

UNIVERSITI TEKNOLOGI MARA

**THE CUSTOMER PERCEPTION OF AR-RAHNU,
ISLAMIC PAWN SYSTEM BY BANK RAKYAT
IN KUCHING, SAMARAHAN AND SERIAN,
SARAWAK**

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AUTHOR'S DECLARATION

We declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of our own work, unless otherwise indicated or acknowledged as referenced work. This topic has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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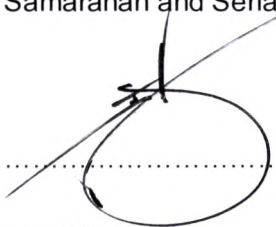
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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Bank Rakyat is one of the leading finance institutions in Malaysia that operate fully Islamic Banking Practice under Syari'ah Laws and monitored by Bank Negara Malaysia through compliance of DFIA. It is a Largest Islamic Cooperative Bank in Malaysia. The organization is well-established cooperative banks standing among of successful and gigantic financial service and product providers in Malaysia.

In 2008, global economic environment arising from the financial crisis in the United States which has its contagion effects in Europe and Asia. The global economic crisis has created a significant impact to most Asian business and most importantly our own country which has been badly affected but the bank successfully to improve their performance in terms of total factor productivity along the crisis. The bold and courageous decision by the management to meet the demands of members and customers in a full-fledged Islamic bank has placed Bank Rakyat where it is today – a Bank that is able to stand on its own feet while providing a multitude of products and services and various facilities to customers.

The success strategy plan is one of the main components practice by this bank to maintain the successful profitable performance each year. Bank Rakyat offers a wide range of banking products and services which includes consumer financing, commercial financing as well as deposit and investment products at affordable rates to cater for various segments of the financial services market. The Bank is also committed in promoting thrift and savings

amongst its customers and focus on Islamic pawn broking services (Ar-Rahnu) for sustaining of movement.

The Ar-Rahnu product fund is a short term fund that never involved usury element and it is allowed unless if there are illegal activities such as usury fraud and it is prohibited. Although Islam encourages businessmen to augment their capital through trade, it explicitly prohibits them from capital expansion through lending on interest. The size of the rate of interest charged is inconsequential. There is no opportunity cost of lending money in Islam. The lender is likely to be wealthy and the borrower poor, usury simply increases the gap between the have and the have-nots. Islam encourages the circulation of wealth.

It is worth noting that the move to provide the Ar-Rahnu Pawn Broking-I from the mid-1980s, a favorite choice with many customers today. Since then Ar-Rahnu has expanded to reach every nook and corner of the country while being a viable alternative to the conventional pawn broking. Allah states in the Quran:

“You are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah” (Qur’an 3:110).

“Those who devour usury will not stand as stands one whom the Evil by his touch driven to madness. That is because they say: “Trade is like usury,” but Allah has permitted trade and forbidden usury” (Qur’an 2:275).

Islam through the example of the Prophet (S.A.W.) and the rightly guided Caliphs, demonstrate the importance of trade in business. Abu Bakr (R.A.A) ran a cloth business; Umar (R.A.A) had a corn trading business and Uthman (R.A.A) a cloth business. The Ansar among the Companions of the Prophets