

Legal Implementation of Consumer Protection in Sharia and Conventional Pawn Services in Indonesia

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Abstract

This research investigates the implementation of consumer protection laws in Indonesia's dual pawn service systems: Sharia-based (*rahn*) and conventional pawnshops. Using a normative juridical approach and document analysis, the study evaluates legal enforcement, transparency, and consumer fairness in both contexts. Sharia pawnshops exhibit stronger ethical alignment, guided by *maqasid al-shariah* principles like fairness ('*adl*) and wealth preservation (*hifz al-mal*), yet suffer from weak institutional oversight. In contrast, conventional pawnshops follow statutory regulations but often lack meaningful enforcement, leading to transparency and compliance issues. The study identifies systemic gaps due to fragmented regulation and low legal literacy among consumers. It proposes harmonizing legal and ethical standards through contract standardization, unified oversight, and legal codification of Islamic ethical obligations. The findings offer novel insights into regulatory pluralism and contribute to the formulation of equitable, consumer-centric financial governance policies in Indonesia.

Keywords: *Consumer protection, Sharia pawn, Conventional pawn, Legal harmonization, Financial regulation.*

INTRODUCTION

The rapid development of financial services in Indonesia has prompted increased reliance on both conventional and Sharia-based pawn institutions for short-term liquidity needs. Pawnshops serve as crucial financial intermediaries, especially for low- to middle-income individuals who often lack access to formal banking. While conventional pawnshops operate under secular laws, *rahn* (Sharia pawn) institutions follow Islamic financial principles, aiming to offer ethical alternatives without interest-based transactions (Dusuki & Abdullah, 2007). Despite their pivotal role, the legal landscape governing these services is fraught with inconsistencies and gaps in consumer protection, raising questions about fairness, transparency, and regulatory enforcement (Hosen & Muhamad, 2011).

Consumer protection has become a global legal concern, with international frameworks advocating for fair treatment, transparency, and access to redress mechanisms (World Bank, 2018). In Indonesia, Law No. 8 of 1999 concerning Consumer Protection provides the primary legal basis for safeguarding consumers' rights. However, the implementation of this law within pawn services, especially in distinguishing between Sharia and conventional practices, remains underexplored. Previous studies often address institutional or financial performance but neglect the legal and ethical dimensions that directly affect consumers (Nurdin & Hermawan, 2017). This discrepancy creates an urgent need to evaluate how consumer protection laws are applied in diverse pawn contexts.

Theoretically, the dual legal system in Indonesia—secular and Islamic—presents unique challenges for harmonizing consumer protection. While Sharia pawning institutions are guided by principles such as justice ('*adl*) and trustworthiness (*amanah*), conventional pawnshops often prioritize contractual freedom and market efficiency (Antonio, 2001, pp. 78–79). This ideological

divergence affects not only service delivery but also the interpretation of legal obligations and consumers' expectations. Empirical studies indicate that clients of Sharia pawnshops generally report higher levels of satisfaction due to perceived fairness and ethical considerations (Ismail, 2010, pp. 112–113). Nevertheless, regulatory overlap and enforcement inconsistencies hinder the full realization of legal protection across the sector.

Furthermore, empirical findings reveal that many consumers lack adequate understanding of their rights and the legal recourse available, especially in rural or underserved areas (Sudarsono, 2015, pp. 134–135). This legal illiteracy is compounded by limited institutional oversight and fragmented governance across Sharia and conventional financial authorities. While Bank Indonesia and the Financial Services Authority (OJK) supervise financial markets, their regulatory frameworks often fail to capture the nuanced requirements of consumer protection in pawn services. This scenario suggests a pressing need for an integrated regulatory approach that considers both legal and ethical mandates of the financial system (Rahman, 2012, pp. 89–90).

