

REGULATION & STRATEGY IN SHARIA PAWNSHOP PRACTICE AT PT. PAWNSHOP SYARIAH UNIT SUMBAWA

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Abstract

Pegadaian Syariah, a sharia-based financial institution, has emerged as an alternative to conventional financial services in Indonesia. Despite its positive growth trend, with an increase of 15% by 2022, Pegadaian Syariah faces challenges in terms of public understanding and adoption, especially in the Sumbawa area which has varying levels of education. The focus studied in this research is how the regulations and strategies implemented by Pegadaian Syariah Sumbawa unit in carrying out sharia pawnshop practices in the Sumbawa unit.

This research uses a qualitative approach with descriptive methods. Data collection techniques in this study are interviews, observation and documentation. Then the data analysis used is by means of data reduction, data presentation and conclusions.

Based on the results of this study, the regulation used is POJK Number 31/POJK.05/2016 of 2016 concerning Pawnshop Business in carrying out practices in terms of transparency, integration and fairness. In addition, this study also identified challenges, such as a lack of understanding of Pegadaian Syariah products and limited access to Pegadaian Syariah services by the surrounding community because it offers something that has no difference with other conventional pawnshops.

Keywords: Community Response, Strategy, Sharia Pawnshop, Sharia Economic Law

1. INTRODUCTION

Sharia Pawnshop is a financial service specifically designed based on Sharia principles, which aims to help people meet their financial needs without involving usury, which is interest that is prohibited in Islam. Sharia pawnshops are a good option for people who want to borrow money while still practicing religious values and Islamic ethics.

The existence of sharia pawnshops was initially driven by the development and success of sharia financial institutions. In addition, it is also based on the needs of the Indonesian people for the presence of a pawnshop institution that applies the principles adopted in Islam. In sharia pawnshops, the priority is to be able to provide benefits as expected by the community, by always keeping away the practice of *usury*, *qimar* (speculation), or *Gharar* (uncertainty), so that it does not have implications for injustice and injustice to the community and customers.¹

As in the Qur'an surah al-baqarah 283 which explains that Sharia pawnshop is a company operation based on values in accordance with the principles of Islamic law,

The verse reads:

وَأِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرَاهُنْ مَقْبُوضَةً فَإِنْ أَمِنَ بَعْضُكُمْ بَعْضًا فَلْيُؤَدِّهِ الَّذِي أُوْتِيَئَ أَمَانَةً هُوَ وَأَلَيْتُ عَلَى اللَّهِ رَبِّهِ وَلَئِنْ كُنْتُمْ هُنَا لَشَهِادَةً مِّنْكُمْ



¹ Rachmad Saleh, 'Operational System of Sharia Pawnshop Based on Surah Al-Baqarah 283 at PT Pegadaian (Persero) Gunung Sari Balikpapan Sharia Branch', Al-Tijary, (2016),lm. 93

فَإِنْ هُوَ آتِيكُمْ فَبَلِّغْهُ أُولَئِكَ بِمَا نَحَلُّكُمْ وَأَلَّا يَمُنَّ بِمَا نَعْلَمُونَ

Meaning: "If you are on a journey and you cannot find a recorder, let there be.

security that is held. But if some of you trust others, let the trustee fulfill his trust and let him fear Allah, his Lord. Do not conceal your testimony, for whoever conceals it has indeed sinned in his heart. Allah knows best what you do." ²

As for the hadith of Aisha RA., narrated by Imam Muslim, which means: "*The Messenger of Allah (peace and blessings of Allah be upon him) bought food from a Jew on payment terms and he took his armor*".³

Currently, the need for financial services in the community is increasing. Sharia-based financial products are the main choice for customers who want to carry out financial principles in accordance with Islamic values where the majority of the population is Muslim, such as Indonesia. One of these products is Pegadaian Syariah, a financial institution that provides financing solutions without usury and interest in accordance with Islamic teachings. From this, Pegadaian Syariah has gained recognition as one of the safe and clean institutions in implementing sharia financial principles in Indonesia, including in areas where the majority of the population is Muslim, such as Sumbawa Regency.

Based on data from the Financial Services Authority (OJK), the growth of Sharia Pawnshops in Indonesia shows a positive trend, with a significant increase in the number of customers and financing volume in recent years. In 2022, Islamic pawnshops recorded growth of around 15% compared to the previous year. And this shows the urgent need for financial services that comply with sharia principles.

