

## **The current phenomenon of Ar-Rahn and Wadi'ah**

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### **Abstract**

*This study aims to obtain field results regarding the tendency of public interest in sharia and conventional pawning, which, as we know, conventional pawning provides quite high interest. Today, technological developments are increasing rapidly in line with the business world. The Covid 19 storm resulted in chaos in the business supply chain which had an indirect impact on people's businesses and income. During a pandemic, the percentage of people setting aside their income to save or invest decreased. The performance of pawnshops which continued to grow during the pandemic gave the fact that many people needed fresh funds to continue their lives or to do business. The presence of private pawnshops in the city of Medan cannot be underestimated. OJK noted that there was an increase in the management of pawning permits from 46 pawn businesses. This proves the existence of a pawn business and the benefits it provides to the community. The method used in this study is qualitative research to understand human or social phenomena and supported by literature. The results of this study are that people prefer pawnshops that are always there during an emergency, even if it's a private pawnshop that pays high interest and violates Islamic law.*

**Keywords :** Pawn, Rahn, Wadi'ah

**JEL Clasification :** (sesuaikan dengan klasifikasi JEL)

### **1. INTRODUCTION**

Today, technological developments are increasing rapidly in line with the business world. The Covid 19 storm resulted in chaos in the business supply chain which had an indirect impact on people's businesses and income. During a pandemic, the percentage of people setting aside their income to save or invest decreased. Danareksa Research Institute (DRI) conducted a survey of public finances during a pandemic. As a result, people's income decreased during the pandemic. However, most people still set aside their income for savings or investment. The survey released, Monday (28/12/2020) noted that more than 80% of people with income recipients of less than IDR 3 million to above IDR 40 million were still setting aside their income for saving or investing during the pandemic, (Qonita, 2021). The need for living expenses forces people to do ways to get money, one of which is by pawning. The trend of pawning goods has continued to increase during the Covid-19 pandemic, illustrating the condition that pawning goods is considered a solution to meet cash needs when the income of many people has decreased due to the pandemic, (Meidyana, 2020). The performance of pawnshops which continued to grow during the pandemic gave the fact that many people needed fresh funds to continue their lives or to do business. Apart from Pawnshops, the private pawn business has accelerated during the pandemic. In aggregate, private pawn companies as of May 2021 have provided loans of IDR 28.85 billion, an increase of 50.97 percent yoy. (Perekonomian, 2021).

Sharia pawnshop is a pawn service product based on sharia principles in which the customer is not charged interest on the loan obtained but only needs to pay administration fees, deposit

service fees and maintenance costs for collateral (ijarah). In Sharia Pawning transactions (Rahn) the money or funds loaned is in the form of assistance that does not expect additional debt. If in pawn practice it turns out that something that is paid besides the principal of the loan is administration and maintenance money for the marhun bih, the cost is calculated from the amount of the estimated value. If the pawn is calculated based on the "rent" of goods or based on the money lent, then this pawn is a deviation from the meaning of pawning and includes usury transactions. The fundamental difference between conventional pawnshops and sharia pawnshops lies in the implementation of interest. In conventional pawnshops the borrower or customer must provide an additional amount of money or a certain percentage of the principal of the debt, at the time of paying the debt or at another time determined by the pawnbroker. Whereas in sharia pawnshops this is not done and is not justified. To avoid the element of usury in sharia pawnshops in their efforts to generate profits, sharia pawnshops use mechanisms that are in accordance with sharia principles, such as through qardhul hasan contracts, mudharabah contracts, ijarah contracts, rahn contracts, ba'i muqayyadah contracts, and musyarakah contracts.

This study discusses the high growth of conventional pawnshops compared to sharia pawnshops in Medan City, North Sumatra. There are many private pawnshops that are mushrooming around the Medan City university which targets students. The presence of this private mortgage cannot be underestimated. OJK noted that there was an increase in the management of pawning permits from 46 pawn businesses, (Perekonomian, 2021). This proves the existence of a pawn business and the benefits it provides to the community. Technology has indirectly contributed to the biggest factor in increasing this pawn business. This study aims to obtain field results regarding the tendency of public interest in sharia and conventional pawning, which, as we know, conventional pawning provides quite high interest.