Based on this context, this study seeks to answer the following research questions: (1) How is consumer protection law implemented in Sharia pawn services in Indonesia? (2) How is consumer protection law implemented in conventional pawn services? and (3) What legal and institutional measures are required to harmonize consumer protection across both models? The objective of this study is to critically assess the application of consumer protection laws in both Sharia and conventional pawnshops, thereby contributing to regulatory improvements, ethical governance, and increased consumer confidence. The significance of this research lies in its potential to bridge legal theory and practical enforcement, offering policy recommendations for equitable and transparent financial services.

LITERATURE REVIEW

Research on consumer protection in financial services has expanded in recent years, with a particular focus on ethical banking and inclusive finance. The concept of consumer protection in Islamic finance, including Sharia pawnshops, is underpinned by *maqasid al-shariah*—objectives of Islamic law that emphasize justice, equity, and protection of individual rights (Chapra, 2000). Unlike conventional financial services, which are primarily driven by profit maximization and contractual law, Islamic financial institutions incorporate moral and spiritual dimensions into their operational frameworks (Dusuki & Abdullah, 2007). Several studies emphasize that *rahn* arrangements aim to avoid *riba* (usury) and prioritize ethical interactions (Kamali, 2008), thereby positioning Sharia pawn services as a more socially responsible alternative to conventional models.

From a legal standpoint, Indonesia's regulatory structure for pawn services includes both national and religious laws, creating a dualistic environment that challenges uniform application. Previous scholarship suggests that while Law No. 8 of 1999 on Consumer Protection provides a foundation, it is insufficiently tailored to capture the specificities of either Sharia or conventional pawn systems (Sudarsono, 2015, pp. 121–122). Conventional pawnshops are more tightly integrated into formal financial systems and are governed by OJK regulations, yet enforcement inconsistencies remain a key concern. On the other hand, Sharia pawnshops often fall under the purview of Islamic financial institutions or cooperatives, which may lack robust oversight mechanisms (Nurdin & Hermawan, 2017). These gaps raise issues concerning transparency in contract terms, valuation of collateral, and dispute resolution.

Literature also indicates a general lack of empirical studies that analyze the comparative legal enforcement between Sharia and conventional pawn practices (Hosen & Muhamad, 2011). Many works address financial performance or religious compliance, but only a few explore how

consumer rights are protected—or neglected—in practice (Ismail, 2010, pp. 85–86). Studies on rural financial access highlight the pivotal role pawnshops play in community livelihoods but often overlook whether these services uphold consumer protection principles, such as informed consent and fair treatment (World Bank, 2018). This study seeks to fill that gap by integrating legal, ethical, and institutional perspectives into a comprehensive analysis of consumer protection implementation across dual financial systems.

Theoretical Framework

The first theoretical foundation guiding this study is the concept of *maqasid al-shariah*—the higher objectives of Islamic law. This framework provides ethical guidance for financial transactions, emphasizing the preservation of wealth (*hifz al-mal*), justice (*‘adl*), and prevention of harm (*darar*). Sharia pawn institutions are expected to align with these objectives by promoting transparent and fair dealings without exploiting the borrower (Kamali, 2008). In contrast to the profit-driven nature of conventional financial systems, the *maqasid* approach introduces a moral filter to all contractual and institutional behavior, making it a relevant lens for analyzing consumer protection in Sharia-based pawn services (Chapra, 2000). This framework also highlights the imperative for consumer rights to be safeguarded as a religious and social obligation, not merely a legal necessity (Dusuki & Abdullah, 2007).

Another essential theoretical element is the Classical Legal Theory of Contracts, which underlies conventional pawnshop operations. Rooted in the principles of autonomy, freedom to contract, and the binding force of agreements, this theory assumes that all parties enter transactions with equal knowledge and power (Weitzenböck, 2012). While efficient in regulating business transactions, this model often fails to address structural imbalances or information asymmetries, particularly in pawn contracts involving economically vulnerable consumers (Kronman, 1980). In Indonesia, where pawn users often belong to lower socio-economic groups, the classical contract model may inadvertently reinforce inequality. Therefore, evaluating consumer protection under this theory requires a critical lens on power dynamics and institutional responsibilities.

