

## Cognitive Dissonance Among Muslim Consumers: A Qualitative Study of the Use of Paylater Features Among Generation Z in Islamic Boarding Schools

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### ABSTRACT

*This study examines the consumption paradox of Generation Z students at Al-Ma'rifah Islamic Boarding School in Cirebon, related to the use of the paylater feature. Using a descriptive qualitative method with a phenomenological approach, data were collected through in-depth interviews with fifteen purposively selected informants. The results indicate cognitive dissonance that is addressed through three mechanisms: labeling interest as an administrative fee, normalization due to peer pressure, and identity compartmentalization. These findings confirm a shift from substantive sharia compliance to practical adjustments for a digital lifestyle. Therefore, the sharia economics curriculum needs to integrate digital financial literacy to maintain the financial morality of students.*

### INTRODUCTION

With the rise of Buy Now Pay Later (BNPL) schemes and the digital transformation of the financial sector, consumption patterns have shifted worldwide. In Indonesia, pay-later features are growing rapidly, surpassing conventional credit instruments, particularly among Generation Z. When viewed within the context of traditional Islamic educational institutions, such as Islamic boarding schools, this phenomenon raises an ethical paradox. As noted by Nizam et al. (2022), uncontrolled debt among young people is caused by the fact that digital financial inclusion is often prioritized over financial literacy. Historically, Islamic boarding schools have served to protect morality and the economy from exploitation. However, today students are bringing digital debt into their lifestyles through mobile devices (Mubarak & Park, 2024).

When faced with two inconsistent cognitions—such as adherence to religious values and contradictory consumption practices—individuals experience cognitive dissonance. This is particularly significant for Muslim consumers due to the explicit prohibition against interest-based elements akin to usury. "The tension between religious identity and the allure of modern financial convenience often leads to a complex psychological negotiation among Muslim youth," state Hassan et al. (2023) (p. 45). Furthermore, Rahmat & Syarif (2021) state that a closed religious environment is no longer sufficient to prevent the influence of borderless fintech, which often exploits customers' emotions through discount schemes and instant gratification.

Festinger's (1957) theory of cognitive dissonance, which states that people tend to seek consistency among their cognitions, can be used to examine this phenomenon from a theoretical perspective. When there is a discrepancy between a person's religious beliefs regarding the prohibition of usury and how they use consumer credit, psychological tension arises that triggers mechanisms to reduce dissonance. Sudarsono's (2021) findings complicate this by noting that Muslim financial compliance is often situational and influenced by subjective levels of urgency. The use of paylater services from the perspective of Maqasid al-Shari'ah often blurs the line between hajjiyat (necessities) and tahsiniyyat (luxuries/lifestyle), which, according to Kasri et al. (2023), is the primary cause of failure in safeguarding wealth (hifz al-mal) in the digital age.

At the Al-Ma'rifah Islamic Boarding School in Cirebon, there is a spatial paradox between the demands of digitalization and religious orthodoxy. The students' inability to reconcile their religious identities with the peer-group pressures of consumerism indicates that conventional Islamic economic knowledge is becoming irrelevant in the face of fintech algorithms. Amiruddin (2022) argues that Islamic educational institutions will produce a generation trapped in "double standards," where religious values focus solely on ritual aspects and remain detached from digital transactions.

## RESEARCH METHODOLOGY

The lived experiences of santri in resolving conflicts between religious values and the use of financial technology were examined using a qualitative approach with a phenomenological design. Phenomenology was chosen because it can reveal the subjective meaning and essence of people's behavior involving cognitive dissonance (Creswell & Poth, 2018). The study was conducted at the Al-Ma'rifah Islamic Boarding School in Kebon Kelapa, Cirebon, a place where Islamic traditions and urban modernity converge. A purposive sampling method using inclusion criteria was employed to select research participants: (1) an active high school student (Generation Z), (2) who has independent access to a smartphone, and (3) who has used the "paylater" feature at least three times in the past six months. After 15 informants were involved, the interview process reached data saturation, or the point of saturation, where no new thematic categories were identified.