Despite the significant growth of Islamic pawnshops, there are still challenges in terms of public understanding of the products and services of Islamic pawnshops. Previous research shows that many people still have limited knowledge or understanding of the concepts and practices of Islamic pawnshops, which can hinder the adoption of Islamic pawnshop services.⁵ In Sumbawa, where people have diverse educational backgrounds, a lack of understanding of sharia principles can be a barrier for people to optimally utilize Islamic pawnshop services. It is therefore important to explore how the strategies implemented by sharia pawnshops can influence people's responses and their level of understanding.⁴

The main problem faced in this study is the lack of effective socialization and education regarding the products of Islamic pawnshops. Many of the community, especially in Sumbawa, are still stuck in a negative stigma regarding financial institutions, especially those related to usury and unsharia practices. Research by Gani, shows that low Islamic economic literacy contributes to people's lack of understanding of Islamic products.⁶ Apart from that, another challenge faced by Islamic pawnshops is competition with conventional financial institutions such as conventional pawnshops or arguably financial services that are better known by the public and have wider access in the community.

² QS. Al-Baqarah 2: 283

³ Dr. Madani, Verses and Hadiths of Sharia Economics, Cet. 1, (Jakarta: Rajawali Pres, 2011), p.140.

⁴ Gani, A. A. and Budiman, B. "Quantitative study of understanding the concept of usury through educational background and Islamic economic literacy," *Finansha: Journal of Sharia Financial Management*, Vol. 5 no. 1 (2023) pp. 51-64.

Based on the observations made by the researchers, there are several customers who have been customers once, saying that what is happening now is exactly the same as what they experienced in the past. They do not see any difference between sharia pawnshop practices and conventional pawnshop practices. Even these customers do not understand the existence of sharia pawnshop practices in the process and practice.

2. RESEARCH METHODOLOGY

This research uses a qualitative approach with descriptive methods. Descriptive method itself is used to describe the phenomena that occur in this study. This research uses a qualitative approach because this research will be carried out by going directly to the field to interview several staff and customers and prospective customers of the Sumbawa unit of Islamic pawnshops. This interview is conducted to obtain accurate information so that researchers can easily reveal, develop and describe data or events from the informants mentioned. And researchers will also be able to see firsthand how the service process and strategies are carried out in carrying out the practice of Islamic pawnshops.

3. DISCUSSION

1) Organizational structure of the Sumbawa sharia pawnshop unit

We know that the manager of the Sumbawa sharia pawnshop unit is assisted by the Estimator, Cashier, AO, CRO, and also BPO KUR. Where each of those mentioned has its own duties.

a. Unit manager

The main task of the unit manager is to manage operations by channeling loan money by pawn law and adhering to sharia principles in Islamic law. In addition, the Sumbawa sharia pawnshop unit manager carries out other business ventures that have been determined by the company and represents the company's interests in relations with the public or sharia pawnshop customers in accordance with applicable provisions in order to realize the vision and mission of the Sumbawa sharia pawnshop unit.

b. Appraiser

The appraiser here has the task of assessing collateral goods to determine the quality or value in accordance with sharia provisions. As well as, proof of ownership of goods in order to determine and determine the estimated class of collateral goods. Another task of this appraiser is to carry out an appraisal of the collateral to be auctioned to determine its value and quality in determining the base price of the collateral to be auctioned. As well as, planning and preparing collateral items that will be prepared for storage for the security of the collateral goods.

c. Cashier

The cashier has the task of receiving, storing, paying and proving transactions for the smooth operation of the company and of course this task is carried out with the provisions that apply in the company. And another task is to pay all expenses incurred at branch offices and sharia pawnshop units.

d. AO (Administrative Officer)

The duties of this administrative officer (AO) are that they are responsible for supervising the operations of Pegadaian Syariah. Their responsibilities include coordinating, implementing and monitoring operational activities, which include the administration of pawnshop collateral and various other administrative

functions.

e. CPO (Operational Pawnshop Branch)

This CPO (operational pawnshop branch) refers to the operational division of Pegadaian Syariah that is located within the branch premises. The responsibilities attributed to the CPO involve the management of credit and collateral assets, the organization of credit loan amounts, the administration of overdue pawn items, in addition to the supervision of the administrative and financial operations of the UPC (Branch Service Unit).

f. BPO (Business Process Outsourcing) KUR

BPO KUR is a marketing officer tasked with promoting the KUR program to customers who are active in the UMKM (Micro, Small and Medium Enterprises) program. Other functions of the KUR BPO include conducting target market analysis, conducting KUR application surveys for potential customers, overseeing the credit agreement process, monitoring periodic credit payments, in addition to other related activities.

