

THE IMPLEMENTATION OF AR RAHN CONTRACTS

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ABSTRACT

The Islamic finance industry has developed quite rapidly and has been accepted by the Indonesian people. Many products appear, such as Banking Funding and Financing, Leasing, Insurance and Pawn. Indonesian people, especially the lower middle class, as Indonesia a developing country, are familiar with pawn products. In 2010 the Central Bank of Indonesia adopted a policy that Pawn can no longer be a monopoly which caused a spurt of Ar Rahn in Islamic Banks product. This phenomenon shows that the public's interest of Ar Rahn's is great so the availability of many branches are to serve public. This research also aims to complete the Islamic Finance study, because so many articles about Banking, Leasing, and Insurance but rare about Rahn. This research using descriptive qualitative method, with internship for a month on headquarters of PT. Pegadaian (Persero), focusing on syariah division and syariah operational main branch to understand the theoretical comes with practice. At the end, we can find out that Rahn customers are no longer the poor but also the rich who believe there is also an investment on gold through pawning. In general, The Rahn aqad can be grouped into two, consumption and production. The consumption objective of Rahn is for medical expenses, education expenses, etc. Whereas for the productive purposes, Rahn can be done through 3 (three) schemes/aqad namely Mudharaba, Murabaha and Musharaka contract.

Keywords: Rahn, financing, aqad.

INTRODUCTION

In 2010, the Central Bank of Indonesia adopted a policy that Pawn can no longer be a monopoly which caused a spurt of Ar Rahn in Islamic Banks product. This phenomenon shows that the public's interest of Ar Rahn's is great so the availability of many branches are to serve public. This research also aims to complete the Islamic Finance study, because so many articles about Banking, Leasing, and Insurance but rare about Rahn.

PT. Pegadaian (Persero) an old company was founded in 1746 has been operating and providing a significant impact on Indonesian society. As the monopoly of state-owned companies (BUMN), PT. Pegadaian (Persero) is a big company with huge assets and many product differentiations. PT. Pegadaian (Persero) has 719 conventional branch offices and 151

Sharia branch offices, as well as 3266 conventional unit offices and 4604 Sharia unit offices. (Pegadaian_LKFS_Reissuance_Audited_Tahun_2019).

Basically, based on common reality and direct observation in this research, Ar Rahn is known to be easier and faster in Financing peoples than Banks. The bank's process takes about 2 weeks, starting from the '5C' analysis of character, capacity, condition, capital and collateral (General Banking Book - Level 1). In Rahn however, you only need to wait about 15 minutes for the officer assess your collateral to get a loan. The loan limit are the same as LDR (Loan to Deposit Ratio) in the bank. When the loan reaches matured, the customer is required to pay principal and interest (Ijarah fee) with an amount definitely much cheaper than

banks. Despite that, the fraud risks as a financial institution still exist in Rahn.

RESEARCH METHOD

This article used descriptive qualitative method, with authors done internship for a month on PT. Pegadaian (Persero), focusing on the syariah main branch operational and syariah division on headquarters to understand the theoretical basis comes with practice. This article used primary data which obtained through interviews with officers also the customers, and direct observation which involved in the Ar Rahn process for 2 weeks in Sharia branches. Then discussed view questions about Ar Rahn in Sharia division on headquarters office.

RESULT AND DISCUSSION

In general result, Ar Rahn aqad can be grouped into two, consumption and production. The consumption objective of Rahn is for medical, education and others expenses. Whereas for the productive purposes, Rahn can be done through 3 (three) schemes/aqad namely Mudharaba, Murabaha and Musharaka contract. We can also find out that Rahn customers are no longer the poor but also the rich who believe there is an investment on gold through pawning. One transaction slip in Rahn is able to disburse loans of up to 500 million Rupiahs not less than the bank.

In philosophical terms, a person is an economic individual, because no one can live without consumption, production and distribution. Consumption for life needs production, but not all people can do production by themselves, so they need distribution. For this reason, there is linkage between humans, thus that they are called "social creatures". Consumption needs assets, thus the assets must be something good and useful. But people's attitude toward how they get

and use assets can make the asset to be good or bad. Good assets are assets that are obtained in a *halal* way and used for *ibadat* and humanity. Bad assets are assets that are obtained from *haram* way or a good asset but used for *maksiat* and neglecting humanity.

Economics in Islam is not only physical asset and material production but also spiritual. Thus, Economics not only talk about profit, but is also related to ethics and humanity. Islamic economics can be viewed in four (4) ways; there are *Rabbaniyyah* (Godliness), *Akhlaq* (Attitude), Humanity, and *Wasathiyah* (Balance). Transaction in Islam is the willingness to exchange mutually. The definition of exchange is to accept and to give. Both parties gain benefit, rewards and sincerity (*ikhlas*). Islam forbids usury, gambling, cheating and lies because all of that makes *zalim*.