The third theoretical approach is Regulatory Compliance Theory, which evaluates the behavior of institutions in adhering to legal frameworks and policy standards. This theory posits that effective compliance depends not only on the existence of laws but also on enforcement, institutional capacity, and organizational culture (Parker & Nielsen, 2011). In the context of Indonesian pawn services, this theory helps explain the divergence in consumer protection practices across Sharia and conventional entities. Sharia institutions often operate under cooperative or religious supervision, whereas conventional pawnshops are governed by financial regulatory bodies such as OJK. These varying institutional contexts affect how laws are interpreted and applied, making Regulatory Compliance Theory essential to assess the implementation of consumer protection.

A fourth theoretical tool employed in this study is the Stakeholder Theory, which shifts the focus from shareholders or institutional operators to all parties impacted by organizational actions, especially consumers. This theory argues that businesses have moral obligations to stakeholders—including customers—and should ensure that their interests are respected in both strategy and operations (Freeman, 1984). In pawn services, the primary stakeholder group comprises financially constrained individuals who may lack bargaining power. Stakeholder Theory thus emphasizes the duty of pawn institutions to not only comply with legal mandates but to proactively engage in practices that protect consumer rights and promote social justice (Harrison & Wicks, 2013). This theoretical perspective aligns well with the objectives of both Islamic finance and consumer protection law.

Finally, this study integrates Legal Pluralism Theory to contextualize Indonesia's dual legal framework comprising both secular and Sharia norms. Legal pluralism acknowledges the coexistence of multiple legal systems within a single jurisdiction and the resulting complexities in enforcement, interpretation, and institutional legitimacy (Merry, 1988). This theory is particularly relevant in assessing consumer protection law across different types of pawnshops, where religious and statutory laws may overlap, contradict, or supplement one another. Understanding how legal pluralism operates in practice allows for a more nuanced analysis of regulatory gaps and compliance behavior across institutional types, thereby enriching the analytical foundation for the study's findings.

Previous Research

In 2010, Ismail conducted an empirical study comparing customer satisfaction between Sharia and conventional pawnshops. The study found that customers of Sharia pawnshops reported higher satisfaction levels due to ethical transparency and religious compliance (Ismail, 2010, pp. 85–86). However, the research focused more on consumer perceptions than legal enforcement, leaving questions regarding regulatory compliance and legal protection unaddressed.

Hosen and Muhamad (2011) examined the operational structures of Sharia pawnshops in Indonesia, particularly their adherence to Islamic principles like the prohibition of *riba*. Their study highlighted the importance of *akad* (contract clarity) in ensuring fairness but failed to analyze the extent to which these contracts are regulated under national consumer protection laws. This omission left a gap in connecting religious compliance with formal legal protections for consumers.

In 2012, Rahman explored institutional frameworks governing pawn services in Indonesia. He noted fragmented oversight between Bank Indonesia, the Financial Services Authority (OJK), and religious supervisory boards. While his study emphasized the institutional overlap, it did not delve deeply into how this affects the enforcement of consumer protection laws in either Sharia or conventional contexts (Rahman, 2012, pp. 89–90).

A 2015 study by Sudarsono focused on the legal illiteracy of consumers using pawn services. His findings revealed that most clients lacked knowledge about their rights and remedies under the law (Sudarsono, 2015, pp. 134–135). Although the study underscored a crucial barrier to effective consumer protection, it did not compare the impact of this issue across the dual financial systems of Sharia and conventional pawning.

Nurdin and Hermawan (2017) analyzed governance and compliance mechanisms in Sharia-based financial institutions. They concluded that while these institutions generally follow Islamic ethics, regulatory mechanisms were often informal or poorly enforced. This raises concerns about legal accountability, especially in financial sectors like pawnshops, where consumers are particularly vulnerable.

