

SHARIA PAWNSHOPS AS AN ALTERNATIVE TO MEETING SOCIAL NEEDS SOCIOLOGICAL REVIEW

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Abstract

This research aims to find out how Sharia Pawnshops can be an alternative to meeting social needs, a sociological review. This research uses an empirical approach with descriptive qualitative methods. With the type of research study literature (Library Research). The result of this research is that Pegadaian is a form of non-bank financial institution intended for the wider community with middle to lower income who need funds immediately. These funds are used to finance certain needs. The use of Pegadaian Syariah as an alternative to meeting the needs of the community has a broad impact on various aspects of economic and social life. It assists the community in the fulfillment of their financial needs while adhering to Islamic sharia financial principles. The use of Islamic Pawnshops as an alternative to meeting the needs of the community has a number of significant impacts, including: the use of Islamic pawnshops helps individuals and families in the fulfillment of their financial needs. For SMEs that can use loans and financing, it creates jobs, and contributes to local economic growth. The use of Pegadaian Syariah can have social impacts such as reducing poverty levels, reducing economic inequality, and supporting social stability within communities.

Keywords: *Islamic Pawnshops, Social Needs, Fulfillment, Alternative*

1. INTRODUCTION

In this challenging modern era, meeting social needs is the main focus in efforts to create a more prosperous society. Amidst the complexity of social and economic issues, Islamic financial institutions such as Pegadaian Syariah are emerging as a significant alternative to meet financial and social needs, particularly among Muslim communities. In this context, the role of Sharia Pawnshops is not only limited to economic aspects, but also affects social dynamics, culture, and values in society.

Indonesia, with its large Muslim population, has great potential in the development of Islamic financial institutions such as Pegadaian Syariah as an adequate solution to meet social needs. The sharia principles underlying the operations of Pegadaian Syariah make it a financial tool that prioritizes justice, religious compliance, and ethics in finance. This creates an opportunity to explore the social impact of these financial services in the context of an increasingly complex and globalized society.

In the Indonesian economy, sharia pawns are known as financing institutions that can be used as an alternative source of funds. Sharia pawns as direct lending institutions under Perum Pegadaian, with the supervision of the Ministry of Finance and DSN-MUI, channel their funds on the basis of sharia pawn law, receive movable property guarantees. The requirements are light, simple procedures, and fast service as the hallmark of sharia pawn. (Sutedi, 2011)

In civil law article 1150 it is stated: Pawn is a right obtained by a person who owes a debt on a movable property. It is then delivered to him by a debtor or by another person on his behalf, and gives power to the debtor to take repayment of the goods, taking precedence over the other debtor.

With the exception of the cost of auctioning the item and the costs that have been incurred to save it after it has been mortgaged, which costs should come first.(Soemitra, 2010)

Pegadaian Syariah is one of the financial institutions operating in Indonesia and has a focus on Islamic financial principles. Sharia pawnshops in the perspective of Perum Pegadaian are here to answer the needs of pawn transactions in accordance with Sharia, for fast, practical, and reassuring funding solutions. The main task of pawnshops is to overcome so that people who are in need of money do not fall into the hands of loan sharks whose interest is relatively high.(Cashmere, 2010, p. 24) In the context of fulfilling social needs, Sharia Pawnshops have a significant role as an alternative to meet the various economic needs of the community, especially those who want to live their lives in accordance with the principles of sharia in Islam.

Based on this background, this study aims to introduce the context of the importance of this issue in society, how Sharia Pawnshops can be an alternative to meet the social needs of the community, viewed from a sociological perspective.

2. IMPLEMENTATION METHOD

In this study, researchers examined using an empirical approach with descriptive qualitative methods. The type of research is a literature study (Library Research) so that the source of information can be obtained by reading reviewing books, journals as well as from various sources that are closely related to the discussion studied. In collecting data, namely by collecting books, journals and other information related to the discussion. After the data is collected, the author analyzes it by analyzing the content (source).

