



Legal Review of the Application of Sharia-Based Services in Pawnshops in Strengthening the National Economy

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Article	Abstract
<p>Keywords: Sharia Pawnbroking; Alternative Financing; National Economy; Microfinance ; Islamic Finance.</p> <p>Article History Received: 08/27/2025; Reviewed: 09/04/2025; Accepted: 09/11/2025; Published: 09/12/2025.</p>	<p>The Islamic financial system is a rapidly growing alternative in Indonesian society, where the majority of the population is Muslim. One of the financial instruments that plays an important role in supporting microfinance is Islamic pawnshops. This article aims to examine the legal application of the Islamic pawnshop system in Indonesia, both in terms of the regulations that govern it and its practical implementation in the field, as well as the obstacles encountered in its implementation. The approach used is a normative legal approach. This study discusses the implementation of the Islamic pawnshop system in supporting the national economy and the obstacles faced in its implementation. The results of the study show that Islamic Pawnshops have a positive legal basis and Islamic law, and play a strategic role in promoting financial inclusion and community economic empowerment through</p>

providing access to capital, financing based on rahn contracts, and providing financing products specifically designed for the needs of MSMEs. However, there are still challenges in terms of socialization, understanding of sharia contracts, and legal protection for consumers. Therefore, strengthening regulations and increasing literacy in sharia economic law are important aspects in supporting the sustainability of this system as part of national economic development.

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INTRODUCTION

A country's economy has a unique and complex structure. Indonesia's economy is dominated by micro, small, and medium enterprises, commonly known as MSMEs¹. The MSME sector is not only the backbone of the national economy, but also the most important instrument in efforts to distribute wealth and create jobs². This is supported by data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, which states that MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the total workforce in Indonesia⁽³⁾. The Indonesian economy is almost entirely held by the MSME sector, which is the driving force of the Indonesian economy, due to its dependence on the exchange rate of the rupiah against foreign currencies (4).

The process of sound economic development requires a strong commitment from several parties, including MSME players who act as key actors in efforts to increase the capacity of the digital economy in Indonesia⁵. MSMEs

¹ Entaresmen, R. A & Nuraini Chaniago. (2022). STRATEGIES AND PROSPECTS OF SHARIA Pawnshops FOR IMPROVING THE ECONOMIC OF MICRO, SMALL AND MEDIUM ENTERPRISES. *Media Ekonomi*, 30 (1), 57 -70.

² Soekanto, S. & Sri Mamudja. (2001). *Normative Legal Research (A Brief Review)*, Jakarta: Rajawali Pers, pp. 13 -14.

³Tarantang, J., Maulida Astuti, Annisa Awwaliyah, & Meidinah Munawaroh. (2019). *REGULATION AND IMPLEMENTATION OF SHARIA PAWNBROKING IN INDONESIA*. Yogyakarta: K-Media.

⁴Wignjosebroto, S. (2002). *Law: Paradigms, Methods, and Dynamics of Issues*. Jakarta, ELSAM and HUMA.

⁵ Adibah, A. N. & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. *Management and Education Journal*, 2 (2), 55-67.

has a very significant contribution, but often faces challenges related to structural problems, such as limited capital, access to financing, and limited access to markets and technology⁶. The most crucial and frequently occurring problem is related to financing from formal financial institutions due to limited collateral and credit risks that are considered high risk by banks⁷.

The MSME sector can be strengthened through inclusive legal and policy approaches, such as targeted approaches through the provision of sharia-based financing⁸. Examples include sharia financial institutions and sharia pawnshops. The sharia financial system is a growing solution for Muslims faced with religious diversity in Indonesia⁹. Some business actors believe that sharia financing is considered more equitable, inclusive, and in line with the characteristics of MSME actors in Indonesia, the majority of whom are Muslim. Thus, the integration of the sharia financial system in MSME empowerment can be an appropriate and progressive legal solution in promoting more significant national economic growth in accordance with Islamic law⁽¹⁰⁾. From this perspective, the sharia economy is considered a force that can bring prosperity to all levels of society, provide a sense of justice, and offer various commercial opportunities. Sharia financial institutions are part of the national financial system that applies Islamic legal principles, such as *'adl, maslahah*, and the prohibition of usury¹². Moreover, at the national level, Islamic financial institutions in Indonesia have a strong legal basis, as they are regulated by Law No. 21 of 2008 on Islamic Banking, Law No. 7 of 1992 Jo. Law No. 10 of 1998 concerning Banking, as well as the existence of the National Sharia Council - Indonesian Ulema Council (DSN-MUI) as a fatwa authority that provides legitimacy to sharia contracts used in financial products and services, reinforced by the Financial Services Authority (OJK) and Bank Indonesia as supervisors of the national financial system stability⁽¹³⁾. Financial institutions

