

## IMPLEMENTATION OF RAHN TASJILY FOR THE BENEFIT OF THE COMMUNITY PEUREULAK PAWNSHOP, EAST ACEH

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### Abstract

The requirements of society will dictate how economic practices develop. Efforts to create the Islamic economy revolve on the idea of *maslahah*. The central focus of this study is to analyze the current Islamic pawn system and its application of the notion of *Rahn* within the framework of Islamic law. *Rahn*, whose root meaning is "to hold," refers to the Islamic tradition of pledging a valued asset as security for a loan. This paper seeks to provide a thorough explanation of *Rahn* and examine its several applications in modern Islamic pawn institutions. In pawning, an object is pledged as security for a loan, with the understanding that if repayment becomes problematic, the collateral might be sold to cover the amount. One aspect of pawning is *rahn tasjili*, which is a moveable item that serves as collateral for debt. The *rahin* retains control over the collateral, which is used to pay off the loan, while the *murtahin* receives evidence of ownership. Staying safe, putting one's own needs first, and not engaging in acts that go against Islamic law, including usury, are the cornerstones of *rahn tasjili*. Research in the area was used in this effort. The methods used to gather data were documentation, interviews, and observation. Data reduction, presentation, verification, and collecting were all accomplished via the application of qualitative analytic methodologies.

**Keywords:** *Rahn tasjily*, pawnshop, pawn, government, society.

### Abstrak

*Kebutuhan masyarakat akan menentukan bagaimana praktik ekonomi berkembang. Upaya untuk menciptakan ekonomi Islam berpusat pada gagasan maslahah. Fokus utama studi ini adalah untuk menganalisis sistem gadai Islam saat ini dan penerapannya pada konsep Rahn dalam kerangka hukum Islam. Rahn, yang arti dasarnya adalah "memegang," mengacu pada tradisi Islam untuk menggadaikan aset berharga sebagai jaminan pinjaman. Makalah ini bertujuan untuk memberikan penjelasan menyeluruh tentang Rahn dan meneliti beberapa penerapannya dalam lembaga gadai Islam modern. Dalam gadai, suatu barang digadaikan sebagai jaminan pinjaman, dengan pemahaman bahwa jika pembayaran menjadi bermasalah, jaminan tersebut dapat dijual untuk menutupi jumlah tersebut. Salah satu aspek gadai adalah rahn tasjili, yaitu barang bergerak yang berfungsi sebagai jaminan utang. Rahin mempertahankan kendali atas jaminan tersebut, yang digunakan untuk melunasi pinjaman, sementara murtahin menerima bukti kepemilikan. Menjaga keselamatan, memprioritaskan kebutuhan sendiri, dan tidak terlibat dalam perbuatan yang bertentangan dengan hukum Islam, termasuk riba, adalah landasan rahn tasjili. Penelitian di bidang ini digunakan dalam upaya ini. Metode yang digunakan untuk mengumpulkan data adalah dokumentasi, wawancara, dan observasi. Pengurangan data, penyajian, verifikasi, dan pengumpulan semuanya dilakukan melalui penerapan metodologi analitik kualitatif.*

**Kata Kunci:** *Rahn tasjily*, pegadaian, gadai, pemerintah, masyarakat.

### INTRODUCTION

The empirical phenomena related to the social application of *Rahn Tasjily* constitute the main topic of this study. The Islamic financial concept of *rahm*, or pawn in Sharia terms, has existed since the time of the Prophet Muhammad (peace be upon him). Today, Muslims have another option for obtaining Sharia compliant financial services thanks to the sophisticated Sharia pawn system that evolved from this idea. *Rahn*, a financial instrument emerging in the modern Sharia economy, has received considerable attention, particularly in relation to

Sharia pawnshops. *Rahn*, whose root meaning is "to hold" or "to deposit," is a legal document in Islamic law that stipulates a promise to repay a debt or other financial commitment using a valuable asset (Ghazaly, Ihsan & Shidiq, 2016).

