

Implementation of the Compilation of Islamic Economic Law in Sharia Pawn in Indonesia

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Abstract

Sharia Pawnshops in Indonesia manage sharia pawn businesses at both central and regional levels, guided by a Sharia Supervisory Board. Their services and human resources are optimized to achieve company goals. The products offered include Rahn Hasan, Rahn Flexi, Rahn Bisnis, Amanah vehicle installments, Arrum BPKB, Arrum Emas, Arrum Hajj, and Sharia Gold Installments. In a sharia pawn contract, items serve as collateral for loans, with maintenance and storage being the responsibility of the debtor (rahin). The costs for maintenance are determined by an ijarah contract, distinguishing sharia pawns from conventional ones. Development efforts include creating digital applications to compete with fintech. To attract millennials, Pegadaian Syariah enhances its promotional strategies on social media. Employees must have technical and general knowledge about sharia pawnshops and their products. Collaborating with fintech companies benefits both pawnshops and customers. The implementation of KHES in Sharia Pawnshops encompasses contracts, harmony, conditions, and operational mechanisms.

Keywords: *Compilation of Sharia Economic Law (KHES), Sharia Pawn, Sharia Pawnshop.*

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A. INTRODUCTION

Almost all instruments of the Islamic economic system have established a strong position in Indonesia, including sharia mutual funds, sharia banks, sharia capital markets, and sharia pawnshops. Islam permits borrowing and lending through individuals or financial institutions, one of which is the sharia financial institution (LKS) Pegadaian Syariah. One of the products of LKS is financing, where items from the debtor can be used as collateral for loans, known as collateral objects. Pawn is a debt agreement in which the collateral remains the property of the debtor but is controlled by the creditor. Pegadaian Syariah functions as a formal financial institution that provides financing based on sharia pawn law. It is essential for sharia pawn to provide benefits and avoid practices of *riba*, *qimar*, and *gharar*. However, the operational focus of sharia pawn tends to lean towards commercial-productive functions, while the social and economic needs of low-income communities are not fully accommodated. Pegadaian Syariah still accepts pawns with collateral in the form of gold, which may not be owned by lower-income individuals. Although Perum Pegadaian is committed to the interests of the economically weak, there are still challenges in meeting the needs of these communities. Therefore, a study on the implementation of the Compilation of Sharia Economic Law is needed to formulate more comprehensive regulations for sharia pawn. The researcher conducts a study to obtain data regarding the literature discussing the Compilation of Sharia Economic Law (KHES) in Sharia Pawnshops. So far, there have been no specific studies addressing this issue, although some authors have explored related themes.

Relevant previous research highlights various aspects of Sharia pawnshops and their impact on the socio-economic landscape. Ade Sofyan Mulazid indicates that Government Regulation No. 51 of 2011 provides opportunities for the development of Sharia pawnshops in Indonesia, with the DSN-MUI fatwa serving as a reference. Roos Kities Andadari concludes that customers of pawnshops exhibit different socio-economic characteristics, which affect the smoothness of loan repayments, noting that 44% of borrowers use loans for household consumption needs. Iin Endang Mardiani finds that Perum Pegadaian in Central Java has a diverse range of collateral items with economic value. Woeriyanto observes that pawnshop fund users primarily come from the lower-middle socio-economic class, with a low non-performing loan (NPL) rate of only 1%.

In a broader context, Javed Ahmed and Shariq Nisar explain that financing by Muslim funds in North India operates according to Islamic norms but lacks adequate regulatory oversight. M. Skully shows that in Islamic pawnshops, gold is the most accepted form of collateral, governed by specific regulations. Yahia K. Abdul-Rahman and Abdullah S. Tug state that the development of LARIBA in the United States has not been optimal due to negative perceptions of interest-based systems. Michael J.T. McMillen emphasizes the need for consistency in applying rahn principles in Saudi Arabia. Santhi Appannan and Gaithry Doris find that most respondents learned about Sharia pawnshops through signage and friends. Mohammad Hamidullah concludes that interest-free credit institutions are profitable and appealing to low-income communities, while Abdul Halim shows the relationship between political configuration and legal products in Indonesia. Robin Matthews and colleagues assert that Sharia financial institutions have the potential for productive financing for small businesses. The author's research differs as it focuses on the application of the Compilation of Sharia Economic Law in Sharia Pawnshops in Indonesia.

