

Risk Evaluation in Providing Gold Credit at PT Pegadaian Medan Sunggal Branch

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ABSTRACT

Gold loans are one of PT Pegadaian's flagship products, playing a crucial role in meeting the public's financing needs with gold as collateral. Despite their relatively high level of security, gold loans still carry various risks, such as credit risk, the risk of gold price fluctuations, and operational risk. Therefore, risk evaluation in gold loans is crucial to ensure smooth operations and maintain the company's financial performance. This study aims to evaluate the risks involved in the gold loan disbursement process at PT Pegadaian's Medan Sunggal Branch and identify the risk control measures implemented. This study used a descriptive qualitative approach, collecting data through interviews, observation, and documentation. The research informants consisted of branch managers and employees directly involved in the gold loan disbursement process. Data analysis was conducted through data reduction, data presentation, and conclusion drawing. The results indicate that the main risks in gold loans at PT Pegadaian's Medan Sunggal Branch include credit risk due to late customer payments, the risk of gold price fluctuations that can affect the collateral value, and operational risks related to the appraisal and administration processes. However, PT Pegadaian Medan Sunggal Branch has implemented various risk management strategies, including gold valuation standards, strict operational procedures, and regular credit monitoring. This research is expected to provide evaluation material and input for management in improving *the effectiveness of gold credit risk management*.

Kata kunci: Risk Evaluation, Gold Credit, Risk Management, PT Pegadaian

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INTRODUCTION

PT Pegadaian (Persero) is a non-bank financial institution that provides credit facilities using gold as collateral (gold pawning). Gold loans are a key product due to their relatively quick and easy process, and offer a funding alternative for those in need of short-term cash. However, in the practice of providing gold loans, Pegadaian faces various risks that must be managed effectively to prevent a negative impact on operational performance and business sustainability. These risks include credit risk (e.g., bad debt), the risk of fluctuating gold values, and operational risks in the assessment and storage of gold collateral.

Risk evaluation in gold loans is crucial due to the fluctuating gold market and the dynamics of customer behavior, which can increase the likelihood of non-performing loans. Customer failure to meet payment obligations can increase Non-Performing Loans (NPLs), which in turn impact the company's profitability and liquidity. Therefore, a systematic risk assessment is necessary to assess potential losses, establish appropriate credit terms, and formulate effective risk mitigation strategies. Previous research has shown that credit risk management is a key focus in Pegadaian's operations. For example, research by David & Widyarningsih (2024) showed that the implementation of credit risk management at the Enrekang Branch of Pegadaian was considered effective because it

implemented risk identification principles, such as the 5Cs, to minimize non-performing loans. Furthermore, another study focusing on the risk aspects of gold pawn products at the Medan Petisah Branch of Pegadaian Syariah found that risks related to gold quality, fluctuating value, and operational risk require attention within Pegadaian's risk management system.

While several studies have highlighted risk management in general or at other branch locations, there are still few scientific studies specifically evaluating the risks involved in gold lending at the Medan Sunggal Branch of PT Pegadaian. This is despite the fact that demographic characteristics, gold loan demand dynamics, and internal risk management strategies can vary from branch to branch. Inaccuracy in risk evaluation has the potential to lead to errors in credit decision-making and the establishment of loan loss reserves. This underscores the importance of further research to identify the dominant risk factors and how the risk evaluation mechanism is implemented at the Medan Sunggal Branch of Pegadaian.

Thus, this research is expected to provide an empirical contribution to the understanding of gold credit risk evaluation at Pegadaian, while also providing practical recommendations for management in improving the accuracy of risk evaluation so as to minimize the number of non-performing loans and improve overall operational performance.

LITERATURE REVIEW

A. Credit Risk Concept

Credit is a key instrument in the financial system, playing a vital role in supporting economic activity in the community and the business world. Through credit, financial institutions can channel funds to those in need for both consumptive and productive purposes. Therefore, understanding the concept of credit is an essential foundation in the study of financial management and banking, including in the context of non-bank financial institutions such as PT Pegadaian.

Etymologically, the term "credit" comes from the Latin "credere," meaning to trust. This meaning emphasizes that credit is essentially a relationship of trust between the creditor and the borrower. This trust relates to the belief that the borrower will fulfill their obligation to repay the funds received according to the agreed-upon agreement.

According to Law of the Republic of Indonesia Number 10 of 1998 concerning Banking, credit is the provision of money or equivalent receivables, based on a loan agreement or contract between a bank and another party, requiring the borrower to repay the debt after a specified period with interest. This definition emphasizes that credit encompasses not only the element of a loan but also legal obligations that bind both parties.

