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The Role of Religious Courts in the Application of Islamic Law in the Field of Sharia Pawnbroking

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ABSTRACT

This study aims to analyse the role of the Religious Court in the application of Islamic law in the field of Islamic pawnbroking. Islamic pawnbroking (rahn) serves as an alternative to the conventional pawnbroking system, free from usury and based on the principles of justice, transparency and mutual assistance. In practice, Islamic pawnbroking utilises various contracts such as rahn, ijarah, qard, mudharabah, and bai' muqayyadah, tailored to the needs of the customers. This study employs a normative legal research method using a literature review (library research) approach, through an examination of legislation, DSN-MUI fatwas, the Compilation of Sharia Economic Law (KHES), academic journals, and literature relevant to the sharia economy and the jurisdiction of the Religious Courts. In line with the expansion of the Religious Courts' jurisdiction under Law No. 3 of 2006, Islamic economic disputes, including Islamic pawnbroking, have become the exclusive jurisdiction of these courts. The research findings indicate that the Religious Courts not only act as dispute resolvers but also provide legal reinforcement, legal certainty, and judicial oversight over Islamic pawnbroking practices. The existence of the Religious Courts has led to increased public trust, institutional professionalism, and the institutionalisation of Islamic economic law within the national legal system. Furthermore, these powers have helped to promote the standardisation of contractual practices and institutional compliance with Sharia principles. However, challenges remain in the form of limited human resource capabilities and low levels of legal literacy regarding Islamic economics among the public.

Keywords: Sharia Pawnbroking, Rahn, Sharia Economics, Religious Courts.

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INTRODUCTION

The public's need for quick and convenient access to finance has become commonplace in the Indonesian economy, including within the pawnbroking sector. The public's desire for fast and secure financing has driven the emergence of Islamic pawnbroking as an alternative to the conventional pawnbroking (rahn) system, which involves riba and is incompatible with the principles of Islamic law. Sharia pawnbroking is not merely an innovation in financial products, but also forms part of efforts to integrate Islamic law into the national legal system. By utilising the rahn contract mechanism and charging maintenance fees without interest, sharia pawnbroking seeks to offer a financing system based on the principles of justice, transparency, and the protection of customers' rights. This development requires legal certainty to ensure that Sharia pawnbroking practices remain consistent with Sharia principles and are aligned with the national judicial system (F. Syariah et al., 2004).

Nevertheless, the application of Islamic law in the practice of sharia pawnbroking may give rise to disputes between customers and financial institutions. This relates to issues such as breach of contract, the determination of ujah, and the enforcement of collateral. In this regard, it is important to consider aspects of legality and legal certainty. The expansion of the Religious Courts' jurisdiction through Law No. 3 of 2006, which amended Law No. 7 of 1989 on Religious Courts, establishes these courts as the venue for resolving sharia economic disputes. This authority provides a clear legal basis that disputes arising from sharia contracts, including those in sharia pawnbroking, fall within the full jurisdiction of the Religious Courts (Hasan et al., 2022).

The Religious Court not only functions as a dispute resolution body, but also plays a role in the application of Islamic law. This is achieved through the various rulings it issues, its understanding of Sharia contracts, and its upholding of the principle of justice in transactions. The Religious Court also helps to regulate the standards of practice and compliance of Sharia pawnbroking institutions with Sharia principles. Consequently, this judicial institution is not merely reactive in resolving cases, but also functions as a legal safeguard that strengthens the application of Islamic law in the economy (Bahri, 2020).

The existence of the Religious Courts as a forum for resolving sharia-based economic disputes also contributes to the stability of the sharia pawnbroking industry. The certainty provided by the forum and the dispute resolution mechanisms instils a sense of security in all parties both institutions and customers thereby promoting the growth and sustainability of sharia pawnbroking practices (E. Syariah, 2019).

However, strengthening the role of the Religious Courts in the field of Islamic finance also presents various challenges. The complexity of Islamic economic cases demands judges who are not only competent in procedural and civil law but also possess a deep understanding of contracts, Sharia principles, and technical financial aspects. On the other hand, the public's level of understanding regarding the mechanisms of rahn contracts and their legal consequences remains varied, potentially leading to disputes that could actually be prevented through better education and transparency.

Based on the above, the issues examined in this study are: how Islamic law is applied in the practice of Islamic pawnbroking; how Religious Courts influence the strengthening of legality and legal certainty in this field; and what impacts and challenges arise from the strengthening of these authorities in the practice of Islamic economics. The objectives of this study are to analyse the relationship between the authority of the Religious Courts and the implementation of Islamic law in Islamic pawnbroking, to examine the extent to which these judicial institutions play a role in establishing a fair Islamic pawnbroking system that is in



accordance with Sharia principles in Indonesia, and to examine the implications and challenges faced in the process of its implementation.