⁶ Darma, S. P., Erni Susilawati Purba, Fitri Novi Yantu Munthe, et al. (2024). THE DEVELOPMENT OF SHARIA PAWNBROKING IN INDONESIA IN THE LAST 10 YEARS. *Journal of Integrated Multidisciplinary Research*, 8 (12), 163-169.

⁷ Faristania, R. A., Miswan Ansori, & Cahyaning Budi Utami. (2024). Analysis of the Role of Sharia Pawnshops in the Development of Micro, Small, and Medium Enterprises (MSMEs) in Jepara. *Journal of Islamic Economics Pelita Bangsa*, 9 (02), 255-268.

⁸ Lesmono, B. & Andri Soemitra. (2022). Literature Study of Sharia Pawnshops in Indonesia. *Islamic Economics Scientific Journal*, 8 (01), 599-606.

⁹ Mustamin, S. W., Jasri, & Widya Nur Indahsari. (2023). A Review of Customer Benefits and Satisfaction in Amanah Product of Pegadaian Syariah Makassar. *AL IQTISHADIIYAH: Journal of Sharia Economics and Sharia Economic Law*, 9 (2).

¹⁰ Mustania. (2022). Issues in Sharia Pawnbroking from an Islamic Law Perspective (Case Study at PT. Pegadaian Syariah Branch Hasanuddin Gowa). Master's (S2) thesis, Alauddin State Islamic University Makassar.

¹¹ Alda Naila Adibah & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. *Management and Education Journal*, 2 (2), 55-67.

¹² Mustamin, S.W. and Jasri, J. (2022) 'Analysis of the Influence of Quality Service and Promotion on Customer Interest Levels in Using Sharia Banking Services', *Islamic Economics Scientific Journal*, 8 (02), 1689-1698.

¹³ Pangestu, R. A., Muhammad Daffa Ardiansyah, & Nursabila Agustini. (2024). The Role of Sharia Pawnshops in Islamic Finance-Based Economic Development. *Ats-Tarwah*, 4 (2), 7-19.

Sharia is an alternative for people who consider religious financial systems. Through contract-based products such as *mudharabah*, *musyarakah*, *murabahah*, and *rahn*, it is able to support people who prioritize religious requirements, including MSME players⁽¹⁴⁾. The implementation of sharia pawnshops is also based on Islamic law, namely the Quran as the main guideline, supplemented by the Hadith of the Prophet, and perfected by the existence of *Ijma'* and *Qiyas*. Research related to the implementation of the Islamic pawnshop system in Indonesia is important to evaluate the effectiveness and adjustment of the implementation of Islamic economic principles in microfinance practices. As a financial instrument that plays a strategic role in expanding public access to sharia-based financing, sharia pawnshops offer financing services that are simple, fast, and in accordance with the principles of fairness and support for avoiding usury in Islam. Through this research, it is hoped that it can help deepen understanding related to the implementation and challenges faced in applying the practice of the Islamic pawnshop system in national economic development, especially for small businesses and the informal sector.

METHOD

This study uses a qualitative research method that combines a normative legal approach and a *socio-legal* or non-doctrinal research approach.¹⁵ The normative juridical approach focuses on analyzing the provisions of laws and regulations related to sharia pawnshops, while the *socio-legal* approach is used to analyze data and information related to the political dynamics of law that impact the existence and implementation of these regulations. According to Soerjono Soekanto, the normative legal approach is legal research conducted by examining reference materials or secondary data as a basis for research by conducting a search of regulations and literature related to the issues being studied.¹⁶ This research was conducted through a literature study that analyzed literature materials such as books, journals, articles, and information from

¹⁴Rosana, M. (2019). THE EXISTENCE OF SHARIA PAWNBROKING IN EFFORTS TO IMPROVE THE ECONOMY OF MICRO, SMALL AND MEDIUM ENTERPRISES. *AHKAM*, 7 (1), 65-90.

