

## Analysis of the DSN-MUI Fatwa on the Rahn Contract: A Case Study at PT Pegadaian Syariah Simpang Lima Banyuwangi

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Submission	Accepted	Published
Dec 28, 2024	Jul 20, 2025	Jul 20, 2025

### Abstract

*Ideally, the implementation of the rahn contract in Islamic financial institutions such as PT Pegadaian Syariah should fully adhere to the principles and provisions of the DSN-MUI fatwa. However, in practice—particularly at PT Pegadaian Syariah Simpang Lima Banyuwangi—there are still discrepancies from these standards, such as a lack of cost transparency, limited customer education, and weak internal oversight. This study aims to analyze the implementation of the rahn contract at PT Pegadaian Syariah Simpang Lima Banyuwangi and assess its compliance with the DSN-MUI fatwa both normatively and technically. This article is categorized as qualitative field research using an empirical legal study approach. The findings show that the implementation of the DSN-MUI fatwa on rahn contracts at PT Pegadaian Syariah Simpang Lima Banyuwangi is generally in accordance with sharia principles, particularly in avoiding riba (usury) and gharar (uncertainty). However, challenges persist, including lack of fee transparency, inconsistent operational standards, and insufficient sharia education for customers. Although the rahn product has proven helpful in supporting the financial needs of the lower-middle-class community, its effectiveness still requires strengthened financial literacy, enhanced internal supervision, and synergy between the institution and the public to ensure that the rahn contract becomes a truly fair and ethical financial instrument.*

**Keywords:** DSN-MUI Fatwa, Rahn Contract, Islamic Pawnshop

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## **Abstrak**

Idealnya, pelaksanaan akad rahn di lembaga keuangan syariah seperti PT Pegadaian Syariah harus merujuk secara utuh pada kaidah dan ketentuan fatwa DSN-MUI, namun dalam realitasnya, praktik di lapangan, khususnya di PT Pegadaian Syariah Simpang Lima Banyuwangi, masih ditemukan ketidaksesuaian terhadap standar tersebut, seperti kurangnya transparansi biaya, minimnya edukasi kepada nasabah, serta lemahnya pengawasan internal. Penelitian ini bertujuan untuk menganalisis implementasi akad rahn di PT Pegadaian Syariah Simpang Lima Banyuwangi dan menilai kesesuaiannya dengan fatwa DSN-MUI baik secara normatif maupun teknis. Artikel ini tergolong dalam penelitian lapangan berbasis kualitatif dengan pendekatan studi hukum empiris. Hasil penelitian menunjukkan bahwa implementasi fatwa DSN-MUI tentang akad rahn di PT Pegadaian Syariah Simpang Lima Banyuwangi secara umum telah sesuai dengan prinsip-prinsip syariah, terutama dalam hal bebas riba dan gharar. Namun, masih ditemukan kendala seperti kurangnya transparansi biaya, standar operasional yang belum seragam, dan minimnya edukasi syariah kepada nasabah. Meski produk rahn terbukti membantu pembiayaan masyarakat menengah ke bawah, efektivitasnya tetap memerlukan penguatan literasi keuangan, pengawasan internal, dan sinergi antara lembaga dan masyarakat agar akad rahn benar-benar menjadi instrumen keuangan yang adil dan beretika.

**Kata kunci:** Fatwa DSN-MUI, Akad Rahn, Pegadaian Syariah

## **Introduction**

In the dynamic development of the Islamic financial system in Indonesia, the rahn contract, or Islamic pawn, has become one of the financing instruments that provides a halal and sharia-compliant financial alternative, particularly for the lower-middle-income community. The existence of this contract is important as it meets the need for quick funds without involving riba (usury) practices commonly found in conventional pawning systems (Setiawan, 2023). By using an item as collateral, customers can obtain loans without losing ownership of the item. Additionally, the concept of rahn holds social value by offering help to those in urgent financial need. In practice, the rahn contract has been widely applied in various Islamic financial institutions, especially at PT Pegadaian Syariah, which is a pioneer in the development of Islamic pawn products in Indonesia. Amid increasing public literacy and preference for sharia-based financial services, rahn serves as a meeting point between business interests and religious values.

