

## PROFILES OF DIGITAL PAYMENT ADOPTION AMONG AR-RAHNU CO-OPERATIVE CUSTOMERS IN MALAYSIA

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### ABSTRACT

The rapid shift towards digital finance, accelerated by the COVID-19 pandemic, has become a key challenge and opportunity for Islamic microfinance institutions, particularly *ar-rahnu*, to maintain customer engagement and ensure financial accessibility. *Ar-rahnu* is an institution that offers loans by pawning gold or jewellery as a pledged asset at their physical outlet. Therefore, after the spreading of COVID-19, it is quite difficult for this institution to survive as these institutions must be in contactless with each other which has never happened before. Because that has never happened before, this study is designed to understand the profiles of *ar-rahnu* users, especially in terms of technology usage. Therefore, understanding the profiles and preferences of *ar-rahnu* customers is crucial for the optimisation of e-payment platforms. Data analysis was conducted using SPSS 28, where descriptive statistics and correlation analysis were employed to assess the relationship between demographic profiles and digital payment adoption. The results show that the majority of *ar-rahnu* users are women, Malay, and married, predominantly holding certificate or diploma qualifications, residing in urban areas, and working in the private sector. Social media platforms like Facebook play a crucial role in disseminating information about *ar-rahnu*, supplemented by personal networks and messaging apps like WhatsApp. By profiling the preferences of *ar-rahnu* users, this study offers actionable insights for policymakers to design more inclusive digital payment solutions, enhancing financial literacy and digital trust among underserved communities.

**KEYWORDS:** AR-RAHNU, CASHLESS, E-PAYMENT, PROFILES

### ABSTRAK

Peralihan pesat ke arah kewangan digital, yang dipercepatkan oleh pandemik COVID-19, telah menjadi cabaran dan peluang utama bagi institusi mikro kewangan Islam, khususnya *Ar-rahnu*, dalam mengekalkan penglibatan pelanggan dan memastikan akses kewangan. *Ar-rahnu* ialah sebuah institusi yang menawarkan pinjaman dengan mencagarkan emas atau barang kemas sebagai aset gadaian di premis fizikal mereka. Oleh itu, selepas penularan COVID-19, institusi ini menghadapi kesukaran untuk bertahan kerana ia perlu beroperasi secara tanpa sentuhan, sesuatu yang belum

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pernah berlaku sebelum ini. Ekoran oleh perubahan ini, kajian ini direka bentuk untuk memahami profil pengguna *ar-rahnu*, terutamanya dari segi penggunaan teknologi. Oleh itu, memahami profil dan keutamaan pelanggan *ar-rahnu* adalah penting bagi pengoptimuman platform e-pembayaran. Analisis data telah dijalankan menggunakan SPSS 28, yakni statistik deskriptif dan analisis korelasi digunakan untuk menilai hubungan antara profil demografi dan penerimaan pembayaran digital. Hasil kajian menunjukkan bahawa majoriti pengguna *ar-rahnu* adalah wanita, berbangsa Melayu, dan sudah berkahwin, kebanyakannya memiliki kelayakan sijil atau diploma, menetap di kawasan bandar, serta bekerja di sektor swasta. Platform media sosial seperti Facebook memainkan peranan penting dalam menyebarkan maklumat mengenai *ar-rahnu*, yang turut disokong oleh rangkaian peribadi dan aplikasi pemesejan seperti WhatsApp. Dengan memprofilkan keutamaan pengguna *ar-rahnu*, kajian ini menawarkan pandangan yang boleh diambil tindakan oleh pembuat dasar untuk mereka bentuk penyelesaian pembayaran digital yang lebih inklusif, sekaligus meningkatkan literasi kewangan dan kepercayaan digital dalam kalangan komuniti yang kurang mendapat akses kewangan.

**KATA KUNCI:** AR-RAHNU, TANPA TUNAI, E-PEMBAYARAN, PROFIL

## 1. INTRODUCTION

Technology is something essential in today's era of globalisation. Almost at all times, society uses technology to update data, information, purchases, and so on. In fact, with technology, we can control and manage almost everything at our fingertips (Nik Azman *et al.*, 2022). The use of technology brings many benefits in all areas of administration in a country. This includes the use of technology in *ar-rahnu* transactions. According to Ting *et al.* (2020), current technology and specific computer programs have been created to make *ar-rahnu* operations more optimistic and suitable for the times. Current *ar-rahnu* services have also moved freely like banking systems, enabling them to advertise their products on social media and mass media.

The financial services industry has witnessed significant transformations over the years. Initially characterised by personal interaction and limited automation, it saw the first signs of computerisation with the arrival of Automated Teller Machines (ATMs) in the late 1960s (Woodyard & Grable 2018). The transfer of regular banking functions to these machines provided customers with greater autonomy (e.g., the ability to withdraw cash after business hours) and allowed banks to expand their service networks without building additional branches (Piehlmaier, 2022). Following the emergence of the internet, a second wave of automation occurred (Jung *et al.*, 2018). Banks then digitised more services and made them available through online banking systems. Subsequently, mobile banking applications were added to these services. The advancement of information technology has made banking transactions easier for customers while reducing costs for financial organisations.

During COVID-19 the number of cashless is increasing in Malaysia. By doing cashless, people can avoid handling physical cash completely and minimise human contact. Besides, *zakat* also used online payment that was approved by Islamic authorities to control the spreading of Coronavirus. Therefore, this pandemic has brought a new change for Malaysians. Everything must be contactless with each other to control the spreading of COVID-19. In Malaysia, the economic situation is not in good condition because of this pandemic. Therefore, many people are struggling to survive this pandemic which has caused Malaysians are move forward as a cashless society.

One of the businesses that operate in Malaysia is an *ar-rahnu* which is one of the Islamic Financial Institutions that has been eyed as the prime mover of Islamic microfinance institutions. *Ar-rahnu* is one of the institutions that has been affected by COVID-19 in Malaysia. This is because *ar-rahnu* is an institution that offers loans by pawning gold or jewellery as a pledge asset. Therefore, after the spreading of COVID-19 in Malaysia, it was quite difficult for this institution to survive in this situation because these institutions had to be in contactless with each other which had never happened before. Therefore, understanding the profiles and preferences of *ar-rahnu* customers is

crucial for the optimisation of e-payment platforms during this period. By effectively identifying and analysing customer demographics, financial behaviours, and transaction patterns, *Ar-rahnu* can tailor its e-payment platforms to meet the specific needs and preferences of its customer base. Customisation of e-payment platforms based on customer profiles allows for a seamless and personalised user experience. For example, if a significant portion of *ar-rahnu* customers prefer mobile banking, the platform can prioritise mobile optimisation and offer features such as push notifications for payment reminders, improving overall customer satisfaction and engagement. Moreover, targeted marketing efforts can be implemented based on the identified customer segments. By understanding the unique preferences and behaviours of different customer groups, *ar-rahnu* can offer promotions, discounts, and services that are more likely to resonate with specific segments, leading to higher conversion rates and customer loyalty. Additionally, risk management strategies can be refined with a better understanding of customer profiles. For example, if certain customer segments are more prone to defaulting on payments, the platform can implement stricter verification processes or offer lower credit limits to mitigate potential risks.

