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Exploring farmers' perceptions of pawnshop's role in farm financing using pawn services

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ABSTRACT

Background: In Indonesia, smallholder farmers in rural areas in South-East Lombok still rely heavily on agriculture. Its leading commodities include rice, corn, and tobacco, which are crucial for livelihoods and food security. The existence of smallholder farmers is essential to the growth of the local economy and food supply. However, they frequently encounter some obstacles when trying to raise official financing. One well-known state-owned pawnshop in Indonesia that offers funding alternatives for farmers to access capital is pawnshops. **Methods:** In this study, a qualitative descriptive method was employed, guided by SERVQUAL and SLF frameworks. Data collection was conducted through in-depth interviews with farmers who already use pawn services to fund their farming activities in South Lombok. Thematic analysis was used to analyse the data gathered. **Findings:** The study found that Farmers perceived pawn services by pawnshops positively, especially for its ease, speed, and convenience. Major customers value its people. However, problems remain faced by customers when accessing the service, especially for non-gold assets, and there is no adequate information about the funding scheme for farmers. Despite the findings supporting major dimensions of the SERVQUAL framework, the challenges revealed gaps for the SLF, which promotes inclusion to sustainable livelihood in agricultural activities. **Conclusion:** Farmers in South Lombok rely on pawnshops for funding because they have limited access to official loans. They appreciate its quick and easy gold-pawning services, while severe restrictions for non-gold items and a lack of farmer-specific programs limit accessibility. This study emphasises the importance of simpler procedures, digital verification, flexible repayment schedules coordinated with harvest cycles, and improved information outreach. **Novelty/Originality of this article:** This study provides valuable insights on the role of pawn-based services in an underexplored segment and region like South Lombok, especially in the agricultural context.

KEYWORDS: smallholder farmers; sustainable livelihoods framework; south lombok; pawn service of pawnshops; SERVQUAL framework.

1. Introduction

In Indonesia, smallholder farmers in rural areas like South-East Lombok still relies heavily on agriculture. Its leading commodities include rice, corn, and tobacco, which are crucial for livelihoods and food security. According to BPS (Lombok Timur, 2023), the top 3 largest number of individual agricultural holding are found in southern part of East Lombok Subdistricts: Jerowaru, Keruak, and Sakra barat, where Jerowaru is on the top of that which reached 14.153 Unit (53,75% from total individual agricultural holdings in East Lombok). Agricultural activities in several areas in Lombok still rely on rainwater (Fahrudin et al., 2017). Lombok's geographic location, characterized by moderate to low

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rainfall frequency, influences the types of commodities, landforms, and supply systems (Nandini & Kusumandari, 2022). To adapt to the climate, in North Lombok, agricultural activities are carried out using a mixed crop-livestock system, enabling farmers to generate additional income (Cerminand et al., 2024). In East Lombok, agricultural activities contribute approximately 28% of the GRDP, particularly those resulting from changes in land use, which has been used for tobacco plantations (Masril, 2018). These changes primarily benefit landowners rather than agricultural workers, resulting in persistently low incomes for those employed in agriculture who do not own land (Nugroho, 2017).

The existence of smallholder farmers is essential to the growth of local economy and food supply. A research revealed Singh et al. (2024) Small-scale farming plays a vital role in the global agricultural landscape, contributing significantly to food security, rural livelihoods, and ecological sustainability. However, they frequently encounter some obstacles when trying to raise official financing. Many rural households in low-income areas remain excluded from formal financial institutions due to factors such as lack of collateral, transaction costs, and limited access to formal credit, forcing them to rely on informal lending sources (Haryanto et al., 2023; Steijvers & Voordeckers, 2009). Their important role in ensuring food security is not followed by the ease of accessing capital, thus, their capacity to fund necessary agricultural inputs like seeds, labors, fertilisers, and equipment is low due to a number of factors, including low collateral, high perceived financial risk, seasonal production cycles, and infrastructure hurdles (Shinta et al., 2018). As a result, unconventional funding methods became alternatives, such as pawning gold for money that might be employed to fund farming endeavours. Pawnshops are effective rural lenders due to their historical embeddedness and simple lending procedures. Unlike formal financial institutions, pawnshop lending is based on the value of pledged assets rather than borrower characteristics, making access easier for low-income households. These institutions have long been integrated into rural economies and provide quick, short-term loans secured by movable assets such as gold and household goods, allowing borrowers to meet immediate liquidity needs (Wisnu et al., 2024). This structure allows pawnshops to operate with minimal borrower documentation, thereby lowering transaction costs and enabling rapid liquidity provision. Due to their accessibility, and minimal administrative requirements, pawnshops function as a form of “shadow banking system” in rural areas.

