

## Rahn Contract at Sharia Pawnshop in Madura: Analysis of Maqasid al-Shariah, Socio-Cultural Dynamics, and Socio-Economic Impacts

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### Abstract

This study examines the implementation of rahn contracts in Islamic pawnshops within the Madurese community, focusing on their alignment with Maqasid al-Shariah principles, the socio-cultural and religious dynamics influencing perception and implementation, and their socio-economic impact. This research is motivated by academic debates regarding the effectiveness of Islamic financial instruments in achieving societal well-being. Using a qualitative approach and a case study method, data were collected through in-depth interviews, participatory observation, and document analysis. The findings indicate that rahn contracts in Madura's Islamic pawnshops generally fulfill the objectives of Maqasid al-Shariah, particularly in terms of wealth protection (hifz al-mal) and social welfare. However, implementation still faces challenges, especially regarding transparency and financial literacy among the community. Additionally, cultural and religious dynamics in Madura play a significant role in shaping public perception of rahn, where local wisdom and religious norms influence the utilization of Islamic pawnshop services. From a socio-economic perspective, this study finds that Islamic pawnshops contribute to financial inclusion, providing capital access for small businesses and reducing dependence on interest-based conventional pawn systems. However, challenges remain, such as high administrative fees perceived by some communities and limited access in remote areas. These findings provide crucial insights for developing a more inclusive and community-oriented rahn system. Policy recommendations include enhancing Islamic financial literacy, optimizing rahn-based financing schemes, and strengthening regulations to ensure transparency and sustainability of Islamic pawnshops in Madura.

**Keywords:** *Rahn, Sharia Pawnshop, Maqasid al-Shariah, Socio-Cultural Dynamics, Socio-Economic Impacts, Madura.*

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## Introduction

The concept of *Maqasid al-Shariah* is often a topic of discussion that attracts the attention of Islamic law scholars and Islamic economics experts.<sup>1</sup> The main debate focuses on the extent to which the principles of *Maqasid al-Shariah* can be practically implemented in modern financial instruments, including *rahn* (Islamic pawnshop).<sup>2</sup> Some academics argue that the application of *Maqasid al-Shariah* is often normative and less integrated into real-world practice, making it not always effective in addressing the socio-economic needs of society.<sup>3</sup> On the other hand, there is an optimistic view that, if well-designed and properly implemented, instruments based on *Maqasid al-Shariah*, such as *rahn*, can serve as an inclusive solution to empower communities and reduce economic disparities.<sup>4</sup>

Research on *rahn* as an Islamic financial instrument shows a significant impact on financial inclusion and economic empowerment.<sup>5</sup> However, its effectiveness in creating a significant socio-economic impact remains a question that requires empirical proof.<sup>6</sup> Data from PT Pegadaian recorded an increase in *rahn* transactions from 7,822,599 transactions with 2,345,814 customers in 2011 to 23,006,855 transactions with 1,389,845 customers in 2020. In some regions, *rahn* is seen merely as a short-term financial solution without providing a lasting impact on economic empowerment.<sup>7</sup> A study at Sharia Pawnshop in Indonesia found that *rahn* financing significantly influences customer trust, with a t-value of 2.989 (greater than the t-table value of 1.985) and a significance level of  $0.000 < 0.05$ .<sup>8</sup> Another study in Malaysia showed that *rahn* financing contributes to increased customer income. However, its effectiveness in creating a sustainable socio-economic impact remains debated, as in some regions, *rahn* is seen merely as a short-term financial solution, while in others, it has been proven to enhance financial inclusion, particularly

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<sup>1</sup> Kusnan, Muhammad Damar Hulan bin Osman, dan Khalilurrahman, "Maqashid Al Shariah in Economic Development: Theoretical Review of Muhammad Umer Chapra's Thoughts," *Millah: Journal of Religious Studies*, 24 Juli 2022, 583–612, <https://doi.org/10.20885/millah.vol21.iss2.art10>; Asyraf Wajdi Dusuki dan Nurdianawati Irwani Abdullah, "Maqasid al-Shariah, Maslahah, and corporate social responsibility," *American Journal of Islamic Social Sciences* 24, no. 1 (2007): 25.

<sup>2</sup> Lidia Rahmah Maulidia, "The Optimizing of Rahn Service for The Development of Islamic Banking in Indonesia," *Jurnal Iqtisad* 4, no. 2 (2003), <https://doi.org/10.20885/iqtisad.vol4.iss2.art4>; Lokmanulhakim Hussain dan Mohammad Mahbubi Ali, "Shari'ah Non-Compliant Assets as Rahn (Pledge) in Islamic Banking Products: A Fiqh Perspective," *ISRA International Journal of Islamic Finance* 9, no. 2 (4 Desember 2017): 196–99, <https://doi.org/10.1108/IJIF-08-2017-0018>.

<sup>3</sup> Dwi Apriliana dan Budi Jaya Putra, "Islamic Economy: Buying And Selling, Syirkah, Rahn And Agreement Of Agreements," *Islamic Studies in the World* 1, no. 4 (4 Desember 2024): 151–66, <https://doi.org/10.70177/isw.v1i4.1024>.

<sup>4</sup> Jeniza Jamaludin dkk., "The Safe-Keeping Fee In Al-Rahn And Shariah Compliance," *Journal of Survey in Fisheries Sciences* 10, no. 1S (14 Mei 2023): 5848–57.

<sup>5</sup> Mohamed Fairouz Abdul Khir, "Revisiting the Fiqh Characterisations of The Rahn-Based Islamic Microcredit Product," *ISRA International Journal of Islamic Finance* 3, no. 2 (15 Desember 2011): 151–57.

<sup>6</sup> Luqman Zakariyah dan Mohammed Kabiru Musah, "Examining the Legality of Rahn Contracts in Malaysian Islamic Financial Institutions (Meneliti Kesahihahn Akad Rahn Di Institutusi Kewangan Islam)," *Journal of Islam in Asia (E-ISSN 2289-8077)* 15, no. 2 (24 Desember 2018): 363–88, <https://doi.org/10.31436/jia.v15i2.755>.

<sup>7</sup> Azila Abdul Razak dan Mehmet Asutay, "Financial inclusion and economic well-being: Evidence from Islamic Pawnbroking (*Ar-Rahn*) in Malaysia," *Research in International Business and Finance* 59 (1 Januari 2022): 101557, <https://doi.org/10.1016/j.ribaf.2021.101557>.

<sup>8</sup> W. Wisnu dkk., "A comprehensive analysis of lending patterns at Pawnshops in Java (Indonesia), 1926–1932," *Cogent Arts & Humanities* 11, no. 1 (31 Desember 2024): 2335758, <https://doi.org/10.1080/23311983.2024.2335758>.

for low-income communities.<sup>9</sup> Conversely, in other areas, *rahn* has been proven to help enhance financial inclusion, especially among low-income communities.<sup>10</sup>

In Madura, a region with a strong Islamic cultural identity, the growth of *rahn* is evident. In 2021, there were 84 outlets across 11 branch offices serving more than 191,635 customers—a sharp increase from 141,488 customers the previous year. This transformation reflects a shift from conventional pawnshops to *Islamic pawnshops*, driven by growing public trust in *Shariah*-compliant financial practices.<sup>11</sup> However, despite this progress, *Islamic pawnshops* still face strict scrutiny from religious scholars and community leaders. These criticisms often stem from a textualist interpretation of classical *fiqh*, which views *rahn* (pawn contracts) as potentially containing elements of *riba*.<sup>12</sup> Critics argue that *Islamic pawnshops* are not substantially different from conventional ones, thereby weakening their *Shariah* compliance. Additionally, questions remain about whether *Islamic pawnshops* truly fulfill the objectives of *Maqasid al-Shariah*, which emphasize socio-economic justice and the preservation of key values, including wealth (*hifẓ al-māl*), religion (*hifẓ al-dīn*), and life (*hifẓ al-nafs*).