PT Pegadaian Syariah Simpang Lima Banyuwangi is one of the active units providing financing through the rahn mechanism. This unit plays a strategic role in reaching communities in Banyuwangi and its surrounding areas who need fast financial services while maintaining sharia compliance in their transactions. With a more flexible approach than Islamic banking and relatively easy access, Pegadaian Syariah has become a practical solution for people facing urgent financial needs (Rahmatillah & Hasanah, 2020). However, the implementation of the rahn contract

in this unit should not only be measured by the number of transactions or speed of service, but also by how well it adheres to sharia principles as formulated by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). Therefore, it is crucial to examine whether the implementation of the rahn contract at PT Pegadaian Syariah Simpang Lima Banyuwangi aligns with the DSN-MUI fatwas, which serve as normative references in regulating Islamic pawning practices in Indonesia.

Ideally, the implementation of the rahn contract in Islamic financial institutions such as PT Pegadaian Syariah should fully comply with the provisions and principles set forth in the DSN-MUI fatwas. The processes of appraising the collateral, determining the maintenance fee (*ujrah*), and handling the settlement of unredeemed items should all be conducted with transparency, fairness, and free from elements of *riba*, *gharar* (uncertainty), and *zulm* (injustice) (Fauzan, 2019). Compliance with these fatwas not only serves as a benchmark for sharia legality of transactions, but also reflects the institution's commitment to the moral and ethical principles of Islam. Thus, rahn is not merely an economic mechanism, but also a means of reinforcing Islamic values in modern life. Adhering to these principles provides both legal and spiritual protection for customers and demonstrates the financial institution's responsibility in maintaining public trust in the Islamic economic system.

However, in reality, the implementation of the rahn contract in the field does not always align with the ideals of the DSN-MUI fatwas. Preliminary studies indicate that in several cases—such as at PT Pegadaian Syariah Simpang Lima Banyuwangi—there are still potential discrepancies between actual practices and the established principles. This can be seen in administrative procedures that do not fully prioritize customer education regarding the rahn contract, non-transparent *ujrah* fees, and the repossession of pawned items without comprehensive explanation to debtors (Surahman & Adam, 2018). Internal factors such as lack of sharia training for staff or weak oversight from the Sharia Supervisory Board may contribute to these deviations. On the other hand, the public's understanding of the rahn contract remains relatively low, increasing the risk of misinterpretation regarding their rights and obligations. This information gap creates room for practices that, while administratively compliant, are substantively at odds with sharia justice principles.

Based on these issues, this study aims to analyze the implementation of the rahn contract at PT Pegadaian Syariah Simpang Lima Banyuwangi by examining its compliance with DSN-MUI fatwas. The research seeks to identify which aspects of rahn practices are compliant and which are not, as well as to uncover the causes of these discrepancies. Using a case study approach, the researcher hopes to provide a comprehensive picture of the rahn practice in this Islamic financial institution. The study will also explore the perspectives of customers, employees, and sharia supervisors who are directly involved in rahn transactions in order to obtain well-rounded data. The contribution this research aims to offer is a deeper understanding of the relationship between DSN-MUI fatwas as normative guidelines and their practical implementation in the Islamic economy. Additionally, the findings are expected to serve as recommendations for PT Pegadaian Syariah in improving their rahn procedures to better align with sharia principles. For

academic development, this study is expected to enrich the body of knowledge in Islamic economic law, particularly in the context of fatwa implementation in Islamic financial institutions. Furthermore, this research is hoped to raise critical public awareness in understanding and demanding their rights in legally sound and morally fair Islamic financial transactions.

