
Integrated GRC as a Risk Mitigation Effort in Company Management in the Pawn Industry to Improve the National Economy

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KEYWORDS

Governance, Risk, Compliance (GRC), pawn industry, risk mitigation, national economy.

ABSTRACT

This study explores the implementation of Integrated Governance, Risk, and Compliance (GRC) as a risk mitigation strategy in the management of pawn companies to enhance the national economy. The pawn industry in Indonesia has grown significantly, offering vital financial services, particularly to micro and small enterprises. However, challenges such as weak governance, operational risks, and regulatory gaps threaten its sustainability. The research aims to analyze the role of GRC in improving corporate governance, risk management, and regulatory compliance in pawn companies, thereby contributing to economic stability and inclusivity. Using a normative legal method, the study examines laws, regulations, and theoretical frameworks related to GRC, alongside secondary data from literature and legal documents. Findings reveal that integrated GRC strengthens transparency, accountability, and risk mitigation, fostering public trust and investor confidence. It also highlights the need for clearer regulations and technological adoption to address implementation challenges. The implications of this research underscore the importance of collaborative efforts between regulators, such as the *Otoritas Jasa Keuangan (OJK)*, and pawn companies to standardize GRC practices. By enhancing governance and compliance, the pawn industry can better support financial inclusion, *SME* growth, and national economic resilience.

INTRODUCTION

The pawn industry in Indonesia has experienced significant development in the last few decades, marked by an increase in the number of pawn companies, both those managed by state-owned enterprises such as PT Pegadaian and by private players. This growth is not only concentrated in large urban areas, but has also spread to provincial, district, and small cities in remote areas of the country. Pawn companies are now present in various forms and scales of business, from large financial institutions with national networks to small units operating in local communities. It shows that the community's need for access to loans with collateral (pawns) continues to increase, making this industry one of the important pillars in meeting the community's liquidity needs quickly and easily (Antonio, 2013)

This rapid progress has encouraged the formation of an increasingly complex and competitive pawn industry ecosystem. Not only has the number of institutions increased, but also the variety of services offered is increasingly diverse - from gold pawns, and vehicles, to multipurpose loans with customized payment schemes. On the other hand,

digitalization has also driven the transformation of pawn services towards a more modern and efficient direction. Several companies have begun to develop digital platforms to serve the online pawn transaction process, creating a more inclusive and practical experience for customers. This development makes the pawn industry one of the non-bank financial service sectors that continues to grow dynamically amidst changes in people's needs and behavior (Muhammad, 2016).

In the context of the national economy, the pawn industry plays a strategic role, especially in supporting the strengthening of the micro and small sector economy. With the characteristics of services that are easily accessible, fast, and do not require complicated processes like conventional financial institutions, pawnshops are a real solution for the lower middle class in meeting urgent needs. The ability of this industry to bridge the financial needs of the community makes it a driver of the grassroots economy, as well as a complement to an inclusive national financial system. (Azizah, 2019) Therefore, the sustainability and growth of the pawn industry are not only important for business actors but also have a broad impact on people's welfare and economic development in general.

Along with the growth of the pawn industry, the demand for good corporate governance (GCG) is becoming increasingly important. GCG is a fundamental principle in managing a company so that it runs transparently, accountably, responsibly, and independently, and upholds the principles of fairness and equality. In the context of a pawnshop company, the implementation of GCG is the basis for building public trust and maintaining the integrity of the institution, especially because this industry is in direct contact with community assets that are used as collateral (Pratama, 2020). Therefore, GCG is not only a requirement of business ethics but a critical pillar in maintaining business continuity and improving the company's reputation in the eyes of the public.

However, until now the implementation of GCG principles in the pawnshop industry still faces challenges, especially in terms of regulation. Although the Limited Liability Company Law has mandated the importance of implementing GCG in company management, there are no legal norms that explicitly and in detail regulate the implementation of these principles within the scope of the pawnshop industry. (Nurhayati, 2021) This lack of norms causes GCG practices to tend to be carried out based on the interpretation and initiative of each company so that they have not been standardized nationally. On the other hand, pawnshop companies under the supervision of OJK are still in the process of adapting to various developing formal provisions, so the implementation of GCG is not yet optimal.

The absence of specific and comprehensive regulations on GCG in the pawn industry can pose various risks, such as potential abuse of authority, lack of transparency in financial management, and undetected conflicts of interest. Therefore, strengthening the legal framework related to the implementation of GCG is an urgent need so that pawn companies can carry out their operations professionally and responsibly. Without clear guidelines, it is difficult to guarantee that all pawn industry players will apply governance principles consistently and sustainably. In the long term, strengthening governance aspects will strengthen the foundation of this industry and ensure that its growth remains in line with the

values of fairness, trust, and sustainability.

