

Rahn Financing Application at KJKS BMT Ar-Roudloh Payaman Solokuro Lamongan

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Abstract

Study This discuss implementation Rahn financing at KJKS/BMT Ar-Roudloh Payaman as product non-bank Islamic finance which is of a nature social. Rahn products are aimed at For help society, especially businessman small and customers who need urgent funds like cost education. Research This use method qualitative descriptive with technique purposive sampling, through interviews and documentation. Analysis done with identify problems, collecting data, as well adapt results findings with sharia principles . Research result show that Rahn financing at BMT *Ar-Roudloh* implemented in form loan For businessman small, BMT administrators , and the community around those who need additional capital. Supporting factors covering height interest public to sharia products, increasing awareness religious and spirit entrepreneurship. However, the obstacles among others the lack of understanding public to sharia system, limited human resources who have competence Islamic banking and fiqh transactions, as well as Not yet evenly distributed implementation Rahn products in other cooperatives. In addition, there are still there is potential negligence in good implementation of Rahn intentional and No. In conclusion, Rahn financing plays a role important in help need financial public around BMT *Ar-Roudloh* Payaman, in particular for business capital small . Researchers suggest that it be done socialization intensive about sharia cooperatives and principles for results, improvement professionalism of trustworthy and competent human resources, prudence in determination cost administration to avoid from element doubtful, and capital increase through Work The same with institution other Islamic finance to expand development business.

Keywords : Application, Financing, and *Rahn*.



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INTRODUCTION

Islamic banking is a financial institution whose operations adhere to Sharia principles. The difference with conventional banking is that Islamic banks do not use interest, whereas in Sharia, interest is usury.

Sharia banks emerged in Indonesia due to the desires of the Indonesian people (especially the Muslim community). who is of the view that interest in banks is usury, so it is prohibited by Islam. Viewed from a legal aspect, The basis for the development of Islamic banking in Indonesia is Law Number 7 of 1997. In this law, the sharia principle is in a vague category, because it is stated as a profit-sharing principle.

The principles of Islamic banking are expressly stated in Law Number 10 of 1998, which was then updated by Law No. 23 of 1999 concerning Bank Indonesia and Law No. 3 of 2004. Thus, the development of financial institutions that use sharia principles began in 1992, then began with the establishment of Bank Muamalah Indonesia (BMI) as the first bank that uses sharia principles in Indonesia.

Conceptually, Islamic financial institutions, including Islamic Commercial Banks (BUS), Islamic Branch Offices/Islamic Units (UUS), Islamic Rural Financing Banks (BPRS), *Baitul Mall Wa Tamwil* (BMT), and Islamic Financial Cooperatives (Koprasi Kasa Keuangan Syariah), have the same operational system and sharia concept. The only difference lies in the scale of their business. For example, Islamic Commercial Banks collect and distribute funds in large amounts, BPRS in medium amounts, and BMT in small and micro amounts, where these amounts are highly dependent on the amount of risk borne by the Islamic Financial Institution.¹

¹Osman Muthaheer. *Accounting Banking Sharia* (Yogyakarta: GrahaIlmu , 2012), 14.

The BMT Ar-Roudloh Payaman Cooperative also serves as a sharia microfinance institution that bridges small businesses to ensure the community's economy is well-run and facilitates financial matters. The products used by the BMT Ar- Roudloh Payaman Cooperative include savings and loans (in the form of savings), Hajj savings, Hajj advances, and others. educational savings, *Rahn* etc.

o udloh Payaman BMT Cooperative also uses akad (contract) to operate this institution. This facility makes it easier for the community to raise funds for future needs. Therefore, the development of this Islamic microfinance institution has become a facilitator in developing and facilitating the Indonesian economy.²

Ar-Rahn is the withholding of one of the borrower's assets as collateral for the loan received. The retained item has economic value. Therefore, The party holding the debt has the right to take back all or part of the debt. Simply put, *Rahn* is a type of collateral or pledge.³

One of the financing methods applied to BMT Ar-Roudloh Payaman is *Rahn* (Pawn) financing, where *Rahin* (customer) provides benefits in the agreed upon monthly rental fee (katarah *ijaroh*). *Rahin* muamalah in the implementation of installment payments is very relative, some are on time, some are earlier than the specified time, some are even not on time even though the *Rahn financing agreement* has agreed on a financing payment deadline, before *the Rahin* installments were not in accordance with the agreed time so it can be said that this *Rahin* is problematic.

