

## The Role of Islamic Pawnshops in Empowering the Community's Economy: A Review of Maqashid Syariah

Hasyanto<sup>1</sup>

Muh Taufan<sup>2</sup>

<sup>1</sup> Quranic Studies and Interpretation PTIQ University of Jakarta, Indonesia

<sup>2</sup> Faculty of Sharia and Economics, Tomakaka University, Mamuju, Indonesia

Email: file.hasyanto1998@gmail.com, [muhtaufan2996@gmail.com](mailto:muhtaufan2996@gmail.com)

### ARTICLE INFO

### ABSTRACT

*Received: 05/09/25*

*Revised: 15/09/25*

*Accepted: 22/09/25*

This study aims to analyze the role of islamic pawnshops (*pegadaian syariah*) in empowering the muslim community's economy through the perspective of *maqashid syariah*. Islamic pawnshops not only function as providers of interest-free collateral services but also serve as strategic instruments in promoting financial inclusion and enhancing community welfare. Employing a qualitative method based on library research, this study synthesizes various classical and contemporary literatures related to the concepts of *rahn*, *maqashid syariah*, and the dynamics of islamic economics. The findings reveal that islamic pawnshops have effectively implemented the principles of *maqashid syariah*, particularly within the dimensions of *hifz al-mal* (protection of wealth), *hifz al-din* (protection of religion), and *hifz al-nafs* (protection of life), through inclusive and ethical financing products. Beyond expanding access to formal financial services, islamic pawnshops also support microenterprises, strengthen financial literacy, and instill islamic economic values within society. This study concludes that islamic pawnshops hold significant potential as catalysts for community-based economic development, although structural challenges such as limited geographical reach and the need for product innovation remain to be addressed. Theoretically, the study reinforces *maqashid syariah* as a comprehensive evaluative framework for assessing the effectiveness of islamic financial institutions. Practically, it recommends integrating islamic pawnshops into the national islamic financial ecosystem through service digitalization and regulatory strengthening grounded in *maqashid syariah*.

**Keywords:** Islamic Pawnshop, Community Economic Empowerment, Maqashid Shariah

### Introduction

Islamic pawnshops (*pegadaian syariah*), as microfinance institutions, have become an integral part of the rapidly growing Islamic economic system in Indonesia. In the context of community economic empowerment, Islamic pawnshops not only function as providers of collateral-based financial services in accordance with sharia principles but also serve as instruments of economic empowerment that enhance the welfare of Muslim society. Their presence responds to the demand for financial services free from *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling), all of which are prohibited in Islam. This development aligns with the Indonesian

government's efforts to strengthen the Islamic finance sector as part of the dual banking system implemented in the country.

The concept of *maqashid shariah*, developed by classical scholars such as Al-Ghazali and Al-Shatibi, provides a robust theoretical framework for analyzing the role of Islamic pawnshops in community economic empowerment. *Maqashid shariah*, consisting of the five essential objectives of sharia *hifz al-din* (protection of religion), *hifz al-nafs* (protection of life), *hifz al-'aql* (protection of intellect), *hifz al-nasl* (protection of lineage), and *hifz al-mal* (protection of wealth) serves as an important parameter in assessing the effectiveness of Islamic financial institutions in promoting societal welfare. Within the economic domain, *hifz al-mal* becomes the central focus, closely related to the function of Islamic pawnshops as institutions providing secure and sharia-compliant financing solutions. This *maqashid* approach offers a holistic perspective for understanding the contribution of Islamic pawnshops to economic empowerment.

The practice of pawn transactions in Islam has a strong legal foundation in the Qur'an and Hadith, particularly in the concept of *rahn*, which has been implemented since the time of Prophet Muhammad (peace be upon him). Terminologically, *rahn* is defined as a contract in which a pledger (*rahin*) delivers an asset to the pledgee (*murtahin*) as collateral for a debt. Unlike conventional pawnshops that apply an interest system, Islamic pawnshops operate under the *rahn* contract, combined with *ijarah* (leasing) for maintenance fees and *qardh* (loan) for financing. This system not only avoids the practice of *riba* but also creates a fairer and more transparent mechanism for both parties involved in the transaction.

