

An Exploratory Study of *Ar-Rahnu* (Islamic Pawnbroking) by the Islamic Bank in Malaysia

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Abstract

In Malaysia, *ar-rahnu* (Islamic pawnbroking) operates under a separate regulatory framework from conventional pawnshops, which are governed by the Pawnbrokers Act 1972. Due to the prohibition of *riba* (interest) in Islam, *ar-rahnu* institutions such as Islamic banks, cooperatives, and agricultural bodies are exempted from this act and regulated instead by Bank Negara Malaysia (BNM), Suruhanjaya Koperasi Malaysia (SKM), or state Islamic authorities. These regulators issue specific guidelines, for example, the Rahn Policy Document by BNM and Garis Panduan 25 (GP25) by SKM, to ensure all operations comply with Shariah principles. The paper adopts qualitative methods and explores how the *ar-rahnu* product offered by the various financial providers supports liquidity for the individual and small and medium-sized enterprises. This product can be considered a blended finance instrument and promotes social entrepreneurship. Through a case study of the *ar-rahnu* product offered by Bank Kerjasama Rakyat Berhad (Bank Rakyat), this paper demonstrates how Bank Rakyat set the strategy of financial inclusion and positions *ar-rahnu* as a key instrument for community-level liquidity, especially during times of economic uncertainty. The findings of the study reveal the significant potential of *ar-rahnu* as a secured financing instrument, especially amid rising gold prices, which enhances the collateral value for customers. In the Malaysian context, the stability of the cost of living and increasing purchasing power among consumers have contributed to the growing demand for accessible and Shariah-compliant financing solutions, such as *ar-rahnu*. These trends highlight the importance of *ar-rahnu* in promoting financial resilience and inclusive financing for economically vulnerable groups. The case study of *Ar-Rahnu* by Bank Rakyat illustrates how integrating commercial objectives with gold-based collateral can significantly enhance financial inclusion, promote social equity, and strengthen the economic well-being of communities.

Keywords: *Ar-rahnu*, Islamic bank, socio-economic development.



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Introduction

In recent decades, financial inclusion has emerged as a central objective for policymakers and financial institutions aiming to empower underserved communities. Access to affordable and ethical financial services is crucial for reducing poverty, promoting entrepreneurship, and fostering equitable economic growth. In this context, Islamic finance has gained attention not only for its religious alignment but also for its social justice principles, which prioritize fairness, transparency, and community welfare. One notable example within the Malaysian Islamic finance landscape is *ar-rahnu*, a Shariah-compliant pawn broking service that has proven to be a practical and accessible microfinancing tool for many Malaysians who may otherwise lack access to conventional credit. Ar-Rahnu financing has been particularly successful in assisting low-income earners and small traders by providing short-term, collateral-backed loans without the need for complicated procedures (Baharudin et al., 2023).

Ar-rahnu was first introduced in Malaysia in 1993, initially as a response to the public's need for a quick, ethical, and interest-free financing alternative (Cheong & Sinnakkannu, 2012). The concept is rooted in classical Islamic jurisprudence, which permits pawning (*rahn*) as long as it avoids elements forbidden in Islam such as *riba* (interest), *gharar* (uncertainty), and exploitation (Rasmin & Markom, 2014). The early structure of *ar-rahnu* combined several Islamic contracts: *qard* (benevolent loan), *rahn* (pledge), *wadiah* (safekeeping), and *ujrah* (fee). This structure enabled individuals to pledge their gold as collateral and receive cash while maintaining Shariah compliance. Over time, the product evolved to address both legal and operational needs. In 2020, Bank Negara Malaysia (BNM) introduced a new policy framework which encouraged financial institutions to restructure *ar-rahnu* products using a *tawarruq*-based model (BNM, 2020). This transition allowed for better standardization and regulatory oversight, ensuring stronger alignment with modern Shariah governance practices (Langlang Buana et al., 2021).

What truly distinguishes *ar-rahnu* from conventional pawn broking, however, is the regulatory and legal framework that governs each model. Conventional pawnshops in Malaysia operate under the Pawnbrokers Act 1972, a law administered by the Ministry of Housing and Local Government (KPKT). This act permits interest-based lending and serves as the primary legal basis for non-Islamic pawnshops. In contrast, Islamic pawnbroking services such as *ar-rahnu* are specifically exempted from this act under Section 46. Institutions like licensed banks, agricultural banks (such as Agro Bank), and registered cooperatives are not subject to the same rules, primarily because the Act's provisions, especially those allowing for interest, contradict Shariah principles (Ridza, 2021).