²Moh. Athour Rohman BMT Ar -R o udloh ,*Interview* (Payaman : April 10, 2025).

³ Muh.Syafie Antonio, *Syriah and From Theory to Practice* (Jakarta: Gema Insani Press, 2003), 169.

Literature review

Islamic financial institutions are financial systems that operate based on Islamic principles that emphasize justice, public welfare, and the prohibition of usury (*riba*). In managing their products, Islamic financial institutions must consider the characteristics and nature of each contract to ensure they align with the *maqasid* (objectives of sharia). Among the products developed for social purposes is *rahn* (Islamic pawn), which serves as a financial solution for those in need of emergency funds without any element of usury.

Based on sharia principles , " Financing is the provision of money or bills that are equivalent to it based on an agreement or deal between the bank and another party that requires the financed party to return the money or bills after a certain period of time with compensation or profit sharing .⁴

1. The Concept of Sharia Financing

Financing, from an Islamic perspective, is the provision of funds based on profit-sharing, sale-purchase, or lease principles regulated by sharia contracts. According to Antonio (2001), sharia financing aims to create economic justice and equitable distribution of prosperity through halal and transparent transactions. Various contracts are used, including *murabahah* (sale and purchase with a profit margin), *mudharabah* (profit sharing between capital owners and managers), *musyarakah* (capital partnership), *ijarah* (rent), and *rahn* (mortgage).

The main principles of Islamic financing include honesty (*siddiq*), trustworthiness, transparency, and fairness. Islamic financial institutions are

⁴ Adrian Sutedi, *Islamic Banking* (Bogor: Ghalia Indonesia, 2009), 68.

not solely focused on financial profit, but also on social and spiritual aspects that support community well-being. Therefore, every product must be free from usury (*riba*), *gharar* (uncertainty), and *maysir* (speculation).

2. Principles and Mechanisms of Rahn

Rahn, in terminology, means holding an item as collateral for a debt. According to DSN MUI Fatwa No. 25/DSN-MUI/III/2002, *rahn* is the holding of a customer's assets as collateral for a debt, which can be used by the lender under certain conditions. *Rahn* has a social function because it provides financial access for people who need quick funds without having to sell their assets. In practice, Islamic financial institutions hold items (usually gold, vehicles, or securities) as collateral until the customer repays their obligations.

In the context of microfinance, *rahn* is a convenient and sharia-compliant alternative to conventional pawning. *Rahn* contracts typically include maintenance costs (*ujrah*) that are not tied to the loan amount. This highlights the fundamental difference between sharia-compliant *rahn* and conventional pawning, which charges interest on loans.

3. Application of Rahn in Islamic Microfinance Institutions

The Sharia Financial Services Cooperative (KJKS) or Baitul Maal wat Tamwil (BMT) is a form of Islamic microfinance institution that plays a vital role in empowering the community's economy. BMTs collect and distribute funds based on Sharia principles, including social financing such as *rahn*. *Rahn* products at BMTs are typically aimed at small communities, micro-traders, or customers in urgent need of funds, such as for education costs and business capital.

Previous studies have shown that rahn financing has a positive impact on improving the community's economy, primarily because the process is simple and doesn't require a complex feasibility analysis. At BMT *Ar-Roudloh* Payaman, rahn is used to assist small businesses, administrators, and community members in urgent need of funds, with collateral of economic value.

4. Supporting and Inhibiting Factors in the Implementation of Rahn

The success of implementing rahn in Islamic financial institutions is influenced by various factors. Supporting factors include increased public awareness of Islamic economics, a strong religious spirit, and a high level of interest in entrepreneurship. A religious social environment also strengthens public trust in the Islamic financial system.

