumers with a deep understanding of usury's legal and moral implications. Research by Andini et al. (2023) shows that increased financial literacy related to usury can reduce the tendency to use BNPL that does not comply with Shariah. Research by Armayani et al. (2021) also found that consumers with a deep understanding of usury tend to avoid services that may involve interest. Reinforces the argument that the perception of the risks of usury mediates the relationship between Knowledge of usury and financial decision-making. Thus, individuals with a high understanding of usury avoid risks associated with usurious practices and are more likely to choose alternatives that align with Shariah principles.

H7. Perceived risk of *riba* mediates the relationship between knowledge about *riba* and the use of BNPL.

Research Method

This research adopts a sequential explanatory combination method, which combines quantitative and qualitative approaches in sequence. The first research stage is quantitative, followed by a qualitative stage to deepen the findings (Marheni et al., 2023). This mixed-methods approach is explanatory and is chosen to provide a holistic overview (Creswell & Creswell, 2018). The aim is to explain the cause-and-effect relationships among variables, such as financial literacy, financial parenting patterns, and knowledge of usury, on the use of BNPL, with financial self-efficacy and perceived risk of usury as mediating variables, based on the TPB framework. Table 1 presents the operational definition of variables used in this study.

The research population is Generation Y (1981–1996) and Z (1997–2012) with a madrasah education background. This group was chosen because it is assumed to have a deeper understanding of the principles of Islamic finance, including the prohibition of usury. However, selecting samples from a madrasah background is a limitation as it does not fully represent the entire population of Muslim youth in Indonesia, especially those from general education paths. Respondents were selected based on certain criteria, namely having or having had a bank account/digital wallet, and a minimum experience of using BNPL at least once.

These criteria ensure that the data obtained is relevant to the research focus on digital consumption behavior. The sampling was conducted using purposive sampling techniques (Etikan, 2016). namely, selecting respondents based on certain characteristics considered relevant and appropriate for the research objectives. Furthermore, the data is analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS software. PLS-SEM is chosen due to its ability to test complex relationships between latent variables and its suitability for models with multiple indicators and non-normally distributed data (Hair et al., 2022). The analysis is conducted in two stages: evaluation of the outer model (validity and reliability of constructs through loading factor, composite reliability, and average variance extracted (AVE) and evaluation of the inner model (significance of relationships between constructs and mediation effects using the bootstrapping method at a significance level of 5%).

Data was collected through an online questionnaire using Google Forms, which was widely disseminated through various social media platforms, such as WhatsApp and Instagram. This method was chosen for its ease of access and efficiency in reaching many respondents from diverse demographic backgrounds quickly. However, this method also has research limitations. Online data collection inherently excludes populations that do not have internet access, are not tech-savvy, or are less active on digital platforms. This bias limits the generalization of findings to groups that do not use digital services, such as unbanked populations. Thus, the results of this study reflect the behavior of digital users more and do not fully represent all Muslim youth in Indonesia.

