Demographic Profiling of Ar-Rahnu Institution Acceptance

Mohd Faizuddin Muhammad Zuki, Nur Syamilah Md Noor
Faculty of Muamalat & Islamic Finance, Kolej Universiti Islam Perlis, Kuala Perlis, Malaysia
Email: faizuddin@kuips.edu.my, nsyamila@kuips.edu.my

Razinda Tasnim Abdul Rahim
Faculty of Business & Management Sciences, Kolej Universiti Islam Perlis, Kuala Perlis, Malaysia
Email: razindatasnim@kuips.edu.my

Abstract
Prolonged economic problems during the Covid-19 pandemic have opened the public's eyes to the importance of Ar-Rahnu. It went viral on social media that after implementing the Movement Control Order (MCO), people were seen flocking to conventional pawnshops and Ar-Rahnu. This action is done to continue their everyday life activities. Among the available initiatives is pawning the jewellery. The Islamic mortgage system, known as Ar-Rahnu, has also become an economic stimulant that affects the social and economic stability of the community. Ar-Rahnu in Malaysia also has positive catalysts in developing financial and non-financial institutions to offer this service. Therefore, this study examines demographic factors and the post-impact of Covid-19 through a descriptive analysis of the use of Ar-Rahnu. The research data was collected through a questionnaire survey involving 150 respondents. The respondents involved are those who have used Ar-Rahnu services around northern Malaysia. The results of this study indicated that the number of respondents who used Ar-Rahnu services during the pandemic was higher than the ones who did not use Ar-Rahnu services during the pandemic. Limitations of the study and future research recommendations are also discussed at the end of this study.
Keywords: Ar-Rahnu Institution, Islamic Mortgage, Post-Covid-19, Demographic Profiling, Descriptive Analysis

Introduction
The concept of Ar-Rahnu
Ar-Rahnu services in Malaysia align with Islamic banking and investment development worldwide. Ar-Rahnu is a financing and guarantee service to obtain cash through a pledge of goods based on Islamic Sharia. Among the implementation of sharia concepts in the Ar-Rahnu

service contract involves the *Wadiah*, *Qardhul Hassan* and *Ujrah* contracts. These implementation concepts differ from those of conventional pawnshop institutions that practice interest (*riba*) and uncertainty (*gharar*) in services (Hamid et al., 2014; Thaker et al., 2020). However, there are similarities between the operation of Ar-Rahnu and conventional pawning except in terms of loan conditions such as collateral, the process of accelerating the mortgage, and service charges (Razak, 2011).

Early studies support the concept of Ar-Rahnu as security related to loans by Bhatt and Sinnakkannu (2008); where this study released four ideas of Ar-Rahnu, which are Qardhul Hassan (courtesy loan), *Wadiah Yad Amanah* (with a form of trust), *Wadiah Yad Dhomanah* (*wadiah* form of guarantee) and Al-Ujrah (keep safe). In practice, Thaker et al (2020) proposed three stages for implementing Ar-Rahnu. The first stage is the loan process from the institution to the borrower, the second stage is the redemption process, and the third stage is the auction process.

Therefore, Ar-Rahnu becomes a vital sector, especially for the Muslim community, in using this service as an alternative to the 'halal' pawnbroking system and following the needs and requirements of Islamic Sharia (Hamid et al., 2014). In addition, Razak (2011) explained that using Ar-Rahnu for personal purposes such as daily needs, paying debts, medicine, education, travelling or buying a car is not a priority for entrepreneurial activities. However, Yahaya & Wahab (2020) explained that using Ar-Rahnu is an alternative for small entrepreneurs to obtain financial support to continue their business and not just to meet the needs of the Muslim community. Ahmad, Mansor & Nadiah (2012) discuss the concept of Ar-Rahnu in the financial system as a promise or security related to a loan, also known as having a guarantee based on Shariah principles.

Many previous studies focused on the factors influencing customers to accept the Ar-Rahnu institutions. Nonetheless, the empirical study on the demographic profiling factors on the acceptance of Ar-Rahnu institutions is still scant, to the best of researchers' knowledge. Thus, this study will provide fresh insight into the customers' acceptance of Ar-Rahnu institutions based on demographic factors. Demographic factors will provide initial information to the institutions in promoting their products. Moreover, this study's insight can benefit the Ar-Rahnu institutions in re-strategizing their marketing tools to reach different customers' demographic factors.