Finally, the World Bank (2018) published a comprehensive report on financial inclusion and consumer protection in Indonesia. It emphasized the need for harmonized regulations and stronger enforcement mechanisms to protect low-income borrowers. While the report offered policy recommendations, it did not differentiate between Sharia and conventional pawn systems, leaving room for further comparative analysis.

The reviewed literature demonstrates that while significant research has been conducted on ethical behavior, consumer satisfaction, and regulatory frameworks, there is a notable gap in comparative legal analysis of consumer protection in Sharia versus conventional pawnshops. Most studies examine either consumer perceptions or institutional governance but fail to

integrate legal theory with empirical enforcement practices. This disconnect underscores the need for a study that bridges Islamic legal principles, consumer rights, and national regulatory frameworks—an endeavor this research aims to fulfill.

METHOD

The data utilized in this study are qualitative in nature, primarily textual, and consist of legal documents, policy papers, academic literature, and institutional reports. This choice aligns with the normative juridical approach, which emphasizes understanding legal principles and their implementation in social contexts (Soekanto, 2014, pp. 44–45). By focusing on descriptive legal norms and ethical principles drawn from both secular and Islamic legal traditions, the study aims to explore how consumer protection is constructed and applied across Sharia and conventional pawn services.

Data sources include statutes such as Law No. 8 of 1999 on Consumer Protection, Bank Indonesia and OJK regulations, fatwas from the Indonesian Ulama Council (MUI), and scholarly works in both Islamic finance and legal theory. These sources are complemented by journal articles from reputable databases, international organizational reports, and Indonesian academic publications. This comprehensive sourcing ensures that the analysis is grounded in verified and contextually relevant materials (Antonio, 2001, pp. 66–67; Kamali, 2008). In addition, empirical insights from Indonesian legal and financial institutions enrich the contextual validity of the research.

The data collection technique employed in this research is document analysis. This method involves systematically reviewing, coding, and interpreting textual data from legal provisions, institutional reports, and academic literature. Document analysis is particularly suitable for legal studies because it allows for critical evaluation of normative content, consistency in regulation, and evidence of enforcement or non-enforcement (Bowen, 2009). Documents were selected based on relevance, credibility, and publication recency, ensuring that only traceable sources published no later than 2018 were included.

Data analysis in this study is conducted through thematic analysis, enabling the identification and interpretation of core patterns related to consumer protection in pawn services. This method allows the researcher to synthesize findings under conceptual themes such as legal enforcement, ethical compliance, transparency, and institutional oversight (Braun & Clarke, 2006). Thematic analysis facilitates cross-comparison between Sharia and conventional pawn systems, illuminating differences and commonalities in the implementation of consumer protection law.

Conclusion drawing in this study is carried out by synthesizing thematic findings in relation to the theoretical frameworks of *maqasid al-shariah*, legal pluralism, and regulatory compliance. This interpretive step ensures that the results are not merely descriptive but analytically connected to broader legal and ethical discourses. By aligning the findings with stakeholder theory and classical legal contract theory, the study derives both theoretical and practical implications for enhancing consumer protection in Indonesia's dual pawn systems (Freeman, 1984; Parker & Nielsen, 2011). The conclusions serve as the basis for policy recommendations and further research directions.

RESULTS AND DISCUSSION

The implementation of consumer protection laws in Indonesia's pawn services must be understood through the lens of legal pluralism and dual financial systems. While both Sharia and conventional pawnshops are meant to serve the same purpose—providing short-term credit against collateral—their philosophical foundations and regulatory mechanisms diverge

significantly. Drawing from the theoretical framework of *maqasid al-shariah*, Sharia pawnshops are ethically driven to uphold justice, avoid exploitation, and ensure consumer welfare (Kamali, 2008). In contrast, conventional pawnshops operate primarily under contract-based legal doctrines that emphasize the principle of *pacta sunt servanda* (agreements must be kept), potentially overlooking power imbalances that disadvantage consumers (Kronman, 1980). This foundational divergence necessitates a comparative legal approach to assess the adequacy of consumer protection laws.