B. METHOD

The research method used is descriptive. Descriptive methods involve collecting data openly based on what is obtained from the research location, without adding or subtracting from the data. After data collection, the information is described according to its content, and if any issues arise, problem-solving is conducted. The author employs a descriptive research method by conducting direct investigations on the objects studied, systematically collecting, organizing, and utilizing data related to the issues encountered. According to Surahman, descriptive research goes beyond mere data collection; it also addresses problems occurring at the research site as part of the data analysis. Descriptive research explains existing social phenomena by developing concepts and gathering facts without testing hypotheses. According to Suryabrata, descriptive research aims to create a depiction of situations or events, accumulating basic data descriptively without seeking to explain relationships, test hypotheses, make predictions, or derive meanings and implications. However, research aimed at discovering such aspects may also include descriptive methods. The purpose of descriptive research is to provide a systematic, factual, and accurate depiction of the facts, characteristics, and relationships among the phenomena being investigated.

C. RESULTS AND DISCUSSION

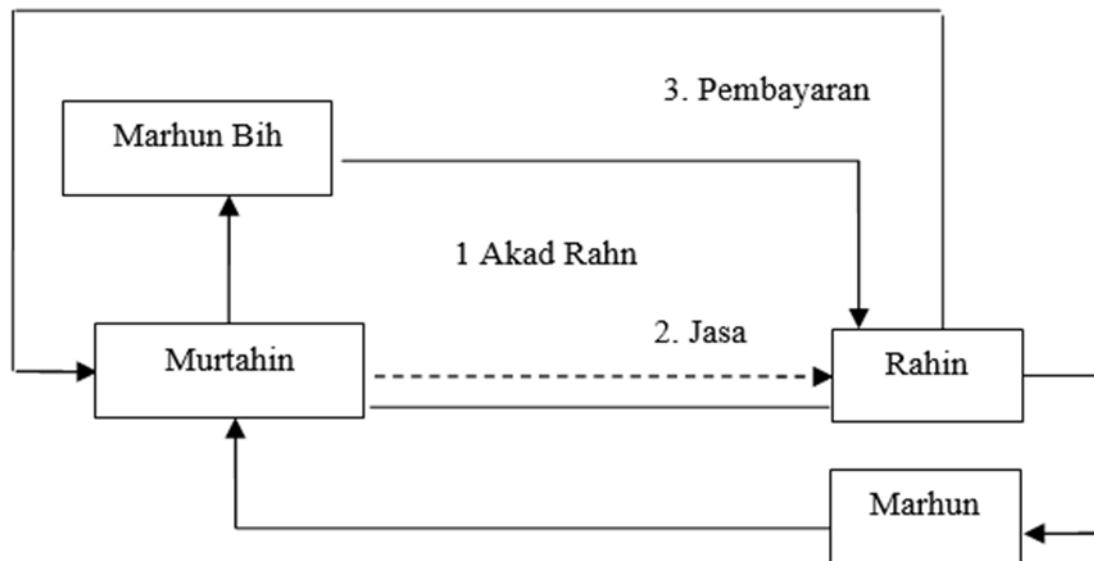
People need money daily to cover various expenses. However, their needs often exceed the available funds. In urgent situations, individuals may resort to borrowing from various sources. If the required amount is substantial, it can be challenging to meet this need through financial institutions. Conversely, smaller amounts can be borrowed easily from neighbors or informal lenders. Allah SWT has created a balance in providing sustenance, with some people being wealthy and others in need. This condition encourages social interaction and mutual assistance. Islam teaches the importance of helping one another and upholding justice while avoiding oppression and exploitation. One of the teachings of Islam emphasizes property rights for social functions, where individual ownership is linked to social obligations. Owners cannot treat their property arbitrarily, and Islam prohibits exploitative practices, including imposing additional repayment burdens on loans.