The primary data was collected through in-depth interviews conducted using a semi-structured method. Three main dimensions were addressed in the interview protocol: theoretical understanding of usury, the reasons why paylater users utilize it, and the psychological negotiation process during value conflicts. Additionally, to support data validity, the researcher conducted participatory observation of consumption patterns among students in the Islamic boarding school environment as well as digital documentation, such as screenshots of billing notifications or transaction histories. All of this was done while ensuring the anonymity and privacy of the informants. The Interpretative Phenomenological Analysis (IPA) procedure developed by Smith et al. (2009) was used to analyze the data. This process includes: (1) rereading transcripts to gain a comprehensive understanding, (2) performing initial coding (preliminary coding) of key statements, (3) identifying emerging themes, and (4) integrating themes into a narrative structure that explains the phenomenon of cognitive dissonance. The triangulation of research sources and methods cross-referencing observational data with interviews ensured the study's credibility. Additionally, the researcher employed member checked to confirm the interpretation results with the informants. Ethical considerations were strictly observed through the provision of informed consent, the informants' right to withdraw from the study at any time without consequences, and the guarantee of anonymity (use of initials).

## RESULTS AND DISCUSSION

### *Transactional Reframing Mechanisms and Financial Euphemisms*

The research findings indicate that informants tend to engage in cognitive negotiations by rebranding interests which is likely to be used as a more neutral religious term. This phenomenon constitutes a form of financial euphemism to maintain their identity as devout Muslims amidst violations of Sharia economic regulations. Informants consciously change how fees are structured within the pay later feature to align with terms deemed halal in the fiqh al- muamalah literature they have studied. Informant R (18 years old) articulated this clearly, explaining the underlying mechanism as follows:

*"In the Book of Fathul Mu'in, even the smallest addition to a debt is considered usury theoretically . However, in the application, it is referred to as a "service fee" or "handling fee". Since the platform has guaranteed my transaction, I believe this is a wage or salary. Therefore, it is safer to consider it an administrative service rather than bank interest . [In the book \*Fathul Mu'in\*, even the smallest addition to a debt is theoretically considered usury. However, in practice, it is referred to as a "service fee" or "processing fee." Since the platform has already guaranteed my transaction, I believe this is a fee or payment. Therefore, it is safer to consider it an administrative service rather than bank interest.]*

Data supporting the triangulation of documentation indicates that shopping app interfaces consistently use technical terminology that obscures the meaning of interest. Indirectly, students find it easier to justify their actions morally when fintech providers use

terms such as “installment protection” or “processing fees.” The digital platform's structure, which does not explicitly use the word “interest,” allows students to employ pseudo-literacy under the assumption that they remain within Sharia guidelines as long as the terms used do not directly relate to terminology that is textually prohibited. This pattern is further reinforced by the statement of Informant A, who is 17 years old: *"I'm really afraid if the name flower is used. But it feels like borrowing a friend's money and then paying his thanks because the name is Paylater. I think this is a permissible form of emergency as it helps me with a late remittance from home."* [I was really worried about using Bunga's name. But it feels like borrowing money from a friend and then paying them back—that's why it's called Paylater. I think this is an acceptable emergency measure because it helped me with a late money transfer from home.]

### **Social Normalization and Peer Validation**

When such contradictory behavior is validated by the surrounding social environment, the cognitive dissonance experienced by the individual is significantly reduced. At the Al-Ma'rifah Islamic boarding school, digital debt has evolved from a moral stigma into a social trend, as the use of pay later services has become a common practice among peers. Since the pressure to conform to the group is greater than adherence to abstract theological rules, this normalization serves as an excellent buffer against guilt. According to informant S, a 17-year-old, the process of this dissipation of guilt is described as follows:

*"I feel guilty every time I click to verify payment. But those fears disappeared after learning that seniors and roommates also used Paylater to buy new hoodies or skincare. If all members of the Islamic boarding school do the same and remain diligent in worship, then this is considered normal in this day and age ."* [I feel guilty every time I click to confirm a payment. But that fear went away once I found out that the upperclassmen and the dorm president also used Paylater to buy hoodies or new skincare products. If all the boarding school students do the same and still remain devoted to their religious practices, then this is considered normal in today's world.]

According to researchers' field observations, the frequency of package deliveries at the boarding school gate is very high, especially at the end of the month when students' allowances are running low. When opening packages, students often discuss their available “credit limits,” indicating that access to digital credit is viewed as social capital to maintain a certain standard of living among their peers. Informant K (19) stated that there is a sense of pride in having a high credit limit because it is seen as a sign of trust from the digital system, a paradox that overlooks religious warnings about the dangers of debt dependency.