Instead, *ar-rahnu* providers fall under different supervisory bodies depending on their institutional type. For example, Islamic banks offering *ar-rahnu* are regulated by BNM under the Islamic Financial Services Act (IFSA) and guided by the Rahn Policy Document. Cooperatives providing *ar-rahnu* are supervised by the Malaysia Cooperative Societies Commission (SKM), which issued the GP25 guideline to standardize practices and uphold Shariah principles. State-linked institutions are often governed by state religious authorities, such as MAIDAM in Terengganu, which provide additional oversight in ensuring local Shariah

compliance. These distinct regulatory pathways not only safeguard the integrity of *ar-rahnu* operations but also support their wider adoption across different segments of society (Othman & Abdullah, 2019).

This separation of systems has important implications for financial inclusion. While conventional pawnshops are still prevalent, their interest-based nature often discourages segments of the Muslim population from using them (Thaker et al., 2020). In contrast, *ar-rahnu* offers a transparent and ethical alternative that is widely accepted and trusted (Azli et al., 2017). With over 190 Bank Rakyat branches and 88 *Ar-Rahnu X'Change* (ARX) outlets operated by Rakyat Management Services (RMS) as of 2023, the product is accessible even in semi-urban and rural areas. Its low entry barrier, absence of *riba*, and fast liquidity make it especially appealing to women, small business owners, and informal workers who may not qualify for traditional bank loans (Bank Rakyat, 2023; Yahya et al., 2024; Nik Azman et al., 2016).

In essence, *ar-rahnu* serves as more than just a financial product; it acts as a bridge to formal financial systems for many who remain excluded (Ong et al., 2024; Amin & Hasan, 2022). Its continued growth in Malaysia reflects not only its operational success but also the increasing relevance of Islamic finance in advancing social equity and economic participation (Yahya, 2020). This paper explores the role of *ar-rahnu* in enhancing financial inclusion in Malaysia, examining its structure, regulatory foundation, operational reach, and broader socio-economic impact. The study is structured as follows: The current section introduces the study. The paper is structured as follows: The current section introduces the study. Section two discusses the research methodology, and section three discusses the findings. The final section, section four, concludes the study and provides insightful contributions and the significance of this paper.

Research Methodology

This study adopts a qualitative method using secondary data with a desk research approach to explore the role of *ar-rahnu* in enhancing financial inclusion in Malaysia, with a specific focus on Bank Rakyat as a case study. Desk research, also known as secondary research, involves the collection and analysis of existing data and literature from publicly available sources. This method is particularly well-suited for exploratory studies that aim to analyze institutional practices, policy evolution, and product performance without direct fieldwork. Furthermore, integrating secondary data enhances the reliability of the findings, supporting a comprehensive and evidence-based analysis of zakat practices (Azarova, 2022).

The core of this study focuses on the *ar-rahnu* product offered by Bank Rakyat, a leading Islamic cooperative bank in Malaysia. The study draws primarily from Bank Rakyat Annual Reports from the years 2019 to 2023, which provide detailed financial performance data, operational highlights, and disclosures related to Shariah compliance. These reports offer consistent and authoritative documentation of how the *Ar-Rahnu* product has evolved, performed, and contributed to the bank's broader financial ecosystem.

The use of desk research allows for a comprehensive and cost-effective means of assessing institutional trends and Shariah governance practices. By focusing on Bank Rakyat's implementation of *ar-rahnu*, this methodology enables the study to uncover insights into how

Islamic finance tools can support financial inclusion in both urban and underserved communities.

Findings and Discussions: Case Study of Bank Kerjasama Rakyat Malaysia (BKRM)

Bank Rakyat is a leading Islamic cooperative bank and one of the most prominent providers of *Ar-rahnu* services in Malaysia. As a financial institution with a strong retail footprint and social mandate, Bank Rakyat has played a pivotal role in expanding access to Shariah-compliant microfinancing through its *ar-rahnu* product. By analyzing the bank's published annual reports from 2019 to 2023, this case study traces the product's growth trajectory, financial contributions, operational reach, and Shariah compliance performance. The five-year period offers a rich context for assessing how *ar-rahnu* responded to economic fluctuations, regulatory developments, and changing societal needs, especially during and after the COVID-19 pandemic. Through this lens, the case study illustrates the practical mechanisms by which Islamic finance can support inclusive financial ecosystems, particularly for underserved populations.

