

## THE ANTECEDENTS OF ISLAMIC PAWN BROKING (*AR-RAHNU*) IN KUALA TERENGGANU

Rubiah Abu Bakar  
Najdah Abd Aziz  
Norliyana Zulkefli Mohd  
Adida Muhammad

---

### ABSTRACT

This paper aimed to identify the vital factors that have contributed to the Islamic pawn broking or known as *Ar-Rahnu* system which be one of the dominant pawn brokers in Malaysia. Realizing the need of Muslim community towards Islamic pawn broking, efforts were taken by certain authorities in making the Islamic approach in micro credit financing more feasible. Thus, two variables were selected concerning service charge and customer service in this study. Using questionnaire as research instrument, 150 sets had been distributed via convenience sampling to the customer at *Ar-Rahnu* MAIDAM Kuala Terengganu and other area in Kuala Terengganu. Correlation analysis is conducted to test the relationship between service charge and customer service towards *Ar-Rahnu*. The two-tailed significance test is  $p = 0.000$  which is less than the significance level of 0.01, showing that the outcome of the test is by chance, and therefore can be confidently accepted. The result of the investigation demonstrated that two independent variables, service charge and customer service indicating the positive relationships between the dependent variable. The analysis shows both variables have significant relationship with the *Ar-Rahnu* service. The findings are symmetrical with the hypotheses formulated based on the previous studies and useful as one of the tools to strengthen the pawn broking system.

Key words: Islamic Pawn Broking, conventional pawn broking, service charge, customer service

---

### Introduction

Pawnshops, popularly known as 'small bank', have grown as informal financial institutions in Malaysia. They are popular among low income earners who are not qualified to obtain loans from formal financial institutions like banking institutions. They are two types of pawn shop system in Malaysia and that is Islamic and conventional pawn. Islamic pawn option has emerged as an alternative for Muslim customers. The Islamic pawn broking system operates under pawnbroker act 1972 (amended). The transaction is carried out according to *Qardul Hassan* and *Wadiah Yad-Dhamammah* principle that is free of interest (*riba*). The customers only pay a safe keeping fee, which is much lower than interest rate charged by the conventional pawnbrokers. Moreover, the collaterals will not be auctioned without the permission from the owner of the pawn item. Thus, *Ar-Rahnu* or Islamic pawn broking which is permissible according to '*Syariah*' principles is perceived to be ideal in contribution to social and economic justice, the equitable distribution of income and wealth, and eradication poverty (Azila et al., 2017). This system should be seen and considered as a viable alternative by the customers, especially Muslims (Zainudin, 2004).

The conventional pawn system operates under the Pawnbrokers Act 1972. Under this act, the pawnbrokers are allowed to impose a monthly interest rate up to 2%, which is very high considering the loan is secured by collaterals, which is three to four times higher. Moreover, the pawnbroker can increase the interest rate for any loan extension or the collaterals being forfeited if the pawn items are not redeemed within the stipulated time and it is perceived as '*haram*' practices (Koe and Nor Zalindah, 2015). All the conventional pawnbrokers are considered as "blood-suckers" who are taking advantage on the poor people (Zainudin, 2004).

### Problem Statement

The purpose of this study is to find out the most influential variable towards Islamic pawn broking (*Ar-Rahnu*) based on service charge and customer service. Generally, in Malaysia the practice of *Ar-Rahnu* is accepted by the society. In place of conventional pawn broking, which also involves interest and may cause the owner to lose his property, the system of *Ar-Rahnu* started to become a viable option in Malaysia.

Koe and Nor Zalindah (2015) in their study stated that conventional pawnbroking that has become popular among the public previously, may not be religiously acceptable for Muslims. It is perceived by them as a *haram* practice and related to *riba* and *gharar* which are prohibited in Islam. Thus, *Ar-Rahnu* as a solution for this issues has become more attractive for most financial institutions as it adheres strictly to '*Syariah*' and attracted all societies not only Muslims but people from other religion and ethnicity. However, *Ar-Rahnu* that was established long time ago still do not attract many people towards it. This can be proven by data in the following table.