One well-known a state-owned pawnshop in Indonesia which offering this service is PT Pegadaian (Persero). PT Pegadaian has become an alternative for smallholder farmers to access funding in rural areas particularly in the south part of Lombok. Its products are typically made for commodities like gold, vehicles or other personal belongings. In the Indonesian context, gold is widely used as an investment instrument and is often perceived as a relatively safe asset. Studies show that gold is commonly held by households and is preferred due to its stability, liquidity, and role as a store of value during economic uncertainty (Salim, 2025). Gold is widely used to protect wealth against inflation and economic shocks and is an important component of household financial behavior, particularly as a tool for long-term savings and wealth preservation. Within rural communities, gold is used in various aspects of life, including fulfilling the needs of life, traditional ceremonies, dowries, jewellery as savings and investments (Ikhsan et al., 2025). In this regard, gold's role as a wealth protector can strengthen the household economy by fostering asset building and intergenerational security. Given gold’s role as a preferred store of value and liquid financial asset among households, it is used not only for long-term wealth preservation but also as a source of emergency liquidity and short-term financing, including to support productive activities such as agricultural inputs. This type of financial behavior is particularly evident in rural communities, where seasonal income fluctuations require flexible access to capital.

When the planting season started or close to harvesting time, many farmers pawn their assets (generally gold/jewelry) and use the money they receive from pawning to maintain their farming activities. Farmers prefer PT Pegadaian's services to fund their

farming activities. However, little is known about how they perceive the company's role, including whether the services are accessible, how they perceive the service quality, the value and the difficulties they encounter when utilizing pawn-based loans for farming. Prior studies have examined several issues of finance in pawn-based services and agriculture. For instance, a study of farmers' opinions of an Islamic microfinance organization in central Lampung found that farmers' access to financing was greatly impacted by perceptions of interest rates, the cost of funds, and the distance to service locations (Yoko & Prayoga, 2019). Moreover, research on the warehouse receipt system in West Java found that farmers encountered obstacles such as low awareness, insufficient facilities, and limited access for smallholders (Gunawan et al., 2019). In the area of pawn services, research on PT Pegadaian has generally concentrated on general customer satisfaction and service quality among urban or non-farming customers (Setyawan, 2022), rather than smallholders who use pawn services to fund agricultural activities. Furthermore, Maysura et al. (2023) conducted a study on asset pawning that focused mostly on legal protections and institutional frameworks, rather than farmers' perceptions on how such financing benefits their livelihoods. While, Shinta et al. (2018) discovered that accessibility and financial risk perception strongly influenced farmers' satisfaction with microfinance services in developing countries. It emphasises the role of service accessibility, perceived financial risk, and institutional quality in determining satisfaction with microfinance and pawn-based services. This highlights the need of ease, trust, and transparency for smallholder engagement. Setyawan (2022) revealed that PT Pegadaian's digital service quality, such as reliability, responsiveness, and assurance, has a direct impact on overall customer satisfaction. Meanwhile, Alamsyah et al. (2024) emphasized the relevance of creative financial models in enabling smallholders to implement agricultural advances.

Despite these findings, questions remain about how farmers access and use these services, how they perceive service quality and institutional support, the benefits and limits they confront, and the significance of pawn-based finance in their agricultural livelihoods. Research on agricultural financing, microfinance services, and pawnshop operations has been conducted as stated above. However, there are still gaps in understanding farmers' perspectives on using pawn services to support agricultural livelihoods. Understanding these viewpoints is critical for enhancing financial inclusion, improving collateral-based loan design, and encouraging smallholder farming productivity and sustainability. The SERVQUAL theory, Parasuraman et al. (1988) was used in this study to look into farmers' views of service quality. SERVQUAL is a five-dimensional paradigm that includes tangibles, reliability, responsiveness, assurance, and empathy. Moreover, the Sustainable Livelihoods Framework, Chambers & Conway (1992) was used to evaluate the perception of value and contribution of pawn-based finance to agricultural livelihoods. By combining these frameworks, the study provides a comprehensive view of PT Pegadaian's role, not only as a financial service provider, but also as a catalyst for increasing production, mitigating risks, and supporting sustainable agricultural livelihoods. The main aim of this study is to assess the farmers' perception on pawn service of PT Pegadaian as an alternative funding for agricultural activities. Thus, the author adressing research question on this study: How the smallholder farmers perceived the Pegadaian's Role in Financing Farming through Pawn Services in South Lombok?

2. Methods

The research approach should be developed to understand the problem being researched, in this study, the author employed a qualitative descriptive method with both inductive and deductive approach guided by SERVQUAL and SLF frameworks. These approaches were chosen to understand deeply about the perception of research subjects on the problem at hand, and to see the real context of their insights. Data collection was conducted through in-depth interviews with smallholder farmers which already use PT Pegadaian pawn service to fund their farming activities.

