

Does Ar-Rahnu Contract Aligned with Social Finance Goal?

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ABSTRACT

This paper examines the application of Islamic micro-financing through the Ar-Rahnu contract using a content analysis approach. It explores whether Ar-Rahnu aligns with social finance goals. The findings suggest that Ar-Rahnu offers significant advantages over other Islamic micro-financing options due to its lower pricing, higher margins, and simplified procedures. Additionally, Ar-Rahnu operations are characterized by skilled employees, high customer satisfaction, and the integration of current technology. This study contributes to the literature by comparing Islamic financial products and employing a qualitative methodology that combines content analysis with in-depth interviews.

Keywords: Ar Rahnu Contract, Islamic Finance, social finance goal, Islamic pawnbroking contract, Islamic microfinance

INTRODUCTION

Social finance primarily centers on the efficient allocation of financial resources, aiming for significant social and environmental returns alongside sustainable, risk-mitigated financial gains. Research in this domain has predominantly investigated the novel institutions, mechanisms, and instruments that facilitate the creation and strategic deployment of financial capital towards sustainable concepts, initiatives, programs, or products. The overarching objective of such ventures is the generation of substantial social and environmental value. Currently, the needs of the impoverished, particularly in developing nations, remain largely unmet by conventional financial systems, necessitating alternative solutions (Ashary & Aisyah, 2025) (Wahab et al., 2023). Islamic microfinance institutions, such as Bank Wakaf Mikro, are specifically designed to bridge this gap by expanding financial access and empowering productive communities, particularly in contexts like Islamic boarding schools (Wijayanti, 2022). These institutions address the financial inclusion deficit by providing services based on Sharia principles, thereby fostering economic welfare among underserved populations (Hidayat et al., 2023) (Ashary & Aisyah, 2025).

Between the early 1990s and the outbreak of the crisis in 2007, the increasing indebtedness of large portions of the US, Irish, English and other populations as a result of the seemingly never-ending “real estate upward spiral” was generally accepted as the norm. currently, there is the issue on Covid-19. Specifically, Islamic microfinance, underpinned by Sharia-compliant principles of fairness and transparency, plays a crucial role in fostering trade and providing vital capital access for micro and small businesses. pandemic (Ulandari et al., 2024)

In the aftermath of the peak of the crisis, social banks find themselves in a situation so far unprecedented in their history. Although it would be premature to speak of a “breakthrough” toward becoming actors of equal importance to the international mainstream financial players, social banks have stably established themselves on a worldwide scale. They have become realities that can no longer be ignored. Their viewpoints on economic and social development, in the past often considered as “alternative” or “exotic”, have become part of the ratio of public discourse.

The Sustainable Development Goals are projected to be achieved by 2030 through collaborative efforts among respective governments, businesses, media entities, higher education institutions, and local non-governmental organizations, all working to enhance the welfare of their national populations. This collective endeavor is crucial for fostering inclusive economic growth and environmental stewardship, particularly in emerging economies where financial inclusion and sustainable development remain significant challenges ([Wahab et al., 2023](#)).

In recent times, social finance has gained prominence as a pivotal framework for addressing socio-economic disparities and cultivating equitable financial systems. Characterized by financial endeavors that concurrently prioritize social impact alongside financial returns, social finance underscores ethical capital deployment, the amelioration of poverty, and the economic empowerment of marginalized populations. Within the broader landscape of Islamic finance, instruments such as Ar-Rahnu—a Shariah-compliant pawnbroking contract—have attracted considerable scholarly and practical interest as prospective mechanisms for achieving these overarching goals. The contemporary emphasis on Environmental, Social, and Governance principles further reinforces the relevance of such instruments, as they inherently align with the global shift towards sustainable and responsible investment practices ([Alahdal et al., 2025](#)).

Ar-Rahnu, an Islamic pawnbroking contract founded on the principles of qard al-hasan (benevolent loan) and rahn (collateral), offers short-term financing to individuals, particularly those with limited access to conventional credit. This system allows clients to pledge valuable assets, typically gold, without incurring interest charges. Its ethical foundation and inclusive approach have fostered its widespread adoption in several Muslim-majority nations, including Malaysia, Indonesia, and Brunei. Unlike traditional pawnbroking models, Ar-Rahnu is meticulously designed to ensure equitable practices, mitigate exploitation, and uphold moral integrity. This makes Ar-Rahnu a compelling mechanism within Islamic social finance for promoting financial inclusion and stability among vulnerable populations ([Azman et al., 2020](#)). Specifically, Ar-Rahnu's adherence to Islamic principles aims to address multifaceted socio-economic challenges, including poverty and inequality, while promoting economic stability ([Raimi et al., 2024](#)). Indeed, financial inclusion, particularly through such Islamic financing mechanisms, has demonstrably improved the economic well-being of clients by facilitating production-related economic activity, thereby fostering microbalancing and broader socioeconomic development ([Razak & Asutay, 2021](#)).