Furthermore, insights into customer profiles can guide product development. By identifying customer interests and preferences, *ar-rahnu* can introduce new products and services that align with customer needs, such as investment options for customers interested in growing their wealth. A deep understanding of *ar-rahnu* customer profiles is essential for optimising e-payment platforms, improving customer satisfaction, and ensuring efficient and secure transactions. The Tech-Savvy Millennials - this group, aged 25-40, embraces digital platforms for their convenience and flexibility. They prefer online services, including *ar-rahnu* Digital, for quick and hassle-free transactions.

## 2. LITERATURE REVIEW

After the spreading of COVID-19, it substantially disrupted socio-economic maturity across the globe. According to the Statistics of Labour Force back in August 778,200 persons equivalent to 4.6 per cent of the Malaysian population are considered unemployed. To stabilise household incomes, Islamic pawn broking or *ar-rahnu* is the solution to get quick cash financing. In Malaysia, research on *ar-rahnu* began around 1997 by Ismail and Ahmad (1997) by looking at the collateral issues and comparison of *ar-rahnu* with conventional pawnshop. Since then, *ar-rahnu* has been studied from various angles such as the flexibility of the repayment period, the default payment and collateral accepted studied by Ismail and Ahmad (1997), Mohamed *et al.* (2005), Ismail and Sanusi (2005), Sanusi and Johari (2006), Bhatt and Sinnakkannu (2008), Abdul Khir *et al.* (2013), Sulaiman *et al.* (2014) and Hisham Sabri *et al.* (2013).

In addition, there are also several literatures discussing the acceptance of *ar-rahnu* (Shaari & Azlina, 2003; Amin *et al.*, 2007; Sam *et al.*, 2010; Appannan & Doris, 2010; Baharum, 2014). Further, Shaari and Azlina (2003) examined the acceptance in terms of demographic profiles such as age, marital status, race, income level and working status. Besides, Amin *et al.* (2007), Sam *et al.* (2010), Appannan and Doris (2011), and Baharum (2014) asserted that Shariah compliance, customer satisfaction, service charges, collateral and locality as awareness and acceptance towards *ar-rahnu*.

Moreover, the challenges faced by *ar-rahnu* institutions were also studied by previous researchers such as Bhatt and Sinnakkannu (2008), Cheong and Sinnakkannu (2012) and Hisham *et al.* (2013). These studies highlighted that illegal money lending, conventional pawnbroking systems, and fake gold syndicates are the challenges for *ar-rahnu* institutions preventing them from flourishing in the industry. Another challenge for *ar-rahnu* is the negative perception among customers towards *ar-rahnu* as they perceived *ar-rahnu* as a product for the poor and needy. This indirectly contributes to the negative impact towards *ar-rahnu* development. The higher margin of financing offered by conventional pawn broking also can be considered a challenge for *ar-rahnu* because customers can

negotiate the loan amount with the officers concerning the perceived value of the collateral. This challenge has led customers to use conventional pawn brokers or illegal sources for financing.

In the recent studies done by Nik Azman *et al.* (2020) and Yahaya and Bahari (2018), *ar-rahnu* has been pointed out as one of the financial solutions for micro-entrepreneurs that facing with shortage of capital. Recent studies also reveal *ar-rahnu* as an important tool for women micro-entrepreneurs to survive in doing business. Recent studies have covered a wide range of issues about *ar-rahnu*. However, by far, the main body of study has mainly centred on the characteristics or product features of *ar-rahnu* (in comparison to its conventional counterpart) and the operational system of *ar-rahnu*, acceptance and awareness of *ar-rahnu* and effectiveness of *ar-rahnu* institutions.

After the establishment of pawnbroking in Indonesia in the early Dutch era and operation with *Shariah* principles since 2003 by PT Pegadaian (Persero) and Malaysia had existed since the Sultan Melaka era and became Islamic principles since the 90th, (Buana *et al.*, 2021), this study shows that not all banks provide Islamic pawnbroking. However, the *ar-rahnu* contract for *Shariah* financing still exists in both *Shariah* or Islamic banking and non-banking finance institutions. This study indicates although *ar-rahnu* contracts exist in both Islamic and non-banking institutions, business operations in the present period indicate a decreasing pattern in the operations of Islamic pawnbroking in both countries Indonesia and Malaysia.

*Ar-rahnu* can have a big impact on improving the economic well-being of the clients in Malaysia as done by Razak and Asutay (2022). The higher cost of living in Malaysia in recent years resulted in a decline in disposable income due to the imposed GST in 2015. Due to insufficient income, those who have been affected would patronize *ar-rahnu* financing as a solution to make ends meet. The usage of *ar-rahnu* financing for production purpose-related economic activity is significant in enhancing individual well-being. This study showed the statistical significance of the relationship between financial inclusion and individual and societal well-being through customer adoption of *ar-rahnu*. That means the usage of *ar-rahnu* financing is significant in enhancing individual well-being resulting in micro-balancing and improving financial and socio-economic development.

Previously, critical success factors of *ar-rahnu* in Malaysia have been studied by Yaacob *et al.*, 2014 showed that critical success factors are different to each cluster. The most important critical success factor from the perspective of the scheme operators is customer trust. This is because, the reputation of a business can increase, hence the total collection of safekeeping charges also can increase. However, to increase the trust of customers, staff competency is crucial because they have to determine the purity of gold. This is because cheating cases involving fraud like sake gold are becoming more sophisticated in the advancement of technology.

In our time, Islamic pawn broking also known as *ar-rahnu* is now a growing industry in Malaysia. Demand for *ar-rahnu* services is increasing amongst the Malaysian community. Hence, it must have been a factor that led to the usage of *ar-rahnu* services. Previous studies by Rahman and Kassim (2017) indicate the factors influencing the acceptance of *ar-rahnu* in Terengganu. In this study, there are six independent variables, which are reviewed: service factor, pricing, pledge, locality, *Shariah* view and social factor is a factor that can influence customers to use *ar-rahnu* services. However, the factors that can influence customers to use *ar-rahnu* is different between private and state. Hence, these seem crucial to be highlighted because different pawnbrokers provide difference features in attending to their customers.