METHODS OF RESEARCH

This study employs a normative legal research method using a literature review approach. It examines law as a set of applicable norms or rules, focusing on the analysis of legislation, fatwas, and academic literature relevant to the research problem. The data used consists of secondary data comprising primary and secondary legal materials. Primary legal materials include legislation relevant to the research subject, such as Law No. 3 of 2006 concerning Amendments to Law No. 7 of 1989 concerning Religious Courts, the Compilation of Sharia Economic Law (KHES), and Fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) relevant to the study of Islamic economics. Secondary legal materials consist of academic books, legal journals, and previous research findings related to the research topic. The collection of legal materials was carried out by reading, understanding, and reviewing various written sources relevant to this research. The data obtained was then analysed by explaining and linking the contents of regulations, fatwas, and expert opinions to the issues under discussion, so that clear conclusions in line with the research objectives could be drawn.

RESULTS AND DISCUSSION

The Concept and Legal Basis of Sharia Pawnbroking and the Application of Contracts in Practice

Sharia pawnshops are financial institutions that provide financing to the public through a pawn system (*rahn*) based on the principles of Islamic Sharia. In practice, customers hand over valuable items as collateral (*marhun*) to obtain a loan (*marhun bih*), without any element of *riba*.

Sharia pawnshops do not charge interest like conventional pawnshops, but instead charge a maintenance or storage fee (*ujrah*) in accordance with the agreed contract. The contract used is generally a *rahn* (pawn) contract, which may be combined with an *ijarah* (rental/storage fee) contract (Mirwan & Noval, 2023).

Under Islamic law, *rahn* is permitted as a form of mutual assistance in debt transactions, provided that it fulfils the essential elements and conditions laid down by Sharia law, namely the existence of the contracting parties (*rahin* and *murtahin*), clear and valuable collateral, and a known amount of debt. In institutional practice in Indonesia, the operations of Islamic pawnshops are based on the Fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), specifically Fatwa DSN-MUI No. 25/DSN-MUI/III/2002 on *Rahn*, Fatwa No. 26/DSN-MUI/III/2002 on Gold *Rahn*, and Fatwa No. 68/DSN-MUI/III/2008 on *Tasjily Rahn*. Furthermore, its supervision falls under the Financial Services Authority (OJK).

The existence of Islamic pawnbroking serves as an alternative to the conventional pawnbroking system that has existed since the Dutch colonial era. The core principles upheld in Islamic pawnbroking are justice and the protection of customers' rights. Although the collateral remains in the possession of the institution (*murtahin*), ownership rights remain with the customer (*rahin*). The institution is not permitted to utilise the collateral without permission, and the fees charged are limited to the actual costs of



maintenance and storage, not based on a percentage of the loan amount.

If the customer is unable to repay the debt when it falls due, the institution is obliged to issue a warning first before proceeding with the enforcement of the collateral. The proceeds from the sale of the goods are used to settle the debt and any outstanding costs. If there is a surplus from the sale, it must be returned to the customer. Conversely, if the proceeds from the sale are insufficient, the customer remains obliged to settle the shortfall. This principle reflects the principles of justice and balance in Islamic economic law (Istianah & Muhammad Zen, 2024).

In its operations, the Sharia pawnshop utilises several contracts. Firstly, the wadi'ah (deposit) contract. Wadi'ah is a contract whereby goods are entrusted by the owner to another party for safekeeping. In Sharia pawnbroking practice, two types are recognised: Wadi'ah Yad al-Amanah, whereby the deposited goods may not be utilised by the custodian and are merely safeguarded; and Wadi'ah Yad ad-Dhamanah, whereby the custodian may utilise the goods whilst bearing full responsibility for their safety (Putra & Wati, 2023).

Secondly, the ijarah contract (Rental/Service). Ijarah is a contract for the transfer of the benefit of an item or service for a specific period in return for a specific payment, without transferring ownership. In Islamic pawnbroking, ijarah is used as the basis for charging storage fees (ujrah). The amount of the fee must be agreed upon as a specific sum at the outset of the contract and must not take the form of a percentage of the loan amount.

Thirdly, the qard contract (loan). Qard is a loan of funds that must be repaid in full without any additional compensation. In Islamic pawnbroking, this contract is used to provide cash to customers, whilst the institution is only permitted to charge administrative fees and maintenance fees for the collateral.

Fourth, the Mudharabah (Profit-Sharing) Agreement. Mudharabah is a partnership between the capital provider and the business manager, with profits shared according to an agreed arrangement. In the context of Islamic pawnbroking, this agreement may be used for productive financing, such as working capital, under a profit-sharing system as stipulated in the agreement.

Fifth, the Bai' Muqayyadah Agreement (Bound Sale and Purchase). Bai' muqayyadah is a sale and purchase transaction involving the exchange of goods for goods. In certain practices, this agreement is used to assist in the procurement of goods or the customer's productive needs through a mechanism that remains consistent with Sharia principles. (Abida Titin Masruroh, 2020).