To meet immediate financial needs without losing valuable items, borrowers can use their possessions as collateral until they can repay the loan. This practice is known as pawning. Pawnshops provide a unique service by offering loans without collecting public funds like banks do. Customers of pawnshops, referred to as "nasabah," have varying socio-economic conditions that affect their ability to repay loans. Research indicates that a significant portion of loans is used for household consumption, fulfilling the social function of pawning. To study the practices of Sharia Pawnshops, it is essential to recognize that their social function should not be replaced by commercial functions. Both functions can coexist, and it is crucial to identify the appropriate contracts for each. Sharia pawn transactions typically involve qardhul hasan (interest-free loans) and ijarah (storage fees) for social-consumptive purposes, while profit-sharing contracts (PLS), rahn, mudharabah, and ba'i muqayyadah are used for productive purposes. Borrowers in Sharia pawnshops usually aim for social-consumptive functions, with repayments due at maturity without additional charges. They only bear actual costs, such as administrative fees and storage costs, paid in cash rather than percentages. However, borrowers may voluntarily add to their repayments. For profit-sharing agreements, the profit-sharing ratio must be agreed upon, with the borrower acting as the mudharib (manager of the funds).

Sharia Pawnshops operate on two main contracts:

1. Rahn Contract: This involves holding the borrower's property as collateral for the loan, allowing the pawnshop to reclaim the debt.
2. Ijarah Contract: This contract allows for the transfer of the right to use goods or services in exchange for rental payments without transferring ownership.

Ijarah is defined as a contract that allows the use of a known benefit for a specified period in exchange for a fee. The owner (muajjir) leases the benefit to the borrower (musta'jir), who pays a fee (ujrah) for the service. Thus, customers only pay administrative fees and ujrah, making Sharia pawning a viable alternative for lower-income individuals, free from interest charges. In the operational framework of Sharia pawn, it can be seen from the scheme below:



Source: Sharia Pawn: Theory, Concepts, Procedures, and Applications

Definition of Sharia Pawn

In Islamic jurisprudence, the legal transaction of pawn is referred to as al-rahn, which means "establishment" and "holding." According to sharia (Islamic law), rahn is a contract where the object is to hold an item as collateral for a right that may be fulfilled from it. According to Sayyid Sabiq, rahn is the act of using valuable property as collateral for a debt, allowing the creditor to take part of the item. Imam Ibn Qudamah, in his book al-Mughni, defines rahn as an item used as security for a debt, to be fulfilled from its value if the debtor cannot repay the creditor. The definition of pawn can also be found in Article 1150 of the Civil Code, which states that pawn has the following characteristics: (1) it is given on movable property; (2) it must be removed from the control of the pledgor; (3) it grants the creditor the right to receive repayment first; (4) it allows the creditor to take repayment directly from the pawned item. Thus, pawn is a right obtained by a creditor over a movable item, provided by a debtor or another on their behalf, allowing the creditor to prioritize repayment from that item over other creditors, excluding costs incurred to safeguard the item after it has been pawned.

The legal meaning of pawn in legislation is referred to as collateral, security, pledge, or encumbrance. The legal transaction of pawn in Islamic jurisprudence is called ar-rahn, which is a type of agreement to hold an item as collateral for a debt. The term ar-rahn in Arabic means "permanence" and "continuity," as reflected in the phrase maun rahin, meaning "calm water." This is based on the verse from Allah SWT in QS. Al-Muddatstsir (74) verse 38.

كُلُّ نَفْسٍ بِمَا كَسَبَتْ رَهِينَةٌ

"Every soul is responsible for what it has done."

The terms "permanence" and "continuity" refer to the meaning encompassed in the word al-habsu, which means to hold. This term has a material connotation. Therefore, linguistically, ar-rahn means "to make a material item a binding collateral for a debt." The definition of pawn (rahn) linguistically includes permanence, continuity, and guarantee. In legal terms, it refers to the act of holding certain assets as collateral, which can be reclaimed after repayment. According to Article 1150 of the

Civil Code, pawn is a right obtained by a creditor over a movable item provided by a debtor or another on behalf of the debtor. In Islamic law (syara'), rahn is defined as: "Using a valuable item as collateral for a debt, allowing the creditor to recover all or part of the debt from that item." Various Islamic legal scholars have provided definitions of rahn:

- a. Shafi'i Scholars: Define it as using a sellable item as collateral for a debt, to be fulfilled from its price if the debtor cannot repay.
- b. Hanbali Scholars: Describe it as an item used as security for a debt, to be fulfilled from its price if the debtor cannot repay.
- c. Maliki Scholars: Define it as a valuable item taken from its owner to serve as collateral for a debt.
- d. Ahmad Azhar Basyir: States that rahn is an agreement to hold an item as collateral for a debt, allowing the creditor to recover the debt from the collateral.
- e. Muhammad Syafi'i Antonio: Describes Sharia pawn (rahn) as holding a debtor's asset as collateral for a loan, with the collateral having economic value.
- f. Ascarya: Defines rahn (mortgage) as the transfer of authority from one party to another (the bank) in permissible matters, where the recipient can request compensation for their services.

Based on these definitions, the author argues that rahn involves holding a material asset belonging to the borrower (rahin) as collateral for a loan, allowing the creditor (murtahin) to recover the debt if the borrower fails to repay on time. Sharia pawn represents an agreement where an individual provides valuables as collateral to a Sharia pawnshop, which in turn provides cash up to 90% of the item's appraised value. This transaction is formalized through a Pawn Receipt (Rahn).

The function of the pawn agreement is to provide security for the lender, making rahn fundamentally a social debt transaction, categorized as a tabarru' or charitable contract that does not require compensation.

Legal Basis for Pawn in Islam

The legal foundation for Sharia pawn (rahn) is based on evidence from the Qur'an, the Sunnah (Hadith) of Prophet Muhammad SAW, the consensus of scholars (ijma'), and fatwas from the National Sharia Council (DSN-MUI). The basis for Sharia pawn is derived from the Qur'an, specifically:

- a. Qur'an Surah Al-Baqarah (2) verse 280:
يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَى أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ وَلْيَكُنْ بَيْنَكُمْ كَاتِبٌ بِالْعَدْلِ وَلَا يَأْبَ كَاتِبٌ أَنْ يَكْتُبَ كَمَا عَلَّمَهُ اللَّهُ فَلْيَكْتُبْ وَلْيُمْلِلِ الَّذِي عَلَيْهِ الْحَقُّ وَلْيَتَّقِ اللَّهَ رَبَّهُ وَلَا يَبْخَسَ مِنْهُ شَيْئًا فَإِنْ كَانَ الَّذِي عَلَيْهِ الْحَقُّ سَفِيهًا أَوْ ضَعِيفًا أَوْ لَا يَسْتَطِيعُ أَنْ يُمْلَ هُوَ فَلْيُمْلِلْ وَلِيُّهُ بِالْعَدْلِ وَاسْتَشْهِدُوا شَهِيدَيْنِ مِنْ رَجَالِكُمْ فَإِنْ لَمْ يَكُونَا رَجُلَيْنِ فَرَجُلٌ وَامْرَأَتْنِ مِمَّنْ تَرْضَوْنَ مِنَ الشَّاهِدَةِ أَنْ تَضِلَّ إِحْدَاهُمَا فَتُذَكِّرَ إِحْدَاهُمَا الْأُخْرَى وَلَا يَأْبَ الشَّاهِدَةُ إِذَا مَا دُعُوا ۚ وَلَا تَسْمُوا أَنْ تَكْتُبُوهُ صَغِيرًا أَوْ كَبِيرًا إِلَى أَجَلٍ ذَلِكُمْ أَقْسَطُ عِنْدَ اللَّهِ وَأَقْوَمُ لِلشَّهَادَةِ وَأَدْنَىٰ أَلَّا تَرْتَابُوا إِلَّا أَنْ تَكُونَ تِجَارَةً حَاضِرَةً تُدِيرُونَهَا بَيْنَكُمْ ۖ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ أَلَّا تَكْتُبُوهَا وَأَشْهِدُوا إِذَا تَبَايَعْتُمْ ۚ وَلَا يُضَارَ كَاتِبٌ وَلَا شَهِيدٌ ۚ وَإِنْ تَفَعَّلُوا فَإِنَّهُ فَسُقٌ بِكُمْ وَأَتَّقُوا اللَّهَ ۚ وَاعْلَمُوا أَنَّ اللَّهَ ۚ وَاللَّهُ بِكُلِّ شَيْءٍ عَلِيمٌ

