

Sharia Pawnshops and Its Role for Community Resilience in the days of Covid-19 Pandemic: Evidence from Indonesia and Malaysia

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Abstract. *In this modern era especially during pandemic (Covid-19), we found that most of country in the world facing economic crisis include Indonesia and Malaysia. One of institution which was growing in both country is Pawnshop and it's develop and promoting the Islamic economy especially during pandemic (Covid-19). One of the alternatives for this economic crisis issue especially during pandemic is doing Rahn transaction to get speedy cash and at the same time. This study aims to analyze the differences between pawnshop in Indonesia and Malaysia. This study used qualitative description method with an approach to library research (literature review). The qualitative method is used to analyze the instrument or products which provided by pawnshops. Result of this study are both pawnshops have a goal and want to become the most valuable financial company by following and or meet the community needs. Indonesia's pawnshop and Malaysia's pawnshop provide different product. Malaysia's pawnshop product just serviced only gold, but Indonesia's pawnshop more various such as gold, hajj installment, and vehicle mortgage/credit and etc.*

Keywords: *Sharia Pawnshop, Pawnshop Product, Rahn, Community Resilience, Covid-19.*

Abstrak. *Di era modern saat ini khususnya selama pandemic (Covid-19), kita menemukan bahwa sebagian besar Negara didunia menghadapi krisis ekonomi termasuk Indonesia dan Malaysia. Salah satu institusi atau lembaga yang terus berkembang di kedua Negara tersebut Pegadaian and lembaga ini berkembang dan mempromosikan ekonomi islam khususnya selama pandemic (Covid-19). Salah satu solusi untuk mengatasi krisis perekonomian selama pandemic adalah dengan melaksanakan transaksi berupa Gadai untuk memperoleh uang secara cepat dan di waktu yang bersamaan. Penelitian ini bertujuan untuk menganalisis perbedaan Antara pegadaian di Indonesia dan Malaysia. Penelitian ini menggunakan metode deskriptif kualitatif dengan pendekatan kepustakaan. Metode kualitatif digunakan untuk menganalisis instrument atau produk yang di sediakan oleh lembaga Pegadaian. Hasil penelitian ini menunjukkan bahwa kedua lembaga pegadaian memiliki tujuan yang sama dan ingin menjadi perusahaan finansial yang paling bernilai dengan cara mengikuti dan atau memenuhi kebutuhan masyarakat. Pegadaian Indonesia dan Pegadaian Malaysia menawarkan produk yang berbeda. Pegadaian Malaysia hanya menyediakan produk berupa Emas, akan tetapi Pegadaian Indonesia sangat bervariasi seperti Emas, Pembiayaan Haji, Cicilan Kendaraan and sebagainya.*

Kata Kunci: *Pegadaian Syariah, Produk Pegadaian, Rahn, Ketahanan Masyarakat, Covid-19.*

Introduction

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Malaysia and Indonesia are two neighboring countries that share the same background from various aspects such as history and culture, as well as from multi-cultural, multi-ethnic, and multi-religious aspects. In terms of the majority population, the two countries also have something in common in which Islam is a religion that is widely practiced by the population. One of the implications of the dominance of Islam in these two countries is the development and promotion of the Islamic economy, especially from the Islamic banking sector, which is relatively advanced and growing (Muhammadi et al., 2021). One of institution which was growing in both countries is Pawnshop.

In this modern era especially during pandemic (Covid-19), we found that most of country in the world facing economic crisis include Indonesia and Malaysia. Based on the yearly report data which published by Indonesia Pawnshop and Malaysia Pawnshop on official website shown that during pandemic, a lot of community both country do *Rahn* transaction as Pawner/Debitor. It caused during pandemic, most of them are terminated by the company (jobless) until End of 2020. So, most of them have no income during pandemic. One of the alternative for this economic crisis issue especially during pandemic is doing *Rahn* transaction to get speedy cash and at the same time.

The practice of pawning or commonly familiar with the *rahn* contract is mostly carried out by individuals to meet their needs and help each other in need, by providing a guarantee to get money so they can be trusted or dependents if the one who pawns the goods cannot pay off the debt.

Since it (pawnshop) was first built and learn from economic crisis and to avoid the bad or worst scenario in the future, sharia pawnshops become good business profile, continuously increasing transaction values and additional total units in various regions in Indonesia and Malaysia which indicate that sharia pawnshops can carry out their duties as financial institutions that provide financial assistance to the people. On the other hand, the existence of a sharia pawnshop provides positive participation and

influence on the people as well. Both Indonesia and Malaysia Pawnshop have different product which was provided to carrying out the costumer, based on above description and explanation the researches want to compare product which was provided by Pawnshop Indonesia and Pawnshop Malaysia.