### 3. METHODOLOGY

This study employs a quantitative method. Quantitative research is a method used to test objective theories by examining the relationships between variables and measuring them using instruments so that numerical data can be analysed using statistical procedures (Creswell, 2018). A survey questionnaire is used as the instrument for this study. The questionnaire items of this study were adapted from Al-Qeisi (2009), Singh (2020); Rahi *et al.* (2018) and Najib *et al.* (2021). The population for this study consists of customers who transact at cooperative *ar-rahn* outlets. This study uses purposive sampling, where the criteria for respondents are predefined, namely customers who use *ar-rahn* services and are aged 18 and above. The sample size for this study is determined using G-Power. G-Power shows the minimum sample size required (Hair *et al.*, 2016), which is 138 respondents, but this study obtains 200 respondents. This study employs Statistical Package for the Social Sciences (SPSS) Version 32.0 for data cleaning and screening to eliminate extraneous data. Subsequently, descriptive analysis was conducted to outline the demographic profile of respondents, followed by a correlation analysis with the variables.

### 4. FINDINGS

This study discusses the study findings that have been analysed using SPSS. The analysis began by examining the overall respondent profile. Based on Table 1, the majority of respondents were women, accounting for 59.0% or 118 individuals. Meanwhile, there were only 82 male respondents, accounting for 41.0% of the study population. In terms of ethnicity, the largest majority, comprising 89.5% or 179 individuals, were Malays. Additionally, there were 2 Indian respondents, accounting for 1.0%, and 19 respondents of other ethnicities, accounting for 9.5%. Furthermore, the majority of respondents, 97 individuals (48.5%), were in the 31-40 age group. A total of 74 individuals (37.0%) were aged between 21-30 years, 20 individuals (10.0%) were aged between 41-50 years, and 9 individuals (4.5%) were 51 years and older. Additionally, 151 individuals (75.5%) were married, 43 individuals (21.5%) were single, and only 6 individuals (3.0%) had other marital statuses.

**TABLE 1: RESPONDENTS PROFILE**

Item	Breakdown	Frequency [%]
Gender	Male	82 [41.0]
	Female	118 [59.0]
Race	Malay	179 [89.5]
	Indian	2 [1.0]
	Others	19 [9.5]
Age	21-30 years old	74 [37.0]
	31-40 years old	97 [48.5]
	41-50 years old	20 [10.0]
	51 years old and above	9 [4.5]
Marital status	Single	43 [21.5]
	Married	151 [75.5]
	Widow/ Widower	6 [3.0]
Education level	SPM and lower	37 [18.5]
	Certificate/ Diploma	87 [43.5]
	Bachelor's Degree	62 [31.0]
	Master's Degree	6 [3.0]
	Others	8 [4.0]
Residential area	City	132 [66.0]
	Rural	68 [34.0]
Occupation	Government	11 [5.5]
	Private Sector	136 [68.0]
	Self-employed	23 [11.5]
	Business/Hawker	8 [4.0]

	Others	22 [11.0]
State	Selangor	37 [18.5]
	Kuala Lumpur	17 [8.5]
	Perak	17 [8.5]
	Kedah	37 [18.5]
	Pulau Pinang	3 [1.5]
	Kelantan	4 [2.0]
	Terengganu	18 [9.0]
	Pahang	13 [6.5]
	Negeri Sembilan	3 [1.5]
	Johor	16 [8.0]
	Melaka	2 [1.0]
	Sabah	18 [9.0]
	Sarawak	15 [7.5]
Cooperative members	Yes	92 [46.0]
	No	108 [54.0]
Household size	1-3 persons	105 [52.5]
	4-6 persons	89 [44.5]
	7-9 persons	6 [3.0]
Head of household	No	116 [58.0]
	Yes	84 [42.0]

Notes: N=200

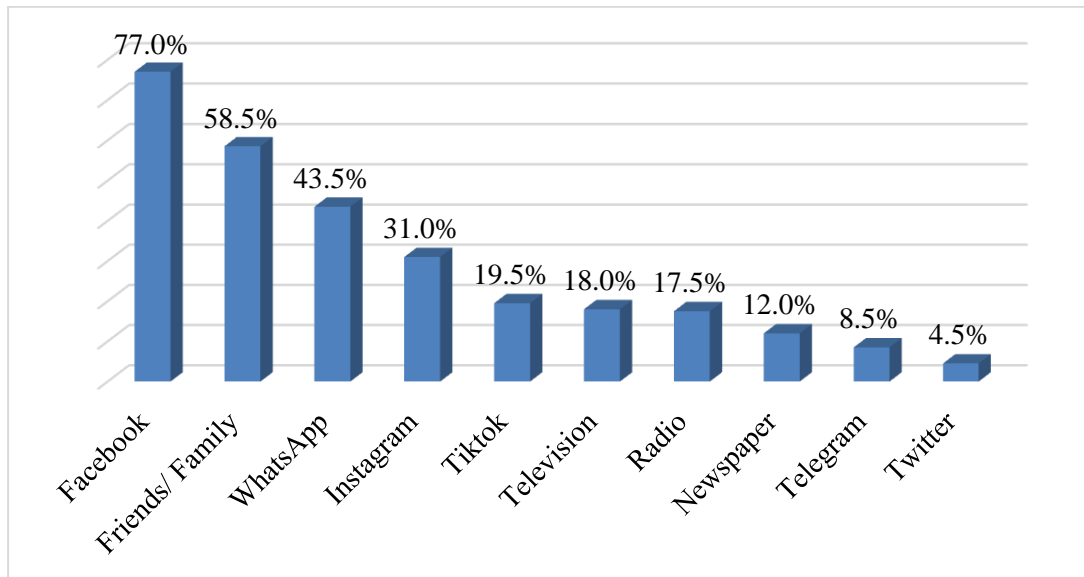
Source: Table by Authors

Based on the education level, the majority of respondents indicated that they possessed a certificate or diploma, with 87 individuals (43.5%) having this qualification. 62 individuals (31.0%) held a Bachelor's degree, 37 individuals (18.5%) had a Malaysian Certificate of Education (SPM) or lower level of education, 8 individuals (4.0%) had other educational qualifications, and 6 individuals (3.0%) had a Master's degree. The majority of respondents, 132 individuals (66.0%), resided in urban areas, while 68 respondents (34.0%) were from rural areas. The respondents who answered the survey also had various types of jobs from different sectors. The private sector was the majority with 68% or 136 respondents, followed by self-employed respondents with 23 individuals (11.5%). 22 respondents (11.0%) stated that their jobs were not listed in the answer options or were categorized as "other". Government employees accounted for 11 individuals (5.5%), and the remaining group was made up of traders or vendors with 8 individuals (4%).