Table 1. Operational Definition of Variables

Variable	Definition	Indicator
Financial literacy	Financial literacy is the understanding and ability that shapes attitudes and behaviors in improving the quality of decision-making and financial management, aiming to achieve society's financial well-being.	<ol style="list-style-type: none"> 1. To achieve financial stability for the family, it is necessary to save regularly. 2. Clear financial goals help the family determine spending priorities. 3. Creating a budget helps me manage finances effectively. 4. I am not worried about the long repayment period when I consistently pay installments. 5. I regularly manage financial expenditures. 6. When shopping, I compare prices. (Filotto et al., 2024; Khan et al., 2024)
Knowledge about <i>Riba</i>	<i>Riba</i> is the taking of additional charges in sales and borrowing transactions that are unlawful or contrary to the principles of transactions in Islam.	<ol style="list-style-type: none"> 1. Paylater is a debt-based transaction, and the additional money required in a debt transaction is <i>riba</i>. 2. Paylater is a debt-based transaction; any profit from debt transactions is <i>riba</i>. 3. Paylater is a debt-based transaction, and the additional money that must be paid in debt transactions is considered <i>riba</i>. 4. Paylater is a debt-based transaction, and the penalty for late payment is <i>riba</i>. (Aji et al., 2024)
Financial Parenting	Financial parenting is teaching children how to be responsible in managing financial affairs.	<ol style="list-style-type: none"> 1. My parents support my financial management decision. 2. My parents appreciate my financial management decisions. 3. My parents give me the freedom to manage my finances. 4. My parents influence my financial decisions. 5. My parents taught me how to manage finances for the future (retirement funds, emergency funds). My parents influence my financial decisions. 6. My parents are evaluating my financial planning and spending. (Vosylis et al., 2023; Aisjah, 2024)
Financial Self-efficacy	Self-efficacy in Finance is a person's belief in their ability to manage and control their financial situation.	<ol style="list-style-type: none"> 1. Unexpected expenses disrupt my financial planning. 2. It is difficult for me to achieve the financial goals that have been set. 3. I use loans when facing unexpected expenses. 4. I am having difficulty finding a solution to my financial problems. 5. I lack confidence in managing finances. 6. I am worried about running out of money in retirement. 7. I am confident that I can manage my finances. 8. My expenses are less than the monthly budget. (Kae et al., 2020; Aisjah, 2024).
Perceived Risk of <i>Riba</i>	Awareness or concern about the negative impact of using interest in economic activities from the perspective of Sharia.	<ol style="list-style-type: none"> 1. I feel uncomfortable with the presence of interest in the Paylater system. 2. I feel concerned about the potential for usury in the paylater system. 3. I feel stressed with the presence of the interest system in Paylater. 4. I am afraid that paylater could lead me to fall into <i>riba</i>. 5. I am worried that Paylater contains elements of <i>riba</i>. (Aji et al., 2024)
Buy Now Pay Later (BNPL)	BNPL is a payment method that allows customers to purchase products or services and pay for them later, typically in interest-free installments over a certain period.	<ol style="list-style-type: none"> 1. Using Paylater makes it hard for me to control my spending. 2. I tend to use Paylater instead of payment cards (credit/debit cards). 3. I will only buy from stores that offer payment purchases with a paylater scheme. (Filotto et al., 2024)

To determine the sample size, a ratio of 1:5 to 1:10 between the sample and research indicators was used (Hair et al., 2018). With 32 indicators, the minimum sample size is 160 respondents, ideally 320 respondents to enhance validity and reliability. The questionnaire uses a 5-point Likert scale, allowing respondents to provide graded responses to each statement related to the research variables. This scale measures the intensity of attitudes, perceptions, or frequency of respondents' behaviors, thus providing quantitative data that can be statistically analyzed to understand the relationships between variables in the research.

The qualitative data were collected through in-depth interviews with six respondents. All interviews were conducted online using video calls via the Zoom Meeting platform in May 2025. This method was chosen because it is more flexible and allows researchers and respondents in different areas to participate. Each interview session lasted about 10 to 20 minutes, depending on the amount of information provided by the respondents. The interview questions were structured based on indicators of the variables that were designed according to the research topic, enabling a deeper exploration of the respondents' understanding and experiences. All interview sessions were conducted with the respondents' consent. This online method provides time efficiency but also has limitations, such as if respondents face device or internet connection issues. Nevertheless, this approach remains effective in obtaining data relevant to the research objectives.

Results and Discussion

This section presents the research results obtained through a mixed methods approach, which combines quantitative and qualitative data to gain a deeper understanding. The research results are systematically organized according to the formulation of the problem and research objectives, starting from testing the measurement model (outer model) and structural model (inner model). It is followed by an in-depth discussion that links the findings with theory, previous literature, and empirical context. Table 2 presents the demographic characteristics of the interviewed respondents.

Table 2. Qualitative Demographic Data

Respondent (R)	Gender	Age	Last education	Job	Income (IDR)	Frequency of Using BNPL	BNPL Platform
R1	Female	21	Senior High School	Private Employee	4-8 million	Once every six months	GoPayLater Shopee PayLater
R2	Female	23	Bachelor's degree	Private Employee	4-8 million	Once every six months	Traveloka PayLater GoPayLater
R3	Male	23	Bachelor's degree	Private Employee	8-12 million	Once every six months	Traveloka PayLater
R4	Female	22	Bachelor's degree	Private Employee	4-8 million	Less than once a year	GoPayLater
R5	Female	21	Senior High School	Private Employee	4-8 million	Once every few months	GoPayLater Shopee PayLater
R6	Male	23	Senior High School	Private Employee	4-8 million	Less than once a year	Traveloka PayLater Shopee PayLater

Source: Results of Qualitative Interview (2025)

Six respondents were from Generation Z, aged between 21 and 23, and worked as private employees. Their educational backgrounds varied, from high school graduates to bachelor's degree holders, with monthly incomes ranging from IDR 4-12 million. All respondents had used BNPL services, but the frequency was relatively low, such as once every six months or less than once a year. It indicates that Gen Z tends to be cautious and selective when using BNPL. The most commonly used platform is GoPayLater, followed by Shopee PayLater and Traveloka PayLater, reflecting a preference for popular and easily accessible digital platforms.