The Jurisdiction of Religious Courts in Islamic Finance

As these legal relationships are based on Sharia-based contracts, in the event of a dispute, the resolution falls within the jurisdiction of the Religious Court. This is based on Article 49 of Law No. 7 of 1989 on Religious Courts, as amended by Law No. 3 of 2006 and Law No. 50 of 2009, which grants the Religious Courts the authority to examine, adjudicate and resolve Sharia economic cases. Consequently, disputes arising from Islamic pawnbroking fall within the exclusive jurisdiction of the Religious Courts (Saepullah, 2016).

The scope of this jurisdiction encompasses all civil disputes arising from business activities based on Sharia principles, such as Islamic banking, Islamic insurance, Islamic pawnbroking, Islamic financing, Islamic mutual funds, and other forms of Islamic business. The legal subjects are not limited to Muslims, but also include non-Muslims and legal entities that voluntarily submit to Sharia principles through a



contract. However, the jurisdiction of the Religious Courts does not apply if the parties expressly designate a dispute resolution forum outside the Religious Courts in their agreement, nor does it cover the enforcement or annulment of Sharia arbitration awards, which fall within the jurisdiction of the District Courts.

Sharia economic disputes include civil disputes rooted in Sharia contracts and principles, not criminal disputes. Disputes may arise between Sharia financial institutions and Muslim or non-Muslim parties who have agreed to resolution in accordance with Islamic law. Sharia economic activities here are not limited to banking, but encompass various economic institutions and instruments based on Sharia principles such as the prohibition of usury (*riba*), uncertainty (*gharar*), and injustice.

The scope of the Religious Courts' jurisdiction in Islamic economics includes absolute jurisdiction to hear cases of an Islamic economic nature, adjudicative jurisdiction to examine and adjudicate disputes based on Sharia principles, and executory jurisdiction to enforce final and binding judgments. In exercising these powers, judges of the Religious Courts are authorised to assess the validity of contracts, determine the existence of breach of contract, and interpret agreements in accordance with the rules of *muamalah fiqh* and the Compilation of Sharia Economic Law (KHES), so that the resolution of disputes is not only oriented towards the formal aspects of the contract, but also towards the substance of justice according to Islamic law.

Consequently, the jurisdiction of the Religious Courts in Islamic economics directly encompasses disputes arising from the practice of Islamic pawnbroking. Any dispute relating to a *rahn* contract, the determination of *ujrah* fees, or the execution of collateral falls within the jurisdiction of the Religious Courts provided the parties are subject to Sharia principles. It is this that forms the basis for analysing how the Religious Courts influence the application of Islamic law in the practice of Islamic pawnbroking in Indonesia (Bahri, 2020).

The Influence of Religious Courts on the Practice of Sharia Pawnbroking

The Religious Courts have a significant influence on pawnbroking practices, particularly Islamic pawnbroking, as these courts have the authority to resolve disputes in the field of Islamic finance. This authority is regulated by Law No. 3 of 2006 and reinforced by Law No. 50 of 2009, which states that the Religious Courts have the authority to adjudicate cases relating to Islamic finance. Sharia pawnbroking, which utilises the *rahn* contract (pawnbroking in accordance with Islamic principles), falls within this scope. This means that should a dispute arise between a customer and a sharia pawnbroking institution, it must be resolved in the Religious Court (Manahaar, 2019).

Firstly, Strengthening Legality and Legal Certainty. The expansion of the Religious Courts' jurisdiction in handling sharia economic disputes, including sharia pawnbroking, makes a significant contribution to ensuring legal certainty in the implementation of the *rahn* (pawn) contract. Prior to the clarification regarding the forum for dispute resolution, the potential for overlapping jurisdiction between judicial institutions could have led to uncertainty and confusion for the disputing parties.

Currently, various issues that arise, such as breach of contract, late repayment, differences in the determination of *ujrah* (remuneration), and the procedures for the sale of collateral, now have a clear dispute resolution forum grounded in Sharia principles. This provides legal certainty for customers and pawnbroking institutions. *Rahn* transactions are not only based on an agreement between the two parties



but are also protected by an official legal system in accordance with Sharia principles (Haniffudin, 2021).

Secondly, Enhancing Public Trust. The existence of Religious Courts makes the public feel safer using Sharia pawnbroking services. Customers know that should a dispute arise, it will be resolved in accordance with the principles of justice under Islamic law. This sense of security enhances public trust in Sharia pawnbroking institutions. Institutions are thus encouraged to maintain their reputation and ensure that the products and contracts used are fully compliant with Sharia principles.