Table 1: Preferable sources of financing

Sources	Mean	Rank	Mean	Rank
	2010		2016	
Pawnshop	2.13	1	2.62	2
Relative	2.31	2	2.54	1
Friend	3.12	3	2.97	3
Bank	3.64	4	5.34	6
Cash advance from credit card	4.39	5	3.74	4
Cooperative company	4.92	6	4.39	5
Moneylender	5.53	7	5.61	7
Others	-	-	7.99	8

Note: Mean values – Scoring: 1 = The most preferable; 8 = The least preferable  
Sources: Azila et al. (2017)

Table 1 shows the financial sources preferable by most people in Malaysia. Compared to 2010, pawn broking has become less popular among the people as the ranking changes from the first place turn to second rank in 2016. Thus, it can be concluded that people prefer to obtain loans by borrowing from informal financing or non-bank financing institutions rather than formal institutions due to easy access in terms of procedures and documentation. Furthermore, the public is more attracted to pawning their assets through conventional pawn broking because they lack of knowledge about Islamic pawn broking (*Ar-Rahnu*). This is because there are lack of exposure about *Ar-Rahnu* practices and limited number of studies on Islamic pawn broking in Malaysia. Throughout the years, only a few studies have investigate the factors influencing people on Islamic pawnbroking (Amin & Chong, 2011; Amin et al., 2007), but there are still many rooms for further research and improvement. Due to the above limitations, this study is carried out to examine the factors that influence people towards *Ar-Rahnu* in Kuala Terengganu, Malaysia focusing on service charge and customer service perspective.

According to Selamah (2008), low-skilled workers are affected by low and irregularly paid salaries, as well as sudden ‘solidarity cuts’ due to economic recession and retrenchment. Because of that, the first thing that will come up in their mind is to borrow from loan sharks. Apart of that, they also can go to conventional pawnshop in order to pawn their valuables like jeweleries, diamond and so on but the interest rate offered is usually too high. Besides, the authorities have introduced Islamic pawnbroking in order to facilitate Muslims to pawn their vauables into pawnshops that have Islamic approach. However, Muslim people have a lack of exposure about the existence of this agency thus its lack of response among them towards *Ar-Rahnu*.

### Research Objective

1. To determine the most influential variable towards Islamic pawn broking based on service charge and customer service.
2. To investigates the relationship between service charge and Islamic pawn broking (*Ar-Rahnu*).
3. To examines the relationship between customer service and Islamic pawn broking (*Ar-Rahnu*).

### Definition of Terms

#### Islamic Pawn Broking

A method of providing short-term financing to a person by pawning jewelry to banks or pawnshops as a security (Amin & Chong, 2011).

#### Conventional Pawn Broking

A method of short term financing and operates based on the concept of interest (Koe & Nor Zalindah, 2015). It is governed by the Pawnbrokers Act 1972 in Malaysia. This Act outlines all the necessary guidelines and principles that have to be adhered by both pawnners and pawnbrokers.

#### Service Charge

In Islamic pawn broking, the service charge is included the storage charge. Should the storage cost be reflective of actual storage costs incurred by the bank, it would be then determined by size, weight or some other physical dimension, instead of the amount the loan.

## Customer Service

Is a series of activities designed to enhance the level of customer satisfaction-that is, the feeling that a product or service has met the customer expectation (Scott, 2002).