Table 3 shows the demographic characteristics of the survey respondents. Based on data from 402 respondents, the majority are male (55.7%) and belong to Generation Z (81.1%, aged 21-27 years), indicating a dominance of the young age group in using BNPL. The educational level of respondents is dominated by bachelor's graduates with bachelor's degrees (71.1%). All respondents are Muslim and have received formal Islamic education. Most respondents work as private employees (60.9%) with a monthly income between IDR 4,000,001 and IDR 8,000,000 (68.7%). The frequency of using BNPL varies, with 26.6% using it every six months or more frequently, indicating a trend of periodic use. Shopee PayLater is the most chosen BNPL platform (47.5%), suggesting a preference for platforms that are integrated with e-commerce due to the ease and convenience of transactions.

Table 3. Quantitative Demographic Data

Characteristics	Criteria	Frequency	Percentage
Gender	Male	224	55.7%
	Female	178	44.3%
Age	21-27 years old (Gen Z)	326	81.1%
	28 – 43 years old (Gen Y)	76	18.9%
Last education	Elementary School / Islamic Elementary School	3	0.7%
	Junior High School/ Islamic Junior High School	3	0.7%
	High School/Vocational School/ Islamic High School	70	17.4%
	Bachelor's degree	286	71.1%
	Postgraduate	40	10%
Job	Private employee	245	60.9%
	Civil servant	96	23.9%
	Entrepreneur	48	11.9%
	Not working	13	3.2%
Income	< Rp. 4.000.000	20	5%
	IDR 4.000.001 – 8.000.000	276	68.7%
	IDR 8.000.001 – 12 .000.000	97	24.1%
	Not earning an income	9	2.2%
Frequency of using Paylater	Less than once a year	59	15.7%
	Once a year	88	21.9%
	Once every six months	107	26.6%
	Once every few months	70	17.4%
	Once a month	33	8.2%
	More than once a month	28	7%
	Once a week	7	1.7%
	More than once a week	10	2.5%
BNPL platform	GoPayLater	160	39.8%
	Shopee PayLater	191	47.5%
	Kredivo PayLater	110	27.4%
	Traveloka PayLater	130	32.3%
	Akula PayLater	34	8.5%

Source: Primary data processed (2025)

The initial instrument testing process involved 32 indicators, but 10 were eliminated due to inadequate convergent validity (AVE and outer loading below standard). This action is crucial to ensure a high-quality measurement model. After the selection, most of the remaining indicators showed outer loading above 0.70, indicating good convergent validity, as presented in Table 4. However, some indicators with outer loading below 0.70 were still accommodated because the AVE values of all constructs exceeded the threshold of 0.50, proving the variables' ability to represent their indicators (Hair et al., 2019).

Table 4. Model Evaluation Measurement (Outer Model)

Variable	Outer Loading	Average Variance Extracted (AVE)
Buy Now Pay Later 1	0.720	0.640
Buy Now Pay Later 2	0.804	
Buy Now Pay Later 3	0.868	
Financial Literacy 1	0.634	0.557
Financial Literacy 4	0.833	
Financial Literacy 6	0.760	
Financial Parenting 1	0.768	0.585
Financial Parenting 4	0.828	
Financial Parenting 6	0.694	
Financial Self-efficacy 2	0.762	0.570
Financial Self-efficacy 3	0.761	
Financial Self-efficacy 4	0.764	
Financial Self-efficacy 5	0.761	
Financial Self-efficacy 6	0.727	
Knowledge about <i>Riba</i> 1	0.734	0.520
Knowledge about <i>Riba</i> 2	0.729	
Knowledge about <i>Riba</i> 3	0.733	
Knowledge about <i>Riba</i> 4	0.687	
Perceived Risk of <i>Riba</i> 1	0.803	0.528
Perceived Risk of <i>Riba</i> 2	0.717	
Perceived Risk of <i>Riba</i> 3	0.736	
Perceived Risk of <i>Riba</i> 4	0.640	

Source: Primary data processed (2025)

The construct reliability of this study is fulfilled because all variables have Composite Reliability values above 0.70 (ranging from 0.789 to 0.869), indicating high internal consistency in each construct, as presented in Table 5. Although financial literacy (0.608), financial parenting (0.645), and perceived risk of *riba* (0.692) have Cronbach's Alpha values slightly below 0.70, these values are still acceptable in exploratory research or new scale development (Khidzir et al., 2018). Supported by higher Composite Reliability values that meet standards, these three constructs remain classified as reliable overall, indicating that their indicators consistently measure the same concept.

