

Type of Agreement and Default Case Settlement for Debtors of Sharia Pawnshop in Banda Aceh, Indonesia

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ABSTRACT

An agreement should meet requirements regulated in Article 1320 of the Civil Code, and agreement for Sharia Pawnshop is without exception. The province of Aceh is the strongest base for Sharia pawnshop. There are two factors considered essential regarding the Sharia Pawnshop in Banda Aceh, i.e. the type of agreement between debtors and the shop and the settlement of default dispute. To examine those two factors, the author conducted an empirical study with a descriptive-analytical approach. The research results showed that the contract between the Pawnshop and the debtors was stated in the form, agreed upon and filled in by both parties. Debtors commit a breach of contract because of several factors, i.e. high price estimate, decrease in the gold price, communication problem, and financial factor. The settlement for the default case was conducted by calling, texting, and sending debtors notice. When the case could not be settled, the collaterals were placed in an auction after notifying the debtors who breached the contract.

Keywords: Rahn (pawn) agreement, Sharia pawnshop, default

1. INTRODUCTION

All people put their efforts to fulfill their necessity of life, both primary and other needs. Maria Oterio stated that microfinance is a service provided to the lower-income citizens and entrepreneurs. In terms of income, Ashraf et al. (2009), Gubert and Roubaud (2005), Barnes et al. (2001), and Nanor (2008) found that microcredit has a positive impact on household business and income. In addition, Adjei et al. (2009), Barnes et al. (2001), Dupas and Robinson (2008) and Ssewamala et al. (2010) stated that microcredit gave an effect on the level of savings among low-income citizens. Rofikoh Rokhim et al. showed that microcredit gives a positive impact on the welfare of the debtors. One type of microcredit is the credit obtained through the agreement of pawnshop.

The pawnshop is one of the non-banking financial institutions which is featured for low-income citizens, which is easily accessible, short term, and safe for the low-income community which needs immediate funds (Liming Zhou, Shujie Yao, Jinmin Wang & Jinghua Ou, 2016). The Pawnshop Financing Institution was established by the government through Government Regulation Number 51 of 2011 concerning Limited Liability Companies (Noviyanti Ekatama, 2014, p. 5). With the motto "Addressing Problems Without Problems" PT. Pegadaian strives to provide optimal service for the community in a big scale which then contributes to the implementation of government policies and programs in the national economy and development sector in general by distributing credit on the basis of agreement (Liming

Zhou, Shujie Yao, Jinmin Wang & Jinghua Ou, 2016; Hasanah, Hetty, 2011). Pawnshop can also increase the effectiveness and efficiency of providing a loan, especially for micro-businesses, small businesses and medium-sized businesses (Karlán, D. and Zinman, J., 2010; Endang Sri Suwarni, Aidul Fitriadi Ashari, and Nurhadiantomo). This service is intended to help low-income people who need loans in order for them not to fall into the hands of moneylenders, in the provision of loans with interest and other very high and multiplied costs (Abdul Ghafar Ismail, Nor Zakiah Ahmad, 1997).

Based on the aforementioned explanation, two important components of a pawn agreement, i.e. an agreement and a real action where the debtor can give his/her authority over his property to the creditor as a guarantee (Bijan Bidabad, 2016). For certainty of repayment, the creditor will ask for collateral from the borrower who is also accompanied by a written agreement from the spouse or other family members when the asset becomes the collateral (Kamau, 2014).

If the pledge holder has a good intention, he is protected against the creditor who is not authorized to control it for a certain period of time. In this case, the pledge holder with a good intention means the real owner and the pledge's right is not in doubt (Soili Nystén-Haarala Nari Lee Jukka Lehto, 2010).

In the pawn agreement, it is not uncommon for a customer (the debtor) to default. PT. Pegadaian, as a creditor by law, is authorized for repayments from the collateral, by carrying out Parate executions also termed as "simple executions" as stipulated in article 1155 of the

Civil Code. The pawnshop (the creditor) can sell on its own power over the object of the pawn without court intermediaries if it is known that the debtor defaulted on the principal agreement (Kenneth Appiah Donkor-Hyiaman Kenneth Nii Okai Ghartey, 2017).