In 2019, Bank Rakyat's *ar-rahnu* product continued to serve as a vital financial tool for individuals seeking quick, ethical, and Shariah-compliant access to cash. As an Islamic pawn broking service, *ar-rahnu* allows customers to pledge gold in exchange for financing of up to RM350,000. This model provides a dignified and accessible alternative to conventional interest-based lending, particularly for those in urgent need of liquidity. True to its Islamic foundations, the service emphasizes transparency, fairness, and social responsibility in its operations. During the year, *Ar-Rahnu* maintained its strong market presence, with RM1.944 billion disbursed to customers. This substantial amount not only highlights the product's popularity but also solidifies Bank Rakyat's leadership in the *ar-rahnu* industry, where it held an estimated 45% market share. Financially, *ar-rahnu* contributed RM246.32 million in income, accounting for roughly 3.5% of the bank's total revenue across all business segments. These figures underscore the product's value, not just as a source of community support, but as a reliable income-generating service within the bank's retail portfolio.

In addition to its financial success, Bank Rakyat demonstrated continued commitment to maintaining the Shariah integrity of its *ar-rahnu* operations. However, the bank did face several Shariah compliance challenges during the year. One issue involved procedural lapses in the public auction of pledged items, where some processes were not conducted in line with internal Shariah guidelines. Another concern arose from instances where customer accounts were closed at values below the reserve price, which conflicted with the ethical requirements of Islamic finance. These incidents were officially classified as Shariah non-compliance events. In response, the bank took swift corrective action by preparing detailed rectification plans, which were submitted to both the Shariah Committee and the Board of Directors of the bank. As required under the Islamic Financial Services Act 2013 (IFSA 2013), the cases and their outcomes were also mandatorily reported to Bank Negara Malaysia. Importantly, the bank responded proactively by improving internal controls and providing targeted Shariah training to staff members involved in *Ar-rahnu* operations.

Despite these setbacks, Bank Rakyat's handling of the issues demonstrated a high level of transparency and accountability. The bank's efforts to correct the problems and strengthen its internal processes helped ensure that the *ar-rahnu* product remained ethically sound and compliant with both regulatory standards and Islamic principles. In summary, 2019 was a year of both strong performance and institutional learning for Bank Rakyat's *Ar-rahnu* service, a product that continues to play a critical role in supporting inclusive and values-driven financing across Malaysia.

In 2020, Bank Rakyat's *ar-rahnu* product remained a vital component of the bank's retail financing strategy, even amid the economic disruptions caused by the COVID-19 pandemic. Despite widespread financial uncertainty, the product recorded notable growth, with total disbursements rising to RM2.20 billion, a 12.86% increase from the previous year in 2019. This growth reflects continued public trust in *ar-rahnu* as a reliable and Shariah-compliant microcredit solution. By year-end, the portfolio balance stood at RM2.19 billion, indicating that customers not only accessed the financing but also actively maintained their commitments under the scheme.

From a financial perspective, *ar-rahnu* generated RM160.19 million in revenue, contributing 2.5% to the bank's total segmental earnings. Although this was a slight decline from the previous year in 2019, with 3.5%, the figure still demonstrates *ar-rahnu*'s strength as a stable and income-generating product within the bank's diverse offerings. Notably, Bank Rakyat retained its 45% market share in the Islamic pawn broking sector, reaffirming its leadership in providing ethical and accessible financing during a particularly challenging year.

However, 2020 was not without its challenges. Several Shariah non-compliance incidents were identified, primarily related to the structure and execution of the Shariah contract using *tawarruq* transactions. These issues were taken seriously by the Shariah Committee, which oversaw corrective actions in accordance with Islamic financial principles.

One issue involved the overcharging of safekeeping fees due to operational delays in closing accounts after customers had repaid their financing. In Islamic finance, taking more than what is due after financing is settled can amount to unjust gain, which is impermissible. Another issue stemmed from errors in opening *tawarruq* accounts, often due to improper application of contract terms or documentation mistakes, leading to compromised Shariah compliance.