Empirical and doctrinal analyses show that enforcement mechanisms vary widely across institutions. While Sharia pawnshops often refer to fatwas issued by the Indonesian Ulama Council (MUI) and are overseen by Islamic financial cooperatives, conventional pawnshops fall under the purview of national regulators like OJK. However, both types exhibit enforcement gaps. Sharia pawnshops may excel in ethical transparency but lack formal dispute resolution mechanisms due to less stringent institutional oversight (Nurdin & Hermawan, 2017). Conversely, conventional pawnshops have more robust regulatory supervision but may expose consumers to unclear contract terms, hidden costs, or excessive interest (Sudarsono, 2015, pp. 129–130). These inconsistencies underline the theoretical argument posited by Regulatory Compliance Theory: effective law is contingent not just on the text but on institutional will and enforcement capacity (Parker & Nielsen, 2011).

By engaging with previous research, this study confirms that earlier analyses have either centered on financial performance or client satisfaction without integrating legal analysis. The present study fills this gap by embedding legal and ethical evaluation into the discussion, thus aligning with the Stakeholder Theory that obliges financial institutions to safeguard the interests of all impacted parties (Freeman, 1984). Moreover, this research contributes an original analytical perspective by examining how *maqasid al-shariah* principles and classical contract law intersect in practical governance. It offers new policy insights for regulatory harmonization, ensuring that consumer protection is not compromised by the duality of Indonesia's legal and financial systems.

1. Ethical Foundations and Consumer Protection in Sharia Pawn Services

The first research question explores how consumer protection law is implemented in Sharia pawn services in Indonesia. Within the framework of Islamic finance, Sharia pawnshops—or *rahn* institutions—are guided by ethical obligations rooted in *maqasid al-shariah*, including the protection of wealth (*hifz al-mal*) and the promotion of justice (*'adl*). These principles require transparency in contractual dealings, the prohibition of *riba*, and fair treatment of consumers (Kamali, 2008). Sharia pawn agreements emphasize the voluntary and mutually beneficial nature of contracts, discouraging exploitative practices such as excessive collateral valuation or ambiguous service charges (Antonio, 2001, pp. 56–58). These ethical mandates are reinforced by religious fatwas and internal codes of conduct developed by Islamic financial institutions.

Despite these intentions, legal enforcement in Sharia pawnshops is inconsistent. While many institutions claim to adhere to Islamic principles, empirical data suggest gaps in the application of formal consumer protection laws. A lack of institutionalized oversight mechanisms means that disputes are often settled informally or left unresolved (Nurdin & Hermawan, 2017). Furthermore, the Indonesian Ulama Council (MUI), although influential, lacks binding enforcement authority, and its fatwas serve as moral rather than legal obligations. This results in variable application of protections across different Sharia pawn institutions, with some offering transparent contracts and fair collateral valuation, while others remain opaque or inconsistent.

Legal documents such as Law No. 8 of 1999 on Consumer Protection do apply universally, but their enforcement in Sharia contexts is often ambiguous due to jurisdictional duality. For instance, Islamic cooperatives that offer pawning services may fall outside the direct supervision of the Financial Services Authority (OJK), relying instead on cooperative laws and internal Sharia boards (Sudarsono, 2015, pp. 115–116). This fragmented governance weakens consumer access to formal legal recourse, limiting the law's protective reach. Regulatory Compliance Theory supports this finding by asserting that the mere existence of a legal framework is insufficient without institutional willingness and capacity to enforce it (Parker & Nielsen, 2011).

Another dimension of the challenge lies in consumer awareness. Many consumers who engage with Sharia pawnshops are drawn by religious affinity but lack understanding of their legal rights. Studies show that consumers often conflate religious compliance with legal adequacy, assuming that Islamic institutions inherently offer full protection (Ismail, 2010, pp. 85–86). This assumption may obscure legal vulnerabilities, especially when institutions fail to disclose terms clearly or do not provide formal grievance mechanisms. Therefore, while the ethical foundation is strong, the implementation of legal protections remains patchy and heavily reliant on institutional integrity rather than regulatory mandates.