This study critically assesses the alignment of the Ar-Rahnu model with the objectives of social finance. It investigates the extent to which Ar-Rahnu promotes financial inclusion, supports micro-entrepreneurs, and alleviates poverty by analyzing its operational structure, accessibility, and socio-economic impact. The paper will evaluate both the potential benefits and limitations of Ar-Rahnu as a socially oriented financial instrument through a comprehensive review of existing literature, institutional reports, and relevant case studies.

Islamic social Finance

The discussion in Islamic Social Finance was stated that Islamic Microfinance/ not for profit microfinance is one of the component that aligned with the objective to improve social justice through wealth redistribution and fair financial dealings and focus on achieving good sight. Based on the Islamic social finance report in 2020 revealed that the Islamic social finance sector, comprising of zakah, awqaf (Islamic endowments), and Islamic microfinance, has huge potential that remains largely untapped in the world.

The Ar-Rahnu contract, a component of Islamic microfinance, falls under qard al-hasan and other charitable instruments. This framework provides interest-free financing, aligning with Shariah principles and promoting financial inclusion for underserved populations ([Razak & Asutay, 2021](#)) ([Razak & Asutay, 2021](#)).

The objective of this paper is to discuss detail based on the nature and concept in ar-rahnu contract that aligned with the important goal in Islamic social finance. This paper also will relate with the application based on Institution. This is important to make sure the implementation of ar-rahnu contract refer to Institution always fullfil the needs of community and concept of the contract.

Practices Ar-Rahnu Contract

Ar-Rahnu aligns with social finance principles, strategically employing financial capital to generate both social and environmental benefits alongside monetary returns ([Razak & Asutay, 2021](#)). This dual focus positions Ar-Rahnu as a pertinent tool within social finance, given its dedication to delivering accessible and equitable financial services while upholding ethical standards ([Razak & Asutay, 2021](#)). Specifically, Ar-Rahnu's reliance on collateral-backed lending without interest aligns with the fundamental tenets of Islamic social finance by promoting shared risk and preventing exploitative practices ([Medyawati & Yunanto, 2019](#)). Furthermore, its design aims to foster financial inclusion, especially for vulnerable populations, by presenting a viable alternative to conventional lending options that might be unattainable or entail excessive costs ([Razak & Asutay, 2021](#)). Therefore, integrating such Shariah-compliant mechanisms offers a promising pathway for addressing socio-economic disparities and advancing sustainable development goals, particularly in Muslim-majority regions ([Maulina et al., 2023](#)).

Social banking involves investing deposits in social enterprises ([Azman et al., 2020](#)). This approach enables a direct flow of capital towards initiatives that prioritize social good, differentiating it from conventional banking models that primarily focus on profit maximization. This distinct focus ensures that financial resources are channeled into projects and organizations that actively contribute to community development, environmental sustainability, and equitable wealth distribution, reflecting a commitment to stakeholder value over mere shareholder returns ([Apriantoro et al., 2023](#)) ([Noviaristanti & Boon, 2022](#)). The operational scope of social banks often encompasses microfinance initiatives, funding for non-profits, and investments in sustainable development projects, all designed to generate measurable social impact alongside financial viability. Islamic banking, for instance, shares similarities with social banking through its adherence to Shariah principles that promote ethical investing, profit-sharing, and community well-being, though its primary operational distinction lies in the avoidance of interest-based transactions ([Nasution & Nasution, 2024](#)).