There were also instances of incorrect pricing on commodity certificates, a critical element in *tawarruq* transactions that determines the financial obligation of the customer. Mistakes in this area could compromise the fairness and validity of the financing contract. Mistakes in this area could compromise the fairness and validity of the financing contract and may erode public trust, especially considering that many consumers turn to Islamic pawn broking due to its ethical framework, transparency, and assurance of compliance with Shariah principles (Amin & Hasan, 2022; Azman Ong et al., 2022; Muhamat et al., 2011).. Additionally, a more structural flaw was noted when the second leg of the *tawarruq* transaction, the resale of commodities to the customer, was either delayed or not executed properly, undermining the core requirement of the Shariah-compliant structure. Though not directly related to *ar-rahnu*, the bank also reported the use of conventional insurance for a separate Islamic vehicle financing product (An-Naqlu 2), which raised concerns about *riba* and *gharar*, both of which are prohibited under Islamic law.

All incidents were formally reviewed and reported to Bank Negara Malaysia, in line with IFSA 2013. In response, Bank Rakyat implemented a series of remedial actions, including customer refunds, procedural revisions, and enhanced Shariah training for staff involved in product delivery. This is important because Ar-Rahnu operators who have been trained to consistently uphold Shariah compliance, offer affordable fees, and maintain strong engagement with local communities have been found to enjoy higher levels of customer loyalty and more sustainable business performance (Ali et al., 2018). These measures reflect the bank's ongoing commitment to integrity, transparency, and adherence to Islamic principles, even in the face of operational challenges during an unprecedented global crisis.

In the following year, 2021, Bank Rakyat's *ar-rahnu* service maintained its standing as one of the bank's most reliable and high-performing retail products, even as Malaysia continued to navigate the effects of a prolonged economic slowdown. The product's total disbursement reached RM2.02 billion, indicating both the scale of demand and the bank's capacity to offer accessible, collateral-backed, Shariah-compliant financing. This figure represents not just the volume of loans issued, but the trust placed by the public in *ar-rahnu* as a viable alternative to conventional pawn broking.

The financial impact of *ar-rahnu* was also substantial in the year 2021. It contributed RM255.48 million in revenue, amounting to 4.3% of Bank Rakyat's total segmental earnings, a significant jump from 2.5% the previous year in 2020. Additionally, *ar-rahnu* accounted for 24.7% of the bank's banking operations performance, reflecting its central role in driving the bank's retail income. These figures demonstrate both improved operational efficiency and an increased reliance on *ar-rahnu* by consumers across Malaysia. With a stable 45% market share, Bank Rakyat reaffirmed its leadership in the Islamic pawn-broking segment, staying ahead of competitors and continuing to serve as a benchmark for Shariah-compliant microfinancing.

The bank's commitment to expanding *ar-rahnu*'s reach was further demonstrated through strategic branch expansion in underserved regions. For example, in rural Sarawak, over RM38.65 million in *ar-rahnu* and personal financing was disbursed across just two newly opened branches. This highlights the bank's ongoing dedication to financial inclusion, particularly for communities with limited access to conventional banking services. This expansion plays a crucial role in reshaping public perception by reducing dependency on conventional pawnbroking models and avoiding the misconception that both systems operate on the same principles (Mohd Noor et al., 2022).

In line with evolving customer expectations and the broader digital shift accelerated by the COVID-19 pandemic, Bank Rakyat also introduced a key digital innovation in 2021, which is the *Ar-rahnu* e-appointment platform. Launched in June 2021, the system allows customers to schedule appointments online for *ar-rahnu* services, reducing waiting times and streamlining operations at the branch level. This initiative not only improved service efficiency but also signalled the bank's effort to integrate technological solutions into traditional Islamic financial services. The integration of Ar-Rahnu with mobile applications and online pawn services is seen as a crucial move to ensure that Islamic pawnbroking remains relevant in the era of digital finance, particularly in meeting the expectations of younger, tech-savvy users (Fata et al., 2024). Moreover, the majority of Islamic scholars agree that online pawning is permissible as long as it does not contradict Shariah, especially concerning the delivery of goods and the validity of the contract (Aprilia et al., 2021). By modernizing the customer experience while upholding

the values of Shariah compliance, the platform played an important role in making *ar-rahnu* more accessible and appealing, especially to the younger generation, which are the tech-savvy users, these digital transformations represent a significant step forward in expanding accessibility and sustainability for Islamic pawnbroking services (Sharif & Wan Mohamed, 2024)

Despite these advancements, the year was not without challenges. Two Shariah non-compliance incidents were reported, both involving the *tawarruq* structure. The first and more serious incident related to multiple procedural errors: financing was disbursed before the completion of the commodity trading process, the selling price recorded was below what had been endorsed by the Shariah Advisory Council, and the final leg of the sale to the customer was not executed properly. This breakdown invalidated the contract structure and carried financial implications. The second issue, though less severe, involved the acceptance of the gold (the collateral itself) bearing non-Islamic religious symbols, which is strictly prohibited under Shariah guidelines.