Ar-Rahnu Services in Malaysia
The Ar-Rahnu service was developed to protect the financial security of individuals, especially the Muslim community that deals based on interest. This is because elements such as interest or *riba* will lead to injustice, especially among the less able and poor. This situation will cause the rich to get richer while the poor will get more needy and depressed with the position they are experiencing. Therefore, Ar-Rahnu's services are essential to maintain the socio-economic balance of society in Malaysia to help the poor and needy. This being the case, Ar-Rahnu's services will also indirectly improve the socio-economic structure of the Muslim community. For example, Ar-Rahnu services become an alternative for the poor who need cash to provide schooling and pay medical costs. In addition, Ar-Rahnu's services also help individuals who face difficulties in obtaining loans from banking institutions or non-banking institutions, such as some previous problems involving finances and loan history causing individuals to be ineligible for loans, complicated loan management and others (Othman & Abdullah, 2019). Generally, this Ar-Rahnu service can ease the financial burden of the poor and the needy. It is

even more remarkable when financial institutions, foundations and state cooperatives offer Ar-Rahnu products in their products (Sanusi, 2004).

Table 1.1
The four categories of Ar-Rahnu Institutions

Categories	Institutions
Banking Institutions	RHB Bank, CIMB, Bank Muamalat, Bank Islam Malaysia Berhad (BIMB), Bank Rakyat, Agro Bank
Non-banking Institutions	Development Financial Institutions (*Ar-Rahnu* Exchange)
State's Company	Mu'asasah Gadaian Islam Terengganu (MGIT) and Permodalan Kelantan Berhad (PKB)
Foundation Cooperative	YAPEIM

Source: Azman et al (2020); Bahari et al (2015).

The benefits of Ar-Rahnu
Most Malaysians have been experiencing financial problems since the pandemic hit the country. Malaysia Pawnbroker Association (MPBA) stated that the Covid-19 pandemic has caused many Malaysians to visit pawnshop premises (Bernama, 2020). Many customers visit pawn shops to redeem pawned jewellery, make debt payments and lease. Among the advantages of Ar-Rahnu are as a financial mechanism, extension of the pledge period, gold auction, exemption of deposit wages and postponement of redemption of pledged items (Noor et al., 2020). Entrepreneurs or small traders are no exception to getting financial help to solve their business financial problems. This is because from March 18, 2020, all premises, including pawn shop premises, have been closely following the Movement Control Order (MCO), causing these groups to experience the financial burden they must bear.

Acceptance factors of Ar-Rahnu Institutions
In previous studies, Amin et al (2007); Thaker et al (2020) analyzed the factors related to using Ar-Rahnu institutions. This study has explored the relationship between Islamic mortgage factors such as sharia view, collateral assets, customer service, locality and financial benefits using Ar-Rahnu. In addition, the use of Ar-Rahnu is seen from the aspect of the Ar-Rahnu institutional acceptance model from time to time. This factor meets current needs or, more precisely, according to the studied subject.

Literature Review
Demographic and Ar-Rahnu
Islamic mortgage, known as Ar-Rahnu, is no stranger to Malaysians. According to Azman et al. (2020), the primary purpose of establishing the Ar-Rahnu institution is to improve the financial well-being of its customers. It is a responsibility to know the customer's demographics to ensure that the individual or society gets justice regarding income and poverty. Understanding the customer's current situation can be beneficial to provide services that can help them manage their finances and their needs more planned.
Azman et al (2018) found that customers from the upper secondary level are the main customers in the service Ar-Rahnu compared to other education classes. This fact shows that the level of education is essential to measure their wants and needs in choosing Ar-Rahnu. Employment, monthly income and estimated monthly expenses play a role in determining

customer demand according to their standard of living. Ar-Rahnu can attract interest among the Malay community because this institution can help those in need, especially from the B10 group (severe poverty) who face insufficient financial problems for emergency purposes (Razak, 2011; Azman et al., 2020).