The role of Islamic pawnshops in empowering the community economy extends far beyond providing collateral-based services. They act as catalysts in driving microeconomic activities, particularly for lower- and middle-income groups in need of quick and accessible financing. Through flexible and sharia-compliant financing schemes, Islamic pawnshops help communities meet urgent needs without falling into predatory lending or burdensome interest-based systems. Moreover, they contribute to expanding Islamic financial inclusion by reaching segments of society previously underserved by formal financial institutions.

This study is particularly important given the limited research that comprehensively analyzes the role of Islamic pawnshops from the perspective of *maqashid shariah*. While numerous studies have addressed the operational and technical aspects of Islamic pawnshops, analyses integrating the dimensions of *maqashid shariah* with economic empowerment practices remain relatively scarce. Therefore, this research aims to analyze the role of Islamic pawnshops in community economic empowerment by applying the *maqashid shariah* framework as the main analytical tool. Using a qualitative approach through library research, the study seeks to provide both theoretical and practical contributions to the development of more effective Islamic pawnshops in empowering the Muslim economy.

## Literature Review

### Basic Concepts of Islamic Pawnshops

### Theoretical Foundations of Islamic Pawnshops



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

The theoretical foundation of Islamic pawnshops (*pegadaian syariah*) has been extensively discussed by both classical and contemporary scholars. Al-Zuhaili, in his monumental work, explained that rahn is a contract permitted in Islam based on the Qur'an, Hadith, and scholarly consensus (IJMA'). This concept is further supported by Saeed, who emphasized that Islamic pawnshops offer financing alternatives free from RIBA (usury) and aligned with the principle of justice in Islam. Meanwhile, Karim, through a fiqh and financial approach, explained that Islamic pawnshops employ a combination of RAHN, IJARAH, and QARDH contracts to create a comprehensive and sharia-compliant system. This approach differs significantly from conventional pawnshops, which rely on interest as their primary source of income.

In operational terms, Ali provided a comprehensive analysis of the mechanisms of Islamic pawnshops, covering aspects of contracts, collateral, and risk management. His research demonstrated that Islamic pawnshops not only avoid RIBA but also develop innovative products to meet the needs of modern society. This finding is reinforced by Wilson's study, which highlighted the crucial role of Islamic financial institutions, including Islamic pawnshops, in building a more ethical and sustainable economic system. Such an approach is consistent with Islamic principles that prioritize justice and collective welfare.

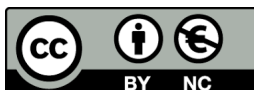
### **Maqashid Shariah in the Economic Context**

The concept of Maqashid Shariah as the overarching objectives of Islamic law has become a key theoretical framework in Islamic economic studies. Al-Ghazali, as the pioneer of this concept, stressed that all sharia provisions aim to achieve human well-being through the protection of five essentials: religion, life, intellect, lineage, and wealth. This framework was later refined by Al-Shatibi, who classified Maqashid into three

levels: Daruriyyat (essentials), Hajiyyat (complementary), and Tahsiniyyat (embellishments). In economic contexts, Hifz Al-Mal (protection of wealth) is a central focus, directly related to financial and economic activities.

Auda advanced this framework with a systemic approach, highlighting the importance of holism, interrelation, and ultimate objectives in every economic policy. This approach provides new insights for analyzing Islamic financial institutions, where effectiveness is measured not only in terms of sharia compliance but also their contribution to achieving the broader goals of Maqashid Shariah. Chapra reinforced this argument, emphasizing that the Islamic economic system must balance economic efficiency with social justice. Within this framework, Islamic pawnshops serve as instruments capable of realizing both objectives simultaneously.