Although the application of the principles of Good Corporate Governance (GCG) has become an important initial step in managing pawn companies, the reality of current business dynamics shows that GCG alone is not enough to guarantee business sustainability. The challenges faced by the pawn industry are increasingly complex, including in terms of market competition, technological developments, consumer expectations, and potential operational and legal risks. To address these challenges, companies need to adopt a more comprehensive and integrated approach, which not only prioritizes the principles of governance but also systematically manages risks (risk management) and ensures compliance with all applicable regulations (compliance). This approach is known as GRC (Governance, Risk, and Compliance), which is increasingly relevant in the context of modern corporate management. (Njatrijani, Rahmanda, & Saputra, 2019)

The GRC approach provides a comprehensive framework to ensure that all company activities are aligned with strategic objectives, comply with applicable laws and regulations, and minimize various forms of risk that can hinder performance. In the pawn industry, risks such as late payments, risk of loss of collateral, errors in asset valuation, to reputational risk due to procedural negligence are very likely to occur. If not managed properly, these risks can have a direct impact on the stability of the company and even affect public trust in the entire sector. (Is, 2016) Therefore, risk management should not be viewed as an additional activity, but rather as an inherent part of the good corporate governance process.

In addition to risk, the compliance aspect becoming increasingly critical amidst increasing regulations from financial authorities, including the OJK. Non-compliance with regulations can have serious legal and financial impacts on the company. Therefore, the integration of GCG, risk management, and compliance is a strategic need to ensure long-term business continuity. Integrated GRC is not only an internal control tool, but also a foundation for companies to make wise decisions, respond adaptively to changes in the business environment, and maintain intact company values. By implementing GRC comprehensively, pawnshop companies will be better prepared to face challenges and ensure the sustainability of their businesses healthily and ethically. (Daniri, 2005)

As the main regulator of the financial services sector in Indonesia, the Financial Services Authority (OJK) plays a strategic role in fostering and supervising the sustainability and integrity of the pawnshop industry. Since the enactment of Law No. 21 of 2011 concerning OJK, this institution has issued several regulations, including OJK Regulations (POJK) which regulate the existence and operations of pawnshop companies, both from BUMN and private companies. The presence of the POJK is the legal basis for reorganizing the pawnshop industry to be more orderly, and professional, and provide legal protection to the public as consumers. With the entry of this industry into the formal supervision of OJK, the hope is that all pawnshop business entities can carry out their business activities legally, transparently, and based on the principle of prudence. (Tunggal, 2002)

Although several POJK have been issued to regulate licensing, organizational structure, and financial reporting of pawnshop companies, there is still a gap in regulations that explicitly regulate risk management and mitigation in this sector. Pawnshop companies

are very vulnerable to various types of risks, both from the internal side like fraud, and procedural errors, to external risks such as changes in macroeconomic policies or fluctuations in the price of collateral. The absence of regulations that regulate how these risks should be identified, evaluated, and controlled creates gaps that have the potential to harm both companies and consumers. On the other hand, without official guidelines from the regulator, risk mitigation efforts in each pawnshop company tend to be sporadic, non-uniform, and not yet systematic. (Wilamarta, 2002)

The urgency of the presence of regulations that regulate risk mitigation is becoming increasingly important considering the increasing number of business actors in the pawnshop industry, including those based on digital technology. To ensure equality, consumer protection, and sector stability, OJK needs to encourage the formation of new guidelines or POJK that regulate risk management in a comprehensive and applicable manner. This regulation will strengthen supervision and encourage companies to build internal systems that can proactively anticipate potential threats. With clearer and more structured regulations, the pawn industry will have a stronger foundation in carrying out its business activities sustainably and resilient to crises.

Risk mitigation is one of the most crucial elements in maintaining the operational continuity of pawn companies. This industry has unique characteristics, where the main transactions involve valuable assets owned by the community as collateral for loans provided. The risk of loss can arise from various sources, such as negligence in storing collateral, fluctuations in asset values, inaccurate assessment of goods, and the risk of default from customers. Without a structured and effective risk mitigation system, the potential for major losses, both financial and reputational, will be even higher. Therefore, companies must develop a comprehensive risk management framework to anticipate and handle potential problems systematically and measurably.

Besides the operational and financial risks, pawn companies are faced with legal and compliance risks, especially if the procedures carried out do not comply with applicable regulations. Non-compliance with regulations or negligence in processing loans can result in legal sanctions, decreased public trust, and even revocation of operational permits by authorities. In the long term, failure to manage risk will disrupt the stability of the company and reduce the performance of the industry as a whole. Therefore, it is critical for every pawn entity, both large and small, to make risk mitigation an integral part of its business strategy, not just an administrative formality or response to an incident that has occurred.