In addition, as long as the PT. Pegadaian does not misuse the collateral, the customers do not have any rights to demand the return of their collateral. PT Pegadaian has the right to retain the collateral if the customers only pay the interest of the loan until they can pay back the loan (Kenneth Appiah Donkor-Hyiaman Kenneth Nii Okai Ghartey (2017).

PT. Pegadaian has branches and units all across the country, including the Province of Aceh. Most pawnshop institutions in the province are Sharia-based, i.e. nine branch offices and 51 sub-branch offices of Sharia Pawnshop with substantial differences from the conventional pawnshop, and one of the differences is the absence of interest in the Sharia-based pawnshop. In Sharia-based pawnshops, the interest is replaced with the entrusted goods service fee because the collateral is handed over to the creditor, so the creditor needs to maintain the condition the goods.

Based on the description presented in the background above, there are two significant components which to be investigated, i.e. the type of agreement between debtors and the pawnshop and the settlement of default dispute in Sharia pawnshops in Aceh. There has been some previous research which had a similar theme to the current research. One of the studies was "The default dispute in the credit agreement with movable collateral (A case study at PT Pegadaian in Purwotomo branch, Surakarta)" written by Wisnu Gunawan from Universitas Muhammadiyah Surakarta in 2018. This research only discusses the default dispute settlement in pawnshop agreement, but it does not address the type of the agreement. In addition, this research only focused on the conventional pawnshop. Another study was "the Rule in Default Case Resolution in the Pawnshop Agreement (In the view of the Civil Code)", written by Oni Kurniawan from Universitas Sebelas Maret, Surakarta, in 2012. This research only discussed the *das sollen* (expectation) without discussing its practice because the research was a normative research study.

The current research is different from the previous research because the objects of the research were Sharia pawnshops spread in all areas in Aceh, represented by one branch office and four sub-branch offices. The significance of the research is that the research set light to the types of agreement between debtors and the Sharia pawnshop in Aceh and the settlement of default dispute in the Sharia Pawnshop in Aceh.

This article was organized into several parts, i.e. title, abstract, introduction, research method used to answer the research questions in the article. The answers are presented in results and discussion section, consisting of types of agreement between debtors and the Sharia pawnshop, rights and responsibilities of people involved in the pawnshop agreement, the factors causing the

customers to conduct the default, legal efforts made by the pawnshop for customer conducting the default, the customer's perception on the agreement and default case settlement. The results and discussion sections are summarized in the conclusion section.

2. RESEARCH METHOD

This study used empirical research, and the data were collected directly from the objects of the research. The population of the research was branch and sub-branch offices of Sharia Pawnshops in Aceh. The sample selected consisted of one branch office, i.e. Banda Aceh Branch Office; and four sub-branch offices, i.e. Lamteumen, Sinabang, Langsa Timur and Johan Pahlawan offices. The data were analyzed using a descriptive-analytical approach, which is the approach to present as is.

3. RESULTS AND DISCUSSION

3.1. *Types Of Agreement Between Debtors And The Sharia Pawnshops*

The pawn agreement in the pawnshop is an agreement with the content, form, and conditions which have been officially determined by PT. Pegadaian. The agreement was formulated in the *Rahn* (credit) proof letter (SBR). The agreement form includes name, address, type of collateral, estimated price, loan amount, credit date and due date. The SBR is issued by PT. Pegadaian as a medium of the agreement as evidence for both parties. This SBR will later be used as a catalysator between the two parties, whether the achievement has been carried out or one of the parties commits default. If there is a disadvantaged party with evidence, the party can submit a claim to another party (Jose-Luis Usó-Domenech José Antonio Nescolarde-Selva Miguel Lloret-Climent, 2017).

