



The Potential of Sharia Pawnshops in Promoting Financing of Micro, Small and Medium Enterprises (UMKM) in South Sulawesi

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Abstract

This study aims to find out how the potential of sharia pawnshops in encouraging the financing of Micro, Small and Medium Enterprises (MSMEs). The type of research used is a qualitative research method. The processed data is the result of interviews with sharia pawnshop employees in South Sulawesi. Data collection methods in this study are interviews, observation, Documentation Studies in which the authors go directly to see the conditions in the field. The results of this study indicate that the advantages of Islamic pawnshops in financing the MSME sector are: government owned, credit insurance, the process is easy, min three working days, guidance to customers but there are some things that need to be considered for MSME actors, namely they cannot take financing at sharia pawnshops when their business does not yet have a business license from the government and also there is no bookkeeping of the business being run so that the sharia pawnshop has difficulty in providing capital to MSMEs.

1. Introduction

MSMEs (Micro, Small, and Medium Enterprises) are a business sector with great potential to support economic development at the micro level. However, this sector faces various challenges, both internal and external. According to David (2009), internal factors hindering the growth of MSMEs include aspects of human resources, finance, technical and operational issues, as well as market and marketing challenges. Meanwhile, external factors hindering the development of MSMEs, according to Sandra and Purwanto (2015), include government policies, social, cultural, and economic aspects, as well as the role of related institutions.

The economic crisis that Indonesia has experienced since 1998 has led to an increase in the number of poor people, especially in urban areas. According to BPS (2020) data, the Open Unemployment Rate (TPT) in August 2022 reached 7.07%, showing an increase of 1.84% compared to August 2019. This means that if the unemployment problem cannot be resolved, the number of poor people will continue to rise. Therefore, support from Islamic financial institutions is needed, as they play a crucial role in bridging the working capital needs of MSME

actors to reduce inequality and poverty, especially in urban areas. Many people are still capable of working in more decent jobs.

The financing access barriers for MSMEs from financial institutions have been addressed by Bank Indonesia through BI Regulation No. 14/22/2012, whereby MSMEs receive technical assistance and financing/loans of at least 20% of the total credit/financing disbursed by commercial banks since 2018. Economic problems occurring in various places can be solved through an Islamic economic approach.

With the rapid development of information and communication technology, the challenge faced by MSME actors is the ability to adapt to these technological advancements. In this era, it is no longer possible to have minimal knowledge of technology. In addition to business capital, information and communication technology is one of the main supports in business development, where MSMEs can communicate quickly, increase productivity, create new business opportunities, and connect with global networks internationally.

One advantage of financing products in Islamic pawnshops that attracts customers is that financing for the MSME sector in Islamic



pawnshops is more beneficial compared to conventional financial institutions. This is due to the absence of an interest system in Islamic pawnshops. Efforts and support from all stakeholders are needed to make Islamic pawnshops the primary choice in financial transactions.

Considering that Indonesia is one of the countries with a majority Muslim population, many MSMEs are still unable to apply Islamic economics in their businesses. As a country with a majority Muslim population, Indonesia should be a pioneer and a reference in the development of Islamic finance globally (Nugroho and Tamala, 2018). The application of Islamic principles is what distinguishes Islamic financial institutions from conventional financial institutions. In terms of business financing, Islamic pawnshops only finance halal activities or businesses, unlike conventional banks that do not prioritize the halal or haram aspect of the business being financed.

Therefore, after explaining the various challenges presented, the author is interested in conducting a study titled "Internal Potential of Islamic Pawnshops in Encouraging MSME Financing in South Sulawesi."

2. Literature Review

2.1 Understanding Potency

Potency originates from the Latin word "potential," which means ability. According to the Indonesian Encyclopedia (1997), potency refers to abilities that have the possibility of being developed. It is described as a vast resource that may not be known or fully utilized at the time a person is born into this world. Potency consists of capabilities that are yet to be unlocked, stored power that remains untouched, and hidden talents that have not yet been used. In other words, potential represents the ability or strength that can either be innate or developed through training and experience (Abi Hafiz, 2013). The Indonesian dictionary (KBBI, 2013) further defines potential as the ability, strength, and capacity that can be developed.