## **2. LITERATURE REVIEW**

### **a. Ar- Rahn**

According to the language, (in Arabic) Rahn is: Permanent and Sustainable. As for the meaning of syara', it means: making goods that have property value in the view of syara' as collateral for a debt, so that the person concerned may take the debt or he can take some of the (benefits) of the goods. Debts with this pawn system are permissible and legislated on the basis of the Koran, as-Sunnah, and ijma' of the Muslims.

The proof of the Qur'an is the word of Allah:

"If you are on a trip (and don't pay in cash) while you don't get a writer, then there should be dependents held (by the debtor). However, if some of you trust some of the others, then let that trusted person fulfill his trust (his debt) and let him fear Allah, his Lord. And do not you (witnesses) hide testimony. And whoever hides it, then indeed he is a sinner in heart. And Allah is aware of what you do." (Qs. al-Baqarah: 283)

Even though there is the statement "on the way" this verse still applies in general, both while on the way or in a state of mukim (settled), because the word "on the way" in this verse only indicates conditions that usually require this system (ar-rahn). This was also confirmed by the practice of the Prophet sallallaahu 'alaihi wa sallam who did pawnshops, as narrated by Ummul Mukminin Aisyah in her statement,

"In fact, the Prophet sallallaahu 'alaihi wa sallam bought groceries from a Jew by way of debt, and he pawned his armor." (Hr. Al-Bukhari no. 2513 and Muslim no. 1603)

Likewise, the scholars have agreed that it is permissible for this ar-rahn to be in a state of travelling (travelling) and that there are differences in the permissibility of this ar-rahn while not

traveling. Imam al-Qurthubi stated, "No one prohibits ar-rahn in a state of not traveling except Mujahid, ad-Dhahak, and Daud (az-Zahiri). Likewise Ibn Hazm.

Ibn Qudamah stated, "Ar-rahn is permissible in a state of not traveling (sedentary) as it is permitted in a state of traveling (travelling).

The majority of scholars view that the pillars of ar-rahn (pawn) are four, namely:

1. Ar-rahn or al-marhun (mortgaged goods).
2. Al-marhun bih (debt).
3. Shighat.
4. The two parties to the transaction, namely rahin (mortgage person) and murtahin (debtor).

Meanwhile, the Hanafiyah School views Ar-Rahn (pawn) as having only one pillar, namely shighah, because in essence it is a transaction. In ar-Rahn there are the following requirements:

1. Requirements relating to the transactor (the person doing the transaction), namely the person pawning the goods is a person who has the competence to do activities, namely baligh, intelligent, and rusyd (having the ability to regulate).

2. Terms related to al-marhun (pawn goods):

- a. Pawn items are valuable items that can cover the debt, both the goods and the value when the borrower is unable to pay off the debt.

- b. The pledged item belongs to the person who pawns it or is permitted to use it as pledge collateral.

- c. The size, type and nature of the pawned goods must be known, because ar-rahn is a transaction or property so this is required.

3. Conditions related to al-marhun bih (debt) are debts that are obligatory or which eventually become obligatory.

Jumhur fuqoha' is of the opinion that the pawnbroker may not take any benefit from the pawned goods unless he gets permission from the pawnbroker. Other scholars say that if the pledged item is in the form of an animal, the pawnbroker may take its milk and ride it at a rate equal to the food and costs given to him. This opinion was expressed by Imam Ahmad and Ishaq.

Everyone's situation is different, some are rich and some are poor, even though wealth is loved by every soul. Then, sometimes at a time, a person really needs money to cover his urgent needs. But in that situation, he did not find anyone who gave alms to him or who lent him money, nor did he have a guarantor to guarantee it. Until he goes to other people to buy the things he needs by way of debt, as agreed by both parties. It could also be, he borrowed from him, with the provisions, he gave pawned goods as collateral that is kept on the debtor until he pays off the debt. Therefore, Allah prescribes ar-rahn (pawn) for the benefit of the mortgagee (rahin), the creditor (murtahin), and the community.

For rahin, he gets the advantage of being able to cover his needs. This of course can save him from a crisis, relieve anxiety in his heart, and sometimes he can trade with that capital, which is why he becomes rich. As for the murtahin (the creditor), he will be calm and feel secure about his rights, and he will get syar'i benefits. If he intends well, then he gets a reward from Allah. As for the benefit that returns to the community, namely expanding trade interactions and giving each other love and affection among humans, because this includes helping each other in kindness and piety. There are benefits as a solution in minimizing hostilities and widening the rulers.