## Literature Review

### Overview of Islamic Pawn Broking In Malaysia

The existence of Islamic pawn broking (*Ar-Rahnu*) in Malaysia has started long time ago. Its operating procedures manual under the Bank Rakyat and Pawnbrokers Act of 1972 in relation to defending the rights of pawnshop customers (Bahari et al. 2015). Later, most financial institutions in Malaysia offer this system as it gives many benefits to their customers. *Ar-Rahnu* is the most appropriate mechanism as it provides a financial product for the lower-income group and small businesses which usually have limited capital or have been excluded from the mainstream financial system. The system is operated based upon the 'Syariah' principles of (1) *Qardhul Hasan* or benevolent loan, (2) *Wadiah Yad-Amanah* or trustworthiness, (3) *Al-Ujrah* or safekeeping, and (4) *Wadiah Yad Dhamanah* or safekeeping with guarantee. In short, *Ar-Rahnu* can be regarded as an Islamic pawnbroking system operated based on *aqad* (contract) and trust between the lender and borrower, in which no interest is imposed, but involves certain fees (Koe & Nor Zalindah, 2015). Prior studies have shown the importance of Islamic pawnshop to the Muslim societies. In contrast, the conventional pawnshop system is more likely to put a burden on the lower-income group and this is against the 'Syariah' practices (Azila, 2004).

### Factors That Antecedents Of Islamic Pawn Broking (Ar-Rahnu) In Kuala Terengganu

In this context, the Islamic pawnshop (*Ar-Rahnu* scheme) is the most appropriate mechanism as it provides a financial product for the lower-income group and small businesses which usually have limited capital or have been excluded from the mainstream financial system. Prior studies have shown the importance of Islamic pawnshop to the Muslim societies. The conventional pawnshop system is more likely to put a burden on the lower-income group and this is against the *shari'ah* practices (Azila Abdul Razak, 2004).

*Ar-Rahnu* scheme has the right products to offer. With the increasing demand, more Shariah compliant services will be fast developed to fulfil the needs of the customers. As such, there is a great potential for *Ar-Rahnu* scheme to succeed in Malaysia (Mohamad Abdul Hamid et.al 2014).

### Islamic Pawn Broking

*Al- Rahnu* (collateral) contract in the 'syariah' is meant to be used as a debt security. In this transaction, the Islamic bank provides its customer with a so called benevolent loan on condition that the later provides *rahn*; e.g. valuable jewel to be kept by the bank under its custody as collateral; however, the problem arises when the Islamic bank charges this customer for the so called safe-keeping of this jewel. Ironically, the fees charged varies with the amount of the loan, and it is sometimes equivalent to the market interest rate (Abdulazeem Abozaid, 2010).

### Conventional Pawn Broking

The conventional pawn broking business is governed by the Pawnbrokers Act 1972 in Malaysia. Since 1960 there has been an effort to establish interest-free credit firms for the wellbeing of Muslim community in Malaysia as well as around the globe (Hamidullah, M.Ma'rif) (Payal Bhatt, Jothee Sinnakkannu, 2008).

### Service Charge

Islamic Pawn Broking. *Ar-Rahnu* concept is different from the conventional pawn broking system where the latter imposes high interest rates (two percent per month or 24 percent per annum) and other unfair practices on the borrower. *Ar Rahnu* suits the needs of lower income group as it bears non-interest pawn broking service to obtain short-term borrowing and in case of emergency (Bhatt & Sinnakkannu, 2008). *Ar Rahnu* also doesn't charge interest in their transactions (Azizah et al., 2012).

The important of pricing associated with the pawnshop transactions have been examined in the study by Mohammed et al (2005) and Ismail and Ahmad (1997). The service charge imposed by *Ar-Rahnu* is comparatively low, compared to conventional pawn broking system that required an interest of about two percent (Mohammed et al., 2005). A low charge by *Ar-Rahnu* contributes to a lower cost of "loan" and help to reduce the cost burden by the customer. This is consistent with the findings by Ismail and Ahmad (1997) that the cost of getting cash from MGIT is cheaper than the conventional based pawnshop that imposed a cost of two percent for the pawned item. These findings showed that it is important for the *Ar-Rahnu* shop to offer a competitive rate that reflects the average pricing system in the market. A study by Amin et al. (2007) however showed that the pricing system is insignificant with the acceptance of the Islamic-based pawnshop.