Various interpretations of potency provide us with a better understanding of its nature. Potency is power that an individual or group possesses but has not yet been fully utilized. This understanding has led researchers to explore the potential of Sharia pawnshops in promoting MSME financing, with the aim of maximizing the untapped potential of these institutions for future development. Sharia pawnshops in Indonesia hold great potential for growth. However, for this to be realized, efforts must be made to optimize education and socialization about Sharia pawnshops so that the Muslim population, which numbers around 231 million, will be more inclined to become customers of these institutions.

In terms of identifying potential, Fuad Nashori (2003) explains that it involves activities aimed at gathering information through effective classification methods. Potency can be categorized into two types: (a) physical potential, which includes abilities related to physical attributes such as appearance, sensory capabilities, and other visible characteristics, and (b) non-physical potential, which includes intellectual abilities, social intelligence, and emotional intelligence.

2.2 Sharia Pawnshops

A pawnshop is a type of financial institution, not categorized as a bank, that serves individuals with low to middle incomes who require quick access to funds (Pramudya, 2019). These funds are often used to cover urgent needs, such as education fees at the start of the school year, expenses for visiting family members affected by a disaster, medical treatment costs for sick family members, and holiday preparations for Eid al-Fitr. More importantly, pawnshops play a significant role in providing funds for the development of MSMEs (Micro, Small, and Medium Enterprises). In Islamic jurisprudence (fiqh), a pawn transaction is referred to as *ar-rahn*. *Ar-rahn* is a type of agreement in which goods are held as collateral for debt obligations. In Arabic, the term *rahn* means something that is permanent, enduring, and guaranteed.



In Indonesia's positive law, *rahn* is referred to as a secured asset, collateral, or deferred payment. In Islam, *rahn* is a means of offering assistance to fellow Muslims without any expectation of compensation. In more specific terms, pawning refers to the process of surrendering a certain amount of assets as collateral, which can be reclaimed once the debt is repaid.

The legal definition of a pawn, as stated in Article 1150 of the Indonesian Civil Code, is the right acquired by a creditor over a movable asset submitted as collateral. The debtor, or a third party on the debtor's behalf, submits the movable asset to the creditor, who holds it until the debt is repaid. This makes the legal term for pawn (*rahn*) in Islamic law synonymous with secured goods, collateral, and deferred payments in positive law.

The definition of *rahn* according to various Islamic schools of thought is as follows:

- According to the Shafi'i school, *rahn* involves using something that can be sold as collateral for a debt, and the price of the collateral is used to fulfill the debt if the borrower is unable to pay.
- The Hanbali school defines *rahn* as a trust made from the sale of an asset, which serves as security for a debt to be fulfilled in case the borrower cannot repay the debt.
- According to the Maliki school, *rahn* refers to valuable assets (*mutamawwal*) taken from their owner to serve as a fixed security for a debt.
- The Hanafi school defines *rahn* as making an asset collateral to ensure the right to collect a debt, whether partially or entirely.

The legal basis for Sharia-compliant pawnshops (*rahn*) is categorized into several sections according to Islamic law:

The foundation of Sharia pawnshops is deeply rooted in Islamic law, specifically the Quran and Hadith. One of the Quranic verses that addresses the concept of collateral in financial transactions is:

وَأِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهَانٌ مَّقْبُوضَةٌ ۖ فَإِنْ أَمِنَ بَعْضُكُمْ بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمَانَتَهُ وَلْيَتَّقِ اللَّهَ رَبَّهُ ۗ وَلَا

تَكْتُمُوا الشَّهَادَةَ ۗ وَمَنْ يَكْتُمْهَا فَإِنَّهُ آثِمٌ قَلْبُهُ ۗ وَاللَّهُ بِمَا تَعْمَلُونَ عَلِيمٌ