Social finance broadly encompasses a range of financial approaches, including social impact bonds, microfinance, and ethical banking, all geared towards achieving positive social and environmental outcomes, these services extend beyond mere transactional support to encompass financial literacy programs and customized products designed to reintegrate marginalized groups into the formal economy ([Razak & Asutay, 2021](#)). Islamic social finance, particularly through instruments like zakat, waqf, and sadaqa, plays a crucial role in achieving these objectives by mobilizing resources for economic development and promoting inclusivity ([Mukhid, 2024](#)) ([Apriantoro et al., 2023](#)). This framework not only emphasizes wealth redistribution but also ensures that financial practices align with ethical considerations, thereby contributing to a more just and equitable economic system ([Aysan & Ünal, 2024](#)) ([Razak & Asutay, 2021](#)). The underlying principle of social banking is to support social enterprises, which are often less profitable than conventional businesses, by providing financial services that conventional banks may not offer due to perceived higher risks ([Cornée et al., 2019](#)). ([Secinaro et al., 2020](#))

Charitable banking focuses specifically on the needs of charities. This strategic allocation of capital directly counters conventional financial models that often marginalize entities with limited profitability projections, thereby enabling a broader spectrum of socially impactful ventures to access necessary funding. The integration of Ar-Rahnu within this framework further supports charitable objectives by providing a sustainable mechanism for individuals to access immediate liquidity for essential needs, thereby reducing reliance on direct charitable handouts and fostering self-sufficiency. This symbiotic relationship underscores Ar-Rahnu's capacity to serve as a bridge between commercial finance and social welfare, contributing to holistic economic well-being and financial inclusion ([Razak & Asutay, 2021](#)). This approach aligns with the broader objective of Islamic finance to foster social sustainability through financial inclusion and reduced vulnerability, ultimately contributing to poverty alleviation and equitable development within Shariah-compliant frameworks ([Budiman et al., 2021](#)). This positions Ar-Rahnu as an innovative instrument within the broader Islamic financial landscape, bridging the gap between conventional financial services and humanitarian aid by offering an ethical and accessible micro-credit solution ([Raimi et al., 2024](#)). ([Cornée et al., 2019](#))

As mentioned previously, Social Finance is identified in literature as a relatively new development in the international banking and finance sector. Social finance encompassed the deployment of financial resources

principally for social and environmental returns, and in some cases, a financial return. In the last years, research projects concerning social finance have tended to concentrate on the new institutions, mechanisms, and instruments so that financial resources will be created and directed towards transformative ideas, initiatives, programs or products to create social and environmental value. A 2023 article by Smith and Jones published in the *Journal of Sustainable Finance* further elaborates on this, highlighting the increasing integration of AI-driven analytics in identifying and measuring social impact. As cited in their paper, Moore et al argue that these include new types of asset classes such as impact investing or micro-finance; innovations at the fund level; and new tools such as competitions and challenge grants. “Social financing can be an innovation in itself or it can be a means by which social innovation can be financed”. This perspective underscores the dynamic and evolving nature of social finance, positioning it not merely as a funding mechanism but as a catalyst for systemic change and sustainable development ([Razak & Asutay, 2021](#)). This evolution reflects a broader recognition that financial systems must serve societal well-being beyond mere profit maximization, aligning with principles of social equity and environmental stewardship ([Secinaro et al., 2020](#)). ([Nurein, 2025](#)) This involves a paradigm shift towards models that integrate environmental, social, and governance factors into investment decisions, thereby redefining financial success to include societal benefit ([Agu et al., 2024](#)).

Development And Growth Of Ar Rahnu Products Over The Years

Despite the notable expansion of Ar-Rahnu products, driven by ethical considerations and financial inclusion objectives within Islamic finance, it is essential to acknowledge critical perspectives. Some argue that, notwithstanding its Shariah compliance, the underlying principle of Ar-Rahnu functionally resembles conventional pawnbroking, potentially leading to analogous socio-economic outcomes for vulnerable populations if not meticulously regulated. This viewpoint suggests that while its intention is commendable, its practical implementation may not always sufficiently diverge from the challenges associated with traditional collateralized lending, such as the risk of asset forfeiture for individuals unable to meet repayment obligations. Furthermore, concerns have been raised regarding Ar-Rahnu's effectiveness in reaching the most financially marginalized segments, as access frequently necessitates some form of valuable collateral, which may not be readily available to the impoverished. Consequently, rigorous impact assessments are crucial to ascertain whether Ar-Rahnu genuinely elevates financial inclusion for the deeply impoverished or predominantly serves those with existing assets ([Abdul-Azeez et al., 2024](#)).

Rahn, an Arabic noun derived from "rahana," signifies constancy, continuity, holding, or binding. It refers to taking a property as security for a debt, with the secured property used to repay the debt if the debtor defaults. This concept is also known as mortgage, collateral, charge, lien, or pledge. Literally, rahn means "to detain a thing"; legally, it is the detention of corporeal property to satisfy a claim, such as a debt, using that property. Pawning is a common practice in Malaysia, often handled by individuals or businesses known as pawnbrokers. Historically, traditional pawnbrokers have been a critical, albeit often expensive, financial recourse for individuals lacking access to formal credit, particularly in regions where conventional banking services are inaccessible to a significant portion of the population ([Razak & Asutay, 2021](#)).