However, there are also inhibiting factors, such as a lack of public understanding of the operational systems of sharia products, limited human resources with expertise in muamalah jurisprudence, and low levels of professionalism in microfinance management. Furthermore, many sharia cooperatives have not fully implemented rahn products in accordance with sharia principles, and the risk of negligence (whether intentional or not) remains a challenge in their operations.

5. Implications and Strengthening of the Rahn Financing Model

Conceptually, rahn serves as a means of social protection within the Islamic financial system. Its existence helps low-income communities address liquidity issues without violating Sharia principles. To make this system more effective, institutional strengthening is needed through

improving human resource quality, developing operational standards based on DSN-MUI fatwas, and optimizing public outreach.

BMTs need to emphasize the principle of prudence in determining administrative fees to avoid *usury* or *doubtful elements* . Furthermore, collaboration with other Islamic financial institutions, both national and international, is necessary to strengthen capital and expand financing reach.

METHOD

This study uses a descriptive qualitative method to describe and analyze the implementation of *Rahn financing* at the KJKS BMT Ar-Roudloh Payaman, Solokuro, Lamongan. This approach was chosen to gain a deeper understanding of the empirical facts in the field, in accordance with Sharia principles. Descriptive qualitative research focuses on actual phenomena and seeks to uncover the meaning behind ongoing financing practices.

The research was conducted at BMT Ar-Roudloh because this institution offers several sharia-compliant products, such as *Rahn*, *Mudharabah*, *Musyarakah*, *Murabahah*, and *Bai'i Bitsamanil Ajil* . *The researchers chose to focus on Rahn financing* to explore its implementation mechanisms, supporting and inhibiting factors. The research location was selected purposively based on affordability and relevance to the topic.

The research subjects included *Rahn financing customers* and BMT managers. In accordance with Spradley's "social situation" concept, this study encompasses three elements: the place (BMT Ar-Roudloh), the actors (customers and employees), and the activity (the *Rahn financing process*). The sample was selected using a *purposive sampling technique* , namely respondents who were deemed to have the most understanding of financing

activities, with the criteria of customers having a minimum high school education and having a maximum loan of one million rupiah.

The primary research instrument was the researcher herself, with interview guidelines and documentation as supporting tools. Primary data was obtained directly from the field through interviews, while secondary data came from literature, documents, and financial reports.

Data analysis techniques were carried out through problem identification, data collection, understanding of sharia principles related to *Rahn*, and theme analysis based on empirical reality. To ensure data validity, source and method triangulation techniques were used, namely by comparing the results of interviews, observations, and documents to increase the validity of the research findings.

RESULT AND DISCUSSION

A. Analysis of Research Results

Financing implementation *Rahn* at KJKS BMT Ar-Roudloh is basically intended for customers who need money quickly to increase capital, who are domiciled around BMT Ar-Roudloh Payaman, namely: As a loan to small entrepreneurs who need additional capital, As a loan to BMT administrators, As a loan to customers who really don't have money, for their children's school or college fees, who are worried about dropping out of school.

1. Understanding Application *Rahn* Financing According to BMT Ar-Roudloh

This involves depositing an item as collateral for a debt. Customers can leave valuables (vehicle ownership certificates/gold) to obtain a loan from

BMT Ar-Roudloh . *The interest* requested is only 0.05% per day/equivalent to 1.5% per month.

In distributing *Rahn financing* , there are certain pillars and conditions that must be met, including the following:

- a. *Rahn* financing principles at BMT Ar-Roudloh
 - 1) The parties to the contract are *the rahin* (who delivers the goods) and *the murtahin* (who receives the goods).
 - 2) The objects of the contract are, *marhun* (collateral) and *marhun* bih (financing).
 - 3) *Sighah* , namely consent and qabul.
- b. *Rahn* financing requirements at BMT Ar-Roudloh
 - 1) Submit 2 photocopies of your ID card.
 - 2) Submit a photocopy of your husband/wife/parent's ID card, 1 sheet.
 - 3) Submit a photocopy of 1 family card.
 - 4) Pay the disbursement administration and stamp duty.
 - 5) Photocopy of BPKB and STNK and equipped with gold.