Table 5. Evaluation of Composite and Cronbach's Alpha

Variable	Cronbach's alpha	Composite Reliability
Buy Now Pay Later (BNPL)	0.716	0.841
Financial Literacy (FL)	0.608	0.789
Financial Parenting (FP)	0.645	0.808
Financial Self-Efficacy (FSE)	0.811	0.869
Knowledge about <i>Riba</i> (KR)	0.700	0.816
Perceived Risk of <i>Riba</i> (PR)	0.692	0.812

Source: Primary data processed (2025)

According to Hair et al. (2019), an R^2 of 0.75 is considered strong, 0.50 moderate, and 0.25 weak. Table 6 shows that the R^2 for BNPL is 0.503 (adjusted R^2 0.499), which means the model can predict 50.3% of the variability in BNPL usage. Financial self-efficacy has an R^2 of 0.380 (adjusted R^2 0.379), and the perceived risk of *riba* has an R^2 of 0.382 (adjusted R^2 0.380), both being categorized as moderate to weak but still showing a reasonably predictive capability (Purwanto & Sudargini, 2021).

Table 6. Adjusted R-Square Value

Variable	R-square	Adjusted R-square
Buy Now Pay Later (BNPL)	0.503	0.499
Financial Self-Efficacy (FSE)	0.380	0.379
Perceived Risk of <i>Riba</i> (PR)	0.382	0.380

Source: Primary data processed (2025)

Hypothesis testing in Table 7 evaluates the strength and significance of the relationships among latent constructs. According to Hair et al. (2017), a relationship is significant if the path coefficient, t-statistic (>1.96 at $\alpha=0.05$), and p-value (<0.05) criteria are met. A p-value <0.05 indicates that the hypothesis is supported due to the low probability of the result occurring by chance. Conversely, a p-value ≥ 0.05 leads to the rejection of the hypothesis. The smaller the p-value, the greater the confidence in the significance of the relationship in the population.

Table 7. Hypothesis Testing Results

	Variables	Coef.	Std.dev	t-statistic	p-values	Decision
H1	FL -> BNPL	-0.084	0.055	1.534	0.125	Not supported
H2	FP -> FSE	0.617	0.052	11.763	0.000	Supported
H3	FSE -> BNPL	0.647	0.073	8.867	0.000	Not supported
H5	KR -> PR	0.618	0.058	10.565	0.000	Supported
H6	PR -> BNPL	0.184	0.074	2.478	0.013	Not Supported
	Mediating Variable	Coef.	Std.dev	t-statistic	p-values	Decision
H4	FP -> FSE -> BNPL	0.399	0.055	7.226	0.000	Supported
H7	KR -> PR -> BNPL	0.114	0.049	2.326	0.020	Supported

Note: BNPL (Buy Now Pay Later); FL (Financial Literacy); FP (Financial Parenting); FSE (Financial Self-Efficacy); KR (Knowledge about *Riba*); PR (Perceived Risk of *Riba*)

Source: Primary data processed (2025)

Discussion

The Influence of Financial Literacy on the Use of Buy Now Pay Later

Table 7 reveals that financial literacy does not significantly influence BNPL usage. Based on the criteria outlined by Hair et al. (2017), H1 is not supported, as the t-value is below 1.96 and the p-value exceeds 0.05. These findings contradict Filotto et al. (2024) and Shah et al. (2024), who state that high financial literacy reduces risky decision-making, but are in line with Giriani and Susanti (2021) and Pradini (2021), who found that high financial literacy does not always affect the decision to use financial services. The qualitative approach in this study also supports these findings. Interview results indicate that most respondents understand financial literacy and attempt to apply it, such as recording expenses, drafting budgets, and avoiding unplanned consumption. However, using these principles is not always consistent, especially in urgent situations requiring quick decisions. The interview results indicate that good financial literacy does not always prevent the use of BNPL. For example, R1 stated that he is highly aware of recording expenses and making a shopping plan. However, he still uses BNPL urgently due to a lack of cash funds, highlighting a gap between understanding and behavior. Similarly, R2, who usually evaluates spending decisions based on needs and payment capability, still opts for BNPL due to promotions that offer short-term benefits.