## Literature Review

The study related to the analysis of DSN-MUI fatwas on the *rahn* contract is not a new topic, as several researchers have examined it from various approaches and methodologies—whether from legal, Islamic economic, or practical implementation aspects in Islamic financial institutions. Alfarid Fedro et al., in their work entitled; “*Legal Analysis on the Fatwa of Sharia National Council on Rahn: Between Legal Philosophy and Its Implementation in Indonesia Sharia Pawnshop*,” discuss the position of the DSN-MUI fatwa as a legal norm within the Islamic financial system in Indonesia, particularly in the implementation of the *rahn* contract in Sharia Pawnshops. He emphasizes the importance of a philosophical approach in understanding the fatwa, so that it is not merely a normative document but also serves as an ethical and applicable foundation. The main finding of this study is that the implementation of DSN-MUI fatwas in the field often undergoes pragmatic operational adjustments (Fedro et al., 2019). The similarity between this work and the author's study lies in their shared focus on analyzing the implementation of DSN-MUI fatwas on the *rahn* contract. However, the difference lies in the location and focus of the study: Ghozali emphasizes the philosophical aspects in general, while this study focuses more on a case study at Pegadaian Syariah Simpang Lima Banyuwangi.

Fikri Ainul Qolbi et al., in their work titled; “*Development and Application of Akad Rahn in Nash Perspective*,” focus more on the conceptual development of the *rahn* contract through the approach of *nash* (Islamic legal texts). This research attempts to elaborate how the *rahn* contract has evolved from its classical concept to its modern form within Islamic financial institutions. Its key finding is that the current modifications of the *rahn* contract require attention to ensure they remain within the framework of *maqashid al-shari’ah* (Qolbi et al., 2024). The similarity of this study with the author's research lies in the shared focus on *rahn* contracts as the main object of discussion. However, the difference is that this work leans toward a normative review based on *nash* and the historical development of the *rahn* contract, whereas the present study emphasizes the practical analysis of fatwa implementation in the context of Banyuwangi.

Abu Lubaba, through his writing titled; “*Implementasi Akad Rahn Dalam Perspektif Ekonomi Islam*,” discusses the application of the *rahn* contract within the framework of Islamic economics, particularly concerning the principles of justice, benefit, and affordability for society. In his work, Lubaba highlights how the practice of *rahn* can contribute to improving access to financing for low-income communities without interest. His findings show that although *rahn* contracts are fairly well known among the public, there are still challenges in terms of education and the alignment of contracts with the economic conditions of pawn service users (Lubaba, 2020). The similarity with this study lies in the shared topic of *rahn*

contracts in economic implementation. The difference is that Lubaba adopts a macroeconomic approach, while the author's study focuses more on fatwa legal studies and their application in the local context of Pegadaian Syariah Simpang Lima Banyuwangi.

Based on the literature review conducted, although studies on *rahn* contracts and DSN-MUI fatwas have been carried out from various perspectives, there remains a significant gap, especially at the micro-level within specific Islamic financial institutions. Most existing studies tend to be conceptual or national in scale without considering local dynamics that may lead to differences in implementation. In practice, each unit of Pegadaian Syariah has unique operational and social characteristics that influence how DSN-MUI fatwas are interpreted and applied. Therefore, this study aims to fill that gap through a case study approach at Pegadaian Syariah Simpang Lima Banyuwangi. This research not only examines from a normative standpoint how far the DSN-MUI fatwa on the *rahn* contract is used as a reference in institutional operations, but also evaluates technical and procedural aspects on the ground, which often become points of deviation between theory and practice. Moreover, this study positions the DSN-MUI fatwa not merely as a formal document but as a legal and ethical instrument that should shape comprehensive sharia governance within Islamic financial institutions.

## **Research Methodology**

This article falls under the category of qualitative field research, aimed at describing and analyzing in depth the implementation of the fatwa issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) concerning the *akad rahn* at PT Pegadaian Syariah Simpang Lima Banyuwangi. The methodology employed is empirical legal research, which emphasizes direct observation of legal practices within society (Benuf & Azhar, 2020). Primary data were obtained through in-depth interviews with three key informants: employees of PT Pegadaian Syariah who are directly involved in the *akad rahn* process, customers using the *rahn* service, and a sharia expert or practitioner with an understanding of DSN-MUI regulations. In addition, the primary data were supported by direct observation of *akad rahn* practices in the field as well as internal documentation related to implementation policies and procedures.