### **Economic Empowerment Through Islamic Financial Institutions**



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

The concept of economic empowerment in Islam has been studied by various scholars with different emphases. Huda stressed that economic empowerment in Islam is not merely aimed at increasing income but also at fostering sustainable economic independence. His study demonstrated that Islamic financial institutions, including Islamic pawnshops, can act as catalysts in the process of community economic empowerment. Similarly, Baih reinforced this argument by explaining that Islamic economic empowerment must integrate both spiritual and material dimensions.

Empirical studies further support this view. Nasution found that Islamic pawnshops have made tangible contributions to improving community access to sharia-compliant financial services. His research revealed that Islamic pawnshops not only address short-term financing needs but also encourage savings and investment behaviors consistent with Islamic principles. Harahap added that Islamic pawnshops provide an ethical alternative for Muslims in meeting urgent financing needs.

### **Research Gap and Contribution**

Despite the growing body of literature, several research gaps remain. First, most existing studies focus on the technical and operational aspects of Islamic pawnshops, while analyses that integrate the perspective of Maqashid Shariah remain limited. Second, studies on the impact of Islamic pawnshops on community economic empowerment are still partial and lack comprehensiveness. Third, previous research has predominantly employed quantitative methods, while in-depth qualitative analyses remain scarce.

This study seeks to address these gaps by employing Maqashid Shariah as the primary analytical framework to examine the role of Islamic pawnshops in empowering the community economy. Through a qualitative approach using library research, this study aims to provide a more holistic and comprehensive perspective on the contribution of Islamic pawnshops in realizing the objectives of sharia. Moreover, it seeks to offer practical recommendations for the further development of Islamic pawnshops to enhance their effectiveness in empowering the Muslim economy.

### **Research Methodology**

This study employs a qualitative approach with a library research method to analyze the role of Islamic pawnshops (Pegadaian Syariah) in community economic empowerment from the perspective of Maqashid Shariah. A qualitative approach was chosen because this research aims to gain an in depth understanding of theoretical concepts, explore relationships among variables, and interpret the meanings derived from various literatures related to the research topic.

The library research method was conducted by collecting, analyzing, and synthesizing a wide range of primary and secondary sources, including the Qur'an,



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

Hadith, classical fiqh texts, scholarly journals, academic books, and recent research reports on Islamic pawnshops and Maqashid Shariah. The sources reviewed cover works in Arabic, Indonesian, and English, thereby ensuring a comprehensive and balanced perspective.

The data analysis technique employed is content analysis with an interpretive approach, aimed at identifying patterns, themes, and meanings across the collected literature. The analytical process involved several stages. First, inventorying and classifying the sources based on relevance and credibility. Second, extracting and coding key information from each source. Third, conducting comparative analysis to identify similarities and differences across viewpoints. Fourth, synthesizing the findings to construct a coherent argument regarding the role of Islamic pawnshops in community economic empowerment within the framework of Maqashid Shariah.

The validity of this research is ensured through source triangulation by employing diverse types of literature from different time periods and perspectives, as well as through peer review by experts in Islamic economics to guarantee the accuracy of interpretation and analysis.

## **Results and Discussion**

### **Implementation of Maqashid Shariah Principles in Islamic Pawnshops**

The literature analysis demonstrates that Islamic pawnshops have successfully implemented Maqashid Shariah principles across various operational aspects. In the context of Hifz Al-Mal (protection of wealth), Islamic pawnshops function as institutions that safeguard customers' assets through transparent and accountable collateral systems. This practice not only protects the pledged assets but also ensures legal certainty for both parties involved in the transaction. The aspect of Hifz Al-Din (protection of religion) is reflected in the use of sharia compliant contracts that avoid Riba, Gharar, and Maysir, thereby enabling Muslims to access financial services without compromising their religious principles.

The implementation of Maqashid Shariah within Islamic pawnshops also extends to social justice and economic empowerment. Rather than focusing solely on profit, Islamic pawnshops aim to promote community welfare as a whole. This aligns with Hifz Al-Nafs (protection of life), which in an economic sense involves fulfilling basic human needs and reducing poverty. Furthermore, Islamic pawnshops contribute to Hifz Al-Nasl (protection of lineage) through economic empowerment programs that enhance family welfare and support future generations.