In the context of Madura, this issue is further complicated by its unique socio-cultural and religious dynamics. As a region where the majority of the population is Muslim, the Madurese community is heavily influenced by religious leaders (*kyai*), who often shape public opinion on matters of *Shariah* compliance.<sup>13</sup> Some local scholars argue that *Islamic pawnshop* products do not sufficiently meet the needs of the community or provide significant *maslahah* compared to conventional alternatives.<sup>14</sup> These criticisms highlight theological concerns and emphasize the importance of cultural and religious sensitivity in implementing a *Shariah*-compliant financial system.<sup>15</sup> Despite these challenges, the rapid expansion of *shariah* pawnshops in Madura indicates an underlying demand and public trust, warranting further investigation.

The academic debate surrounding *Shariah* pawnshops centers on two main issues. First, there is a need to reconcile classical *fiqh* criticisms with contemporary financial realities to determine

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<sup>9</sup> Nur Faakihin dan Rusni Hassan, “Gap Analysis Between the Rahn Exposure Draft by Bank Negara Malaysia and Rahn Practice in Islamic Pawn Broking Institutions,” *Journal of Islamic Finance* 7, no. 2 (18 September 2018): 061–069, <https://doi.org/10.31436/jif.v7i2.285>.

<sup>10</sup> Mohammad Tamim Siddiqi dan Rusni Hassan, “The Rahn Practices by the Real Estate Agencies in Afghanistan: The Sharī‘ah and Legal Analysis,” dalam *Islamic Sustainable Finance, Law and Innovation: Opportunities and Challenges*, ed. oleh Nadia Mansour dan Lorenzo Mateo Bujosa Vadell (Cham: Springer Nature Switzerland, 2023), 209–18, [https://doi.org/10.1007/978-3-031-27860-0\\_19](https://doi.org/10.1007/978-3-031-27860-0_19).

<sup>11</sup> Fahrur Rosi dkk., “Implementation of the Rahn Agreement at Bank Jatim Syariah Sampang,” *Danadyaksa: Post Modern Economy Journal* 1, no. 2 (31 Maret 2024): 173–85, <https://doi.org/10.69965/danadyaksa.v1i2.39>.

<sup>12</sup> Agung Ali Fahmi, Muwaffiq Jufri, dan Ansori Ansori, “The Implementation of Islamic Value Absorption in Regional Regulations in Madura Regency,” *AL-IHKAM: Jurnal Hukum & Pranata Sosial* 15, no. 1 (5 Juli 2020): 155–72, <https://doi.org/10.19105/al-lhkam.v15i1.2682>.

<sup>13</sup> Yanwar Pribadi, *Islam, State and Society in Indonesia: Local Politics in Madura* (London: Routledge, 2018), <https://doi.org/10.4324/9781315473697>.

<sup>14</sup> Ian Rakhamawan Suherli dkk., “The The Implementation of Sharia Pawn To Conform To The Guidance of The Qur’an And As-Sunnah Uses The Instructions And Limitations of Al Qawa’id Al-Fiqiyyah,” *Islamic Banking : Jurnal Pemikiran Dan Pengembangan Perbankan Syariah* 9, no. 2 (9 Februari 2024): 461–84, <https://doi.org/10.36908/isbank.v9i2.1068>; Moh Arifkan, “PENERAPAN MULTI AKAD DALAM KONTRAK GADAI DI PEGADAIAN SYARIAH SAMPANG MADURA,” *Fintech: Journal of Islamic Finance* 2, no. 2 (11 Oktober 2021), <https://ejournal.kopertais4.or.id/madura/index.php/fintech/article/view/4638>.

<sup>15</sup> Dimas Kenn Syahrir dan Erika Amelia, “Implementation of Hybrid Contracts in the Gold Pawn Practice in Sharia Pawnshops,” *Iqtisad: Reconstruction of Justice and Welfare for Indonesia* 10, no. 2 (23 Desember 2023): 131–48, <https://doi.org/10.31942/iq.v10i2.8333>.

whether *rahn* contracts truly fulfill the objectives of *Maqasid al-Shariah*.<sup>16</sup> Second, the role of socio-cultural factors, such as public trust and religious leadership, remains underexplored in the implementation of Shariah-compliant financial practices.<sup>17</sup> Existing literature tends to adopt a normative perspective, focusing on theoretical compliance without providing empirical evidence of socio-economic impact.<sup>18</sup> This gap highlights the need for comprehensive research that integrates theoretical frameworks with practical applications within specific cultural contexts.

This study aims to address this gap by investigating the implementation of *rahn* contracts in Shariah pawnshops within the Madurese community. Specifically, it seeks to answer the following research questions: To what extent do *rahn* contracts in Shariah pawnshops fulfill the objectives of *Maqasid al-Shariah*? How do cultural and religious dynamics in Madura influence the perception and implementation of *rahn* contracts? What are the socio-economic impacts of Shariah pawnshop operations on the Madurese community? Using a qualitative methodology that includes interviews with key stakeholders, direct observations of *rahn* transactions, and an analysis of administrative documents, this study provides an empirical evaluation of Shariah pawnshop practices. The novelty of this research lies in its dual focus on bridging classical *fiqh* with contemporary applications while examining the socio-cultural dimensions of Islamic finance within a unique regional context.

## Method

This study is a field research project examining the implementation of *rahn* contracts in Shariah pawnshops in Madura using a qualitative approach.<sup>19</sup> This approach enables an in-depth exploration of *rahn* contract practices within the local community's social, cultural, and economic context, as well as their alignment with the principles of *Maqasid al-Shariah*.<sup>20</sup> A total of 50 informants were purposively selected, consisting of 10 Shariah pawnshop managers and employees, 30 customers, and 10 religious scholars and academics. The research was conducted at the five most profitable and busiest Shariah pawnshops in Madura, located in Pamekasan, Sumenep, Bangkalan, Sampang, and Kalianget. Data collection involved direct observations over three days at each location, with an eight-hour observation period per day, semi-structured interviews with key informants, and document analysis, including Shariah pawnshops' annual reports, customer contracts, and internal policies related to *rahn* agreements.<sup>21</sup>

Data analysis was conducted using a thematic approach to identify patterns emerging from observations, interviews, and documents.<sup>22</sup> Data coding was performed to identify key themes related to *Maqasid al-Shariah*, such as financial access (*hifz al-mal*), socio-economic empowerment,

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<sup>16</sup> Nor Fadilah Bahari, Zurina Shafii, dan Mustafa Mohd Hanefah, "Optimizing Shariah Governance Practices in Ar-Rahnu Cooperatives; Insight into Structure, Guideline Adherence, and Challenges," *Karatay Islam Iktisadi ve Finans Dergisi* 2, no. 2 (24 Desember 2024): 123–33.

<sup>17</sup> Nanda Kurnia Putra dkk., "Gold Savings At Pawnshops In The Perspective Of Islamic Law," *Profetika: Jurnal Studi Islam* 25, no. 01 (22 September 2024): 143–52, <https://doi.org/10.23917/profetika.v25i01.6642>.

<sup>18</sup> Hanudin Amin dan M. Kabir Hassan, "Millennials' Acceptability of Tawarruq-Based Ar-Rahnu in Malaysia," *International Journal of Ethics and Systems* 38, no. 3 (28 Januari 2022): 510–29, <https://doi.org/10.1108/IJOES-09-2021-0170>.

<sup>19</sup> John W. Creswell dkk., "Qualitative Research Designs: Selection and Implementation," *The Counseling Psychologist* 35, no. 2 (1 Maret 2007): 236–64, <https://doi.org/10.1177/0011000006287390>.

<sup>20</sup> Jo Anne Ollerenshaw dan John W. Creswell, "Narrative Research: A Comparison of Two Restorying Data Analysis Approaches," *Qualitative Inquiry* 8, no. 3 (1 Juni 2002): 329–47, <https://doi.org/10.1177/10778004008003008>.

