

# **To Fish in Trouble Water: Ar Rahnu during Covid-19 Pandemic**

**Nur Syamilah Md Noor<sup>1\*</sup>, Razinda Tasnim Abdul Rahim<sup>2</sup>, Rabiatul Adawiyah Safiee<sup>2</sup>**

<sup>1\*</sup> *Faculty of Muamalat and Islamic Finance, Kolej Universiti Islam Perlis, Kuala Perlis, Perlis, 02000, Malaysia*

<sup>2</sup> *Faculty of Business and Management Science, Kolej Universiti Islam Perlis, Kuala Perlis, Perlis, 02000, Malaysia*

## **Abstract**

*"To fish in trouble water" is interpreted as an attempt to take advantage of a hardship situation. This idiom is parallel with the pandemic that is happening. The Covid-19 pandemic caused the ummah to seek initiatives to plan and obtain finances because they could not continue their normal livelihood activities. Among the initiatives that can be seen is to do pawn (Ar Rahnu) jewelry. Islamic pawnshop or known as Ar Rahnu is also an economic stimulant that affects the social and financial stability of Islam to the ummah. Ar Rahnu in Malaysia is a positive catalyst in the development of financial institutions and non-financial institutions to offer this scheme. Therefore, this study aims to discuss the benefits of Ar Rahnu to the ummah during the Covid-19 pandemic. In addition, this study also explains several situations of Covid-19 that occurred, the issues that arose as well as the main purpose of Ar Rahnu towards the ummah. The collections of articles from the latest mass media support the concept of this study. Finally, conclusion will be revealed to prove that Ar Rahnu benefits the ummah in finding financial initiatives during the Covid-19 pandemic.*

**Keywords:** Ar Rahnu, Covid-19, advantage of pawn, social economic

## Introduction

The world is now shaken by an increasingly contagious virus. This phenomenon has affected the entire society and the country. As a result, the World Health Organization (WHO) has classified the situation as a pandemic. Pandemic began with the spread of epidemics at the epidemic level and the epidemic has already involved the people of the world. In addition, pandemics cause high rates of infection in a short period of time and involve high mortality rates (Suhaimi, 2020). Several sectors such as, health sector, economic sector, education sector and industrial sector struggled to defend their respective industries during the outbreak.

Based on statistics released by Outbreak.MY (2020) on 7 August, there were 19 244 554 cases infected, 718 468 were deaths and 12 342 343 recovered. Based on table 1, according lists the top 10 countries with the highest number of cases by August 7, 2020. The United States ranks first with the highest number of confirmed cases (5,032,179) followed by Brazil (2,917,562), India (2,027,074), Russia (871,894), South Africa (538,184), Mexico (462,690), Peru (455,409), Chile (366,671), Columbia (357,710), Spain (354,530), and others. The virus is said to have originated in China. However, it is shows that United Stated reported the highest number of cases and deaths, while China ranked 10th in the world. On the other hand, Malaysia ranked 35th in the world with 9,038 confirmation cases, 125 deaths and 8,713 recovered.

Table 1: List of top ten countries ranking of highest Covid-19 infected (7 August 2020)

Country	Total Cases	Deaths	Recovered
United States	5,032,179	162,804	2,576,668
Brazil	2,917,562	98,644	2,047,660
India	2,027,074	41,638	1,378,105
Russia	871,894	14,606	676,357
South Africa	538,184	9,604	387,316
Mexico	462,690	50,517	308,848
Peru	455,409	20,424	310,337
Chile	366,671	9,889	340,168
Columbia	357,710	11,939	192,355

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Spain	354,530	28,752	196,958
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Every action taken and decision made by the government is very crucial. This is to determine whether the action performed is to protect the well-being of the people or even burden the people. For example, the Malaysian government has allocated a large amount of assistance to alleviate the burden of individuals affected by the Restricted Movement Control Order (MCO). About nine million Malaysians receive cash payments only once under the National Assistance (BPN) and total withdrawals will be distributed according to income level (Khairulrijal, 2020). However, this government assistance is not able to fully cover the expenses of individuals and the whole community throughout the pandemic and post-pandemic. This is evidenced by statistics from the Department of Statistics Malaysia (2020), most self-employed workers are affected. About 46.6% lost their jobs, 50% suffered salary cuts and 19% lost more than 90% of their income.

## **Ar Rahnū**

As known, the implementation of Islamic pawnshop or Ar Rahnū is able to provide various forms of facilities in terms of micro-credit financing in an effort to help the community to overcome financial problems faced through Shariah-approved concepts (Osman, 2020). Ar Rahnū has a place in the hearts of consumers not only in terms of shariah compliance impact of conventional mortgages but also from the socio-economic impact which positively impacted on standard of consumers' living.