*Rahn* is one of the instruments in Islamic commercial jurisprudence (*fiqh muamalah*) that has been known since the time of the Prophet Muhammad (peace be upon him), in which an asset is pledged as collateral for a debt and delivered to the creditor (*murtahin*) as a means of strengthening the contract. In the classical concept, the physical transfer of the collateral

(qabdh) is a crucial element, as it provides legal certainty and minimizes the risk of default. The pledged asset remains the property of the debtor (rahin), but it is under the control of the murtahin until the debt is repaid. This practice has a strong foundation in the Qur'an, Hadith, and classical fiqh literature, as explained in works such as Ghazaly et al. (2016).

With the development of the modern Islamic economy, the concept of rahn has evolved into an innovative form known as *Rahn Tasjily*. This refers to a pledge contract in which the collateral is not physically transferred; instead, only proof of ownership documents—such as land certificates or vehicle registration documents—are submitted. Under this scheme, the asset remains in the possession of the “rahin” and can still be utilized, while the murtahin holds only the legal documentation as collateral. This practice has been widely adopted in Islamic financial institutions, particularly Islamic pawnshops, as it is considered more flexible and better suited to modern societal needs.

However, the fundamental differences between classical rahn and *Rahn Tasjily* give rise to several conceptual and practical issues that remain debated. From a fiqh perspective, the absence of physical possession raises questions regarding the validity of qabdh, which classical scholars consider an essential requirement in a rahn contract. Moreover, leaving the collateral under the control of the rahin creates potential moral hazard risks, such as the possibility of transferring or repledging the asset without the knowledge of the murtahin. From the standpoint of positive law, *Rahn Tasjily* also faces challenges in harmonizing with existing collateral systems, such as fiduciary security and mortgage rights, particularly concerning execution mechanisms in cases of default.

These conditions indicate a significant research gap. First, further study is needed to

assess the validity of *Rahn Tasjily* from a fiqh perspective, especially regarding the reinterpretation of qabdh in a modern context. Second, effective risk mitigation mechanisms must be examined to prevent misuse of collateralized assets. Third, research on harmonizing Sharia principles with national legal systems is essential to ensure legal certainty in the implementation of *Rahn Tasjily*. Additionally, the lack of standardized practices across Islamic financial institutions and the need for evaluation based on maqasid al-shariah further highlight the urgency of continued research. Therefore, as a product of contemporary ijtehad, *Rahn Tasjily* still requires comprehensive study to ensure it fully upholds the principles of justice, public interest, and legal certainty within the Islamic economic framework.

The Quran and Hadith provide a strong legal basis for this concept, which has deep roots in Islamic history. When a borrower uses a Sharia compliant valuable as collateral to secure a loan, the borrower can assume all or part of the debt. This practice is known as Rahn in Islamic law (fiqh muamalah). Islamic pawnshops have recently opened up operations in Rahn, providing Muslims with financing options that align with Islamic values (Istianah & Zen 2024:2). In this study, *rahn* is somewhat different from the usual form, namely *Rahn Tasjili*. Instead of the physical asset being held as collateral, it is the proof of ownership (the ownership documents) of the asset that is used as the guarantee.

The same research this study originated from the practice of implementing the *rahn tasjily* contract at BMT Al-Hikmah Semesta, Kembang Branch, which is the most popular among the surrounding community. This study aims to (1) determine the conformity of the *rahn tasjily* practice (pawn of ownership documents)

at BMT Al-Hikmah Semesta Kembang Branch with the DSN-MUI Fatwa No. 68/DSN-MUI/III/2008 concerning *rahn tasjily*; and (2) examine the practice of *rahn tasjily* at BMT Al-Hikmah Semesta Kembang Branch (Damayanti, 2022).

The system and practice of Islamic economics in Indonesia have developed quite rapidly over the past decade. This significant growth has occurred because the existence of this system aligns with the aspirations of society particularly Muslims to conduct all economic activities in accordance with Islamic teachings. Islam is a religion that governs all aspects of human life, including daily economic activities. As time progresses and societal needs evolve, banking institutions have also developed substantially, especially in terms of products, systems, operations, and the innovations they offer.