From a state perspective, Selangor and Kedah had the highest number of respondents, each represented by 37 individuals, making up 18.5% of the respondent population. Meanwhile, Terengganu and Sabah each had 18 respondents, accounting for 9.0%. In addition, Kuala Lumpur and Perak were represented by 17 respondents each (8.5%). Johor had 16 respondents (8.0%), Sarawak had 15 respondents (7.5%), Pahang had 13 respondents (6.5%), Kelantan had 4 respondents (2.0%), Negeri Sembilan and Penang had 3 respondents each (1.5%), and Melaka had 2 respondents (1.0%). Interestingly, the majority of respondents were not cooperative members, with 108 individuals (54.0%) compared to 92 individuals (46.0%) who were cooperative members. In terms of household size, the majority of respondents, 105 individuals (52.5%), had a household size of between 1-3 people. 89 respondents (44.5%) had a household size of between 4-6 people, and the remaining 6 individuals (3.0%) lived in households with 7-9 members. Lastly, the majority of respondents, 116 or 58%, stated that they were not the head of the household, and conversely, 84 individuals or 42% were the head of the household.

Based on Figure 1, Facebook was one of the most popular platforms for providing information about *ar-rahnu* to respondents, with a percentage of 77%. Friends or family also played a role in providing information about *ar-rahnu*, with a percentage of 58.8%, and WhatsApp with 43.5%. In

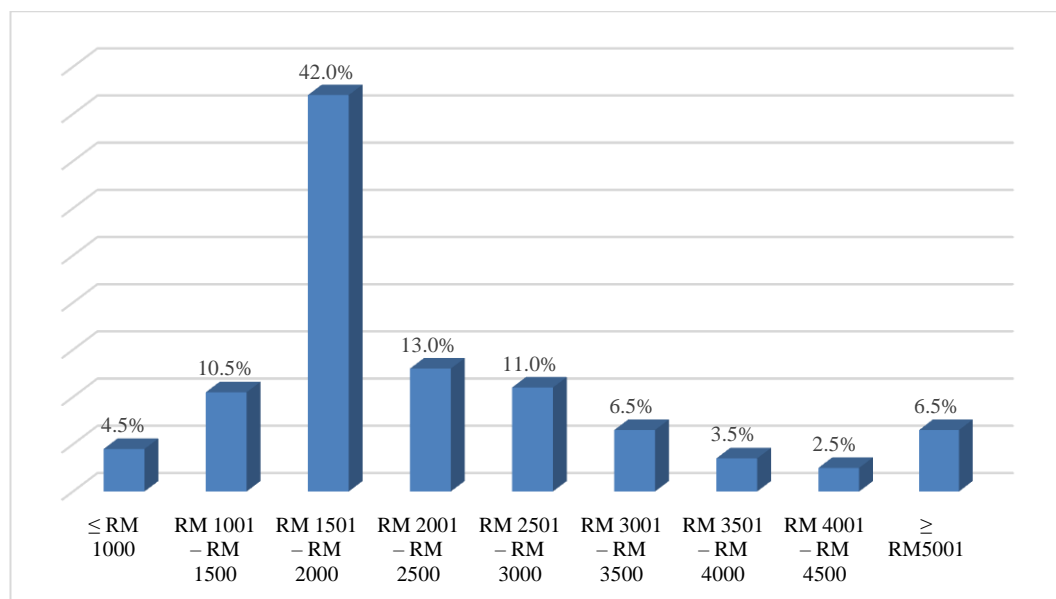
addition, respondents also provided feedback that they obtained information about *ar-rahnu* through Instagram (31%), TikTok (19.5%), Television (18%), Radio (17.5%), newspapers (12%), Telegram (8.5%), and Twitter (4.5%).



**FIGURE 1. AR-RAHNU INFORMATION SOURCE**

Source: Figure by Authors

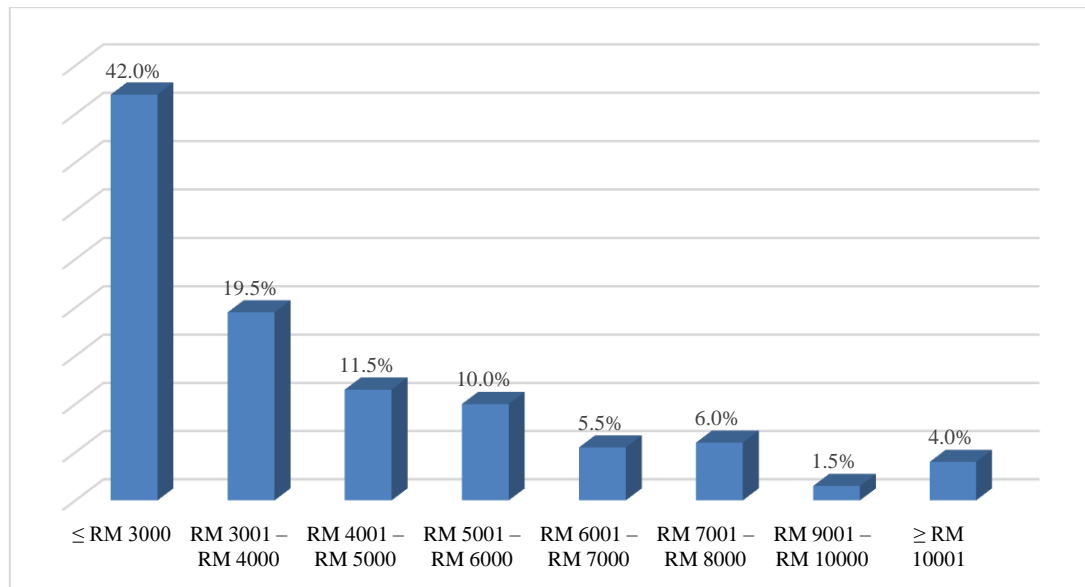
Figure 2 shows that the majority of respondents had a monthly income between RM1,501 and RM2,000, accounting for 42%. Meanwhile, 13% of respondents had an income between RM2,001 and RM2,500, which was the second highest, and 11% had a monthly income between RM2,501 and RM3,000. However, there were respondents with incomes below RM1,500, totalling 15%. Additionally, there were respondents with incomes above RM3,000, which was 6.5% (RM3,001 - RM3,500), 3.5% (RM3,501 - RM4,000), 2.5% (RM4,001 - RM4,500), and 6.5% (over RM5,001).



**FIGURE 2. PERSONAL MONTHLY INCOME**

Source: Figure by Authors

Figure 3 represents the percentage of income in various ranges for individuals or households. 42% of respondents consist of individuals or households with an income of less than RM 3,000 per month. Meanwhile, individuals or households with an income between RM 3,001 to RM 4,000 are 19.5%. The study also shows that respondents with an income of RM 4,001 and above are less likely to do business at *ar-rahnu* outlets, representing 38.5% of respondents.