Gender is the researcher's choice to see the groups that are more likely to use Ar-Rahnu. Amin & Chong (2011) found that women in Malaysia prefer to use Ar-Rahnu because Ar-Rahnu institutions comply with Shariah principles, and their service charges are lower than conventional mortgage institutions. In addition, Azman et al. (2018) also proved the group of women who are entrepreneurs is more likely to choose the Ar-Rahnu service because the service charge provided makes it easier for them to make repayments.

Studies regarding individuals involved with Ar-Rahnu have been done over time to see the acceptance and application of Islamic mortgage services in Malaysia (Amin et al., 2007; Yahaya et al., 2019; Masron & Malim, 2020). The status of the individual who uses the Ar-Rahnu service also plays a vital role in seeing financial needs from their perspectives. Masron & Malim (2020) supported that individual needs according to status show that married respondents need more expenses in terms of business capital, family expenses, children's requirements and the high cost of living, prompting them to choose Ar-Rahnu over singleness. Another study has found that the locality's demand is also a critical factor in influencing the acceptance of the Ar-Rahnu services. This statement is proven by looking at the research conducted in Terengganu and Kelantan, which have recorded the highest number of active customers (Yahaya, 2021; Bahari Hanefah & Shafii, 2021; Azman et al., 2018).

COVID-19 and Ar-Rahnu

The current situation of the Covid-19 pandemic shows conventional pawnshops and Ar-Rahnu getting more attention in society (Bahari et al., 2021). As a result of the spread of the Covid-19 disease has caused many Malaysians to experience financial problems and lose their jobs. Malaysia Pawnbroker Association (MPBA) also has voiced that the Covid-19 pandemic caused many Malaysians to visit mortgage/pawn shops (Bernama, 2020). Another study also mentioned that some affected Malaysians, due to Covid-19, failed to redeem the previously pawned assets. This problem has led to another issue: some Malaysians took this advantage to purchase the auction assets (Noor et al., 2020). The financial crisis some Malaysians face has urged them to earn a certain amount of money in the short term. This problem also has led them to constraints on their spending.

Methodology

This study used a quantitative method, and the data was collected using a survey. A total of 150 respondents were involved in this study. The respondents were from the Northern part of Malaysia. In addition, the respondents were users of Ar-Rahnu services and became customers of several Ar-Rahnu institutions. In this study, Ar-Rahnu YaPEIM, Ar-Rahnu Pejabat Pos, Ar-Rahnu Bank Rakyat, Ar Rahnu Bank Islam and Ar-Rahnu Rahnu Agro Bank were included as Ar-Rahnu institutions used by the respondents. The analysis for this study was conducted by using SPSS Version 23.

Findings

This study's findings emphasized demographic results and the impact of Covid-19 on using Ar-Rahnu. Therefore, the study's findings have been divided into demographic frequency, an

analysis of respondents, an analysis of the effects of Covid-19 on the use of Ar-Rahnu and an analysis of the frequency of institutions and Ar-Rahnu service items.

Respondents' Demographic Frequency Analysis
The result of the demographic analysis is presented in Table 4.1. The study found several related factors, such as gender, age, education level, state of residence, occupation, monthly income and estimated monthly expenses.

Table 4.1
Respondents' demographic frequency analysis

Demographic	Item	N	%
Gender	Male	18	12.0
	Female	132	88.0
Age	< 20 years	17	11.3
	20-29 years	1	0.7
	30-39 years	20	13.3
	40-49 years	74	49.3
	50-59 years	38	25.3
Education level	Certificate	17	11.3
	Diploma	27	18.0
	Bachelor	75	50.0
	Master	7	4.7
	Others	24	16.0
State	Perlis	54	36.0
	Kedah	29	19.3
	Pulau Pinang	23	15.3
	Lain-lain	44	29.3
Occupation	Public Sector	65	43.3
	Private Sector	31	20.7
	Others	54	36.0
Monthly income	< RM 3 000	59	39.3
	RM 3 001-RM 6 000	78	52.0
	RM 6 001- RM 9 000	13	8.7
Estimation monthly expenses	< RM 2 000	61	40.7
	RM 2 001-RM 4 000	59	39.3
	RM 4 001- RM 6 000	29	19.3
	> RM 10 001	1	0.7