### **The Compartmentalization of Identity and Digital Escape**

The phenomenon of identity compartmentalization—in which santri distinguish their religious identities in the real world from their consumer identities in the digital world—is another key aspect of these findings. Santri are able to distinguish between ritual-academic activities at the Islamic boarding school and financial activities in the virtual world. This leads

to a situation of escapism in which pesantren rules are perceived as having no legal boundaries when it comes to shopping apps. Informant L, a 19-year-old man, clearly explains this identity distinction:

*"I am an obedient student when I stand before the kiai wearing a sarong. However, I am a global customer when I hold my phone during breaks. The rules in the app are click and agree, but the rules in the book are for interactions in the real market. Dormitory rules don't seem to fit the digital world because it's a public space."* [I am a dutiful student when I stand before my teacher wearing a sarong. However, I am a global consumer when I hold my phone during break time. The rules on apps are just a matter of clicking "agree," but the rules in the book are meant for interactions in the real world. Dorm rules seem out of step with the digital world because it is a public space.]

An interview with the boarding school's leader revealed a gap in oversight that allows for this duality of behavior. Although Islamic economics is taught specifically in class, Ustaz M, a student affairs officer, acknowledged that the boarding school lacks the means to monitor transactions occurring on students' cell phones. He stated: *"Even though we teach the law textually, we cannot control their emotions when they are tempted by the discounts available on the application. Authorities change; students are sometimes more obedient to the terms and conditions of the application rather than listening to the teacher's advice about the dangers of usury"* [Even though we teach the law as it is written, we cannot control their emotions when they are tempted by the discounts available on the app. The authority has shifted; students sometimes follow the app's terms and conditions more closely than they heed their teachers' warnings about the dangers of usury]. This situation demonstrates that technology has led to a moral decentralization in which religious values are applied only on a case-by-case basis.

**Table 1 : Labeling Analysis Table**

<b>Dimensions of Analysis</b>	<b>Mechanisms of Cognitive Dissonance Reduction</b>	<b>Empirical Evidence (Field Findings)</b>	<b>Impact on Sharia Compliance</b>
<b>Linguistics</b>	Reframing the term "interest" as a service fee	The use of euphemisms such as "administrative fees" by platforms and informants.	Compliance is superficial and based on technical terminology.
<b>Sociological</b>	Normalization through peer-group validation	Digital debt has become a prerequisite for fitting in with the social norms of the Islamic boarding school community.	The weakening of the community's social control over usury practices.
<b>Spatial</b>	Identity Compartmentalization	The separation of moral standards between the	The emergence of double standards in

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		physical classroom and economic behavior. the digital learning environment.
<b>Authority</b>	Surveillance Blind Spot	The inability of The decentralization administrators to of clerical authority privately monitor through fintech students' digital algorithms. transactions.

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Empirical findings from the field are linked to cognitive dissonance theory through an analytical table. Relabeling interest as a service fee or *ujrah* is a way to reduce dissonance in a linguistic context. The findings of this study indicate that students construct moral justifications by using euphemisms provided by the app interface. When the term "interest," which has a negative connotation in Islam, is replaced with "administrative fee," a person psychologically feels that they are no longer violating God's law. This results in a superficial adherence to Sharia, where the students' obligations focus solely on the technical terms appearing on the phone screen, rather than on the substance of the transaction that actually contains elements to increase the debt's value.

The process of normalization within peer groups mitigates cognitive dissonance in the sociological dimension. The results indicate that when digital debt-taking becomes part of a group's identity to sustain a consumerist lifestyle, individuals' feelings of guilt diminish. Social validation from roommates or older peers at the Islamic boarding school shields individuals from theological fears. As a result, social control over usury practices in the *pesantren* which are typically very strict weakens because such behavior has become embedded in the popular culture of contemporary *santri*, rendering it a norm no longer subject to critical scrutiny.

There is a clear moral divide between the boarding school's virtual world and the real world, as indicated by spatial dimensions. The explanatory text for this category explains that students possess the ability to perform an "identity switch," or a shift in identity, depending on the medium they use. The *santri's* identity as a seeker of religious knowledge is highly dominant in physically oriented classroom spaces; however, when they enter the digital ecosystem, this identity is immediately deactivated. The result is the emergence of a dual morality, where religious principles are viewed as rules dictated by physical locations such as dormitories and mosques while the digital space is regarded as a value-free zone governed solely by low cost and convenience.

Finally, the element of authority helps explain why institutional controls fail due to blind spots in digital oversight. This technical explanation relates to the inability of Islamic boarding school administrators to monitor students' private activities via smartphones. Fintech algorithms can replace religious leaders in controlling students' economic behavior because

physical authority cannot monitor digital transactions. This results in the decentralization of religious authority, where the terms and conditions of apps often have a greater influence on students' financial decisions than fatwas or religious advice delivered verbally at the boarding school.

