

**THE COMPARATIVE STUDY BETWEEN
ISLAMIC PAWNSHOP (AR-RAHNU) AND ITS
CONVENTIONAL COUNTERPART:
A CASE STUDY IN KOTA BHARU KELANTAN**

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KELANTAN**

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**A PROJECT PAPER SUBMITTED TO
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LETTER OF TRANSMITTAL

Bachelor of Business Administration With Honors (Finance)
Faculty of Business and Management
Universiti Teknologi Mara
Kelantan Campus

September 22, 2001

Head of Programme
Universiti Teknologi Mara
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18500 Machang
Kelantan

Dear Sir,

SUBMISSION OF PROJECT PAPER (FIN 650)

I would like to enclose the project paper entitled "The Comparative Study between Islamic Pawnshop (Ar-Rahnu) and its Conventional counterpart: A case study in Kota Bharu, Kelantan" in order to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi Mara.

2. Hopefully, this research project is able to meet its objectives.

Thank you.

Yours sincerely,

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ACKNOWLEDGEMENT

'In the name of Allah, The Merciful, The Beneficient'

Alhamdulillah with the will of Allah I have successfully completed this research. Without the strength given to me, I would not be able to complete this project paper. This project paper is prepared to fulfill the partial requirements for the degree of the Bachelor of Business Administration (Honours) Finance of the Faculty of Business and Management, MARA University of Technology, Kelantan Campus. First and foremost, I would like to profound gratitude and special thanks to my advisor Professor Madya Zainudin b. Hj. Awang for his guidance, drive as well as advice given throughout this project paper. It would have been impossible without the assistance and guidance from project advisor through his comment and suggestion. My special thanks goes to all my friends, especially the Bachelor of Business Administration (Finance) (06) students, and others for their cooperation, advice and full of support, during the study.

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ABSTRACT

The policy makers have recognized that finance is a powerful instrument to achieve economic and social objectives, and have channeled funds to finance investment in priority sectors. The evidence shows that the rural and urban economy still relies on pawnshop credit.

This research is carried out in order to determine the acceptance of customers toward the product and service. The product mentioned is Islamic pawn, offered by Ar-Rahnu Bank Rakyat. The bank offer their product in order to fulfill the customers need. Thus the pawnshop was established consistently with Islamic regulation. The operation of Ar-Rahnu scheme will be discussed in detail in order to conform and proved to the customers that the business transaction are free from usury and give priority to the customer's welfare.

The differences between Islamic pawnshop and conventional pawnshop will be discussed thoroughly to expose the customers that conventional pawnshop implement the practice of repression, deception and exploiting them for the purpose of making profit.

Generally, Bank Rakyat through Ar-Rahnu scheme is able to show their consideration and systematic operation to the customers. Since the scheme are developing a permanent financial linkage for the society, they will strive to improve their services in order to compete with conventional pawnshop.