2. Procedure Pamberian *Rahn* at BMT Ar-Roudoh

The procedure for obtaining loan funds from *Rahn* is very easy, namely the customer comes directly to *the murtahin* (sharia pawnshop) and hands over the goods to be used as collateral by showing proof of identity such as an ID card or power of attorney if the owner of the goods cannot come in person. Customer will get form request loan . Collateral can be researched the quality For estimated and determined the price . Based on estimates made *murtahin* , determined the amount of money that can be borrowed *Rahin* accepted . The size the value of the loan given more small than the market value of pawned items . This is taken to prevent emergence

loss . Next *Murtahin* hand over loan money without There is piece whatever accompanied by SBR (Proof of *Rahn Letter*).

Procedure giving loan (*marhun bih*) in *Rahn* can explained as following :

- a. Customer fill in form request *Rahn*
 - b. Customer deliver form request attached *rahn* with photocopy of identity card as well as goods guarantee to breasts
 - c. Officer mortgage estimate (*marhun*) the collateral submitted
 - d. The size loan / *marhun bih* is 90% and the estimate *Marhun*
 - e. If agreed size loans , customers sign contract and receive loan money .
3. *Rahn* Financing at BMT Ar-Roudloh

Ar - Rahn customers use the *Marunbih* funds for consumptive purposes, such as healthcare, daily food, and urgent and important school or college expenses. They also use them for productive purposes, such as starting or increasing business capital. Most *Rahn customers* at BMT Ar-Roudloh borrow funds for trade, education, and agriculture.

4. Benefits and risks in distributing *Rahn financing* at BMT Ar-Roudloh

1) Benefit

Rahn goods cannot benefit from either the owner or *the Rahn recipient* , this is because the status of the goods is only as collateral for a debt and as a trust for the recipient. However, if permission is obtained from each party concerned, the goods may be used. However, efforts must be made to ensure that the pawn agreement includes a provision: if the pawner or pawnee asks for permission to use the pawned goods, then the proceeds become joint property. This provision is intended to prevent assets from not functioning or being wasted.

Rahn period set by BMT is:

1. For pawn sharia for 4 months and under obligation pay for it only *saying the lease* , & the main thing is may in installments / directly paid paid off on month final .
2. For pawn 5 months and above attempted main And his wages paid simultaneously on each the month .
3. If the payment accelerated , then his words stop on time That Also.

And here 's a glimpse Installments about *Rahn* (pawn) at BMT Ar-Roudloh as following :

Table 2
INSTALLMENT PERIOD

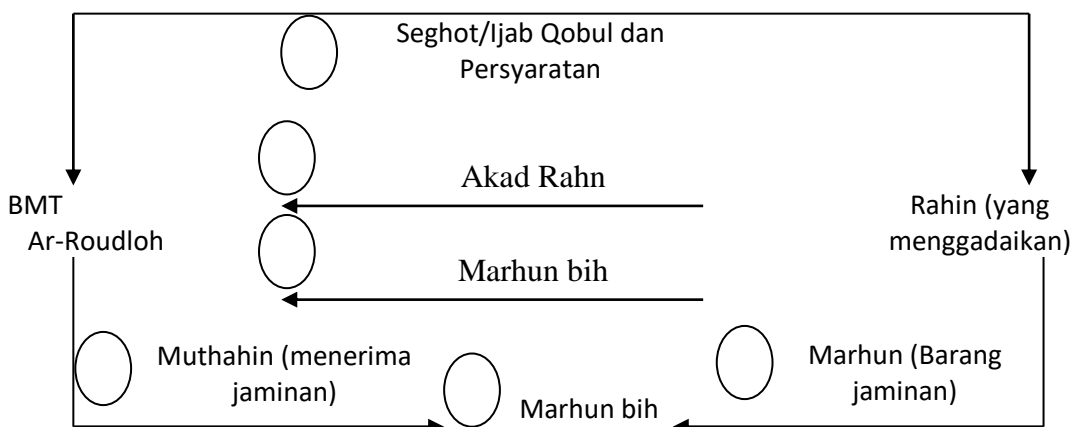
No	Rp (million)	Main Point	4 months Cost rent per month (ujra migration)	5 months	10 months
1	500 thousand	500 thousand	7500	107,500	57,500
2	1000	1,000	15,000	215,000	115,000
3	2000	2,000	30,000	430,000	230,000
4	3000	3,000	45,000	645,000	345,000
5	4000	4,000	60,000	860,000	460,000
6	5000	5,000	75,000	1,075,000	575,000
7	6000	6,000	90,000	1,290,000	690,000
8	7000	7,000	105,000	1,505,000	805,000
9	8000	8,000	120,000	690,000	920,000
10	9000	9,000	135,000	1,935,000	1,035,000
11	1,000	10,000	150,000	2,150,000	1,150,000
12	15000	15,000	225,000	3,225,000	1,725,000