## DISCUSSION

The research findings indicate that Pesantren Al-Ma'rifah's status as a morally isolated institution is no longer sufficient to stem the tide of digital consumerism driven by fintech. Festinger's (1957) theory of cognitive dissonance suggests that the psychological discomfort caused by the conflict between financial behavior and religious values can be reduced by altering one's cognition rather than by ceasing the behavior. The dynamics observed among Generation Z students reflect this theory. This aligns with the argument by Hassan et al. (2023), who states that Muslim consumers are often forced to engage in “faith negotiations” to justify practices whose halal status is normatively questionable due to the allure of digital convenience.

This study found that understanding of Islamic economics in Islamic boarding schools remains textual in nature, as evidenced by the transactional reframing mechanism—that is, reframing interest as a service fee. Although students can recall the prohibition on usage in classical texts, they cannot contextualize it when confronted with linguistic euphemisms created by platform providers. As stated by Sudarsono (2021), the integrity of the Muslim economy in the contemporary era depends heavily on the ability to distinguish economic substance from technical terminology. At Al-Ma'rifah, students are trapped in “pseudo-literacy” that enables moral laundering, where Sharia terms such as *ujrah* are forced to legitimize debt transactions containing interest.

Furthermore, the social normalization occurring within the Islamic boarding school environment through peer validation also indicates a shift in moral authority. When students observe older individuals or their peers using pay later services without facing any tangible social or theological sanctions, their threshold for guilt decreases. This phenomenon supports the thesis of Mubarok and Park (2024), who state that if the majority of group members engage in deviant behavior, communal religious environments can inadvertently become venues for the normalization of deviant behavior. Consequently, digital debt is viewed as a prerequisite for maintaining social status and an appropriate lifestyle within the boarding school rather than as a moral responsibility.

Furthermore, the observed phenomenon of identity compartmentalization indicates a strong moral dualism. By viewing religion as spatially bounded rules, the separation between the sacred physical space of the Islamic boarding school and the digitally neutral space—perceived as value-neutral—reveals that students perceive religion as spatially bounded rules. This aligns with Amiruddin's (2022) warning about the threat of “dual identity” among Muslim youth, where adherence to Sharia is merely performative in public spaces and pragmatic-secular in private digital spaces. Religious authority still rests with the *kiai* and

ustadz on the pulpit, but fintech algorithms and instant discount schemes hold full sway over the students' thumbs and financial decisions on their phones. This results in what is termed the decentralization of religious authority.

Overall, these findings contribute to the literature on Muslim consumer behavior by emphasizing that a progressive reorientation of the curriculum is necessary for traditional religious education. As noted by Kasri et al. (2023), the protection of wealth (hifz al-mal) within the Maqasid al-Shariah cannot be achieved without sufficient digital financial literacy. Pesantren will continue to produce students who are verbally fluent but vulnerable to digital debt exploitation if they focus solely on the black-and-white prohibition of usury without studying the fintech ecosystem. Therefore, to safeguard the financial integrity of future generations, this discussion emphasizes the importance of combining traditional wara' (prudence) values with digital economic navigation skills.

## CONCLUSION AND RECOMMENDATIONS

The study found that students at the Al-Ma'rifah Islamic boarding school faced acute cognitive dissonance that forced them to change their religious identity due to the introduction of Buy Now Pay Later (BNPL) technology. This phenomenon indicates that the mechanism for reducing dissonance does not occur by ceasing consumptive behavior. Instead, the term "interest" is redefined as a religiously neutral "service fee." This situation is exacerbated by social normalization within peer groups, which transforms the stigma of debt into a sociological norm to maintain a conformist lifestyle. Furthermore, findings regarding identity compartmentalization indicate a sharp moral dualism among students at Islamic boarding schools. Students distinguish the physical space of the boarding school—considered sacred—from the digital space—perceived as value-neutral. This suggests that conventional religious governance is beginning to face challenges with decentralization due to the dominance of fintech algorithms in private financial decision-making. Theoretically, this study contributes to previous research on Muslim consumer behavior by arguing that textual understanding of Sharia is no longer sufficient to address the complexity of digital financial euphemisms. Consequently, to safeguard hifz al-mal, or the protection of wealth, for future generations of Muslims, a progressive curriculum integration is required between classical muamalah values and digital economic navigation skills.

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