
【Summary】**Ar-Rahnu's Contribution to Financial Inclusion in Malaysia**

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This paper aims to highlight how Ar-Rahnu, the Islamic pawnbroking, contributes to improving the level of financial inclusion in Malaysia. First, it shows the institutional advantages of Ar-Rahnu, comparing the lending conditions of major microcredit institutions and pawnshops with those of Ar-Rahnu. From the perspective of the demand side, this paper clarifies the type of people who enjoy the service based on the results of a questionnaire survey.

Chapter 1 explains the background of the introduction and development of Ar-Rahnu in Malaysia. Since the 1990s, the number of Ar-Rahnu institutions has increased. Currently, not only financial but also non-financial institutions have become the primary providers of Ar-Rahnu. Chapter 2 surveys previous research regarding the economic significance of Ar-Rahnu. Achieving financial inclusion has become one of the basic principles of Islamic microfinance. Ar-Rahnu is considered one of the Islamic microfinance products in accomplishing the goal. Academic research on Ar-Rahnu has so far focused on determining the user-friendliness or convenience of Ar-Rahnu, comparing it with pawnshops. However, there is empirical research regarding how Ar-Rahnu can contribute to improving the level of financial inclusion, which is the goal of this paper.

To explore the contribution of Ar-Rahnu to financial inclusion, this paper will compare the lending condition of Ar-Rahnu with those of AIM and TEKUN, the Malaysian representative microcredit institutions. Accordingly, we have demonstrated that Ar-Rahnu can provide small loans of less than RM 1,000 while the minimum loan amount by AIM and TEKUN is RM 1,000. Effectively, it is considered that Ar-Rahnu can play an important role in financial inclusion for households and micro-enterprises that have gold as collateral and are planning to borrow less than RM 1,000. In addition, this paper conducted a Chi-Square test of independence to clarify the people who enjoy the benefits of Ar-Rahnu from the perspective of financial inclusion, focusing on three aspects: age, income, and financial experience. Specifically, this paper shows that whether informal financial methods such as financing from respondents' families or friends can or cannot serve as a substitute for Ar-Rahnu is related to age, financial experience, or the difference in income among the respondents. Consequently, it reveals that relatively young people (20s and 30s) or those who have never used financial services tend to enjoy the opportunity to access Ar-Rahnu, which is preferred to informal financial methods.