¹⁵ Soetandyo Wignjosoebroto. (2002). *Law: Paradigms, Methods, and Dynamics of Issues*. Jakarta, ELSAM and HUMA

¹⁶ Soerjono Soekanto & Sri Mamudja. (2001). *Normative Legal Research (A Brief Overview)*, Jakarta: Rajawali Pers, pp. 13-14.

the internet to obtain materials in the form of information related to sharia pawnshops¹⁷.

RESULTS AND DISCUSSION

Implementation of the Sharia Pawnshop System in Supporting the National Economy in the Context of Microfinance

The development of the Islamic financial system in Indonesia is related to the emergence of the Islamic pawnshop system, which was created in an effort to meet the community's need for financial services that do not deviate from Islamic teachings¹⁸. It began with PT Pegadaian Syariah, which sought to meet the needs of the Muslim community, the majority population in Indonesia, who needed a financial institution that did not apply interest or *usury*¹⁹. The *rahn* or pawn agreement in Islam is the basic concept of Islamic pawnbroking, with the systematic transfer of goods as collateral for debts that do not generate interest, but rather maintenance and administration costs in accordance with Islamic principles⁽²⁰⁾.

The legal basis for Islamic pawnshops can be viewed from two main perspectives, namely Positive Law and Islamic Law. In the context of positive law in Indonesia, Islamic pawnbroking is regulated in several regulations, namely Law Number 21 of 2008 concerning Islamic Banking and Law Number 7 of 1992 in conjunction with Law Number 10 of 1998 concerning Banking. Both regulate banking governance in Indonesia. However, the difference is that the Sharia Banking Law forms the basis for sharia financial institutions, including sharia pawnshops, because it contains sharia principles in financial business activities, while the Banking Law provides legal space for the development of non-sharia banking financial institutions⁽²¹⁾.

In addition, the legal basis for Islamic pawnshops in Indonesia has been refined with the issuance of Financial Services Authority Regulations (POJK). The operation of pawnshops is regulated in POJK Number 31/POJK.05/2024, which regulates pawnshops, including Islamic pawnshops.

¹⁷ Setyowati, R., Edy, S., Juariah, S., & Ainulyaqin, M. H. (2024). Development of Creative Economy of MSMEs Based on the Utilization of Natural Resources. *Lentera Pengabdian*, 2(01), 99-103.

¹⁸ Zhang, J. (2022). The impact of digital economy on the economic growth: Evidence and mechanisms. *Heliyon*, 8(7), e09900. <https://doi.org/10.1016/j.heliyon.2022.e09900>

¹⁹ Javaid, M., Haleem, A., Singh, R. P., & Sinha, A. K. (2024). Digital economy to improve the culture of Industry 4.0: A study on features, implementation and challenges. *Green Technology & Sustainability*, 2(2), 100083. <https://doi.org/10.1016/j.gts.2024.10.0083>

²⁰ Al-Zoubi, W. K. (2024). Economic development in the digital economy. *Economics*, 12(3), 53. <https://doi.org/10.3390/economics12030053>

²¹ Hou, M., et al. (2023). Digital economy, enterprise digital transformation, and firm performance: Evidence and discussion. In *Information Technology & People*. <https://doi.org/10.1080/13602381.2023.2241762>

to obtain a license and comply with the provisions of the implementation in accordance with sharia principles. Regulations regarding sharia pawnshops are supplemented by POJK Number 43/POJK.05/2019 concerning Amendments to POJK Number 31/POJK.05/2014 to strengthen the supervision and regulation of pawnshops, including reporting and sharia compliance ⁽²²⁾. The implementation of sharia pawnshops is inseparable from the existence of *rahn*, so that DSN-MUI Fatwa No. 25/DSN-MUI/III/2002 serves as the main reference for the operation of sharia pawnshops that carry out *rahn* (pawn) contracts, and DSN-MUI Fatwa Number 26/DSN-MUI/III/2002 concerning Rahn Emas specifically regulates gold pawn in accordance with sharia principles⁽²³⁾.