Secondary data in this research include books, scholarly journals, and regulations related to the DSN-MUI fatwa, as well as other Islamic financial documents. Data collection techniques were carried out systematically through structured interviews, field observations, and document studies. Data analysis employed Miles and Huberman's interactive analysis model, which consists of three main stages: data reduction, data display, and conclusion drawing, conducted in an iterative manner. To ensure the validity of the research findings, data validation was carried out using triangulation techniques, including methodological triangulation, source triangulation, and theoretical triangulation. The research narrative is thematically structured by organizing field findings based on the research focus, in order to present a comprehensive picture of how the DSN-MUI fatwa on *akad rahn* is implemented and its contribution to Islamic financial practices in society.

### **Compliance with Sharia Principles in Sharia Pawn Procedures**

Compliance with sharia principles is a fundamental pillar in the implementation of the *rahn* contract within Islamic-based financial institutions, including at PT Pegadaian Syariah Simpang Lima Banyuwangi. In sharia pawn practices, principles such as justice, transparency, and freedom from *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling) are foundational and must not be overlooked (Rokhilawati & Ni'mah, 2020). As an institution bearing the "sharia" label, Pegadaian Syariah holds both a moral and legal responsibility to ensure that every procedure and transaction conducted aligns with the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). This compliance not only serves as a manifestation of Islamic values in the financial sector but also as a key indicator of public trust in the institution.

In practice, PT Pegadaian Syariah Simpang Lima Banyuwangi has made considerable efforts to align its pawn procedures with the prevailing sharia regulations. One of its main focuses is ensuring that the pledged collateral has a fair value proportional to the amount of the loan granted. This valuation is conducted to prevent potential injustice or exploitation of customers. In the *rahn* contract, the value of fairness is a primary principle that must be upheld to protect both parties — the customer and the institution. However, challenges still exist in practice (Rokhilawati & Ni'mah, 2020). One concern is the lack of intensive supervision over the collateral valuation process. Although there are theoretically clear procedures and standard operating guidelines, the implementation is often influenced by the subjectivity of the appraiser. This opens a loophole that may lead to noncompliance with sharia principles, especially if the assigned value does not reflect the actual market value.

An interview conducted with a staff member of PT Pegadaian Syariah Simpang Lima Banyuwangi revealed that they strive to follow DSN-MUI fatwa guidelines when valuing collateral. The appraisers involved typically have experience and are equipped with clear assessment criteria. However, the staff member also acknowledged that there are limitations in terms of direct field supervision, which leaves room for subjectivity in valuation. This indicates that despite the existence of intentions and systems, implementation still faces obstacles. Furthermore, the interview emphasized the importance of transparency and objectivity in the valuation process to ensure fairness. If the collateral value is set too low, customers may feel undercompensated; if it is too high, the institution may face unaccounted financial risks. Therefore, this process requires a balance between technical expertise and continuous enhancement of sharia compliance through systematic training and supervision.

From a theoretical perspective, these findings can be examined through the lens of agency theory, which highlights the potential for information asymmetry between agents (institutions) and principals (customers). In this context, Pegadaian acts as an agent with both moral and legal responsibilities to operate in accordance with agreed-upon sharia principles. However, due to information imbalances and insufficient oversight, agents may act contrary to established regulations. This aligns with research by Rifany Arbita Lubis, which shows that without rigorous oversight, the risk of sharia violations in financial institutions is high (Lubis, 2022). Additional research by Imaniyati et al. also underscores the

importance of supervision in Islamic financial institutions to maintain integrity and public trust. According to them, one of the key factors for the success of sharia-based institutions is consistency in applying sharia principles, which can only be achieved through strict and ongoing supervision (Imaniyati et al., 2019). In this regard, Pegadaian Syariah Simpang Lima should re-evaluate its supervisory system to ensure that the implementation of the *rahn* contract fully reflects the provisions set forth in the DSN-MUI fatwa.