For lower and middle income economic actors, one of the main challenges faced is limited access to capital. Communities require sources of financing that are accessible, affordable, and fast. In addition, they need flexibility in terms of the amount and implementation of financing. Islam teaches mutual assistance in promoting public welfare (*masalahah*). Such assistance may take the form of non-repayable transfers, such as zakat, infaq, and sadaqah, or repayable transactions such as leasing and pledging (*rahn*).

Pawn (*rahn*) is one form of credit guarantee that has long been known in society. The concept of pledging existed during the time of the Prophet Muhammad (peace be upon him), and he himself practiced it. The principles of *rahn* strongly emphasize social values, mutual help, and trust in their implementation. This is also reflected in the existence of institutions such as Baitul Maal wat Tamwil (BMT), which are not solely profit oriented but aim to promote

collective welfare rather than maximizing profit without regard for social benefit.

In essence, loan transactions in Islamic finance involve various contracts that are grounded in Islamic principles and motivated by the objective of achieving mutual benefit. An appropriate solution for meeting urgent financial needs in a Sharia compliant manner is the use of Islamic financing contracts. One commonly used contract in community based Islamic lending practices is *rahn tasjily*.

The *rahn tasjily* contract refers to a pledge in which an asset is used as collateral for a debt; however, the pledged asset (*marhun*) remains in the possession and use of the debtor (*rahin*), while proof of ownership is submitted to the creditor (*murtahin*). Loans secured through *rahn tasjily* are permissible under the condition that the *rahin* transfers proof of ownership of the asset to the *murtahin*. The storage of collateral in the form of legal ownership documents (*such as certificates*) does not transfer ownership of the asset to the *murtahin*. The *rahn tasjily* contract is one of the important instruments in modern Islamic financing practices, particularly in providing flexible and accessible funding solutions for the community.

## METHODOLOGY

The researchers in this study relied heavily on descriptive and analytical methods, which are characteristic of qualitative research. Due to the lack of intervention, manipulation, experimentation, or testing in qualitative research, this research is sometimes referred to as naturalistic research. The data for this study, which includes both primary and secondary sources, was collected through a qualitative approach. Discovering what the subjects of the study think, feel, or do regarding a phenomenon therefore, qualitative approaches such as focus groups or interviews can be helpful in this

regard. Some specific anecdotes from people involved with the topic under study can be obtained through interviews. Data collection methods used in this study include observational methods. Direct observation of subjects and their environment with the aim of explaining and predicting the origins of behavior is known as observation (Adhandayani, 2020:3).

## RESULTS AND DISCUSSION

Part of Aceh Province in the Republic of Indonesia is Peureulak Regency, located in East Aceh Regency. Here, you can find a Sharia Pawnshop, and here's how it works: Clients entrust their personal belongings to the pawnshop through a rahn contract, and the pawnshop agrees to keep the items safe at a location of their choosing. The investment value of the storage space, maintenance costs, and overall operations all arise as a result of the storage process. Based on this, the pawnshop can legally charge customers a rental fee according to the agreed amount. Revenue for the Sharia Pawnshop will come solely from the rental fee; it will not be supplemented by interest or capital rent calculated on the loaned funds. Thus, it can be concluded that the act of lending money is actually a trick to entice customers to store their belongings at the pawnshop (Surepno, 2018:6)

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This practice has been widely adopted in Islamic financial institutions, particularly Islamic pawnshops, as it is considered more flexible and better suited to modern societal needs. However, the fundamental differences between classical *rahn* and *Rahn Tasjily* give rise to several conceptual and practical issues that remain debated. From a fiqh perspective, the absence of physical possession raises questions regarding the validity of *qabdh*, which classical scholars consider an essential requirement in a *rahn* contract.