PT Pegadaian introduced sharia pawnbroking services for the first time in 2003 as a form of financial institution innovation with the hope of reaching the Islamic market segment that wants a concept that avoids *riba'* and supports sharia-based financial inclusion²⁴. The services provided by sharia pawnshops to Muslim customers include the provision of credit in the form of fund distribution through a pawn system, valuable item storage services, and valuable item appraisal services ⁽²⁵⁾. The presence of Sharia pawnshops has received a positive response among the Muslim community, as indicated by the increasing number of Sharia pawnshop customers from year to year ⁽²⁶⁾. With this large number of customers, Sharia pawnshops then formed a Sharia business division with the aim of managing and developing Sharia units to be more structured, leading to the creation of Sharia digital services through the Pegadaian Digital application ⁽²⁷⁾.

In Islamic law, pawnbroking is known as *rahn*, which is based on the Holy Quran in Surah Al-Baqarah 283 as the basic argument for the permissibility of pawnbroking in Islamic law ²⁸. Surah Al-Baqarah 283 reads, "*If you are traveling and cannot find a scribe, let there be a pledge held.*" The main argument for the permissibility of pawnbroking in Islam is reinforced by the hadith of the Prophet SAW, which reads, "*The Messenger of Allah SAW bought food from a Jew and pawned his armor to him.*" HR.

²² Entaresmen, R. A & Nuraini Chaniago. (2022). STRATEGIES AND PROSPECTS OF SHARIA PAWNBROKING FOR IMPROVING THE ECONOMY OF MICRO, SMALL AND MEDIUM ENTERPRISES. Media Ekonomi, 30 (1), 57 -70.

²³ Soekanto, S. & Sri Mamudja. (2001). Normative Legal Research (A Brief Review), Jakarta: Rajawali Pers, pp. 13 -14.

²⁴ Shi, Y. (2022). Digital economy: Development and future. Bulletin of the Chinese Academy of Sciences, 37(1), 11–25. <https://bulletinofcas.researchcommons.org/journal/vol37/iss1/11/>

²⁵ Tarantang, J., Maulida Astuti, Annisa Awwaliyah, & Meidinah Munawaroh. (2019). REGULATION AND IMPLEMENTATION OF SHARIA Pawnshops IN INDONESIA. Yogyakarta: K-Media.

²⁶ Wignjosebroto, S. (2002). Law: Paradigms, Methods, and Dynamics of Issues. Jakarta, ELSAM and HUMA.

²⁷ Adibah, A. N. & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. Management and Education Journal, 2 (2), 55-67.

²⁸ Al-Zoubi, W. K. (2024). Economic development in the digital economy. Economies, 12(3), 53. <https://doi.org/10.3390/economies12030053>

Bukhari and Muslim. It indirectly explains that it is permissible to pawn goods for necessities and is considered valid because the Prophet Muhammad SAW did so. The practice of pawning is also considered permissible, supported by *the consensus of scholars* on the permissibility of *rahn*, the use of which is extended through analogy (*qiyas*) to various modern needs, including the pawning of gold, vehicles, or electronic goods²⁹.

The position of sharia pawnshops as sharia microfinance institutions in Indonesia supports government policies in empowering the economy of the people and provides an alternative means of financing that is safe and in accordance with Islamic law, especially for the lower- middle class, including MSME entrepreneurs³⁰. The implementation of Islamic pawnshops in microfinance involves several stages and applies strict Islamic principles⁽³¹⁾. This is also a concrete manifestation of the role of Islamic financial institutions in providing financial inclusion support to small and medium-sized communities and micro-businesses⁽³²⁾.

The *rahn* or pawn agreement is a mechanism applied in Islamic pawnshops as a form of collateral for loans³³. Islamic pawnshops do not charge interest on financing but use a system of charging maintenance fees for pawned items or *ujrah* and administrative fees agreed upon by the customer and the pawnbroker³⁴. In addition, several other contracts are used, such as *qardh*, which is an interest-free loan combined with a *rahn* contract; *Ijarah*, which is a lease for services or goods in certain services such as goods storage; and *murabahah* or *Ijarah Muntahiyah bit Tamlik (IMBT)*, which is used in the financing of capital goods such as vehicles or business equipment⁽³⁵⁾.