A similar opinion was expressed by Kasmir (2018), who stated that credit is a loan granted by a financial institution to a customer based on trust, where the borrower is obligated to repay the loan within a specified period of time along with an agreed-upon return. Kasmir emphasized that trust is the primary foundation for granting credit, making a debtor's creditworthiness analysis a crucial step before disbursing credit.

Meanwhile, Rivai and Arifin (2019) define credit as a facility for providing funds to another party based on an agreed-upon agreement, with the aim of supporting economic activity and improving public welfare. According to them, credit is not only viewed as a financial transaction, but also as an economic development instrument capable of driving growth in the real sector. Siamat (2016) explained that credit is a productive asset for financial institutions because it can generate income, but on the other hand, it also carries significant risks. Therefore, credit must be granted carefully, taking into account the debtor's ability, the collateral provided, and general economic conditions. This view positions credit as both a source of profit and a source of risk for financial institutions. In the context of financial management, the Indonesian Bankers Association (IBI, 2020) states that credit is the primary risk exposure for financial institutions, as the majority of their productive assets originate from lending. Therefore, credit management must be accompanied by an adequate risk control and management system to minimize potential losses. In addition to expert opinions, the concept of credit has also been widely discussed in various previous studies. Research by David and Widyaningsih (2024) concluded that credit is Pegadaian's primary activity, based on trust and collateral. Therefore, successful credit management depends heavily on the accuracy of debtor

analysis and the quality of the collateral used. This research confirms that even though Pegadaian loans use physical collateral, credit risk cannot be completely eliminated.

Based on these various definitions and research findings, it can be concluded that credit is a financial relationship based on trust, accompanied by an obligation to repay within a specified timeframe, and carries risks that must be carefully managed. The concept of credit encompasses not only the provision of funds but also feasibility analysis, risk management, and ongoing credit monitoring.

B. Gold Loan Products at Pegadaian

Gold loan products are a form of financing provided by PT Pegadaian that uses gold as collateral. This product is widely known as a gold pawn service, which provides easy access to financing through a relatively fast process, simple requirements, and a high level of security because it is backed by physical gold collateral. The existence of gold loan products makes Pegadaian a non-bank financial institution with a strategic role in providing cash to the public.

Conceptually, gold loan products are based on the principle of pawning, which is the delivery of movable property as collateral for a loan received by a debtor. According to Article 1150 of the Civil Code, a pawn is a right obtained by a creditor over movable property handed over to him by the debtor as collateral for a debt. In the context of Pegadaian, this movable property is gold, either in the form of jewelry or gold bullion, which has high economic value and is relatively stable.

According to Kasmir (2018), secured loans are a type of loan granted based on certain collateral to reduce the risk of default. In this case, gold was chosen as collateral because it has an easily appraised value, is liquid, and can be resold relatively quickly in the event of default. This view strengthens the position of gold credit products as a form of credit with a lower risk level than unsecured loans.

Meanwhile, Siamat (2016) explains that loans with physical collateral provide additional protection for financial institutions, but do not completely eliminate risk. This is due to the potential for fluctuations in collateral value as well as operational risks in the collateral valuation and management process. Therefore, even though gold credit products use gold as collateral, their management still requires a sound risk management system.

From an operational perspective, gold credit products at Pegadaian are defined as loan facilities provided to customers by pledging gold, where the loan amount is determined based on the results of an appraisal of the weight and gold content by an appraiser. This process includes handing over the gold, assessing its value, disbursing funds, and repayment or extension of the loan within a predetermined period. These characteristics make gold credit a short-term financing product that is flexible and easily accessible to various levels of society.

Previous research by Siregar (2016) stated that gold pawn products are a form of financing aimed at meeting the public's immediate cash needs with simple procedures and short disbursement times. This research emphasized that the success of gold loan products is highly dependent on accurate gold appraisals and customer oversight of loan repayments.

Furthermore, Syafitri and Wijaya (2023) in their research revealed that gold loan products not only serve as a means of financing for the public but also serve as a primary source of income for pawnshops. Therefore, this product must be managed professionally to provide optimal returns without increasing the risk of non-performing loans.

Another study conducted by Khairina and Rahmat (2025) showed that although gold loans have strong collateral, risks can still arise due to fluctuations in gold prices and customer delays in repayments. This research emphasized that gold loan products must be supported by a continuous risk evaluation system, particularly in determining loan values and credit monitoring.

In the context of Islamic pawnshops, gold loan products are also known as gold pawn financing based on the rahn contract. Research by Devita and Zainarti (2025) states that gold pawn products, both conventional and Sharia-compliant, share similarities in collateral mechanisms, but differ in cost calculations and the contracts used. Nevertheless, both remain characteristic of credit products with gold as the primary collateral.