SBK in its form is made reciprocally. As a whole, the agreement is listed on one sheet of paper, which is integrated into the *Rahn* proof letter (SBR). The agreement includes the following parts:

- a. Name of pawnshop office;
- b. Name and address of the debtor, usually written based on the address in the KTP (National ID card);
- c. The debtor's occupation;
- d. Phone numbers of the debtor;
- e. Type of collateral;
- f. Credit date, date of loan start;
- g. Due date, the date deadline for repayment of the loan, but the debtor can extend the time of the loan with the conditions specified;
- h. Loan estimates, based on the estimated collateral when filing a loan application at the pawnshop;
- i. Notices (containing a kind of cautionary);
- j. Other signatures declared such as the credit breaker quota (KPK)/branch head and others.

On the back page of SBR is the content of the

pawnshop agreement between Sharia Pawnshop and customers (debtors). This agreement is named "Agreement on credit debt with collateral". The contents in SBR in the Sharia Pawnshop in Aceh include the following items:

"We, the undersigned under this *Rahn* proof letter (SBR), are the credit provider and in this case are PT. Pegadaian (persero) and the debtor (the legal owner of collateral or power of attorney from the owner of collateral), agreed to the following agreement:

1. The customer (RAHIN) accepts and agrees to the description of the collateral (Marhun), stipulates the amount of the collateral, loan money (Marhun Bih), administrative rental (Ujrah) rates as referred to in the proof of credit (SBR) or transaction receipt (receipt) and as a valid proof of receipt of the loan.
2. Goods delivered as collateral belong to the customer and/or ownership as stated in article 1977 of the Civil Code and guarantee not from the proceeds of crime, not in the object of the dispute and/or seizure of collateral.
3. The customer declares that he has been indebted to the Pawnshop and is obliged to pay the repayment of the loan and administrative rental rate, and the cost of the auction process (if any).
4. The Pawnshop will provide compensation if the collateral that is in possession of a pawnshop is damaged or lost, which is not caused by a natural disaster (Force Majeure) determined by the government. The compensation is given after the calculation with loan money or capital leases according to the terms of the replacement that is in a pawnshop.
5. Customers can pay in installment, request additional loan money, and pay parts of the collateral as a new agreement, while the extension of the due date is based on the original agreement, i.e. with the original estimate and loan money. If there is a decrease in the value of the collateral, the calculation is based on the provision applicable in the pawnshop.
6. The request for auction delays can be considered if made before the due date by filling in the application. The delays require a fee with the amount in accordance with the provision applicable at the pawnshop.
7. For collateral that has been repaid and has not been collected by the customer, starting from the date of repayment up to ten days is not subject to safekeeping services. If it has exceeded ten days of repayment, the collateral is still not taken; the customer agrees to use the safekeeping service, the amount of the safekeeping service in accordance with the provisions applicable at the pawnshop or the amount stated in the transaction note (receipt).
8. If up to the due date it has not been paid, the auction delay is not requested, or no part of the collateral was paid back, then pawnshops have the right to sell the collateral items through auction.
9. The proceeds of the sale of collateral after deducting loan money, administrative rental rate, auction process fees (if any) and auction fees, constitute the excess that is the customer's right. The period of taking excess auction money is one year from the date of the auction and if it passes the period for taking the excess money, the customer agrees to channel the excess money as a social care fund whose implementation is handed over to the pawnshop. If the proceeds of the sale of collateral are insufficient to pay off the customer's liabilities in the form of borrowing money, administrative rental leases, auction process fees and auction fees (if any), the customer must pay the shortfall.
10. Customers can come in person to ask for additional loan money, repay loans, request auction delay, pay off and receive collateral and receive excess auction money, or by giving power of attorney by showing the original recipient's ID.
11. Customers or proxies can request for additional loan, collect the loan money and collect the auction excess money in the branch/sub-branch office where the *Rahn* proof letter (SBR) is issued.
12. If the customer dies and leaves rights and obligations to the pawnshop or vice versa, then the rights and obligations are imposed on the customers' heirs in accordance with the provisions of inheritance in Republic of Indonesian law.
13. The customer declares that he complies with and follows all regulations that apply at the pawnshop insofar as the provisions concerning debt are guaranteed by the mortgage.
14. If a dispute arises in the future, it will be resolved by deliberation to reach a consensus and if no agreement is reached, it will be resolved through the local religious court.

