

## PUBLIC PERCEPTION OF PAWN SERVICES IN NON-BANK FINANCIAL INSTITUTIONS (CASE STUDY ON PEGADAIAN SYARIAH IN MEDAN CITY)

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**Abstract:** This research analyzes the community's perspective on pawn services at Pegadaian Syariah Medan City using descriptive qualitative methods. Data were collected through interviews, observation, and documentation. The results showed that the community chose Pegadaian Syariah because of the ease of process, transparency, and compliance with sharia principles. However, there are still obstacles in understanding the concept of sharia pawn due to lack of financial literacy. Islamic Pawnshops have the potential to become a sharia-based financial solution, but further education is needed to the community.

**Keywords:** Community perspective, sharia pawnshop, pawn service.

### Introduction

In the modern economic system, the existence of financial institutions plays an important role in supporting the economic activities of society. Financial institutions are divided into two main categories, namely bank financial institutions and non-bank financial institutions. Bank financial institutions, such as conventional banks and Islamic banks, have the main function of collecting and channeling public funds in the form of deposits and loans. (Wiwoho, 2014). Meanwhile, non-bank financial institutions (NBFIs) play a role in providing more flexible and inclusive financial services, especially for groups of people who do not have access to formal banking services. One of the fastest growing forms of NBFIs in Indonesia is Pegadaian, which offers financing services based on movable collateral such as gold, vehicles, and other assets. (Sulaeman et al., 2020).

Pawnshops, both conventional and sharia, have a strategic role in providing financial solutions for the community, especially for those who need quick funds to meet consumption needs or business capital. Sharia Pawnshops, as part of the Islamic financial system, are present by offering mechanisms that are in accordance with sharia principles, namely using the rahn (pawn) contract and avoiding the element of usury. The existence of Islamic Pawnshops is important in responding to the needs of the Muslim community who want to access financial services without violating Islamic principles. (Entaresmen & Chaniago, 2022).

According to research by (Febriyani et al., 2024) stated that although Pegadaian Syariah has grown significantly, there are still various problems related to public understanding and perception of this service. Many people still think that Sharia Pawnshops are not much different from conventional Pawnshops, so the level of trust and utilization of this service is still relatively low compared to other financial institutions.

Some of the problems that are often associated with Pegadaian Syariah services include:

#### 1. Lack of Sharia Financial Literacy

Many people do not deeply understand the differences between conventional pawnshops and Islamic pawnshops. The lack of socialization regarding the rahn contract and the difference

between *ujrah* (the cost of maintaining collateral) and interest in the conventional system is a major obstacle in increasing public awareness of the benefits of Sharia Pawnshops.

## 2. Low Level of Public Trust

Some people are still skeptical of Sharia Pawnshop services, especially in terms of transparency and economic benefits compared to conventional pawnshops. They consider that sharia services are just a label without any significant difference in practice.

## 3. Branch Accessibility and Availability

Although Islamic Pawnshops continue to grow, their reach is still limited compared to conventional Pawnshops. This causes people in certain areas to prefer conventional services because they are easier to reach. Lack of Product and Service Innovation Products offered by Pegadaian Syariah are still considered less varied compared to conventional services. Some people also feel that the procedures in Sharia Pawnshops are more complex, so they tend to choose conventional pawnshops which are considered more practical.

Reasearched by (Kholis, 2018) a case study at one of the pawnshop offices in Medan City, Pegadaian Syariah has become one of the main choices for people who need collateral-based financial services that are in accordance with sharia principles. However, the extent of public understanding and perception of this service has not been studied in depth. Some of the aspects that are of primary concern in this study are the factors that influence people's decision to choose Pegadaian Syariah services, the level of public understanding of its principles and operational mechanisms, and the main obstacles they face in utilizing this service. In addition, this research will also explore strategies that can be implemented to increase public understanding and participation in using Pegadaian Syariah more optimally.

One important factor that needs to be analyzed is the main reason why people choose Sharia Pawnshops. Is the decision based on religious considerations, or is it more influenced by other factors such as ease of process, more affordable service fees, or transparency in administrative procedures? This understanding is important to find out whether the religious aspect is the dominant factor in people's decisions, or whether there are other factors that are more influential in choosing Islamic pawn services compared to conventional pawnshops (Kholis, 2018).

In addition, this research also aims to find out the extent to which people understand the principles and mechanisms of Islamic Pawnshops. Do they really understand the difference between sharia pawning and conventional pawning, or do they only see it as an alternative without understanding the underlying sharia principles? A low understanding of sharia contracts, such as the *rahn* (pawn) contract and *ujrah* (fee for maintaining collateral), can be an obstacle in raising public awareness of the advantages of this sharia-based service (Maengkom, 2023).