Effective implementation of risk management provides many benefits for the company, such as increasing operational efficiency, strengthening decision-making, and creating stakeholders' trust. Companies that can identify risks early on and have a clear handling plan will be better prepared to face market uncertainty and regulatory dynamics. Amid an increasingly complex business climate, only companies that are resilient to risk will be able to survive and grow sustainably. Therefore, building a risk-aware culture and strengthening mitigation mechanisms are absolute necessities in a healthy and modern pawn industry.

The pawn industry has emerged as a critical component of the financial sector,

particularly in developing economies like Indonesia, where it provides accessible credit to underserved populations. Previous studies have highlighted the industry's role in financial inclusion, with Antonio (2013) emphasizing its contribution to micro and small enterprise growth. Similarly, Muhammad (2016) explored the transformative impact of digitalization on pawn services, underscoring the need for modernization to meet evolving customer demands. However, despite its significance, the sector faces governance challenges, including weak regulatory frameworks and inconsistent risk management practices, as noted by Nurhayati (2021). These issues threaten the industry's stability and its ability to support broader economic objectives.

A critical research gap exists in the lack of comprehensive studies on integrated Governance, Risk, and Compliance (GRC) frameworks tailored to the pawn industry. While Daniri (2005) and Njatrijani et al. (2019) have examined GRC in broader corporate contexts, their findings are not directly applicable to the unique operational and regulatory challenges of pawnshops. Existing literature often focuses on isolated aspects of governance or risk management, neglecting the synergistic potential of an integrated GRC approach. This gap limits the industry's capacity to adopt holistic strategies for mitigating risks and ensuring compliance, particularly in an era of increasing regulatory scrutiny and technological disruption.

This study introduces novelty by proposing an integrated GRC model specifically designed for the pawn industry, addressing its distinct governance, risk, and compliance needs. Unlike prior research, which treats these elements separately, our framework emphasizes their interdependence, offering a unified strategy for enhancing operational resilience and regulatory adherence. By incorporating insights from Azizah (2019) on risk management in pawnshops and Tunggal (2002) on corporate governance, we bridge theoretical and practical gaps, providing actionable recommendations for industry stakeholders.

The purpose of this research is twofold: first, to analyze the current state of GRC implementation in Indonesian pawn companies, and second, to develop a tailored framework that optimizes governance, risk mitigation, and compliance. By employing a normative legal method and reviewing secondary data, the study identifies systemic weaknesses and proposes solutions aligned with industry-specific requirements. The findings aim to inform policymakers, regulators, and business leaders on strategies for strengthening the sector's governance infrastructure.

The benefits of this research extend beyond academic contributions, offering practical value for industry practitioners and regulators. A robust GRC framework can enhance pawn companies' operational efficiency, reduce financial and reputational risks, and foster greater public trust. At the macroeconomic level, improved governance in the pawn industry can amplify its role in financial inclusion, SME support, and national economic stability. Ultimately, this study provides a roadmap for sustainable growth in the sector, aligning business practices with broader developmental goals.

METHOD RESEARCH

This study used a normative legal method. Here, two main approaches were used,

namely the statute approach and the conceptual approach. The statutory approach was conducted by examining various regulations related to the pawn industry, such as Law Number 40 of 2007 concerning Limited Liability Companies, the OJK Law, and the OJK Regulation (POJK) which regulates pawn business activities. Meanwhile, the conceptual approach is used to explore the theoretical understanding of the concept of Good Corporate Governance (GCG), risk management, and the integration of GRC (Governance, Risk, and Compliance) in the context of company management.

The data sources consist of primary, secondary, and tertiary legal materials. Primary legal materials include relevant laws and regulations, while secondary legal materials include literature, scientific journals, legal articles, and opinions of legal experts that support the analysis of GRC concepts and practices. Data collection techniques are carried out through library research, by tracing relevant legal documents and scientific references. The data obtained are then analyzed using qualitative techniques, by interpreting legal provisions and theoretical concepts systematically, to find a match between applicable legal norms and actual needs in pawnshop risk management.

RESULTS AND DISCUSSION

GRC role in Pawn Companies Management

The concept of Governance, Risk, and Compliance (GRC) is a managerial approach used to ensure that a company carries out its operations in a transparent, efficient, and sustainable manner. GRC consists of three main elements that are interconnected and support each other, namely Governance, Risk, and Compliance. Governance refers to good corporate governance, where the company is run based on the principles of transparency, accountability, responsibility, and independence. Risk is risk management, which includes the identification, evaluation, mitigation, and control of risks that can disrupt the stability and sustainability of the company. Meanwhile, Compliance relates to compliance with various applicable laws and regulations, including regulations set by authorities such as the OJK to ensure that the company operates within the legal corridor.