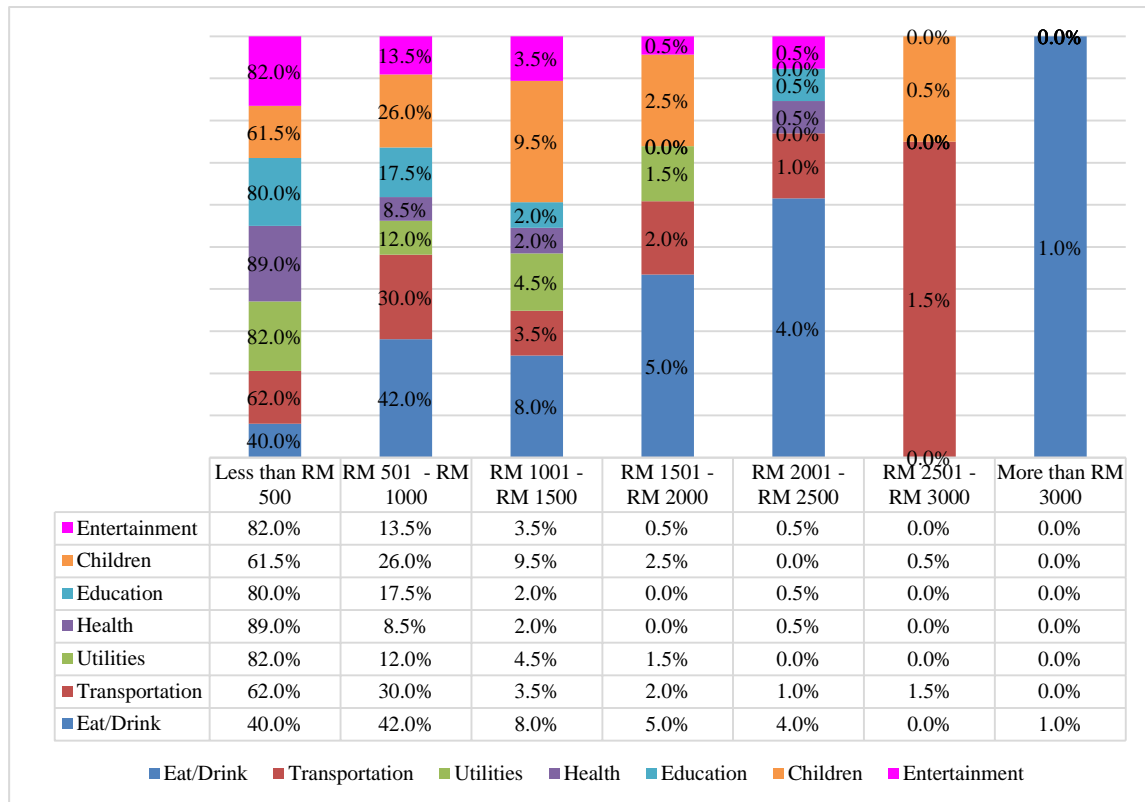


**FIGURE 3. HOUSEHOLD MONTHLY INCOME**

Source: Figure by Authors

Figure 4 shows the estimated expenditure in various categories for individuals or households in this study. The majority of respondents allocate less than RM500 for each expenditure category, including transportation, utilities, health, education, children, and entertainment, except for food and drink. For the food and drink category, 42% of respondents spend a total amount of RM501 to RM1000 for this purpose. The findings also indicate that not more than 10% of respondents are willing to spend more than RM1001 for each category of expenditure. However, there are also 1% of respondents who are willing to spend more than RM3000 on their food and drink.