Translation: "And if you are on a journey and cannot find a scribe, then let there be a pledge taken. But if one of you entrusts another, let him who is entrusted discharge his trust faithfully, and let him fear Allah, his Lord. And do not conceal testimony, for whoever conceals it, his heart is sinful. And Allah is Knowing of what you do." (QS. Al-Baqarah/2: 283)

Additionally, the practice of pawning items is supported by Hadith, as seen in the following narration: "The Messenger of Allah once bought food from a Jew by deferring payment, then he handed over his armor as collateral." (HR. Muslim)

Conditions and Elements of Pawn Contracts

In Islamic law, pawn contracts consist of several important elements:

- **Murtahin** (Recipient of Pawn): The party receiving the collateral.
- **Rahin** (Giver of Pawn): The party providing the collateral.
- **Pledged Asset:** The asset or property being pawned.
- **Debt:** The amount of money borrowed or obligation secured by the pawn.
- **Contract (Aqad):** The agreement that governs the transaction.

a. Types of Pawn Contracts

According to Zaenuddin Ali (2016), several contracts are used in Sharia-compliant pawnshop mechanisms:

- **Al-Qardu Al-Hasan Agreement:** This contract involves the rahin (pawn giver) receiving a loan with no additional cost except for administrative fees. The pawned asset is provided as collateral, and the murtahin (pawn recipient) is responsible for safeguarding the pawned goods.
- **Al-Mudarabah Agreement:** In this contract, the rahin can use the borrowed funds to increase business capital. The profits are shared with the murtahin according to an agreed-upon ratio, and the contract lasts until the borrowed capital is repaid.



- **Ba'i Al-Muqayyadah Agreement:** This contract allows the pawned asset to be used for productive purposes, such as acquiring working capital. The customer must provide the asset as collateral, and it can be utilized by either party as agreed.

b. Objectives of Sharia Pawnshops

Sharia pawnshops have several key objectives:

- **Supporting Government Policies:** They aim to help implement government policies in economic development and national progress through the distribution of loans based on pawn laws.
- **Preventing Debt Exploitation:** Sharia pawnshops aim to prevent practices like debt bondage, illegal pawnshop operations, and unreasonable lending practices.
- **Promoting Interest-Free Loans:** These pawnshops provide interest-free loans, offering a social safety net for people who need urgent funds, helping them avoid interest-based loans.
- **Facilitating Easy Access to Loans:** Sharia pawnshops offer simpler loan terms, making it easier for people to access the financing they need without complicated processes or predatory terms.

2.2 Definition Financing

According to Kashmir (2008), financing is the provision of money or equivalent bills based on an agreement between a bank and another party, obligating the funded party to repay the money or bill after a specified period, along with rewards or results. In the context of sharia pawnshops, this distribution of funds is referred to as financing. Sharia pawnshop financing can be categorized based on Sharia principles, including sales, profit-sharing, and leasing. This type of financing is crucial as it is integral to obtaining benefits while safeguarding the security of customer funds.

According to Law No. 7 of 1992, financing is defined as the provision of money or bills, or their equivalents, based on an agreement between the bank and another party, obligating the borrower to repay the debt after a specified

period with added interest, rewards, or results. From this understanding, we can conclude that financing involves the provision of funds from an institution to parties in need, based on a mutual agreement to return the funds at a predetermined time with rewards or results.

The fundamental difference between financing from conventional banks and that provided by sharia banks lies in the expected profit; conventional banks derive profits from interest, while Islamic banks obtain profits through rewards or results (Kasmir, 2002). Financing can generally be differentiated into two categories: macro and micro. Macro financing aims to enhance the economy by ensuring the availability of funds for development efforts, improving productivity, creating new job opportunities, and facilitating income distribution. In contrast, micro financing focuses on maximizing profits, minimizing risks, utilizing economic resources, and distributing excess funds (Muhammad, 2005).