The stages of microfinance through sharia pawnshops are carried out in several stages, namely financing application, collateral appraisal, sharia contract, fund disbursement, and repayment and return of goods. First, customers who want to pawn their goods come to the sharia pawnshop service unit with their goods as collateral.

²⁹ Alda Naila Adibah & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. *Management and Education Journal*, 2 (2), 55 -67.

³⁰ Darma, S. P., Erni Susilawati Purba, Fitri Novi Yantu Munthe, et al. (2024). THE DEVELOPMENT OF SHARIA PAWNBROKING IN INDONESIA OVER THE LAST 10 YEARS. *Journal of Integrated Multidisciplinary Research*, 8 (12), 163-169.

³¹ Faristania, R. A., Miswan Ansori, & Cahyaning Budi Utami. (2024). Analysis of the Role of Sharia Pawnshops in the Development of Micro, Small and Medium Enterprises (MSMEs) in Jepara. *Pelita Bangsa Sharia Economics Journal*, 9 (02), 255-268.

³² Javaid, M., Haleem, A., Singh, R. P., & Sinha, A. K. (2024). Digital economy to improve the culture of Industry 4.0: A study on features, implementation, and challenges. *Green Technology & Sustainability*, 2(2), 100083. <https://doi.org/10.1016/j.gts.2024.100083>

³³ Lesmono, B. & Andri Soemitra. (2022). Literature Study of Sharia Pawnbroking in Indonesia. *Islamic Economics Scientific Journal*, 8 (01), 599-606.

³⁴ Mustamin, S. W., Jasri, & Widya Nur Indahsari. (2023). A Review of Customer Benefits and Satisfaction in Amanah Product of Sharia Pawnbroking Makassar. *AL IQTISHADIIYAH: Journal of Sharia Economics and Sharia Economic Law*, 9 (2).

³⁵Mustania. (2022). Problems of Sharia Pawnshops from an Islamic Law Perspective (Case Study at PT. Pegadaian Syariah Hasanuddin Gowa Branch). Master's (S2) thesis, Alauddin State Islamic University Makassar.

The items brought in are generally high in value because they will affect the collateral value. Then the officer will estimate the price of the items to be used as collateral ³⁶. The result of the estimate determines the maximum financing that can be provided, generally ranging from 85-90% of the total value of the items ³⁷. After the customer and the pawnshop agree on the rahn and qardh contracts, the amount of ujah and administrative fees will be explained transparently and agreed upon by both parties (³⁸). Then, the agreement document is signed by both parties without coercion from any party, including the repayment period. Then, the microfinance funds are disbursed in cash/non-cash. Customers can repay the loan according to the agreed term. Upon repayment, customers are obliged to retrieve their goods in their original condition (³⁹).

Microfinance at sharia pawnshops is characterized by being fast, easy, interest-free, flexible, safe, and reliable. These characteristics have successfully reached segments of society that have never had direct contact with banks or are still *unbanked*, and support the microeconomic cycle by providing access with satisfying characteristics. This implementation plays an important role in supporting government programs such as empowering MSMEs, reducing poverty, and strengthening a people-based economy in line with the expectations of the community (⁴⁰).

Sharia pawnshops make a significant contribution to an inclusive, equitable, and sustainable national economy through various means such as microfinance, increasing financial inclusion, empowering MSMEs, and strengthening the sharia-based economy⁴¹.

a. Promoting Sharia-Based Financial Inclusion

Sharia pawnshops play an important role in increasing financial inclusion by providing access to financial services for previously underserved communities

³⁶ Mustamin, S.W. and Jasri, J. (2022) 'Analysis of the Influence of Quality Service and Promotion on Customer Interest in Using Sharia Banking Services', *Journal of Islamic Economics*, 8 (02), 1689–1698.

³⁷ Pangestu, R. A., Muhammad Daffa Ardiansyah, & Nursabila Agustin. (2024). The Role of Sharia Pawnshops in Islamic Finance-Based Economic Development Based on Islamic Finance. *Ats-Tarwah*, 4 (2), 7–19.

³⁸ Rosana, M. (2019). THE EXISTENCE OF ISLAMIC PAWNBROKING IN EFFORTS TO IMPROVE THE ECONOMY OF MICRO, SMALL MEDIUM ENTERPRISES. *AHKAM*, 7 (1), 65-90.