Based on the views of experts and the results of previous research, it can be concluded that the gold loan product at Pegadaian is a gold-collateralized financing facility designed to provide easy

access to funds for the public. This product's main characteristics include a fast process, a loan value determined based on the gold's appraisal, a relatively short term, and flexible repayment. Although backed by high-value gold collateral, gold loan products still carry risks that need to be systematically managed through the application of prudent principles and effective risk management

RESEARCH METHODOLOGY

A. Research Approach and Type

This research uses a qualitative approach with descriptive methods. The qualitative approach was chosen because this study aims to deeply understand the processes, mechanisms, and risks that arise in providing gold loans at PT Pegadaian Medan Sunggal Branch. This approach allows researchers to obtain a comprehensive picture of gold loan risk management practices based on real-world conditions.

According to Sugiyono (2019), qualitative research aims to deeply understand social phenomena through data collection in the form of words, actions, and documents. Descriptive methods are used to describe and analyze facts that occur without manipulating the research variables.

B. Research Subjects and Objects

1 Research Subjects

The research subjects are the parties directly involved in the process of granting and managing gold loans, namely:

Branch Manager of PT Pegadaian Medan Sunggal Branch

- 1) Gold appraisers
- 2) Credit administration officers
- 3) Employees in charge of credit risk management

2. Research Objects

The object of this research is the risks in granting gold loans at PT Pegadaian Medan Sunggal Branch, which include:

- 1) Credit risk
- 2) Operational risk
- 3) Gold price fluctuation risk
- 4) Customer default risk

C. Informant Selection Technique

The informant selection technique used was purposive sampling, which is a technique for selecting informants based on specific considerations relevant to the research objectives.

According to Sugiyono (2019), purposive sampling is used when researchers require data sources with a thorough understanding of the problem being studied. Informants are selected because of their experience, authority, and knowledge related to the gold credit process.

D. Data Types and Sources

1 Data Types

The types of data used in this study are:

Qualitative data, in the form of interviews, observations, and documentation related to the gold credit process and risk management.

2. Data Sources

1) Primary Data

Primary data was obtained directly from in-depth interviews with informants and observations at the research location.

2) Secondary Data

Secondary data was obtained from internal Pegadaian documents, annual reports, gold credit SOPs, books, scientific journals, and regulations related to pawning and credit.

E. Data Collection Techniques

1. Interviews

Semi-structured interviews were conducted with research informants to obtain in-depth information regarding: Gold loan granting procedures : Gold appraisal mechanisms Types of risks faced : Credit risk mitigation efforts

2. Observations

Observations were conducted by directly observing the gold loan service process, from gold appraisal to fund disbursement, to obtain a realistic picture of operational practices in the field.

3. Documentation

Documentation included collecting supporting documents such as gold loan SOPs, credit reports, and Pegadaian's risk management policy archives.

F. Data Analysis Techniques

The data analysis techniques used in this study refer to the Miles and Huberman model, which includes:

1. Data Reduction, which is the process of sorting and simplifying the data obtained to ensure it is relevant to the research focus.
2. Data Presentation, which is the arrangement of data in narrative form, tables, or charts for easy understanding.
3. Conclusion Drawing, which is the process of interpreting data to draw conclusions regarding the risks of gold credit.

RESULT AND DISCUSSION

A. Overview of PT Pegadaian Medan Sunggal Branch

PT Pegadaian Medan Sunggal Branch is an operational unit of PT Pegadaian (Persero) that provides pawn-based financing, particularly gold loan products. The branch serves customers who require rapid liquidity using gold jewelry or bullion as collateral. From a risk perspective, pawn-based lending is typically categorized as collateralized retail lending, where repayment performance is supported by pledged assets, but still remains exposed to borrower behavior, operational failures, and market price shocks (Basel Committee on Banking Supervision, 2000).

Gold loan products are positioned as a leading service because of speed, simple requirements, and relatively transparent collateral valuation. Consistent with risk governance principles, the branch operationalizes head-office SOPs to ensure standardized appraisal and risk control processes. This aligns with ISO risk governance logic that risk management should be integrated into daily operations and decision-making, not treated as a separate activity (ISO, 2018).