<sup>21</sup> Anna M. Ortiz, "The Qualitative Interview," dalam *Research in the College Context*, 2 ed. (Routledge, 2015).

<sup>22</sup> Douglas Ezzy, *Qualitative Analysis* (London: Routledge, 2013), <https://doi.org/10.4324/9781315015484>.

and adherence to religious principles (*hifz al-din*).<sup>23</sup> The analysis results were categorized into aspects of procedural compliance, customer perceptions, and the social and cultural influences on *rahn* practices.<sup>24</sup> Findings from various data sources were then integrated to evaluate the extent to which *rahn* in Shariah pawnshops in Madura aligns with *Maqasid al-Shariah* principles and contributes to community welfare. This study aims to provide empirical insights into the implementation of *rahn* and its role in developing a more inclusive and transparent *Shariah*-compliant financial system.<sup>25</sup>

## Result and Discussion

### *Concept and Implementation of Rahn Contracts in Shariah Pawnshops*

A *rahn* contract is an Islamic pawn agreement that allows an individual to obtain a loan by providing an asset as collateral. In the Islamic financial system, *rahn* serves as a financing instrument based on the principles of justice, transparency, and freedom from *riba* (usury).<sup>26</sup> *Rahn* has been implemented in various *Shariah*-compliant financial institutions, including *Shariah* pawnshops, as an alternative to conventional pawn systems.<sup>27</sup> *Shariah* pawnshops offer a *rahn* scheme that is considered fairer than conventional pawnshops, as they do not charge interest but only a maintenance fee (*ujrah*) for the pledged asset.<sup>28</sup>

In Indonesia, *Shariah* pawnshops continue to grow as a microfinance solution that provides quick access to cash, particularly for individuals seeking financing based on *shariah* principles.<sup>29</sup> The role of *Shariah* pawnshops in enhancing financial inclusion has become increasingly evident, as highlighted in Nicho Hadi's research, which shows that these services are highly beneficial for communities in areas with low financial literacy.<sup>30</sup> However, the implementation of *rahn* (Islamic pawning) may vary across different regions, depending on social and cultural factors as well as the public's understanding of the *Shariah* financial system.

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<sup>23</sup> Dusuki dan Abdullah, "Maqasid al-Shariah, Maslahah, and corporate social responsibility."

<sup>24</sup> Hussain dan Ali, "Shari'ah Non-Compliant Assets as Rahn (Pledge) in Islamic Banking Products."

<sup>25</sup> Abdul Razak dan Asutay, "Financial inclusion and economic well-being."

<sup>26</sup> Larasati Anyufa dkk., "Optimizing Land Certificate Pawning Based On Sharia Principles As An Alternative Financing For The Community," *KRTHA BHAYANGKARA* 18, no. 3 (31 Desember 2024): 730–40, <https://doi.org/10.31599/krtha.v18i3.3027>.

<sup>27</sup> Nor Razinah Mohd Zain, Aznan Hasan, dan Siti Ainatul Mardhiah binti Yusof, "Al-Rahnu-Led Islamic Sustainable Finance," dalam *Islamic Finance and Sustainable Development* (Routledge, 2024).

<sup>28</sup> Alfarid Fedro, Setiawan bin Lahuri, dan Mohammad Ghazali, "Legal Analysis on the Fatwa of Sharia National Council on Rahn: Between Legal Philosophy and Its Implementation in Indonesian Sharia Pawnshop," *Mazabib*, 30 Juni 2019, 76–116, <https://doi.org/10.21093/mj.v18i1.1365>.

<sup>29</sup> Kamal Fathoni dkk., "The Practice of Ijarah Agreement in Gold Pawn: An Islamic Law Study at Jambi Sharia Pawnshop," *NALAR FIQH: Jurnal Hukum Islam* 15, no. 2 (3 Desember 2024): 62–72, <https://doi.org/10.30631/nf.v15i2.1691>.

<sup>30</sup> Nicho Hadi Wijaya, "The Challenges of Sharia Pawnshops in Indonesia in The Era of The Industrial Revolution 4.0," *El-Masblabah* 12, no. 1 (30 Juni 2022): 52–69, <https://doi.org/10.23971/elma.v12i1.3910>.

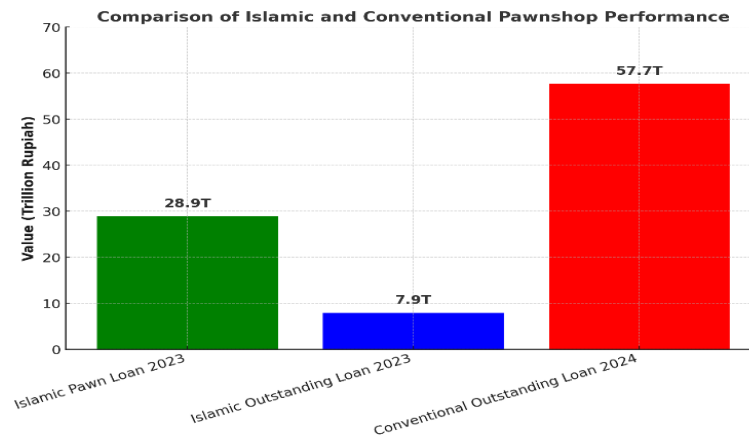


Figure 1. Comparison of Islamic and Conventional Pawnshop Performance

The growth of Shariah pawnshops in Indonesia can be seen in the performance of Pegadaian Syariah, which recorded loan disbursements of Rp 28.9 trillion in 2023, an increase of 13.33% compared to the previous year. This indicates that more people are choosing Shariah-based pawn services, driven by trust in the Islamic financial system as well as economic considerations, such as the rising gold prices that increase the value of pawned collateral. Additionally, the outstanding loan balance of Pegadaian Syariah reached Rp 7.9 trillion, reaffirming that this service holds a strong and growing market share.<sup>31</sup> Compared to conventional pawnshops, which recorded an outstanding loan balance of Rp 57.7 trillion as of November 2024, with a 29.9% increase from the previous year, Shariah pawnshops still have significant room for growth. However, with innovative product strategies such as *Tabungan Emas* (Gold Savings) and the diversification of Shariah-based services, Pegadaian Syariah remains optimistic about maintaining its positive growth trend. The *Tabungan Emas* product, for example, allows people to invest in gold with small denominations, aligning with the goal of Shariah financial inclusion.<sup>32</sup>

Although Shariah pawnshops are gaining popularity, challenges remain, particularly in financial literacy and public understanding of Shariah principles. In some regions, acceptance of the *rahn* concept varies due to social and cultural factors.<sup>33</sup> Therefore, Shariah financial education is crucial in increasing the adoption of Shariah pawnshops across Indonesia. Besides education, digitalization also plays a key role in expanding the reach of Shariah pawnshops. Conventional pawnshops have adopted various digital innovations, such as at-home pawning services and online transaction applications. Shariah pawnshops can implement similar strategies to enhance accessibility and customer convenience.<sup>34</sup> As more people transition to digital services, strengthening technology systems in Shariah pawnshops will be a critical factor in ensuring their continued growth.

<sup>31</sup> Grahanusa Mediatama, "Pegadaian Catat Nilai Transaksi Gadai Rp 14,53 Triliun per Oktober 2024," *kontan.co.id*, 14 November 2024, <https://keuangan.kontan.co.id/news/pegadaian-catat-nilai-transaksi-gadai-rp-1453-triliun-per-oktober-2024>.

<sup>32</sup> Kompas Cyber Media, "Pegadaian Syariah dan Kilau Emas pada 2024 Halaman all," *KOMPAS.com*, 5 Januari 2024, <https://money.kompas.com/read/2024/01/05/152718926/pegadaian-syariah-dan-kilau-emas-pada-2024>.