³⁹ Setyowati, R., Edy, S., Juariah, S., & Ainulyaqin, M. H. (2024). Development of Creative Economy for MSMEs Based on the Utilization of Natural Resources. *Lentera Pengabdian*, 2(01), 99-103.

⁴⁰ Zhang, J. (2022). The impact of the digital economy on economic growth: Evidence and mechanisms. *Heliyon*, 8(7), e09900. <https://doi.org/10.1016/j.heliyon.2022.e09900>

⁴¹ Adibah, A. N. & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. *Management and Education Journal*, 2 (2), 55-67.

by the conventional financial system.⁴² Sharia pawnshops provide good services by facilitating people who live in remote areas and have low economic conditions. Some people in areas who cannot access conventional banks and have low incomes, such as small traders, farmers, farm workers, daily laborers, and micro-business owners, can take advantage of these sharia financial institutions. In 2023, based on a report from pawnshops, more than 5 million active Islamic pawnshop customers are people with low incomes and MSME players. With the existence of Islamic pawnshops, 1,000 outlets have been established in various regions, including remote areas

The compliance of transactions with Islamic law, through rahn, qardh, and ijarah contracts, has increased the interest of the Muslim community in using these services because they are in line with the wishes of the Muslim community regarding riba, gharar, and maisir. These services are very different from those provided by conventional banks, making them attractive to the community, especially Muslims who want halal financial transactions.

b. Support for MSME Empowerment

The existence of MSMEs is the backbone of the Indonesian economy, as MSMEs account for more than 97% of the workforce and contribute 60% of the national GDP. Support for MSME empowerment is provided in the form of business capital financing, such as Arrum Emas, Arrum BPKB, and Amanah products, which are designed to help micro-entrepreneurs obtain working capital without complicated procedures and without interest. This proves that the existence of sharia pawnshops can help strengthen the local economy by providing financing to MSMEs and other economic sectors. The capital obtained will help address the economic gap between urban and rural areas and will indirectly help improve the welfare of the community as a whole through the creation of jobs, increased production, and increased income in the community⁽⁴⁵⁾.

c. Stimulating Economic Growth Through Micro Fund Circulation

⁴² R Ali Pangestu, Muhammad Daffa Ardiansyah, & Nursabila Agustin. (2024). The Role of Sharia Pawnshops in the Development of an Islamic Finance-Based Economy . *Ats-Tarwah*, 4 (2), 7-19.

⁴³ Al-Zoubi, W. K. (2024). Economic development in the digital economy. *Economies*, 12(3), 53. <https://doi.org/10.3390/economies12030053>

⁴⁴ Alda Naila Adibah & Achmad Zakariya. (2024). Analysis of Economic Improvement Through the Development of Sharia Economic Resources Towards Sustainable Welfare in Indonesia. *Management and Education Journal*, 2 (2), 55-67.

⁴⁵ Darma, S. P., Erni Susilawati Purba, Fitri Novi Yantu Munthe, et al. (2024). THE DEVELOPMENT OF SHARIA Pawnshops IN INDONESIA IN THE LAST 10 YEARS. *Journal of Integrated Multidisciplinary Research*, 8 (12), 163-169.

The turnover of funds in Islamic pawnshops is fairly rapid, as loans are short-term, ranging from only 2-4 months. Each fund disbursed drives consumption and production at the micro level, which directly affects the increase in the national GDP of the informal sector. Fair and easy financing helps reduce the losses of the poor⁴⁶.

d. Strategic Partners of the Government in National Economic Development

Increased GDP affects sustainable economic development in Indonesia. Indirectly, infrastructure will develop, sustainable agriculture will be realized, renewable energy and green industries will be maintained. In addition, sharia pawnshops also have a role in implementing national programs, such as the National Economic Recovery Program (PEN), Sharia KUR, and MSME Digitalization. Sharia pawnshops also implement social functions through corporate social responsibility programs such as providing educational scholarships, business capital assistance, and sharia financial literacy training⁽⁴⁷⁾.