Based on Table 4.1, more female respondents answered this questionnaire, including 132 respondents representing 88 percent. While only 18 male respondents were 12 percent. Next, the highest age group is 40-49 years, with 74 respondents and a percentage of 49.3 percent, followed by 50-59 years, 30-39 years, <20 years and 20-29 years. As for the demographic factors of the education level, the respondents with a Bachelor's Degree recorded the highest number of 75 respondents, 50 percent, while the Master's Degree was the lowest with a percentage value of 4.7 percent, which was seven respondents. The highest resident state is Perlis, with 54 respondents representing 36 percent, followed by Kedah with 19.3 percent,

Penang with 23 respondents representing 15.3 percent and other states, with 44 respondents representing 29.3 percent.

Most respondents are public sector workers, with several 65 respondents and a percentage of 43.3 percent, while the rest are from the private sector and others. The monthly income involves three ranges which are <RM3,000, RM3,001-RM6,000 and RM6,001-RM9,000. The highest range is RM3,001-RM6,000 which is 78 respondents representing 52 percent. For the estimated monthly expenses, it can be seen that the range < RM2,000 is the highest, which is 61 respondents (40.7 percent), which has a slight difference from the range of RM2,001-RM4,000, which is 59 respondents (40.7 percent).

Analysis of the Impact of Covid-19 on the Use of Ar-Rahnu

The impact of Covid-19 was analyzed through several factors, as found in Table 4.2. Among the questions asked are, 'Was your income affected during the Covid-19 pandemic?', 'Have you ever used pawn services/Ar-Rahnu (2019- now)?' and 'Frequency of using pawn services/Ar-Rahnu (2019 - now).'

Table 4.2
Analysis of the Impact of Covid-19 on the Use of Ar-Rahnu

Impacts of Covid-19	Item	N	%
Was your income affected during the Covid 19 pandemic?	Yes	57	38.0
	No	93	62.0
Have you ever used pawn services/Ar-Rahnu (2019-now)?	Yes	89	59.3
	No	61	40.7
Frequency of using pawn services/Ar-Rahnu (2019 - now)	<2 times	68	45.3
	3-4 times	61	40.7
	>6 times	21	14.0

Based on Table 4.2, the percentage of respondents whose income is unaffected is higher, which is 57, with 38 percent. At the same time, the number of affected respondents is 93, with a percentage of 62 percent. The majority of respondents have used Ar-Rahnu from 2019 until now, representing 89 respondents representing 59.3 percent. The percentage value for those who have never used Ar-Rahnu services in 2019 until now is 40.7 percent, which is a total of 61 respondents. The frequency of using Ar-Rahnu is <2 times, followed by 3-4 times and > six times.

Percentage of Respondents Affected During the Covid-19 Pandemic
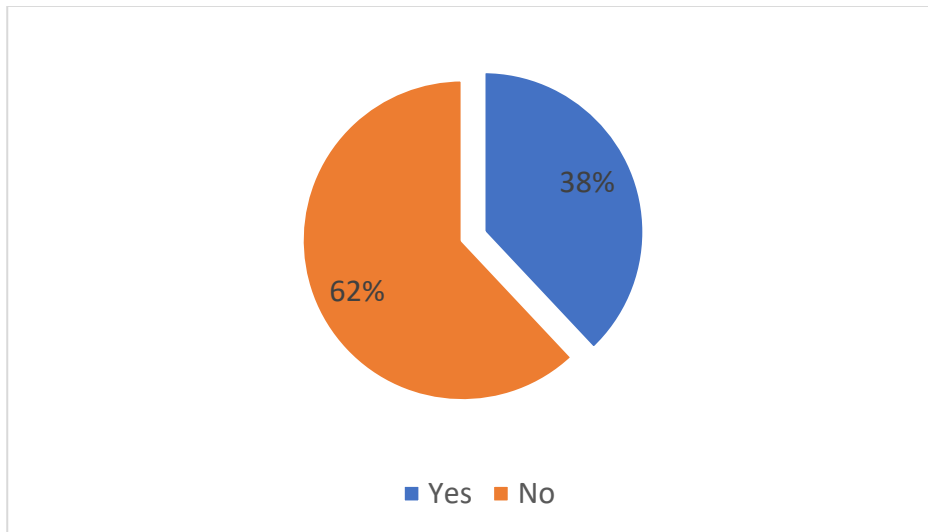