13	20000	20,000	300,000	4,300,000	2,300,000
14	25000	25,000	375,000	5,375,000	2,875,000
15	30000	30,000	450,000	6,450,000	3,450,000
16	35000	35,000	525,000	7,525,000	4,025,000
17	40000	400,000	600,000	8,600,000	4,600,000
18	50000	50,000	750,000	10,750,000	5,750,000

2) Risk

The risk of loss or damage to pawned goods is due to the negligence of *the pawnbroker*, so in this case *the pawnbroker* bears the risk, repairs the damage or replaces the lost item. Whereas for customers the risks is decline mark retained assets or damaged. And it's stuck goods the pawn that will auctioned.

RAHN PROCESS CHART AT BMT AR-ROUDLOH



Example of *Rahn* :

Ani has a debt to Budi of 10 million, as collateral for the repayment of her debt, Ani hands over her motorbike to Budi, after the debt is paid off, Ani can take the motorbike.

In the context of its implementation at BMT.

Putri pawned her gold to BMT to borrow 10 million, and paid it off within the specified time period, after paying off her debt, BMT will return the gold.

***Rhan* 's Item Category** that type goods *Rahn* who can pawned as guarantee is all type goods move Good not move , so that items that can be pawned Can all goods origin fulfil condition :

- (1) Is object worth according to law sharia '
- (2) There is a form when agreement happen
- (3) Maybe handed over instantly to Murtahin .

In BMT Ar-Roudloh There is factor Many people around BMT are interested in sharia products. The community is growing in spirit and religious attitudes. interest public For entrepreneurship .

The inhibiting factors are: The public is not yet familiar with the operating system of sharia-based products and services at BMT " Ar-Roudloh ". Human resources are needed who have more specific banking and entrepreneurial skills compared to conventional banking human resources, in addition to having adequate insight into muamalah fiqh and possessing the qualities of siddiq, tabligh, amanah, and fathonah. There are still many sharia -based cooperatives that have not yet apply product *Rahn* . Prone to negligence (both intentional and unintentional)

CONCLUSION

From the results of research conducted by researchers, it can be concluded that:

1. Implementation of *Rahn financing* at K JKS BMT Ar-Roudloh is basically intended for customers who have a business and need money directly , who are domiciled around BMT Ar-Roudloh. Payaman , namely: As a loan to small entrepreneurs who need additional capital, As loan to administrator BMT , as a loan to customers who really do n't have money, for their children's school or college fees, or are worried they will drop out of school.
2. *Rahn* financing at KJKS BMT Ar-Roudloh basically the owner of the money is not allowed to use the pawned goods before and after being pawned, the pawned goods belong to the debtor so that the use belongs to the debtor completely. The risks that may be found in *Rahn* if applied as a product are the risk of non-payment of customer debt, for customers the risk of a decrease in the value of assets held or damaged. And being held back goods pawn that will be auctioned by the party *Rahn* .

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