Other literature findings also indicate that weak internal controls are one of the main causes of sharia principle violations in many Islamic financial institutions (Lin et al., 2018). Therefore, it is crucial for PT Pegadaian Syariah Simpang Lima Banyuwangi not only to rely on existing regulations but also to establish an active and responsive supervisory system. Strengthening the capacity of field officers through regular training and competency development is a strategic step that must be taken. In addition to technical aspects, educating customers is also an integral part of ensuring compliance with sharia principles. Many customers who visit Pegadaian Syariah still do not fully understand the difference between sharia-based pawning and conventional pawning. This may lead to misunderstandings, resulting in dissatisfaction and decreased trust in the institution. Therefore, systematic outreach and education are vital to ensure that customers understand their rights and obligations in accordance with the principles of *muamalah* in Islam.

The success of sharia principle implementation also depends on management's commitment to fostering an organizational culture rooted in Islamic values. This includes honesty, integrity, responsibility, and trustworthiness in every service line. A strong organizational culture aligned with sharia values will create a working environment conducive to ethical and just financial practices. This underscores the importance of visionary leadership with deep understanding of Islamic economics (Basri, 2018). Ultimately, compliance with sharia principles in the sharia pawn procedures at PT Pegadaian Syariah Simpang Lima Banyuwangi is not merely a technical or administrative matter but also involves ethical, social, and spiritual dimensions. It is a collective effort involving all elements of the institution — from leadership and staff to customers — to jointly build a financial system that is fair, transparent, and dignified. Therefore, continuous improvement is a necessity, not an option.

### **Improving Access to Financing for the Lower-Middle-Income Community**

Improving access to financing for the lower-middle-income community remains one of the major challenges within the national financial system, especially for groups that lack formal access to conventional financial institutions. In this context, the presence of *gadai syariah* (sharia pawn services) at PT Pegadaian Syariah Simpang Lima Banyuwangi serves as a highly relevant and contextual solution (Rokhilawati & Ni'mah, 2020). This service provides an alternative form of financing that is easy, fast, and aligned with sharia principles, thereby reaching segments of society that have long been excluded from the formal banking system—whether due to lack of documentation, collateral, or limited financial literacy.

The *gadai syariah* products offered by Pegadaian Syariah have proven to be a financing bridge that is not only economically inclusive but also spiritually ethical. Since it does not involve interest (*riba*), the sharia pawn process is perceived as safer and more consistent with Islamic values held strongly by the majority of Indonesians, especially those living in regions such as Banyuwangi. For lower-middle-income individuals who face economic limitations, *gadai syariah* offers the assurance that they can obtain funds without the fear of falling into high-interest debt schemes that can become burdensome over time.

Research findings indicate that *gadai syariah* services not only provide easy financial access but also enhance the sense of security and trust among the public toward sharia-based financial institutions. Its fast and straightforward procedures make it a top choice for addressing urgent needs, such as children's education expenses, medical treatment, or daily necessities. In emergency situations, people often have limited options for quick financial solutions—and this is where the role of Pegadaian Syariah becomes strategically vital. An interview with one customer confirmed that *gadai syariah* products have a direct impact on family welfare. The customer stated that they had previously applied for a loan from a conventional bank, but the interest rate was very high and burdensome.

Meanwhile, at Pegadaian Syariah, they only needed to pawn an item of fair value, without being charged interest, and were able to obtain funds in a relatively short time. This experience illustrates the superiority of *gadai syariah* as a financing system that is not only practical but also dignified. Beyond financial convenience, *gadai syariah* services also function as an effective financial inclusion instrument. From the perspective of financial inclusion theory, access to financing must be fair, non-discriminatory, and able to reach all segments of society without exception (Surahman & Adam, 2018). *Gadai syariah* products concretely address this need by offering asset-based financing (collateralized goods) with values accessible to various community layers, without the complex requirements often found in the banking sector.