<sup>33</sup> Kamaruddin dkk., "The Pawn (Rahn) in Local Practice of Massanra Galung of South Sulawesi Society:," *Mazahibuna: Jurnal Perbandingan Mazhab*, 1 Desember 2023, 117–31, <https://doi.org/10.24252/mazahibuna.vi.39894>.

<sup>34</sup> Andi Bahri S dan Yusuf Hardiansyah, "The Sharia Pawnshops and Its Role for Community Resilience in the Days of Covid-19 Pandemic: Evidence from Indonesia and Malaysia," *Tazkia Islamic Finance and Business Review* 16, no. 1 (19 Desember 2022), <https://doi.org/10.30993/tifbr.v16i1.286>.

Unlike the growth of pawn services in Indonesia, *rahn* contracts have been implemented in various Muslim countries with differences in regulations, practices, and public acceptance. In Saudi Arabia, the development of the Islamic financial system allows *rahn* to be operated by major Islamic banks such as Al Rajhi Bank and National Commercial Bank (NCB).<sup>35</sup> This scheme is generally used by the upper-middle class, who possess valuable assets such as gold and property. Unlike Indonesia, Shariah pawnshops in Saudi Arabia are more integrated into the banking system, with low maintenance fees due to strict regulations from the Saudi Arabian Monetary Authority.<sup>36</sup> However, low-income communities in the country rely more on *zakat* and grants, making Shariah pawnshops less popular compared to Indonesia.<sup>37</sup>

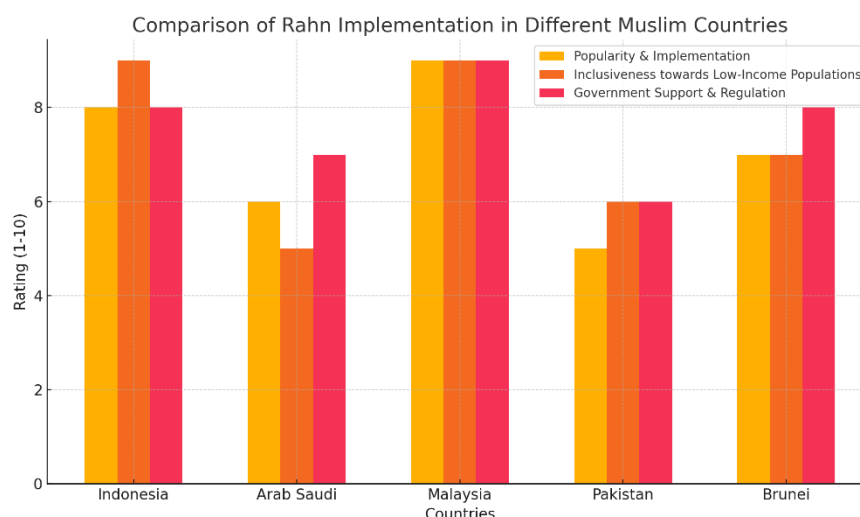


Figure 2. Comparison of Rahn Implementation in Different Muslim Countries

Malaysia has a more advanced Shariah pawnshop system with a scheme known as *Ar-Rahnu*. Various institutions, including Bank Rakyat and Shariah cooperatives, manage this service with full support from Bank Negara Malaysia.<sup>38</sup> *Rahn* in Malaysia functions not only as a microfinance solution but also as an investment instrument. Many people use *rahn* to obtain business capital with lower maintenance costs compared to conventional pawnshops. The Malaysian government also promotes the development of *rahn* through various initiatives, such as Shariah-based microloan programs for small entrepreneurs.<sup>39</sup>

In Pakistan, the implementation of *rahn* remains limited compared to other countries. The country's Islamic financial system is more focused on Islamic banking and *murabahah*-based

<sup>35</sup> Mohamed Ben Mimoun, "Islamic Banking and Real Performances in a Dual Banking System: Evidence from Saudi Arabia," *International Journal of Islamic and Middle Eastern Finance and Management* 12, no. 3 (19 Juni 2019): 426–47, <https://doi.org/10.1108/IMEFM-07-2018-0223>.

<sup>36</sup> Sutan Emir Hidayat dan Ahmad Rafiki, "Comparative Analysis of Customers' Awareness toward CSR Practices of Islamic Banks: Bahrain vs Saudi Arabia," *Social Responsibility Journal* 18, no. 6 (9 Agustus 2021): 1142–71, <https://doi.org/10.1108/SRJ-05-2020-0174>.

<sup>37</sup> Abdurrahman Wahid, Ai Imas Zein, dan Anisa Ilmia, "The Development of Rahn's Thinking From Nash To Qanun," 2023, <https://eudleu/doi/10.4108/eai.6-5-2023.2333542>.

<sup>38</sup> Fauzan Muhammadi, Nor Fahimah Mohd Razif, dan Rahimin Affandi bin Abdul Rahim, "Al-Rahn in Malaysia and Indonesia: Legal History and Upcoming Trajectory," *Asy-Syir'ah: Jurnal Ilmu Syari'ah Dan Hukum* 55, no. 1 (14 Mei 2021): 153–79, <https://doi.org/10.14421/ajish.v55i1.1019>.

<sup>39</sup> Amin dan Hassan, "Millennials' Acceptability of Tawarruq-Based Ar-Rahnu in Malaysia."

financing, while Shariah pawnshops have not yet developed widely.<sup>40</sup> Some Islamic banks, such as Meezan Bank and Al Baraka Bank, have started offering *rahn* products, primarily in the form of gold pawning.<sup>41</sup> Regulations from the State Bank of Pakistan have begun to accommodate the development of Shariah pawnshops as an alternative for people seeking Shariah-compliant financial access.<sup>42</sup> However, the main challenges in developing *rahn* in Pakistan are the lack of Shariah financial literacy and limited infrastructure to support the operations of Shariah pawnshops. Brunei Darussalam, as a country with a strong Shariah-based economic system, has regulations that support the implementation of *rahn* within its Islamic financial system. Shariah pawnshops in the country are managed by Islamic financial institutions such as Bank Islam Brunei Darussalam (BIBD), which offers Shariah-compliant gold pawning products. The uniqueness of *rahn* in Brunei lies in the government's involvement in overseeing and ensuring that every transaction fully adheres to Shariah principles.<sup>43</sup> The country has a Shariah Council that supervises all Islamic financial products, including *rahn*, to ensure the absence of any elements of exploitation or injustice. Compared to Indonesia, where Shariah pawnshops operate in a more commercial manner, *rahn* in Brunei is primarily used as a social financial instrument with various government incentives, including administrative fee waivers for certain community groups.<sup>44</sup>

The differences in the implementation of *rahn* across various Muslim countries reflect how Shariah financial regulations, financial literacy levels, and the socio-economic conditions of society influence the Shariah pawnshop system. Indonesia and Malaysia have more developed Shariah pawnshop systems with a more inclusive approach for low-income communities. Meanwhile, Saudi Arabia and Brunei have more exclusive *rahn* systems, focusing on high-value assets and strict oversight from financial authorities. In comparison, the implementation of *rahn* in different Muslim countries varies significantly depending on Shariah financial regulations, financial literacy levels, and the socio-economic conditions of the population.

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<sup>40</sup> Alexander von Sponeck, "The Islamization of Banking Laws and Their Implementation in Pakistan: A Distant Goal or an Imminent Reality? An Overview," *Journal of Law and Society (University of Peshawar)* 13 No. 22 (1994): 1; Muhammad Khaleequzzaman dan Nasim Shah Shirazib, "Islamic Microfinance: an Inclusive Approach with Special Reference to Poverty Eradication in Pakistan," *International Journal of Economics, Management and Accounting* 20, no. 1 (2012), <https://doi.org/10.31436/ijema.v20i1.186>.