According to Sharif et al. (2013), the rate of charges is determined by each pawnbroker. For instance, the absence of a clear justification of the *ujrah* fee rate is charged by the bank and pawnshop. This visualises inconsistency amongst *Ar-Rahnu*

providing in term of the charges, leading to confusion towards *Ar-Rahnu* amongst customers to subscribe the services. However, previous study stated that people subscribe to Islamic pawnshop because of the low charges imposed by them.

**Conventional Pawn Broking.** Compared to the conventional pawn broking institution, storage charge imposed by the Islamic pawn broking is by far very low. Conventional pawnshops offer high service charges and there are also a number of conventional pawn shop one who receives or asks for money upfront from the owner even act prohibits such activities (Syukor, 2010).

Mohammed et al. (2005) documented that the conventional pawnbroking system have imposed higher service charge which is two percent compared to Islamic pawnbroking which is relatively cheaper. This means that the cost of borrowing cash in Islamic pawnbroking system is lower than conventional pawnbroking.

For conventional pawnbroking impose interest rate fixed at 2% per month as stipulated in the Pawn Brokers Act 1972 and the rate is expected to increase if the maturity of the loan is more than one month. However, for *Ar-Rahnu* institutions' safekeeping charge is different amongst the types of *Ar-Rahnu* operators (Sharif et al. 2013)

### Customer Service

**Islamic Pawn Broking.** Another advantage is that *Ar-Rahnu* conducts their business in a transparent, friendly manner with their customers. Every step taken in the acceptance process for items tendered, the valuation and personal records of the customers are done in front of the customer. This ensures that the customer is satisfied; in fact, every transaction is written down clearly, and all the staff speaks clearly so the customer understands them (Azizah et al., 2012).

Service in is not a tangible object that can be felt or touched, which distinguishes service from tangible products. Customer service plays an important role in the conventional based pawnshop. The pawnshop should offer a quick and convenient way to borrow money. Pawnshops are more convenient compared to banking institutions. Consumers go to the pawnshops due to the poor credit worthiness and rejections from the traditional financial institutions on their loan application. Hence, service factor is also important for *Ar-Rahnu* services. The *Ar-Rahnu* services must maintain customer's record, confidentiality of the record and fair treatment on the customers regardless of their religion and race. It is important to stress on customer service, in order to strengthen the customer base, beside the concerns on the *shariah* view (Mohammed et al, 2005). A study by Amin et al (2007) also revealed that the customer service was significantly related to acceptance on the Islamic based pawnshop.

Previous study done by Hanudin Amin et al. (2007) of 384 respondents in Labuan examined relationship of independent variables (*shariah* view, pricing system, pledge asset, customer service, locality of Islamic-based pawn broking) with dependent variable (acceptance of Islamic-based pawn broking). The results of their study showed three independent variables of which consist of *shariah* view, pledge asset and customer service are significantly associated with acceptance of Islamic-based pawn broking.

**Conventional Pawn Broking.** The important of service in the conventional-based pawnshop has been in details explained by Lao (2005). He suggested that pawnshops should offer a quick and conventional way to borrow money. Unlike banking institutions, pawnshops are more convenience for consumers. Most consumers use pawnshops primarily because they poor credit and would be denied loans from traditional institutions. The borrowed money is exchanged with pledged assets-to secure the loan itself.

### Methodology

#### Population

The population in this study consists of public that are involve in pawn broking in Kuala Terengganu area.

#### Sampling Technique And Sample Size

Non-probability sampling which is convenience sampling is used in this study as the total population are unknown (Sekaran, 2006). The sample size for this study is 150 respondents and questionnaires are distributed to the respondents randomly.

#### Data Collection Method

##### Questionnaire.

The questionnaire is one of the methods used in collecting data. the questionnaire is designed with 5 sections. section a covered respondent profile, section b focus on *Ar-Rahnu* system as a whole, section c is related to service charge by *Ar-Rahnu*, section d looked at customer service at *Ar-Rahnu* and the last section is an open ended question related to the comments or suggestion to improve the *Ar-Rahnu* system in malaysia generally.