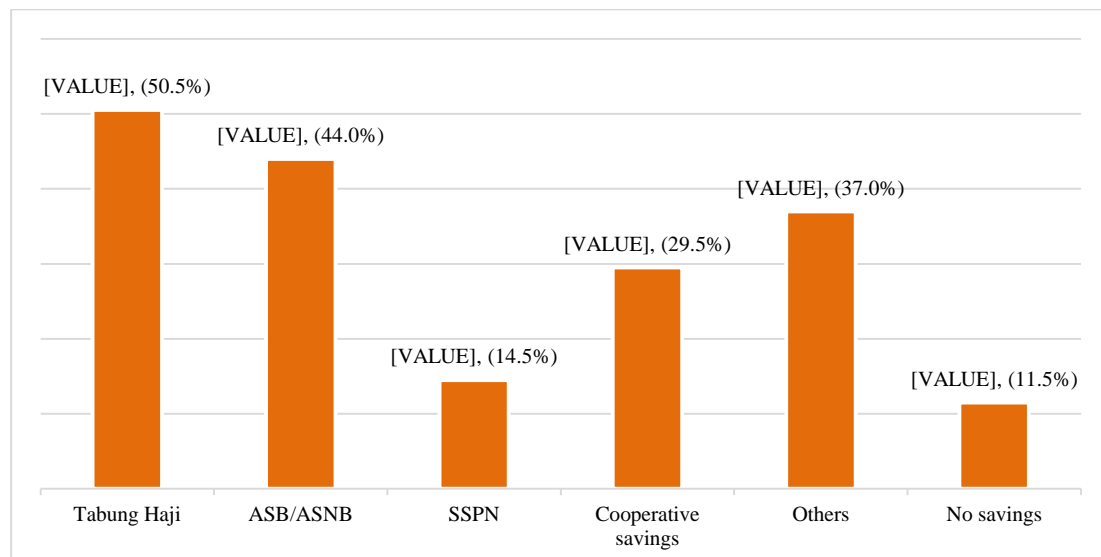




**FIGURE 4. ESTIMATED EXPENSES**

Source: Figure by Authors

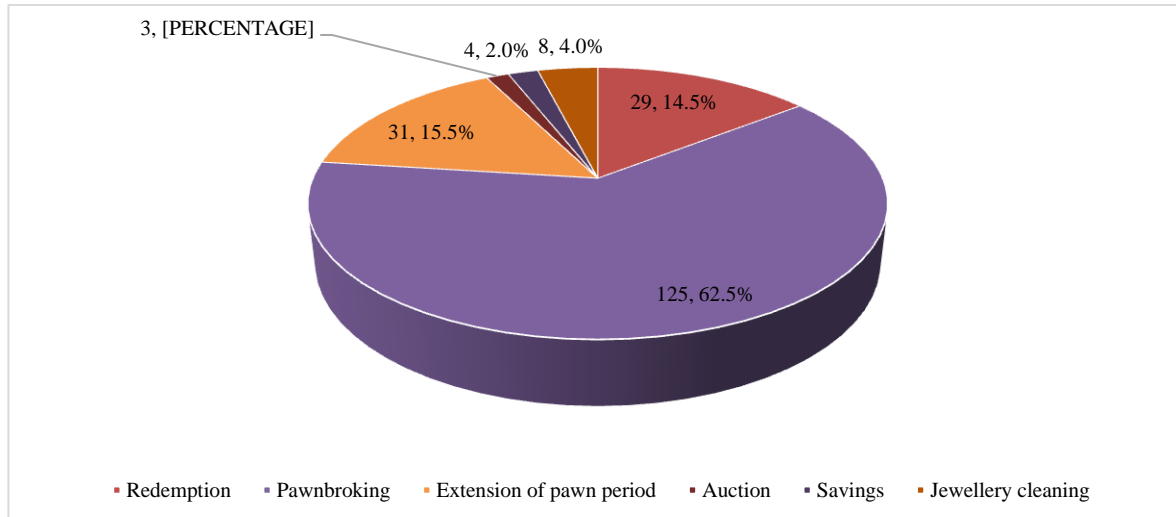
This study also aims to understand the saving patterns among the *ar-rahnu* respondents. Figure 5 indicates that the majority of respondents save in Tabung Haji and Amanah Saham Nasional (ASN) or Amanah Saham Bumiputera (ASB), accounting for 50.5% and 44%, respectively. Some respondents save in SSPN, accounting for 14.5%, while 29.5% of respondents save in cooperatives. However, some respondents do not have any savings, accounting for 11.5%.



**FIGURE 5. TYPES OF SAVING**

Source: Figure by Authors

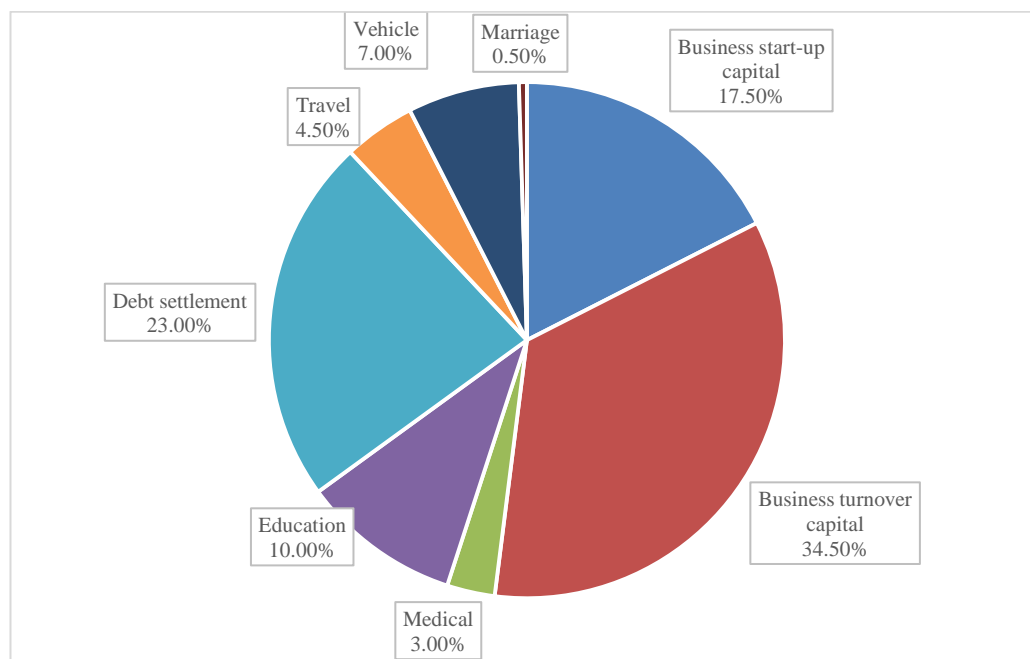
There are 6 business transactions conducted at *ar-rahnu*, as shown in Figure 6. The most common business transaction is pawnbroking, with 125 transactions representing 62.5% of pawnbroking-related activities. In addition, there are 31 transactions or 15.5% related to extending the pawn period, while a total of 29 transactions or 14.5% of transactions that day indicate respondents present to redeem their pawned items. Other business transaction activities carried out by respondents include jewellery cleaning with 8 or 4.0% of respondents, savings with 4 or 2.0% of respondents, and finally jewellery auction transactions with 3 or 1.5% of transactions.



**FIGURE 6. THE PURPOSE OF TRANSACTIONS AT AR-RAHNU**

Source: Figure by Authors

Various financing purposes of *ar-rahnu* are used by the respondents (Figure 7). The most commonly used business transaction purpose by respondents is business turnover capital, accounting for 69 respondents or 34.5% of the total. The second highest purpose is debt repayment, contributing to 46 or 23.0% of respondents.

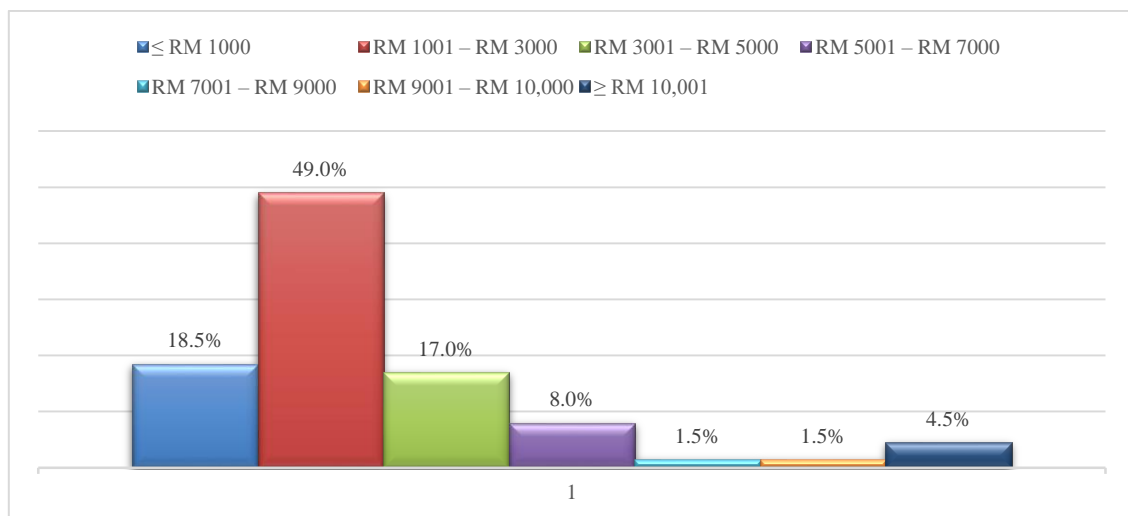


**FIGURE 7. FINANCING PURPOSES AT AR-RAHNU**

Source: Figure by Authors

Business start-up capital is the third highest purpose with 35 or 17.5% of respondents, while other *ar-rahnu* financing purposes are for Education, accounting for 20 or 10.0% of respondents, vehicle purchase with 14 or 7.0% of respondents, travel purposes represented by 9 or 4.5% of respondents, medical purposes with 6 or 3.0% of respondents, and finally, for wedding purposes with 1 or 0.5% of respondents.