<sup>41</sup> E. P. Lestari dan A. S. Mulazid, "Islamic Bank Efficiency: A Comparative Study Between Indonesia and Pakistan," *KnE Social Sciences* 3, no. 8 (26 Juni 2018): 33–55, <https://doi.org/10.18502/kss.v3i8.2499>; Aneu Cakhyaneu, A. Jajang W. Mahri, dan Ira Sintia, "Analysis of Islamic Bank Financial Performance in Asia: Sharia Conformity and Profitability (SCnP) Approach" (4th International Conference on Islamic Economics, Business, Philanthropy, and PhD Colloquium (ICIEBP 2022), Atlantis Press, 2023), 207–17, [https://doi.org/10.2991/978-94-6463-176-0\\_14](https://doi.org/10.2991/978-94-6463-176-0_14).

<sup>42</sup> Mohammad Nur Rianto Al Arif dan Dede Yati, "Comparison Of Islamic Banking Performance In Indonesia, Pakistan, And Bangladesh: Sharia Maqashid Index Approach," *Share: Jurnal Ekonomi Dan Keuangan Islam* 10, no. 1 (1 Juli 2021): 1–23, <https://doi.org/10.22373/share.v10i1.9351>.

<sup>43</sup> Noor Hasharina Hassan dkk., "Making do and staying poor: The poverty context of Urban Brunei," *Geoforum* 136 (1 November 2022): 132–41, <https://doi.org/10.1016/j.geoforum.2022.09.012>.

<sup>44</sup> Mohamed Ariff, *Islamic Banking in Southeast Asia: Islam and the Economic Development of Southeast Asia* (Institute of Southeast Asian Studies, 1988).



**Table 1. Comparison of Shariah Pawnshop Models in Different Muslim Countries**

Country	Shariah Pawnshop Model	Regulation Authority	Target Users	Advantages	Challenges
Indonesia	Micro-based Shariah pawnshop	OJK & DSN-MUI	Lower-middle class, MSMEs	High financial inclusion, wide network	Lack of Shariah financial literacy
Saudi Arabia	Asset-based pawnshop (gold & property)	SAMA	Upper-middle class	Low maintenance costs, supported by major banks	Not popular among lower-income communities
Malaysia	<i>Ar-Rahnu</i> (investment & micro-based)	Bank Negara Malaysia	MSMEs & individuals	Strong regulations, flexible, low fees	Competition with Islamic banking
Pakistan	<i>Rahn</i> limited to gold pawning	State Bank of Pakistan	Middle class	Emerging in Islamic banking	Lack of financial literacy, limited infrastructure
Brunei	Social-based Shariah pawnshop	Brunei Shariah Council	Entire society	Strict supervision, government incentives	Small market, limited to specific segments

The key lesson from this comparison is the importance of clear regulations and government support in developing shariah pawnshops as an inclusive financial solution. Indonesia can take inspiration from Malaysia in terms of regulations and government support for shariah-based microfinance products. On the other hand, strict supervision, as seen in Brunei, can serve as a model for ensuring that *rahn* truly operates in accordance with the principles of *Maqasid al-Shariah*. With the right approach, shariah pawnshops can continue to grow as a financial instrument that not only provides financial access to the public but also upholds the values of justice and social welfare in line with Islamic principles.

#### *Maqasid al-Shariah as a Framework for Evaluating the Rahn Contract*

*Maqasid al-Shariah* represents the fundamental objectives of Islamic law, aimed at ensuring the well-being of society in various aspects of life. In the context of *rahn*, *Maqasid al-Shariah* principles serve as a framework to evaluate the extent to which this contract provides benefits and prevents harm to the community.<sup>45</sup> *Al-Ghazali* classified *Maqasid al-Shariah* into five key aspects: the preservation of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*).<sup>46</sup> In the context of *shariah pawnshops*, *hifz al-mal* is the primary aspect, as the *rahn* contract aims to provide a fair and secure financial solution for society. A study conducted by *Dusuki* and *Abdullah* found that *shariah pawnshops* based on *Maqasid al-Shariah* principles can enhance the economic well-being of the poor by providing financial access without exploitative practices.<sup>47</sup>

<sup>45</sup> Budi Sukardi, Fachrurazi Fachrurazi, dan Supriyanto Supriyanto, "Sharia Maqashid's Inclusive Performance and Contribution to The Sharia Non-Bank Financial Industry in Indonesia," *Economica: Jurnal Ekonomi Islam* 10, no. 2 (31 Desember 2019): 283–310, <https://doi.org/10.21580/economica.2019.10.2.4325>.

<sup>46</sup> Mohamed Saladin Abdul Rasool, Mohamed Azmil Mohd Yusof, dan Siti Mariam Ali, "Wellbeing of the society: A Maqasid al-Shari'ah approach," *Afkar: Jurnal Akidah & Pemikiran Islam*, 2020, 25–46.

<sup>47</sup> Dusuki dan Abdullah, "Maqasid al-Shariah, Maslahah, and corporate social responsibility."

However, some studies also highlight challenges in ensuring that *rahn* truly functions as a financial instrument aligned with *Maqasid al-Shariah*, particularly in terms of cost transparency and fairness in transactions.<sup>48</sup>

Imam Asy-Syatibi emphasized that *Maqasid al-Shariah* must be applied holistically to ensure that every financial transaction, including *rahn*, not only meets legalistic aspects but also fulfills the broader objectives of *shariah*, namely social and economic well-being.<sup>49</sup> According to Jasser Auda, a systemic approach to *Maqasid al-Shariah* requires that *rahn* not be viewed merely as an individual contract but as part of a larger financial system that should contribute to the overall welfare of society.<sup>50</sup> Imam Ibnu Ashur highlighted the importance of justice in Islamic financial transactions.<sup>51</sup> In the context of *rahn*, this means that *shariah pawnshops* must ensure that the fees and profit margins charged remain within reasonable limits and do not burden lower-income communities in need of financial access.

Ibnu Ashur also emphasized that the primary objective of *shariah* is to uphold the principles of social justice and economic well-being in all aspects of life. Meanwhile, Ibn Ashur highlighted the importance of flexibility in the application of Islamic law to remain relevant to changing times.<sup>52</sup> In the context of *rahn*, this means that *shariah pawnshops* must continuously innovate in providing financial services that are inclusive, easily accessible, and aligned with the needs of modern society—while staying true to fundamental *shariah* principles. Thus, the application of *Maqasid al-Shariah* in *rahn* is not only about compliance with *fiqh* regulations but also about how this instrument contributes to the broader welfare of society. Therefore, continuous regulation and innovation are needed to ensure that *shariah pawnshops* remain relevant and effective in addressing the financial needs of Muslims while adhering to the principles of justice and public interest (*maslahah*).

#### *Social and Cultural Dynamics in the Implementation of Rahn in Madura*

Madura has a unique socio-cultural characteristic, with strong Islamic values deeply embedded in the daily lives of its people. The social structure in Madura is still heavily influenced by a patron-client system, where important decisions, including financial matters, often rely on the recommendations of religious leaders, family members, or local leaders. The high level of religiosity among the Madurese community contributes to their preference for Sharia-based financial services. Research data indicates that more than 78% of respondents in Madura choose \*Shariah\* pawnshops because they believe this system aligns more closely with Islamic teachings compared to conventional pawnshops.<sup>53</sup>

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<sup>48</sup> Romzie Rosman dkk., “Islamic Social Finance and Sustainable Development Goals: Issues and Challenges,” *Journal of Islamic Finance* 11, no. 2 (31 Desember 2022): 56–67, <https://doi.org/10.31436/jif.v1i2.690>.

<sup>49</sup> Zainal Arifin dan Zaenul Mahmudi, “Mandatory Wills for Adultery Children, Analysis of the Compilation of Islamic Law from the Perspective of Maqasid Syariah Al-Syatibi,” *International Journal of Law and Society* 1, no. 1 (29 Januari 2022): 36–47, <https://doi.org/10.59683/ijls.v1i1.4>.