In the context of the pawn industry, the implementation of GRC is very important because this industry operates in a space full of risks, both financial, operational, and legal risks. Good Corporate Governance (GCG) is the foundation of GRC, where pawnshops must have a clear organizational structure, effective supervision, and a transparent and accountable management system. Good governance aims to ensure that every decision taken in the company always prioritizes the interests of stakeholders, including customers, investors, and the wider community. Good management also prevents abuse of authority, information leaks, and practices that are detrimental to the company and consumers.

On the other hand, risk management focuses on identifying and mitigating various potential risks that can threaten the continuity of pawnshop operations. The main risks often faced by pawnshops include the risk of customer default, the risk of collateral depreciation, and operational risks such as errors in collateral assessment procedures. With an integrated GRC approach, pawnshops can mitigate these risks more systematically and measurably. Finally, compliance with regulations is very important to ensure that pawnshops always carry

out their operations by applicable laws. In this case, compliance with regulations issued by the OJK, such as the POJK governing pawnshop business activities, is an absolute must for the company. This compliance not only keeps the company away from legal problems but also increases public trust in the integrity and credibility of the pawnshop company.

The implementation of Good Corporate Governance (GCG) in the pawnshop industry is key to ensuring that the company operates with high transparency, accountability, and professionalism. GCG in the context of a pawnshop company not only covers managerial aspects but also touches every operational layer, from strategic decision-making to the implementation of daily operational procedures. Good governance will help the company build a clear organizational structure, minimize conflicts of interest, and ensure that all parties involved in managing the company act ethically and follow applicable norms. This GCG principle is expected to reduce the occurrence of abuse of authority or ambiguity in the management system, which can hurt the reputation and sustainability of the pawnshop company.

One important element of the implementation of GCG in the pawnshop industry is the existence of a strong supervisory structure and transparency in reporting. Effective supervision through the board of commissioners and internal audit can help prevent practices that are detrimental to the company, such as unauthorized asset management or neglect of obligations in loan processing. In addition, transparency in financial and operational reporting will increase public and regulatory trust in pawnshop companies. It is critical considering that pawnshop companies deal directly with public funds and very valuable assets any ambiguity in management can risk reducing customer trust and disrupting market stability.

However, the implementation of GCG in the pawnshop industry is also faced with various challenges, such as the lack of understanding of GCG principles in some small or local companies and the imbalance between governance and market needs. Some pawnshop companies, especially those that do not yet have established resources or organizational structures, may have difficulty in implementing GCG principles optimally. In addition, the mismatch between management which is based on more dynamic regulations and market demands can be a challenge in itself. Therefore, the pawn industry needs to get guidance and support from regulators, such as OJK, to help them understand and implement GCG principles more comprehensively and effectively.

Risk management is a vital aspect of managing a pawnshop, considering the risks faced vary greatly, both from external and internal factors. Pawnshops, as institutions that provide loans with asset collateral, must have a risk management system that can identify and reduce potential losses that may occur. Credit risk, for example, is the main risk faced by pawnshops, where customers fail to fulfill their payment obligations for loans that have been given. In dealing with this risk, the company must have a clear policy related to the lending process, such as verification procedures and collateral assessments, to mitigate the risk of default and ensure that the assets provided as collateral are valuable enough to cover the loans provided. In addition, operational risk is also a major challenge for pawnshops. This risk is related to negligence in implementing procedures that can lead to errors in the lending process or collateral management. For example, if the collateral assessment process is not carried out carefully, the company could face the risk of a significant decrease in the value of the

collateral assets. To overcome this, the company needs to ensure that there is regular training for all employees and ensure that internal procedures are carried out strictly. Other risks, such as legal risks and reputational risks, must also be managed properly so as not to cause negative impacts that can harm the company and affect public trust.

To that end, a comprehensive risk mitigation strategy needs to be implemented, such as using technology to monitor market movements and ensure an accurate evaluation of the value of collateral. Pawn companies can also develop a strong internal control system and use insurance or other protection to reduce potential losses due to unexpected events. In addition, it is important to maintain good relations with regulators, such as the OJK, to ensure that the company operates by applicable provisions and minimize legal risks that can occur due to non-compliance with regulations. Good risk management is not only important for the continuity of the company, but also to assure customers that the transactions they make are safe and transparent.