Other research of Ar Rahn In Indonesia by Manahaar Pamonaran on 2019 "Implementasi Gadai Syariah (Rahn) Untuk Menunjang Perekonomian Masyarakat di Indonesia" on *Dialogia Uridica Faculty of Law Journal of Universitas Kristen Maranatha*, tell us the benefits of Sharia Pawn (Rahn) compared to other Institutions to Support the Community Economy. This research was conducted by normative juridical method. The primary legal material is a regulation and legal analysis with steps of deductive reasoning. In conclusion, the implementation of Indonesian Islamic pawnshop has been very developed in line with the times and the rise of financial institutions in accordance with the practice of sharia began to be carried out. This Islamic sharia practice or what is called rahn is very brave, there is no imposition of usury or interest on loans given. Besides that sharia provision is very beneficial for the community, judging from its benefits. Islamic mortgage is a solution

for the community in helping to increase the occurrence of various activities needed, which in essence is in the mortgage to help the community. This research is more in-depth because it reviews about Rahn contracts not only a free-usury like before. Pawn is a form of loan transaction that is given by the pledgor (*murtahin*) to someone who receives a loan (*rahin*) by submitting a guarantee (*marhun*). The loaned money is for aid and is to be returned with no interest. In practice, there is an additional administration fee which is calculated from the amount of the estimates. If the pawn is calculated based on a "lease" of money lent, then this is a deviation from the pawn in Islam due to the inclusion of usury transaction.

Islamic or *Shariah* Pawn called *Rahn*, which is derived from the Arabic language. *Rahn* consist of letters *Ra* (ر), *Ha* (هـ) and *Nun* (ن), and the word are a form of the word *rahana mashdar-yarhanu-rahnan*. The plural are *rihanun* and *ruhunun*. Literally means restrained, is based on the word of Allah SWT, "Every soul, for what it has earned, will be retained" (Q.S. Al *Muddaththir* 38). As for the term, there is some scholarly opinion about the meaning of Islamic pawn (*rahn*), of which *Ibn Qudamah*'s opinion says that *Rahn* is asset objects that serve as collateral for the debt, which is where the asset value is used as an object if the debt is not able to be paid off. *Sheikh Al-Bassam* also argued with *Ibn Qudamah*. Thus the Islamic pawn (*rahn*) is the retained assets as collateral debt so if you cannot pay it off, the assets are to be paid according to the value of its debt.

Ar Rahn has 5 (five) pillars, namely:

1. The *Rahin*: who pawns. He is the one who owes.

2. The *Murtahin*: the person receiving the pawn. He is the one who provides the accounts.
3. The *Marhun*: pawned goods.
4. The *Marhun bih*: debt. Value or items borrowed *rahin* to *murtahin*.
5. *Shighat Akad*: contractual consent granted.

The persons meeting qualifications to make pawn contracts are the same with persons who are buying and selling. Because pawning is a similar asset transaction to bargaining, then the persons who are involved in transactions, must be intelligent and mature. The cleric *Hanafiyah* only requires intelligence. Therefore, a child who are *mumayyiz* (can differentiate between good and bad) may conduct *rahn* contract with the approval of his/her guardian.

In general, *marhun* or pawn goods must meet the following requirements: tradable and its value is equal to *marhun bih*; valuable asset and can be used (*halal*); clear and certain, and its physical state are known; rightfully belongs to *rahin*; not associated with the rights of others; complete asset, not scattered in several places; and *Marhun* may be submitted, both the material and its benefits.

Terms related to debt (*marhun bih*) are rights must be returned to *murtahin* because *Hanafiyah* scholars believe that the requirement of the debt is secured debt, the debt must be paid and the assets should be returned to its owner. Second, *Marhun bih* repaid with *marhun* If the *rahin* can not afford *marhun bih*, the pawn is to be paid off with the assets. This transaction is called *rahn*. And third, *Marhun bih* is clear and certain. The debt must be known or specified in terms of the number and nature for both parties.

The specified conditions in the *rahn* contract are three types:

- a. Valid terms,

This contract includes pawn contract terms, such as debt payment terms that come before paying to other accounts or the requirements of a witness.

b. Invalid terms,

No contract contingent beneficiaries and no objective, such as not requiring the use of pawn assets. Such condition is not valid, but is a valid contract.

c. Contract void terms,

Condition which harmful for one contracting party, such as giving an extra payment to *murtahin*.

It is in contrast with the opinion of *Maliki* and *Hanbali* scholars who state that there are two conditional terms in the contract, namely legal and defective (*fasad*) requirements.

a. Legal requirement is the conditions that realized for the good of the contract and does not deny the matters required in the contract. For example, the *murtahin* requesting that the contract is witnessed by two witnesses.

b. *Fasad* requirements are the imperfect conditions that deny the matters required for a contract. For example, *marhun* may not be sold when the *rahn* reaches maturity and the *rahin* cannot afford it.

Ar-Rahn performed an in-depth review of the pawn system practiced by the Prophet, and applied it in a modern context. The main mission of *Ar-Rahn* is help mutually, provide convenience and ease the burden of others. Therefore, in order to realize the above mission, Islam teaches that its followers uphold the values of benefit to all parties, avoiding usury, injustice and tyranny (*dzalim*). In conducting its business, *Ar-Rahn* institutions must have three basic elements, namely:

1. Knowing the best investment, especially in order to seek the pleasure/blessing of Allah SWT.

2. Make decisions that are logical, thoughtful and careful.

3. Following good behavior (*Siddiq*, *Amanah* (trustworthy), *Fathanah* and *Tabligh*).

Ar-Rahn operational mechanism can be done by using six contracts depending on the purpose of *marhun bih* use. The six contracts are namely: social contract (virtue) *qardhul hasan*, courier service contract or lease (*ijarah*), *rahn* contract, *mudharabah* contract, the contract of *Ba'i muqayyadah* and the contract of *Musharakah Amwal al-'inan*. All six contracts have consumptive and productive aims. First, the consumptive contract is utilization based *marhun bih* for a consumptive nature. *Ar-Rahn* agencies cannot levy additional charges. Second, the productive contract is agreement to capital aims. Owners of capital should strive to produce capital and for those who are not able to run a business, thus Islam provides an alternative business with a revenue sharing system.