In addition, according to a study by Azman et al., (2020), Ar Rahnū is a trend in microfinance in Malaysia. This micro credit scheme was introduced for a number of reasons such as meeting the specific financing needs of individuals in need (Ismail & Ahmad, 1997; Amin, 2011). A similar study by Azman (2020) supported Ar Rahnū has a positive impact on scheme users in terms of educating children, resolving debt, reducing unemployment, avoiding social problems (gambling and usury loans) and also growing businesses.

Ar Rahnū is also considered a medium of financing for traders and entrepreneurs. This is due to the financial problems they face such as insufficient profits and eligibility for tight

financing. Besides, specific financing needs can be divided into several branches such as financing for wedding ceremonies, home and vehicle purchases, education, and investment. Many implemented Ar-Rahnu because of its fast service and approval, lower service charges, and simple procedures (Muhamat et al., 2011). Moreover, the difficulty in obtaining funds from formal and commercial financial institutions is one of the main reasons to choose for Ar Rahnu.

### **Benefits of Ar Rahnu to Customers**

The pandemic situation that occurred due to the spread of Covid-19 disease caused most Malaysians to experience financial problems in various ways. The Malaysian Association of Pawnshop Owners (MPBA) has voiced that the Covid-19 pandemic situation has led many Malaysians to visit pawn premises (Bernama, 2020). This is due to the pawnbroker customer who settled the deferred business after the pawnshop was closed since it was closed since March 18 following the implementation of the Movement Control Order (PKP). Most customers redeem pawned jewelry, make interest payments and even make leases.

### **Financial Mechanism**

Financial markets are seen to involve pawning as a financial tool that requires collateral for loans to be issued. Ar Rahnu used the asset as collateral to get a loan. Assets received as collateral are gold and also gold jewelry because of its stable value. Ar Rahnu institutions offered their schemes generally going through the process of lending, redemption and auctions. This process involves Rahn contract (promise), qard (loan) and wadiah yad damanah (deposit guaranteed in savings). In addition, service charges are also charged at a small percentage of conventional mortgages. (Azman, 2018).

### **Extension of Mortgage Period**

Most customers are facing difficulties in paying their debt during Covid-19 pandemic. Therefore, Ar Rahnu was also impacted through the income received from normal activities.

Consequently, Ar Rahnu offered extension of mortgage period to overcome both financial constraints. This implementation provides benefit to both customers and Ar Rahnu institutions in financial relief. A survey by BERNAMA at several Ar Rahnu Institutions in Malaysia was found that so many customers took the opportunity to extend their jewelry redeem (Berita Harian, 2020). The mortgage extension period give advantage to their customers settle their short-term liabilities.

Alongside Ar Rahnu institution, other institutions are concerned about the impact of Covid-19 pandemic to the economy and society. In addition, the customers who want to redeem jewelry also take the opportunity to withdraw i-Lestari from the Employees Provident Fund (EPF) which is allowed by the government following the implementation of the Movement Control Order (PKP). Also, the extension of this mortgage period can also help customers plan their financial.

## **Gold Auction**

One of the schemes provides by Ar Rahnu is gold auctioning or pawnbroking services designed for short-term collateralized borrowing for customers in accordance to Shari'ah principles. The customer will be given three months to repay the debt. However, if the customer is still incapable to repay the loan, the gold will be auctioned off in the gold auction event by Ar Rahnu institution. The Ar Rahnu instituion will notice the customer about the force sale and the charges incurred. Besides, the auction will be at a reasonable price and free from riba and gharar element. According to Ar Rahn agreement contract, borrower needs to pay the principal plus a safekeeping fee during the maturity date (Loanstreet, 2019). As a final point, the customer will be at advantage by considering Ar Rahnu for short term loans which is cheaper instead of applying for personal loan. On the other hand, other customer joined the auction event to take advantage through buying the gold at auction price especially during Covid-19 pandemic. Meanwhile, for women, they choose to auction gold due to the high price of gold at this time, in preparation for future expenses.

## **Wage Exemption**

During panic, Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) allowed the exemption of payment of savings and deferment of redemption of mortgaged goods to 21,000 Ar Rahnun YaPEIM mortgage account holders nationwide during the Movement Control Order (PKP). The implementation of the Musaadah Covid-19 Ar Rahnun Package issued by YaPEIM is good news for Malaysian (Syahidi Bakar, 2020). Furthermore, this news is welcome because many customers take the opportunity to extend the period of jewelery. Therefore, this initiative reduced worriedness of customers. The jewelry will not melt and what is need for the customers are to exchange the mortgage letter at the nearest Ar Rahnun branches. In this regard, Bank Rakyat mobilizes its energy by assisting cooperatives, small and medium enterprises (SMEs) as well as micro businesses affected by the COVID-19 pandemic (Hazwan Faisal Mohamad, 2020). As the largest Islamic cooperative bank in the country, Ar-Rahnun is also emphasized as a financial instrument that is assisted to continue to help.