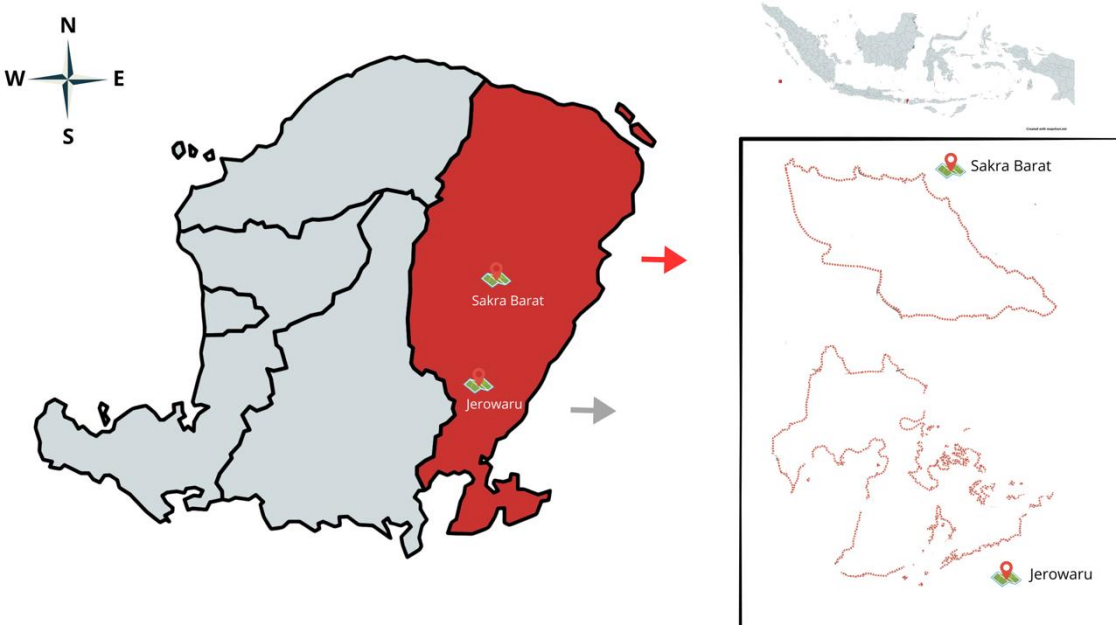

Fig. 1. Research location in South-East Lombok

Note. the map highlights the eastern part of Lombok (in red), specifically the sub-districts of Sakra Barat and Jerowaru, where the study was conducted. These areas are characterized by relatively high agricultural land use intensity, dominated by dryland farming systems and mixed cropping patterns.

Thematic analysis was employed to analyse the data gathered through three stages: coding, categorization, and mapping. First, key statements from farmers were coded to identify recurring issues. Second, similar codes were grouped into categories. Finally, these categories were mapped to SERVQUAL and SLF dimensions. Four smallholder farmers in East Lombok were selected from two different subdistricts (Jerowaru and Sakra Barat) interviewed to understand their perception on service offered by PT Pegadaian. The research was conducted in the beginning of farming session (November-December 2025), where the wet session started in Indonesia. While the location was chosen because most farmers in East Lombok are based on these subdistricts, which show the suitable object to be analyzed.

3. Results and Discussion

The purpose of this study is to investigate the perception of smallholder farmers in South Lombok on how pawnshop of pawn services supports their agricultural endeavours. The SERVQUAL and SLF frameworks were used as frameworks to assess perceived service quality and accessibility of the service, as well as advantages and obstacles.

3.1 Accessibility to the services (tangibility and responsiveness)

Based on interviews with pawnshops users, most respondents rated the services offered positively, particularly the gold service. The gold pawn service was quick and easy for farmers to utilize. As one respondent 1 said and respondent 2 claimed that the gold pawn service at PT Pegadaian is rapid.

> "*What makes it simple is that when you wish to pawn, the staff promptly supports you. Even if the pawn is not the rightful owner, they will accept the gold and paperwork. This makes things easier. Furthermore, they offer a pawn period of three months. If you do not have enough funds to redeem, you can prolong it by paying interest.*" (R01).

"*I believe it is easier to obtain monies from the pawnshop, but there is a catch. Pawning your valuables, such as gold, is the easiest way to acquire a loan. I'm not] sure about other commodities, but for gold, the service is faster than going to a bank and waiting for a survey. A pawnshop can provide you with a loan in a matter of minutes*." (R02)

According to the findings, PT Pegadaian has a good initiative in establishing its units in each sub-district of South Lombok, making the service easily accessible to farmers. The existence of PT Pegadaian, which is close to consumers, promotes financial accessibility, particularly in rural areas (Adiguna et al., 2024). The study revealed clients perceived PT Pegadaian's gold pawn service as highly accessible and time-efficient, with short wait periods and straightforward administrative procedures, demonstrating agility in operational strategy. Respondents emphasised fast service and quick fund disbursement, especially for gold. This is consistent with the assumption that service quality is a significant predictor of customer happiness (Suryati et al., 2025). In financial services, particularly microcredit and pawn services, customers value time efficiency. The 2020 pawnbroking customer survey indicated the top reasons for employing a pawnbroker were convenience (45%), quickness (39%), and simplicity (37%) (Davies & Finney, 2020). This survey results consistent with respondents' statements that gold pawning is "the fastest way to get funds."