Both statements illustrate that financial decisions are not only influenced by literacy or knowledge. Situational factors such as urgent needs, promotional appeal, ease of access, and the perception of interest-free installments often serve as the main reasons for using BNPL. Knowledge alone is not enough to prevent consumer action. It aligns with Ajzen (1991), who states that behavior is influenced by attitudes, subjective norms (social pressure), and perceived behavioral control (perception of ease). In the context of BNPL, even though individuals have a positive attitude towards financial management, social norms, and the perception of the ease of using BNPL, they may encourage transactions despite being aware of the risks. In conclusion, good financial literacy does not automatically guarantee rational financial decisions; everyday real conditions, including emotional drives and urgent practical needs, influence consumer behavior using BNPL.

The Effect of Financial Parenting on Financial Self-efficacy

The findings in Table 7 indicate that effective financial parenting positively and significantly impacts individuals' financial self-efficacy. Therefore, H2 is statistically supported and consistent with earlier studies (Aisjah, 2024; Rudi et al., 2020). Most respondents' experiences reflect parents' crucial role in shaping financial habits. For example, R1 admitted that the discipline of recording expenses results from habits instilled by his parents. Similarly, R2's caution in borrowing is influenced by his parents' guidance from an early age. These childhood experiences that shape habits and financial management principles ultimately strongly impact the current level of financial self-efficacy.

These various experiences show that the financial values parents instilled from an early age become habits and shape positive views and attitudes towards financial management. Small habits practiced since childhood evolve into part of one's financial personality, ultimately strengthening self-efficacy in facing financial challenges in adulthood. This relationship can be explained through the Theory of Planned Behavior (TPB), where attitudes, subjective norms, and perceived behavioral control shape intentions and actions. Good financial parenting plays a significant role in forming a positive attitude towards money management and fostering confidence in individuals' ability to manage their finances effectively. Thus, good parenting teaches basic money management skills and instills the self-confidence to make financial decisions independently and responsibly.

The Effect of Financial Self-efficacy on the Use of Buy Now Pay Later

H3 shows a very strong and significant association based on Table 7, highlighting the important role of financial self-efficacy in BNPL usage decisions. Nevertheless, because the relationship is opposite to the predicted effect, H3 is not supported despite its statistical significance. This finding indicates that the higher a person's financial self-efficacy, the greater their tendency to use BNPL. It is also contrary to several previous studies (Kae et al., 2020; Karystin et al., 2024), which state that individuals with high self-efficacy tend to avoid financial risks, and it also differs from Aisjah's (2024) opinion, which emphasizes a more prudent and controlled use of BNPL among individuals with strong confidence in financial management.

This contradictory finding challenges the theoretical assumption that financial self-efficacy is a protective factor. On the contrary, individuals with high self-efficacy may feel very confident in managing risks and debts, thus tending to take greater risks with BNPL. This phenomenon aligns with the concept of overconfidence bias in financial psychology, where individuals with a high perception of control underestimate risks (Proeger & Meub, 2014) and feel capable of managing credit well (Azaria, 2024). In behavioral economics, this phenomenon can also be explained through present bias, the tendency to prioritize immediate satisfaction (Maji & Prasad, 2025).

If not balanced with an understanding of spiritual risks, high self-efficacy can lead someone to rationalize using BNPL as a 'controlled' action while still pursuing momentary consumption. It proves that confidence in managing money does not necessarily align with an anti-consumption attitude, especially if debt ethics do not support it in Islam. The respondents' opinions support this finding. For

example, R3 and R5 stated that belief in one's abilities serves as a moral and cognitive justification for using BNPL in a measured way. Even R6 added that although aware of the spiritual consequences, the usage continues to be undertaken with the consideration of being 'still in control'.

When related to the Theory of Planned Behavior (TPB), this result highlights that excessively high perceived behavioral control facilitates the intention to use BNPL. TPB has limitations in capturing the nuances of cognitive biases that play a significant role in digital financial behavior. Therefore, this finding serves as an important point of reflection that calls for a deeper integration between the TPB approach, behavioral economics, and Islamic ethics. The goal is to provide a more comprehensive explanation of the complexities of financial decision-making in the digital era, especially among young Muslims.

The Effect of Financial Parenting on Buy Now Pay Later Mediated by Financial Self-Efficacy

The mediation analysis indicates that financial self-efficacy plays a significant intermediary role in linking financial parenting patterns to BNPL usage behavior, fulfilling the criteria outlined by Hair et al. (2017). Thus, H4 is supported. This finding indicates that individuals' confidence in managing finances is formed early through the financial parenting they receive. This finding is in line with previous studies. Kae et al. (2020) explain that individuals with high self-confidence in managing finances tend to be more careful in making decisions, plan their spending carefully, control impulsive purchases, and avoid unnecessary debt. Meanwhile, Kumar et al. (2024) and Rudi et al. (2020) emphasize that positive and supportive financial parenting significantly enhances children's confidence in managing finances independently. The impact is evident in their more prudent and responsible financial behaviour in utilizing financial services, including BNPL.