##### Face to face interview.

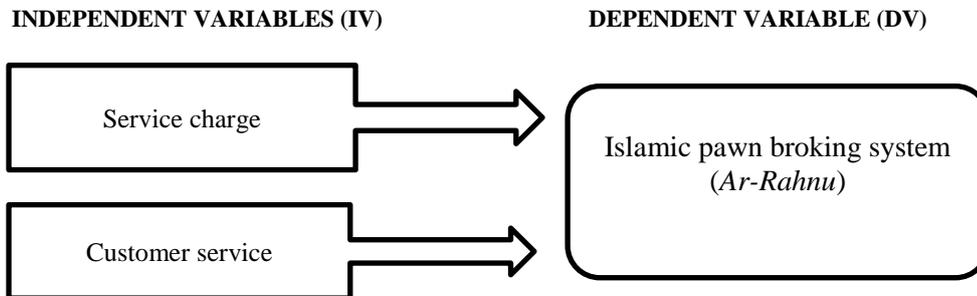
The interview was done with staff of *Ar-Rahnu* MAIDAM kuala terengganu in order to get additional information towards this area.

### Data Processing

The data were analyzed using SPSS version 22. Reliability test, descriptive analysis, correlation analysis and coefficient of determination were conducted in providing the outcome of this study.

### Research Framework

The theoretical framework is as shown below:



### Hypothesis

**H1:** Customer services is the most influential factor that influence the Islamic pawn broking (Ar-Rahnu) compared to service charge

**H2:** There is relationship between service charge and Islamic pawn broking (Ar-Rahnu).

**H3:** There is a positive relationship between customer service and Islamic pawn broking (Ar-Rahnu).

### Findings

#### Reliability test

Reliability test is important to determine the internal stability and consistency of the data collected. The value of Cronbach's alpha ( $\alpha$ ) is used to indicate the reliability level. The closer the  $\alpha$  value to one, the higher the internal consistency reliability.

Table 2: Reliability result

Variabes	Cronbach's Alpha	Number of items
Service charge	0.763	6
Customer service	0.771	7
Factors pursue Islamic pawn broking	0.804	6

Table 2 indicates that Cronbach's Alpha for each variable is between 0.763 until 0.771. Thus, the measurement used is reliable.

### Descriptive Analysis

Table 3: Respondent profile

Profile	Descriptions	Frequencies	Percentage (%)
Gender	Male	48	32.0
	Female	102	68.0
Marital status	Single	23	15.3
	Married	119	79.3
Employment Sector	Self Employed	65	43.3
	Government	48	32.0
	Private	13	8.7
	Others	24	16.0
Purpose making pawn broking	Emergency	41	27.3
	Education	9	6.0
	Personal	58	38.7

	Business	37	24.7
	Others	5	3.3
Age (years)	18-25	24	16.0
	26-33	35	23.3
	34-41	40	26.7
	42 and above	51	34.0
Education	Secondary school	59	39.3
	STPM/Diploma	50	33.3
	Graduate	25	16.7
	Postgraduate and above	7	4.7
	Others	9	6.0
Monthly income	Below RM1,000	56	37.3
	RM1,000-RM2,000	49	32.7
	RM 2,001-RM3,000	16	10.7
	RM3,001-RM4,000	18	12.0
	RM4,001 & above	11	7.3
Scheme of pawn broking chosen	Islamic pawn broking ( <i>Ar Rahnu</i> )	119	79.3
	Conventional pawn broking	31	20.7