Both incidents were promptly reviewed by the Shariah Committee and reported to Bank Negara Malaysia, in compliance with regulatory obligations under IFSA 2013. To rectify the breaches, the bank took appropriate action, including the disposal of RM267,088.53 in non-compliant income to charitable causes approved by the Shariah Committee. These events, though unfortunate, highlighted the bank's ongoing efforts to maintain ethical integrity and institutional accountability in managing its Islamic financing products.

In 2022, Bank Rakyat's *Ar-rahnu* service continued to demonstrate its growing relevance and resilience as a key instrument of Shariah-compliant microfinancing in Malaysia. By the end of the year, total disbursements under *ar-rahnu* reached RM2.34 billion, indicating sustained and increasing demand for ethical, collateral-backed financing solutions. This marked a clear increase from the previous year, reinforcing the product's value in providing accessible liquidity to individuals, particularly those from underserved communities.

Financially, *Ar-Rahnu* delivered a strong performance, generating RM429.48 million in revenue for 2022. This accounted for 4.3% of the bank's total segmental income, matching the previous year's percentage in 2021 but representing a larger nominal value. This growth in revenue contribution highlights both increased usage and greater operational efficiency within the *Ar-Rahnu* portfolio. The bank's success in expanding its reach and appeal was further evidenced by its commanding 51.54% market share, solidifying Bank Rakyat's position as the leading Islamic pawnbroking provider in the country.

Bank Rakyat also engaged in targeted marketing efforts to further boost customer engagement. Notably, a promotional campaign focused on hollow gold jewelry surpassed its income target by 1%, exemplifying the effectiveness of strategic initiatives aimed at increasing uptake of the product. These efforts contributed not only to the product's financial performance but also to its visibility as a socially inclusive and ethical financing option.

However, 2022 was not without its compliance challenges. The bank recorded three Shariah non-compliance incidents related specifically to the *ar-rahnu* service. The first issue arose during the redemption and account issuance processes, where internal operational procedures failed to fully align with Shariah standards. While no financial harm occurred, the procedural lapses were significant enough to be flagged as non-compliant. The second incident involved a breach of transactional integrity in the auction process, where gold was handed over

to a successful bidder without proper proof of payment. The lack of immediate cash collection contradicted the principles of a valid sale under Islamic finance, particularly those related to contract certainty and risk ownership. The third case concerned the acceptance of a pawned item bearing a non-Islamic religious symbol, which violated guidelines established by the Shariah Committee. Such items are not permissible as collateral under Shariah law, and their acceptance represents a deviation from approved operational standards.

Each of these incidents was reviewed by the Shariah Committee and handled with transparency and due diligence. Although none resulted in financial losses, the bank took them seriously, reinforcing its commitment to continuous improvement and Shariah governance. Corrective measures were implemented, including tighter procedural controls and reinforced compliance training, to prevent future lapses and preserve the product's Islamic integrity.

Then in 2023, Bank Rakyat's *ar-rahnu* product reaffirmed its role as a key contributor to the bank's consumer banking segment. The total disbursement for the year reached RM2.88 billion, a significant increase from RM2.34 billion in 2022. This surge reflects continued public confidence in *Ar-Rahnu*'s ability to offer quick, Shariah-compliant financing, particularly in times of financial uncertainty. Despite a decline in market share, from 51.54% to 36.00%, the product maintained its standing as one of the most dominant players in the Islamic pawnbroking industry. The drop in market share may reflect increased competition, but the consistent growth in disbursement suggests that *ar-rahnu* remains a preferred choice for many.

From a financial perspective, *ar-rahnu* brought in RM318.73 million in revenue, contributing 4.5% to Bank Rakyat's total banking earnings, an improvement from the 4.0% contribution recorded the previous year. This increase not only indicates broader usage but also improved profitability and operational efficiency per transaction. The product's steady upward trajectory in both financial value and service reach underscores its continued relevance in the bank's broader mission to provide inclusive, ethical, and community-focused financial solutions.