From the interviews conducted, most respondents in this study stated that their financial upbringing since childhood, such as saving, recording expenses, and managing pocket money, has shaped their confidence in managing personal finances in adulthood. They acknowledge that education and examples from their parents provide an important foundation in understanding the concept of financial management. When faced with financial decisions such as using BNPL, they feel more capable of assessing risks, controlling expenditures, and acting wisely.

From the Theory of Planned Behavior (TPB) (Ajzen, 1991), these three variables form an integral framework. Financial upbringing can shape attitudes and subjective norms regarding financial behaviour. Self-efficacy reflects the perception of control over one's ability to act. When all three interact, a firm intention is formed, ultimately influencing actual behaviour in financial decisions, including using BNPL. Therefore, a person's decision to use BNPL is not spontaneous. This decision is formed through experiences, financial values instilled early, and self-belief in managing risks and financial responsibilities. Building good financial habits and understanding from a young age becomes crucial so individuals can make wiser and non-harmful financial decisions.

The Effect of Knowledge about Riba on the Perceived Risk of Riba

The effect of knowledge about *riba* on the perceived risk of *riba* is significant, indicating that greater understanding of *riba* corresponds to a higher perception of its associated risk. Therefore, H5 is supported. This result aligns with research by Aji et al. (2024) and Aji et al. (2020) stating that the better a person's knowledge about *riba*, the more they understand the risks of *riba*. In the context of the Theory of Planned Behavior (TPB), knowledge about *riba* acts as a behavioral belief, which is a belief in the consequences of actions. A deep understanding of *Riba* shapes beliefs about the negative impacts of interest-based financial services (spiritual and psychological), thus reinforcing risk perception. Based on the interview results, all respondents showed a strong relationship between their knowledge of usury and their perception of risk regarding financial services that contain such elements. For example, R1 was aware of the potential for usury in BNPL, especially if there were penalties or hidden interest, and considered moral and religious aspects before making a decision. Similarly, R2, R5, and R6 consistently

regarded usury as a serious issue, with deep concerns about spiritual risks, making it a primary benchmark in financial decisions.

Thus, knowledge about usury has been proven to play an important role in shaping the perceived risk of usury, which can ultimately influence a person's intention and behavior in using financial services like BNPL. These findings reinforce the relevance of the Theory of Planned Behavior in explaining the effect of beliefs about risk on value-based financial decision-making.

The Effect of Perceived Risk of Riba on Buy Now Pay Later

The findings for H6 indicate a significant effect of perceived risk of *riba* on BNPL. However, the direction of this relationship is opposite to the initial hypothesis, which predicted a negative effect. While the hypothesis expected that a higher perception of *riba* risk would reduce BNPL usage, the results show a positive relationship. This discrepancy suggests that, despite its statistical significance, H6 is not supported. Nevertheless, these findings contrast with Asyari et al. (2022), who reported that Muslims with heightened Sharia awareness and risk perception tend to avoid PayLater services.

In the Theory of Planned Behavior (TPB) framework, the perceived risk of BNPL can be positioned as part of the attitude toward behavior, which is an individual's attitude toward using BNPL. This attitude is formed from beliefs about the risks that may arise, especially the spiritual, moral, and financial consequences of *riba*-based transactions. Respondents' statements support this finding. R2, for example, stated that *riba* is a serious consideration in financial decisions. Although he does not explicitly reject BNPL, he is very concerned about the long-term risks, especially those related to hidden interest. Similarly, R3 explained that he considers the risk of *riba* serious and tries to avoid it by being disciplined in paying installments on time. It reflects a high awareness of spiritual and financial risks and the ability to control consumer behavior.

Meanwhile, R4 emphasized that he prioritizes spiritual values when considering financial services that involve interest. He even mentioned that he is now more cautious about using BNPL as a form of responsibility for his beliefs. R5 also demonstrates caution in making decisions related to usury. He realizes that although the installments seem light, the presence of penalties or interest can lead to undesirable spiritual consequences. Therefore, even though he still uses BNPL, he does so selectively. From the overall statements of the respondents, it is clear that the perception of the risk of usury not only shapes a cautious attitude but also strengthens self-control in avoiding financial behaviors that are contrary to religious values. Thus, the perceived risk of usury is important in shaping individuals' attitudes and decisions regarding using BNPL services. In the context of TPB, this risk perception affects attitudes. It strengthens perceived behavioral control, which is how individuals feel capable of controlling their actions to remain aligned with their beliefs.

