

Sharia Label and Conventional Practice: A Critical Evaluation of the Islamic Pawnshop Rahn Contract

Muhammad Mahalli Rofi'i¹, Ahmad Zaki Al Fanani², Irawan³ Abdul Nafi' Nur Fauzan⁴

^{1,2,3,4}Darussalam Gontor University, Indonesia

Email Correspondence : ahmadzakialfanani@gmail.com

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Abstrak

Pertumbuhan industri pegadaian syariah pasca-digitalisasi menghadapi Lembaga Keuangan Syariah (LKS) pada dilema antara motif komersial dan kepatuhan substantif. Masalah krusial muncul dalam penerapan akad hibrida (*rahn* dan *ijarah*) pada produk gadai emas yang rentan menjadi praktik ribawi terselubung demi mengejar pendapatan. Penelitian ini bertujuan menganalisis validitas syariah konstruksi akad tersebut serta konsistensi penetapan biaya sewa (*ujrah*) terhadap Fatwa DSN-MUI No. 25/DSN-MUI/III/2002 dan prinsip keadilan POJK Nomor 39 Tahun 2024. Menggunakan metode kualitatif dengan pendekatan yuridis normatif serta analisis *Maqasid Syariah* dan *Substance over Form*, penelitian ini menemukan adanya disparitas praktik yang signifikan. Sebagian LKS menetapkan *ujrah* berbasis plafon pinjaman, bukan nilai fisik barang. Hal ini secara materiil melanggar fatwa dan mengindikasikan rekayasa hukum (*hilah*) untuk mereplikasi bunga akibat tekanan likuiditas. Penelitian menyimpulkan bahwa label syariah pada produk gadai emas seringkali terjebak formalitas administratif tanpa keadilan substantif. Implikasinya, regulator didesak mereformasi aturan tarif dengan melarang penggunaan variabel plafon dalam penentuan biaya untuk menjamin kemurnian syariah.

Keywords :

Sharia Pawnshop; Hybrid Contract; *Ujrah*; *Rahn*; Sharia Compliance

Abstract

The post-digitalization expansion of the Islamic pawnshop industry poses a dilemma for Islamic Financial Institutions (IFIs) between commercial imperatives and substantive compliance. A critical issue arises regarding the application of hybrid contracts (*rahn* and *ijarah*) in gold pawning products, which are prone to devolving into disguised usurious (*ribawi*) practices for the sake of revenue generation. This study aims to analyze the Sharia validity of these contract constructions and the consistency of the determination of the rental fee (*ujrah*) with Fatwa DSN-MUI No. 25/DSN-MUI/III/2002 and the principles of justice outlined in OJK Regulation (POJK) Number 39 of 2024. Utilizing a qualitative method

with a normative juridical approach, alongside Maqasid Al-Shariah and Substance over Form analyses, this research identifies significant disparities in practice. Certain IFIs calculate ujarah based on the loan ceiling rather than the collateral's physical value. This practice materially contravenes the fatwa and indicates the use of legal stratagems (hilah) to replicate interest mechanisms amidst liquidity pressures. The study concludes that the Sharia label on gold pawning products is frequently confined to administrative formalities, lacking substantive justice. Consequently, regulators are urged to reform tariff regulations by explicitly prohibiting the use of loan ceiling variables in fee determination to ensure Sharia integrity.



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INTRODUCTION

Over the past decade, the Islamic finance landscape in Indonesia has undergone a significant transformation (Yulianti, 2008), with pawn-based financing products (*rahn*) emerging as highly preferred liquidity instruments due to their accessibility and expediency. This trend has been further accelerated by digital transformation, specifically through the advent of online pawning services, which have expanded market reach to include micro-segments (Farhanah et al., 2025). This phenomenon is corroborated by data indicating that while the asset growth of the Islamic Non-Bank Financial Industry (IKNB) has fluctuated, the Islamic pawning sector has demonstrated resilience and unique growth dynamics compared to other sectors (Darma et al., 2024). However, this massive quantitative expansion raises fundamental questions about the quality of Sharia compliance, particularly regarding the contractual structures used to legitimise profit generation.