"O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write between you in justice. And let no scribe refuse to write as Allah has taught him. So let him write, and let the one who has the obligation dictate. And let him fear Allah, his Lord, and not leave anything out of it. If the one who has the

obligation is of limited understanding or weak or unable to dictate himself, then let his guardian dictate in justice. And bring to witness two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses, so that if one of the women errs, then the other can remind her. And let not the witnesses refuse when they are called upon. And do not tire of writing, whether it is small or large, for its specified term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you. Except when it is an immediate transaction which you conduct among yourselves, then there is no blame upon you for not writing it. And let there be witnesses when you conclude a contract. And let no harm be done to either scribe or witness. And if you do that, it is indeed a transgression against you. And fear Allah; Allah teaches you; and Allah is Knowing of all things."

b. Surah Al-Baqarah (2) Verse 283

"And if one of you entrusts another, then let the one who is entrusted discharge his trust faithfully, and let him fear Allah, his Lord. And do not conceal testimony, for whoever conceals it—his heart is indeed sinful. And Allah is Knowing of what you do."
 وَإِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهٌ مَّقْبُوضَةٌ ۖ فَإِنْ أَمِنَ بَعْضُكُم بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمَانَتَهُ وَلْيَتَّقِ اللَّهَ رَبَّهُ ۚ وَلَا تَكْنُمُوا الشَّهَادَةَ ۚ وَمَنْ يَكْنُمْهَا فَإِنَّهُ أَتِمَّ قَلْبُهُ ۚ وَاللَّهُ بِمَا تَعْمَلُونَ عَلِيمٌ

"And if you are on a journey and cannot find a scribe, then let there be a pledge held. But if one of you entrusts another, then let the one who is entrusted discharge his trust faithfully, and let him fear Allah, his Lord. And do not conceal testimony, for whoever conceals it—his heart is indeed sinful. And Allah is Knowing of what you do"

Sheikh Muhammad 'Ali As-Sayis argues that the above Quranic verse serves as guidance for exercising caution when engaging in debt transactions with a specified term, by using an item as collateral (rahn). He states that rahn can occur when both parties are traveling (musafir), and such transactions should be documented in a written record with witnesses present. As-Sayis believes that the principle of caution is better secured through rahn than through written evidence and testimony. However, the recipient of the pawn is not obligated to accept the collateral if they are confident that the pledger will fulfill their obligations.

c. Surah Al-Maidah (5) Verse 2

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَحْلُوا شَعَابِرَ اللَّهِ وَلَا الشَّهْرَ الْحَرَامَ وَلَا الْهَدْيَ وَلَا الْقَلَائِدَ وَلَا آمِينَ النَّبِيِّتِ الْحَرَامِ يَبْتَغُونَ فَضْلًا مِّنْ رَبِّهِمْ وَرِضْوَانًا ۚ وَإِذَا حَلَلْتُمْ فَاصْطَادُوا ۚ وَلَا يَجْرِمَنَّكُمْ شَنَا نَقُومَ أَنْ صَدَّقْتُمُ عَنِ الْمَسْجِدِ الْحَرَامِ أَنْ تَعْتَدُوا وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ ۚ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۚ وَاتَّقُوا اللَّهَ ۚ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

"O you who have believed, do not violate the rites of Allah or the sacred month or the sacrificial animals or the garlands. And do not be afraid of the people; fear Me, if you are believers. And complete the pilgrimage and the 'umrah for Allah. And if you are prevented, then [offer] what can be obtained of sacrificial animals. And do not shave your heads until the sacrificial animal has reached its place of sacrifice. And whoever among you is ill or has an ailment of the head must offer a fast or charity or sacrifice. And when you are secure, then whoever performs 'umrah during the pilgrimage [months] - that is, an 'umrah before the [hajj] pilgrimage - [must offer] what can be obtained with ease of sacrificial animals. And whoever does not find [or cannot afford

it] - then a fast of three days during the pilgrimage and of seven when you have returned. That is for the one whose family is not present at the Sacred Mosque. And fear Allah and know that Allah is Exalted in Might and Wise"

d. Surah Al-Qashas (28) Verse 26

قَالَتْ إِحْدَاهُمَا يَا أَبَتِ اسْتَأْجِرْهُ ۖ إِنَّ خَيْرَ مَنِ اسْتَأْجَرْتَ الْقَوِيُّ الْأَمِينُ