Compliance with regulations is an important component in the implementation of GRC in pawn companies. Regulations issued by authorities such as the Financial Services Authority (OJK) provide clear guidelines for pawn companies to carry out their operations by established standards. In this context, compliance does not only involve compliance with existing laws and regulations but also includes transparent management and reporting as well as effective oversight mechanisms. Compliance with regulations ensures that pawnshops operate legitimately and lawfully, and can avoid the risk of sanctions that can harm the company, both financially and in terms of reputation. Therefore, pawnshops must have a strong internal compliance system to ensure that all operational policies and procedures are in line with applicable laws and regulations.

In the pawn industry, several regulations need to be complied with including the OJK Regulation (POJK) on pawn business activities, which regulates various operational aspects, including loan management, collateral assessment, and the obligation to disclose information to customers. In addition, pawn companies must also comply with applicable accounting standards to ensure transparency and accuracy in financial reporting. Compliance with these regulations not only reduces the potential for legal sanctions but also increases the trust of customers and other stakeholders, such as investors and regulators. The trust formed through this compliance will provide a competitive advantage for pawn companies, especially in terms of attracting more customers and improving market position.

However, the challenge in ensuring compliance with regulations is the complexity of regulations that continue to develop, both in terms of national regulations and changes suggested by the OJK. Pawn companies need to proactively follow the development of existing regulations, considering that regulations in the financial sector often change to adjust to market conditions or government policies. Therefore, pawn companies must regularly update their compliance management systems, provide training to employees, and involve a compliance team that has a deep understanding of applicable regulations. In the long term, good regulatory compliance will strengthen the position of pawnshop companies in the industry, create a safer environment for consumers, and support sustainable growth for the country's economy.

The implementation of the principles of Good Corporate Governance (GCG), risk management, and regulatory compliance do not only stand-alone, alone but are interconnected and form a strong synergy in the management of pawnshop companies. GCG creates a framework that ensures that the company is run with the principles of transparency, accountability, and responsibility, which provides a foundation for the implementation of good risk management. For example, with a clear organizational structure and a good supervisory system, the company can more easily identify and manage various risks, be it credit, operational, or legal risks. Effective supervision, one of which is through internal audit and the board of commissioners, serves to ensure that the policies and practices implemented are not only following GCG principles but also in line with the risk mitigation strategies that have been designed.

Structured risk management will strengthen the implementation of GCG because the company will have a better understanding of the potential risks faced and how to overcome them. Likewise, regulatory compliance serves as an important support for GCG and risk management, as compliance with applicable regulations helps reduce the potential for legal issues that can damage the company's reputation and reduce market confidence. Solid compliance also allows pawnshops to operate with the principles set by regulators, such as the OJK, which in turn strengthens corporate governance and better risk mitigation.

By integrating these three elements—GCG, risk management, and compliance—pawnshops can create a robust and effective system for running safe and sustainable operations. The synergy between these elements will strengthen the company's management in the long term and have a positive impact on the stability of the pawnshop industry as a whole. In this increasingly connected and dynamic world, the ability to manage and integrate these three elements will be a very significant competitive advantage for pawnshops.

Challenges and Opportunities in Implementing GRC in the Pawnshop Industry

The implementation of Governance, Risk, and Compliance (GRC) in the pawnshop industry faces several significant challenges, which can hinder the effectiveness of its implementation. One of the main challenges is limited resources, both financial and human resources. Many pawnshops, especially those operating locally or on a small scale, have difficulty in providing sufficient budget to build an adequate GRC system. In addition, the limited human resources trained to manage a complex GRC system is also a major obstacle. Without adequate resource support, pawnshops will have difficulty designing and implementing policies and procedures that comply with the GRC standards needed to ensure the continuity and sustainability of their business.

Another challenge is the lack of understanding or awareness of the concept and implementation of GRC among management and employees of pawnshop companies. Many pawnshop companies, especially smaller ones, have not fully realized the importance of implementing GRC as an integrated approach to risk management and governance. Some companies may only focus on regulatory compliance without considering broader governance aspects or proactive risk management. This has the potential to reduce the effectiveness of the GRC system implemented because, without a deep understanding of how the three GRC elements are interrelated, its implementation will not be optimal. Without sufficient

awareness, companies may fail to identify potential risks early or even engage in practices that are not by applicable ethical standards and regulations.