Specifically, an examination of historical data reveals the competitive dynamics confronting this industry. Drawing upon the findings of Darma et al. (2024), the growth of Islamic pawnshops during the initial phase of 2013–2017 was relatively sluggish compared to other financial sectors. Recovery momentum became evident only during the 2018–2022 period, when the Islamic pawnshop sector recorded growth of 18%, narrowing the gap with the Islamic Non-Bank Financial Industry (IKNB), which, conversely, experienced a slight correction to 19%. Although this performance disparity narrowed, the Islamic IKNB continued to exhibit a more dynamic growth trajectory, particularly in 2021 and 2022, driven by accelerated digitalisation and financial product innovation. It is postulated that this lag in growth momentum catalysed Islamic Financial Institutions (IFIs) to aggressively pursue strategic diversification by optimising fee-based income, ultimately culminating in the adoption of complex hybrid contract schemes that raise Sharia compliance concerns.

Theoretically, *rahn* (pledge) is inherently a *tabarru'* (gratuitous/charitable) contract functioning as security for a debt (*witsaqah al-dayn*), rather than an investment instrument seeking profit (*mu'awadhah*). To bridge this social mission with the

commercial imperatives of financial institutions, Islamic Financial Institutions (IFIs) implement a hybrid contract scheme that amalgamates the *qardh* (loan) contract with either *ijarah* (lease) or *wadi'ah* (safekeeping) (Harrieti, 2018). This legal construction, known as *al-uqûd al-murakkabah*, is jurisprudentially permissible provided it does not violate the prohibition of *ta'alluq* (conditional interdependence between contracts). However, the legal implications of this amalgamation often create a grey area in which the distinction between genuine service fees and loan interest becomes blurred (Hadi et al., 2024).

A central issue arises when the determination of rental fees (*ujrah*) in *ijarah* contracts is not objectively based on the estimated maintenance costs of the pledged asset (*marhun*). However, it is instead pegged to a percentage of the loan principal. A recent empirical study by Arifkan (2021) reveals a striking disparity: while specific Islamic pawnshops in Sampang determine *ujrah* based on the characteristics of the collateral, other Islamic Banks in the same jurisdiction continue to levy an *ujrah* equivalent to 1.2% of the total loan principal. Such practices materially contravene Fatwa DSN-MUI No. 25/DSN-MUI/III/2002, which explicitly prohibits correlating maintenance fees with the debt amount, as this is construed as a *hilah* (legal stratagem) employed to extract *riba qardh* (loan usury) (Rahima et al., 2025).

Critiques of this procedural deviation have evolved into a global discourse. In a critical analysis, (Sharif et al., 2022) assert that the amalgamation of *wadi'ah* and *ujrah* in *Ar-Rahnu* products, where fees are levied in excess of actual operational costs, constitutes a form of Sharia non-compliance and advocate a transition to a *tawarruq* structure. A significant knowledge gap that remains insufficiently addressed in prior literature concerns the specific analysis of standardised contract clauses following the enactment of the latest state regulation, namely the Financial Services Authority Regulation (POJK) Number 39 of 2024 concerning Pawnbroking. The majority of previous studies have focused on fatwas in isolation, without juxtaposing them with the contemporary positive legal framework that mandates heightened transparency in pawnbroking governance.

To establish the novelty of this research, an examination of the state-of-the-art in preceding discourse is essential. The preponderance of prior literature has tended to analyse the implementation of the *Rahn* (Islamic pawnbroking) contract in a fragmented manner. For instance, the study by Harrieti (2018) predominantly centres on evaluating the validity of pure multi-contract amalgams strictly from a jurisprudential (*fihiyyah*) perspective *per se*. Conversely, Sharif et al. (2022) focus on the imperative of transitioning toward a *Tawarruq* (monetisation) framework within alternative jurisdictions. Within the empirical domain, while field investigations conducted by Fathoni et al. (2024) and Arifkan (2021) have successfully unveiled regional disparities in pawnbroking practices, these studies have yet to synthesise their findings with the broader macroeconomic dynamics of national positive law.

The critical blind spot and overarching research gap within this trajectory of literature is the absence of an integrative analysis specifically examining the validity

of fee-setting clauses within hybrid contracts following the promulgation of the most recent state regulation, namely the Financial Services Authority Regulation (POJK) Number 39 of 2024 concerning Pawnbroking. To bridge this literature void, the present study is constructed utilising the analytical framework of *Maqasid al-Shari'ah* (the higher objectives of Islamic law) with a specific emphasis on the dimension of *Hifdz al-Mal* (the safeguarding of wealth against exploitative practices) coupled with the governance principle of Substance over Form. Through this theoretical lens, this research endeavours not merely to dogmatically evaluate the compliance of business entities with the DSN-MUI Fatwa instruments, but rather to critically deconstruct these contractual clauses from the perspective of consumer protection and the principle of proportional justice mandated by the newly established POJK regulatory regime.