This research will also identify the main barriers to the utilization of Sharia Pawnshop services. The barriers often encountered by the community include the accessibility of branches, administrative procedures that are considered more complicated compared to conventional pawnshops, as well as the lack of socialization regarding the concept and benefits of Pegadaian Syariah. Understanding these barriers will help in formulating strategies to increase Islamic financial inclusion in the community (Nengsih, 2023).

The results of this study are expected to provide greater insight into the dynamics of public perceptions of Islamic Pawnshops, as well as a basis for Islamic financial institutions in improving services, marketing strategies, and Islamic financial education to be more inclusive and in accordance with community needs. Thus, this research not only contributes to the development of theories related to Islamic financial inclusion, but also provides practical benefits for Pegadaian Syariah, regulators, and the wider community in understanding and utilizing Islamic financial services more effectively.

## Literature Review

### 1. The Concept of Pegadaian Syariah

Pegadaian is a non-bank financial institution that provides loan services with a collateral system for movable goods such as gold, vehicles, or other assets. (Khikam & Nisa, 2023). In the Islamic financial system, Islamic pawnshops operate on the principle of rahn (pawn) in accordance with sharia law. According to the Fatwa of the National Sharia Council (DSN-MUI) No. 25/DSN-MUI/III/2002, Islamic pawnshop is a debt guarantee contract with goods as collateral that can be used by the debtor if the borrower is unable to repay the loan at the agreed time (DSN-MUI, 2002). In practice, Islamic Pawnshops use a rahn contract to guarantee the validity of the transaction, as well as an ijarah (rental) contract as a form of payment for the maintenance services of the pawned goods.

Several previous studies have stated that Sharia Pawnshops have several advantages over conventional Pawnshops, including the absence of usury, more competitive fees, and legal certainty in Sharia-based transactions (Surepno, 2018). However, the level of public understanding of the sharia pawn mechanism still varies, which has an impact on the low penetration of this service compared to the conventional pawnshop system.

### 2. Public Perception of Pegadaian Syariah

Public perceptions of Islamic financial services, including Sharia Pawnshops, are influenced by several main factors, namely religious awareness, understanding of sharia principles, experience in transactions, and trust in Islamic financial institutions. (Rhomadoni & Khairan, 2022). A Reasearched by (Rhomadoni & Khairan, 2022) found that people tend to choose Pegadaian Syariah services not only because of religious factors, but also because of the transparency and ease of procedures offered.

Selain itu, penelitian oleh (Ifada, 2023) on public perceptions of gold pawning at Pegadaian Syariah Setia Budi Medan Branch shows that most customers choose Pegadaian Syariah because of the faster transaction process and less requirements compared to conventional pawnshops. However, the study also found that there are still misconceptions among the public regarding the rahn system and the main differences between Islamic and conventional pawning.

### 3. Barriers to Utilization of Pegadaian Syariah

Although Pegadaian Syariah has many advantages, there are several obstacles that cause people to be reluctant to use it. According to research by (Sinaga et al., 2024), some of the main barriers in the utilization of Sharia Pawnshops include:

#### a. Lack of Islamic financial literacy

Many people still do not understand the difference between sharia and conventional pawn systems, so they prefer the services they are already familiar with.

#### b. Limited accessibility of Pegadaian Syariah branches

Although the number of Sharia Pegadaian branches continues to grow, they are not as large as conventional Pegadaian branches, so people in certain areas still have difficulty accessing this service.

#### c. Administrative procedures that are considered more complex

Some people consider that the Sharia Pawnshop system has a longer administrative process compared to conventional pawnshops, despite the fact that the process is designed to ensure compliance with sharia principles.

#### d. Lack of promotion and socialization of services

Pegadaian Syariah is still less active in conducting socialization and promotion, so many people do not know in depth the benefits and working mechanisms of this service.

These obstacles indicate that there is still work to be done by Pegadaian Syariah to increase public understanding and interest in using sharia-based pawn services.

#### 4. Strategies to Increase Utilization of Sharia Pawnshops

Based on previous research, there are several strategies that can be implemented to increase the utilization of Islamic Pawnshops in the community, namely:

##### a. Increase Sharia Financial Literacy

Sharia Pawnshops need to be active in educating the public about the principle of rahn and the advantages of the Islamic pawn system through seminars, social media, and community-based financial literacy programs.

##### b. Improving Accessibility and Service Outreach

Opening new branches and collaborating with Islamic banks can help improve the affordability of Pegadaian Syariah services for people living in remote areas.

##### c. Simplification of Administrative Procedures

Although it must still comply with sharia principles, the administrative process of Pegadaian Syariah can be simplified to make it easier to understand and access by the wider community.

##### d. Enhanced Promotion and Public Campaigns

A more aggressive digital marketing strategy and education campaign can help increase public awareness of Pegadaian Syariah services and differentiate it from conventional pawnshops.