Table 1. Summarises the service accessibility metrics

Quotes	Initial Code	Sub-theme	SERVQUAL Dimension	Description of Findings
R01: "When I want to pawn, the staff immediately serves me. As long as the gold and its certificate are available, this is what makes it easy."	Immediate service; simple requirements	Gold pawn service is easy and fast	Tangibility/ Responsiveness	Farmers perceive pawn services as efficient due to quick processing and simple documentation requirements, provided they possess gold as collateral.
R02: "The quickest way to get a loan is by pawning gold, at Pegadaian you can get the loan within a few minutes."	Fast loan disbursement	Gold pawn service is easy and fast	Reliability	The speed of loan disbursement is a key factor enhancing service accessibility for farmers with gold assets.
R01: "They set a pawn period of about 3 months, if you don't have the money to redeem it, you can extend it by paying the interest."	Flexible repayment; extension option	Ease of extending the pawn period	Empathy/ Reliability	The ability to extend the pawn period reflects service flexibility and consideration of farmers' financial conditions.

PT Pegadaian's operational strategy, which includes low bureaucracy, quick verification of gold genuineness, and quick fund disbursement, fosters a sense of efficiency and reliability, strengthening clients' preference for pawn services over other financial options. The study discovered that higher levels of service quality, which include qualities such as dependability, responsiveness, empathy, and tangibles, result in better levels of customer satisfaction (Amerta & Madhavi, 2023). The simplicity of documents requirements on the gold pawn further reduces efforts and procedural hurdles, making the service particularly accessible to those who do not have access to conventional banking. Respondents also emphasised the flexibility of PT Pegadaian's pawn services, particularly the opportunity to extend the pawn duration by paying interest. This flexibility relieves client pressure to redeem the item right away, which gives them opportunity for financial adjustments.

3.2 Service quality and institutional support (reliability, empathy, assurance)

One of the most common sub-themes arising from the interviews was that most consumers viewed PT Pegadaian's employees to be kind and helpful during the pawn procedure, making the transaction easier, from gatekeepers to administrative staff. As one respondent said from respondent 2 and then similar opinions on PT Pegadaian staff were also voiced by respondent 3. Meanwhile respondent 4 focused on the price received from gold pawn and perceived positively.

> "*The personnel is pleasant. When you initially arrive, the security guard typically asks questions, greets you, directs you, and assigns you a queue number. This makes you feel relaxed. For example, if an elderly person appears bewildered, they are extremely helpful. From the front door, you can enquire if you want to pick up or pawn something, and the security guard will assist you with everything*." (R02)

> "*Extremely cordial, beginning with the security officer. He even questioned me, and we grew close and eventually became friends. Additionally, the responder clarified that the pawnshop's pricing was thought to be rather reasonable and that the interest rates weren't excessively high*." (R03)

> "*I think it's more equitable than the others. They explain the price, so it is clear. They tell you how much gold you'll receive*." (R04)

However, in this case, PT Pegadaian was found to have failed to give proper information and direction regarding the utilization of the pawn proceeds. Although this allows for faster service, it also prevents PT Pegadaian's funds from being tied to the requirements and experiences of future consumers. The respondent posed the following answers:

> "*PT Pegadaian has not yet developed a finance program for farmers, yet Local pawnshops are already aware of it. For instance, they are aware that the money wil be utilised for rice capital during the planting season, and the same is true for tobacco. They comprehend, particularly if a significant quantity of gold is pawned*." (R01)

> "*I've never heard anything. I've never been questioned about the purpose of the money. They might enquire about the purpose of the money at a bank, but not at a pawnshop. We get the money and turn over the products. We are prepared to serve; only present our ID card. Please present the gold certificate if you have it. If not, that's okay; the gold itself is required*." (R02)

The findings revealed that PT Pegadaian employees, ranging from security guards to administrative officers, are regarded as courteous, polite, and proactive. Respondents described employees that greet customers, enquire about their requirements, and provide a pleasant environment. This friendliness promotes emotional ease, establishes rapport, and alleviates the tension connected with financial transactions. Customer-staff interaction is an important aspect of service quality (SERVQUAL), particularly in the areas of empathy and assurance. The previous study suggested that among the variables of perceived service quality, staff performance emerged as the most influential, implying that employee friendliness, professionalism, and responsiveness are central to customer assessment (Yunus & Harmawan, 2025). Another study found that customers are tremendously satisfied in terms of tangibility, assurance, and empathy (Nafees, 2024). The cordiality demonstrated by PT Pegadaian employees positively influences customer satisfaction and enhances their relationship with the institution, illustrating how strong employee relationships contribute to customer loyalty.