The urgency of this research is underscored by the peril of form over substance, wherein Sharia labelling serves merely as a superficial formality while the transactional substance remains usurious (*ribawi*). If rental fees function solely as a camouflage for interest, the principle of Al-Ghunm bi Al-Ghurm (profit entitlement contingent upon risk liability), a cornerstone of Islamic economic justice, is effectively compromised (Ghazali et al., 2024). Moreover, the absence of uniform legal drafting standards within the Islamic pawning industry exposes customers with weaker bargaining power to potential exploitation, a condition that directly contradicts the objectives of Islamic social finance (Ghul et al., 2025).

Against this backdrop, this article aims to scrutinise the Sharia validity of the hybrid contract construction within gold pawning products by assessing the consistency of *ujrah* (fee) clauses with Fatwa DSN-MUI No. 25 and Financial Services Authority Regulation (POJK) Number 39 of 2024. Specifically, this study endeavours to deconstruct fee calculation mechanisms indicative of usurious practices (*riba*) and to offer a critical perspective on contractual design. Theoretically, this research contributes to the augmentation of Islamic economic law literature regarding the boundaries of hybrid contracts, ensuring they adhere to the principle of *sadd al-zari'ah* (blocking the means to impermissibility). In practice, the findings have significant implications for regulators and practitioners within Islamic Financial Institutions (IFIs) regarding the redrafting of contractual clauses, thereby ensuring Sharia-compliant contracts that are not merely administrative but substantive and equitable.

LITERATURE REVIEW

Scholarly discourse on the implementation of Rahn contracts within Islamic Financial Institutions (IFIs) has extensively scrutinised the use of hybrid contract schemes as a vehicle for product innovation. Harieti (2018) posits that the employment of hybrid contracts, or *al-uqûd al-murakkabah*, constitutes a valid jurisprudential response to the exigencies of the modern banking market, provided it does not contravene the principle of *ta'alluq* by legitimising the prohibited. Conversely, in a recent critique, Hadi et al. (2024) caution that the legal ramifications

arising from the amalgamation of Al-Ijarah wa ar-Rahn frequently engender ambiguities regarding rights and obligations, potentially proving detrimental to customers in the absence of transparent contractual clauses. This perspective is corroborated by the analysis of Ghazali et al. (2024), who revisit the maxim of Al-Ghunm bi Al-Ghurm, emphasising that the legitimacy of profit in Sharia contracts must be predicated on genuine risk assumption, rather than the mere displacement of risk onto the customer through convoluted fee structures.

The debate intensifies significantly when delving into Sharia-compliant mechanisms for fee imposition. Sharif et al. (2022) posit a fundamental critique, asserting that the current amalgamation of *wadi'ah* and *ujrah* contracts in *Ar-Rahnu* products constitutes a form of Sharia non-compliance. This is attributed to the levying of fees in excess of reasonable operational costs; consequently, they advocate for a transition toward a *tawarruq* structure. Corroborating this perspective, Khir et al. (2013) had previously identified that the implementation of *ijarah al-hifz* (custodial lease) is frequently utilised as a backdoor mechanism to extract profit from loan contracts. Within the context of domestic regulation, Yuniarti et al. (2018) evaluated the compliance of Islamic Rural Banks (BPRS) with Fatwa DSN-MUI No. 25. Their findings indicate that while institutions may appear compliant administratively, the paramount challenge persists in ensuring the consistency of fee application to preclude any correlation with the loan ceiling.

Empirical evidence regarding the distortion of rental fees (*ujrah*) is unequivocally demonstrated across multiple field studies. Rahima et al. (2025), in their investigation of *ujrah* determination for warehouse collateral, concluded that tariff imposition frequently fails to reflect the asset's utility value (*manafi'*), functioning instead as a mere financial percentage. This finding is corroborated by Fathoni et al. (2024) through a case study at Jambi Sharia Pawnshop, which scrutinised the implementation of *Ijarah* contracts within gold pawning products. Furthermore, Sari Sam (2021) examining the issue through the lens of accounting standard PSAK 107, identified discrepancies in the accounting treatment of maintenance costs. These costs, which ought to be recorded as pure lease income, are frequently conflated with financing motives, thereby obfuscating the transparency of financial statements.