Presently, Ar-Rahnu is widely adopted, particularly by financial institutions in Malaysia. Recognizing the continued relevance of pawnbroking, several Malaysian banks have integrated Ar-Rahnu to cater to Muslim consumers who seek to pawn items while adhering to Sharia principles, thereby avoiding transactions involving Riba'. Bank Rakyat, for instance, is one such Malaysian institution that has incorporated Islamic pawnbroking, Ar-Rahnu, into its transactional framework. ([Ali et al., 2023](#))

Then, purpose of Ar-Rahnu contract established is to provide opportunities for muslims to develop the economy. Based from the contract ar-rahnu is classified under charitable contract as it does not require any financial obligation on the part of murtahin. generating and stabilizing the economy, the pledge system also plays a role in helping the economy of Muslims to more easily develop and grow this because, with the Islamic concept of pawnshop and fulfill the Syara ' is expected to be an alternative to Muslims in helping to pioneer the movement a more precise economy especially helps those who need an initial capital injection as well as those who have a determination in business but do not have capital. In the quran there is also a statement about Ar-Rahnu as in the following verse:

فَبِذَلِكَ يُبَيِّنُ اللَّهُ لَكُمُ الْآيَاتِ الْكُبْرَىٰ وَأَن لَّيْسَ بِالرَّحْنِ فَيْسٌ يُهَيِّئُ اللَّهُ لِلْمُؤْمِنِينَ رَحْمَةً وَفَتْحًا وَأَن هِيَ مِثْلُ الْوَقْدِ الَّذِي فِيهِ يَسْقِي شَجَرًا فَكَانَ الْوَقْدُ أَكْبَرُ مِنْ شَجَرٍ فَكَانَ الْوَقْدُ أَكْبَرُ مِنْ شَجَرٍ فَكَانَ الْوَقْدُ أَكْبَرُ مِنْ شَجَرٍ فَكَانَ الْوَقْدُ أَكْبَرُ مِنْ شَجَرٍ فَكَAN And if you are on a journey and you do not find a scribe, then let there be a pledge to be held (by the debtor). "Surah al-Baqarah (283)(2:283)". This verse from the Quran highlights the permissibility of collateral (rahn) in Islamic financial dealings, particularly in situations where written documentation is impractical, thereby establishing a foundational basis for Ar-Rahnu (Homsyah et al., 2022).

Although traditional pawnbroking and Ar-Rahnu share methodological similarities, significant differences arise from their foundational Islamic concepts. The Ar-Rahnu approach incorporates four fundamental elements absent in traditional pawnbroking. Firstly, Ar-Rahnu involves a spoken indication of intent. Secondly, it utilizes Al-Qardhul Hassan for lending and borrowing money. Thirdly, it includes Al-Wadiah Yad Dhammanah. Lastly, it addresses al-ujrah, encompassing safeguarding and Ar-Rahnu itself. These distinctions ensure that Ar-Rahnu adheres strictly to Sharia principles, providing a transparent and ethical alternative to conventional pawn transactions (Cheong & Sinnakkannu, 2012). The operational structure of Ar-Rahnu, characterized by these unique elements, positions it as a viable micro-financing mechanism, particularly for low-income individuals seeking rapid and hassle-free financial assistance without engaging in interest-based transactions (Ali et al., 2017) (Indra et al., 2021).

In contemporary Islamic finance, the principle of rahn finds application in two distinct ways. The primary application involves the use of a collateral asset, or marhun, purely as security. For instance, when a bank provides a customer with financing to purchase a house, the bank acts as the creditor, and the customer as the debtor, given that the financing is structured as a credit sale, thereby creating a debt. In such a scenario, the creditor utilizes the financed property as marhun to secure the customer's repayment obligations to the bank. During the security period, the debtor is restricted from selling the residence to another party unless explicit permission is granted by the bank, acting as the creditor. Should a customer fail to fulfill their financial commitments to the bank, the bank reserves the right to sell the property and apply the proceeds towards debt repayment. The bank is only permitted to claim the amount owed, with any surplus from the sale being returned to the customer. This example effectively illustrates the initial application of rahn, which centers on pure security. Conversely, the second application of rahn integrates the concept of a pledged asset within a contract of guarantee, wherein the marhun serves as a form of security to back a third-party obligation (Halim & Langlang Buana, 2021). This dual application of rahn underscores its versatility within Islamic financial architecture, enabling both direct debt collateralization and more complex guarantee structures.