Islamic pawnshops have developed various mechanisms to empower the community economy, particularly for the lower-middle-income segment. One of the primary mechanisms identified is the provision of easy and quick access to financing



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

with requirements that are not burdensome. Unlike conventional financial institutions that often impose complex administrative procedures, Islamic pawnshops offer more flexible financing solutions with collateral in the form of both movable and immovable assets. This enables individuals excluded from formal banking systems to still obtain financial services that meet their needs.

Additionally, Islamic pawnshops play a role in fostering entrepreneurship and productive investment among the community. Through diverse financing products, they not only address consumptive needs but also support micro and small business activities. Educational and mentoring programs organized by Islamic pawnshops further contribute to enhancing Islamic financial literacy in society, thereby enabling individuals to make wiser financial decisions in line with Islamic principles.

### **Socio Economic Impact of Islamic Pawnshops**

The findings indicate that Islamic pawnshops have a significant positive impact on the socio-economic conditions of the community. The most tangible economic impact is the increased access of the public to formal financial services, which in turn reduces dependency on loan sharks and exploitative lending practices. Evidence suggests that the presence of Islamic pawnshops helps individuals overcome urgent financial problems without being trapped in high-interest debt. Furthermore, Islamic pawnshops contribute to stimulating local economic activity through the rapid and efficient circulation of funds.

From a social perspective, Islamic pawnshops strengthen Islamic values in economic practices. The application of sharia principles in their operations not only provides an alternative financial service but also educates the community on the importance of conducting financial transactions (Muamalah) in accordance with Islamic teachings. This contributes to raising public awareness of Islamic economics and supports the broader development of the Islamic financial ecosystem. Additionally, Islamic pawnshops play a role in creating employment opportunities and improving human resource quality through training and capacity-building programs.

### **Discussion**

#### **Integration of Maqashid Sharia in Sharia Pawnshop Practices**

The findings of this study indicate that sharia pawnshops have successfully integrated the principles of Maqashid Sharia into their operations, although there remains room for improvement and further development. This integration is not partial but rather holistic, encompassing all dimensions of Maqashid Sharia from Hifz Al-Din (protection of religion) to Hifz Al-Mal (protection of wealth). Nevertheless, the most prominent implementation can be observed in the aspect of Hifz Al-Mal, where sharia pawnshops have established systems that



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

safeguard customers' assets while simultaneously providing tangible economic benefits. This aligns with contemporary perspectives emphasizing that Islamic financial institutions must generate added value for society, not merely avoid prohibited practices in Islam.

A noteworthy aspect of these findings lies in the ability of sharia pawnshops to translate the philosophical concept of Maqashid Sharia into concrete operational practices. This process is far from simple, given the complexities associated with implementing sharia principles in the context of the modern economy. Sharia pawnshops have demonstrated innovation by developing products and services that are not only formally sharia compliant but also substantively aligned with the overarching objectives of sharia itself. Such an approach reflects the maturity of Islamic economic practice in Indonesia, which could serve as a model for other Muslim majority countries.

Community economic empowerment through sharia pawnshops has shown positive outcomes, particularly in expanding public access to formal financial services. However, the effectiveness of such empowerment needs to be critically evaluated by considering various factors that influence program success. A key factor is the ability of sharia pawnshops to reach underserved segments of society, especially low-income groups and microenterprises that have limited access to conventional financial institutions. In this context, sharia pawnshops hold a comparative advantage due to their flexibility in requirements and relatively simple procedures.

Nonetheless, the empowerment efforts of sharia pawnshops face certain limitations, particularly in terms of scale and outreach. Most services remain concentrated in urban areas, while rural communities arguably more in need of financial access have yet to be optimally served. Furthermore, educational and mentoring programs provided by sharia pawnshops require strengthening to ensure that the community not only accesses services but also understands the principles and benefits of the Islamic economic system. This is essential for fostering sustainable empowerment rather than merely transactional engagement.