Consumerist Contract

Qardhul Hasan Contract

Goods can only be a guarantee that the goods are not produced (not used). In this case, *rahin* will provide wage cost or fee to *murtahin* as part of the organization's revenues, because the *murtahin* has been keeping or securing the *marhun*. In addition, institutions are also allowed to withdraw administration fee of person who has pawned assets (*rahin*).

To avoid usury, then the imposition of administrative charges on loans is in the following way:

1. Must be declared with a nominal, not a percentage.

2. The nature must be real, clear and definite, and limited to the absolute necessary in the contract.

The Flow Pattern of *Qardhul Hasan* Contract

The Implementation Mechanism of *Qardhul Hasan*

Category of *Marhun*

The *marhun* category of this contract is in the form of goods that cannot be used except by way of selling it and moving only, such as gold and electronic goods.

Terms of Agreement

In this contract, there is no revenue sharing to be shared, because it is only an agreement that serves the social contract. However, in this contract there are a number of bonuses which the *rahin* usually gives as a substitute to the administrative costs that have been incurred by *murtahin*. The *rahin*'s bonus given to the *murtahin* is not specified, which means the *rahin* has the freedom to determine the amount of the bonus to be awarded and also there exists no element of compulsion.

Granting Procedure of *Marhun Bih* Settlement Procedures of *Marhun Bih*

If the *rahin* cannot repay its debt to *murtahin*, then the *murtahin* reserves the right to auction/sell the *marhun* after maturity. This is allowed under the following provisions:

- a. The *Murtahin* must first contact the *rahin* and find the cause for not repaying the debt.
- b. The payment deadline may be extended.
- c. If the *murtahin* really needs the money and the *rahin* cannot repay the debt, then the *murtahin* may move the *marhun* to another *murtahin* with the *rahin*'s permission.
- d. If the above provisions are not met, then the *murtahin* may sell the *marhun* and the excess money is refunded to the *rahin*.

- e. The auction/sale of the *marhun* is done in public and before the sale is done normally the *rahin* is notified in advance.

***Ijarah* Contract**

In *Ar Rahn*, the *murtahin* can rent a place for keeping goods (safe deposit box) to *rahin*. Thus the *rahin* will provide a cost (*ujrah*) to the *murtahin*, because the *rahin* has entrusted the goods to the *murtahin* to keep or secure the *marhun*. Therefore, through the *ijarah* contract, the *rahin* will only provide service costs (*ujrah*) to the *murtahin*. If the *ijarah* contract period has ended then the *murtahin* restores the *marhun* to the *rahin*.

To avoid usury, then the imposition of administrative charges on loans is made in the following way:

1. It must be declared with a nominal, not a percentage.
2. Nature must be real, clear and definite, and limited to the absolute necessary in the contract.
3. There are no additional charges not mentioned in the initial contract.

The Implementation Mechanism of *Ijarah*

***Marhun* Category**

The category of *marhun* is the same as *Qardhul Hasan*.

Profit-loss Sharing Provisions

In this contract, there is no revenue sharing to be shared. A fee is usually given by the *rahin* as a substitute to the backlog costs incurred by the *murtahin*. The amount of the fee provisions the *rahin* should give to the *murtahin* can be determined when the contract is underway.

Saving Procedure of *Marhun*

The procedures of agreement in the contract can be seen in the following figure:

Settlement Procedures of *Marhun Bih*

Same as *Qardhul Hasan*.

The Auction Procedure of Marhun

Same as *Qardhul Hasan*.

Productive Contract

Owners of capital should strive to produce capital and for those who are not able to run a business, thus Islam provides an alternative business with a profit sharing system. In *Ar Rahn*, it can be applied in four contract schemes, namely:

Rahn Contract

The Flow Pattern of *Rahn* Pattern

The Implementation Mechanism of *Rahn* Agreement

Category *Marhun*

Category *marhun* are all kinds *marhun* that can be used, either movable or immovable goods. Movable goods such as vehicles and electronic while immovable goods are such as soil and yard.

Sharing Provisions

Profit-loss sharing in this contract is the net income, *marhun* entrusted parties. That is, the profit after deducting the cost of management. The ratio of the provision is in accordance with the agreement of both parties. If the *marhun* managed by *rahin*, distributed ratio, e.g. 75% for *rahin* and 25% for *murtahin*.

Assessment Procedure of *Marhun*

Disbursing *marhun bih* on the basis of Sharia law requires the shipment of the pawn as debt collateral. In *Rahn* special contract, the guarantee covers all types of goods, movable and immovable goods. The sizes of the amount of loans granted to *rahin* depend on the value of the goods after the appraiser adjuster assess the *marhun*. Appraiser estimators should be people who have the expertise and

specialized experience in conducting *marhun* assessments.

The *marhun* assessment guidelines are divided into two categories, namely movable and immovable goods.

Movable Goods

Murtahin/estimator officers look at market prices that apply (standard rates that apply) for gold.

Murtahin/estimator officer look at the local market for treasures in addition to gold. Price guidance is always adjusted to the current price developments.

Murtahin/estimator officers tests the *marhun* quality.

Murtahin/estimator officer makes an appraisal to determine the value.

Immovable Goods

Murtahin/estimator officer may request a certificate of land/yard to the *rahin* to get a general knowledge of the *marhun*.

Murtahin/estimator officer can see directly or indirectly the *marhun* conditions at the field.

Murtahin/estimator officer can conduct testing to determine the *marhun* quality.