Operational disparities among financial institutions constitute a compelling finding elucidated by Arifkan (2021). His comparative study uncovers stark divergences, specifically, the Islamic Pawnshop in Sampang determines rental fees (*ujrah*) based on the estimated caratage and weight of the collateral, an implementation deemed Sharia-compliant. Conversely, Islamic Banks within the same jurisdiction continue to use a fixed rate of 1.2% of the total loan principal, a practice that is substantially indicative of *riba qardh* (loan usury). These findings demonstrate that the Sharia label does not inherently guarantee operational uniformity devoid of usury. Complementing this observation, Bahanan & Sa'adah (2024) underscore the imperative of rigorous risk management to mitigate compliance risks, thereby safeguarding institutional reputation.

In the context of technological advancement, contemporary literature has begun to scrutinise the digital transformation of gold pawning. Farhanah et al. (2025) analysed online pawning services, revealing that the digitalisation of *rahn* and *ijarah* contracts introduces novel challenges regarding the clarity of the contractual object (*ma'qud alaih*) and the transparency of administrative fees. Wahyudhi & Syarif (2025) further posit that sophisticated digital accounting systems should serve as control instruments to ensure transactional compliance, rather than functioning as mechanisms to obscure unreasonable fee structures. Similarly, Ismail & Harun (2024) note that marketing strategies for Islamic banking products, including pawning, must now place greater emphasis on ethical aspects and substantive compliance to appeal to the new generation market.

Although numerous studies have addressed technical and compliance aspects, a significant research gap remains regarding the correlation between business growth pressures and contractual leniency. Darma et al. (2024) present data indicating that asset growth in Islamic pawnshops stagnated and was less dynamic than in other sectors of the Islamic Non-Bank Financial Industry (IKNB) during the 2021–2022 period. This phenomenon of growth pressure has rarely been directly linked to institutional behaviour in the establishment of aggressive contractual clauses. Consequently, this study aims to bridge this gap by analysing how standard contract clauses are constructed amidst the regulatory constraints of POJK 2024 and profitability demands, while realigning them with the social finance goals of Islamic finance.

METHODS

This study employs a qualitative research design utilising a library research method (Zed, 2008). The adopted approach is normative juridical, focusing on the examination of legal materials and scholarly literature to address legal issues concerning the validity of hybrid contracts in gold pawning products (Soekanto, 2007). Within this framework, the object of study is not derived from direct observation, but rather through the systematic retrieval of relevant documents and academic manuscripts. Data sources are classified into two primary categories: (1) Primary Legal Materials, consisting of binding authoritative regulations, specifically Fatwa DSN-MUI No. 25/DSN-MUI/III/2002 regarding *Rahn* and Financial Services Authority Regulation (POJK) Number 39 of 2024 concerning Pawnbroking and (2) Secondary Legal Materials, comprising 20 articles from reputable national and international journals (published between 2013 and 2025) that contain empirical data on pawnbroking practices in the field (Arifkan, 2021).

Data collection techniques included documentation and a systematic literature review. The authors inventoried contractual clauses and fee calculation schemes documented in prior research reports and subsequently selected them based on relevance criteria related to loan-based *ujrah*. The collected data were analysed utilising content analysis and comparative methods. The analysis commenced by

dissecting the legal construction in the regulations (Fatwa and POJK), which was then juxtaposed with practical data from the literature to identify compliance gaps. The analytical framework employed the theory of *Maqasid Al-Shariah* and the principle of Substance over Form to examine whether the applied fee schemes substantially reflect justice (*'adalah*) or contain usurious (*riba'wi*) elements (Ghazali et al., 2024).

RESULT AND DISCUSSION

The normative construction of *Rahn* and *ijarah* contracts is anchored in Fatwa DSN-MUI No. 25/DSN-MUI/III/2002 concerning *Rahn*. This fatwa defines *rahn* as a contract in which an asset is retained as security for a debt (*witsaqah al-dayn*). In principle, this contract is characterised as *tabarru'* (gratuitous/benevolent) rather than *mu'awadhah* (commercial exchange); consequently, the lender (*murtahin*) is prohibited from deriving any additional benefit from the loan principal (*qardh*).