2) Products of Pegadaian Syariah Sumbawa Unit⁵

a. Sharia pawn (rahn)

This service provides loans secured by goods, such as gold, jewelry, vehicles and electronic goods. The application process is quick and easy, and the loan value is determined based on the estimation of the collateral. The loan period is generally 4 months with the option to extend.

b. Arrum gold

Arrum gold is a pawn service that uses precious metals and gold jewelry used as collateral. In this loan the minimum given is Rp. 1 million, with installment periods ranging from 12 to 36 months.

c. Arrum bpkb

This product is specifically intended for people running micro businesses who want to use their motor vehicle ownership book as collateral to obtain additional business capital. Term options are available from 12 to 36 months.

d. gold savings

In this product, customers or the public can save gold starting from a gold weight of 0.01 grams. This product makes it easy for people to invest in gold without having to buy a large amount at once.

e. Arrum haji

Arrum Hajj is the latest product from the Sumbawa Islamic Pawnshop unit. This product provides loans to register for Hajj, helping people who want to perform the Hajj pilgrimage but are constrained by costs.

f. Amanah

This product is a product that can allow customers to carry out sharia pawn transactions for vehicles that are not yet owned. This product can be a solution for those who want to own a new vehicle in a way that is in accordance with sharia provisions.

3) Regulation (Legal Basis) of Sharia Pawnshop Practice in Sumbawa Unit

Pegadaian Syariah operates based on the rules and principles set forth in

⁵ Sumbawa Unit Syariah Pawnshop Profile File

sharia economics, including the fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) and Financial Services Authority Regulation Number 31/POJK.05/2016 of 2016 concerning Pawnshop Business. The main legal basis related to Sharia Pawnshops are:

1. DSN-MUI Fatwa No. 26/DSN-MUI/III/2002 on Rahn, which explains the rules of Islamic pawnshop. In this fatwa, several principles of sharia economic law that must be applied in Sharia Pawnshops include:

a. Principle of Usury Prohibition

Every transaction in Sharia Pawnshops must be free from the element of usury, which is prohibited in Islam. In Sharia Pawnshops, interest is not allowed, so that the Pawnshop's income comes from administrative fees or maintenance of pawned goods, not from additions to the principal loan.⁶

This concept aims to avoid exploitation of customers and create fairness in transactions.

b. Principle of Account Transparency

The agreement or agreement used in the Sharia Pawnshop must be clear and agreed upon by both parties. The contracts used, such as the rahn contract for pawning and the ijarah contract for the rental fee for storing goods, must be explained transparently to the customer so that there is no gharar (uncertainty) in the transaction.⁷ Principles of Justice and Maslahah:

Pegadaian Syariah must ensure that the transactions carried out provide benefits to both parties, both customers and institutions. The principle of *maslahah* (benefit) is an important foundation in Islamic economic law, where all transactions must provide fair benefits and not harm either party.

Based on the principles of Islamic economic law, Islamic pawnshop contracts are divided into 2, namely *Rahn Agreements* and *Ijarah Agreements*.

a. Rahn Agreement

Akad rahn (pawn) is a contract in which the customer submits valuables as collateral for the financing provided. And the goods that are pawned are halal and legal according to the law. This agreement is regulated in the fatwa of the National Sharia Council - Indonesian Ulema Council (DSN-MUI) No.25/DSN-MUI/III/2002.

b. Ijarah Akad

Ijarah agreement to pay the cost of maintaining the pawned goods.

2. Financial Services Authority Regulation Number 31/POJK.05/2016 of 2016 concerning Pawnshop Business

Financial Services Authority Regulation (POJK) Number 31/POJK.05/2016 of 2016 is an important legal basis that regulates the implementation of the

⁶ Adanan Murroh Nasution, "Pawn in the Perspective of Islamic Economic Law," *Yurisprudencia: Journal of Economic Law* Vol. 5 No. 2 (December, 2019) pp. 144.

⁷ Indonesian Ulema Council, "Fatwa No. 4 Year 2000 on Guidelines for Transactions in the Islamic Capital Market," 2000.

pawnshop business in Indonesia. This regulation was issued by OJK as a form of supervision and regulation of the pawnshop industry, both in the form of BUMN, private, and cooperatives, in order to create a healthy, transparent financial system, and protect consumer interests.

Prior to this POJK, pawnshop business activities were dominated by Perum Pegadaian as the only state-authorized entity. However, as the financial sector developed, many private players began to operate in similar fields without clear regulations. Therefore, POJK No. 31/2016 comes as an answer to the need for a more comprehensive and inclusive regulation.

Some important points in this regulation include:

- **Definition of Pawnshop Business:** A business that provides loans to the public with collateral in the form of movable goods, both conventional and based on sharia principles.
- **Licensing Obligations:** Every pawnshop business actor, including those that have been operating before this regulation comes into effect, is required to apply for a business license to OJK.
- **Minimum Capital:** This POJK sets a minimum paid-up capital limit for pawnshop businesses, which is Rp500 million for pawnshop companies operating within one district/city, and Rp2.5 billion for those serving across districts/cities.
- **Prudential Principles and Consumer Protection:** Pawnshop businesses must apply the principles of prudence, transparency, and consider the interests of customers, including in the management of collateral and the imposition of interest or fees.
- **Sharia Compliance:** For pawnshops that use sharia principles, this POJK requires supervision from a sharia supervisory board.