Murtahin/estimator officer can determine the value of the appraiser.

Granting Procedure of *Marhun Bih*

Settlement Procedures of *Marhun Bih*

Same as *qardhul hasan*.

The Auction Procedure of Marhun

Same as *qardhul hasan*.

***Mudharabah* Contract**

In *Mudharabah*, *Ar Rahn* as *Shahibul Maal* (funder) and *Rahin* as *Mudharib* (fund manager). *Mudharabah* can only be applied to *rahin* who wants pawn goods for productive purposes, meaning that the pawn goods, the *rahin*, is expected to

be working capital. *Marhun* or collateral is the goods that can be used or cannot be used (managed) by the *rahin* and *murtahin*. The *rahin* will give the results (profit-loss sharing) based on business profits earned in accordance with the agreement with the *murtahin* until the borrowed capital is repaid. Furthermore, if the *marhun* can be used, a new agreement (other covenants) can be made on the use of the *marhun*, and the type of contract (*akad*) adapted to the type of goods. If the *rahin* is unwilling to utilize the *marhun* and is left entirely to the *murtahin*, then the *murtahin* is entitled to manage the *marhun* and collect results. Most of the results should be given to *rahin*, because the *rahin* is the *marhun* owner. Vice versa, if the *murtahin* does not want to be given the mandate of managing the *marhun*, the *rahin* should manage the *marhun* and will provide the results to the *murtahin* in accordance with the agreements.

The Flow Pattern of Mudharabah Contract

The Implementation Mechanism of Mudharabah

Category Marhun

The category of *marhun* is the same as *Ar Rahn* scheme.

Profit-loss Sharing Provisions

In this contract, the net profit is entrusted to those who manage the business in accordance with the request. This means that the profit is after deducting the cost of management, while the revenue sharing provisions of the results of operations are subject to agreement by both parties. If the fund managing party is the *rahin*, the ratio is 70% which is distributed to the *rahin* and 30% for the *murtahin*. This is achieved because the *rahin* is the manager of the business, whereas the *murtahin* is the funder and vice versa. In addition to the results of a customer's

business that has been funded by *murtahin*, both sides are also still going to get the result of utilization or management of the *marhun*.

Granting Procedure of Marhun Bih

Granting procedures of *marhun bih* are the same as *Ar Rahn* scheme.

Settlement Procedures of Marhun Bih

Settlement procedures of *marhun bih* are the same as *Ar Rahn* scheme.

The Auction Procedure of Marhun

The auction procedures of *marhun* are the same as *Ar Rahn* scheme.

Ba'i Muqayyadah Contract

Ba'i muqayyadah contract is applied to the *rahin* who wants *rahn* for productive use. That is, the *rahin* pawns *marhun* for working capital in the form of purchases of goods.

The Flow Patterns of Ba'i Muqayyadah Contract

Implementation Mechanism of Ba'i Muqayyadah

Marhun Category

The *marhun* category is the same as *Ar Rahn* scheme.

Profit-loss Sharing Provisions

In this contract, the net profit is entrusted to manage the business (sharia pawn institute) in accordance with the request. This means that the profit is after deducting the cost of management. The percentage terms for the results of business management is in accordance with the agreement of both parties. If the managing party funds *rahin*, the ratio is 70% which is distributed to *rahin* and 30% for *murtahin*. This is achieved because the *rahin* is the manager of the business, whereas the *murtahin* is the funder and vice versa. In addition to the results of a customer's business that has been

funded by the *murtahin*, both sides are also still going to get the output of *marhun* utilization/management.

Granting Procedure of *Marhun Bih*

Granting procedures of *marhun bih* are the same as *Ar Rahn* scheme.

Settlement Procedures of *Marhun Bih*

Settlement procedures of *marhun bih* are the same as *Ar Rahn* scheme.

The Auction Procedure of *Marhun*

The auction procedures of *marhun* are the same as *Ar Rahn* scheme.

***Musharaka Amwal Inan* Contract**

As a form of business expansion, PT. Pegadaian Syariah also raises capital over the provision of the Ministry of Enterprises. This is done with the cooperation of Islamic Banks and other Islamic financial institutions. *Musharaka* is a partnership between two or more parties to share the outcome or profit loss sharing (PLS) contribution, share ownership and share risks in a venture (because people do not know whether their business will net a profit or loss).

Musharaka will encourage joint investment between the parties who have minimum capital but optimal ability, where the parties of big capital tends to be idle (not optimized) because Islam greatly encourages its people to invest capital and always be productive so that there shall not be capital left or not used and it shall must be optimized.

Paid-up capital can be money, property, equipment and intangible assets (such as patents or goodwill) and other items that have monetary value. All *Musharaka* capital is mixed and administered together. Each of the owners of the capital is entitled to participate in the business policy

carried on by the *Musharaka* implementation.

Owners of the capital to implement the *musharaka* should not take the following actions:

1. Combine the *Musharaka* funds with personal possessions.
2. Engage in *Musharaka* with other parties without the consent of the other owners of capital.
3. Provide loans to other parties.

Therefore, to minimize the potential for fraud, it is necessary for clarity in the agreements made and the business pattern of *Musharaka* mechanism as follows:

The Flow Pattern of *Musyarakah Amwal Al'Inan* Contract

The Implementation Mechanism of *Musyarakah Amwal Al'Inan Musharaka* Capital Category

Categories of capital used in this contract are all kinds of capital, money or goods that can be managed/ utilized, either movable or immovable goods.