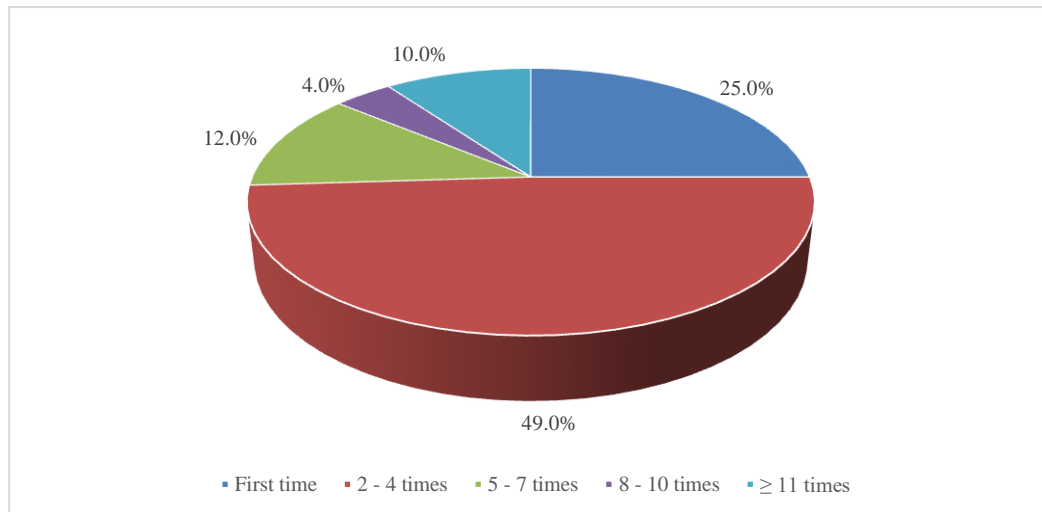
Figure 8 illustrates the total financing obtained from *ar-rahnu* in different amounts. A total of 154 transactions represent various financing amounts. The highest and most common financing amount obtained is between RM 1001 to RM 3000, with 81 respondents or 49.0%. The second highest is those who received financing of less than RM 1000, with 28 customers or 18.5%. The third highest is those who received financing between RM 3001 to RM 5000, representing 23 respondents or 17.0%. Next are those who received financing between RM 5001 to RM 7000, with 11 respondents or 8.0%, followed by 7 respondents or 4.5% who received financing of more than RM 10,001. Next is those who received financing between RM 9001 to RM 10,000, with 3 respondents or 1.5%. Finally, 1 customer or 1.5% received financing between RM 7001 to RM 9000.



**FIGURE 8. TOTAL FINANCING FROM AR-RAHNU**

Source: Figure by Authors

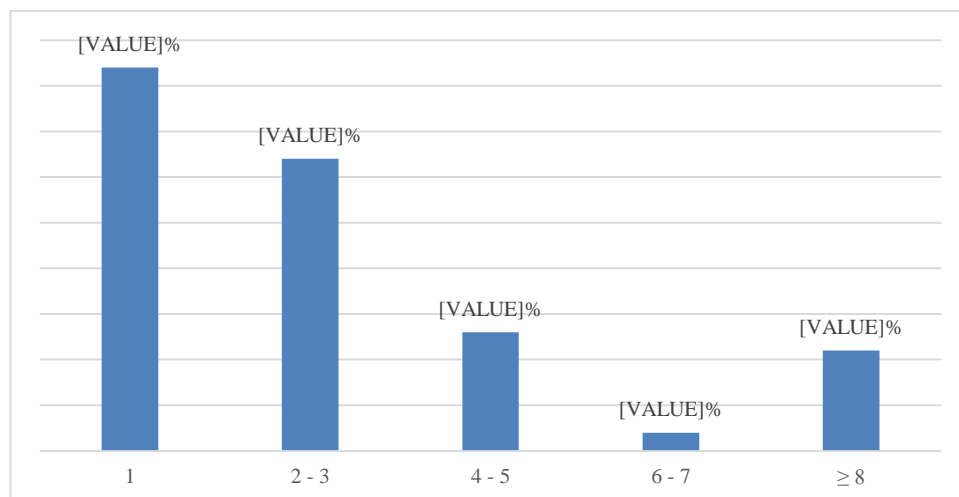
Figure 9 explains the frequency of subscribing to *ar-rahnu*. The highest number of frequent subscribers to *ar-rahnu* is 39 respondents or 25.0%, who are first-time customers conducting pawn transactions. Second, those who subscribe to *ar-rahnu* between 2 to 4 times are 76 respondents or 49.0%. The third highest is those who subscribe to *ar-rahnu* between 5 to 7 times, with 21 respondents or 12.0%. Next is those who subscribe to *ar-rahnu* between 8 to 10 times, with 6 respondents or 4.0%. Subsequently, for those who subscribe to *ar-rahnu* 11 times or more, there are 12 respondents or 10.0%.



**FIGURE 9. RESPONDENT'S FREQUENCY OF SUBSCRIBING TO AR-RAHNU**

Source: Figure by Authors

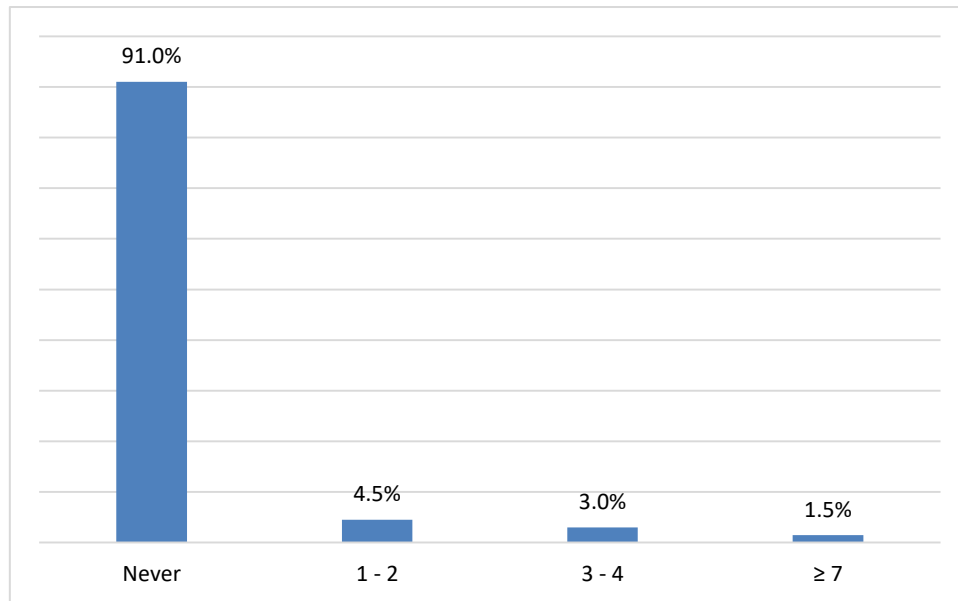
The study found that the majority of respondents who transact with *ar-rahnu* are customers who have 1 existing pawn ticket, as shown in figure 4.10 below. A total of 42% of respondents already have 1 pawn ticket, followed by 32% who have 2 to 3 pawn tickets, 13% have 4 to 5 pawn tickets, 2% have 6 to 7 pawn tickets, while 11% of respondents already have more than 8 pawn tickets.