**b. Wadi'ah**

The word Wadi'ah comes from wada asy syai-a which means leaving something. Something that someone leaves for others to look after is called wadi'ah, because he leaves it to someone who is able to look after it. Literally, Al-wadi'ah can be interpreted as a pure deposit from one party to another, both individuals and legal entities that must be guarded and returned whenever the depositor wants it. According to the wadiah language, it means: to leave or put down. That is putting something on someone else to be maintained or guarded. According to the term, wadiah means: to give authority to another person to guard his property or goods openly or with a sign that is similar to that. Wadi'ah is applied to have a strong legal basis, namely in the Al-Qurannul karim suroh An-Nisa: 58:

“Indeed, Allah commands you to deliver trusts to those who are entitled to receive them, and (orders you) when stipulating laws between people so that you determine them fairly. Verily Allah gives you the best teaching. Indeed, Allah is all-hearing, all-seeing.”

Then surah Al-Baqarah : 283:

"If you are on a trip (and don't pay in cash) while you don't get a writer, then there should be a dependent held (by the debtor). But if some of you believe in others. So let the trusted person fulfill his trust (debt) and let him fear Allah, his Lord; and do not you (witnesses) conceal testimony. And whoever hides, then surely he is a sinner in heart and Allah knows best what you do."

From Abu Hurairah, it was narrated that Rasulullah SAW said: "Pay the trust (entrusted) to those who are entitled to receive it and do not repay treason to those who betrayed you. (H.R Abu Dawud and Tirmidhi)

Based on the fatwa of the national shari'ah council (DSN) No: 01/DSN-MUI/IV/2000. Stipulates that demand deposits that are justified according to sharia are those based on Mudharabah and Wadi'ah principles. Likewise savings with Wadi'ah products, can be justified based on DSN fatwa No: 02//DSN-MUI/IV/2000. Stating that savings are justified, namely savings based on the principles of mudharabah and wadi'i. The pillars of wadi`ah are matters that are related or must be in it that cause the Wadi`ah contract to occur, namely:

1. Muwaddi (person who entrusts)
2. Wadi'I (people who are entrusted with goods)
3. Wadi'ah (entrusted goods)
4. Shigot (Ijab and qobul)

What is meant by pillar conditions are requirements that must be met by pillars of wadiah. In this case the requirements are binding on Muwaddi', wadii' and wadi'ah. Muwaddi' and wadii' have the same requirements, namely that they must be mature, intelligent and mature. While wadi'ah is required to be in the form of an asset that is in real power/hands.

Because wadiah is an unusual contract, both parties can cancel this contract agreement at any time, because in wadiah there is an element of asking for help, so giving help is the right of wadi'i. If he doesn't want to then there is no obligation to look after the deposit. However, if the wadi'i requires the payment of some kind of administrative fee, then the wadi'ah contract turns into an "ijaroh" lease contract and contains an element of custom. This means that the wadi'i must maintain and be responsible for the goods deposited. At that time wadi'I could not cancel this contract unilaterally because it had already been paid for.

Type of Goods Donated

Items that can be wadi'ahkan are such as:

1. Property.
2. Money.
3. Important documents (shares, bonds, agreements, etc.).
4. Other valuables (land certificates, wills, etc.).

### 3. RESEARCH METHOD

Based on the background above, the method used in this research is qualitative research. Qualitative research is a research process to understand human or social phenomena by creating a comprehensive and complex picture that can be presented in words, reporting detailed views obtained from informant sources, and carried out in natural settings. This study uses a qualitative approach using library research methods, which contain theories that are relevant to research problems. In the library research method, an assessment of the concepts and theories used is carried out based on the available literature, especially from articles published in scientific journals. In literature study research is defined as a series of activities related to library data collection methods, reading and recording and processing research. This study also uses a descriptive approach to describe events that actually occurred. Before conducting a literature review, the researcher ascertains the sources of scientific information obtained, such as through books, scientific journals and other references and other data. Data were obtained from secondary data in the form of books, articles, and processed data from other parties or publication data such as publication data and those related to this research in Google Scholar. After the overall data is collected, the writer analyzes the data obtained so that a conclusion is drawn.