Table 3 shows that most of respondents that are involve in pawn broking were female which is 68.0%. Another 32.0% were male. Most of the respondents between 42 and above belong to the highest group which contributed 34.0% and the lowest came from the age group of 18 to 25 years old with 16.0%. Majority of the respondent that came to pawn broking were married with 79.3%. In term of the monthly income, respondents with below RM1,000 incomes per month were the largest group, which constitutes 37.3% of the sample. Moreover, in terms of the education level, 59 respondents were in the first category that is secondary school; this constitutes 39.3% of the sample. Frequency distribution of respondents showed that 58 of respondents use the pawn broking for personal purpose that constitutes 38.7% of the sample. This is the largest group of the purpose making pawn broking. The results showed that most of the respondent more preferred the Islamic pawn broking (*Ar rahnu*) scheme compared to the conventional pawn broking. Out of 150 respondents in this study, **119 are using the Islamic pawn broking and 31 uses conventional pawn broking. Their percentages were 79.3% and 20.7% respectively.**

### Correlation analysis

Correlation analysis is conducted to test the relationship between service charge and customers service towards *Ar-Rahnu*.

Table 4: Correlation between service charges and Ar-Rahnu

Correlations			
	Mean <i>Ar-Rahnu</i>		Mean service charge
Mean Ar-Rahnu	Pearson Correlation	1	.548**
	Sig. (2 tailed)		0.000
	N	150	150
Mean service charge	Pearson Correlation	.548**	1
	Sig. (2 tailed)	0.000	
	N	150	150

\*\* Correlation is significant at the 0.01 level (2-tailed)

Based on table 4, the two-tailed significance test is  $p = 0.000$  which is less than the significance level of 0.01 showing that the outcome of the test is by chance, and therefore can be confidently accepted. Thus, H2 is accepted. **Therefore, there is a significant relationship between service charge and *Ar-Rahnu*.**

Table 5: Correlation between customer service and Ar-Rahnu

Correlations			
	Mean <i>Ar-Rahnu</i>		Mean customer service
Mean Ar-Rahnu	Pearson Correlation	1	.616**
	Sig. (2 tailed)		0.000
	N	150	150

Mean customer service	Pearson Correlation	.616**		1
	Sig. (2 tailed)		0.000	
	N		150	150

\*\* Correlation is significant at the 0.01 level (2-tailed)

Based on the table 5, the two-tailed significance test is  $p = 0.000$  which is less than the significance level of 0.01 showing that the outcome of the test is by chance, and therefore can be confidently accepted. Thus, H3 is accepted. **Therefore, there is a significant relationship between customer service and Ar-Rahnu.**

### Coefficient of determination ( $R^2$ )

Table 6: Result of Regression Analysis in Model Summary between service charges and Ar-Rahnu

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548 <sup>a</sup>	0.328	.268	0.364321

a. Predictors (Constant), Mean service charges

Table 6 shows the result of coefficient determination ( $R^2$ ). It is determined how much percentage that changes in the dependent variable to the independent variables. Based on the table above,  $R^2$  value resulted at **0.328** it indicates that **32.8%** of the variation in the dependent variable is explained by the variability of the independent variables and the remains of **67.2%** cannot be explained by this independent variable and may be explained by other factors.

Table 7: Result of Regression Analysis in Model Summary between customer service and Ar-Rahnu

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.616 <sup>a</sup>	0.294	.234	0.35338

a. Predictors (Constant), Mean customer service

Table 7 shows the result of coefficient determination ( $R^2$ ). It is determined by how much percentage that changes in the dependent variable to the independent variables. Based on the table above,  $R^2$  value resulted at **0.294** it indicates that **29.4%** of the variation in the dependent variable is explained by the variability of the independent variables and the remains of **70.6%** cannot be explained by this independent variable and may be explained by other factors.

Thus H1 is not accepted. **Therefore, customer services is not the most influential factor that influence the Islamic pawn broking (Ar-Rahnu).**

### Conclusion

Based on the data and findings, the result of the study shows that most of the respondent preferred the Islamic pawn broking (*Ar-Rahnu*) compared to conventional pawn broking. From the result, there were 119 respondents who choose Islamic pawn broking (*Ar-Rahnu*) and the other 31 respondents choose the conventional pawn broking.