3. RESULTS AND DISCUSSION

3.1 Sharia Pawnshops

The concept of pawn in Islam, known as *Rahn*, refers to an agreement to hold an item as security for a debt. Term *Rahn*, linguistically, means "to remain", "continuously", and "to hold". In the context of Islamic finance, this means making a valuable item according to sharia principles as collateral for debt, allowing the receipt of all or part of the debt.(Nasution, 2016)

Pawnshops, also known as *pawnshop*, is a non-bank financial institution serving low-income people in need of immediate funds. This fund is used to finance certain urgent needs, such as education costs at the beginning of the new school year, travel costs to visit affected families, medical expenses for sick family members, and expenses during the Eid al-Fitr holiday.(Mardani, 2015)

Sharia pawnshop is one of the sharia service units implemented by the Pegadaian Public Company (Perum), in addition to conventional service units. The establishment of this sharia service unit is based on a profit-sharing agreement between Bank Muamalat Indonesia (BMI) and Perum Pegadaian with the principle of musharakah. In Musharakah Rakah Agreement Number 446/SP300.233/2002 and Number 015/BMI/PKS/XII/2002. BMI as the capital owner provides funds to Perum Pegadaian for the establishment of Sharia Pegadaian throughout Indonesia and processes it. Meanwhile, revenue is divided into two, namely 45.5% for BMI and 54.5% for Perum Pegadaian Syariah.(Ali, 2016)

Sharia pawnshops operate based on the principles of Islamic law, including the Quran, hadith, and fatwas issued by the National Sharia Council of the Indonesian Ulema Council. Sharia pawn activities emerged as a new economic phenomenon after the issuance of Laws No.7/1992, No.10/1998, and No.21/2008 concerning Islamic banking. In response to these regulations, the National Sharia Council issued Fatwa No. 25/DSN-MUI/III/2002 on rahn and Fatwa No. 26/DSN-MUI/III/2002 on Golden Rahn (gold pawn).(Tarantang et al., 2019)

Gadai Syariah is one of the sharia service units implemented by BUMN Pegadaian. The establishment of this sharia service unit is based on a musharakah agreement with a profit-sharing

system between Pegadaian and Bank Muamalat Indonesia (BMI) to serve customers who want to take advantage of sharia principles. There are public demands for the establishment of sharia pawn institutions in the form of companies that truly apply Islamic sharia principles.

3.2 The Role of Sharia Pawnshops in Improving Community Economy

Sharia pawnshops, as one of the established forms of Islamic financial institutions in Indonesia, have grown into a significant alternative to meet the social needs of the Muslim community. In this context, Pegadaian provides a wide range of products and services that accommodate various financial needs within the framework of sharia. Sharia pawnshops are the right solution for meeting the lack of funds, meeting sudden needs and alternative financing.

Sharia pawns are basically a part of the financial system that plays an important role in providing financial services in a country's economy. Because sharia pawns are non-bank institutions and are not allowed to collect funds directly from the public in the form of deposits, this institution is only authorized to provide loans to customers. (Siamat, 2001)

The various contract models available in sharia pawns, especially productive ones such as rahn, mudharabah, ba'i muqayyadah, and musharakah, allow sharia pawns to stimulate the growth and development of small and medium enterprises. This, in turn, facilitates the growth of the real sector in a positive and rapid manner. It plays an important role in reducing unemployment and encouraging macro and microeconomic development at the national level. (Rais, 2005)

For low-income people and small entrepreneurs, the presence of financial institutions with widespread branches that can provide financing through simple methods tailored to their economic status and knowledge is essential.

Sharia pawnshops have made a great contribution and cooperate with the government in improving the economy, especially in terms of sharia-based products. Sharia pawn institutions have grown rapidly, and many societies have utilized them to solve their financial problems in a manner that is in accordance with Islamic law. Over time, the position of Islamic financial institutions in Sharia Pawns will improve.

Economic growth is significantly aided by the role of pawnshops, which are focused on supporting and meeting the needs of small communities. Pawn financing is the main function of this non-banking financial institution, which specializes in financing services. One of the main roles of financial institutions is financing, namely the provision of funding facilities to meet the needs of parties experiencing deficit units (Danupranata, 2013).

Individuals with low incomes and small business owners are in dire need of financial institutions that have multiple branch offices and can easily provide funding based on their qualifications and experience. In Indonesia, Sharia pawns are growing in popularity, and efforts are underway to boost the local economy. Increasing knowledge about the Sharia Pawn financial system is one of these efforts, because there are still many people who do not know about it. The community's economy can be affected by the lack of public awareness of Sharia Pawn financing.

