Pricing practices of ar-rahnu providers in Malaysia

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Abstract
Ar-rahnu is a shariah-compliant pawnbroking instrument that has high suitability to some short term and immediate financial needs of the lower income people, especially the Muslims. An important component of ar-rahnu is the salam keeping service fee on the collateral items charged by the ar-rahnu providers. This study highlights the pricing practices of selected ar-rahnu providers in Malaysia by comparing the service charges imposed as well as the loan margins granted by each of the provider. In doing so, the study aims to provide a critical discussion on the related issues arising from the pricing practices of the ar-rahnu providers. This study hopes to shed light on the role of ar-rahnu in providing inclusive financing to the low-income group. Findings of this study contribute towards better growth of the ar-rahnu industry, in particular, and the Islamic finance industry in general.

Keywords
Ar-rahnu; financial inclusion; Islamic finance; service fee

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