The Effect of Knowledge about Riba on Buy Now Pay Later Mediated by Perceived Risk of Riba

The effect of knowledge about *riba* on BNPL, mediated by perceived risk of *riba*, is also confirmed, indicating that H7 as a mediating relationship is supported. This finding indicates that risk perception significantly mediates the relationship between knowledge about *riba* and decisions to use BNPL. It means that knowledge about *riba* does not directly affect the decision to use BNPL, but rather through the perception of *riba* risk. The higher the understanding of *riba*, the stronger the perception of risk, which decreases individuals' intention and decision to use financial services that may involve *riba*. These results are supported by previous research. Andini et al. (2023) state that increased financial literacy regarding *riba* can significantly reduce the tendency of people to use BNPL services that do not comply with Sharia principles. Armayani et al. (2021) also found that consumers with a deep understanding of *riba* tend to be more cautious and prefer to avoid financial services that contain interests or practices that contradict religious teachings. Based on the interviews, all respondents indicated that their knowledge of usury plays a crucial role in shaping their risk perception towards BNPL services. Respondents (R1 to

R6) know that the interest or penalties associated with BNPL may be considered usury, leading them to be more cautious. Some even reduced or avoided using BNPL after understanding the impact of usury, both financially and spiritually. Emphasizes that increased knowledge about usury reinforces risk perception and encourages financial decisions aligning with Sharia principles.

These findings align with the TPB framework, where knowledge about *riba* contributes to forming the perceived risk of *riba*, affecting behavioral intention and actual behavior in financial decision-making. Individuals with high knowledge and awareness of *riba* tend to be more cautious, perceive risks more significantly, and choose not to use financial services that contain *riba* elements. Therefore, understanding *riba*, followed by a high perception of risk, is an important factor in shaping financial behavior that aligns with Islamic principles, especially when using BNPL services. Good knowledge about *riba* provides conceptual understanding and encourages individuals to make more ethical and responsible financial decisions.

Conclusion

Based on the hypothesis testing results, this study concludes that only part of the proposed relationships are supported. H2, H4, and H7 are confirmed. Financial parenting positively and significantly affects financial self-efficacy, underscoring the importance of early financial education and parental role modeling in shaping financial confidence. In addition, financial self-efficacy significantly mediates the relationship between parental financial upbringing and BNPL usage behavior, demonstrating its intermediary role in linking family financial values to financial decision-making. Knowledge about *riba* is also shown to influence BNPL behavior through the perceived risk of *riba*, supporting the hypothesis that religious understanding can shape risk awareness and financial behavior. In contrast, H1, H3, and H6 are not supported. Financial literacy does not significantly affect BNPL usage decisions, indicating that financial literacy alone is insufficient to prevent impulsive consumption. Although financial self-efficacy and perceived risk of *riba* are statistically significant, their effects are opposite from the initial predictions. These findings highlight the complexity of psychological and situational factors, such as appealing promotions, ease of access, and urgent needs, that can encourage individuals to use BNPL services despite good financial literacy or strong religious awareness.

The implications of these findings are multifaceted. Families should actively instill financial education through consistent role modeling and open communication. Educational institutions are encouraged to complement theoretical knowledge with programs that enhance financial self-efficacy while embedding ethical and religious values into financial decision-making. Furthermore, the results indicate opportunities for developing Sharia-compliant BNPL products that reconcile ethical principles with consumer needs. Product development should undergo rigorous validation through prototype testing, user feedback, and behavioral analysis to ensure industry relevance and effectiveness.

This study is limited by its focus on a specific demographic and geographic context, which may restrict the generalizability of the results. The data relied on self-reported responses, which can be influenced by social desirability bias. Future research could expand the sample to include diverse age groups, cultural contexts, or non-Muslim populations for comparative analysis. Longitudinal or experimental studies could provide deeper insights into the causal relationships between financial knowledge, upbringing, and BNPL usage. Additionally, further investigation into the design, adoption, and long-term impacts of Sharia-based BNPL products would strengthen the practical relevance of these recommendations for Islamic fintech and regulatory decision-making.

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Appendix 1.