Efforts to formalize consumer protection in Sharia pawn services have been made through standardization of contracts and the adoption of compliance guidelines modeled on OJK's frameworks. However, these initiatives are not uniformly adopted. Without legal compulsion, ethical behavior remains aspirational rather than normative. This highlights the importance of integrating Islamic ethical principles into national legal instruments to create enforceable hybrid models that align with both religious and statutory goals (Rahman, 2012, pp. 89–90). A unified regulatory approach, coupled with targeted legal literacy programs, would significantly enhance consumer confidence and institutional accountability in Sharia pawn services.

In summary, Sharia pawnshops operate within a moral framework that aligns well with consumer protection ideals. However, the absence of robust legal enforcement and standardized oversight mechanisms undermines the consistency and effectiveness of these protections. Bridging the gap between religious ethics and statutory law is therefore essential for realizing the full promise of consumer protection in Sharia financial services.

2. Legal Formalism and Consumer Risk in Conventional Pawn Services

This subsection addresses the second research question: how consumer protection law is implemented in conventional pawn services in Indonesia. Unlike Sharia pawnshops, conventional pawnshops operate under a framework grounded in statutory and civil contract law. Law No. 8 of 1999 on Consumer Protection applies fully to these institutions, alongside regulations issued by the Financial Services Authority (OJK). In theory, these laws ensure that consumers are entitled to transparent information, equitable treatment, and dispute resolution mechanisms. However, real-world enforcement of these provisions in conventional pawnshops reveals persistent inconsistencies and structural limitations (World Bank, 2018).

The classical legal theory of contracts, which governs conventional pawn agreements, presumes equality between parties and full understanding of contractual obligations. Yet in practice, pawnshop clients are often from economically vulnerable groups with limited financial and legal literacy (Sudarsono, 2015, pp. 129–130). This structural imbalance creates conditions where consumers may sign contracts without fully understanding the terms,

particularly regarding interest rates, collateral valuation, and penalties. Regulatory authorities such as OJK have issued guidelines on transparency and consumer protection, but compliance remains uneven, especially among private or unlicensed pawnshops operating in less regulated areas (Rahman, 2012, pp. 92–93).

One of the most pressing issues is interest regulation. Unlike in Sharia pawnshops, conventional pawnshops apply interest on loans secured against pledged items, often at rates that approach or exceed market limits. Although interest ceilings exist, many pawnshops use service charges or administrative fees to circumvent these regulations, effectively increasing the borrower's financial burden (Hosen & Muhamad, 2011). This practice, while legally ambiguous, often escapes scrutiny due to weak enforcement mechanisms and the limited capacity of oversight institutions to monitor smaller operators.

Transparency is another area where implementation falls short. While legally required to disclose loan terms, collateral valuations, and fees, many pawnshops fail to present this information in accessible or understandable formats. Consumers may not receive written documentation, or the information provided may be overly technical, leading to misunderstandings (Nurdin & Hermawan, 2017). Furthermore, grievance mechanisms are either absent or ineffective, with many consumers unaware of how to file complaints or pursue legal redress. This undermines the effectiveness of the law's provisions, despite their formal existence.

From a compliance perspective, Regulatory Compliance Theory suggests that enforcement depends on more than rules; it requires institutional culture and capacity (Parker & Nielsen, 2011). In conventional pawnshops, especially those not affiliated with state-owned enterprises like Pegadaian, regulatory compliance is often seen as a burden rather than a duty. There is little incentive to proactively protect consumer rights unless compelled by external audits or sanctions. This *laissez-faire* attitude contributes to systemic vulnerabilities in consumer protection, particularly for borrowers already at the margins of financial inclusion.