<sup>50</sup> Jasser Auda, *Maqasid Al-Shari'ah as Philosophy of Islamic Law* (International Institute of Islamic Thought (IIIT), 2022).

<sup>51</sup> Muhammad Harfin Zuhdi dan Mohamad Abdun Nasir, “Al-Mashlahah and Reinterpretation of Islamic Law in Contemporary Context,” *Samarah: Jurnal Hukum Keluarga Dan Hukum Islam* 8, no. 3 (17 Oktober 2024): 1818–39, <https://doi.org/10.22373/sjhk.v8i3.24918>.

<sup>52</sup> Lalu Supriadi B. Mujib dan Khairul Hamim, “Religious Freedom and Riddah through the Maq&#x1E63;Idi Interpretation of Ibn 'Ashur,” *HTS Teologiese Studies* 77, no. 4 (1 Oktober 2021): NA-NA.

<sup>53</sup> Ahmad Basri, *Shariah pawnshop customer*, interviewed by the author, Pamekasan, January 12, 2024; Siti Aminah, *Shariah pawnshop customer*, interviewed by the author, Sumenep, January 15, 2024; H. Muhammad Yusuf, Islamic scholar, interviewed by the author, Bangkalan, January 20, 2024; Ust. Ali Ridwan, Islamic scholar, interviewed by the author, Sampang, January 25, 2024; Abdul Hakim, *Shariah pawnshop manager*, interviewed by the author,

However, the acceptance of the *rahn* contract in Madura is not solely determined by religious factors but also by cultural influences. The concept of *bhupa'-bhâbhu'-ghuru-rato* (parents, teachers, and leaders) serves as the primary guideline in financial decision-making.<sup>54</sup> As a result, many people in Madura tend to trust the recommendations of *ulama* or community leaders when choosing financial products rather than relying on their own understanding of *rahn* principles.<sup>55</sup> Consequently, the growth of *Shariah* pawnshops in Madura depends not only on conventional marketing strategies but also on the support and legitimacy provided by religious and community leaders.

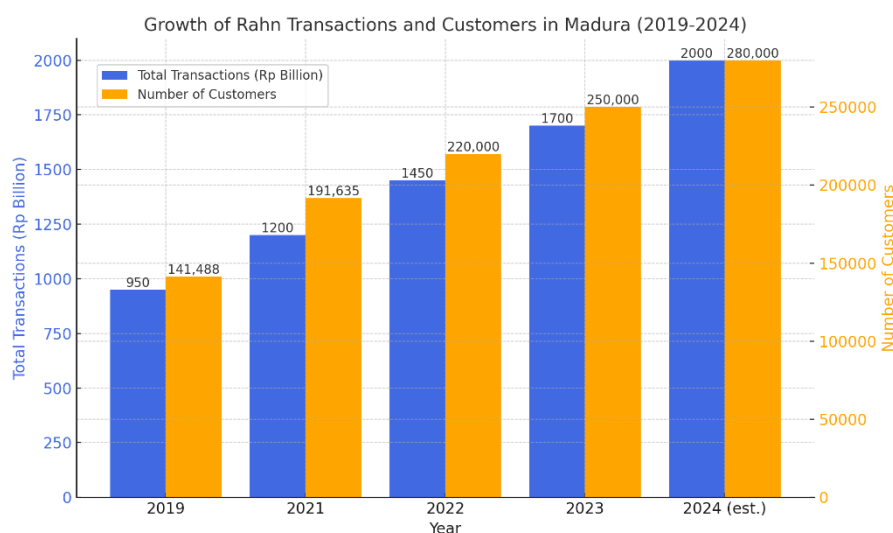


Figure 3. Growth of Rahn Transactions and Customers in Madura 2019-2024

In recent years, the growth of *rahn* as an Islamic financial instrument in Madura has shown significant progress. In 2019, the number of *Shariah* pawnshop customers was recorded at 141,488, with a total transaction value of Rp950 billion. As *Shariah* financial literacy improved and more people transitioned from conventional pawnshops to *Shariah* pawnshops, the number of customers increased to 191,635 in 2021, with total transactions surging to Rp1.2 trillion. This trend continued in 2022, with transaction values rising to Rp1.45 trillion and over 220,000 customers. The year 2023 saw even more rapid growth, with total transactions reaching Rp1.7 trillion, driven by the expansion of *Shariah* pawnshop services and the growing demand for *Shariah*-compliant financial access.<sup>56</sup>

Pamekasan, January 30, 2024; Fadilah Rahman, *Shariah* pawnshop manager, interviewed by the author, Sumenep, February 2, 2024; Zainal Abidin, entrepreneur, interviewed by the author, Sampang, February 5, 2024; Farida Hasan, housewife, interviewed by the author, Bangkalan, February 8, 2024; H. Abdul Majid, community leader, interviewed by the author, Pamekasan, February 10, 2024; Rina Sari, gold trader, interviewed by the author, Sumenep, February 12, 2024; Muhammad Fikri, student, interviewed by the author, Pamekasan, February 15, 2024; H. Nasruddin, Islamic scholar, interviewed by the author, Sampang, February 18, 2024; Nur Aisyah, housewife, interviewed by the author, Bangkalan, February 20, 2024.

<sup>54</sup> Merina Febrianti, Rita Yuliana, dan Ach Fawaid As'ad, "Financial Management of Salt Farmer Family: Maqashid Sharia Perspective," *International Colloquium Forensics Accounting and Governance (ICFAG)* 2, no. 1 (6 Desember 2022): 87–92.

<sup>55</sup> Purnamawati Evaliati Amaniyah, "Behavior of Personal Financial Management in Tourism Sector for Millennial Generation in Supporting Halal Economy Development in Madura," *Journal of Survey in Fisheries Sciences* 10, no. 4S (9 Maret 2023): 63–81, <https://doi.org/10.17762/sfs.v10i4S.656>.

<sup>56</sup> Otoritas Jasa Keuangan (OJK), *Laporan Keuangan Pegadaian Syariah di Madura*, (Jakarta: Otoritas Jasa Keuangan, 2024), 71-73.

Entering 2024, preliminary data indicates that the transaction value of *rahn* in Madura is expected to surpass Rp2 trillion, with the number of customers continuing to grow as *Shariah* pawnshops expand their reach across various regions. Currently, *Shariah* pawnshops in Madura operate 84 outlets across 11 main branch offices, including in Pamekasan, Sumenep, Bangkalan, Sampang, and Kalianget—areas with the highest transaction volumes. This surge is driven by several key factors, including easier access to *Shariah* pawnshop services, more flexible product innovations, and strengthened regulations that further support the Islamic finance industry in Indonesia.<sup>57</sup> Additionally, the rising price of gold, one of the primary assets used as collateral in *rahn* contracts, has also contributed to the increase in transaction value.

Despite the positive growth trend of *Shariah* pawnshops in Madura, challenges remain, particularly in ensuring full compliance with *Maqasid al-Shariah* principles. Some religious scholars and community leaders continue to question the transparency of maintenance fees (*ujrah*) and the operational mechanisms of *Shariah* pawnshops, which, in some cases, are perceived to still resemble conventional pawnshop practices. Therefore, strengthening regulations, improving *Shariah* financial literacy, and actively involving religious scholars and academics in the development of *rahn* products are crucial steps to ensure the sustainability and public trust in the *Shariah* pawnshop system in Madura.