This study was undertaken to identify and create a better understanding about the factors that attracted people towards Islamic pawn broking. However, compared to customer service provided by the Islamic pawn broking, people are more interested on the service charge on *Ar-Rahnu* system. Meaning that **service charge are more attractive in influence people towards Ar-Rahnu.** Table 6 shows the result of coefficient determination ( $R^2$ ). It is determined by how much percentage that changes in the dependent variable to the independent variables. Based on the table above,  $R^2$  value resulted at **0.328** it indicates that **32.8%** (service charge) of the variation in the dependent variable is explained by the variability of the independent variables and the remains of **67.2%** cannot be explained by this independent variable and may be explained by other factors. Table 7 also shows the result of coefficient determination ( $R^2$ ). It is determined by how much percentage that changes in the dependent variable to

the independent variables.  $R^2$  value resulted at **0.294** it indicates that **29.4%** (customer service) of the variation in the dependent variable is explained by the variability of the independent variables and the remains of **70.6%** cannot be explained by this independent variable and may be explained by other factors. Therefore, H1 is not accepted in this study.

The second and third research objectives are determined using the Correlation Analysis. Based on table 4, the two-tailed significance test is  $p = 0.000$  which is less than the significance level of 0.01 showing that the outcome of the test is by chance, and therefore can be confidently accepted. Thus, H2 is accepted. Therefore, there is a significant relationship between service charge and *Ar-Rahnu*. The finding supports the study done by Sharif et al. (2013), the rate of charges is determined by each pawnbroker. For instance, the absence of a clear justification of the *ujrah* fee rate is charged by the bank and pawnshop. This visualises inconsistency amongst *Ar-Rahnu* providing in term of the charges, leading to confusion towards *Ar-Rahnu* amongst customers to subscribe the services. However, previous study stated that people subscribe to Islamic pawnshop because of the low charges imposed by them.

The result based on the table 5, the two-tailed significance test is  $p = 0.000$  which is less than the significance level of 0.01 showing that the outcome of the test is by chance, and therefore can be confidently accepted. Thus, H3 also is accepted. Therefore, there is a significant relationship between customer service and *Ar-Rahnu*. The finding supports the study done by Hanudin Amin et al. (2007) of 384 respondents in Labuan examined relationship of independent variables (shariah view, pricing system, pledge asset, customer service, locality of Islamic-based pawn broking) with dependent variable (acceptance of Islamic-based pawn broking). The results of their study showed three independent variables of which consist of shariah view, pledge asset and customer service are significantly associated with acceptance of Islamic-based pawn broking.

Therefore the result from the analysis shows both variables which are service charge and customer service have significant relationship with the *Ar-Rahnu* service. Thus, H2 and H3 are accepted. It is possibly due to people are becoming more educated and aware of the Islamic system in financial institution such as pawn broking. They were alert on the right way in borrowing the money and ensure that it obeys the '*syariah*' rules and regulations.

#### Future Research

This study only focused on two factors that would influence the public to pursue Islamic pawn broking which are service charge and customer service. Thus, regarding to this limitation, the researcher recommended that future research will be focusing on the other factors that possibly influence the public to pursue Islamic pawn broking. Moreover, it is hoped that future research will look on other *Ar-rahnu* shops run by various co-operatives, banking institutions and pawn broking institutions so that it will generalized much wider scope and provide more accurate findings. The finding of this study will help the financial institutions specifically in attracting more people towards *Ar-Rahnu* system. In addition, this study give a guideline to the consumers in choosing the right pawn broking that operated based on '*syariah*' principles. Moreover, this study helps other researchers in testing existing hypotheses and provides such instruments for next research.