Literature Review

This study used theoretical thinking obtained by literature review as follow:

A. Definition of *Rahn*

Definition of *Rahn* according to language is taken from the Arabic word (*rahana*) which means 'to pawn' or 'pawned'. It also means placing certain goods or property as a pledge or a collateral which may be reimbursed if the debtor is unable to pay off the loan. Meanwhile, according to term is an Islamic financial transaction which provides financial aid and cash facility to the public but not for profit (Hussin et al., 2016).

B. Historical view of Pawnshop

On 1746, the history of the pawnshop was started when VOC established Van Leening Bank as a financial institution that offered loans using pawning system. And then, on 1811 Van Leening was dissolved in 1811. British Government took over and dissolved Van Leening Bank, people were given the authority to establish pawning business. After that, initiated in Sukabumi in 1901 the first State Pawnshop was established in Sukabumi (West Java) on April 1st 1901, and "Pegadaian" as an official institution "JAWATAN" on 1905.

On 1961, the form of corporation changed from "JAWATAN" to "PN" based on Government Regulation in lieu of Law No.19 year 1960 jo. Government Regulation No. 178 year 1961. On 1969, the form of corporation changed from "PN" to "PERJAN" based on Government Regulation No.7 year 1969. And then, the form of corporation changed from "PERJAN" to

“PERUM” based on Government Regulation No. 10 year 1990 that was updated with Government Regulation No.103 year 2000 on 1990. Last but not least, on 2012 the form of corporation changed from “PERUM” to “PERSERO” on April 1st, 2012 based on Government Regulation No. 51 year 2011.

In Malaysia, the activities of pawnshop in Malaysia prior to the 1990s were still regulated solely by the 1972 Mortgage Tax Deed, which was later amended in 1982 and 2003. The first Islamic pawnshop was established by the Terengganu State Government by the name *Muassasah Gadaian Islam Terengganu* (MGIT). The establishment of MGIT provided an alternative to get speedy cash and at the same time adhere to method which are considered halal by the sharia regulation (Cheong & Sharif, 2008).

C. Foundation of *Rahn*

1. Al-qur'an

The legitimacy of *al-rahn* has been clearly stated in al-Quran and the prophetic tradition. *Al-rahn* is not only been discussed in the Islamic jurisprudence books but also in other discipline of knowledge such as Islamic theology and Islamic history. *Al-Rahn* is in binding except with reception of the object. It cannot be Arabic means withholding or holding back. It derives from conducted other than by a person who is free, the word in Quran, means:

“And those who believe and whose families follow them in Faith, - to them shall we join their families: Nor shall we deprive them (of the fruit) of aught of their works: (Yet) is each individual in pledge for his deeds” [al-Thuur: 21].

Al-Rahn is also mentioned in the following Quran that means:

“If you are on a journey and cannot find a scribe, a pledge with possession (may serve the purpose). And if one of you deposits a thing on trust with another, Let the trustee (Faithfully) discharge His trust and let him fear his Lord. Conceal not evidence; for whoever conceals it,- His heart is tainted with sin. And Allah Knoweth all that ye do” [al-Baqarah: 283].

2. Hadith

The foundations regarding *Al-Rahnu* are mentioned in the hadith. The prophet Muhammad (p.b.u.h) narrated that:

“A riding animals is used in return for its expenses if it is pledged; and milk is drunk in the return for its expenses, if (the animal) is pledge. He who rides the animal or drinks the milk has to pay expenses”

And also A'ishah narrated that:

“The prophet Muhammad (p.b.u.h.) bought some food (on credit) from a Jew, and he pawned his iron shield to him” [Sahih Bukhari, Hadith].

D. Al-Rahn Contract

Basically, the sharia pawnshop have contract which are (Surepno, 2018): *rahn* contract (akad rahn) and *ijarah* contract (akad ijarah). *Rahn* contract involves an “akad” contract between the owner of the goods and the person responsible for safekeeping the goods in order to preserve them from any damage, loss and other calamities. Shortly is holding the creditor property as pledge or collateral for the loan he received. Debt is able take all or half it receivables. With this contract, pawnshop holding is the movable goods as pledge or collateral for costumer debts.

The *al-Ijarah* concept concerns the rent or wages concerning an ‘akad’ or contract to provide benefits as in usage benefits or service benefits with a stipulated price or fee means transferring the right of use for the goods and or service of rental payment, without taking over the ownership of the goods.

E. Al-Rahn Pillars

Rahn pillars are required to fulfill the *Rahn* transactions which are (Mirandani, 2020):

1. *Al-Rahin*: Person who do *rahn* transaction (creditor/pawner). Creditor or pawner must be in a fit condition means a person who do not receive special treatment (stress) is not allowed;

2. *Al-Murtahin*: Person who receive *rahn* transaction. Same like *Rahin*, Debtor must be in a fit condition means person who do not receive special treatment (stress) is not allowed;
3. *Al-Marhun*: Goods as pledge or a collateral means not all goods able to use as *Marhun*, the goods must be have (economic) value. And must available the time of *Rahn* transaction is conducted.
4. *Al-Marhun Bih*: Debt must be returned and possible to paid by *Marhun* or Pawner.