Nevertheless, the DSN-MUI Fatwa accommodates the operational exigencies of financial institutions through a mechanism for collecting maintenance fees. According to the provisions of the fatwa, it is explicitly stipulated that the costs of storing and maintaining the pledged asset (*marhun*) are the customer's (*rahin*) obligation. Financial institutions are permitted to levy these charges via an *ijarah* scheme (lease of service/maintenance). A crucial point, serving as a binding Sharia constraint, is explicitly enshrined in the closing provisions, point 4, which mandates: *that the loan amount must not determine the amount of maintenance and storage fees for the Marhun*. This stipulation constitutes the primary *ratio legis* (legal reasoning), dictating that *ujrah* must be predicated on the actual value of maintenance services (such as size, weight, or asset value), rather than the quantum of the loan extended. This normative construction serves as the analytical lens through which to assess the validity of practices observed in the field.

The data reduction results from case studies conducted by Arifkan (2021), Fathoni et al. (2024), and Rahima et al. (2025) reveal a contradictory dualism in practices within the national Islamic finance industry. Although these entities operate under the same regulatory umbrella, technical operational mechanisms, particularly in fee determination, exhibit fundamental divergence.

First, a pattern of substantive compliance was identified in the studies by Arifkan (2021) at the Sampang Islamic pawnshop, Fathoni et al. (2024) at the Jambi Islamic pawnshop, and Rahima et al. (2025) at the Banda Aceh Islamic pawnshop. In this model, the variables determining the rental fee (*ujrah*) are purely predicated on the physical characteristics of the pledged asset (*marhun*), such as appraised value, gram weight, and gold caratage. This approach aligns with the logic of the *Ijarah* contract as a sale of custodial services.

Conversely, the second pattern demonstrates operational deviation, identified in specific Islamic banking institutions as highlighted in Arifkan (2021) comparative study of Bank Jatim Syariah. In this pattern, the magnitude of *ujrah* is established using a fixed percentage, for instance, 1.2% per month, multiplied directly by the loan

principal (*qardh*). This mechanism creates a legal anomaly wherein the service fee no longer represents the value of asset maintenance but mutates into compensation for the funds lent, thereby substantively resembling interest in conventional pawning.

Tabel 1. Comparison of Rahn and Ijarah Contract Practices in Islamic Financial Institutions

Comparison Parameters	Practice A (Sharia Compliant)	Practice B (Not Sharia Compliant)
Study Object	Sharia Pawnshop Sampang, Sharia Pawnshop Jambi, Sharia Pawnshop Banda Aceh	East Java Sharia Bank Sampang Madura
Basis for Determining Ujrah	Estimated price of goods (<i>marhun</i>), weight (<i>grams</i>), and gold karatage.	Fixed percentage of the Loan Ceiling (eg: 1.2% per month of the loan amount).
Cost Correlation	The cost does not change whether the customer's loan is small or large, as long as the item is the same.	Rent costs go down if the loan goes down, and go up if the loan goes up, even if the goods are the same.
Nature of the Contract	<i>Ijarah</i> stands alone as a real maintenance service.	<i>Ijarah</i> is completely dependent on <i>Qardh</i>
Sharia Status	Shariah Compliant (According to DSN Fatwa No. 25).	Indicated Riba <i>Qardh</i> (Violates DSN Fatwa No. 25).

Source: author analysis of the journal (Arifkan, 2021; Fathoni et al., 2024; Yashila Rahima et al., 2025)

The data presented in Table 1 underscores a pivotal finding: the existence of disguised interest practices within Practice B. The empirical fact that the *ujrah* (rental) rate is fixed at 1.2% of the loan ceiling provides evidence that the *ijarah* contract is used not to procure custodial services but rather to serve as an interest substitute.

To validate the argument regarding the presence of transactional injustice (*zulm*) and price distortion (*ghabn*) in ceiling-based *ujrah* determination, this study presents a comparative simulation utilising a *ceteris paribus* approach involving two customers pledging identical gold collateral weighing 10 grams (with an assumed appraised value of IDR 10,000,000). If customer A borrows IDR 2,000,000 and customer B borrows IDR 9,000,000, the application of a pure *Ijarah* scheme (predicated on physical asset attributes, e.g., a rate of IDR 5,000/gram) would yield an equitable maintenance fee for both, specifically IDR 50,000 per month. However, should a deviant scheme be applied specifically, *Ijarah-based* on a loan percentage (e.g., 1.2% per month), customer A would be charged only IDR 24,000. In contrast, customer B would be compelled to pay IDR 108,000.