Additionally, financing plays a direct role in sharia pawnshops by providing funds to individuals for managing specific business operations, which in turn increases the effective use of money, improves money circulation, generates enthusiasm for business, stabilizes the economy, and serves as a tool for international economic connections. The types of financing described by Adiwarman A. Karim (2008) include:

- **Sharia Working Capital Financing:** This refers to the basic working capital that supports the daily operations of a company, enabling it to function smoothly.
- **Sharia Investment Financing:** This involves investing funds to obtain future rewards or benefits.
- **Sharia Consumptive Financing:** This type of financing is intended for personal objectives outside of business needs.
- **Financing Syndication:** This refers to funding provided by multiple banking institutions for specific financing purposes.
- **Financing Based on Take Over:** This arises from the takeover of non-sharia transactions



initiated at the request of sharia banks by customers.

- **Financing Letter of Credit:** This funding facilitates import and export transactions for customers.
- This structured approach highlights the various aspects of financing in sharia pawnshops and the distinctions between conventional and Islamic banking practices.

2.4 Understanding Micro, Small and Medium Enterprises (MSMEs)

In Indonesia, the definition of Micro, Small, and Medium Enterprises (MSMEs) is regulated by Law No. 20 of 2008 concerning MSMEs. According to Article 1 of this law, MSMEs are defined as productive businesses owned by individuals or business entities that meet specific criteria. Tulus TH (2009) describes small businesses as economically viable enterprises operated by individuals that are neither subsidiaries nor branches of larger businesses. Furthermore, Rudjito (2003) emphasizes the significant role of MSMEs in Indonesia's economy, both in terms of employment generated and the number of businesses established.

MSMEs are self-standing productive business units operated by individuals or entities across all economic sectors. The distinctions between Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB) are primarily based on factors such as initial assets (excluding land and buildings), average annual turnover, and the number of employees (Sincere Tambunan, 2012). The overarching goal is to achieve a strong and independent MSME sector, characterized by high competitiveness and active participation in the production and distribution of essential goods, quality materials, and capital to withstand free-market competition.

According to Law No. 20 of 2008, MSMEs are classified as follows:

- a. Micro Businesses:** These are productive enterprises owned by individuals or entities that meet the following criteria:
- Maximum net worth of IDR 50,000,000 (excluding land and buildings).
 - Annual sales revenue of up to IDR 300,000,000.

b. Small Businesses: These are productive economic enterprises operated by individuals or entities that are not subsidiaries or branches of larger companies, meeting the criteria:

- Net worth ranging from IDR 50,000,000 to IDR 500,000,000 (excluding land and buildings).
- Annual sales revenue of more than IDR 300,000,000, but not exceeding IDR 2,500,000,000.

c. Medium Businesses: These are productive economic enterprises operated by individuals or entities that are not subsidiaries or branches of larger companies, meeting the criteria:

- Net worth ranging from IDR 500,000,000 to IDR 10,000,000,000 (excluding land and buildings).
- Annual sales revenue of more than IDR 2,500,000,000, but not exceeding IDR 50,000,000,000.

In general, MSMEs are characterized by their production of goods and services using locally sourced materials, skills, and traditional craftsmanship. From a developmental perspective, MSMEs represent the largest group of businesses and have demonstrated resilience during various economic crises. Therefore, there is a need for support and strengthening of MSME groups by various stakeholders to facilitate the development process.

According to Ade Resalawati (2011), MSMEs can be classified into the following categories:

- **Livelihood Activities:** These MSMEs are primarily engaged in informal sector activities, serving as a source of income for individuals. An example includes street vendors.
- **Micro Enterprises:** These are characterized by craftsmanship but may lack entrepreneurial attributes.
- **Small Dynamic Enterprises:** These MSMEs exhibit entrepreneurial spirit and have the capacity to engage in subcontracting and export activities.
- **Fast Moving Enterprises:** These MSMEs possess entrepreneurial characteristics and are on the path to transforming into larger businesses.
- This classification underscores the diversity within the MSME sector and highlights the



importance of fostering entrepreneurship and economic growth at all levels.