F. Al-Rahn Benefits

Al-Rahn or Pawnshop has benefit even for customer and company, which are (Becker et al., 2015):

1. For Customer

Benefit for customer is availability of funds with relatively simpler procedures and in a faster time compared to banking financing/credit. In addition also benefit from assessing the value of a moving item is more professional, safe and trustworthy.

2. For Company

Benefit for company are:

- a) Income based on capital rent paid by pawner or creditor;
- b) Income based on service which was paid from the customer;
- c) Possible to reach the company vision and mission easily.

Method

This study use qualitative description with an approach to library research (literature review). The qualitative method is used to analyze the instrument or products which provided by pawnshops. This research focuses on the differences product which provided by pawnshops in Indonesia and Malaysia.

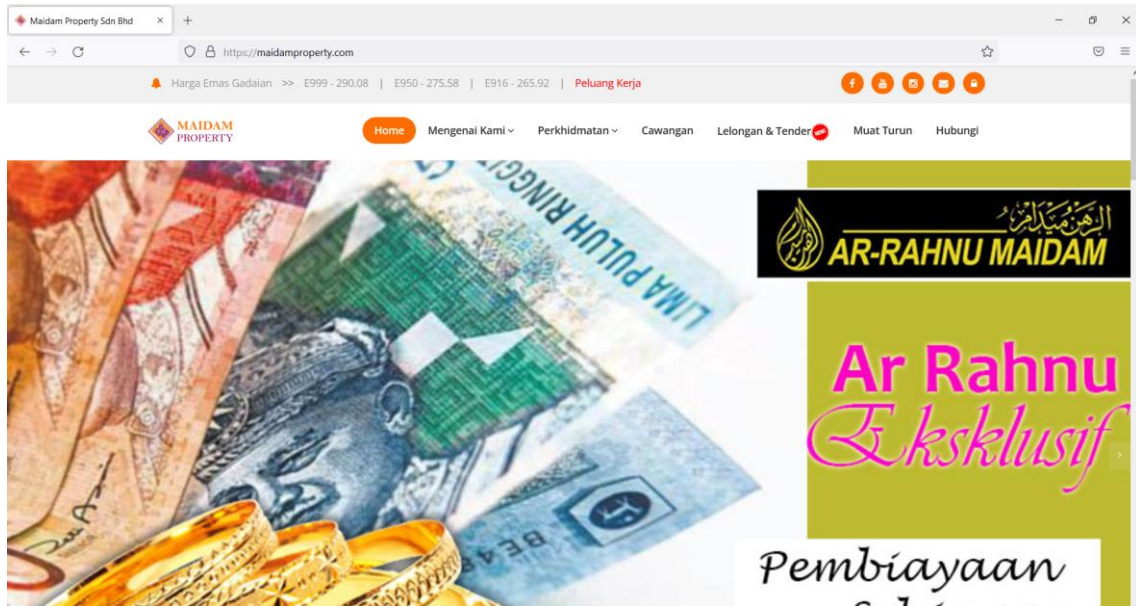
In this research, data was received from official website which are: <https://pegadaiansyariah.co.id/web/>;
<https://pawnshop.com.my/?lang=ms> and <https://maidamproperty.com/>.
Due to limited information especially for Malaysia pawnshop, researcher use two official website and here are the official website home page layout.



Picture 1. Home page of Islamic Pawnshop of Indonesia



Picture 2. Home page of Islamic Pawnshop of Malaysia (1)



Picture 3. Home page of Islamic Pawnshop of Malaysia (2)

The final results obtained in this study by using qualitative approach are descriptive conclusion and it's not use statistical calculation, means only describe research data. And this study used library research to know the differences product which was provided by pawnshop in Indonesia and Malaysia.

Results and Discussion

A. Pawnshop Goals

Every institution have a goals, this goals called as vision or mission. Even these pawnshops are built to help the community, but both pawnshops have a specific vision and mission to be reached. Vision and mission pawnshop of both country are shown on official website as below:

Vision of Indonesia's pawnshop is to become the most valuable financial company in Indonesia and the main preference of the community for financial inclusion agent.

Mission of Indonesia's pawnshops are:

1. Providing optimum benefit and profit for all stakeholders by improving the core business;
2. Building a more diverse business by developing new businesses to add value proposition to customers and stakeholders;
3. Providing service excellence with a focus on customers:
 - a) More simple and digital business process;
 - b) Reliable and advanced Information & Technology
 - c) Robust risk management practices;
 - d) Professional HR with good work culture.