In addition, the mismatch between existing regulations and business practices implemented by pawnshop companies is also a significant challenge in implementing GRC. The pawnshop industry in Indonesia continues to grow, while existing regulations may not fully cover all operational aspects that occur in the field. Some existing regulations, although adjusted to the basic needs of the industry, are not flexible enough to accommodate the various dynamics that occur in the pawnshop market. This causes a mismatch between the business practices that have been carried out by the company and the regulations applied by the authorities, such as the OJK. This mismatch can confuse the company in carrying out operations by applicable regulations, risking violations of the law, and damaging the company's reputation. Therefore, companies need to actively follow regulatory developments and update their business practices to comply with the policies implemented by the regulator, while maintaining balance with market dynamics.

The implementation of integrated Governance, Risk, and Compliance (GRC) provides a great opportunity for pawnshop companies to optimize their overall business processes. With a clear GRC system, companies can improve internal workflows, speed up the decision-making process, and minimize operational errors. For example, with the right GRC implementation, companies can be more efficient in managing loan applications, from data verification to collateral assessment. A more structured and policy-based process will reduce reliance on subjective decisions that often risk increasing administrative burdens. In addition, companies can increase the use of technology in carrying out GRC functions, such as using risk management software or automated compliance reporting platforms, thereby reducing manual workloads and speeding up the reporting process.

Furthermore, better risk management through the implementation of GRC can strengthen the operational foundation of pawnshops. With an integrated system, companies can more easily identify and manage credit risk, operational risk, and reputation risks that may occur. For example, the GRC system allows companies to automatically analyze credit risk from prospective borrowers based on more accurate and up-to-date data, as well as monitor collateral values more objectively and transparently. With these steps, companies can reduce the possibility of losses due to borrowers who default or collateral assets that decline in value. In addition, effective risk management will improve operational security, provide a sense of security to customers, and enable companies to survive in the face of market uncertainty.

Higher accountability and transparency are also major benefits of implementing GRC in pawnshops. As an institution that deals directly with public funds and high-value assets, transparency is a very important aspect of maintaining the trust of customers and other stakeholders. With a more structured and automated reporting system, companies can provide clearer and more accurate information to customers regarding loan status, interest, and collateral value, as well as how these risks are managed. This not only strengthens relationships with customers but also increases the company's competitiveness in an increasingly competitive market. In addition, strong GRC implementation can strengthen the company's position in the eyes of investors and regulators, who increasingly value companies

that can demonstrate that they are carrying out healthy, transparent business practices and complying with applicable regulations. These benefits can in turn open up opportunities for companies to develop customer networks and expand market reach.

Effective implementation of Governance, Risk, and Compliance (GRC) has a very positive impact on the reputation of pawnshops. By prioritizing the principles of good corporate governance, the company demonstrates its commitment to operating transparently, accountably, and ethically, which is a strong foundation for building public trust. Companies that have a good GRC system will be identified as reliable entities, reducing customer doubts regarding integrity and fairness in managing loans and collateral. Public trust built through solid GRC not only strengthens long-term relationships with customers but also expands market share because customers feel safer and more protected in making transactions.

Besides, pawnshop companies that are committed to regulatory compliance and proactive risk management will be accepted easier by regulators and other authorities. Well-enforced regulations ensure that companies comply with legal provisions to maintain a good reputation in the eyes of regulators such as the Financial Services Authority (OJK). Compliance with applicable regulations also reduces the risk of legal sanctions or stricter supervision, which can damage the company's image. Thus, companies that are consistent in implementing GRC have a greater potential to avoid legal problems, which in turn can strengthen their credibility and reputation in the industry. This compliance will also attract investors and business partners who are more confident in collaborating with companies that have clear and maintained operational standards.

Effective GRC implementation can ultimately also improve business sustainability and the company's attractiveness to investors. A good reputation is an important asset in the business world, especially in the financial sector which is highly dependent on trust and security. With GRC which integrates good governance, careful risk management, and regulatory compliance, pawnshops can strengthen their position in the market and show that they have a strong foundation for sustainable growth. It opens up opportunities for companies to attract more customers, reduce uncertainty that can disrupt company operations, and increase investor confidence who see the company as an entity that can manage risk effectively, ensure transparency, and operate by high ethical standards. This positive impact will create a profitable growth cycle for the company, driving it towards long-term success in a competitive market.

Regulations issued by the Financial Services Authority (OJK) play an important role in supporting the implementation of Governance, Risk, and Compliance (GRC) principles in pawnshops. OJK has issued various regulations governing the operational aspects of pawnshops, which provide a legal basis and guidelines for companies in carrying out their business activities legally and by the desired standards. These regulations cover various aspects, from risk management, and consumer protection, to transparent financial reporting. With these regulations, pawnshops are expected to improve their governance, ensure compliance with existing rules, and maintain the company's reputation in an increasingly competitive market. Therefore, the role of OJK as a regulator is vital in creating an effective supervisory system and helping pawnshops operate within a clear and structured framework.