Table A1. Indicators and interview results

Respondent (R)	Indicator	Question	Answer
R1	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents are highly aware of recording expenses and preparing a shopping plan to maintain balance.
	Knowledge About <i>Riba</i>	What do respondents know about <i>riba</i> and its relation to services like Paylater?	Respondents are aware that using BNPL can potentially contain <i>riba</i> , especially if there are penalties or hidden interest.
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	Respondents link their financial discipline to habits instilled by their parents since childhood.
	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	Respondents can manage financial emergencies with quick and calculated decisions.
	Perceived Risk of <i>Riba</i>	What is the respondents' view on the risks of using financial services that involve <i>riba</i> ?	Respondents have moral and religious considerations before using services with the potential for <i>riba</i> .
	BNPL Usage	Under what conditions will respondents use BNPL services?	Respondents continue to utilize BNPL selectively in urgent situations and when there are no cash alternatives.
R2	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents have been accustomed to making shopping and installment decisions based on their interests and ability to pay.
	Knowledge About <i>Riba</i>	What do respondents know about <i>riba</i> and its relation to services like Paylater?	Respondents know the concept of <i>riba</i> and its relation to installment-based financial services..
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	The respondents' cautiousness in borrowing is shaped by the influence of parents who consistently guide them from an early age.
	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	The respondent is quite confident in their ability to adjust to financial conditions.
	Perceived Risk of <i>Riba</i>	What is the respondents' view on the risks of using financial services that involve <i>riba</i> ?	Respondents view the aspect of <i>riba</i> as something that needs to be seriously considered in financial decision-making.
	BNPL Usage	Under what conditions will respondents use BNPL services?	Respondents use BNPL due to attractive promotions while considering short-term benefits, without neglecting long-term risks.
R3	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents apply financial management principles by ensuring payment ability before transacting.

Respondent (R)	Indicator	Question	Answer
	Knowledge About Riba	What do respondents know about riba and its relation to services like Paylater?	Respondents know the consequences of using interest-based services and avoid late payments.
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	The respondent stated that his values of financial responsibility are the result of family education.
	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	Respondents feel quite confident about balancing needs and personal financial capabilities.
	Perceived Risk of Riba	What is the respondents' view on the risks of using financial services that involve riba?	Respondents consider the risk of riba serious and try to avoid it through disciplined payment.
	BNPL Usage	Under what conditions will respondents use BNPL services?	Respondents use BNPL only when truly needed to ensure no delays.
R4	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents are accustomed to recording expenses and controlling spending as part of a frugal lifestyle formed since childhood.
	Knowledge About Riba	What do respondents know about riba and its relation to services like Paylater?	The respondent understands that interest in installments can be a form of riba, which they want to avoid for inner peace.
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	Education from parents that emphasizes a simple and careful life has shaped the financial character of the respondents.
	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	Respondents have confidence in refraining from excessive consumption and delaying purchases if they are not financially ready.
	Perceived Risk of Riba	What is the respondents' view on the risks of using financial services that involve riba?	Respondents prioritize spiritual values when considering financial services involving interest.
R5	BNPL Usage	Under what conditions will respondents use BNPL services?	The respondent has previously used BNPL, but now considers religious values and personal finances more.
	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents have understood and have been accustomed to managing their finances from an early age.
	Knowledge About Riba	What do respondents know about riba and its relation to services like Paylater?	Respondents realize that fines or interest in transactions can lead to riba practices.
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	Respondents feel that the parenting style plays a big role in how they think before making financial decisions.

Respondent (R)	Indicator	Question	Answer
R6	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	It can realistically measure its financial capacity, although it is occasionally tempted to use BNPL.
	Perceived Risk of Riba	What is the respondents' view on the risks of using financial services that involve riba?	Respondents show caution when making decisions regarding the spiritual risks of riba practices.
	BNPL Usage	Under what conditions will respondents use BNPL services?	Respondents are still using BNPL, but with a more selective and cautious attitude.
	Financial Literacy	What is the respondents' understanding of the importance of managing daily finances?	Respondents are wise in making financial decisions.
	Knowledge About Riba	What do respondents know about riba and its relation to services like Paylater?	Respondents clearly understand that riba is an extra interest forbidden in Islamic teachings.
	Financial Parenting	Do the respondent's parents have a role in teaching you about financial management?	Although not directly taught by their parents, the respondents formed financial principles from experiences and religious values.
R6	Financial Self-Efficacy	How confident are respondents in managing their finances right now?	Respondents can control their expenditures better by understanding the moral and financial consequences.
	Perceived Risk of Riba	What is the respondents' view on the risks of using financial services that involve riba?	Respondents have deep concerns about Riba practices and use them as a benchmark when choosing financial services.
	BNPL Usage	Under what conditions will respondents use BNPL services?	Respondents do not reject using BNPL; they only use it after considering Sharia's aspects and their real needs.