

UNIVERSITI TEKNOLOGI MARA

**A COMPARISON BETWEEN AR-
RAHNU AND CONVENTIONAL
PAWN BROKING: A STUDY IN
KLANG VALLEY**

MUHAMMAD KAMARULZAMAN BIN OMAR

Academic Writing submitted in partial fulfilment
Of the requirements for the
Bachelor of Muamalat (Hons.)

Academy of Contemporary Islamic Studies

JANUARY 2019

AUTHOR'S DECLARATION

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

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Under Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student	:	Muhammad Kamarulzaman bin Omar
Student I.D. No.	:	2015418526
Programme	:	Bachelor in Muamalat - IC 210
Faculty	:	Academy of Contemporary Islamic Studies
Academic Writing Title	:	A Comparison between Ar-Rahnu and Conventional Pawn Broking: A study in Klang Valley
Signature of Student	:	
Date	:	January 2019

ABSTRACT

According to Utusan despite the existence of Islamic mortgage institutions, there is have a society today, especially Muslims who deal with non-Muslim mortgage institutions (2010). Islamic pawn shops have faced several challenges in their daily operations. According to S. Hisham, S. Abdul Shukor, A.B. Umami Salwa and Kamaruzaman Jusoff (2013) first, although Ar-Rahnu is seen as a source of capital for many activities, customers still prefer to patronize the conventional pawn shop or lend money from illegal source such as 'Ah Long'. The purpose of this research is to study the operational system and framework between Ar-Rahnu and conventional pawn broking. The research also aims to determine factors influencing customers to practice Ar-Rahnu and conventional pawn broking. Lastly, is to give solutions and recommendation to improve Ar-Rahnu and conventional pawn broking in Malaysia. The Research method use in this research is qualitative by using interview and library sources. Besides, the comparison operational system that can see between Ar-Rahnu and conventional Pawn broking is from their services, method of payment and pledge item. In this research also know what the factors influencing customer to use Ar-Rahnu and What the Factors Influencing customer to use conventional pawn broking. Last but not least, there are few recommendations for improve both of institutions Ar-Rahnu and Conventional Pawn broking.

ACKNOWLEDGEMENT

I give thanks to Almighty Allah for his help in seeing me through my degree program. It would not have been an easy achievement if not for his love and mercy on me and it is He, who has granted me the ability and will to start and complete this study. I pray to his greatness to inspire and enable me to complete the project on required time.

I would also like to express my sincere gratitude to my advisor, Ustazah Azizon binti Salleh, for the continuous support, patience, motivation and immense knowledge throughout my final year project. She has instructed me, Muhammad Kamarulzaman bin Omar, a student of bachelor in Muamalat (IC210), to conduct a project paper titled “A Comparison between Ar-Rahnu and Conventional Pawn Broking: A Study in Klang Valley”. His guidance helped me a lot in all the time of research and writing of this thesis. My thanks also go to my respective examiner, Ustazah Fatimah Binti Salleh

Besides, my special thanks goes to my industrial training supervisor Mr.Yaacob Bin Alias head of department in YaPEIM give me idea about this study and Mrs.Salbiah who one of staff in Integrity department that give me some importance information regarding this study and to my dearest family ember as well for their unconditional love, support, encouragement and also insightful comment. Once again, thank you from the bottom of my heart some information background together with significant information needed to cover to support the report and it is compulsory to submit this report in January 2019.

TABLE OF CONTENTS

CONFIRMATION BY PANEL OF EXAMINERS	ii
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER 1: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of Problem	2
1.3 Research Questions	4
1.4 Research Objectives	4
1.5 Operational Definition	5
1.6 Scope and Limitation of the Research	5
1.7 Significance of the Research	6
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Concept of Ar-Rahnu and Conventional Pawn Broking	8
2.3 The Practice of Shariah Concept in Ar-Rahnu	21
2.3.1 Qardh al-Hassan	22
2.3.2 Wadiah Yad Dhamanah	23
2.3.3 Ujrah	24
2.4 Ar-Rahnu Governance Laws In Banks and Non –Banks	25