Table 2. Provides an overview of PT Pegadaian's institutional support and service quality metrics

Quotes	Initial Code	Sub-theme	SERVQUAL Dimension	Description of Findings
R02: "When we arrive, the security guard usually asks, greets us, and directs us, it makes us feel comfortable."	Greeting; customer welcoming	Friendliness and helpful attitude	Empathy	Staff behavior creates a welcoming and comfortable environment, improving customer experience.
R02: “From the entrance, they already ask whether we want to redeem, pawn, or take something, the security guard helps with everything. Very friendly, we eventually became close, even friends."	Proactive assistance	Friendliness and helpful attitude	Empathy	Staff proactively assist customers from the beginning of the service process.
R02: "They take the queue number for us, if an elderly person looks confused, they help them kindly."	Assistance to vulnerable customers	Proactive service and guidance	Empathy/ Responsiveness	Staff provide additional support to customers who need help, especially elderly clients.
R02: "In my opinion, the price is not far from the market, that's why it's better to pawn when we don't have money."	Fair price perception	Price appraisal close to market value	Assurance	Customers trust the fairness and transparency of gold valuation.
R02: “The interest is appropriate, it’s not a problem.”	Acceptable interest rate	Interest rate perceived as reasonable	Assurance	Interest rates are perceived as fair and not burdensome.
R02: "We are given four months to redeem it, if we can't, we can extend it or just pay the interest."	Flexible repayment	Flexible redemption period	Reliability/ Empathy	Flexible repayment policies support customers’ financial conditions.
R01: "There is no program from Pegadaian related to funding for farmers, but the staff understand the season, for example during the rice season, they know the funds will be used as capital."	Lack of financial guidance	Lack of guidance on fund utilization	(Gap in Empathy/ Assurance)	Absence of advisory services limits institutional support for productive fund use.
R02: "There is no information about that, unlike banks, which ask what the monies are for. At Pegadaian, no questions are asked. We hand over the item and receive the money.	No fund-use assessment	No assessment of fund needs	Reliability (process simplicity)	The simplified process increases speed but reduces financial oversight.
R02: "Just using an ID card, we can be served, they don't ask what the funds are for."	Minimal requirements	Fast process but limited customer profiling	Tangibles/ Reliability	Simple requirements improve access but limit customer data and tailored services.

Moreover, respondents stated that personnel take the initiative to direct clients, obtain queue numbers on their behalf, assist elderly or confused individuals, and simplify the process. This proactive conduct minimises cognitive strain while increasing procedural satisfaction. Service innovation research in retail banking has shown that when banks combine convenience (process simplicity, accessibility) with better service quality, customer happiness and loyalty increase (Nguyen et al., 2024). In that sense,

frontline-staff initiative (guidance, assistance, simplified procedures) can be considered part of "service innovation", especially where customers value ease, clarity, and low friction. By helping customers navigate the process, PT Pegadaian staff demonstrate operational expertise, which strengthens customer confidence. The company's proactive support enhances accessibility for diverse groups, including elderly customers. This contributes to a smooth and reassuring customer journey from the moment they enter the facility (The moment of truth).

Furthermore, participants reported that PT Pegadaian's gold valuation is fair, aligning closely with market prices, and transparent. This increases customers' willingness to pawn their golds instead of selling them, especially when in need of quick liquidity. Price fairness is essential for customer satisfaction in financial transactions. Prior research revealed that convenience (ease and accessibility) together with perceived price fairness and low perceived risk contributes to higher perceived value and, ultimately, greater satisfaction in e-banking contexts (Nupueng et al., 2024). Studies in pawnshop services, Rizki (2022) showed that the customer's decision to pawn gold at PT Pegadaian Syariah is significantly and positively influenced by the expected value variable. It indicated that customers prefer institutions that appraise items transparently and consistently with market prices. Fair valuation reinforces the credibility of the institution and reduces the uncertainties and psychological cost of pawning valuable items. PT Pegadaian's alignment with market pricing strengthens its positioning as a reliable and equitable financial alternative, making it attractive to customers seeking short-term funds while retaining ownership of their gold.