B. Gold Loan Process at PT Pegadaian Medan Sunggal Branch

Based on interviews and observations, the gold loan process comprises sequential stages:

1. Gold Receipt and Initial Inspection
Customers submit gold collateral. Officers conduct a preliminary physical inspection to verify general characteristics and condition.
2. Gold Appraisal
Appraisers evaluate gold by weight, purity, and type. In collateral-based finance, appraisal quality is a key control point because collateral value is the basis for both loan approval and loss mitigation (European Central Bank, 2023).
3. Loan Value Determination
Loan value is determined as a percentage of the appraised gold value. Theoretically, this resembles a loan-to-value (LTV) discipline, where a conservative margin reduces exposure to adverse price movement and recovery delays (Balfoussia et al., 2018).
4. Fund Disbursement
Funds are disbursed after requirements are met.
5. Repayment or Extension
Customers repay within maturity; extensions may be permitted according to policy.

C. Risk Identification in Gold Loans

Although gold collateral improves recoverability, findings indicate four primary risks:

1) Credit Risk

Credit risk occurs when customers are unable or unwilling to repay according to the agreed schedule. Basel's credit risk principles emphasize that sound credit risk management requires clear borrower obligation monitoring, early warning mechanisms, and consistent collection/settlement procedures (Basel Committee on Banking Supervision, 2000). Field findings show late payments are often driven by unstable income and low repayment awareness, indicating that borrower cash-flow constraints remain relevant even under collateralized arrangements.

2) Operational Risk

Operational risk relates to failures in internal processes, people, systems, or external events that affect transaction integrity. In practice, operational risk in gold loans may include appraisal error, recording mistakes, and collateral storage issues. Basel's operational risk guidance stresses governance, internal controls, and the "three lines of defence" approach (BCBS, 2011; BCBS, 2021). This supports your finding that—even if rare—appraisal or administrative errors can create loss potential and disputes.

3) Gold Price Fluctuation Risk (Market Risk)

Gold price movements represent market risk because declining prices can reduce collateral value relative to outstanding loan exposure, especially when repayment is delayed. Empirically, studies on gold pawn products in Indonesia identify market risk from gold price fluctuation as a major determinant of product performance and collateral adequacy (Harahap, 2025). This aligns with the risk logic behind setting a conservative loan percentage (margin) against collateral value.

4) Customer Default Risk

Default occurs when customers fail to repay by the deadline, requiring collateral auction. While auction is a recovery mechanism, it introduces time, administrative cost, and price realization risk (e.g., the realized auction price may differ from appraisal), reinforcing the need for conservative valuation and maturity monitoring. This is consistent with the broader collateral-valuation literature emphasizing that valuation practices and asset price shocks can influence credit conditions and loss outcomes (European Central Bank, 2023).

D. Gold Credit Risk Management Efforts

The branch implements several risk responses that align with recognized risk frameworks:

1) SOP-Based Appraisal Standardization

Certified appraisal processes reduce valuation dispersion and strengthen control reliability. ISO 31000 highlights the importance of structured processes (identification–analysis–evaluation–treatment) and continual improvement, which supports SOP-driven appraisal as a formal risk control (ISO, 2018).

2) Loan Value Limitation (Conservative LTV Policy)

Pegadaian does not disburse loans equal to full gold value; instead, it applies a policy margin. This mirrors LTV logic in the finance literature: limiting LTV reduces loss severity under adverse asset price movement and recovery frictions (Balfoussia et al., 2018).

3) Credit Maturity Monitoring (Early Warning & Reminders)

Maturity monitoring and reminders function as an early-warning mechanism. Basel credit risk principles emphasize continuous monitoring and effective credit administration as essential elements of credit risk management (Basel Committee on Banking Supervision, 2000).

4) Auctioning the Collateral

Collateral auction is a corrective recovery action when default occurs. In ERM thinking (integrated risk governance), organizations are expected to connect strategy, performance, and risk response choices including corrective actions through a structured review and reporting cycle (COSO, 2017).

Thus, auctions serve as an institutional control to protect portfolio performance while maintaining service continuity.

CONCLUSION

Based on the results of the study on risk evaluation in gold credit provision at PT Pegadaian Medan Sunggal Branch, it can be concluded that gold credit product is a financing service with relatively low risk characteristics because it is supported by collateral in the form of high-value gold that is easily converted into cash. The gold credit provision process has been carried out in accordance with established standard operating procedures, from the gold appraisal stage to the disbursement of funds and loan repayment. However, this study found that risks still arise, especially credit risks due to delays or inability of customers to repay loans, the risk of gold price fluctuations that can affect the value of collateral, and operational risks related to the accuracy of appraisals and administration. Risk management efforts implemented by PT Pegadaian Medan Sunggal Branch, such as limiting loan values, implementing appraisal SOPs, and auctioning collateral, have been quite effective, although strengthening aspects of credit monitoring and ongoing risk management are still needed.

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