Profit-loss Sharing

In this contract, the net profit is entrusted to manage the business (sharia pawn institute) in accordance with the request. This means that the profit is after deducting the cost of management. The percentage terms for the results of business management is in accordance with the agreement of both parties. Thus, profits for these results are not absolute and depend on the agreement between both parties.

Procedure for Obtaining Capital

The procedure for obtaining capital in *Ar Rahn* using *Musharaka Amwal al'inan* contract:

- a. The *Rahn* institution can come directly or indirectly to the investor (partner), through Islamic Banks, Islamic Non-Banking Financial Institutions and Islamic Bonds Issuers.

- b. Then a *Musharaka* contract with the terms and covering the risk of loss or the benefit/profit.
- c. After the agreement between the partner institutions in Islamic pawn then to ensure the *murtahin* a successful venture, the partners have the right to monitor the work done by the *murtahin* either directly or indirectly

The procedure for obtaining *Rahn* capital using *Musharaka Amwal al'inan* contract namely:

- a. The *Rahn* institution can come directly or indirectly to the investor (partner), through Islamic Banks, Islamic Non-Banking Financial Institutions and Islamic Bonds Issuers.
- b. Then a *Musharaka* contract is issued with the terms and covering the risk of loss or the benefit/profit.
- c. After the agreement between the *Rahn* institution and partner, then to ensure the *murtahin* a successful venture, the partners have the right to monitor the work done by the *murtahin* either directly or indirectly.

Granting Procedure For Sharing

In this *Musharaka Amwal al'inan* contract, the *Rahn* institution provide the profit-loss sharing in accordance with the agreement, for example, monthly, quarterly, semi-annual, annual, or waiting for the end of the agreement between the parties with the following procedure:

- a. The *Murtahin* pays the money share accompanied with proof of payment to partner.
- b. If the share was not given at the same time (monthly, yearly), then only the profit/loss money is given.
- c. When the share is given at the same time until the end of the contract, then the initial capital plus the total profit/loss is given.
- d. A new contract starts again when the capital is re-submitted by the partner

and managed again by *Rahn* institutions.

Potential Problems or Fraud

1. Rahin increases the loan because of need and not yet maximized.

Pegadaian is very flexible, when the *rahin* only takes the portion of loan offered, when later on the *rahin* is in need, the *rahin* can ask for the rest of loan, as long as the request comes before maturity.

2. Extension of Rahn

The appropriate theory to maturity is if the *rahin* cannot afford to pay, this is not a problem. The *rahin* will pay for *ijara* services only and automatically the *marhun* will not be auctioned but extended to 4 months / 120 days forward.

3. Repayment in installments

Installments are actually almost the same as the extension but the loan becomes due in installments so that the *ijara* costs become cheaper.

4. SBR (Surat Bukti Rahn) / Proof of Rahn missing

SBR is an absolute requirement of repayment. In the event of loss of this document, a statement letter from the police is required for the PAP Officer to make a new SBR.

2. Auctions without notice

Pegadaian always provide information on auctions either by telephone or letter. Therefore the *rahin's* address and telephone must be complete from the onset. In case the *rahin* believes he/she was not contacted, Pegadaian can show proof of mail and phone information.

Final Provisions

1. Audit

Just like other financial companies, Pegadaian also performs audit containing risks as follows:

- a. If the loan (*marhun bih*) is greater than the estimated *marhun*, the *murtahin* (Pegadaian) will incur loss.
- b. But if the *marhun bih* is less than the estimated *marhun*, the profit or assets of the *murtahin* is not yet optimized

2. Bazaar

Bazaar is a public auction and event that always gets high interest from the community. Many visitors come, and compared to the gold shop, the auction price is cheaper because potential buyers are not bearded the costs of making the gold. Also, at Pegadaian, the gold is kept in a safe storage area under a specific temperature and is routinely cleaned.

3. Disputes

- a. If one party can not fulfill its obligations, or if there is a dispute between two parties, the settlement is done through the Sharia Board Arbitration, after no agreement is reached by consensus.
- b. The fatwa is valid from the date stipulated by the provisions. If there is a mistake in the future, it will be modified and refined appropriately.

4. The Pawnshop Sharia Privileges

Product

1. Ar Rum (*Ar Rahn* untuk Usaha Mikro Kecil)

Ar Rum (*Ar Rahn* for Micro and Small Enterprises) is a loan scheme using the sharia system for micro entrepreneur and small business development for the purposes of the refund system in installments, using collateral of a vehicle's (car/motorcycle) registration.

2. Mulia (Murabahah Logam Mulia untuk Investasi Abadi)

Precious metals or gold has touched every aspect of human needs in addition to having a high aesthetic value as well as being a type of

investment whose value is stable, liquid and secure in real terms.

MULIA (Precious Metal *Murabaha* for Eternal Investment) facilitates ownership of gold bullion through sales of Precious Metals by Pegadaian to the community in cash and / or by installments with a fast process within a certain timeframe that is flexible. MULIA uses *murabaha* contract and *rahn*.

3. Amanah (*Murabahah* for Motor Vehicle Purchase)

Financing facilities to purchase motor vehicles specifically for permanent employee of an institution/company based on salary with collateral bound under fiduciary scheme of the goods, through a salary deduction letter by an attorney. The financing scheme is based on sharia principle under the *Murabahah* contract.