### **Challenges and Opportunities for Development**

The main challenge faced by sharia pawnshops in their efforts to empower communities is competition with other microfinance institutions, both conventional and Islamic. This competition extends beyond products and services to include human resources and technology. Sharia pawnshops must continue to innovate and enhance their capacity to maintain their position as institutions capable of making a significant contribution to community economic empowerment. In addition, regulatory frameworks that remain in development and are not yet fully supportive of sharia



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

pawnshop growth also pose challenges that must be addressed through stronger coordination between regulators and practitioners.

On the other hand, there are considerable opportunities for the advancement of sharia pawnshops, particularly with the growing public awareness of Islamic economics and the government's support for the development of the Islamic finance industry. These opportunities can be leveraged to design innovative products that reach broader segments of society and deliver greater impact on economic empowerment. Moreover, advancements in financial technology (fintech) open further possibilities for sharia pawnshops to provide more efficient and accessible services, including in remote areas that have long been underserved by formal financial institutions.

### **Theoretical and Practical Implications**

The findings of this study hold significant theoretical implications for the development of Islamic economics, particularly regarding the operationalization of the maqashid shariah concept in financial institutions. The study demonstrates that maqashid shariah can serve as a comprehensive evaluative framework for measuring the effectiveness of Islamic financial institutions not only in terms of formal compliance but also in achieving the substantive objectives of shariah. This approach can be further developed and applied to other Islamic financial institutions, thereby creating a more holistic and meaningful standard of evaluation.

From a practical perspective, the study provides important insights for the advancement of Islamic pawnshops (pegadaian syariah) in Indonesia and other countries with large Muslim populations. Islamic pawnshops should place greater emphasis on programs that deliver long-term impacts on community economic empowerment, rather than merely offering short-term transactional services. Furthermore, systematic efforts are needed to integrate Islamic pawnshops into the broader Islamic financial ecosystem, thereby fostering synergies that can enhance the overall effectiveness of economic empowerment initiatives.

### **Conclusion and Recommendations**

The results of this study affirm that Islamic pawnshops play a significant role in empowering the Muslim community, both in terms of spirituality in transactions (muamalah) and socio-economic welfare. By applying maqashid shariah principles holistically particularly in safeguarding wealth (hifz al-mal), life (hifz al-nafs), and religion (hifz al-din) Islamic pawnshops function not only as an alternative interest-free financial institution but also as an effective instrument for enhancing the welfare and economic independence of Muslim societies. They are able to bridge financial service gaps for vulnerable groups and support the growth of micro and small enterprises through flexible, secure, and shariah compliant financing.



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

Nevertheless, the effectiveness of Islamic pawnshops still faces challenges, particularly in expanding their reach to rural areas and strengthening public literacy in Islamic economics. To increase their impact, innovation in product development, the utilization of financial technology (fintech), and strategic synergy with the national Islamic financial ecosystem are required. From a policy standpoint, the government and Islamic financial authorities should formulate regulations that prioritize community empowerment based on *maqashid syariah*, ensuring that Islamic pawnshops can fully realize their role as agents of socio-economic transformation in an optimal and sustainable manner.