With the enactment of this POJK, OJK has the authority to supervise, impose administrative sanctions, and revoke business licenses if there are violations. This regulation is also a form of transformation of the non-bank financial sector to be more professional, accountable, and support financial inclusion in the community, especially the lower middle class who are the main users of pawnshop services.

- 4) Strategies carried out by sharia pawnshops:
 - a. Sharia Socialization and Education

In Sumbawa, there are still many people who do not know what Islamic pawnshops are, from the principles to the products. Therefore, Pegadaian Syariah in Sumbawa Regency actively socializes and educates the community, especially in rural areas, most of whom do not have a deep understanding of sharia products. This socialization is carried out through community activities, recitations, and seminars involving local religious leaders. For example, sharia pawnshops explain that they have a different system from conventional pawnshops or pawnshops that they have used so far.

This education is very important to increase public understanding of sharia principles. This is also in line with the principles of transparency and fairness of sharia economic law, by providing clear information, the public can make better decisions and avoid harmful practices. According to M. Syafi'i Antonio in his book "Islamic Bank: From Theory to Practice" (2001), it is written that education

is the key to improving Islamic financial literacy.⁸

b. Service Product Diversification

Pegadaian Syariah not only offers gold pawning services, but also provides products such as *gold savings, Hajj financing, and micro business financing*. These products are designed to meet the diverse needs of the community, whether for personal, religious, or small and medium business financing purposes. Helping the community's economy here means to help small business capital (MSMEs) for people in Sumbawa to get business capital without interest. Which makes it easier for them to develop their business. In addition, this is also a solution for people who have urgent needs, such as children's school fees or for treatment.

In addition, innovations in the products of Islamic pawnshops, such as offering loans to small businesses must remain based on sharia principles. which each product must be evaluated to ensure that there are no elements of *usury, ghararat or maysir*. This is important to do in order to maintain the integrity of the Islamic pawnshop itself. According to M. Syafi'i Antonio in "Islamic Bank: From Theory to Practice" (2001), it is said that product innovation in accordance with sharia principles can increase the competitiveness of Islamic financial institutions.⁶⁰

Then the promotion of Islamic pawnshop products must also be carried out in a way that is not misleading to the public. information about Islamic pawnshops must be conveyed accurately and according to sharia principles. this is also important for Islamic pawnshops to maintain public trust and ensure that transactions are carried out fairly. According to the National Sharia Council (DSN) Fatwa No. 25/DSN-MUI/III/2002 on Islamic pawnshops, promotions must reflect honesty and transparency."

c. Good Service

Good service quality strongly reflects the principle of justice in Islamic economic law. Well-trained and friendly staff will create a positive experience for customers, which in turn can increase customer loyalty (Kotler & Keller, 2016).⁶² Good service can also include handling customer complaints quickly and effectively. According to research by Busriadin and Arifin (2021), in "The Effect of Service Quality toward Customer Satisfaction in a Sharia Pawnshop", good service quality at Pegadaian Syariah will have a positive impact on customer satisfaction.

The results of the analysis of community responses show that the Sharia Pawnshop strategy has received a positive response due to conformity with Islamic values, transparency and friendly service. People feel comfortable and safe making transactions.

This positive response is also influenced by effective education and socialization, sharia product innovation and cooperation with third parties. However, lack of awareness about sharia products and network limitations remain a challenge.

Overall, the public welcomes Pegadaian Syariah's strategy and sees it as the right choice to fulfill financial needs in a sharia manner. Therefore, Pegadaian

⁸ Antonio. M. S., *Islamic Banking: From Theory to Practice*. (Jakarta: Gema Insani Press, 2001) pp.

Syariah must continue to improve education, innovation and service quality to strengthen its market position.

4. CONCLUSION

- a) Based on this research, Pegadaian Syariah in Sumbawa Regency has great potential to continue to grow along with the high demand for sharia-based financial services. Strategies such as socialization, product diversification, and transparent services have been implemented well, although they still face challenges in the form of low Islamic financial literacy, minimal use of digital media, and competition with Conventional Pawnshops. In general, the positive response from the community shows that Pegadaian Syariah services receive appreciation because they are in accordance with religious values, are easily accessible, and help the economic needs of the community. However, to increase its effectiveness, Pegadaian Syariah is advised to strengthen digitalization, increase the frequency of education, and develop products that are relevant to local needs such as education financing.
- b) that the practice of Sumbawa Unit Sharia Pawnshop has generally complied with the principles of sharia pawnshop based on sharia economic law, but still requires some improvement. The practice of Islamic pawnshops in the Sumbawa Unit Islamic Pawnshop is known to have not used the element of usury because it uses a profit-sharing and rental system, and has transparency and openness in transaction terms and conditions. In addition, consumer protection has also been adequate and uses collateral as a basis for loans, which is in accordance with the principles of Sharia economic law.

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