### Method

#### 1. Research Approach

This research uses a descriptive qualitative method, which aims to understand and analyze people's perceptions of Sharia Pawnshop services in Medan City. The qualitative approach was chosen because it allows researchers to explore in depth the factors that influence people's decision to use Pegadaian Syariah services, their understanding of the principles of sharia pawning, as well as the obstacles faced in utilizing this service (Sugiyono, 2021).

#### 2. Location and Research Subjects

This research was conducted at several branches of Pegadaian Syariah in Medan City, which were selected based on the level of service usage and the diversity of customer characteristics. The research subjects consisted of:

- 1) Pegadaian Syariah customers - who have used Islamic pawn services, to understand their motivations, experiences, and constraints.
- 2) Potential customers - people who have not yet used Pegadaian Syariah, to identify factors that influence their decision in choosing financial services.
- 3) Pegadaian Syariah employees - who play a role in providing services to the community, to understand how the Pegadaian Syariah system is run and the challenges in increasing the inclusion of Islamic services.

#### 3. Data Collection Techniques

To obtain valid and comprehensive data, this study used the following data collection techniques:

##### e. In-depth Interview

Interviews were conducted with customers, prospective customers, and employees of Pegadaian Syariah to directly understand their experiences, perceptions, and factors that influence their decisions in choosing or not choosing Pegadaian Syariah services. These interviews were conducted in a semi-structured manner, with a list of questions that had been

prepared but still provided flexibility for respondents to express their opinions more broadly (Sugiyono, 2021).

f. Direct Observation

Researchers conducted observations at several branches of Pegadaian Syariah in Medan City, to see how interactions between employees and customers take place, how service procedures are carried out, and how the facilities and accessibility of Pegadaian Syariah serve the community. This observation also aims to understand whether there are differences between Sharia Pawnshop services and conventional Pawnshops from an operational point of view.

g. Documentation Study

Documentation analysis is conducted by collecting and studying regulations related to Sharia Pawnshops, such as Fatwa DSN-MUI on rahn and ijarah contracts, as well as internal policies of Sharia Pawnshops in providing services. Documentation also includes annual reports of Pegadaian Syariah, articles, and previous research relevant to the research topic. (Usman, 2020).

4. Data Analysis Technique

The data collected in this study were analyzed using the thematic analysis method. (Sugiyono, 2021), which consists of several stages:

a. Data Reduction

The process of selecting, focusing, and simplifying data obtained from interviews, observations, and documentation studies. Irrelevant or repetitive information will be eliminated to make the analysis more focused.

b. Data Presentation

The data that has been reduced is presented in the form of descriptive narratives, tables, and thematic categories that illustrate the main findings in this study.

c. Drawing Conclusions

The results of data analysis are used to draw conclusions that answer research questions, as well as provide recommendations for Pegadaian Syariah in increasing the utilization of its services by the community.

5. Data Validity

To ensure the validity and reliability of the data in this study, the following techniques were used:

a. Source Triangulation

Comparing data from various sources (customers, prospective customers, employees) to ensure consistency of information.

b. Triangulation Technique

Using various data collection techniques (interviews, observations, and documentation) to gain a more comprehensive understanding.

c. Member Checking

Verifying the interview results back to the respondents to ensure that the interpretation of the data is in accordance with the intentions they want to convey.

## Result and Discussion

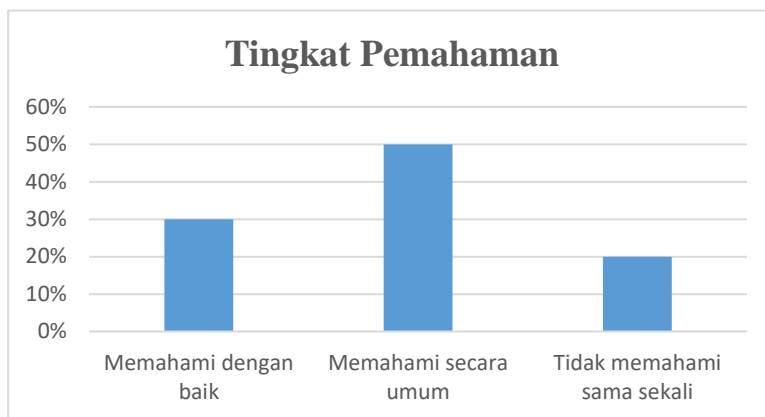
### 1. Research Results

Based on the results of interviews, observations, and documentation studies, several key findings were found related to public perceptions of Sharia Pawnshop services in Medan City. These findings include factors that influence people's decisions, their level of understanding of the

Islamic pawn system, barriers to service utilization, as well as strategies that can be applied to increase Islamic financial inclusion.

a. Public Understanding of Islamic Pawnshop

When asked about their understanding of the rahn (Islamic pawn) system and the contracts used in Islamic Pawnshops, it was found that most customers do not fully understand this concept.