"One of the two women said, 'O my father, hire him. Indeed, the best one you can hire is the strong and the trustworthy'"

The second legal basis for formulating Sharia pawn (rahn) is the hadith of Prophet Muhammad SAW, including the following:

a. Hadith from Aisha (RA) narrated by Imam Muslim:

b. حَدَّثَنَا إِسْحَاقُ بْنُ إِبْرَاهِيمَ الْحَنْظَلِيُّ وَعَلِيُّ بْنُ خَشْرَمٍ قَالَا أَخْبَرَنَا عِيسَى بْنُ يُونُسَ عَنْ الْأَعْمَشِ عَنْ إِبْرَاهِيمَ عَنْ الْأَسْوَدِ عَنْ عَائِشَةَ قَالَتْ اشْتَرَى رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ مِنْ يَهُودِيٍّ طَعَامًا وَرَهْنَهُ دِرْعًا مِنْ حَدِيدٍ

"Reported to us Ishaq bin Ibrahim Al-Hanzhali and Ali bin Khasyram, who said: They informed us that Isa bin Yunus from Al-A'mash from Ibrahim from Aswad from Aisha said: The Messenger of Allah (SAW) bought food from a Jew and pawned his iron armor." (HR. Muslim)

c. Hadith from Anas bin Malik (RA) narrated by Ibn Majah:

"Reported to us Nashr bin Al-Jahdhami, my father reported to me, who narrated to us Hisyam bin Qatadah from Anas, who said: Indeed, the Messenger of Allah (SAW) pawned his armor to a Jew in Medina and exchanged it for wheat for his family." (HR. Ibn Majah)

d. Hadith from Abu Hurairah (RA) narrated by Imam Al-Bukhari:

"Reported to us Muhammad bin Muqatil, who informed us Abdullah bin Mubarak, who informed us Zakariyya from Sha'bi from Abu Hurairah, from the Prophet (SAW), who said: Vehicles can be used and livestock can also be utilized when pawned. The pawner must provide for it, and the pawnee may benefit from it." (HR. Al-Bukhari)

e. Hadith from Abu Hurairah (RA):

"Pawned items should not be concealed from the owner; the risk and the benefits belong to him." (HR. Asy-Syafi'i and Ad-Daruquthni).

The majority of scholars agree on the permissibility of the legal status of pawn, citing the example of the Prophet Muhammad (SAW) who pawned his armor for food from a Jew. This practice indicates that the Prophet (SAW) preferred not to burden his companions, who were often reluctant to accept compensation or prices offered by him. The Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) serves as a crucial reference for Sharia pawn, encompassing several key fatwas, including Fatwa No. 25/DSN-MUI/III/2002 on Rahn, Fatwa No. 26/DSN-MUI/III/2002 on Gold Rahn, and others related to Ijarah Financing, Wakalah, and Compensation. In terms of the rukun (elements) and conditions of Sharia pawn, several components are essential. The rukun includes the parties involved in the contract (rahin and murtahin), the pawned item (marhun), and the debt (marhun bih). According to scholars like Hendi Suhendi and Rachmat Syafei, the rukun also encompasses the ijab and qabul, which are the expressions of agreement between the

parties. Additionally, certain conditions must be met for a pawn transaction to be valid, such as the legal competency of the parties and the criteria for the marhun.

Scholars have differing opinions on the utilization of pawned items. Syafi'i scholars assert that the right to benefit from the pawned item belongs to the pledger (rahin), even if the item is under the control of the pledgee (murtahin). In contrast, Maliki scholars state that the pledgee may only utilize the pawned item with the pledger's permission, while Hanbali scholars require the owner's permission, provided the item is not livestock. Hanafi scholars do not differentiate between pawned items that may decrease in value and those that do not. Various types of contracts are implemented in Sharia pawn, including Qard Al-Hasan, Mudharabah, Ba'i Muqayyadah, Ijarah, and Musyarakah Amwal Al-'Inan. Each of these contracts serves specific purposes, such as providing interest-free loans, sharing profits, or facilitating partnerships. The regulatory aspects of Sharia pawn are grounded in the Quran, particularly in Q.S. Al-Baqarah: 283, which emphasizes the importance of trust and transparency in financial transactions. Additionally, relevant legislation, such as Law No. 10 of 1998 and Law No. 21 of 2008, provides a legal framework for Sharia banking activities.