Moreover, leaving the collateral under the control of the *rahin* creates potential moral hazard risks, such as the possibility of transferring or repledging the asset without the knowledge of the *murtahin*. From the standpoint of positive law, *Rahn Tasjily* also faces challenges in harmonizing with existing collateral systems, such as fiduciary security and mortgage rights, particularly concerning execution mechanisms in cases of default. These conditions indicate a significant research gap. First, further study is needed to assess the validity of *Rahn Tasjily* from a fiqh perspective, especially regarding the reinterpretation of *qabdh* in a modern context. Second, effective risk mitigation mechanisms must be examined to

prevent misuse of collateralized assets. Third, research on harmonizing Sharia principles with national legal systems is essential to ensure legal certainty in the implementation of Rahn Tasjily.

Additionally, the lack of standardized practices across Islamic financial institutions and the need for evaluation based on *maqasid al-shariah* further highlight the urgency of continued research. Therefore, as a product of contemporary *ijtihad*, Rahn Tasjily still requires comprehensive study to ensure it fully upholds the principles of justice, public interest, and legal certainty within the Islamic economic framework.

In conducting this study, the researchers primarily employed descriptive and analytical methods, which are characteristic of qualitative research. Qualitative research is often referred to as naturalistic research because it does not involve intervention, manipulation, experimentation, or testing, but instead seeks to understand phenomena in their natural context. The data used in this study consist of both primary and secondary sources collected through a qualitative approach.

The central aim of this method is to explore what research subjects think, feel, and do in relation to a particular phenomenon, as emphasized by Moleong (2018). To support this approach, qualitative techniques such as interviews and focus group discussions are particularly useful, as they allow researchers to obtain in-depth insights and personal experiences from individuals directly involved in the subject under study. In addition, this research employs observational methods, which involve direct observation of subjects and their environment in order to explain and predict behavioral patterns. Observation, as noted by Adhandayani (2020), is a systematic method used to understand the origins and dynamics of behavior in a real-life setting.

One of the empirical contexts of this study can be found in Aceh, specifically in the Peureulak area of East Aceh Regency. In this region, Islamic pawnshop practices demonstrate the operationalization of *rahn* contracts in contemporary settings. Customers entrust their valuable assets to the pawnshop under a *rahn* agreement, and the institution assumes responsibility for safeguarding these items in designated storage facilities. This storage process incurs various costs, including infrastructure investment, maintenance, and operational expenses.

Based on these considerations, the Islamic pawnshop is permitted to charge customers a rental fee (*ujrah*) for storage services, in accordance with prior agreement. Importantly, the revenue generated by the pawnshop is derived solely from these service fees and not from interest or profit on the loan itself, thereby maintaining compliance with Sharia principles. However, as highlighted by Surepno (2018), this practice raises a critical perspective: the provision of loans may function primarily as an incentive mechanism to encourage customers to store their assets, rather than as the core source of profit. This insight opens further discussion on the economic substance and ethical implications of Islamic pawnshop operations within the framework of Sharia compliance.

The *Rahn Tasjily* based Sharia KUR disbursement procedure at Pegadaian Peureulak, East Aceh, involves four main stages, structured in a simple and efficient manner. These stages include document submission, verification and survey (determination of eligibility), contract signing, and installment payments. This procedure eliminates the burden of physical collateral on customers, demonstrating inclusivity and support for micro-SMEs, which have traditionally been underserved by conventional financial institutions.

The data shows that the field survey approach used to assess business feasibility yields more contextual information than document based methods alone. The mu'nah fees charged are transparent, proportional, and do not burden customers. All elements of the contract comply with DSN-MUI Fatwa No. 68/DSN-MUI/III/2008, demonstrating strong sharia compliance. Interpretation of the data indicates that this financing mechanism is not only technically effective but also reflects the implementation of maqashid sharia. Simple procedures and low costs reinforce the principles of taysir (ease), hifz al-mal (protection of assets), and 'adl (justice). Personalized and riba-free service reinforces the maslahah dimension, namely the realization of holistic social benefits in the financial relationship between the institution and its customers. From an Islamic economic theory perspective, the *Rahn Tasjily* financing system confirms that sharia financing can be a real, solution oriented alternative for microeconomic empowerment.