Graph 1: Community understanding level

b. Obstacles in Utilizing Sharia Pawnshops

Based on interviews with customers and prospective customers, several main obstacles were found in using Pegadaian Syariah services:

Table 1. Obstacles Faced in Using Sharia Pawnshop Services

Barriers	Description
Lack of Socialization and Literacy of Islamic Finance	The public has not received much education about Pegadaian Syariah and its benefits compared to conventional services.
Limited Accessibility and Location	Not all areas have Sharia Pegadaian branches, so people prefer Conventional Pegadaian which is closer.
Poorly understood administrative process	Some customers feel that Pegadaian Syariah procedures are more complex because they have to understand sharia contracts.

2. Discussion

a. Decision Factors: (Religious vs. Ease of Process)

Based on the research results, it was found that religious factors are not the only reason why people choose Pegadaian Syariah. Although 35% of respondents stated that they chose this service because of sharia principles, 45% preferred it because of the ease of process and transparency of fees. This shows that the practical aspect is still the main consideration in people's decisions, which is in line with research by Hermawansyah (2018).

b. Lack of Sharia Financial Literacy

The findings regarding the low public understanding of the rahn system and the contracts used in Sharia Pawnshops indicate the need for increased socialization. This is in line with research by Meilinda Sari & Ilyda Sudardjat (2013) which states that many people still think

that Sharia and conventional pawnshops are not much different. Therefore, Sharia Pawnshops need to be more active in educating the public about the advantages and sharia principles that distinguish this service from Conventional Pawnshops.

c. Barriers to Accessibility and Branch Distribution

The accessibility factor is also a major obstacle in the utilization of Pegadaian Syariah services. As many as 35% of respondents stated that the location of Sharia Pegadaian is still limited compared to Conventional Pegadaian. This shows that expanding the branch network of Pegadaian Syariah can increase Islamic financial inclusion, especially in areas that do not yet have access to this service.

d. Strategies to Increase Community Participation

Based on the research findings, several strategies that can be implemented to increase the utilization of Sharia Pawnshops include:

- a) Increased Sharia Financial Education and Literacy
  - Pegadaian Syariah can organize seminars and training on the concept of rahn and sharia contracts.
  - Increase digital campaigns through social media so that more people understand the benefits of Pegadaian Syariah services.
- b) Branch Expansion and Service Digitalization
  - Open more branches in areas with high demand.
  - Develop digital-based Pegadaian Syariah services so that customers can access services online without having to come directly to the branch office.
- c) Simplification of Administrative Procedures
  - Simplify documentation and clarify procedures for using Pegadaian Syariah services.
  - Provide brief guidance on sharia contracts that are easily understood by the public.

**Conclusion**

This study aims to analyze people's perceptions of Sharia Pawnshop services in Medan City, focusing on the factors that influence people's decisions, their level of understanding of the concept of Sharia Pawnshop, and the barriers to utilizing this service. Using descriptive qualitative methods, data was collected through in-depth interviews, direct observation, and documentation studies.

The results show that people's decision to use Sharia Pawnshop is not only based on religious factors, but also practical aspects such as ease of process, cost transparency, and security of collateral. Nevertheless, Islamic financial literacy is still a major challenge, where most respondents only have a general understanding that Islamic Pawnshops are sharia-based, but do not fully understand the rahn contract and the fundamental differences with Conventional Pawnshops.

In addition, the study also found that service accessibility is a significant barrier, with the limited number of Sharia Pegadaian branches compared to Conventional Pegadaian. Other factors such as administrative processes that are considered more complex and the lack of service promotion also contribute to the low utilization of Islamic Pawnshops by the community.

Based on these findings, there are several recommendations that can be implemented to increase Islamic financial inclusion through Pegadaian Syariah in Medan City:

- 1) Improve sharia financial education and literacy through digital campaigns, seminars, and trainings that highlight the advantages of the sharia-based pawn system.
- 2) Expand service coverage by opening more Pegadaian Syariah branches, especially in areas that have high demand for this service.

- 3) Simplifying administrative procedures to make them more accessible to people who are less familiar with the concept of sharia contracts.
- 4) Improve marketing and promotion strategies, both through social media and direct approaches to potential customers, to expand the market reach of Pegadaian Syariah.

Overall, this study confirms that Pegadaian Syariah has great potential in providing sharia-based financial solutions, but still requires various strategies to increase public understanding and participation in utilizing this service. Therefore, collaboration between Islamic financial institutions, government, and academia is needed to strengthen Islamic financial inclusion in Indonesia.

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