This extreme disparity of 450%, representing a difference of IDR 84,000 (IDR 108,000 - IDR 24,000 = IDR 84,000), exposes an economic fallacy, as the Islamic

Financial Institution (IFI) levies significantly higher fees without any corresponding increase in operational burden (cost recovery) for storing assets of identical size and risk profile. In terms of the substance of Islamic law, this fee surplus, which correlates directly with the debt magnitude, no longer satisfies the criteria for a rental wage; rather, it mutates into *Ziyadah* (excess) identical to *Riba Qardh* (loan usury). Simultaneously, this practice violates the legal maxim *Al-Kharaj bi Al-Dhaman* (entitlement to revenue depends on liability), in which the IFI extracts profit from credit risk, manipulatively cloaked (*hilah*) as compensation for inventory risk.

An in-depth analysis reveals that the transformation of the *Rahn* contract into a commercial instrument through hybrid structures is inextricably linked to the financial performance pressures confronting the industry. Specifically, the stagnation of Islamic pawnshop asset growth during the 2013–2017 period, coupled with liquidity constraints in 2021 (Darma et al., 2024), compelled Islamic Financial Institutions (IFIs) to accelerate fee-based income generation. However, this pragmatic strategy has engendered a serious legal fallacy by reducing the concept of maintenance costs to a variable that fluctuates in tandem with the outstanding loan principal. This substantively mimics the logic of interest rather than representing a fixed or volume-based cost, a practice that, according to the analytical framework of (Sharif et al., 2022) is categorized as a prohibited *hilah* (legal stratagem). It effectively cloaks the extraction of benefit from a loan (*Manfa'ah ala al-Qardh*) under the label of custodial services (*Ijarah al-Hifz*), pursuing mere formal compliance (form over substance).

These research findings unveil a disquieting reality regarding the dualism of practices in the field. When contextualized within the theoretical framework, the prevalence of loan-percentage-based *ujrah* (Type B) indicates a phenomenon of legal stratagem or *hilah* that undermines Sharia substance. When *wadi'ah* or *ijarah* contracts are amalgamated with *qardh*, and the imposed fees exceed actual operational costs, the surplus is jurisprudentially categorized as *riba qardh* (loan usury) (Sharif et al., 2022). In this context, Islamic banks setting a tariff of 1.2% of the loan ceiling provide empirical evidence that the function of the *ijarah* contract has been reduced to merely an instrument of interest replication (Arifkan, 2021).

The enactment of Financial Services Authority Regulation (POJK) Number 39 of 2024 concerning Pawnbroking constitutes a pivotal milestone in establishing a framework for good corporate governance and consumer protection within the national pawnbroking industry. However, a profound textual-juridical analysis of this regulation reveals a structural flaw in its legal architecture, specifically a normative vacuum regarding the technical operational standardisation of fee determination. Articles mandating the application of principles of fairness and reasonableness remain formulated in abstract, ambiguous, and multi-interpretable phrasing. In the context of Islamic pawnbroking, the absence of rigid mathematical parameters to define reasonable limits opens the door to asymmetric interpretations that are detrimental to the customer (*Rahin*).

The most fundamental weakness of this regulation is the absence of an explicit prohibition on using Loan-to-Value (LTV) ratios or loan ceiling percentages as the basis for rental fee (*ujrah*) calculation. This absence becomes a legal loophole that the industry exploits to engage in regulatory arbitrage. Islamic Financial Institutions (IFIs) utilise this loophole by maintaining the *Ijarah* contract label to appear administratively compliant. At the same time, the substance of the calculation remains floating, tracking the loan principal. Consequently, the essence of consumer protection envisioned by the POJK is diluted by business pragmatism, permitting the practice of debt commodification to persist under the umbrella of state legality.