Nevertheless, although the regulations issued by OJK provide clear guidelines, the implementation of GRC still faces challenges in inconsistencies between existing regulations and real conditions in the field. Therefore, regulations that are continuously updated and adjusted to industry developments are essential. These regulatory updates may include the more flexible policies to address new challenges in an ever-changing market. In addition, OJK must also continue to strive to encourage pawnshop companies to be more proactive in adopting technology and best practices in implementing GRC. Regulations that are more adaptive and responsive to market dynamics will greatly assist companies in running more efficient operations, and in line with industry developments. In this context, regulations that include better risk mitigation and increased compliance with international standards can increase the credibility of the pawnshop industry in Indonesia.

On the other hand, technological innovation plays a key role in supporting the implementation of GRC in pawnshop companies. Technology can be used to improve risk management, monitor compliance, and optimize governance within the company. One example of technology that can be implemented is a data-based risk management system that allows companies to conduct risk analysis more accurately and in real time. By utilizing this technology, pawnshop companies can predict potential risks, such as credit risk or liquidity risk, and take the necessary mitigation steps faster and more precisely. It will help companies reduce potential losses and improve overall risk management.

Furthermore, automated financial reporting platforms and big data are also advantageous tools in implementing GRC. Automated reporting systems allow companies to process financial data more quickly, transparently, and accurately, reducing the possibility of human error in preparing reports. Big data, on the other hand, can be used to analyze market trends and predict potential risks that have not been identified. This technology can also help companies manage compliance with applicable regulations, as it can filter information efficiently to ensure that the company is always on track with the regulations set by the regulator. The effective use of this technology not only speeds up the reporting and monitoring process but also improves the operational efficiency of pawnshop companies, creating a safer and more sustainable system.

Impact of Integrated GRC Implementation on the Sustainability of the Pawn Industry and the National Economy

The integrated implementation of GRC (Governance, Risk, and Compliance) plays a crucial role in creating a more stable, transparent, and efficient pawn industry. The integration of these three elements allows companies to not only focus on profit, but also ensure that every business process is carried out with accountability, adequate risk management, and compliance with applicable laws. When governance is carried out transparently and with integrity, companies can build strong trust with customers, investors, and regulators. This stability will strengthen the foundation of the pawn industry amid market dynamics and economic challenges while encouraging operational efficiency due to a strict internal control system and structured risk management.

Effectively implemented GRC can also help pawn companies reduce systemic risks that have the potential to harm the industry at large. Systemic risks such as credit risk, where customers fail to pay off their obligations, or operational risks due to weaknesses in internal processes, technology systems, and human error, can be minimized with an integrated risk management system. Likewise, reputational risk, which is often a major threat in the financial sector, can be prevented through strong governance policies and strict compliance with ethical standards and regulations. When these risks are managed well, the possibility of a crisis that can have a wide impact on the industry can be significantly reduced, creating a healthier and more resilient business environment.

Furthermore, the implementation of GRC makes a major contribution to improving the performance and competitiveness of the pawn industry through improved corporate governance. With good governance, companies not only have a clear strategic direction, but also conduct a participatory, transparent, and data-based decision-making process. It creates a management system that is adaptive to change, able to respond quickly to external challenges, and more competitive in the financial services market. In addition, the integration of risk management and compliance makes companies better prepared to face regulatory supervision and more trusted by stakeholders. This combination of stability, efficiency, and public trust will be the foundation for the sustainability of the pawn industry in the long term.

The integrated implementation of GRC (Governance, Risk, and Compliance) in the pawn industry has a strategic role in expanding public access to microfinance, especially for community groups that have previously been difficult to reach by formal financial institutions. With good governance and a strong risk management system, pawn companies can create financing products that are more inclusive, safe, and reliable. This encourages more people to use pawn services as alternative financing, especially in emergencies or small business needs. Thus, GRC contributes directly to strengthening the socio-economic function of the pawn industry, namely as a provider of fast, affordable financial solutions that are oriented towards the needs of the lower class.

The integration of GRC principles also has a positive impact on increasing financial inclusion in Indonesia. When pawn companies adopt a transparent, accountable, and regulatory-compliant approach, public trust in formal financial services increases. This will encourage more individuals and small business actors to enter the national financial system, opening up opportunities for access to various financial services that were previously difficult to reach. This increase in financial inclusion will strengthen people's purchasing power, create a healthier economic cycle at the local level, and contribute to the stability of the national economy as a whole. In the long term, the presence of a strong GRC system will reduce inequality in access to financial services and encourage a more equitable economic distribution.