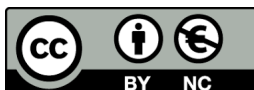
## Reference

- Abdullah Saeed. (1996). *Islamic banking and interest: A study of the prohibition of riba and its contemporary interpretation*. Leiden: Brill.
- Abu Hamid al-Ghazali. (1993). *al-Mustasfa min 'Ilm al-Ushul*. Beirut: Dar al-Kutub al-Ilmiyyah.
- Abu Ishaq al-Syatibi. (1975). *al-Muwafaqat fi Ushul al-Syariah* (A. Darraz, Ed.). Beirut: Dar al-Ma'rifah.
- Adiwarman Karim. (2016). *Bank Islam: Analisis fiqh dan keuangan*. Jakarta: PT RajaGrafindo Persada.
- Adiwarman Karim. (2021). *Ekonomi mikro Islami*. Jakarta: III T Indonesia.
- Ahmad Dahlan. (2021). *Bank syariah: Teoritik, praktik, kritik*. Yogyakarta: Teras.
- Ahmad Rodoni. (2019). *Metodologi penelitian keuangan syariah*. Jakarta: Insan Cendekia.
- Hendri Tanjung. (2019). *Metodologi penelitian ekonomi Islam*. Jakarta: Gramata Publishing.
- Imam Ghozali. (2021). *Aplikasi analisis multivariate dengan program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.
- Irfan Syauqi Beik. (2016). *Ekonomi pembangunan syariah*. Jakarta: Rajawali Pers.
- Jasser Auda. (2008). *Maqasid al-shariah as philosophy of Islamic law: A systems approach*. London: The International Institute of Islamic Thought.



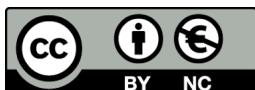
Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

- Khurshid Ahmad. (2021). *Studies in Islamic economics*. Jeddah: International Centre for Research in Islamic Economics.
- Muhammad Ayub. (2007). *Understanding Islamic finance*. Chichester: John Wiley & Sons.
- Muhammad Nejatullah Siddiqi. (2020). *Islamic economics: Theory and practice*. Leicestershire: The Islamic Foundation.
- Muhammad Rifqi. (2020). *Pegadaian syariah: Teori dan praktik*. Jakarta: Gema Insani.
- Muhammad Taqi Usmani. *An introduction to Islamic finance*. Karachi: Maktaba Ma'ariful Quran.
- M. Fahim Khan. (2020). *Essays in Islamic economics*. Leicester: The Islamic Foundation.
- Monzer Kahf. (2021). *Islamic economics: What is it?* Jeddah: Islamic Research and Training Institute.
- Mustafa Edwin Nasution. (2007). *Pengenalan eksklusif ekonomi Islam*. Jakarta: Kencana.
- Nur Rianto Al Arif. (2021). *Teori mikroekonomi: Suatu perbandingan ekonomi Islam dan ekonomi konvensional*. Jakarta: Kencana.
- Nurul Huda. (2015). *Ekonomi pembangunan Islam*. Jakarta: Prenadamedia Group.
- Otoritas Jasa Keuangan. (2017). *Roadmap pengembangan keuangan syariah Indonesia 2017-2019*. Jakarta: OJK.
- Pusat Statistik. (2021). *Survei ekonomi nasional: Akses keuangan masyarakat*. Jakarta: BPS.
- Rodney Wilson. (1997). *Economics, ethics and religion: Jewish, Christian and Islamic perspectives*. London: Palgrave Macmillan.
- Sami Hamoud. (2020). *Tatwir al-A'mal al-Masrafiyyah*. Damascus: Dar al-Syuruq.
- Seif El-Din Tag el-Din. (2021). *Principles of Islamic finance*. Kuala Lumpur: A.S. Noordeen.
- Sofyan Syafri Harahap. (2015). *Akuntansi Islam*. Jakarta: Bumi Aksara.



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>

- Tariqullah Khan. (2020). An introduction to Islamic economics. Jeddah: Islamic Research and Training Institute.
- Umer Chapra. (2000). The future of economics: An Islamic perspective. Leicester: The Islamic Foundation.
- Yusuf Qardhawi. (2019). Dawr al-Qiyam wa al-Akhlaq fi al-Iqtishad al-Islami. Kairo: Maktabah Wahbah.
- Zainuddin Ali. (2008). Hukum gadai syariah. Jakarta: Sinar Grafika.
- Zamir Iqbal. (2021). An introduction to Islamic finance: Theory and practice. Singapore: John Wiley & Sons.



Article's contents are provided on a Attribution-Non Commercial 4.0 Creative commons license. To see the complete license contents, please visit <http://creativecommons.org/licenses/by-nc/4.0/>