The demand for credit is driven by economic and financial vulnerability of rural households. Informal credit plays a dominant role in meeting rural households' financial needs (Mansour et al., 2024). Research related funding finds that customers prefer official financing due to a need for consistency and clarity in financial transactions, as opposed to the unpredictable nature of informal financing (Campos-Sánchez et al., 2025). PT Pegadaian's standardized, regulated interest rates ensure predictability, which reduces financial anxiety and increases trust, especially crucial for low-income customers. The findings show that PT Pegadaian offers up to four months for redemption and allows extensions by paying interest. This flexibility is highly valued by customers who may face uncertain or variable income cycles. Service flexibility is a critical factor in customer satisfaction, especially in financial services. Research on microcredit shows that The flexible contract leads to substantial improvements in the traditional microfinance clients' business outcomes, driven by borrowers in the upper tail of the distribution (Battaglia et al., 2024). PT Pegadaian's redemption and extension policies reflect a customer-centric financial model, respecting customers' financial volatility and providing a safety net that keeps the service accessible even when repayment challenges arise.

However, respondents stated that PT Pegadaian does not provide guidance on how customers should use the borrowed funds, especially farmers. While current business model speeds up the process, it limits organizational involvement in improving financial outcomes. Study shows that financial literacy and financial information consumption significantly enhance financial well-being among rural households as well as promotes financial information consumption (Kuutol et al., 2024). Guidance is especially important for agricultural households, who face seasonal income patterns and resource allocation challenges. While PT Pegadaian's current approach benefits customers seeking speed, it limits the institution's ability to support sustainable financial planning among rural customers. Participants remarked that PT Pegadaian did not enquire about loan purpose, unlike other financial institutions that do more detailed needs assessments. PT Pegadaian's method is consistent with its aim to deliver immediate liquidity, however it results in limited client profiling, limiting the implementation of tailored programs. The speed of service provided by merely an ID card results in fast transactions, but it prohibits the company from collecting data that could inform customer-centric improvements. Financial institutions that use customer mapping and data-driven interventions tend to have better service personalisation and financial inclusion outcomes (Pazarbasioglu,

2020). Due to a lack of customer data, PT Pegadaian may miss out on opportunities to build programs specifically for farmers. The pawnshop's efficiency trade-off leads to a lower institutional grasp of customer needs, limiting its potential to transition from transactional to developmental financial services.

3.3 SLF Framework (Capital assets, Livelihood strategies, and Outcome)

According to the study, farmers utilize the money they receive as starting capital for agricultural operations, such as hiring labourers and buying fertilizer. Thus, PT Pegadaian has indirectly assisted farmers in financing their agricultural endeavours through gold pawning—according to what respondent 1 and respondent 2. Furthermore, most respondents said that pawnshops are the fastest way to get money when compared to other funding options. This is demonstrated by the respondent's following statement

> *"Capital is typically required there in order to pay labour and buy fertilizer for instance, fertilizer is applied every 14 days when planting tobacco, so both labour and fertilizer require money."* (R02)

> *"In reality, pawnshop funds are contingent upon the need. Usually, I use them to pay workers for the first tobacco planting and the rice harvest. Pawnshop funds are typically supplemental funds; for instance, if I feel like I don't have enough money to pay labourers, pawnshops are the fastest way to get them."* (R01)

> *"Going to Pegadaian if you have gold is the quickest solution. Go to another one if you don't have any gold. Because they had lower interest rates than other options, I became addicted to them. You like pawnshops if your documentation is complete."* (R02)

Additionally, consumers' wellbeing and agricultural output are thought to be significantly impacted by the money they receive from gold pawning. This is supported, for example as follows.

> *"I believe my family will benefit from it. For instance, the yield is reduced if the rice in my fields isn't good because there isn't enough fertilizer. But if I have money from a pawnshop loan, I may buy fertilizer, which affects my agricultural production and maximizes rice harvest."* (R01)

> *"Indeed, in the absence of a pawnshop, we compensate labourers; however, without financial resources, we cannot engage their services. Consequently, funds obtained from the pawnshop can assist in remunerating labourers and augmenting fertilizer expenses, which I typically allocate for initial capital."* (R04)

Along with the aforementioned advantages, the study also found obstacles that customers had when trying to obtain cash from PT Pegadaian, such as stringent documentation requirements, drawn-out disbursement processes, a lack of information regarding farmer finance programs, and time constraints. According to respondents:

> *"We were late and had to pay a fine upon redemption because we hadn't harvested yet and I misjudged and accepted the money too soon. The deadline was four months. We would affirm at the pawnshop that we would receive a specific amount of interest, an extension term, and an auction when the gold was due, even if we were running late. In other words, even though we were given more time, the late payment penalty persisted."* (R02)

> *"The document requirements made it quite challenging for me to pawn my car registration certificate (BPKB). It was quicker than financing. Because it was so low, the*

interest rate was actually very beneficial. But it wasn't hard for gold pawning, so I finally moved to finance for the BPKB." (R03)