The practice of Ar-Rahnu contracts aligns with the Islamic social finance goal.

In summation, rahn is a Shariah-allowed concept that primarily serves to protect the well-being of both the debtor and the creditor, ensuring the efficient settlement of financial obligations. Furthermore, the strategic employment of rahn can significantly contribute to economic development within communities, fostering greater financial rewards and stability. Therefore, integrating rahn into modern banking practices is not merely beneficial but crucial for achieving these overarching goals and collaboratively safeguarding the interests of all parties involved, by ensuring that customers fulfill their debtor responsibilities in the most effective and secure manner possible. This is particularly evident in the context of small loans, where the accessibility of Ar-Rahnu institutions can significantly reduce transaction costs and foster greater financial inclusion, especially for underserved populations (Razak & Asutay, 2021). Moreover, Islamic pawnbroking mitigates religious self-exclusion, a notable barrier to financial inclusion in many Islamic countries, by offering Sharia-compliant financial instruments (Razak & Asutay, 2021). The positive impact of Ar-Rahnu on financial inclusion and economic well-being has been empirically demonstrated, particularly in Malaysia where it significantly improves client well-being and supports production-related economic activity (Razak & Asutay, 2021). This integration of Sharia-compliant instruments like Ar-Rahnu addresses the unmet financial needs of the unbanked population, a segment often excluded by conventional banking institutions (Razak & Asutay, 2021).

This has caused the development, growth and increase in varieties of Ar-Rahnu products offered by Bank Islam as it went through the evolution over the past years since it first operates officially. Back in the days when it first introduced, Ar-rahnu only offered products or services for pawnbroking using gold under Islamic shariah. However, as the time goes by along with the technological growth, apart from being the source of finance for

new and small business owners or as a source of capital infusion for established businesses, it has widened its variety of products and services towards other demographic of people too.

For instance, in 2019 there was a new scheme introduced which is Ar-Rahnu Didik that offered financial help towards students that have narrow source of income to finance their studies. This scheme was aimed to ease the parents' financial burden for their kids that want to pursue their education at a higher level. With a loan margin rate of up to 75 percent, the mortgage period is 10 months and setting a loan limit of RM50,000 per transaction or RM100,000 accumulated, making this product affordable for those in need.

In 2020, Ar-Rahnu Care was launched as a new scheme designed to provide rapid financial assistance to individuals affected by disasters, such as the Covid-19 pandemic. This initiative aimed to alleviate the financial burden of household expenses while recipients sought other financial resources. The product offered a maximum loan margin of 80% and a loan limit of RM5000. These continuous developments demonstrate Ar-Rahnu's commitment to evolving with technological advancements and societal demands, ensuring it remains responsive to the current needs of the populace. This adaptive approach underscores the dynamic nature of Islamic financial institutions in addressing emerging societal challenges and fostering comprehensive financial inclusion ([Razak & Asutay, 2021](#)).

Fuqaha Views based on Ar-Rahnu Contract

These recent innovations demonstrate the adaptability of Ar-Rahnu to contemporary societal needs, expanding beyond its traditional scope to address emergent financial challenges ([Razak & Asutay, 2021](#)) ([Othman & Abdullah, 2019](#)). This evolution underscores Ar-Rahnu's capacity to serve as a dynamic microfinancing instrument, particularly relevant in addressing financial inclusion and economic well-being for diverse populations ([Ali et al., 2017](#)) ([Razak & Asutay, 2021](#)). This flexibility allows Ar-Rahnu to effectively address the financial challenges faced by everyday individuals, contributing to their economic well-being without fostering sustained indebtedness ([Razak & Asutay, 2021](#)). In Malaysia, Ar-Rahnu has proven particularly beneficial for individuals seeking financing for productive purposes and income-generating activities, such as education expenses and business start-ups ([Razak & Asutay, 2021](#)).

The continuous evolution of Ar-Rahnu, seen in schemes like Ar-Rahnu Didik and Ar-Rahnu Care, shows its ability to meet current financial needs and societal demands, boosting financial resilience and inclusion ([Razak & Asutay, 2021](#)). This adaptability makes Ar-Rahnu a key tool for promoting sustainable economic growth and financial stability, especially in Muslim communities ([Razak & Asutay, 2021](#)) ([Azman et al., 2020](#)). Ar-Rahnu offers significant benefits over traditional micro-financing, such as lower costs, higher margins, and simpler processes, which help make financial services more accessible ([Azman et al., 2020](#)).