Chart 4.3.1 Percentage of Respondents Affected During the Covid-19 Pandemic

Chart 4.3.1 shows the percentage of respondents' income affected is 62 percent, while the income of unaffected respondents is 38 percent.
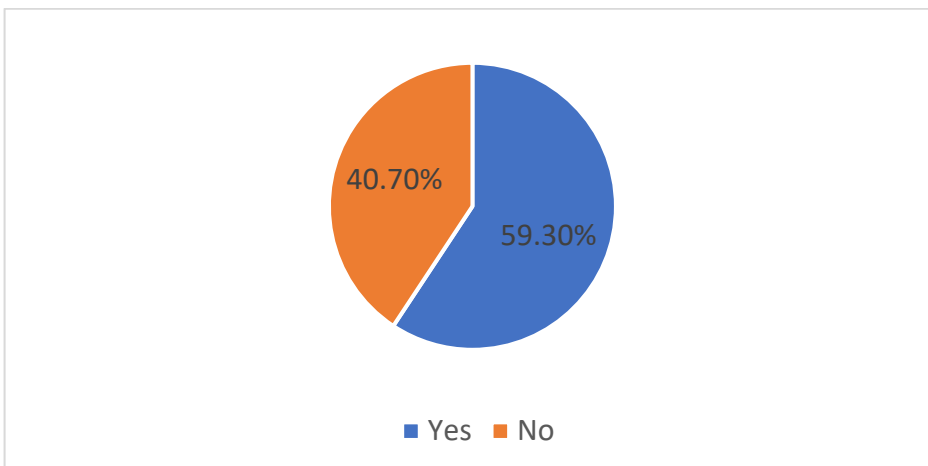

Chart 4.3.2 Ar-Rahnu Usage Percentage (2019-2021)

Chart 4.3.2 shows the percentage of respondents who use Ar-Rahnu services (2019-2021) as much as 59.30 percent, while respondents who do not use Ar-Rahnu services (2019-2021) recorded 40.70 percent.
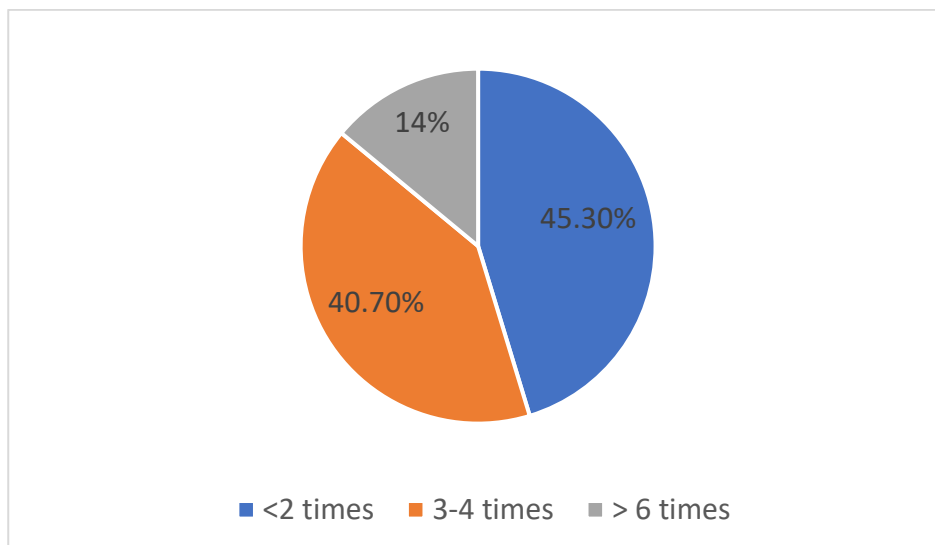
Chart 4.3.3 Percentage of Ar-Rahnu Service Usage Frequency

Chart 4.3.3 shows the frequency percentage of respondents who use Ar-Rahnu services two times and less than two times is 45.30 percent, while the frequency percentage of respondents who use Ar-Rahnu services 3-4 times, as well as six times and more than six times, is 40.70 percent and 14 percent.

