

Document category : Scopus

Title : The Concept and Challenges of Islamic Pawn Broking (Ar-Rahnu)

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Abstract : The introduction of Islamic pawn broking (Ar-Rahnu) in Malaysia is seen as a new micro credit instrument. This paper aims to provide a review on Ar-Rahnu's concept and challenges faced by Islamic pawn shops in Malaysia. The study employs library and archive research to achieve the objectives of the paper. Islamic pawn broking consists of four basic concepts namely Qardhul Hasan, Ar-Rahnu, Al-Wadi'ah and Al-Ujrah. The Islamic pawn broking have several advantages over conventional pawn broking because it provides a cheaper way to obtain financing and is free from interest. In addition, assets pawned are guaranteed to be kept safely and there is a fair practice in auctioning and bidding. In addition, Ar-Rahnu also helps finance educational needs and provides capital to small businesses and entrepreneurs. It implies that this instrument will help the community to increase economic capability of their families. Future research should study effective ways in managing challenges faced by Islamic pawn shops.

Subject : Ar-Rahnu; Islamic pawn broking; Micro credit instrument

Type : Article

Source title : Middle East Journal of Scientific Research

ISSN : 19909233

ISBN :

Publisher :

Year issue : 2013

Language : English