Sharia pawnshops have a strategic role in encouraging the growth of MSMEs in Indonesia. Efforts to encourage MSME growth can be done by providing easy, fast access to capital in accordance with the basic principles of sharia pawnshop law. One of these is through *rahn* (pawn) based financing, where MSME players can pledge valuable items to obtain cash without having to sell their assets. In addition, Sharia pawnshops provide various financing products specifically designed for the needs of MSMEs, such as pawn with gold or vehicle registration certificate (BPKB) collateral, working capital financing for business actors, and Sharia micro financing with a flexible scheme. These products provide flexibility and convenience for business actors in managing *their cash flow*.

Sharia pawnshops are also active in empowering MSMEs through entrepreneurship training, sharia financial literacy education, and business assistance in collaboration with government agencies, cooperatives, and training institutions. Sharia pawnshops build strategic partnerships with sharia banks, local governments, and digital platforms to expand their service reach and facilitate the marketing of MSME products. Efforts that

⁴⁶ Faristania, R. A., Miswan Ansori, & Cahyaning Budi Utami. (2024). Analysis of the Role of Sharia Pawnshops in the Development of Micro, Small and Medium Enterprises (MSMEs) in Jepara. *Pelita Bangsa Sharia Economics Journal*, 9 (02), 255-268.

⁴⁷ Javaid, M., Haleem, A., Singh, R. P., & Sinha, A. K. (2024). Digital economy to improve the culture of Industry 4.0: A study on features, implementation and challenges. *Green Technology & Sustainability*, 2(2), 100083. <https://doi.org/10.1016/j.gts.2024.10.0083>

⁴⁸ Lesmono, B. & Andri Soemitra. (2022). Literature Study on Sharia Pawnbroking in Indonesia. *Islamic Economics Scientific Journal*, 8 (01), 599-606.

Sharia pawnshops are carried out by reaching out to business actors in areas that have not been touched by conventional financial services. Sharia pawnshops contribute to financial inclusion and economic equality. All services and programs are carried out without using the *riba* system. They apply the principles of justice, transparency, and mutual assistance in accordance with Islamic law. This makes Islamic pawnbroking one of the important drivers in empowering the economy of the people and strengthening the MSME sector in a sustainable manner ⁽⁴⁹⁾.

Sharia pawnshops play a multidimensional role in the national economy and national development efforts, namely economic, social, and spiritual. These characteristics are realized because sharia pawnshops support the growth of micro businesses and rapid real economic turnover, expand financial access, protect the community from financing pressures that trigger exploitation, and provide financial services that are spiritual in nature in accordance with Islamic teachings. Through the sharia microfinance approach, sharia pawnshops are not only an alternative financial institution but also a strategy for inclusive and sustainable national economic development for the continuity of national economic development in Indonesia ⁽⁵⁰⁾.

Challenges Faced in Implementing Sharia-Based Services in Pawnshops

The implementation of sharia-based services in pawnshops has many benefits and provides several conveniences for the community. However, every implementation that has many benefits is not immune to several problems in the form of obstacles in its application. The large population of Indonesia, which is almost 285 million people with varying levels of human resource quality, is one of the obstacles in the implementation of sharia-based pawnshop services.

1. Competent Human Resources Are Still Limited

Competent human resources are essential in implementing the latest services offered by various institutions, especially since these services have never existed before. The opinions of human resources greatly influence the implementation of these latest services. This includes sharia-based services with principles

⁴⁹ Mustamin, S. W., Jasri, & Widya Nur Indahsari. (2023). A Review of Customer Benefits and Satisfaction in Amanah Product of Pegadaian Syariah Makassar. *AL IQTISHADIAH: Journal of Sharia Economics and Sharia Economic Law*, 9 (2).

⁵⁰ Mustania. (2022). Problematics of Sharia Pawnshops in the Perspective of Islamic Law (Case Study at PT. Pegadaian Syariah Hasanuddin Gowa Branch). Master's (S2) thesis, Alauddin State Islamic University Makassar.

Islamic economic principles are still unfamiliar to the public. Many people come from a conventional banking background, so they do not have a deep understanding of Sharia contracts such as rahn, ijarah, and mudharabah.

In practice, the institution also recruits employees for Islamic pawnshops, requiring competent human resources to provide the best services in accordance with Islamic contracts. This can be further addressed by providing training on Islamic principles. However, in practice, this is still very limited, with too many training sessions being theoretical without in-depth practical experience in the field. This affects the quality of service and public trust in the sharia services offered. In addition, many employees in sharia pawnshops still provide services that are not very friendly and sensitive to customer needs, causing a decline in public trust in sharia-based services.

