



**FACTOR INFLUENCING THE AWARENESS OF AR-RAHN PRODUCTS AMONG
CUSTOMER AT PERMODALAN KELANTAN BERHAD, KOTA BHARU BRANCH**

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1.0 INTRODUCTION AND BACKGROUND OF STUDY

1.1 INTRODUCTION

The retail Islamic banking at present, offers various schemes of home financing, which typically are based on *Bay' Bithaman Ajil* (BBA). Some Islamic financial institutions also offer home financing products that are based on *Al-Ijarah Thumma Al-Bay'* (AITAB), *Al-Ijarah Al-Muntahiya Bittamlik* (AIMAT) and *Al-Musharakah Al-Mutanaqisah* (MM). As these schemes provide debt to the customers, bank would normally require them to pledge or charge their property in order to secure the payment or settlement of the debt. This pledge or charge is principally based on the concept of *Ar-Rahn*.

Yusuf Hamid al-'Alim (1994) argued that *Ar-Rahn* is one of the means provided in Shariah to achieve the main objective of Shariah in *Mu'amalat*, namely, to protect and preserve wealth and property of human beings. In order to achieve this objective, the rules and principles of *Ar-Rahn* is being tailored in a way that can lead to the achievement of *Ar-Rahn*'s own specific objective, which is primarily to protect the wealth of the creditor by ensuring the settlement of the debt. The failure to comply with these rules and principles might result failure to achieve *Ar-Rahn*'s objectives. Consequently, it will lead to a non-compliance of the main objective of Shariah in *Mu'amalat*.

Ar-Rahn means pledge or collateral; legally, *Ar-Rahn* means to pledge or lodge a real or corporeal property of material value, in accordance with the law, as security, for a debt or pecuniary obligation so as to make it possible for the creditor to recover the debt or some portion of the goods or property.