Figure 1: Sharia Pawn Services

The visualization image in this study presents four interrelated key elements that contribute to creating a positive socio-economic impact: ease of financial access, compliance with sharia principles, affordability as an alternative



source of financing, and broader socio-economic impact. The relationship among these four elements illustrates that sharia pawn services not only support micro-financial needs but also play a role in building household economic resilience and promoting social stability in society. Beyond financial inclusion, trust is also a vital factor driving the public to use sharia pawn products. Many customers feel more comfortable using these services because they align with their religious beliefs. In religious communities, sharia values are a primary consideration in choosing financial products. Thus, the existence of Sharia Pawnshops not only offers financial services but also strengthens the community's spiritual identity and values.

A previous study by Salma Nurul Zahara emphasized that inclusive financial services that comply with sharia principles can reduce inequality in access to financing (Zahara et al., 2021). This aligns with conditions in Banyuwangi, where many people still live below the poverty line and lack access to banking services. Sharia Pawnshops offer realistic, affordable solutions that do not create long-term financial burdens. This is essential for fostering economic justice. Judijanto's study further adds that sharia customers tend to feel respected because the transactions are transparent and protect them from harmful interest charges (Judijanto et al., 2024). In this context, the Sharia Pawnshop has successfully built long-term trust with the communities it serves. This relationship is crucial for establishing social and economic resilience, as people no longer fear or hesitate to use financial services.

Furthermore, the success of Pegadaian Syariah Simpang Lima Banyuwangi demonstrates that Islamic financial institutions can play a significant role in empowering grassroots communities. With simple procedures, reasonable collateral values, and ethical transaction principles, this institution proves that the Islamic financial system is not only theoretically ideal but also practical in the economic realities of lower-middle-class communities. However, there is still room for improvement, such as expanding service coverage to rural areas, enhancing public financial literacy, and digitizing services to reach the younger generation and broader groups. With the right development strategies, Sharia Pawnshops can further expand their impact as agents of inclusive and sustainable financial transformation.

### **Limited Customer Education on Sharia Principles**

Customer understanding of sharia principles in financial transactions is a crucial factor that determines the success of the Islamic financial system, including sharia pawn services. In the context of PT Pegadaian Syariah Simpang Lima Banyuwangi, efforts have been made to implement sharia principles by adopting fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) as a reference in the execution of the *rahn* contract. However, research indicates that although these efforts exist, customer comprehension of sharia principles remains limited and generally superficial.

Most customers are aware that sharia pawn services do not involve interest (*riba*), which is the primary appeal compared to conventional financial institutions. However, only a few understand critical elements of sharia contracts, such as the

prohibition of *gharar* (uncertainty), *maysir* (speculation), and the principles of justice and transparency in transactions. This indicates a significant gap between the practice of sharia financial services and the public's understanding of their legal foundations. Without a deep understanding of these principles, customers tend to engage in transactions passively—for instance, merely following procedures without recognizing their rights and obligations (Sari et al., 2024). Adequate comprehension of the *rahn* contract can actually provide protection for both parties and prevent misunderstandings or potential deviations.

In interviews, one customer revealed that although they felt safer using sharia pawn services due to the absence of interest, they had little understanding of DSN-MUI fatwas or the philosophical and legal reasons behind the prohibition of *riba*. This reflects an urgent need for systematic, sustainable, and accessible financial literacy education on sharia for all social groups. The lack of education poses a challenge for Pegadaian Syariah; although it operates under sharia compliance, the impact of its services may fall short if customers do not grasp the underlying values and laws. Sharia literacy is not only important for compliance but also essential for fostering public trust in Islamic financial institutions.

From the perspective of financial literacy theory, understanding financial products and their underlying principles strongly influences the quality of financial decision-making. When understanding is low, customers tend to make suboptimal decisions and, in some cases, may fall into practices that conflict with their own beliefs (Lusardi & Messy, 2023). Research by Jia et al. also shows that Islamic financial literacy is more complex than conventional literacy, as sharia products involve spiritual and religious legal dimensions that require knowledge not only of economic aspects but also of *fiqh muamalah* (Jia et al., 2024). Therefore, education on sharia products must be conducted in a contextual and specialized manner.