Frequency Analysis of Institutions and Ar-Rahnu Service Goods
The frequency analysis of Ar-Rahnu institutions and service items is seen through several factors in Table 4.4. Among them are 'Ar-Rahnu institutions used,' 'Ar-Rahnu institutions (Banks),' and 'Ar-Rahnu product types.'

Table 4.4
*Frequency Analysis of Institutions and Ar-Rahnu Service Goods*

Ar-Rahnu Institutions and Service Goods	Item	%
Ar-Rahnu institutions used	Ar-Rahnu YaPEIM	48.4
	Pos Office	14.7
	Ar-Rahnu Companies	19.0
	Others (except Bank)	17.9
Ar-Rahnu institutions (Banks)	None	9.0
	Bank Rakyat	36.5
	Agro Bank	24.9
	Bank Coop Pertama	12.2
	Bank Islam	9.0
	RHB Bank	8.5
Ar-Rahnu product types	Personal jewelry/Jewelry of all grades	51.9
	Gold bars/ Wafers/ Nuggets	27.6
	Valuables such as coins	9.6
	Others	10.9

Table 4.4 shows that the institutions that respondents often used are Ar-Rahnu YaPEIM representing 48 percent, followed by the Post Office, which recorded 14.7 percent, Ar-Rahnu Companies representing 19 percent and others except for bank institutions, offer Ar-Rahnu

services, which by 17.9 percent. On the other hand, for Ar-Rahnu institutions (Banks), the highest percentage is Bank Rakyat representing 36.5 percent, while the lowest percentage is RHB Bank representing 8.5 percent. The highest type of Ar-Rahnu items is personal jewellery representing 51.9 percent, and valuable items such as coins only recorded a percentage of 9.6 percent and are the lowest type of Ar-Rahnu item answered by the respondents.
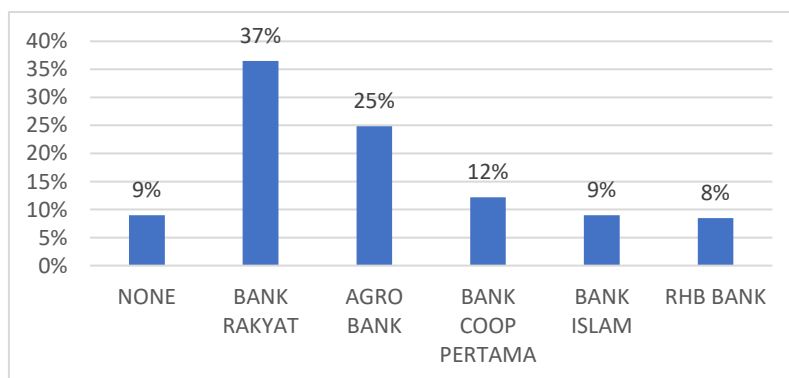
Ar-Rahnu Institutional Usage Percentage and Service Goods
Graph 4.5.1 shows the institutions that respondents often use. Ar-Rahnu YaPEIM recorded the highest percentage, which is 48 percent, followed by the Post Office representing 14.7 percent, Ar-Rahnu Companies at 19.0 percent and others (except bank institutions) that offer Ar-Rahnu services representing 17.9 percent.
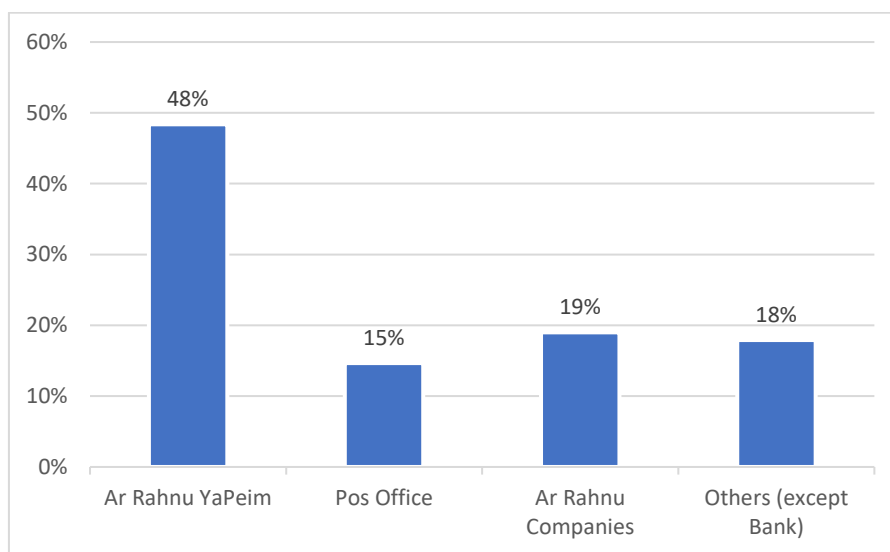