Thus this agreement applies and binds the Pawnshop with the customer since the *Rahn* proof letter (SBR) is signed by both parties in the available column." (This agreement was obtained based on the interview with the marketing manager of Aceh Sharia Pawnshop, Ronal Fahrizan, S.iP).

Basically, the pawn agreement is the same as an agreement in general, that is an action by which one person/party ties himself to another (Francesco Zammori, Marcello Braglia, Marco Frosolini, 2009). The difference only lies in the presence of collateral, which is used as a guarantee that the debtor will pay off the debt to the creditor. In general, the pawn agreement can be interpreted as an agreement with movable items as the guarantee, either tangible intangible.

To secure creditors' receivables, the debtor, in particular, is given a movable material as collateral for repayment of debtor's debt. The moving goods given to the creditor creates retention of the rights, that is the creditor has the right to hold the movable property pawned up to the repayment of debtor's debt and interest. Fundamentally, the pawn agreement will occur if the goods pawned is under the control of the creditor or a joint

agreement is appointed by a third party to represent it. The authority of pawn objects by creditors is an essential condition in order for the pawn to take place (Endang Sri Suwarni, Aidul Fitriadi Ashari, and Nurhadiantomo). The provision of the form of the pawn agreement is regulated in Article 1151 of the Civil Code which reads "the pawn agreement must be proven by a tool that is permitted to prove the principal agreement".

There are similarities and differences between the pawn regulated in the Civil Code, customary law, and in PT. Pegadaian (persero), namely:

a. Similarity

- 1) The pawn is an agreement in the law of property.
- 2) The creditor holds the collateral.

b. Difference

- 1) The pawn in the Civil Code and PT. Pegadaian (persero) is now an accessory agreement (additional). Meanwhile, the principal agreement is loan agreement (Bushar Muhammad, 1981, pp.116-117). In customary law, a pawn is seen as an independent sale transaction with the land as its object (Muhammad Yamin, 2004, p. 7)
- 2) For the pawn in the Civil Code and PT. Pegadaian (persero), the power of the holder/recipient of the pawn does not include the right to use, collect the object, rent it out and so on (Bushar Muhammad, 1981, pp. 116-117). Meanwhile, in customary law, the pawn holder/recipient can authorize, use, and take advantage of the object (Muhammad Yamin, 2004, p. 11).
- 3) The pawn in the Civil Code and PT. Pegadaian (Persero), the pledge giver must pay off the debt within the time set between the debtor and the creditor. If the debtor is negligent, the pawn holder is authorized to sell the collateral to obtain repayment for the loan (Bushar Muhammad, 1981, pp.116-117). In the customary law, there is no object selling involved for the repayment, but only the right to use and to continuously hold the collateral by the creditor is possible (Muhammad Yamin, 2004, p. 7).

Thus, the pawn that will be discussed in this study is a pawn at PT. Pegadaian (Persero), not the pawn that applies according to the Civil Code and customary law. However, the pawn regulations contained in the PT. Pegadaian (Persero) is based on the Civil Code.

1. Rights and Obligations of Parties in a Pawn Agreement

The working activities carried out by PT. Pegadaian is a credit channeling activity. The credit is given when both parties sign a Rahn proof letter (SBR), which is between the customer and PT. Pegadaian, which in this case was carried out by the head of the PT. Pegadaian Banda Aceh Branch.

By signing a letter of proof of credit by the

debtor, the debtor has agreed to the contents of the agreement proposed by PT. Pegadaian. Thus, there has been a legal relationship between the debtor and the creditor (PT. Pegadaian), which creates rights and obligations between the two parties (Soili Nystén-Haarala Nari Lee Jukka Lehto, 2010).