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3. Research Methods

This study employs a qualitative method, as defined by Perreault and McCarthy (2006), which emphasizes the deep exploration of information and allows for open-ended responses rather than simple yes or no answers. In this research, the researcher solicits detailed explanations from participants related to the topic under investigation.

The research process utilizes descriptive qualitative analysis, often referred to as descriptive research, and follows an inductive reasoning approach. According to I Made Winartha (2006), a descriptive qualitative approach involves analyzing, describing, and summarizing various data collected from interviews or observations about the issues being studied in the field. Additionally, Santrock (2010) explains that inductive reasoning involves drawing conclusions from specific observations and then generalizing those findings to broader contexts.

This qualitative framework enables the researcher to gain a comprehensive understanding of the subject matter by capturing the nuances and complexities of participants' experiences and perspectives.

4. Results and Discussion

In this section, the researcher will explain the focus of the study, which examines the potential of sharia pawnshops in promoting financing for micro, small, and medium enterprises (MSMEs). The findings of this study are derived from interviews conducted with informants who are considered representative of the study object.

The research results will be presented using a qualitative approach. This deep qualitative study aims not only to elaborate on the findings but also to explain, describe, and explore the information based on what the sources have said, suggested, and done as observed in the field. By employing this method, the researcher seeks to provide a

comprehensive understanding of the role of sharia pawnshops in facilitating financing for MSMEs, capturing the complexities and realities of the situation as expressed by the informants.

4.1 Research Result

a. Conditions and Developments of the Sharia Pawnshop Industry During the COVID-19 Pandemic

The COVID-19 pandemic did not hinder the growth of the sharia pawnshop industry in South Sulawesi. According to interview results, the turnover increased from IDR 24.30 billion to IDR 26.52 billion during this period. This resilience can be attributed to the essential services that sharia pawnshops provide, allowing individuals and small businesses to access quick financing solutions amid economic uncertainty. The adaptability of sharia pawnshops in responding to the financial needs of the community during this challenging time demonstrates their critical role in the local economy and their ability to support economic stability.

b. Reasons for the Slow Development of Sharia Pawnshops in South Sulawesi

Interviews revealed that a significant barrier to the development of sharia pawnshops in South Sulawesi is the public's inability to differentiate between conventional and sharia pawnshops. Many people perceive pawnshops as a single type, necessitating increased socialization efforts by sharia pawnshops through social media and direct outreach to the community. This lack of awareness hinders potential customers from understanding the unique benefits and ethical practices associated with sharia pawnshops. Therefore, targeted educational campaigns are essential to enhance public knowledge and foster a positive perception of sharia financing.

c. Potential Products Owned by Sharia Pawnshops for Development

Based on the interviews, several products have been identified as having potential for development within sharia pawnshops,



including Amanah, Gold Savings, Mulia Ultimate, Arrum BPKB, and Credit Without Guarantee. These products not only cater to diverse financial needs but also align with Islamic principles of fairness and ethical trading. By expanding their product offerings and promoting these services, sharia pawnshops can attract a broader customer base, thus enhancing their competitive edge in the market. Furthermore, developing innovative financial products can facilitate greater financial inclusion, especially among underserved communities.

d. History of Sharia Pawnshops Financing Programs for MSMEs

The first financing program for MSMEs was launched by sharia pawnshops in 2010, utilizing products such as BPKB and Arrum business credits for transactions. This initiative marks a significant milestone in the commitment of sharia pawnshops to support the growth of small and medium enterprises. By providing accessible financing options, sharia pawnshops contribute to the empowerment of MSMEs, which are vital for economic development and job creation. As MSMEs face numerous challenges, including limited access to capital, sharia pawnshops play a crucial role in bridging this gap and fostering entrepreneurship.