The table illustrates how the findings align with the SLF. The results demonstrate that pawnshop financing enhances financial capital, which is then converted into physical capital, such as assets for agricultural activities. This process subsequently boosts natural capital and leads to improved livelihood outcomes. According to the data, farmers frequently use the money they receive from PT Pegadaian to purchase vital agricultural inputs such as fertiliser, labour, and other essential needs. This demonstrates how pawn-based finance directly supports day-to-day farming activities, particularly during capital-intensive phases like planting and harvesting, showing the important role of PT pegadaian to farmers. A previous study found that formal and informal credit have a beneficial and significant impact on efficiency and production (Haryanto et al., 2023). Pawn finance relevant to this finding since it delivers immediate funds without requiring complicated procedures, increase productivity of the farmers. Another study found that 70% of 300 smallholders reported having access to informal loans, with 65% actually using it. Many farmers used informal loans to buy farm inputs at the start of the planting season and repay them after harvest. Informal finance frequently provides flexible payback terms, which is beneficial for farmers with unpredictable harvests (Ullah et al., 2024). It demonstrates how informal loan helps farmers during the emergency.

Table 3. Provides the summary of indicators for sustainable livelihoods framework

Quotes	Initial Code	Sub-theme	SLF Dimension	Description of Findings
R02: "Usually used to buy fertiliser and pay labour, for example, when planting tobacco, we need capital for fertiliser and labour."	Use of funds for inputs	Funds used as farming capital	Financial Capital (Physical Capital)	Pawn financing strengthens financial capital, which is directly converted into agricultural inputs, supporting farming operations.
R01: "I use it to pay labour during rice harvest and at the start of planting tobacco, the funds from Pegadaian become additional capital."	Labour financing	Funds used as farming capital	Financial Capital (Physical Capital)	Access to liquidity enables farmers to maintain production cycles through timely payment of labour and inputs.
R01: "If I feel I don't have enough money to pay labour, the fastest access is Pegadaian."	Financial buffer strategy	Pegadaian as a solution when capital is insufficient	Livelihood Strategies / Financial Capital	Pawn services function as a coping strategy to manage cash flow shortages in farming households.
R01: "The impact is good, rice doesn't grow well when there's not enough fertiliser, but with funds from Pegadaian, the rice yield becomes more optimal."	Increased productivity	Increased agricultural productivity	Physical Capital (Natural Capital)	Investment in inputs such as fertiliser improves land productivity and crop yield.
R02: "Usually used to buy fertiliser and pay labour, for example, when planting tobacco, we need capital for fertiliser and labour."	Use of funds for inputs	Funds used as farming capital	Financial Capital (Physical Capital)	Pawn financing strengthens financial capital, which is directly converted into agricultural inputs, supporting farming operations.
R01: "I use it to pay labour during rice harvest and at	Labour financing	Funds used as farming capital	Financial Capital	Access to liquidity enables farmers to

the start of planting tobacco, the funds from Pegadaian become additional capital."			(Physical Capital)	maintain production cycles through timely payment of labour and inputs.
R01: "If I feel I don't have enough money to pay labour, the fastest access is Pegadaian."	Financial buffer strategy	Pegadaian as a solution when capital is insufficient	Livelihood Strategies/ Financial Capital	Pawn services function as a coping strategy to manage cash flow shortages in farming households.

PT Pegadaian serves as an indirect agricultural funding method, allowing farmers to continue their livelihood operations uninterrupted, provide a safety net to farmers. The ability to access finances immediately ensures continuity in farming, avoiding delays that could reduce yields due to lack of funds. Respondents described PT Pegadaian as their "fastest access" when primary finances are insufficient, indicating that it serves as a financial buffer during emergencies or seasonal shortages. PT Pegadaian, in particular, has been demonstrated to serve as “liquidity stabilization institution”; for example, the COVID-19 pandemic influenced people's pawning habits (Dewi et al., 2025). PT Pegadaian serves as a financial shock absorber, stabilizing livelihood operations when farmers face unexpected capital requirements. Its speed and simplicity make it especially significant for agricultural households, whose livelihoods are largely dependent on planting and harvesting cycles. Furthermore, farmers reported that the capital obtained from PT Pegadaian allows them to buy necessary inputs, resulting in improved crop growth and yields. Insufficient fertilizer leads to poor productivity, while the availability of funds ensures that essential inputs are not compromised. Prior research revealed that access to credit has a positive impact on the productivity of the beneficiaries of credit (Acclassato Houensou et al., 2021). While study conducted by (Okechukwu et al., 2022) revealed microfinance services such as micro saving, loan, remittance services, transaction payment, and credit mobilization, etc. significantly influenced rice productivity. PT Pegadaian indirectly contributes to physical asset enhancement (better crops, improved land productivity) through its financial service (gold pawn), align with sustainable livelihood framework. Proven by farmers’ testimonies that “rice yield becomes more optimal” show how pawn financing supports productive outcomes rather than mere consumption.