An agreement will take effect (binding), after the agreement is signed by both parties involved in the agreement. In an accessory agreement such as the pawn agreement, the agreement is considered to be valid after the creditor gives loan to the debtor and the debtor has handed the collateral, and both parties have agreed to the content of the agreement (JR Carby -Hall, 1985).

Consequently, if one party cannot fulfill the obligations set in the agreement, he should be declared responsible for losses incurred. The rights of the creditor are (1) to receive loan principal installments and interest in accordance with the specified time, (2) sell pawn goods as the loan repayment if the debtor does not repay his debt after a notice is made by the creditor (Bouman, F. J. A., & Houtman, R, 1988).

Obligations of creditor are (1) to maintain goods that are pawned, (2) not to transfer the pawned property to his property even though the debtor commits defaults as regulated in Article 1154 of the Civil Code), (3) to notify the debtor about the transfer of pledged goods as regulated in Article 1156 of the Civil Code), and (4) to be responsible for the damage of collateral insofar as they occur due to negligence as regulated in Article 1157 of the Civil Code.

The rights of the pawn provider (debtor) are (1) to receive the loan money from the recipient of the pawn (creditor), (2) to receive back the collateral, if the debt has been paid, (3) be eligible to demand the court that the pawn goods to be sold to pay off the debts (Article 1156 of the Civil Code) (Oey Hoey Tiong, 1985, p.18).

The obligations of the creditor are (1) to give the pawned goods to the creditor, (2) to pay the principal loan and interest to the creditor, and (3) to pay the costs incurred by the recipient of the pawn to maintain the pawned goods (Article 1157 of the Civil Code).

The obligations and rights of each party as outlined above are catalysator to measure how each party performs his obligations and to determine how far is the loss imposed to a certain party by that who defaulted.

2. The Factors of Customers Committing Defaults in a Pawn Agreement

Moh Ali Rosid, SE as the Branch Manager of PT. Pegadaian in Banda Aceh explains that a customer defaults for several reasons. In determining the criteria of a customer who is considered to commit defaults, the debtor is declared negligent if he does not pay his debt within the decided time. It was also confirmed by Ronal Fahrizan, S.iP, who was the Marketing Manager of the Sharia Pawnshop in Aceh. Such defaults can be caused by the following factors.

- a. High estimates

High estimates are estimates that exceed the tolerance criteria limit of standard estimates, either due to negligence or intentional acts, and both are categorized as high estimates. When the valuation was carried out by the pawnshop, the collateral was estimated to exceed the value of a reasonable estimate, so that when the customers were unable to pay their debt, the collateral was deemed capable of paying the debt. However, in reality, customers cannot afford to repay the loan so the customer committed default.

- b. Customers were difficult to contact
Sometimes, customers did not have a good intention to pay the loan installment or pay of the loan. Such customers did not usually pick up phone when the due date approached. Since there was no good intention from the customers, the pawnshop auctioned the collateral because the customers defaulted.
- c. The decrease in gold prices
Sometimes the customers were not able to pay their debt because of the decline in gold prices. The customers predicted that they would not be disadvantaged if the collateral were auctioned because they knew that the amount of the loan plus the rental fee was not much different to the value of the collateral. By not fulfilling these obligations, the customer is said to commit default.
- d. Customer economic conditions
The economic condition of the customers was one of the factors causing them to skip paying the installment or the loan. It could also be caused by the business which depended on the prevailing market price so that the customers were able to pay the processing costs but unable to repay the loan. In addition, it could also be caused by the loss of their business, so that they could not pay their loan.

3. Legal Efforts Taken by A Pawnshop Party Against Default Customers

In general, the defaulters are the debtors, by not returning the loan following the agreed due date, while creditors (PT. Pegadaian) is less likely to commit defaults. Samsul Bahri, S.E as the Risk Department Manager at Sharia Pawnshop of Lamteumen Sub-branch, Banda Aceh explains that if the customer defaults or in other words the pawned goods are not redeemed within a predetermined period of time and have been given a notice in advance by extending the pawn due date, contacting the customer either via text or telephone and, if the customer does not respond or is unreachable, a notification letter will be sent.