Responding to this polemic, the supervisory authority should no longer rely solely on a principle-based regulatory approach but should shift towards a more determinative, prescriptive approach. The regulator, specifically the OJK in synergy with the DSN-MUI, must intervene by formulating derivative regulations mandating that all components of administrative and maintenance fees for the pledged asset (*marhun*) must be fixed costs. Alternatively, regulations must mandate the application of a tiered pricing scheme whose measurement parameters are based exclusively on the physical characteristics of the appraised asset, such as gram weight, volumetric dimensions, or maintenance complexity. They must absolutely dissociate any correlation with the principal loan amount (*qardh*). This prescriptive standardisation is an absolute prerequisite to systematically closing the door to *Riba Qardh* while simultaneously restoring the *Sharia muruah* (integrity) within the Indonesian pawnbroking industry.

Theoretically, this phenomenon contravenes the legal maxim (*qaidah fiqhiyyah*) of *Al-Ghunm bi Al-Ghurm* (profit is contingent upon liability). In Islamic finance, the legitimacy of profit must be predicated on the assumption of genuine risk (Ghazali et al., 2024). In the case of loan-based *ujrah*, Islamic Financial Institutions (IFIs) do not incur incremental maintenance risks correlating with larger loan amounts; the cost of maintaining 10 grams of gold remains constant, irrespective of whether the customer borrows IDR 1 million or IDR 10 million. When an IFI levies higher fees solely due to a larger loan principal, it is essentially extracting risk-free profit, a cardinal characteristic of *riba*, thereby violating the principle of justice (*'adalah*), a core objective of *Maqasid Al-Shariah* (Al-Nahari et al., 2022).

Why does a practice that contravenes Fatwa DSN-MUI No. 25 persist? An analysis of industrial data offers a logical explanation. The deceleration of Islamic pawnshop asset growth during the 2013–2017 period, coupled with liquidity pressures during the pandemic (2021), serves as a crucial explanatory variable (Darma et al., 2024). In a landscape where asset growth was less dynamic compared to other sectors of the Non-Bank Financial Industry (IKNB), IFIs faced institutional pressure to sustain profitability and liquidity.

Implementing a percentage-based *ujrah* scheme (e.g., a flat 1.2%) is significantly more lucrative and financially predictable than one based on fluctuating real asset maintenance costs. This business pragmatism drives regulatory arbitrage, in which

IFIs exploit lacunae in POJK Number 39 of 2024, which has yet to technically regulate fee calculation formulas, to implement standard contracts that are financially secure yet legally defective from a Sharia perspective. This aligns with the theory of Form over Substance, where Sharia compliance is frequently confined to on-paper contractual formalities while neglecting the substance of economic justice (Hadi et al., 2024).

From the perspective of *Ushul Fiqh* (Principles of Islamic Jurisprudence), the anomaly of determining *ujrah* rates based on loan percentages necessitates urgent critique through the approach of *Sadd al-Dzari'ah* (blocking the means to impermissibility). Ontologically, the *Ijarah* (lease) instrument within the hybrid contract scheme is fundamentally permissible (*mubah*) and formally valid. However, a fundamental maxim in *Sadd al-Dzari'ah* asserts that if a lawful instrument, at the practical level, is proven absolutely or with high probability (*ghalib al-zann*) to transform into a means (*dzari'ah*) leading to usurious practices, then that instrument must be restricted or prohibited. The manipulative practice of cloaking loan margins within the nomenclature of maintenance fees constitutes a form of legal simplification (*hilah*) that compromises the integrity of the contract.

Acquiescence to the leniency afforded to Islamic Financial Institutions (IFIs) in setting rental rates based on Loan-to-Value (LTV) ratios amounts to legitimising a backdoor to usury through legal-formal loopholes. If this arbitrage opportunity is not immediately closed through rigid regulatory intervention, such as the explicit prohibition on using debt ceiling variables in fee calculation formulas, then the teleology of Islamic law, specifically *Maqasid Al-Shariah*, will experience an operational failure. Specifically, the pillar of *hifdz al-mal* (protection of wealth) does not merely signify preserving wealth from theft, but essentially demands protection for the customer's (*Rahin*) wealth against financial exploitation (*zulm*) and gross inequality in exchange (*ghabn fahas*) resulting from institutional dominance.

Consequently, the validity of implementing multi-contracts (*al-uqud al-murakkabah*) in gold pawning products must be reconstructed and delimited by strict conditions. The interdependence (*ta'alluq*) between the magnitude of service fees (*ujrah*) and the principal loan amount (*qardh*) must be absolutely severed by law. Product innovation schemes in *Rahn* can only be religiously justified if the fees levied purely represent fair compensation for the real benefit (*'iwadh*) of maintenance services, and are not capitalised as an instrument to create a disguised cost of funds on the lent capital.