Stakeholder Theory also reveals a deficiency in consumer-centric practices among conventional pawn institutions. While businesses may view compliance as a legal checkbox, they often fail to recognize consumers as key stakeholders whose rights and well-being should be prioritized (Freeman, 1984). This neglect is exacerbated by a focus on collateral and repayment rather than service ethics and consumer education. In this context, legal rights exist in principle but are diluted in practice, failing to translate into meaningful protections for consumers.

To enhance consumer protection in conventional pawnshops, policy reforms must prioritize both regulatory stringency and enforcement capacity. This includes imposing stricter penalties for non-compliance, mandating standardized disclosure formats, and increasing field inspections. Additionally, empowering consumers through financial literacy initiatives and legal aid access can help bridge the information asymmetry that currently impedes fair contract negotiations. Such efforts would not only reinforce the integrity of consumer protection law but also align conventional pawn services with broader social justice goals.

3. Toward Harmonization: Bridging Regulatory Gaps in Dual Pawn Systems

This subsection addresses the third research question, which focuses on the legal and institutional measures required to harmonize consumer protection across Sharia and conventional pawn services in Indonesia. The findings indicate that although both systems

operate under the general consumer protection framework provided by Law No. 8 of 1999, divergent regulatory structures and philosophical foundations result in fragmented protection for consumers. Harmonization, therefore, demands an integrated legal strategy that accounts for both statutory obligations and ethical imperatives rooted in Islamic finance principles (Kamali, 2008; Chapra, 2000).

One of the major challenges in harmonization is institutional fragmentation. Sharia pawnshops are often overseen by Islamic cooperatives or informal supervisory boards, while conventional pawnshops fall under the direct regulation of the Financial Services Authority (OJK). This disparity leads to variations in enforcement, consumer redress, and transparency standards (Rahman, 2012, pp. 93–94). A unified regulatory body or an inter-institutional framework is necessary to synchronize oversight functions, establish shared standards, and minimize jurisdictional gaps. Legal Pluralism Theory underscores the importance of such integration by recognizing that multiple legal systems can coexist, provided mechanisms exist to manage overlaps and conflicts (Merry, 1988).

Another area requiring harmonization is contract standardization. While Sharia pawn contracts emphasize ethical clarity and the prohibition of *riba*, conventional contracts often rely on complex legal jargon that many consumers do not fully comprehend (Sudarsono, 2015, pp. 116–117). Implementing a national template for pawn contracts—with options for both Sharia and conventional systems—can reduce information asymmetry and promote fairness. This strategy aligns with the principles of Stakeholder Theory, ensuring that consumer interests are recognized and prioritized across all institutional models (Freeman, 1984).

From a policy perspective, a hybrid regulatory approach that combines the ethical tenets of Islamic finance with the enforceability of statutory law may offer a viable solution. This would involve codifying Islamic ethical obligations into binding legal instruments applicable to Sharia pawn institutions, thereby transforming moral imperatives into enforceable rights. Conversely, integrating ethical guidelines into conventional pawnshop regulations can enhance consumer trust and social responsibility. Such legal innovations resonate with Regulatory Compliance Theory, which argues that law must be adaptable to organizational culture and institutional context (Parker & Nielsen, 2011).

Legal education and consumer literacy are also critical for harmonization. Evidence suggests that many users of pawn services—whether Sharia or conventional—lack the knowledge needed to evaluate their rights or challenge unfair practices (Ismail, 2010, pp. 89–90). Government-led initiatives, in collaboration with Islamic organizations and financial regulators, can help disseminate accessible legal information and provide mediation services. These initiatives not only enhance enforcement capacity but also foster a culture of accountability and ethical compliance.

Finally, technological integration can support harmonization by creating digital platforms for contract registration, complaint filing, and regulatory monitoring. A centralized database accessible by both OJK and Islamic supervisory boards would allow real-time oversight and facilitate consumer complaints across institutional types. This innovation could serve as a model for managing regulatory complexity in other sectors characterized by legal pluralism. Harmonization, therefore, is not just a legal necessity but a governance imperative to ensure inclusive and equitable financial services in Indonesia.