However, if it is not completely resolved with the customer and there is no other way, then the pledge object will be auctioned at the time specified by the head of the local Sharia pawnshop. The auction is not carried out by the auction hall is because PT. Pegadaian is considered to know more about the price of a pawn object than at the auction office.

Auctions are held after 120 days or four months from the due date of the credit, and after ten days the customer is notified, and the process of the auction will take place in 45 days. PT. Pegadaian announced to the public a month prior to the auction. Announcements of ordinary auctions are carried out through local mass media and a bulletin board at the local pawnshop branch. On the day determined to conduct the auction, the entitled buyer is the one who bids the highest price among the participating bidders after this bid was stated twice but there was not any higher price bid by the other bidder.

The process of the auction should be done in public, as regulated in SE No. 48/Op1.00211/2003, and it is held every third, thirteenth, and twenty-third day of the month. In addition, the auction must be based on local customs and the conditions normally applied and must be in front of the auction staff appointed by the state or employees who have the authority to carry out the auction. Although the auction is held by the Sharia Pawnshop, the auction process and results must be reported to the auction office. After that, The Sharia pawnshop must notify the customer of the auctioned goods. All auction results must be notified, and if there is an excess of auction money on the pledged item, it will be returned to the customer after deducting the loan amount, rental fee, and auction fee. If the customer does not collect the excess money or the customer is out of reach, the money will be given to Social Care Institutions, orphanage, and elderly residents.

4. The Perception of Customers (Debtors) on Pawn Agreement and Default Case Settlement

The purpose of the data analysis is to prove the hypothesis as proposed at the beginning of this study. The sample in this study includes:

1. Branch Head of PT. Pegadaian Shariah in Aceh
2. Manager of the Risk Department at PT. Pegadaian Lamteumen (Sub-branch), Banda Aceh
3. Manager of the Risk Department at PT. Pegadaian Sinabang (Sub-branch), Simeulue District
4. Manager of the Risk Department at PT. Pegadaian Langsa Timur (Sub-branch), Langsa
5. Manager of the Risk Department at PT. Pegadaian Johan Pahlawan (Sub-branch), Aceh Barat District

Table 1 below presents the overview of the number of debtors who defaulted the pawn agreement in four Sharia Pawnshop offices between March and December 2018.

Table 1. The number of debtors who defaulted between March and December 2018.

No.	PAWNSHOP OFFICE	FREQUENCY
1	BANDA ACEH BRANCH	35
2	LAMTEUMEN SUB-BRANCH	10
3	SINABANG SUB-BRANCH	5
4	LANGSA TIMUR SUB-BRANCH	8
5	JOHAN PAHLAWAN SUB-BRANCH	7
Total		65 Persons

Banda Aceh Branch Office and Lamteumen Sub-branch Office had the highest number of default cases. The Lamteumen office is located in the center of Banda Aceh, making it have a very high number of debtors among other offices. City dwellers have a strong tendency to make a loan to an institution than to another person because the sense of friendship in the city is very low.

This is in contrast to Sharia Pawnshop in Sinabang, which had the lowest number of customers who defaulted, which is a consequence of local culture in Sinabang. People of Sinabang were not familiar with the culture of making a loan to start a business. People living in the city of Sinabang can be categorized into village dwellers who were not familiar with making a loan to a financial institution. Most of the people living in a rural area tend to make a loan to other people. Loan among people in the village is not made with collateral. It is only based on trust between the debtors and creditors.

The Sharia Pawnshop in Langsa Timur and Johan Pahlawan had the medium numbers of default cases, which means that the numbers of debtors in both pawnshops were not as high as those in Banda Aceh, they were but not as low as in Sinabang. The difference in the number of default cases in both pawnshops was only one person. The number of debtors who defaulted in Langsa Timur was eight and seven in Johan Pahlawan office.