e. Background of Sharia Pawnshop Financing Issues for MSMEs

The need for financing for MSMEs stems from capital shortages. Actors in this sector require additional business capital to enhance product quality and expand their operations. As a response, the Arrum BPKB product was introduced to support MSMEs in improving their businesses. This financial product not only provides the necessary funds but also encourages responsible borrowing practices aligned with sharia principles. Understanding the specific needs of MSMEs allows sharia pawnshops to tailor their financing solutions, ultimately leading to the sustainable growth of small businesses in the region.

f. Contracts Used by Sharia Pawnshops for MSME Financing

Interviews indicated that sharia pawnshops primarily utilize the Arrum BPKB contract for MSME financing, charging a maintenance fee of 1% per month on the pawned items. This contractual framework is designed to ensure transparency and fairness, adhering to Islamic finance principles. By offering competitive terms, sharia pawnshops can build trust with their clients and foster long-term relationships. Additionally, simplifying the financing process through clear contracts enhances customer understanding and satisfaction, which is essential for promoting financial literacy among MSMEs.

g. Advantages of Sharia Pawnshop Financing in the MSME Sector

The interviews highlighted several advantages of sharia pawnshops, including government ownership, credit insurance, and an expedited processing time of three days. This aligns with customer expectations for convenient access to financing products. Moreover, the regulatory support from the government strengthens the credibility of sharia pawnshops and instills confidence in potential borrowers. As sharia pawnshops continue to refine their services and reduce barriers to access, they can significantly contribute to the economic empowerment of communities and help individuals achieve their financial goals.

h. Challenges Faced by Sharia Pawnshops in Financing the MSME Sector

Interview results pointed out that many customers seeking loans lack the necessary business permits, which complicates the financing process for sharia pawnshops. Additionally, the absence of bookkeeping can hinder capital loans for new businesses. There is also a need for enhanced technological utilization, as sharia pawnshops have a platform, www.pegadaiansyariah.co.id, that facilitates transactions without requiring



physical visits to outlets. Addressing these challenges is critical for improving access to financing for MSMEs, as well as for fostering a culture of entrepreneurship and financial accountability in the community.

i. Strategies to Overcome Challenges in MSME Financing

To address these challenges, sharia pawnshops have undertaken initiatives to educate the public on Islamic finance literacy. This includes direct socialization efforts to inform potential customers about the benefits, risks, and costs associated with their services. By enhancing financial literacy, sharia pawnshops can empower individuals to make informed decisions regarding their financing options. This educational approach not only helps to demystify sharia financial products but also builds a foundation for sustainable financial practices within the community.

j. Future Prospects of Sharia Pawnshops

The future prospects for sharia pawnshops appear promising, particularly with the increasing emphasis on digitalization. They plan to leverage this trend by enhancing financial literacy through social media and direct community engagement. Furthermore, sharia pawnshops aim to shift transactions from physical outlets to their online platform, www.pegadaiansyariah.co.id, ensuring greater accessibility for customers. By embracing technological advancements and adapting to the evolving needs of their clientele, sharia pawnshops can position themselves as leaders in the financial services sector, ultimately contributing to the economic resilience and prosperity of the communities they serve.

4.2 Research Discussion

Sharia pawnshops play a crucial role in encouraging financing for micro, small, and medium enterprises (MSMEs). As financial institutions, they are responsible for mobilizing funds from the public and redistributing them to those who genuinely need financial assistance. This responsibility positions sharia

pawnshops as key players in the financial landscape, particularly for underserved communities. Their potential to support MSMEs is significant and involves collaboration with various stakeholders, including local communities and institutions.

The leadership within these pawnshops has confirmed that holding shares in state-owned enterprises (BUMN) can also contribute to financing ultra-micro businesses. This partnership is intended to simplify access to financing, enabling a wider range of entrepreneurs to benefit from the services offered by pawnshops. Such initiatives are vital in fostering economic development and resilience within the MSME sector, which is often the backbone of the economy.

A key differentiator of sharia pawnshops is their unique contract implementation, which provides specific advantages in the way they manage collateral and fees. Unlike conventional pawnshops, sharia pawnshops can either accept or withhold guarantees based on agreed-upon terms. They may also adopt a custodial maintenance fee structure, which allows for flexible arrangements that align with Islamic finance principles. This system not only enhances transparency but also fosters trust among customers.