In conclusion, bridging the regulatory and institutional divide between Sharia and conventional pawn services requires a multidimensional strategy that unites legal

enforcement with ethical governance. By embedding Islamic principles into national legal frameworks and elevating consumer literacy, Indonesia can create a cohesive regulatory system that upholds justice and protection for all consumers, regardless of the institutional model.

This study has provided a comprehensive analysis of the implementation of consumer protection law in Sharia and conventional pawn services in Indonesia. The findings reveal that while Sharia pawnshops are guided by ethical principles rooted in *maqasid al-shariah*, their legal enforcement mechanisms are often informal and inconsistent. Conventional pawnshops, on the other hand, operate within a well-defined statutory framework but suffer from weak enforcement, non-standardized contracts, and limited consumer awareness. The research shows that both systems fall short in providing fully effective and equitable consumer protection. Through engagement with theoretical models—including Legal Pluralism, Stakeholder Theory, and Regulatory Compliance—the study identifies systemic gaps and proposes strategies to bridge them through harmonization.

Each research question has been addressed thematically and comparatively. First, the study found that consumer protection in Sharia pawnshops is driven more by ethical obligation than enforceable law, which may result in inconsistent application. Second, it established that conventional pawnshops often comply with legal mandates in form but fail in substance due to inadequate consumer understanding and lax oversight. Third, the study proposed legal and institutional harmonization, including unified oversight bodies, contract standardization, and legal codification of ethical standards, as essential steps toward equitable consumer protection. These conclusions underscore the importance of integrating ethics and enforcement to ensure that the rights of financially vulnerable consumers are protected across institutional types.

The study contributes novel insights by proposing a hybrid framework that incorporates Sharia ethical values into national legal enforcement, thereby enriching Indonesia's pluralistic legal system. Theoretically, this research expands the application of Legal Pluralism and Stakeholder Theory in the context of dual financial institutions. Practically, it offers actionable recommendations for policymakers, including the development of uniform pawn contracts, centralized regulatory oversight, and consumer education campaigns. These implications suggest that harmonized, consumer-centric governance is both a feasible and necessary evolution in Indonesia's financial services sector.

CONCLUSION

The findings of this study reveal a complex but addressable landscape in the implementation of consumer protection law across Indonesia's Sharia and conventional pawn services. While Sharia pawnshops are ethically anchored in Islamic finance principles that prioritize justice, transparency, and the avoidance of exploitation, they often lack formal legal enforcement and standardized oversight. Conversely, conventional pawnshops operate under more structured statutory regulation but fail to ensure consistent protection for consumers due to issues of transparency, enforcement gaps, and low legal literacy among users. Despite operating in parallel systems, both models exhibit significant challenges that undermine the effectiveness of consumer protection as a whole.

This research confirms the theoretical alignment between consumer protection imperatives and the frameworks of *maqasid al-shariah*, Regulatory Compliance Theory, Stakeholder Theory, and Legal Pluralism. It also advances our understanding by bridging ethical and legal analyses in a dual financial system, a contribution that enhances both academic and policy-oriented discourse. The study highlights the need for a harmonized regulatory approach that is ethically robust and legally enforceable, combining the strengths of both Sharia and conventional institutions to

ensure equitable service delivery.

In light of these findings, several practical recommendations are offered. Regulatory bodies should establish integrated oversight mechanisms to standardize consumer protections across both systems. Legal templates for pawn contracts—adapted for both Sharia and conventional formats—should be introduced to ensure clarity and fairness. Additionally, public institutions must expand legal and financial literacy initiatives to empower consumers and encourage responsible institutional practices. For future research, longitudinal and field-based studies could further explore the behavioral impact of regulatory changes and ethical interventions on consumer outcomes in the pawn sector.

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