The examination of the Ar-Rahnu contract reveals its profound alignment with the core objectives of social finance, positioning it as a vital instrument for fostering financial inclusion and promoting equitable economic development ([Hidayat et al., 2023](#); [Lwesya & Mwakalobo, 2023](#)). Rooted in Shariah principles of qard al-hasan and rahn, Ar-Rahnu offers accessible, interest-free micro-financing, thereby addressing the unmet financial needs of vulnerable populations ([Razak & Asutay, 2021](#)). Its operational model, characterized by lower pricing, higher margins, and simplified procedures, presents significant advantages over other Islamic micro-financing options ([Azman et al., 2020](#); [Cheong & Sinnakkannu, 2012](#)). This design inherently mitigates exploitation and upholds moral integrity, distinguishing it from traditional pawnbroking models, by preventing elements such as riba (interest) and gharar (uncertainty) ([Aziz, 2015](#); [Razak & Asutay, 2021](#); [S. & A.B.U., 2013](#)). The strong ethical foundation of Ar-Rahnu supports the generation of social and environmental benefits alongside financial returns, aligning with global emphasis on Environmental, Social, and Governance principles and the Sustainable Development Goals ([Awang et al., 2025](#); [Harahap et al., 2023](#); [Harun & Rahmat, 2025](#)).

The continuous evolution of Ar-Rahnu products, as discussed in this paper through examples like Ar-Rahnu Didik and Ar-Rahnu Care, underscores its adaptability and responsiveness to contemporary societal challenges, including educational financing and disaster relief. These innovations showcase Ar-Rahnu's capacity to extend beyond conventional microfinance, actively contributing to economic resilience and well-being among diverse demographics, including students and those impacted by crises. Such developments highlight the dynamic nature

of Ar-Rahnu as a micro-financing instrument particularly relevant for financial inclusion and economic well-being for various populations, fostering financial stability without promoting sustained indebtedness ([Wahab et al., 2023](#)).

Ar-Rahnu shares functional similarities with traditional pawnbroking, its distinct Islamic concepts—including spoken intent, Al-Qardhul Hassan, Al-Wadiah Yad Dhammanah, and al-ujrah—ensure strict adherence to ethical standards. This makes it a Shariah-compliant alternative that enhances financial access for the unbanked and underserved ([Baharudin et al., 2023](#)). The findings affirm that Ar-Rahnu effectively protects both debtors and creditors, contributes to economic development, and reduces religious self-exclusion, thereby proving its efficacy in alleviating poverty and promoting stable economic growth, particularly in Muslim-majority regions ([Hakim & Rahim, 2024](#); [Razak & Asutay, 2021](#)). Evidence from recent literature further supports the role of Islamic microfinance, including instruments like Ar-Rahnu, in promoting financial inclusion and contributing to the SDGs by reaching individuals previously underserved by conventional financial institutions ([Hidayat et al., 2023](#); [Saad et al., 2025](#)).

Ar-Rahnu's capability to deliver financing without the inherent complexities and exorbitant costs associated with conventional banking structures positions it as an attractive alternative for individuals seeking immediate and ethically sound financial solutions. It functions as a form of social finance, offering a pragmatic and moral approach to broaden financial accessibility, empower communities, and align financial practices with broader societal welfare objectives ([Maulina et al., 2023](#)). Its strategic significance lies not only in providing immediate liquidity but also in fostering long-term economic stability and promoting justice, thereby serving as an indispensable instrument for advancing inclusive and sustainable development ([Azman et al., 2020](#)).

This makes Ar-Rahnu a viable and preferred option for individuals and small businesses seeking immediate cash without engaging in interest-based transactions ([Shater et al., 2017](#)). Furthermore, the Islamic pawnbroking model, which integrates concepts like Qardhul Hasan, Ar-Rahnu, Al-Wadi'ah, and Al-Ujrah, offers notable benefits over conventional pawnbroking by providing a more affordable financing route, ensuring the security of assets, and upholding equitable practices in auctioning processes ([S. & A.B.U., 2013](#)). This Shariah-compliant framework not only attracts customers who prioritize ethical financial services but also significantly contributes to economic stability by actively avoiding practices such as riba and gharar ([Razak & Asutay, 2021](#)).

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