Moreover, the service delivery model of sharia pawnshops is a significant advantage in their mission to support MSMEs. By focusing on providing excellent service, sharia pawnshops implement the "3S" principle—Service, Speed, and Sympathy. This approach cultivates familiarity and rapport between customers and employees, ensuring that interactions are based on mutual respect and understanding.

The range of services offered by sharia pawnshops includes:

- **Recognizing Customers:** Taking the time to acknowledge and understand each customer, fostering a sense of belonging and trust.
- **Understanding Customer Needs:** Actively engaging with customers to ascertain their specific financial requirements and offering tailored solutions.



- **Being Gentle and Friendly:** Maintaining a warm and approachable demeanor to create a welcoming atmosphere for customers.
- **Providing Comprehensive Service:** Striving to address customer inquiries thoroughly and not settling for surface-level responses.
- **Serving with Sympathy:** Demonstrating empathy and understanding, particularly in challenging financial situations faced by customers.
- **Serving with Seriousness:** Approaching each transaction with professionalism and diligence to ensure customer satisfaction.
- **Greeting Customers:** Acknowledging and welcoming customers as an essential aspect of providing a positive experience.

By implementing these service-oriented practices, sharia pawnshops not only enhance customer satisfaction but also contribute to building a loyal customer base. This, in turn, strengthens their role in facilitating financial access for MSMEs, thereby promoting sustainable economic growth and development within the community.

5. Closing

5.1 Conclusion

Based on the research conducted, the writer concludes the following:

1. **Role of Sharia Pawnshops in MSME Financing:** Sharia pawnshops serve as crucial financial institutions responsible for providing funding to the community, particularly in supporting the development of the economy for micro, small, and medium enterprises (MSMEs). The results of interviews conducted reveal several advantages that sharia pawnshops offer in financing the MSME sector. Notably, they operate without an interest system, which is a significant concern for many potential borrowers. Instead, sharia pawnshops generate profit from maintenance fees (Mu'nah) charged on the goods pawned by customers seeking financing. This unique approach not only aligns with Islamic finance principles but also enhances the

accessibility of financial resources for MSMEs, promoting their growth and sustainability.

2. **Performance During the Pandemic:** The financial performance of sharia pawnshops during the COVID-19 pandemic reflects their resilience. The turnover of these institutions increased from Rp. 24.30 billion in 2019 to Rp. 26.52 billion in 2021, indicating that the pandemic did not deter the public from seeking financing through sharia pawnshops. This increase highlights the adaptability of sharia pawnshops and their ability to meet community needs during challenging times. However, several challenges persist for MSME actors seeking financing. Specifically, businesses without government-issued permits or proper bookkeeping face difficulties in obtaining loans from sharia pawnshops. This limitation hampers the ability of sharia pawnshops to provide capital to MSMEs.

To address these challenges, it is essential for sharia pawnshops to develop financing programs that accommodate new entrepreneurs. By taking calculated risks on the products released, sharia pawnshops can offer greater opportunities for individuals looking to start their businesses. Expanding access to sharia-compliant financing is crucial for fostering an inclusive financial environment, where all members of the community can pursue entrepreneurial endeavors in accordance with the rules established by the Al-Quran and Hadith. By doing so, sharia pawnshops can play a more significant role in empowering MSMEs and contributing to the overall economic growth of the community.

5.2 Suggestion

For sharia pawnshops in South Sulawesi, it is hoped that there is a need for financial literacy among the entire community, especially MSMEs, so that people have an interest in taking out financing at sharia pawnshops.

1. In provision product new , party pawnshop expected capable adapt self with



circumstances public around. Order parties pawnshop capable compete with companies other . The product in question is customized products with need public around the previous one Already observed by the party pawnshop .

2. For government and pawnshops to exist effort For give socialization related difference between pawn conventional and sharia pawning, so public become interested and understand Sharia pawn.

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