This study makes a significant contribution to the literature on Islamic economic law by challenging the assumption that Sharia labelling and supervision by the Sharia Supervisory Board (DPS) automatically guarantee freedom from *riba*. These findings update the discourse on hybrid contracts previously discussed largely in terms of *fiqh* validity (Harrieti, 2018) by integrating a critical dimension of legal drafting. Its primary contribution lies in asserting that the validity of a hybrid contract is determined not merely by the types of contracts combined, but by the mathematical

variables used in its fee clauses.

Practically, the results of this research urge the Financial Services Authority (OJK) and DSN-MUI to undertake regulatory reform. Derivative regulations from POJK 39/2024 are required to mandate the standardisation of *ujrah* formulas based on physical variables (weight/volume/area) and to totally prohibit the use of loan ceiling variables (Loan to Value) in fee formulas, thereby closing the loophole for disguised *riba*.

Notwithstanding, this study possesses methodological limitations that must be critically acknowledged. First, as a library research study, this analysis is heavily contingent upon the availability and accuracy of secondary data from prior research reports. The researchers did not conduct direct verification via interviews with the Sharia Supervisory Board (DPS) at the relevant institutions to confirm the rationale behind product approval. Second, the research focus is limited to gold *Rahn* contracts; thus, generalisations regarding other collateral objects (such as vehicles or property) must be exercised with caution.

For future research, it is recommended that scholars employ quantitative approaches to measure customer perceptions regarding the transparency of these fees. Furthermore, an in-depth examination of the *tawarruq* contract alternative in pawning products, as suggested by Sharif et al. (2022), warrants feasibility testing within the Indonesian regulatory context as a substitute solution for the problematic *Rahn-Ijarah* scheme.

CONCLUSION

This article asserts that the crux of the issue in current Islamic pawning practices lies in the inconsistent application of hybrid contracts (*rahn* and *ijarah*), in which commercial motives frequently distort the initial objective of creating Sharia-compliant products. The primary finding reveals a substantive violation of Fatwa DSN-MUI No. 25 and the principles of justice outlined in OJK Regulation (POJK) Number 39 of 2024, as evidenced by the practice of determining rental fees (*ujrah*) based on a percentage of the loan ceiling. These findings address the primary research objective by empirically demonstrating that *ijarah* contracts in certain Islamic Financial Institutions (IFIs) do not function as a genuine sale of maintenance services, but rather serve as a camouflage instrument (*hilah*) to legitimise profit-taking resembling interest (shadow interest), thereby rendering the contract legally defective (*fasid*).

Furthermore, this article identifies that such legal deviation does not exist in isolation; rather, it represents a systemic consequence of liquidity pressures and the sluggish asset growth of the Islamic pawnshop industry, compelling financial institutions to adopt pragmatic strategies to maximise fee-based income. Consequently, this research concludes that Sharia validity cannot be assessed solely by administrative contract labelling but must be dissected to the level of mathematical variables within contractual clauses. As a practical implication, this study recommends regulatory intervention through derivative regulations of the POJK that

explicitly prohibit the use of loan value variables in pawning fee formulas, aiming to restore the purity of the *rahn* contract as an instrument of mutual assistance free from exploitation (*zulm*).

In the final analysis, this article asserts that the polemic regarding fee determination in gold pawning products is not merely a technical administrative issue. However, a wager on the moral credibility of the Islamic finance industry, in which interest-camouflage practices via *Ijarah* contracts pegged to loan ceilings constitute a form of *hilah* that injures the spirit of Islamic economics and leads toward the secularisation of contracts. Therefore, radical corrective measures are required from both regulatory and operational perspectives; the Financial Services Authority (OJK) and DSN-MUI are urged to eliminate grey areas by totally banning the use of loan value variables in *ujrah* formulas and reverting them to physical variables (weight/volume). At the same time, IFI practitioners must conduct substantive audits to avoid merely hiding behind the formalities of standard contracts. Finally, this paper calls upon all stakeholders not to stop at textual studies, but to actively critique contracts to demand absolute transparency and restore Islamic pawning as *al-ma'un* (aid) free from exploitation, for the future of Islamic economics is determined not solely by asset growth, but by the robustness of justice upheld in every transaction.

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