However, the findings highlight an important limitation/gap: while pawn-based financing provides a fast and flexible source of credit, its benefits are not evenly distributed among farmers. Fast service of pawn financing is only beneficial to gold owners. Farmers who do not have gold to be pawned (other assets) must look for other alternatives, generally less favourable options (which are often slower, more expensive, or less reliable). This creates disparities between asset ownership. According to (Lin et al., 2019), farmers who lack collateral suffer formal credit constraints, and informal lending remains the primary borrowing route for such households. Farmers who can access pawn financing are better positioned to invest in physical capital such as machinery and tools, as well as in improvements to natural capital such as soil quality enhancement or irrigation infrastructure (supports livelihood strategies and enhances productivity). In contrast, asset-poor farmers who are more vulnerable financially, face constraints in making such productive investments, potentially reinforcing existing inequalities in agricultural productivity and long-term income generation, threaten their livelihood.

Furthermore, PT Pegadaian unintentionally exacerbates disparities by benefiting gold asset-owning households while providing no alternative to other asset owners (disadvantaged farmers). A recent study found that the use of pawn loans (and other non-bank credit) is highly connected with food insecurity among low-and moderate-income households (Fitzpatrick, 2024). The SLF emphasises that access to capital assets impacts the number of viable livelihood possibilities. In this case, only gold owners have access to rapid capital, resulting in a differentiated livelihood landscape in which impoverished farmers, and those who own assets other than gold are excluded. While PT Pegadaian

pawn service benefits individuals who own gold, it does not serve the financial needs of other assets (e.g. disadvantaged farmers). This asset dependency decreases the inclusiveness of PT Pegadaian's financial model, limiting its effectiveness as a universal livelihood assistance instrument. These findings illustrate the need for changes in lending business models. Instead of emphasizing specific collateral and standardized repayment structures, financial services must adapt to the seasonality of farmers' income patterns (from project-centric to farmer-centric lending). Providing flexibility in repayment schedules aligned with harvest periods and reducing reliance on gold collateral will increase inclusivity and accessibility for vulnerable farmers.

4. Conclusions

Farming activities are crucial for livelihood, and farmers play a critical role in ensuring food security, particularly in rural areas of South Lombok, though their importance is often not matched by easy access to funding. Smallholder farmers often face difficulties in accessing formal credit without adequate collateral. These challenges affect their ability to sustain their livelihood. The existence of PT Pegadaian as a pawn service provider provides an essential alternative for farmers to get funding for their agricultural activities. However, this function is perceived as an indirect role because PT Pegadaian does not actively provide information or special programs to farmers. According to the study, the majority of farmers interviewed pawned their gold at the beginning of the planting season or near harvest to fund their agricultural activities, demonstrating the important role of PT Pegadaian to farmers. Farmers perceived the pawn service of PT Pegadaian positively; they chose its service above other finance sources because of its speed and convenience of transactions, showing its accessibility and responsiveness. Furthermore, nice and helpful staff improve their positive experience. However, consumers continue to complain about difficulties in pawning objects other than gold, which take longer and have more rigorous restrictions, and no specific program for farmers. As a result, only farmers with gold benefit from the speed and convenience of service, showing disparities and a low level of inclusivity. Moreover, the current strategy has proven to work well, yet it has missed capturing threats and opportunities in the long term.

PT Pegadaian’s role as an important alternative for smallholder farmers to access capital must provide a strategy to boost the inclusivity of its service. To enhance the inclusion of pawn services, PT Pegadaian must focus on simplifying standards, such as those for gold pawning, and incorporating digital technologies into the verification and data gathering process to integrate data and enable risk management monitoring. Furthermore, PT Pegadaian can provide unique programs for farmers seeking access to capital, such as more flexible payback schemes that coincide with the harvest season which will increase its value proposition. Furthermore, it can be proactive in giving information to increase financial literacies by collaborating with extension staff and farmer organizations to maximize the programme. PT Pegadaian can strengthen its position as a quick, easy, and inclusive source of funding for farmers by prioritizing courteous service and offering financing packages that coincide with planting and harvesting seasons. By maximising these efforts, PT Pegadaian will potentially have a loyal customer base (farmers).

This research took a cross-sectional qualitative method, emphasising the richness of information guided by established frameworks that are usually employed in quantitative research; thus, the dimensions used in this study do not represent the whole indicators of the frameworks, which might limit the study. Moreover, this study was hampered by its small sample size. However, interviews with informants revealed vital initial information about their impressions of pawnshop services in supporting their agricultural activities, presenting valuable insights to the institution on designing and developing value for the potential market segment. Future studies could focus on a variety of subjects (expanding

the number of samples), including longitudinal studies to examine customer perceptions over time.

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