



اَوْنِيُوْرْسِيْتِي تِيْكْنُوْلُوْجِي مَارَا
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

**A STUDY ON THE IMPACT OF AR-RAHN LOAN ON
THE SOCIOECONOMIC OF THE
MICROENTREPRENEURS IN KOTA BHARU**

**HASNIDA BINTI MAT NOR
2004235536**

**BACHELOR OF BUSINESS ADMINISTRATION HONS
(FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KELANTAN**

April 2006

ACKNOWLEDGEMENT

Assalamualaikum Warahmatullah Hiwabarakatuh....

First and foremost, thank you to Allah s.w.t our Al-Mighty God for his blesses towards my days in completing the thesis. His bless give me strength to get through hard times with patience till I finish my thesis on time as submitted.

Next, I would like to give my highest gratitude to my respectable advisor, Associate Professor Dr. Asry Yusof for his support, supervision, encouragement, advice, critique and good comments in order to improve my project paper until I finally succeed in completing this thesis as a whole.

Special thanks also goes to Pn. Rohani Abdullah, staff of Ar-Rahn for giving me her full cooperation in getting the information about the activity and procedures of Ar-Rahn.

I also would like to express my thankful to my good respected colleagues, Hafizah, Farahidda, Yusnani, Roslina, Mahani who had tremendously given their best support and useful voice in assisting me in completing this thesis.

CONTENTS

<u>Topics</u>	<u>Page</u>
Declaration of work	
Letter of submission	
Acknowledgements	i
Table of Content	iii
List of tables	viii
List of Figures	ix
Abstract	x
1 INTRODUCTION	
1.1 Introduction	1
1.2 Problem Statement	7
1.3 Objective of the Study	8
1.4 Scope of the Study	9
1.5 Theoretical Framework	10
1.6 Hypothesis	11
1.7 Significance of the Study	12
1.8 Limitation of the Study	13
1.9 Definition of Terms	14

ABSTRACT

Ar-Rahn is an agreement between borrower and the lender whereby the borrower puts up a valuable asset as collateral to the lender to convince him (lender) that his right on loan intended will not be forsaken if the borrower fails to pay. In such eventuality, the lender has the right to sell off the charged asset to compensate loan. Any balance arising from the sale after deduction of the balance in the borrowed amount will be returned to the customer (owner). This study surveyed the impact of Ar-Rahn loan on the socioeconomic of the micro entrepreneurs in Kota Bharu in term of their business performance and standard of living. Firstly, this study is conducted with the objectives of to understand the concept of Islamic mortgage in Kelantan and secondly to compare the Islamic Mortgage system by Ar-Rahn shops of PKB and Ar-Rahn Scheme of Bank Rakyat. Thirdly, to determine the effect of Ar-Rahn scheme on the socioeconomic of the micro-entrepreneurs in Kota Bharu. The 137 of micro entrepreneurs that taking Ar-Rahn loan was selected. The finding suggests that Ar-Rahn loan is very helpful to the micro entrepreneurs in Kota Bharu. They will improve or start their business by getting loan from Ar-Rahn. Besides that they will also improve their standard of living.

1.0 INTRODUCTION

There are two types of pawnshop namely conventional and Islamic pawnshops. The conventional pawnshop has been in operation since a long time ago. Its history begins since Chinese arrived in Malaya and discovered many mines of tin especially in Larut, Perak. As they obtained profits through the mining activity, they made an investment in credit concession system including pawn broking. Some of them have an experience in pawn broking service in China and hence wanted to implement the same activity in Malaya. That was why we discovered the pawnbrokers' premises in this country were monopolized by the Chinese.

Since 1871, the conventional pawnshop has been operating in Malaya under the pawnbroker's ordinance 1871. Under this ordinance, the pawnshop administration was implemented by every state with different system. Pawnbrokers Act 1972 was introduced on 2nd January 1973 and was enforced to administer the pawnbrokers consistently throughout Malaysia. According to the Act, business of pawnbrokers lies under the portfolio of the Ministry of Housing and Local Government.