The fatwas issued by the Indonesian Ulema Council further clarify the principles governing Sharia pawn. For instance, Fatwa No. 25/DSN-MUI/2002 addresses the development of Sharia economics, while Fatwa No. 26/DSN-MUI/III/2002 permits pawning with gold based on rahn principles. Fatwa No. 68/DSN-MUI/III/2008 establishes guidelines for Rahn Tasjily, allowing for the use of collateral while the item remains under the control of the pledger. In conclusion, all forms of muamalat are permissible unless explicitly prohibited. The principles of Islamic jurisprudence provide a solid foundation for the legality of transactions, including pawn, as demonstrated by the practices of the Prophet Muhammad (SAW). This framework ensures that Sharia pawn operates within the bounds of Islamic law, promoting fairness and ethical financial practices.

Implementation of KHES in Sharia Pawn in Indonesia

Sharia pawn (rahn) plays a significant role in the implementation of the Sharia economy in Indonesia. According to Article 1, paragraph 1 of the KHES (Komite Hukum Ekonomi Syariah), the Sharia economy encompasses activities conducted by individuals, groups, or legal entities, whether formal or informal, aimed at fulfilling both commercial and non-commercial needs in accordance with Sharia principles. In the context of Sharia pawn, Article 20, paragraph 1 defines a contract (akad) as an agreement between two or more parties to perform or refrain from certain legal actions. Furthermore, Article 14 clarifies that rahn refers to the possession of the borrower's property by the lender as collateral.

Sharia pawn is conducted based on several fundamental principles outlined in Article 21, which include:

- a. Ikhtiyari/Sukarela: All contracts are made voluntarily, free from coercion.
- b. Amanah: Each party must fulfill their promises according to the agreed terms.

- c. Ikhtiyati: Contracts should be made with careful consideration and executed precisely.
- d. Luzum: Contracts should have clear objectives to avoid speculation.
- e. Saling Menguntungkan: Contracts should benefit all parties involved.
- f. Taswiyah: All parties should have equal standing and balanced rights and obligations.
- g. Transparansi: Contracts should be conducted transparently.
- h. Kemampuan: Contracts should align with the capabilities of the parties involved.
- i. Taisir: Contracts should facilitate ease of execution for both parties.
- j. Itikad Baik: Contracts should aim for mutual benefit without traps or malicious intent.
- k. Sebab yang Halal: Contracts must not contradict legal provisions or be haram.
- l. Al-Hurriyah: Freedom to contract.
- m. Al-Kitabah: Written agreements.

The rukun (elements) of a contract, as stated in Article 22, consists of the parties involved, the object of the contract, the main purpose of the contract, and the agreement itself. Article 25 emphasizes that the purpose of a contract is to meet the living needs and business development of the parties involved, and it can be expressed clearly, either verbally, in writing, or through actions. The legal status of contracts is categorized in Article 26, which states that a contract is invalid if it contradicts Islamic Sharia, legal regulations, public order, or morality. Article 27 further divides contracts into three categories: valid contracts, invalid contracts (fasad), and void contracts.

A valid contract, as explained in Article 28, must meet all its rukun and conditions. An invalid contract may meet the rukun and conditions but has other aspects that undermine it, while a void contract lacks rukun and/or conditions. In the context of rahn, Article 373 outlines the rukun, which includes the murtahin (the pledgee), rahin (the pledger), marhun (the collateral), marhun bih (the debt), and the contract itself. It is essential that the parties involved in the rahn contract possess legal capacity, as stated in Article 374. The contract is considered complete when the marhun is received by the murtahin, according to Article 375. The marhun must have value and be deliverable, as specified in Article 376. Additionally, anything included in the marhun is also pawned, and the marhun can be replaced with another item by mutual agreement (Article 378). Article 379 allows for the increase of the marhun bih with the same collateral.