Additional Services

a. Pegadaian G-Lab

Jewelries, gemstone and other precious metals appraisal service unit with distinctive certification aimed to support PT Pegadaian' (Persero) business activity to achieve the company's vision and mission. This service is available at the Head Office of PT. Pegadaian (Persero).

b. Pegadaian 24

Service units in the form of Gold Gallery that provides MULIA and other related products regarding gold.

c. MPO (Multi Payment Online)

Another business unit that cooperates with Koperasi Nusantara in serving society's needs by receiving electricity, telephone, water and other payments in the Head Office or other units. This service is available at the Head Office of PT Pegadaian (Persero).

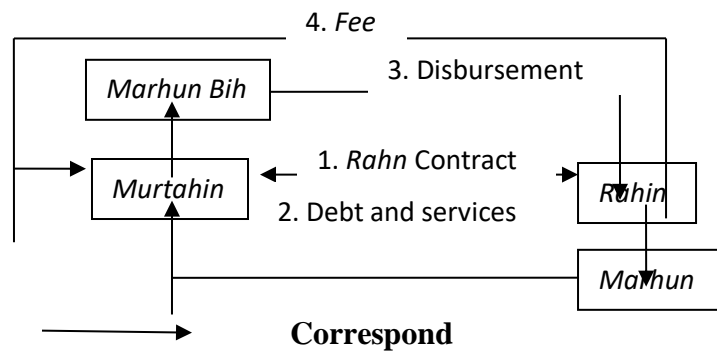


Figure 1. Process Flow of *Qardhul Hasan*

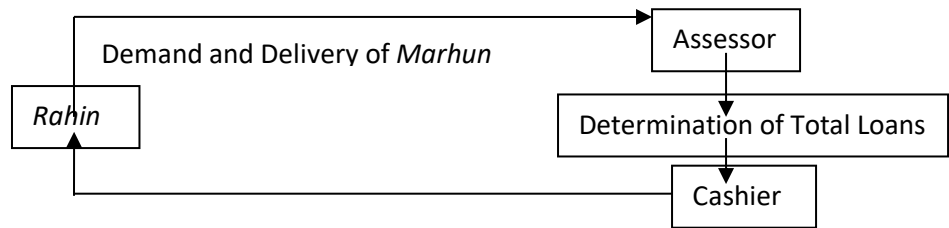


Figure 2. Granting Procedure of *Qardhul Hasan*

Legend:
 → Correspond
 ↔ Interrelated

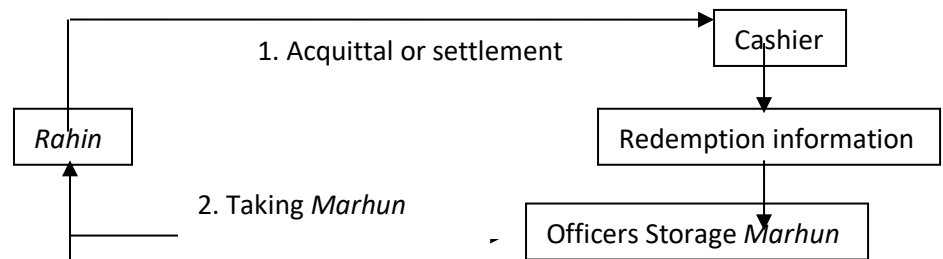


Figure 3. Settlement Procedure of *Qardhul Hasan Marhun*

Legend:
 → Correspond
 ↔ Interrelated

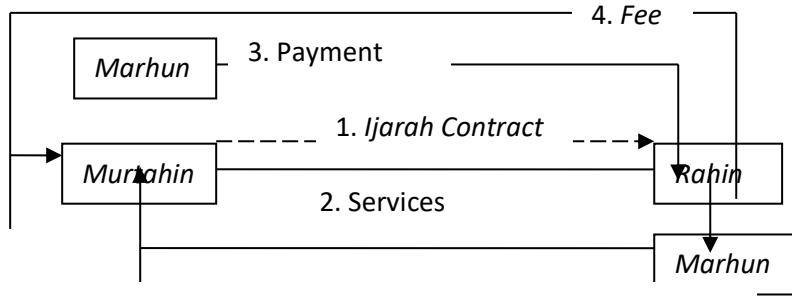


Figure 4. Process Flow of Ijarah

Legend:

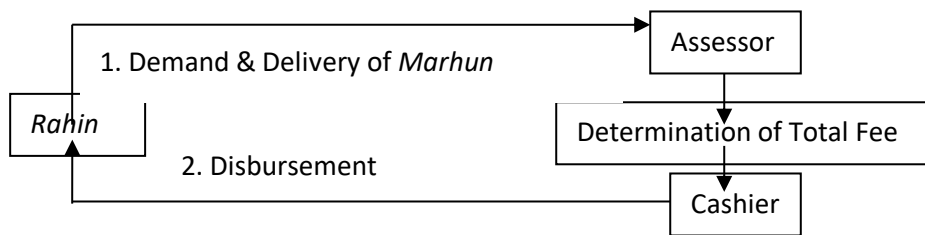


Figure 5. Saving Procedure of Marhun in Ijarah

Legend:

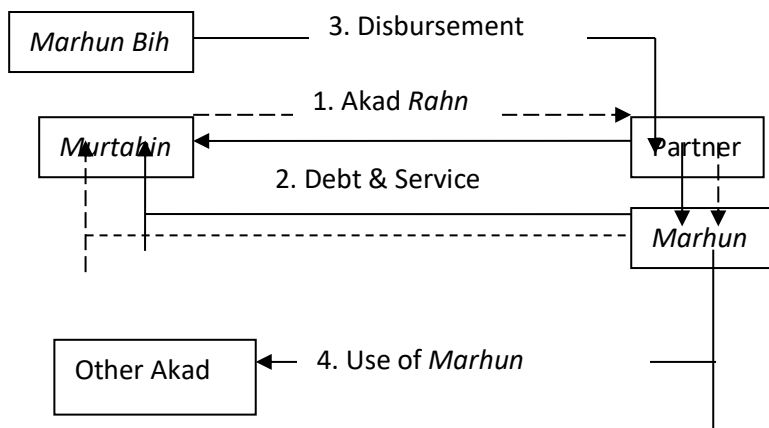


Figure 6. Process Flow of Rahn Contract

Caption:
 → Correspond
 ↔ Interrelated
 ↔ Coordination

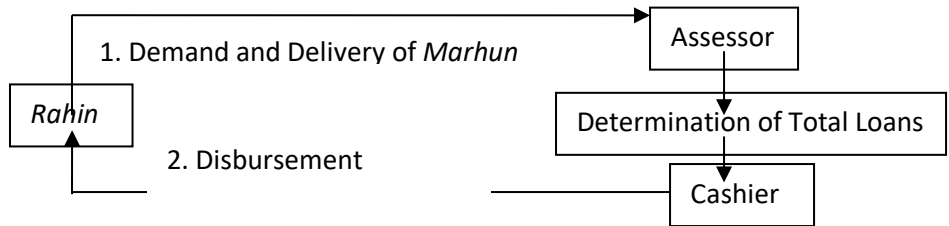


Figure 7. Granting Procedure of *Marhun bih* in *Rahn*

Legend:
 → Correspond
 ↔ Interrelated

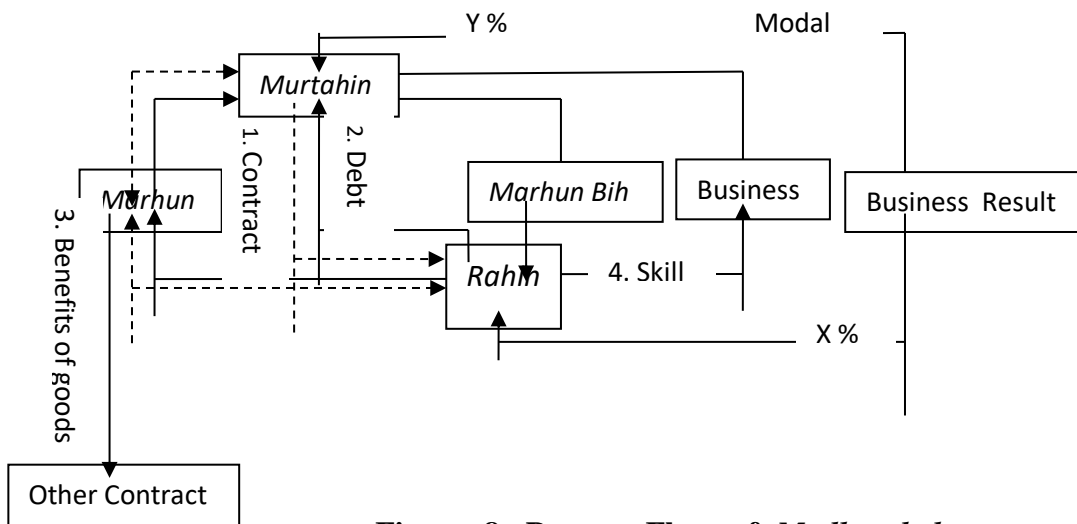


Figure 8. Process Flow of *Mudharabah*

Legend:
 → Correspond
 ↔ Interrelated
 ↔ Coordination

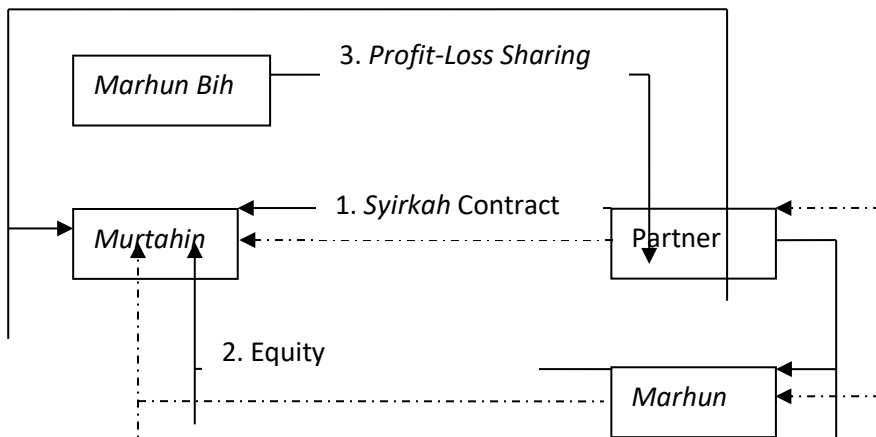
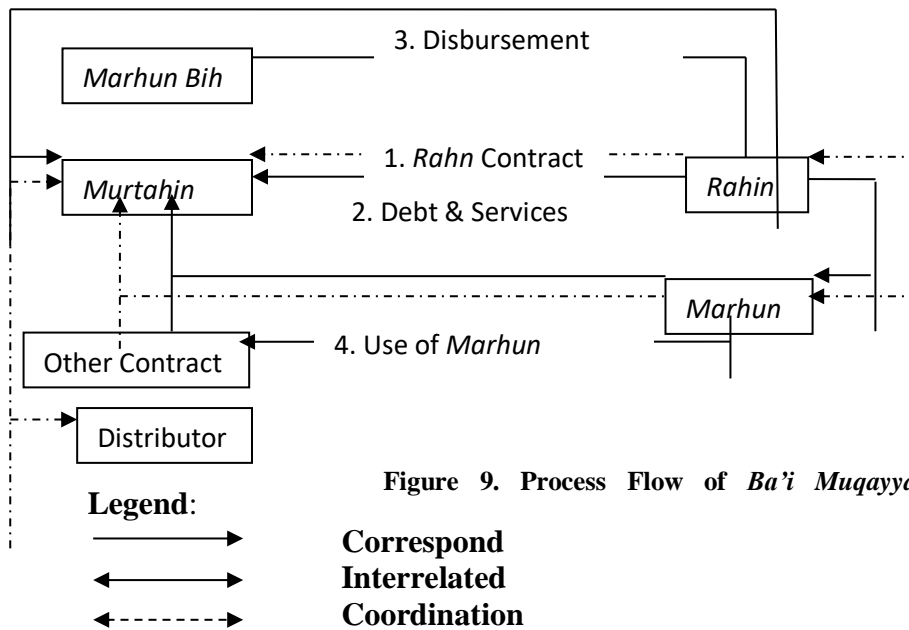