Graph 4.5.1 Ar-Rahnu institutions

Graph 4.5.2 shows Ar-Rahnu bank institutions that are often used by respondents, such as Bank Rakyat as much as (37 percent), Agro Bank represented by (25 percent), Bank COOP Pertama as much as (12 percent), Bank Islam represented by (9 percent), RHB Bank (8 percent) and do not use bank institutions as much as (9 percent).

Graph 4.5.2 Percentage of Ar-Rahnu Institutions (Banks)

Graph 4.5.3 shows the types of Ar-Rahnu bank items that are often used by respondents, such as personal jewellery of all grades, which recorded the highest percentage, namely (52

percent), gold bars/wafers/nuggets (28 percent), valuables such as coins (10 percent) and others (11 percent).
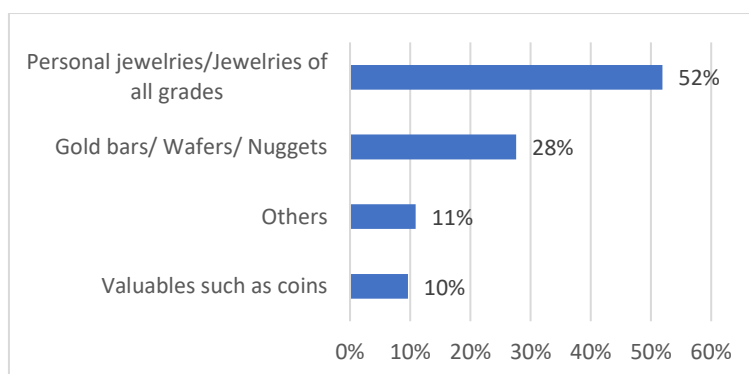
Graph 4.5.3 Percentage of Ar-Rahnu Service Goods

Discussion

Overall, this study only looks at the external perspective without involving deeper factors towards using Ar-Rahnu Amin et al (2007); Thaker et al (2020) during the Covid-19 pandemic. As explained in the research findings, female Ar-Rahnu users are more interested and interested in this survey. In addition, this study was also answered more by respondents who were 40-49 years old and had a Bachelor's Degree. Therefore, the researcher has identified why the respondents in this study did not experience the issue of affected income because the majority were public sector workers. However, most respondents represent Ar-Rahnu users during the Covid 19 pandemic. This study also highlighted Ar-Rahnu institutions and service items. Most respondents chose Ar-Rahnu YaPEIM as the Ar-Rahnu institution of choice. Personal jewellery was the preferred item for collateral because, based on demographic analysis, most respondents are women.

In addition, this study has some challenges and limitations, such as getting permission and cooperation from the institutions that ran Ar-Rahnu services to reach respondents. Furthermore, the medium of research data collection through Google Forms is less well received and requires a longer time to get feedback from the respondents and the Ar-Rahnu institution. In addition, the researcher recommended that future studies focus on respondents affected only during the pandemic to obtain more substantial study findings. Furthermore, future studies are encouraged to emphasize only one institution to facilitate data collection.

This study will provide fresh insight into the customers' acceptance of Ar-Rahnu institutions based on demographic factors. Demographic factors will provide initial information to the institutions in promoting their products. Moreover, this study's insight can benefit the Ar-Rahnu institutions in re-strategizing their marketing tools to reach different customers' demographic factors.

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