A study by Syamsi emphasized that structured and continuous education on sharia principles can enhance customer loyalty and trust in Islamic financial institutions. Customers who feel knowledgeable about the system they use tend to feel more confident, involved, and likely to build long-term relationships with the institution (Syamsi et al., 2015). As such, Pegadaian Syariah should consider a range of educational strategies, from direct training and the provision of digital and printed learning materials to regular outreach in community settings. Education does not have to be formal—it can be presented in practical, communicative formats that are easy to grasp across diverse educational backgrounds and age groups.

Furthermore, collaboration with local religious institutions, such as *majelis taklim* or *pesantren*, could serve as effective channels to naturally and authentically deliver Islamic financial values. A community-based approach would make customers more comfortable receiving information and more open to discussions about sharia contracts and halal transactions. Enhancing customer understanding of sharia principles would significantly reduce the potential for deviation, misunderstandings, and conflict. Moreover, this understanding would empower customers to demand greater transparency and accountability from financial institutions, ultimately contributing to improved service quality across the board.

## Analysis of the DSN-MUI Fatwa

The fatwas issued by the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) serve as a fundamental guideline for the implementation of Islamic financial products in Indonesia, including in *rahn* (Islamic pawn) contracts. At PT Pegadaian Syariah Simpang Lima Banyuwangi, the implementation of these fatwas forms the foundation for operating sharia pawn services. DSN-MUI Fatwa No. 25/DSN-MUI/III/2002 on *rahn* clearly stipulates that Islamic pawning must be carried out without elements of *riba* (usury), *gharar* (uncertainty), or exploitation (Robin et al., 2024). Therefore, all activities—from accepting collateral, asset valuation, to determining maintenance and administrative fees—must adhere to sharia principles. Commitment to these principles reflects the effort of Islamic financial institutions not only to gain profit but also to ensure blessings and justice in transactions.

In practice, Pegadaian Syariah Simpang Lima Banyuwangi has made efforts to follow procedures in accordance with DSN-MUI fatwas, particularly in the valuation of collateral, which is conducted with transparency and honesty. This valuation is carried out by trained officers to prevent arbitrariness or manipulation that could disadvantage customers. However, in the field, challenges often arise that test the integrity of these principles—especially when valuation standards are inconsistent or not documented in detail. This opens the door to subjectivity, which contradicts the Islamic principle of justice. Thus, regular evaluation of procedures and intensive staff training are necessary to ensure the implementation of fatwas remains relevant and aligned with Islamic values.

Beyond procedural aspects, Islamic pawning has significantly contributed to expanding access to financing, particularly for lower-middle-income communities. The DSN-MUI fatwa encourages the Islamic finance system to function as an inclusive and humane solution to the economic needs of the ummah (Nuzula & Zaki, 2016). In the case of Pegadaian Syariah Simpang Lima Banyuwangi, *rahn* products offer an essential alternative for those not served by conventional banks. Without requiring complex creditworthiness analyses and by providing quick fund disbursement, Islamic pawning addresses urgent financial needs, such as for education, healthcare, or micro-business capital. This shows that DSN-MUI fatwas are not merely normative but also carry strong social values in supporting economic equity.

It is important to recognize that the success of improving financial access through sharia pawn services greatly depends on how well institutions maintain public trust. Trust arises when the community sees alignment between the Islamic values they uphold and the practices of Islamic financial institutions. When the public observes that sharia pawn procedures are free from *riba*, fees are transparent, and collateral is well cared for, they will feel secure and be more willing to use Islamic financial services. However, any indication of deviation or non-compliance with sharia—such as unexplained fees or delays in returning collateral—can quickly undermine public trust. Therefore, the sustainability of this financing access must be accompanied by strong accountability and integrity from the institution's management.