This Islamic based procedure differentiates itself from conventional mechanisms that often burden MSMEs. This finding aligns with that of Saifurrahman & Kassim (2024), who stated that procedural ease is key to effective sharia financial inclusion. Furthermore, these findings are reinforced by research by Marshelindy, Handayani, Emilda, Ratu & Mutaqin (2024) and Nurfadilla, Mira, & Ilham (2025), who emphasized the importance of conforming contracts to sharia principles in increasing public trust in sharia financial institutions. Overall, Pegadaian Peureulak, East Aceh, appears to have successfully implemented sharia microfinance. The study by Rizkyanti, Damirah, Nurfadhilah, & Musmulyadi (2025), titled "Implementation of Sharia KUR Based on Rahn Tasjily in the Development of MSMEs at PT Pegadaian," published in BJRM: Bongaya

Journal for Research in Management, 8(2), 19–30, focuses on the implementation of the Sharia People's Business Credit (KUR) product using the *Rahn Tasjily* contract at PT Pegadaian (a case study at Pegadaian CP Parepare).

### **Economic Field**

As explained, Rahn Tasjily's function is to develop the economy or businesses of the surrounding community. Furthermore, the system used is one that is profitable because it is more competitive (Rudi, interview, December 22, 2025). Prioritizing the economic aspect must be a key point for actors to be able to create an environment that supports sustainable development and shared prosperity. This procurement has also created a stable economy for the community and is able to reduce unemployment, thus lowering poverty and also providing the community with broader economic opportunities. The economy is a top priority in people's lives, which has led them to decide not to shift to conventional banks (Rudi, Interview, December 22, 2025).

The income earned is not only used to meet daily needs but also as an investment for the future, namely education. This is a positive benefit that deserves careful consideration by the government. Investing in education now will provide more and better job opportunities in the future. Improving the quality of education will lead to an overall improvement in the quality of life. Improving the standard of living through education will also reduce social inequality, as everyone has equal opportunities. Improved daily life, including the fulfillment of food, shelter, and even clothing, gives people hope for a secure life. They are aware of the risks of their profession, but they still prioritize the needs of their families, both now and in the future.

### **Legal and Legal Affairs**

Some of the legal bases used in the

implementation of Rahn Tasjily in everyday life are as follows:

- a. Al-Quran Surah Al-Baqarah verse 283 which means: "If you are on a journey (and don't pay for charity in cash) and you don't have a writer, then there should be dependents held (by the debtor)
- b. Hadith narrated by Bukhari and Muslim; about the Prophet Muhammad SAW who pawned his armor to a Jew in Medina.
- c. Ijma' The scholars have agreed that rahn/pawn is permissible and they have never questioned its permissibility, as well as its legal basis. In addition, based on the fatwa of the National Sharia Council No. 25/DSN-MUI/III/2002, dated June 26, 2002, it is stated that loans by pawning goods as collateral for debt in the form of rahn are permissible. The majority of scholars are of the opinion that rahn is prescribed for both when not traveling and when traveling (Istianah & Zen, 2024:4).

From the interview results obtained by the pawnshop, it was stated that the technical management of the pawnshop itself will be able to operate only if it has obtained permission from the Government and MUI. So, because pawnshops also comply with established regulations, it is up to the pawnshop to decide whether its management is in accordance with those regulations. Therefore, knowing the boundaries of the jurisdiction of provincial and district governments and having the legal confidence to act is very important (Rudi, interview December 22, 2025).

Legal rules regarding the use of privately owned products serve the public interest. Therefore, they remain compliant with Sharia law as long as they adhere to the rules set forth in the fatwa of *Rahn Tasjily*. As previously mentioned, there are many schools of thought among Islamic jurists regarding the

consumption of goods. Agreed upon and acceptable limits must be adhered to when using goods (marhin) and rahn. To ensure that these views do not conflict with Islamic Sharia, they must be examined in light of the provisions of the fatwa. However, most of these views focus on human welfare, which is the primary objective of Sharia. By shifting the focus to protecting human welfare, the Sharia requirement emphasizes the maqasid as-sharia (objectives of sharia) (Ifrohatussawamah, 2016:72).