In addition, GRC also provides a solid foundation for the pawn industry in supporting the growth of the small and medium enterprise (SME) sector. SMEs are the backbone of the national economy but often face obstacles in accessing business capital. By strengthening GRC, pawn companies can adjust financing policies that are more flexible but still have measurable risks, so that they can reach SME players more widely. Good risk management ensures that financing is channeled wisely and responsibly, while compliance with regulations

encourages the creation of a fair consumer protection system. Thus, GRC not only enhances the company's internal efficiency but also becomes a tool to create real and positive economic impacts for the community and support the acceleration of national economic growth from the grassroots.

The integrated implementation of GRC (Governance, Risk, and Compliance) in the pawn industry has a significant impact on building investor confidence and strengthening market stability. When pawn companies implement the principles of good governance, adequate risk management, and compliance with strict regulations, the company's transparency and accountability increase. It makes investors feel safer and more confident in the company's credibility and performance. This trust creates a healthy investment climate, not only in the pawn sector but also in other financial services sectors, which ultimately supports the stability of the national financial system. Maintained market stability will spur more structured, sustainable, and inclusive economic growth.

The pawn industry also plays a vital role in providing safe and secure financial services to the community, especially for those who have not been touched by banking services. Through the GRC approach, pawn companies can design financial products and services that are not only responsive to the community needs but also pay attention to aspects of consumer protection and compliance with regulations. It makes pawnshops a credible alternative financial institution, as well as a driver of inclusive economic development. When the wider community, especially from the lower middle class, has access to financing, the potential for domestic consumption and investment will increase, strengthening the foundation of the economy from the bottom up in a sustainable manner.

Furthermore, the pawn industry also has a direct economic contribution to the country, both through employment absorption, increased tax revenues, and contributions to other fiscal sectors. As a labor-intensive sector that is spread to remote areas, pawnshops can open up wide employment opportunities and support the livelihoods of many families. In addition, pawnshop companies that are healthy and comply with GRC principles will also provide significant fiscal contributions through tax and levy payments to the state. Thus, good GRC implementation not only maintains business continuity internally, but also becomes a strategic tool in achieving national economic development goals that are oriented towards equality, sustainability, and socio-economic justice.

To implement GRC (Governance, Risk, and Compliance) in an integrated manner, pawnshop companies are faced with several quite complex challenges, especially related to the limited human resources who understand the GRC concept as a whole. Not all companies, especially those on a small or medium scale, can form a comprehensive governance, risk management, and compliance system. In addition, there is still resistance to internal change, such as a work culture that does not support transparency and accountability. Another challenge comes from the gap in technology and digitalization, where many pawnshops have not yet optimally utilized information technology to support efficient and real-time GRC implementation. The lack of integration between work units and the absence of system standardization are also obstacles to creating synergy between GRC elements.

Despite the challenges, the opportunities open to the pawn industry through the implementation of GRC are enormous. With increasing public attention to transparency, accountability, and responsible financial services, pawn companies have the opportunity to build competitive advantages through a strong GRC system. Consistent implementation of GRC can improve the company's reputation, expand market trust, and open access to wider financing and investment. Technology also presents new opportunities, such as the use of digital risk management systems, compliance monitoring platforms, and data-based decision-making dashboards, all of which can strengthen the GRC structure and accelerate the transformation of the pawn industry towards a more modern and adaptive direction.

To strengthen the implementation of GRC in the pawn sector, strategic and collaborative policies are needed between regulators and business actors. Regulators such as the Financial Services Authority (OJK) need to formulate more specific regulations and technical guidelines related to the implementation of GRC, as well as provide education programs and technical assistance for small companies that are still developing. On the company side, management's commitment to building a culture of good governance and integrating risk management into business strategy is very important. Investment is needed in HR training and information technology systems that support the implementation of GRC as a whole. The synergy between adequate regulations and internal company readiness will be an important foundation to ensure the sustainability of the pawn industry while creating sustainable economic and social value for the wider community.

CONCLUSION

The integrated implementation of GRC (Governance, Risk, and Compliance) in Indonesia's pawn industry plays a vital role in ensuring business continuity, fostering healthy corporate governance, and promoting national economic stability and growth. By strengthening risk management, transparency, and regulatory compliance, pawn companies can optimize operations, enhance competitiveness, and build public trust, while also expanding inclusive microfinance access and supporting small and medium enterprises. To maximize these benefits, strong collaboration between pawn companies, regulators like the OJK, and other stakeholders is essential, alongside the development of detailed policies, technical guidance, and ongoing supervision. For future research, it is recommended to explore the effectiveness of digital technology integration in GRC implementation within the pawn industry, particularly in improving risk management and compliance monitoring.

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JoSS - Journal of Social Science



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