The cancellation of the rahn contract is addressed in several articles. For instance, Article 381 states that the contract can be canceled if the marhun has not been received by the murtahin. The murtahin can unilaterally cancel the contract, while Article 383 specifies that the rahin cannot cancel the contract without the murtahin's consent. Both parties can mutually agree to cancel the contract. When it comes to borrowed property, Article 385 states that it cannot be pawned without the owner's consent. If the owner gives unconditional consent, the borrower may pawn it freely;

if conditional, the borrower must adhere to those conditions. The owner must also understand the risks involved in allowing their property to be used as collateral. The rights and obligations in rahn are clearly defined. For example, Article 386 grants the murtahin the right to retain the marhun until the marhun bih is fully paid. If the rahin dies, the murtahin has a preferential right over other creditors for repayment (Article 387). The existence of the marhun does not eliminate the murtahin's right to demand repayment (Article 387), and the rahin can claim the marhun after settling the debt (Article 388). The rights of both the rahin and murtahin are further elaborated in the subsequent articles. For instance, Article 395 allows both parties to agree to lend the marhun to a third party, while Article 396 states that the murtahin cannot utilize the marhun without the rahin's permission.

The storage of the marhun is addressed in Article 397, which states that the murtahin may store the marhun themselves or with a third party. Article 398 indicates that the power of the storage provider over the pawned property is equivalent to that of the pledgee. Article 399 prohibits the storage provider from handing over the property to either the pledger or the pledgee without consent from one of the parties. The sale of pawned property is also regulated. Article 402 states that upon maturity, the pledger may authorize the pledgee or a third party to sell the pawned property. If the pledger cannot repay the debt, the pawned property may be sold through a Sharia auction (Article 403). The proceeds from the sale are used to repay the debt, storage, and maintenance costs, with any excess going to the pledger. All products offered by Sharia Pawn have undergone approval from the National Sharia Council (DSN). This council, established by the Indonesian Ulema Council, is responsible for issuing fatwas regarding products, services, and activities of banks operating under Sharia principles. The DSN assists relevant parties, such as the Ministry of Finance and Bank Indonesia, in formulating regulations for Sharia financial institutions. Members of the DSN include scholars, practitioners, and experts in Sharia muamalah, ensuring that all products in Sharia Pawn are safe for transactions. In conclusion, the implementation of KHES in Sharia pawn in Indonesia is structured around clear legal frameworks and principles that ensure fairness, transparency, and adherence to Sharia law, making it a reliable option for individuals seeking financial solutions.

D. CONCLUSION

The institutional framework of Sharia Pawn in Indonesia consists of a structured organization for managing Sharia pawn operations, which includes both central and regional levels. At the central level, the organization is led by a board of directors overseeing both conventional and Sharia business divisions, with a Sharia Supervisory Board ensuring compliance with Islamic principles. The regional structure includes regional offices, deputy regions, and branch offices. Human resources in Sharia Pawn are managed effectively and efficiently to maximize their potential, recognizing that in Islam, individuals are not merely business resources but valuable assets.

Sharia Pawn offers a variety of products, including Rahn Hasan, Rahn Flexi, Rahn Business, Rahn Tasjily Tanah, Amanah Vehicle Financing, Arrum BPKB, Arrum Gold, Arrum Hajj, Sharia Gold Installments, Gold Savings, and money transfer and online payment services. The regulatory framework for Sharia Pawn in Indonesia is grounded in various sources, including Q.S. Al-Baqarah: 283, hadith, Law No. 10 of 1998, Law No. 21 of 2008, POJK No. 31/POJK.05/2016, Government Regulation No. 51 of 2011, and several fatwas from the National Sharia Council. The practice of rahn is fundamentally similar to conventional pawning, where collateral is provided by the pledger (rahin) to secure a loan from the pledgee (murtahin). The maintenance and storage of the collateral (marhun) are the responsibility of the rahin, with costs determined by an ijarah contract, distinguishing Sharia pawn from conventional practices. The development of Sharia Pawn in Indonesia focuses on enhancing digital applications and connectivity to compete with fintech, strengthening promotional strategies on social media to reach a broader audience, ensuring employees possess technical knowledge about Sharia products, and collaborating with fintech companies for mutual benefit. The implementation of KHES in Sharia Pawn in Indonesia is evident in its contracts, rukun, conditions, and operational mechanisms, ensuring compliance with Sharia principles and effective service delivery.

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