### 4. RESULTS AND ANALYSIS

The mushrooming of the private pawn business is none other than the pandemic period and the large number of business actors running the business of buying and selling electronic goods,(Karina et al., 2022). Several previous studies stated that the choice of pawn did not emphasize the elements of usury and religiosity, such as research conducted by Karina, 2022 stated that usury literacy had no effect on the choice of pawn, (Karina et al., 2022)The Muslim community prefers pawning businesses that are willing to accept a wide variety of products other than gold and vehicles. Private Pawnshops, which mostly operate at private university points, offer a wide variety of products that can be pawned. Ranging from vehicles, laptops, cellphones, to Bluetooth speakers which incidentally are popular items for students. Puspita's research states that the religiosity variable is not in accordance with the established hypothesis and is not in line with the research. That is, experience in using Islamic banking has an effect on increasing student Islamic financial literacy, (Puspita et al., 2021)

Customers choose conventional because of promotions such as easy requirements, fast disbursement of funds, compensation for pawn goods, gold savings products and longer interest rates, (Ibrahim & Aprilani, 2022). This is in line with the statement of one owner who chooses a pawn business which states that this private pawnshop aims to provide financial services to existing consumers, such as pawning goods from his shop, installments from trade-in schemes, or providing gold pawn services, with conditions that are usually easier than pawnshops, even though the estimated price is lower or the interest on the installments is higher. "In addition, private pawnshops are usually chosen because of their proximity, closer to the customer's place, then, they are open outside Pawnshop business hours. They can be open until night,"(Rahardyan, 2021). The following are private pawnshops in the city of Medan.

Table 1.1: Private Pawn Business in Medan City

No	Nama usaha	Lama Berdiri	Alamat	Jam Operasional	Followers Instagram	Rating Ulasan Bisnis Google	Bunga	Jangka waktu
1	PT. Sentral Gadai		Jalan Jamin Ginting No. 742	Senin-Sabtu 09.00 - 21.00	184 followers	5/5 dengan 195 ulasan		

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	Perkasa			Libur Nasional 13.00 - 21.00 Minggu Tutup				
2	PT. Indonesia Gadai Oke	9 tahun	Jalan Kapten Muslim Komplek Megacom No. c18-19 ada 8 cabang <a href="http://www.gadaioke.id">www.gadaioke.id</a>	Senin-Minggu 09.00 - 22.00	2530 followers	4,9/5 dengan 29 ulasan	10%	30 hari
3	PT. Gadai Ogan Baru	8 tahun	Jalan Jamin Ginting No. 592 A ada 3 cabang	Senin-Sabtu 09.00 - 22.00 Minggu 13.00-22.00	242 followers	3,7/5 dengan 5 ulasan	5% 7.5% 10%	1-3 hari 4-15 hari perbulan
4	PT. Gadai Senyum Suka Cita	10 tahun	Jalan Jamin Ginting No. 14, Simpang Pos <a href="http://www.gadaisenyumsukacita.com">www.gadaisenyumsukacita.com</a> ada 10 outlet	Senin-Sabtu 08.30 - 22.00 Minggu 12.00-22.00	530 followers	5/5 dengan 1 ulasan	5% 10%	1-15 hari 16-30 hari
5	PT. Budi Gadai Indonesia	10 tahun	Jalan Jamin Ginting No. 846 D-E 20 outlet <a href="http://www.budigadai.com">www.budigadai.com</a>	Senin-Sabtu 09.00 - 21.00 Minggu 12.00-21.00	15,6 rb followers	4,8/5 dengan 148 ulasan	5% 10%	2 minggu perbulan
6	PT. Mari Gadai Sejahtera		Jalan Jamin Ginting No. 462	Senin-Sabtu 09.00 - 22.00 Minggu 13.00-21.00	175 followers	4,9/5 dari 209 ulasan	10%	perbulan
7	PT. Dotri Gadai Jaya		Jalan Willem Iskandar No. 149 4 outlet	Senin-Sabtu 08.00 - 22.00 Minggu 11.00-22.00	474 followers	0	5% 10%	1-15 hari 16-30 hari
8	PT. Berkat Gadai Sumatera		Jalan SM. Raja No. 160 10 outlet	Senin-Sabtu 09.00 - 22.00 Minggu 13.00-22.00	44 followers	5/5 dari 8 ulasan		
9	PT. Nimfa Gadai Sejahtera		Jalan Jamin Ginting No. 692 A	Senin-Sabtu 09.00 - 22.00 Minggu 14.00-20.00		4,8/5 dari 8 ulasan		
10	PT. Graha Santika Gadai		Jalan Jamin Ginting No. 325 3 outlet <a href="http://www.grahasantikagadai.com">www.grahasantikagadai.com</a>	Setiap hari 08.00-00.00	245 followers			

Source: processed data, 2023

Private pawn shops apply a fairly high interest system, ranging from 5% -10% per month, and provide a fairly high estimated value from sharia pawnshops. For the conditions needed, both use ID cards / IDs and bring the items to be mortgaged.