The default committed by the debtors was in the form of failure to pay the loan installment. The following table presents the action that the pawnshop toward the debtors who defaulted.

Table 2. The actions made by the pawnshops toward the debtors who defaulted between March and December 2018

NO.	PAWNSHOP OFFICE	FREQUENCY	WITH DELAY	WITHOUT DELAY
1	BANDA ACEH	35	30	5
2	BRANCH LAMTEUMEN SUB-BRANCH	10	10	-
3	SINABANG SUB-BRANCH	5	5	-
4	LANGSA TIMUR SUB-BRANCH	8	7	1
5	JOHAN PAHLAWAN SUB-BRANCH	7	7	-
Total		65	59	6

In Lamteumen sub-branch office, Banda Aceh, Sinabang office, and Johan Pahlawan office, all debtors who committed default were given an extension to pay the loan. In Banda Aceh Branch office, there were five people who were not given any extension, and one person in Langsa Timur sub-branch office. Based on the explanation given by Mr. MOh. Ali Rosid, SE as the Director of Banda Aceh Branch office, they had been offered an extension, but they refused it because the loan that they obtained was not for a productive business, so they were not able to pay it back, even with an extension. The same explanation was given by the Manager of the Risk Department at PT. Pegadaian Langsa Timur.

The extension for loan repayment given to the customers gave the following results.

Table 3. Condition After The Extension Was Given Between March and December 2018

No.	Pawnshop office	Extension	Success To Pay	Failure To Pay
1	BANDA ACEH	35	11	24
2	BRANCH LAMTEUMEN SUB-BRANCH	10	-	10
3	SINABANG SUB-BRANCH	5	4	1
4	LANGSA TIMUR SUB-BRANCH	7	5	2
5	JOHAN PAHLAWAN SUB-BRANCH	7	3	4
Total		64	23	41

Banda Aceh and Lamteumen offices had the highest numbers of default cases, and 11 of them had successfully paid the loan in Banda Aceh office, and 24 others failed to pay it back. Meanwhile, none was

successful in Lamteumen office after the extension. The data presented in Table 3 show that people in Sinabang had higher tendency of paying back their loan after the extension.

For the 17 debtors who committed default, the Banda Aceh Sharia Pawnshop, and other sub-branch offices held an auction to sell their collaterals for the repayment of their debt. The pawnshop held the auction without transferring it to the auction department because they considered that they knew better the value of each collateral.

4. CONCLUSION

The implementation of a *Rahn* (pawn) agreement between a pawn giver (customer) and a pawnshop is essentially an agreement to make a loan by guaranteeing the customer's valuable goods to obtain a loan made in writing and proven by the issuance of a *Rahn* proof letter (SBR) and several other conditions which must be completed by the customer such as ID card, collateral, *Rahn* request form (FPR), the selection of the loan period, administrative fees and life insurance. The factors of defaulted customers are due to the high price estimates, lower gold prices, difficulty to contact customers, problematic guarantees and customers' economy condition.

To resolve to defaulted customers, the Sharia Pawnshops in Aceh perform several steps such as contacting the customer in question either via texts or by telephone. If the customers do not respond or their phones cannot be contacted, a notification letter will be sent. The due time of the loan can be extended. If it cannot be resolved, then the goods or objects that are pledged as collateral can be directly auctioned. The auction is carried out 120 days or four months after the due date, and after ten days the customer is notified, and the process of the auction will take place in 45 days. A month before the auction, the Sharia Pawnshop announced the auction to the public. The announcements of auctions are usually made through local mass media and a bulletin board at the local pawnshop branch. After the loan, rental fee, and auction fees (if any) are deducted, the excess money is the customer's right. If the excess money is not collected, or if the debtor cannot be contacted, the money will be donated to social care, orphanage, and elderly residence.

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Legislation

Civil Code