## **Conclusion**

The ongoing pandemic prompted the community to start looking for initiatives to earn money to continue living. One of them is Ar Rahnun who helps the community according to Islamic methods (Osman, 2020). Next, a study by Azman (2020) fully supports Ar Rahnun's ability to help the financial constraints of customers. Therefore, this study only collects information related to the status of Covid-19 in the world as well as the benefits of Ar Rahnun in solving the financial burden.

Next, for future studies, it is suggested that further studies be conducted through quantitative methods to obtain primary data. The appropriate target respondent is the B40 group found in Malaysia. In addition, for future studies, it is proposed that survey questions involving money benefits of Ar Rahnun due to the Covid-19 pandemic on the adoption of Ar Rahnun. The proposed research framework is as follows:

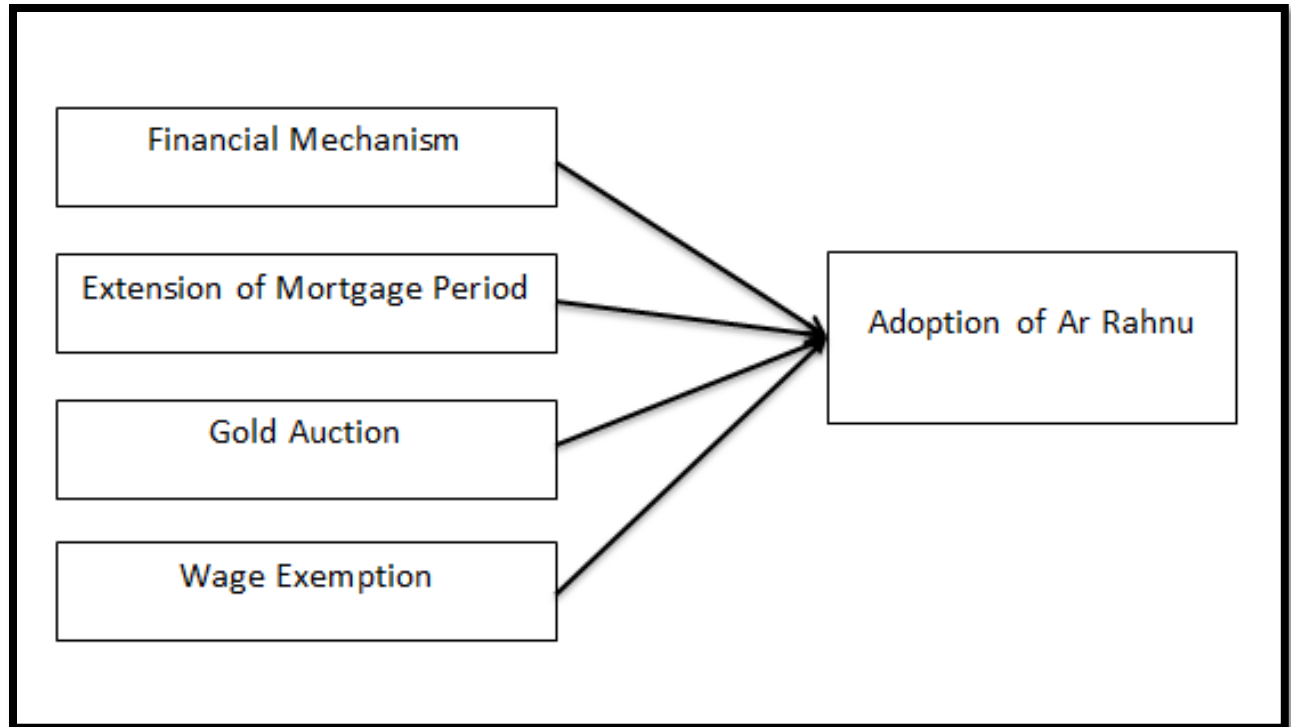


Figure 1: Proposed Framework Adoption of Ar Rahnū.

**Correspondence Author**

Nur Syamilah Md Noor

*Faculty of Muamalat and Islamic Finance, Kolej Universiti Islam Perlis, Kuala Perlis, Perlis, 02000, Malaysia. nsyamila@kuips.edu.my*

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