#### *Dampak Sosial-Ekonomi Pegadaian Syariah terhadap Masyarakat Madura*

*Shariah* pawnshops have a significant impact on the social and economic aspects of society, particularly in terms of economic empowerment and financial inclusion. They enhance financial access for low-income communities that do not have access to formal banking services. Through the *rahn* scheme, individuals can obtain funds easily without facing exploitative risks, as seen in conventional pawnshop systems. In Madura, *Shariah* pawnshops also play a crucial role in supporting micro and small business activities. Many small entrepreneurs in Madura rely on *Shariah* pawnshops as a source of business capital. Additionally, *Shariah* pawnshops contribute socially by creating a more inclusive financial mechanism that aligns with the local community's Islamic values.<sup>58</sup> However, several challenges remain in ensuring that *Shariah* pawnshops provide maximum benefits to society. Research has highlighted issues related to the transparency of administrative fees and the lack of financial education, which prevents some customers from fully understanding the *rahn* contract mechanism. Therefore, efforts to improve *Shariah* financial literacy are essential to ensure that the community can optimize the use of *Shariah* pawnshop services.

*Shariah* pawnshops have become an increasingly popular financial solution in Madura, supported by the community's strong Islamic values. Based on interviews with 30 customers at two *Shariah* pawnshop branches in Madura, 70% of respondents chose this service because it is free from *riba* (usury), while the remaining 30% still had concerns about the perceived high administrative fees.

Observations also indicate that *Shariah* pawnshops in Madura have grown rapidly, with 84 outlets spread across 11 main branch offices, including in Pamekasan, Sumenep, Bangkalan, Sampang, and Kalianget. Transaction data shows a significant increase, from IDR 950 billion in

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<sup>57</sup> Otoritas Jasa Keuangan (OJK), *Laporan Transaksi Keuangan Pegadaian Syariah di Madura Tahun 2024* (Jakarta: Otoritas Jasa Keuangan, 2024), diakses 30 Januari 2024

<sup>58</sup> Mayadina Rohmi Musfiroh, Fatma Mohamed Mansour Saqr, dan Alfa Syahriar, "The Urgency of Masalahah in the Formulation of Fatwa and Legislation in Indonesia: An Analytical Study," *Ulul Albab: Jurnal Studi Dan Penelitian Hukum Islam* 8, no. 1 (31 Oktober 2024): 80–94, <https://doi.org/10.30659/jua.v8i1.37242>.

2019 to IDR 2 trillion in 2024, reflecting the growing public trust in *Shariah*-based financial services.<sup>59</sup> However, low *Shariah* financial literacy remains a major challenge. Some customers do not fully understand the differences between *Shariah* and conventional pawnshops, with 40% of respondents stating that they lack information about the *rahn* contract mechanism. This highlights the need for further education by *Shariah* pawnshops to enhance public understanding of *Shariah* principles.

In the context of *Maqashid al-Shariah*, *Shariah* pawnshops in Madura have provided significant benefits. In terms of preserving religion (*Hifz al-Din*), *Shariah* pawnshops emphasize the principle of being *riba*-free, with all contract documents explicitly stating this as a mandatory requirement. Regarding the preservation of life (*Hifz al-Nafs*), 60% of customers use *rahn* funds for urgent needs such as medical expenses and basic necessities. Meanwhile, 20% of customers allocate *rahn* funds for their children's education (*Hifz al-Aql*), although loan limit restrictions remain a challenge. The preservation of lineage (*Hifz al-Nasl*) is also evident, as some customers use the *rahn* contract to cover childbirth costs, with 5 out of 30 respondents reporting this use. Additionally, in terms of wealth preservation (*Hifz al-Mal*), 15% of respondents utilize *rahn* funds as business capital, though they still face challenges such as low loan limits and high administrative fees.<sup>60</sup>

Although *Shariah* pawnshops in Madura have successfully implemented the *rahn* contract in line with *maqasid al-Shariah*, several challenges remain. Data shows that 25% of respondents feel burdened by administrative fees, which may limit public access to *Shariah*-compliant financial services. Additionally, interviews revealed that some people in Madura still prefer conventional financial services due to their greater flexibility. To enhance the effectiveness of *Shariah* pawnshops, this study recommends improving *Shariah* financial literacy through more proactive outreach, innovating *rahn* products to increase service flexibility, and reducing administrative costs to remain competitive with conventional pawnshops.<sup>61</sup> The people of Madura have a strong bond with Islamic values in their daily lives. In this context, Madurese culture, which is deeply religious and upholds Islamic traditions, serves as a key driver in the adoption of *Shariah*-compliant financial systems, such as *Shariah* pawnshops. Their deep trust in Islamic principles, particularly regarding the prohibition of *riba* (usury), leads many Madurese to prefer financial services that align with Islamic law.<sup>62</sup> In this regard, *Shariah* pawnshops are seen as a more suitable option because they are free from *riba*, which is forbidden in Islam.

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<sup>59</sup> Otoritas Jasa Keuangan (OJK), *Observasi Laporan dan Dokumen Laporan Keuangan Pegadaian Syariah di Madura Tahun 2024* (Jakarta: Otoritas Jasa Keuangan, 2024), diakses 30 Januari 2024.

<sup>60</sup> H. Abdullah Syah, religious leader, interviewed by the author, Pamekasan, March 25, 2024. Siti Khadijah, teacher, interviewed by the author, Sumenep, March 28, 2024. M. Rizal Hakim, *Shariah* pawnshop manager, interviewed by the author, Bangkalan, March 30, 2024. Wahid Hidayat, farmer, interviewed by the author, Sampang, April 2, 2024. Hamidah Rahayu, housewife, interviewed by the author, Pamekasan, April 5, 2024.

<sup>61</sup> Zainal Abidin, entrepreneur, interviewed by the author, Sampang, February 5, 2024. Farida Hasan, housewife, interviewed by the author, Bangkalan, February 8, 2024. H. Abdul Majid, community leader, interviewed by the author, Pamekasan, February 10, 2024. Rina Sari, gold trader, interviewed by the author, Sumenep, February 12, 2024. Muhammad Fikri, student, interviewed by the author, Pamekasan, February 15, 2024.

<sup>62</sup> Hasan Maulana, civil servant, interviewed by the author, Pamekasan, February 22, 2024. Syafiq Ramadhan, Islamic economics lecturer, interviewed by the author, Sumenep, February 25, 2024. Hj. Syarifah, gold shop owner, interviewed by the author, Bangkalan, February 28, 2024. Ust. Junaidi, Islamic scholar, interviewed by the author, Sampang, March 2, 2024. Rahmawati, market trader, interviewed by the author, Pamekasan, March 5, 2024. H. Ridwan Hakim, entrepreneur, interviewed by the author, Sumenep, March 7, 2024. Fathur Rahman, *Syariah* Pawnshop employee, interviewed by the author, Bangkalan, March 10, 2024. M. Syaiful Anwar, academic, interviewed by the author, Sampang, March 12, 2024.

Madura's culture is also known for its local wisdom, which emphasizes moral values and honesty in transactions. One commonly heard proverb in Madura is: *Sapa' ka' ta' addi' nyare' ajem, se nyare' ajem ka' ta' addi'* (Whoever does not take care of their wealth properly, that wealth will disappear). This proverb teaches the importance of trustworthiness and honesty in all aspects of life, including financial matters. In the context of *Shariah* pawnshops, this proverb serves as a reminder that managing wealth in accordance with Islamic principles brings blessings and prosperity. On the other hand, choosing financial transactions that do not align with religious principles, such as conventional pawnshops that involve *riba*, may risk losing these blessings.<sup>63</sup>

However, despite the growing attention toward *Shariah* pawnshops among the people of Madura, several challenges remain. One of the main challenges is the greater flexibility offered by conventional pawnshops, which often provide easier terms and conditions. As a result, some people in Madura still choose conventional pawnshops, even though they are aware of the prohibition of *riba*. Additionally, the low level of *Shariah* financial literacy is a significant barrier to the public's understanding of the true benefits of *Shariah* pawnshops. For example, many people in Madura have not fully grasped how the *Shariah* pawnshop system works, despite their support for the fundamental principle of being *riba*-free. Therefore, efforts are needed to enhance public awareness and *Shariah* financial literacy so they can make more informed decisions when choosing financial services.<sup>64</sup> By upholding Islamic values and local wisdom, as reflected in the proverb mentioned earlier, the people of Madura can gain more confidence in adopting *Shariah* pawnshops. Strengthening financial literacy and understanding of the *Shariah* financial system will further reinforce this cultural foundation, making *Shariah* pawnshops the preferred choice for meeting the financial needs of the Madurese community.