Nevertheless, one major challenge faced by Pegadaian Syariah is the limited education provided to customers regarding sharia principles in financial

transactions. Most customers perceive the service merely as a quick loan option using collateral, without deeply understanding the underlying sharia values. In reality, education is the key to transforming customers from mere service users into conscious and responsible participants in the Islamic financial system (Natasya & Yanti, 2024). DSN-MUI fatwas inherently carry educational value that must be conveyed to the public—especially concerning the prohibition of *riba*, the importance of valid contracts, and the rights and obligations of both parties in a *rahn* transaction.

Customer ignorance about the *rahn* contract often leads to misunderstandings and negative perceptions of Islamic financial institutions. For instance, some customers assume that the maintenance fee for collateral is the same as interest in conventional loans. This highlights the considerable need for improving Islamic financial literacy among the general public. Therefore, Pegadaian Syariah should not only focus on technical service delivery but also design ongoing educational programs tailored to the sociocultural background of the community. This can be done through community outreach, educational brochures, or partnerships with local religious leaders who have significant influence in shaping public understanding.

DSN-MUI fatwas strongly encourage Islamic financial institutions to make education an integral part of their operations. Education is not only meant to improve understanding but also to build customer loyalty and a sense of ownership toward the institution (Saleh et al., 2023). In the context of PT Pegadaian Syariah Simpang Lima Banyuwangi, consistent educational programs will strengthen their strategic role as a bridge between sharia principles and the community's economic needs. As a result, customers will not only use the services but also actively support the Islamic economic system. This is essential to expanding the user base of Islamic financial services nationwide.

Furthermore, when sharia principles are consistently applied and education is effectively delivered, products like Islamic pawning become not just a pragmatic solution for urgent financial needs, but a tool for economic transformation of the ummah. Communities that were previously excluded from financial access can now thrive by utilizing ethical and fair sharia instruments. This demonstrates that the implementation of DSN-MUI fatwas is not static, but dynamic and adaptive to the needs of the community (Fitria et al., 2022). However, this can only be achieved through professional and trustworthy institutional management. Therefore, strengthening internal governance is also crucial. Pegadaian Syariah must have a robust internal monitoring system to ensure all staff understand and apply sharia principles in every aspect of their work. Regular training and sharia competency certification should be routine agendas to prevent procedural deviations due to ignorance or negligence. Additionally, cooperation with the Sharia Supervisory Board (DPS) must be enhanced to ensure that supervision is not merely formal but effectively identifies and prevents potential sharia violations.

In ideal practice, the presence of the Sharia Supervisory Board serves as a vital bridge between DSN-MUI fatwas and operational realities on the ground. The DPS is responsible for ensuring that fatwas are not only read and displayed as written documents, but truly implemented in the form of policies and concrete actions. Synergy between management, staff, DPS, and customers will create a

strong and sustainable sharia pawn ecosystem (Surahman & Adam, 2018). This is where open communication and mutual respect among all parties become essential. Thus, the implementation of DSN-MUI fatwas in the context of Pegadaian Syariah should not be viewed merely as a legal-formal matter, but as a comprehensive effort to realize Islamic values in the economic life of the ummah. Adherence to sharia principles, expansion of financial access, and increased public education are the three main pillars that must go hand in hand to achieve a just financial transformation. These three elements are interconnected and inseparable in the process of strengthening a sharia-based people's economy.

## Conclusion

The implementation of the *rahn* contract has demonstrated compliance with sharia principles. The pawn procedures are carried out in accordance with established regulations, including the clarity of the contract, the existence of a legitimate collateral item, and the avoidance of *riba* elements in administrative fees. Additionally, this service contributes to improving access to financing, particularly for lower- to middle-income communities who need quick funds without having to sell their productive assets. However, there are still shortcomings in terms of customer education. Many customers do not fully understand the sharia principles underlying the *rahn* product, thus treating it merely as an alternative financing option without considering its religious aspects. Therefore, strategic steps are needed to enhance sharia literacy through more widespread and continuous education, so that public awareness and participation in Islamic financial products can grow substantively, not just administratively.

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