### **Obstacles to the Implementation of Rahn Tasjily in Society**

The challenges themselves are more technical for the customer, such as whether the customer meets the requirements for Rahn Tasjili. Rahn Tasjili is similar to a microloan, meaning a small scale loan intended for low-income individuals or groups who have difficulty accessing loans from conventional banks. For example, if a vehicle ownership certificate (BPKB) is pawned, the customer can obtain a loan from a pawnshop. The challenges arise from whether the customer meets the criteria. If the pawnshop product does meet the criteria, Peureulak Pawnshop itself has facilitated it according to the conditions of each region (Rudi, interview, December 22, 2025).

Financing complies with DSN-MUI Fatwa No. 68/DSN-MUI/III/2008 concerning Rahn Tasjili, while prioritizing Sharia principles without elements of usury, gharar, or maysir. The implementation of Sharia KUR distribution is also relevant to the principles of maqashid sharia, particularly the principles of hifz al-mal (protection of wealth), benefit (maslahah), and al-'adl (justice). This research contributes to the development of an inclusive Islamic value-based Sharia microfinance model, along with practical suggestions for financing development, which enriches the sharia microfinance literature. However, limitations in terms of study location

and the lack of quantitative measurement of the impact of financing are important considerations.

### **The Impact Caused**

The impacts of using *Rahn Tasjily* are evident. Based on the data obtained, the majority of those implementing Rahn Tasjily are traders. Therefore, it can be concluded that the product's function is to help customers, or the general public, particularly traders, increase their sales and expand their businesses with capital provided by the pawnshop. Furthermore, the pawnshop itself monitors the smooth running of the customer's business. Therefore, even though the loan is granted, the responsibility is not simply absolved, but rather ensures that the funds are used to start a business. The impact is clearly seen only in the economic development of the pawnshop's customers. Other impacts, such as the case at the Peureulak pawnshop, include customers who have made installments but have not yet paid them to the pawnshop, or there are delays in payments.

Therefore, it is crucial that pawnshops conduct a thorough survey before disbursing funds to ensure the authenticity of the business. Failure to do so will result in immediate blacklisting and disbursement of funds to customers engaging in such illegal activities. Furthermore, it is crucial for pawnshops to conduct literacy education and outreach programs, including distributing brochures to relevant agencies, the public, and prospective customers, as well as providing indepth education on pawnshop products available to the public (Rudi, interview, December 22, 2025).

### **Contributions and Benefits to the Government.**

If seen from daily observations, the government's contribution to pawnshop activities is to improve the economy of the surrounding community, automatically from the pawnshop

itself when disbursing funds to customers to develop the economic scale of the community, while for the government itself, because pawnshops are state owned companies, pawnshops provide annual income to the state or to the government, for pawnshop calculations, the income obtained is calculated to be trillions per year, so every month pawnshops provide contributions and profits to the government.

The implementation of *Rahn Tasjily* as part of modern Islamic financial instruments provides not only benefits to individuals and financial institutions but also significant contributions to the government. From a theoretical perspective, this can be analyzed through the lenses of Islamic economic theory, public finance, and institutional economics, particularly in relation to financial inclusion, asset-based financing, and socio economic welfare. First, within the framework of Islamic economics, *rahn* aligns with the principles of *maqasid al-shariah*, especially in preserving wealth (*hifz al-mal*) and promoting social justice. As emphasized by Abu Ishaq al-Shatibi, economic activities should aim to protect and enhance public welfare (*maslahah*). *Rahn Tasjily*, by allowing individuals to access financing without relinquishing the use of their assets, contributes to economic productivity while maintaining ownership rights. For the government, this supports broader policy goals such as poverty alleviation, equitable wealth distribution, and sustainable development. Second, from the perspective of financial inclusion theory, *Rahn Tasjily* plays a crucial role in expanding access to formal financial services. Many individuals, particularly in developing regions, possess valuable assets but lack liquidity. By enabling the use of ownership documents (rather than physical assets) as collateral, *Rahn Tasjily* lowers barriers to credit access.