No	Nama usaha	Dasar Hukum	Lama Berdiri	Alamat	Jam Operasional	Followers Instagram	Rating Ulasan Bisnis Google
1	PT. Pegadaian (Persero)	Peraturan Pemerintah Republik Indonesia	20 Tahun	Jalan Pegadaian No. 112 A, Medan 20151	Senin-Jumat 08.00 - 17.00 Sabtu - Minggu Tutup	13,6 rb followers	4,3/5 dengan 32 ulasan

Source: processed data, 2023

For private sharia pawns, there are only three sharia pawns throughout Indonesia that have been registered with the OJK. Meanwhile in the city of Medan, there are only state-owned sharia pawnshops.

### **Prohibition of Riba in Islam**

In Islam, riba is forbidden. The trend of changes in behavior patterns accompanied by global threats has made people put aside usury. In difficult conditions, to survive, people even prefer online loans to rahn. The word usury itself comes from the Arabic word, which means addition, development, increase or enlargement. In an expression the ancient Arab community mentioned arba fulan 'ala fulan idza azada 'alaihi which means that someone commits riba to another person if he asks for additional. Meanwhile, according to the terms or terminology of fiqh science, usury is defined as a special addition given as a reward for remuneration or for a loan given. In English, usury is known as "Usury" which means additional money on capital given from someone and is not in accordance with sharia or applicable rules. Islam forbids usury and Allah forbids the practice of usury through several verses which were revealed gradually.

### **Contract in Rahn**

Hybrid contracts/Multi Contracts have been used in several product innovations for Islamic banking and other Islamic financial institutions. Examples include IMBT, Musyarakah Mutanaqisah (MMQ), Syari'ah Card, take over financing, Syari'ah Pawn, Demand Deposits, PRKS, Syari'ah Bonds, and Syari'ah hedging transactions. Multi Akad (al-'uqud al-murakkabah) is a contract between two parties in a transaction consisting of two or more contracts, for example a sale and purchase contract with ijarah, a sale and purchase contract with subsidies and others so that all the legal consequences of a combined contract and all rights and obligations arising from it as an inseparable unit, which has the same position as the legal consequences of a single contract. The scholars agreed to allow the Rahn contract, (DSN-MUI Fatwa Number 26/DSN-MUI/III/2002, 2002; MUI, 2016)(DSN-MUI Fatwa Number 26/DSN-MUI/III/2002, 2002; MUI, 2016) with fiqh rules:

Basically, all forms of muamalat are permissible unless there is an argument that forbids them.

### **The Role of Islamic Pawn for the Current Generation.**

Pawn sharia has a lot of homework to attract public interest, especially students to choose sharia pawnshops or private sharia pawns. Some of the ways summarized to increase public interest in Sharia Pawnshops are:

1. The effect of location on public interest, if the location is easier for the general public to reach or more strategic, the higher will be public interest in using a product or service.
2. The effect of service on public interest, if the better the service at Islamic Pawnshops, it will further increase public interest in using the pawn services.
3. The effect of promotion on public interest, the higher the level of promotion carried out by Islamic Pawnshops, the higher public interest in using pawn services at Islamic pawnshops.
4. The influence of the Sharia aspect on public interest, if the higher the level of Pegadaian Syariah compliance with Islamic religious law, the interest of customers in making transactions at the Pawnshop will also increase.
5. The effect of transaction costs on public interest, if the costs involved in the transaction process are getting smaller it will increase customer interest because the majority of people in using a product or service are of course trying to minimize all kinds of costs that exist, (Mirwan et al., 2023)

## 5. CONCLUSION

The existence of private mortgages which have mushroomed quite a lot after the Covid 19 pandemic, provides a new reality that many people need fresh funds for life without looking at the usury side. People think which one can meet their needs quickly. This research can be input and reference for Islamic businessmen to open a private sharia pawning business according to Islamic provisions.

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