Vision and mission of Malaysia's pawnshop are below:

1. In times of economic deterioration and stagnant salaries, many middle-income wage earners and executives find themselves turning to us to fill in any income shortfalls;
2. The objective is to offer customers, our valued customer, with the highest standard of service in the industry;
3. Guarantee to loan the most on any item and pay the highest for your valuables;
4. Provide a quick and hassle-free way of trading valuables for cash;
5. The pawn shop industry in Malaysia is subject to strict regulations and it is our responsibility to ensure the security and safety of your valuables;
6. Provide 24-hour security monitoring, equipped with a state-of-the-art alarm system and a secure location to store your valuables. We also provide pawnbroker insurance such that we are fully insured.

Based on above information, it can be concluded that both pawnshop want to become the most valuable financial company by following and or meet the community needs (Pasigai, 2009). Pasigai 2009 said that in this globalization era, where the level of business competition is very keen, then

every company should pay attention to one aspect that is vital in the management of the company is the field of marketing to get the costumers interest. By using concepts and marketing strategies to engage in business activities, it is hoped the company could face competition as well as to business success for the company concerned. In the end, the company or institution goals can be reached.

B. Pawnshop Product

The marketing strategies are one of way to win a sustainable competitive advantage both for companies that produces goods or services. The marketing strategies can use as a basic in order to preparing of the companies planning. As views from the problems which are exists in the company. So it is necessary to comprehensive plans to be used as guideline of the segments company in carrying out its activities, the other reasons that demonstrates the importance of marketing strategy is increasingly tough competition the company in general (Wibowo et al., 2015).

To keep the existence in this industry, the institution or company has to follow customer needs and provide the solution for community problem. Pawnshop in Indonesia and Malaysia has done for research about customer needs and community problem. Both community of Indonesia and Malaysia are facing different problem and have different needs, so the solution also different. Based on this, the pawnshops solve this problem by providing solution called as product. Product which was providing by the pawnshop as below:

Table 1. Comparison between pawnshop products

Islamic Pawnshop	
Indonesia	Malaysia
<i>Rahn</i>	
Gold	Gold
Gold Installment	Gold Installment
Hajj	
Hasan	

Flexi Business	
Non-Rahn	
Vehicle Installment Sharia Business Loan Pawn for Certificate	
Invest	
Gold Installment Gold Saving	Gold Installment Gold Saving
Other Product	
Remittance Pawn Online Multi Payment	

* Source: <https://pegadaiansyariah.co.id/web/>
<https://pawnshop.com.my/>
<https://maidamproperty.com>

Data shown that Indonesia's pawnshop products are more various than Malaysia's pawnshop products. Pawnshop product of Indonesia divided into four category which are *Rahn* (Gold, Gold installment, Hajj Installment, Hasan, Flexi and Business), *Non-Rahn* (Vehicle Installment, Sharia Business Load and Pawn for Certificate), Invest (Gold Installment and Gold Saving) and other product (Remittance Pawn and Online Multi Payment). Meanwhile, Malaysia pawnshop only provided two products such as *Rahn* (Gold and Gold Installment) and Invest (Gold installment and gold saving).

The differences product of both pawnshop caused the community needs of both country are different. Community needs is affected by income. On the other hand, based on IMF data as of April 2019 before pandemic (Covid-19) started, Malaysia's GDP per capita is much higher than Indonesia's. In Malaysia, the average resident has an income US \$ 11,390 per year or IDR. 162.56 million. Meanwhile, Indonesia's per capita income was recorded at US \$ 4,120 or around IDR. 58.8 million Per year.

Silvia and Susanti (2019) research shown that there is a significant effect between the current period income, income of the previous period, the current period consumption, the consumption of the previous period and current period interest together to word saving (Silvia & Susanti, 2019). It

means higher income have higher possibility for saving. So, the side effect if facing pandemic same as pandemic Covid-19 can be reduced.

Conclusion

Malaysia and Indonesia are two neighboring countries that share the same background from various aspects such as history and culture, as well as from multi-cultural, multi-ethnic, and multi-religious aspects. One of institution which was growing in both country is Pawnshop and it's develop and promoting the Islamic economy especially during pandemic (Covid-19). One of the alternative for this economic crisis issue especially during pandemic is doing *Rahn* transaction to get speedy cash and at the same time.

Pawnshop or *Rahn* is an Islamic financial transaction which provides financial aid and cash facility to the public but not for profit. Both pawnshop have a goal and want to become the most valuable financial company by following and or meet the community needs. Indonesia's pawnshop and Malaysia's pawnshop provide different product. Malaysia's pawnshop product only gold, but Indonesia's pawnshop more various products such as gold, hajj installment, vehicle mortgage/credit and etc.

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