2. Low Public Literacy about Sharia Pawnshops

The literacy rate in Indonesian society is still relatively low, which affects the implementation of sharia pawnshop services. People still find it difficult to distinguish between conventional pawnshops and sharia pawnshops. Most people assume that there is no difference between the two, believing that it is only a matter of promotion and that there is no difference in practice. The lack of socialization and education from pawnshops has resulted in sharia services not yet becoming the main option for the community. Most people as customers choose sharia services not because of the sharia contracts applied, but because of the need for a location that suits their area. This shows that sharia values have not become an attraction in themselves to draw the attention of the public.

3. Regulations and Product Standardization That Are Not Yet Appropriate

Regulatory and product standardization challenges for sharia-based services at pawnshops remain unstable. Some of the products offered still have a similar structure to conventional products, causing customers to hesitate in choosing sharia services. Supervision by the Sharia Supervisory Board (DPS) has also not been fully implemented, especially in remote areas. The lack of comprehensive standardization of sharia products has led to inconsistencies in the application of contracts, margins, and procedures.

4. Technology and Information That Are Not Yet Integrated

Difficulties in data management, reporting, and operational efficiency in several units have not been maximized. Some units still collect data manually or semi-digitally, making them prone to administrative errors and inaccurate reports. This is because the information system used in pawnshop services is not yet integrated. Sharia pawnshops lag behind other sharia financial institutions in terms of technology implementation. This hinders efforts to improve the efficiency and competitiveness of sharia pawnshop services in this digital era.

5. Lack of Sharia Product Innovation

One important factor in the marketing of Islamic institutions to attract many people is the innovation of the products offered. This is an important factor in retaining and attracting customers. However, in reality, the products offered by Islamic pawnshops tend to be stagnant and have not developed in line with the times by prioritizing the needs of the community. The lack of market research and limited understanding of fiqh muamalah are obstacles in the effort to develop new products that are both sharia-compliant and competitive. The public is more interested in conventional pawnshops because they offer services with more diverse features and programs.

One of the significant obstacles in implementing sharia-based services in pawnshops is the lack of awareness among leaders to commit to a proper understanding of the principles of sharia. Many leaders or managers still come from conventional institutions, so they do not fully understand the basic concepts of sharia economics and do not know the basic concepts of sharia economics and understand the differences between conventional and sharia financial systems.

These obstacles have led to sharia services being viewed as institutions that only offer products, rather than services that implement systems based on Islam. As a result, the implementation of sharia contracts such as rahn, ijarah, and wakalah is often seen as a formality and not in accordance with the essence of sharia law. In addition, low commitment to sharia compliance is also evident in managerial decisions that prioritize efficiency and profit over the principle of prudence in sharia.

Some cases, such as the Fatwa-DSN-MUI case, are not even used as the main reference in product development. The lack of DPS involvement in strategic policy-making also reinforces the indication of weak management awareness of the importance of sharia service differentiation. As a result, this will lead to a decline in public trust in the authenticity and halal status of the products offered by sharia pawnshops, which in turn may ultimately hamper the growth and sustainability of these sharia business units.

CONCLUSION

Sharia pawnshops are an alternative microfinance product that provides easy access and upholds the principles of fairness and blessing in transactions in accordance with sharia contracts. Rahn and ijarah services are the answer to the needs of micro and small business owners without having to resort to usury. This is also a solution amid the government's efforts to strengthen the people's economy. Sharia pawnshops play an important role as drivers of an inclusive micro-economy based on Islamic sharia values. Although they often face a number of challenges in their implementation, with literacy, policy support, and continuous service innovation, these sharia pawnshops have the potential to become an important pillar for building community economic resilience, accompanied by support for overall national economic growth.

However, the implementation of Sharia-based services in pawnshops still often faces a number of legal, structural, and operational obstacles. These obstacles include a lack of understanding and commitment to Sharia principles among leaders, limited competent human resources, and suboptimal Sharia regulations and supervision. In addition, sharia economic literacy among the public is still low. The implementation of these services must be guaranteed in accordance with the principles of legal certainty and sharia compliance, requiring the strengthening of regulations, institutional capacity building, and continuous public education.

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