Figure 10. Process Flow of *Musyarakah Amwal Al'Inan*

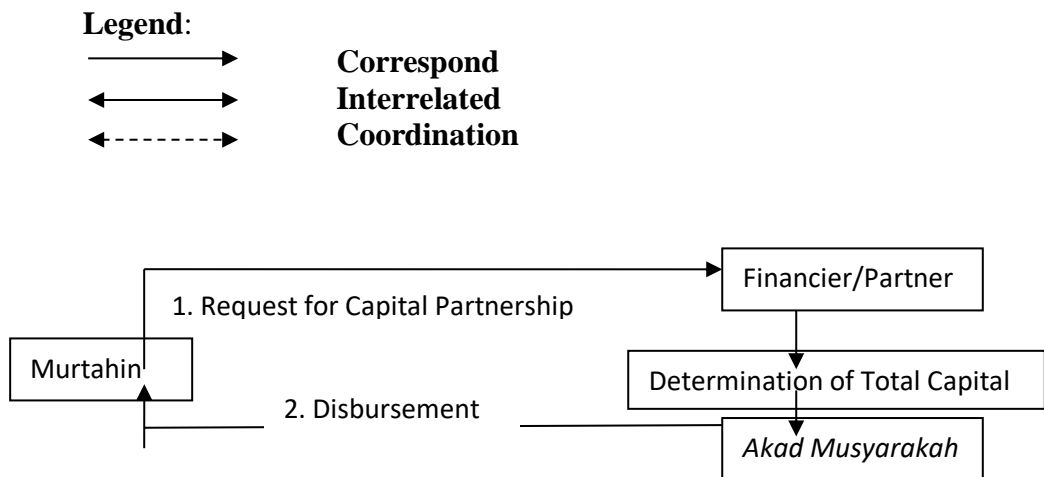


Figure 11. Obtaining Capital Procedure of *Musyarakah Amwal*

Caption:

→ Correspond
← Interrelated

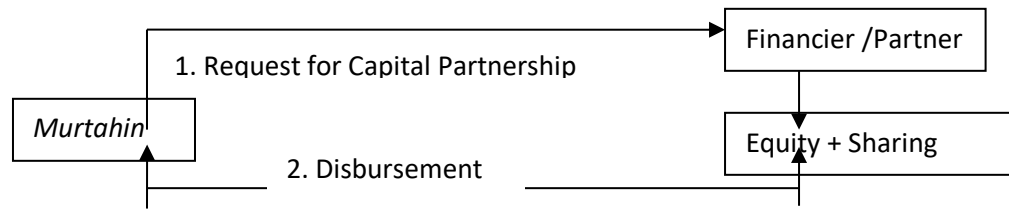


Figure 12. Granting Procedure for Sharing in Musyarakah Amwal

Legend:

→ Correspond
← Interrelated

Table 1.
Comparison in Technical Transaction between Conventional

No.	Conventional	Sharia
1	Administrative costs by a percentage based on the category of goods	Administrative costs by category of goods statutes
2	1 day counted as 15 days	1 day counted as 10 days
3	Capital leases based on loan (Percentage x Loan)	Services based on estimated savings (constant x estimated)
4	If loan repayment is longer than the agreement, the pawned goods is tendered to the public	When the loan repayment is over a long contract, the pawned goods sold to the public
5	Excess Money = auction - (loan + cost of capital + lease auction)	Excess Money = the sale - (marhun bih + care + services charges)
6	If in one year the excess money is not taken then the excess money belongs to the Pawn.	If in one year the excess money is not taken then the excess money is handed over to the Institute of Zakat, Infaq, Sadaqah.

CONCLUSION AND SUGGESTION

Ar Rahn is easier and faster to providing financing compared to banks. I support the spin-off of *Ar Rahn* from conventional to have more flexibility in developing products and strategies. For Islamic banks that provide *Ar Rahn* product and services, must improve itself in order to compete and win. One thing must be changes are the culture from monopoly into excellence service. But *Ar Rahn* need more human capital due to the persistence of double jobs. If the jobs are distributed, the results will be more optimal. Last, work closely

with relevant agencies such as the *Pusat Pelaporan dan Analisis Transaksi Keuangan* (PPATK) or Center for Financial Transaction Reports and Analysis Center (INTRAC) to avoid money laundering cases.

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