Thirdly, Indirect Oversight of Sharia Contracts. Although the Religious Courts do not carry out administrative oversight of Sharia pawnbroking operations, their existence serves a preventive legal control function. Any suspected deviation from the principles of rahn, such as the setting of disproportionate ujah or a lack of transparency in the sale of collateral (marhun), has the potential to become the subject of a dispute in court.

This situation encourages pawnbroking institutions to exercise greater caution in drafting contracts, to follow the fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and to ensure that practices align with the principles of muamalah fiqh. In other words, the influence of the Religious Courts fosters a culture of legal compliance within Sharia pawnbroking practices.

Fourth, Promoting Professionalism and Standardisation of Practices. The existence of a specialised dispute resolution forum for Islamic economics also encourages an increase in the professionalism of pawnbroking institutions. Rahn contract practices must be clearly documented, transaction administration must be conducted in an orderly manner, and the calculation of ujah must be structured transparently. This standardisation is vital to prevent potential disputes whilst maintaining a balance between the rights and obligations of the parties. Thus, the existence of the Religious Court serves not only as a dispute resolution body but also as a factor in shaping governance that is more accountable and in line with the principles of justice in Islamic law (Faisal, 2017).

The Ongoing Impact and Challenges of the Influence of Religious Courts on the Application of Islamic Law in Sharia Pawnshops

The influence of the Religious Courts in strengthening the legal standing of sharia pawnbroking practices has contributed to the consolidation of Islamic law's position within the national legal system. With the conferral of absolute authority under Law No. 3 of 2006, the principle of rahn no longer relies solely on fatwas, but has gained legal legitimacy through the state judicial system. The long-term impact is the formal institutionalisation of Islamic economic law within the structure of the Indonesian judiciary (Ridwan Malik, M. Thahir Maloko, 2025).

Furthermore, these factors have an impact on the stability and sustainability of the Islamic pawnbroking industry. With a clear dispute resolution mechanism in place, legal risks are better managed, thereby creating a safer business environment for Islamic financial institutions. This legal certainty strengthens the institutions' resilience against potential contractual disputes or breaches of contract.

Another social impact is the increased public awareness and legal culture regarding sharia-based transactions. The rulings of the Religious Courts in sharia economic cases serve as a public reference regarding the rights and obligations of the parties in rahn contracts. This indirectly strengthens sharia economic legal literacy within the community (Baihaki & Prasetya, 2021).

Although the influence of the Religious Courts has a positive impact on strengthening the legality



and application of Islamic law in the practice of Islamic pawnbroking, its implementation is not without various structural and technical challenges (Mulazid & Nasional, 2011).

The main challenge lies in the capacity and competence of human resources, particularly judges, in handling increasingly complex Islamic economic cases. Disputes regarding Islamic pawnbroking are not only related to aspects of muamalah fiqh, but also involve financial calculations, contract analysis, and the risk management of financial institutions. In reality, not all judges possess a deep understanding of Islamic economics. Therefore, continuous training and certification are required so that the rulings issued can adapt appropriately to the developments and dynamics of the industry (Al'auf1 et al., 2024).

Finally, an ongoing challenge relates to public literacy—particularly among customers of Islamic pawnbroking institutions—regarding their rights and obligations under the contract. This lack of understanding can lead to conflicts that could otherwise be avoided through effective communication and education. Customers who do not yet understand the mechanisms of rahn and the consequences of default tend to have unrealistic legal expectations, which ultimately increases the workload of the courts and complicates dispute resolution. Although there are not yet many journals that specifically discuss public literacy regarding Islamic pawnshops, the issue of literacy in Islamic economic law in general is often cited as a factor that slows down dispute resolution and requires serious attention from regulators and educational institutions (E. Syariah, 2019).

CONCLUSION

Based on the findings of the research and the discussion, it can be concluded that the Religious Courts have a significant influence in strengthening the application of Islamic law in the field of sharia pawnbroking, particularly following the expansion of their jurisdiction through Law No. 3 of 2006, which designates sharia economic disputes as falling within their exclusive jurisdiction. The existence of the Religious Court provides certainty regarding the forum for dispute resolution, clarifies the legality of rahn contracts, and ensures that cases are resolved in accordance with the principles of justice under Islamic law and the provisions of positive law. This influence is not merely repressive in adjudicating disputes such as breach of contract, the determination of ujah, and the enforcement of collateral, but also preventive through a judicial oversight function that encourages Islamic pawnbroking institutions to be more transparent, professional, and compliant with the fatwas of the DSN-MUI and the Compilation of Islamic Economic Law.

The impact is evident in increased public trust, industry stability, and the growing institutionalisation of Islamic economic law within the national legal system. However, optimising this role still faces challenges in the form of limited human resource competence in the field of Islamic economics and low levels of legal literacy among the public; consequently, capacity building and continuous education are required so that the application of Islamic law in the practice of Islamic pawnbroking can proceed effectively and fairly.

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