According to World Bank reports on financial inclusion, expanding access to collateral-based financing significantly enhances participation in the formal economy. This, in turn, benefits the government through increased economic activity, improved tax bases, and reduced reliance on informal lending systems. Third, in terms of public finance theory, Rahn Tasjily contributes indirectly to state revenue and fiscal stability. Islamic pawnshops generate income through service fees (*ujrah*), which are subject to taxation and regulatory oversight.

As noted by Richard Musgrave, government revenue systems benefit from diversified and formalized economic activities. By formalizing collateral-based lending within a Sharia compliant framework, *Rahn Tasjily* helps the government capture economic value that might otherwise remain in the informal sector. Fourth, from an institutional perspective, Rahn Tasjily strengthens the legal and financial infrastructure of a country. The integration of this instrument with existing legal frameworks—such as fiduciary guarantees and property rights encourages regulatory development and institutional harmonization. Scholars like Douglass North emphasize that strong institutions are essential for economic growth.

In this context, *Rahn Tasjily* encourages improvements in asset registration systems, legal enforcement mechanisms, and financial governance, all of which are beneficial for government administration. Fifth, *Rahn Tasjily* supports micro, small, and medium enterprises (MSMEs), which are often prioritized in government economic policies. By providing accessible, Sharia compliant financing, this instrument enables MSMEs to obtain working capital without losing control over their productive assets. This contributes to job creation, economic resilience, and regional development. As highlighted by Islamic

Development Bank, asset based financing instruments like *rahn* are particularly effective in supporting grassroots economic activities. Finally, *Rahn Tasjily* also contributes to social stability, which is a key concern for governments. By offering an alternative to interest-based lending, it reduces the risk of exploitative financial practices and over indebtedness. This aligns with the ethical foundations of Islamic finance, as discussed by Muhammad Umer Chapra, who argues that a just financial system is essential for long-term socio economic stability

In summary, *Rahn Tasjily* offers multifaceted benefits to the government, including enhancing financial inclusion, increasing formal economic activity, strengthening institutional frameworks, supporting MSME development, and promoting social welfare. Grounded in both Islamic economic principles and modern economic theory, this instrument represents a strategic tool for achieving inclusive and sustainable development. However, its optimal contribution depends on effective regulation, standardization, and alignment with both Sharia principles and national legal systems.

## CONCLUSION

The findings of this study corroborate previous findings that microfinance has flexibly adapted to the Sharia based concept of Rahn (collateral) as loan collateral. While barriers to public education and uniformity of practice persist, Sharia pawnshops have effectively complied with Sharia norms, such as avoiding *riba* (usury). With the use of technology, greater product innovation, and better collaboration with authorities and schools, Sharia pawnshops can become a market relevant, contemporary alternative to traditional finance that complies with Sharia law. Strategically, Sharia pawnshops

help more people access Sharia financial services, particularly those underserved by mainstream banks. This sector can provide fair and sustainable financial solutions while contributing to Sharia-based economic stability and development through expanding education, simplifying service access, and strengthening supportive policies.

Traditional pawnshops are prohibited by Sharia law due to the charging of interest (riba), but Sharia compliant pawnshops provide a solution. The issuance of the DSN MUI Fatwa No. 25/DSN-MUI/III/2002 on rahn, 26/DSNMUI/III/2002 on gold rahn, and 68/DSN-MUI/III/2008 on tasjily rahn led to the development of Islamic pawnshops. Islamic pawnshops and Islamic banks have grown rapidly since then, offering a variety of Sharia-compliant services. It is not accurate to say that Islamic pawnshops abolished interest; rather, they replaced it with storage fees based on ijarah (service) contracts.

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