The phenomenon observed in Madurese society aligns with the thoughts of Al-Ghazali, who emphasized the balance between material and spiritual life in the economy.<sup>65</sup> In this context, *Shariah* pawnshops serve as a fair and *riba*-free alternative, providing financial access to communities previously excluded from the conventional banking system. By avoiding *riba* practices, *Shariah* pawnshops in Madura contribute to a more just economic system, supporting the fulfillment of basic needs such as healthcare, education, and business capital.<sup>66</sup> The application of

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<sup>63</sup> Hj. Aminah Zahra, culinary entrepreneur, interviewed by the author, Pamekasan, March 15, 2024. H. Mahmud Yusuf, Islamic scholar, interviewed by the author, Sumenep, March 18, 2024. Laila Sari, private sector employee, interviewed by the author, Bangkalan, March 20, 2024. Ahmad Fauzi, daily laborer, interviewed by the author, Sampang, March 22, 2024. H. Abdullah Syah, religious figure, interviewed by the author, Pamekasan, March 25, 2024. Siti Khadijah, teacher, interviewed by the author, Sumenep, March 28, 2024. M. Rizal Hakim, Syariah Pawnshop manager, interviewed by the author, Bangkalan, March 30, 2024. Wahid Hidayat, farmer, interviewed by the author, Sampang, April 2, 2024. Hamidah Rahayu, housewife, interviewed by the author, Pamekasan, April 5, 2024.

<sup>64</sup> H. Fadli Rahman, Islamic scholar, interviewed by the author, Sumenep, April 7, 2024. Nurul Hasanah, clothing trader, interviewed by the author, Bangkalan, April 10, 2024. Ust. Zainuddin, Islamic scholar, interviewed by the author, Sampang, April 12, 2024. Iqbal Maulana, student, interviewed by the author, Pamekasan, April 15, 2024. H. Syahrul Anam, community leader, interviewed by the author, Sumenep, April 18, 2024. Anis Fauziah, social worker, interviewed by the author, Bangkalan, April 20, 2024. Saiful Azhar, fisherman, interviewed by the author, Sampang, April 22, 2024. Halimatus Sa'diyah, housewife, interviewed by the author, Pamekasan, April 25, 2024. H. Muhaimin Yahya, Islamic scholar, interviewed by the author, Sumenep, April 28, 2024. Dian Pratiwi, teacher, interviewed by the author, Bangkalan, April 30, 2024. Abdul Malik, entrepreneur, interviewed by the author, Sampang, May 2, 2024.

<sup>65</sup> Rasool, Yusof, dan Ali, "Wellbeing of the society."

<sup>66</sup> Rizky Ananda, trader, interviewed by the author, Pamekasan, May 5, 2024. Hj. Faridah, boutique entrepreneur, interviewed by the author, Sumenep, May 7, 2024. Yusuf Hidayat, civil servant, interviewed by the author, Bangkalan, May 10, 2024. H. Abdul Ghofar, Islamic scholar, interviewed by the author, Sampang, May 12, 2024. Sri Wahyuni, jewelry artisan, interviewed by the author, Pamekasan, May 15, 2024. Muhammad Alim, Sharia Pawnshop manager, interviewed by the author, Sumenep, May 18, 2024. Fikri Wahyu, livestock farmer, interviewed by the author,

*Maqasid al-Shariah*, which serves as the foundation of Islamic economics, is also reflected in *Shariah* pawnshops in Madura. Jasser Auda highlights the importance of *Shariah* objectives in every economic activity, and *Shariah* pawnshops in Madura clearly support the preservation of religion (*Hifẓ al-Dīn*), life (*Hifẓ al-Nafs*), lineage (*Hifẓ al-Nasl*), and wealth (*Hifẓ al-Māl*).<sup>67</sup> By providing funds for urgent needs, children's education, and business capital, *Shariah* pawnshops help the community maintain overall well-being.

However, despite their significant benefits, challenges related to the transparency of administrative fees and customer understanding of the *rahn* contract still need to be addressed to ensure that the objectives of *Maqasid al-Shariah* can be fully achieved.

Al-Shatibi's thoughts on social justice in the economy are also highly relevant in this context. *Shariah* pawnshops must ensure that every transaction is conducted with transparency and clarity so that no party feels disadvantaged. The perception of high administrative fees among some customers indicates room for improvement in ensuring fair costs.<sup>68</sup> In this regard, *Shariah* pawnshops need to enhance transparency and provide better education to the public to make the system more accessible to all social groups without imposing unnecessary financial burdens. Selain In this regard, *Shariah* pawnshops need to enhance transparency and provide better education to the public to make the system more accessible to all social groups without imposing unnecessary financial burdens.<sup>69</sup> Many customers still do not fully grasp the differences between *Shariah* and conventional pawnshops, as well as the mechanics of the *rahn* contract. This highlights that *Shariah* financial literacy remains a major challenge. To address this, *Shariah* pawnshops must improve their educational programs through comprehensive training, seminars, and easily understandable educational materials. These initiatives will help the public better understand the benefits and principles of *Shariah*-compliant pawn services, enabling them to make the most of these financial solutions.

## Conclusion

This study indicates that the implementation of *rahn* contracts in *Shariah* pawnshops in Madura has contributed to achieving the objectives of *Maqasid al-Shariah*, although some challenges remain. In terms of religious preservation (*Hifẓ al-Dīn*), *Shariah* pawnshops have helped the community avoid *riba* practices. Regarding the preservation of life (*Hifẓ al-Nafs*), *rahn* contracts provide financial access for individuals in urgent need of funds. Additionally, the use of *rahn* funds for children's education supports intellectual preservation (*Hifẓ al-Aql*), while its utilization for childbirth expenses reflects its role in the preservation of lineage (*Hifẓ al-Nasl*). In terms of wealth preservation (*Hifẓ al-Māl*), *Shariah* pawnshops have assisted small business owners in obtaining capital, although challenges remain, such as loan ceiling limitations and relatively high administrative fees.

The cultural and religious dynamics in Madura also influence perceptions and the implementation of *rahn* contracts. The people of Madura, known for their strong Islamic values, tend to prefer *Shariah*-compliant financial services due to the prohibition of *riba*. However, there is still a gap in public understanding of the *rahn* mechanism, with some customers not fully grasping

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Bangkalan, May 20, 2024. Shinta Devi, housewife, interviewed by the author, Sampang, May 22, 2024. H. Lutfi Hakim, Islamic scholar, interviewed by the author, Pamekasan, May 25, 2024.

<sup>67</sup> Auda, *Maqasid Al-Shari'ah as Philosophy of Islamic Law*.

<sup>68</sup> Zain, Hasan, dan Yusof, "Al-Rahnu-Led Islamic Sustainable Finance."

<sup>69</sup> Kusnan, Osman, dan Khalilurrahman, "Maqashid Al Shariah in Economic Development."

the differences between *Shariah* and conventional pawnshops. This highlights the need for improved *Shariah* financial literacy to ensure that the community can optimally utilize these services in accordance with *Shariah* principles.

From a socio-economic perspective, *Shariah* pawnshops in Madura have played a role in enhancing financial inclusion and supporting economic empowerment, particularly for micro and small business owners. The increasing transaction volume and growing public trust in these services demonstrate their effectiveness in meeting financial needs. However, challenges such as administrative costs, which are still considered high, and limited service flexibility must be addressed to ensure that *Shariah* pawnshops remain competitive compared to conventional financial services.

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