The implementation of Sharia Pawn is an effort to meet the needs of the community, especially Muslims, who want to conduct credit transactions in accordance with Islamic law. As a result, in terms of charging fees, Sharia pawns are very different from conventional pawns. Sharia pawns charge custody, maintenance, security, and appraisal fees – all without including interest – whereas conventional pawns charge interest that accumulates and grows. Sharia pawns are cheaper and only need to be paid once. (Sutedi, 2011)

Dahlan Siamat claims that Sharia Pawn was created with the aim to institutionalize contemporary management techniques to benefit the market and society. Offering convenience,

speed, security, and a frugal mindset in lending is part of that. Thus, if Gadai Syariah Perum Pegadaian takes the motto "Overcoming Problems in accordance with Sharia". (Siamat, 2001)

In its development, Sharia Pawnshops play an important role in people's lives, especially the lower middle class. Given the limited financial resources experienced by small traders, there is a strong desire to obtain financial credit that is easily accessible and at an affordable price, with easy terms, straightforward procedures, and fast disbursement of funds. Sharia pawnshops exist as the right alternative to secure funds and meet financing needs to encourage business development and improve the economy, especially for micro, small and medium enterprises (MSMEs). The easy, user-friendly, and fast process ensures that funds can be obtained quickly to meet urgent needs. The services offered by Pegadaian Syariah are designed to meet customers' needs for short-term loans.

Based on the above, it can be concluded that Sharia Pawnshops are an important alternative in meeting the social needs of the Muslim community. In the context of Islamic finance principles and various products and services provided, Pegadaian Syariah provides solutions that are in accordance with religious and ethical beliefs, help increase financial inclusion, and play a role in community economic empowerment. With the growing understanding of Islamic finance, the role of Sharia Pawnshops in meeting the social needs of the community is increasingly important.

3.3 Impact of Sharia Pawnshops as an Alternative to Meeting Community Needs

The use of Sharia Pawnshops as an alternative to meeting the needs of the community has a number of significant impacts at the individual, family, community, and society as a whole level. These impacts include economic, social, and cultural aspects. Here is a detailed explanation of the impact of using Sharia Pawnshops:

1. In fulfilling financial needs, the use of Islamic pawnshops helps individuals and families in fulfilling their financial needs. Through loans secured by gold or other products, people can finance education, marriage, housing, and other urgent needs.
2. Sharia pawnshops play a role in community economic empowerment. This is particularly true for small and medium-sized enterprises (SMEs) that can use Pegadaian Syariah loans and financing to expand their businesses, create jobs, and contribute to local economic growth.
3. Sharia pawnshops can also serve as a source of education, gaining access to financing that is fair and in accordance with Islamic sharia principles. This is important because sharia principles prohibit riba (interest) and speculative transactions, so the use of Sharia pawnshops provides an ethical alternative.
4. The use of Sharia Pawnshops helps in increasing financial inclusion among people who previously did not have access to formal financial institutions. This opens the door to individuals who may be overlooked by the financial system.
5. People who use sharia pawnshop services can become more educated about the principles of Islamic finance, financial ethics, and how to manage their finances wisely.
6. The use of Sharia pawnshops can have broader social impacts, such as reducing poverty levels, reducing economic inequality, and supporting social stability within communities. This is because people who meet their financial needs have a lower likelihood of facing serious economic problems.
7. The use of Sharia Pawnshops can also increase social solidarity in the community. People who use these services may feel compelled to help others facing similar financial problems, thus creating a strong social network.

Thus, the use of Sharia Pawnshops as an alternative to meeting the needs of the community has a broad impact on various aspects of economic and social life. This helps people meet their financial needs while adhering to Islamic financial principles, which in turn improves the economic and social welfare of the community.

4. CONCLUSION

Non-bank financial organizations called pawnshops cater to the lower middle class in general as well as those who need quick cash. Certain needs, especially urgent ones, are financed with the help of these funds. In line with Sharia, Pegadaian provides a variety of goods and services to meet different financial needs.

In society, Sharia Pawn is quite important, especially for the lower middle class. With the existence of Sharia Pawn, small traders can easily access affordable loan funds with easy terms, straightforward procedures, and fast repayment because the capital is not too large. The emergence of Sharia Pawn as a substitute for meeting the needs of the community has a significant influence on a number of social and economic aspects. In accordance with the principles of Islamic finance, this helps people in meeting their financial needs.

The use of Sharia Pawnshops as an alternative to meeting the needs of the community has a number of significant impacts, including: The use of Sharia Pawnshops helps individuals and families in fulfilling their financial needs. Through loans, people can finance their immediate needs. For SMEs that can use loans and financing, create jobs, and contribute to local economic growth. The use of Sharia Pawnshops helps in increasing financial inclusion among the public. The use of Sharia pawnshops can have social impacts such as reducing poverty levels, reducing economic inequality, and supporting social stability within the community. The use of Sharia Pawnshops can also increase social solidarity in the community.

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