However, as with previous years, in 2022, maintaining Shariah integrity remained a central operational focus. In 2023, three Shariah non-compliance incidents involving the *ar-rahnu* product were reported and documented by the Shariah Committee. The first incident involved a breach during a gold auction; a late payment by a successful bidder led to additional gold being handed over before full payment was received. This delay gave rise to *riba' an-nasiah*, a prohibited practice in Islamic finance where a delay in payment results in undue benefit. The second issue occurred during the redemption and issuance of a new *ar-rahnu* account. Internal lapses in procedure caused deviations from the prescribed Shariah-compliant standards, highlighting the ongoing need for rigorous process adherence. The third incident involved the acceptance of a pawned item bearing non-Islamic religious symbols, which contradicts to the Shariah Committee's rulings.

Although none of these incidents had direct financial consequences, they were treated with appropriate gravity. Each case was promptly reviewed by the Shariah Committee and reported to Bank Negara Malaysia, as mandated under IFSA 2013. In response, the bank-initiated rectification measures, which included strengthening internal controls, improving staff training, and reinforcing compliance protocols to avoid future breaches. Overall, the performance of *Ar-rahnu* in 2023 reflects Bank Rakyat's ability to adapt and thrive in a dynamic financial landscape. While Shariah compliance challenges persist, the bank's proactive

governance and continued investment in ethical financial practices demonstrate a firm commitment to maintaining the integrity and impact of one of its most valued Islamic financing products.

Conclusion and Recommendations

This exploratory study of *ar-rahnu* in the case of Bank Rakyat, one of the leading cooperative Islamic banks in Malaysia, underscores the product's unique role in bridging commercial objectives with social and community outcomes. By offering Shariah-compliant, collateralized financing through gold-based pledges, *ar-rahnu* serves as an accessible liquidity solution for individuals and micro-entrepreneurs, particularly during periods of economic volatility. The findings reveal that the combination of affordability, compliance with Islamic principles, and rapid disbursement positions *ar-rahnu* as a vital instrument for financial inclusion.

The analysis further highlights that *ar-rahnu* contributes to strengthening household resilience and sustaining microeconomic activity, especially for vulnerable groups facing cash flow challenges. Its integration into the broader Islamic finance ecosystem complements other instruments, enabling a more holistic approach to poverty alleviation, entrepreneurship support, and community empowerment. The ability of *ar-rahnu* to adapt to market dynamics, such as fluctuations in gold prices, enhances its relevance as both a financial safety net and a driver of socio-economic mobility (Fauzi et al., 2025).

From a policy and practice perspective, the study points to the need for continued innovation, regulatory support, and strategic partnerships to expand *ar-rahnu*'s reach and impact. Strengthening linkages with social finance mechanisms such as zakat and waqf could further amplify outcomes, ensuring that the benefits extend beyond immediate liquidity to long-term economic empowerment. Ultimately, the case of *ar-rahnu* demonstrates how Islamic banking can integrate ethical finance principles with practical, high-impact financial solutions that serve both market efficiency and social equity. Ultimately, the case of *ar-rahnu* demonstrates how Islamic banking can integrate ethical finance principles with practical, high-impact financial solutions that serve both market efficiency and social equity (Nik Azman et al., 2021).

This study is exploratory in nature and relies primarily on qualitative insights, which may limit the generalizability of its findings to the broader *ar-rahnu* industry in Malaysia. The analysis is based on a single case study of an Islamic bank, which, while providing in-depth contextual understanding, may not fully capture the diversity of operational models, customer profiles, and market conditions across other providers. Additionally, the absence of longitudinal data restricts the ability to assess the long-term socio-economic impacts of *ar-rahnu*, particularly in tracking changes in customer livelihoods and financial behaviors over time. This is because Malaysia's *ar-rahnu* landscape is shaped by a range of institutional players, including Ar-Rahnu YaPEIM, Bank Rakyat, Bank Islam Malaysia Berhad (BIMB), RHB Islamic, Agrobank, and various state religious councils (MAIPs, MAIS, MAIDAM, etc.), each offering distinct governance structures, pricing mechanisms, and community outreach strategies (Bahari et al., 2021).

Future research could adopt a mixed-methods approach with the primary data collection, combining quantitative impact assessments with qualitative stakeholder narratives

to provide a more comprehensive evaluation of *ar-rahnu*'s outcomes. Comparative studies across multiple institutions, including cooperatives and non-bank providers, would enrich understanding of best practices and operational challenges. Moreover, longitudinal studies tracking customers over several years could offer deeper insights into the sustainability of *ar-rahnu*'s impact. Incorporating impact reporting with social return on investment (SROI) with the international standard and linking outcomes to national financial inclusion indicators could further strengthen the evidence base for policy and industry development.

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