**FIGURE 10. NUMBER OF EXISTING PAWN TICKETS**

Source: Figure by Authors

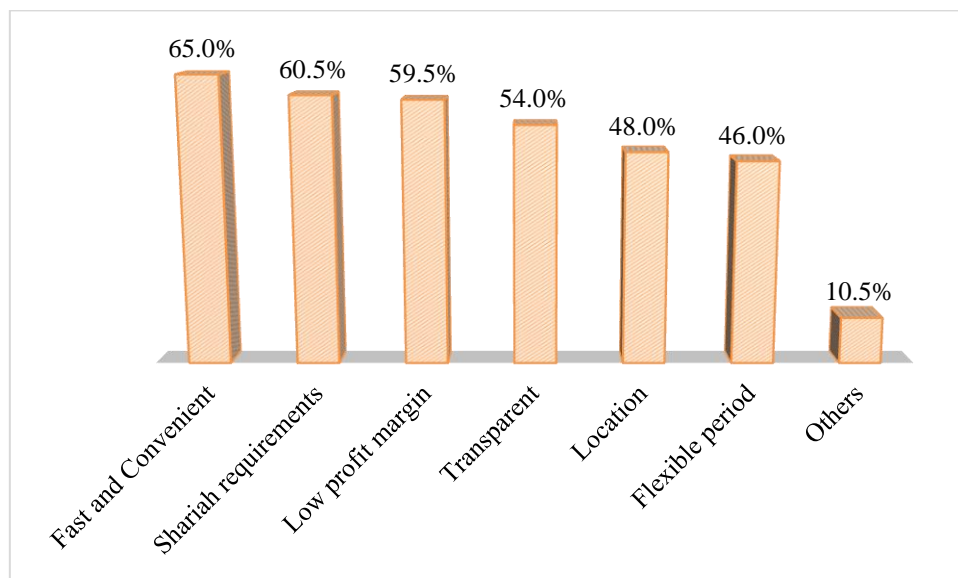
The research findings also provide the frequency of the number of pawned items that have been auctioned. Figure 11 shows that the category with the largest percentage is "never auctioned," which comprises 91% of the respondents. There are also one to two (4.5%) and three to four (3.0%) pawned items that have been auctioned. The category with the lowest percentage of the number of pawned items that have been auctioned is seven or more times, which only accounts for 1.5% of the total data.



**FIGURE 11. NUMBER OF PAWNED ITEMS AUCTIONED**

Source: Figure by Authors

Referring to Figure 12, although overall the study found that respondents are satisfied with the services provided by *ar-rahnu*, there are 4 reasons for choosing *ar-rahnu* that have higher percentages (exceeding 50%) compared to others, namely the easy and fast pawn process (65%), *ar-rahnu* transactions comply with sharia requirements (60.5%), the profit rate charged is low (59.5%), and the pawn transactions are conducted transparently (54%). Other reasons such as location (48%), flexible period (46%), and others (10.5%) also play a role in considering *ar-rahnu* options, although with lower frequencies.



**FIGURE 12. REASONS FOR CHOOSING AR-RAHNU OVER CONVENTIONAL PAWNSHOPS**

Source: Figure by Authors

Table 2 below shows the findings for the minimum score for items that measure types of satisfaction with *ar-rahnu*. The minimum scores for items are between 4.23 and 4.57. The lowest minimum statement is "The profit rate charged is reasonable" (4.23) while the highest minimum score is "Friendly service provided to customers" (4.57). All the statements below have minimum scores

exceeding 4, indicating that the respondents in this study are satisfied with the services and services provided by *ar-rahnu*.

**TABLE 2. TYPES OF SATISFACTION**

Elements	Min
Friendly service provided to customers	4.57
Pawn transactions are easy and fast	4.51
Pawn transactions are conducted transparently	4.51
Conducive facilities are provided for convenience	4.46
<i>Ar-rahnu</i> transactions comply with Shariah requirement	4.45
The location of <i>ar-rahnu</i> outlets are strategic	4.34
Flexible pawn duration	4.26
The profit rate charged is reasonable	4.23

Source: Table by Authors

## 5. CONCLUSION

In summary, the study delves into the profiles and preferences of *ar-rahnu* users in Malaysia, particularly in the digital context, revealing significant insights. It finds that the majority of *ar-rahnu* users are women, Malay, and married, predominantly holding certificate or diploma qualifications, residing in urban areas, and working in the private sector. Social media platforms like Facebook play a crucial role in disseminating information about *ar-rahnu*, supplemented by personal networks and messaging apps like WhatsApp. Financially, users typically earn between RM1,501 and RM3,000 per month and allocate modest budgets for expenses, with a preference for Islamic savings instruments like Tabung Haji and Amanah Saham Nasional (ASN). *Ar-rahnu* emerges as the most common transaction at the outlets, predominantly used for business-related purposes such as capital turnover and debt repayment. Users generally express satisfaction with *ar-rahnu* services, particularly appreciating the ease of transactions, Shariah compliance, and transparent processes. These findings highlight the importance of understanding customer demographics and preferences for optimising digital platforms and enhancing user satisfaction in the *ar-rahnu* industry, ultimately promoting financial inclusion and supporting economic well-being in Malaysia. *Ar-rahnu* institutions need to take proactive ways to enhance the satisfaction of *ar-rahnu* usage among users. In terms of policy, this study offers policymakers insights into shaping targeted policies to foster financial inclusion and economic development in Malaysia. By understanding the profiles and preferences of *ar-rahnu* users, policymakers can design tailored digital literacy programs and regulations to promote trust in digital financial services. This approach enhances access to financial services, fosters innovation, and bolsters *ar-rahnu* users' protection. Ultimately, aligning policies with the needs of *ar-rahnu* users can drive socio-economic advancement in Malaysia.

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