#### References

- Abdulazeem Abozaid Bahari.N.F, Faisal.S,Shahar.W.S.S,Shahadan.T.A.(2010). *Contemporary Islamic Financing Modes Between Contract Technicalities And Shariah: Objectives The Development Of Islamic Pawnbroking In Malaysia, Application And Its Challenges*. Islamic Economic Studies Vol.17 No. 2, January.First International Conference On Economics And Banking (Iceb-15)
- Amin,H.et al.(2007). *An Ar-rahnu Shop Acceptance Model (Arsam)*. Labuan School of International Business and Finance. Labuan e-Journal of Muamalat and Society. Vol1, pp.88-101
- Amin, H., & Chong, R. (2011). *Determinants for Ar-Rahnu usage intentions: An empirical investigation*. African Journal of Business Management, 5 (20), 8181–8191.
- Azila et al. (2017). *A longitudinal analysis of the Ar-Rahn's customer profile in Malaysia*. Journal of Advanced Research in Social and Behavioural Sciences 9, Issue 1 (2017) 37-45.
- Azila, A.R. (2011). *Economic and Religious Significance of the Islamic and Conventional Pawnbroking in Malaysia:Behavioural and Perception Analysis*, Durham theses, Durham University.
- Azila, A. R.(2004). *Malaysian Practice of Ar-Rahnu Scheme: Trends and Development*. Conference on Business And Economic Research (2nd Icer 2011)
- Azizah, O., Norashidah, H. and Syahrina, A. (2012) '*Perkembangan Ar Rahnu di Terengganu: Kajian Kes Terhadap Ar Rahnu Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)*', Prosiding PERKEM VII, Vol. 2, pp.951–959.
- Bhatt, P., Sinnakkannu, J. (2008). *Ar-Rahnu (Islamic pawning broking) opportunities and challenges in Malaysia*. In Peer reviewed paper in 6th International Islamic Finance Conference. Retrieved December 17, 2012, from [http://kantakji.com/fi\\_qh/Files/Markets/B106.pdf](http://kantakji.com/fi_qh/Files/Markets/B106.pdf).
- Hanudin Amin, Rosita Chong, Hazmi Dahlan&Rostinah Supinah (2007). *An Ar-Rahnu Shop Acceptance Model (ARSAM)*. Labuan e-Journal of Muamalat and Society, Vol.1(1), 88 –101
- Ismail, A. G., & Ahmad, N. Z. (1997). *Pawnshop as an instrument of microenterprise credit in Malaysia*. International Journal of Social Economics, 24, 1343–1352. doi:10.1108/03068299710193633
- Koe and Nor Zalindah (2015). *The Use of Ar-Rahnu by Islamic Bank Customers in Malaysia*. Proceedings of the International Conference on Science, Technology and Social Sciences (ICSTSS) 2012, DOI 10.1007/978-981-287-077-3\_2, © Springer Science+Business Media Singapore 2015.

- Lao, J.J. (2005). "Unexplained pawn pricing behavior: A study of Las Vegas pawnshops". MIT Undergraduate Research Journal, 12, 45-53.
- Mohamad Abdul Hamid, Ishak A.R, Ahmad Nafis A.H.(2014). *Factors Affecting The Acceptance On Ar-Rahnu (Islamic Based Pawn Broking): A Case Study Of Islamic Banking In Malaysia*. The Macrotheme Review 3(4), Spring 2014.A Multidisciplinary Journal Of Global Macro Trend.
- Mohammed, N., Daud, N.M.M., & Sanusi, N.A.(2005). "Analisis skim ar-Rahnu: Satu kajian perbandingan dengan pajak gadai konvensional". Prosiding Seminar Kewangan dan Ekonomi Islam: Pengukuhan dan Transformasi Ekonomi dan Kewangan Islam, 29-3 Ogos, Esset-Bangi, Selangor Darul Ehsan, 211-220.
- Scott., C., Parnell, J., & Carraher, C.(2002). *Customer service selection in a global entrepreneurial information services organization* . Journal of Applied Management and Entrepreneurship.
- Selamah, M. (2008). *The Efficiency Score in Ar-Rahnu Institution*. Prosiding PERKEM III, Jilid 1(2008) 448-461.
- Sekaran, U. (2006). *Research Methodology*. Prentice Hall publication.
- Shukor, S.A., Salwa, A.U. and Jusoff, K. (2013) 'The concept and challenges of Islamic pawn broking (Ar-Rahnu)'. Middle-East Journal of Scientific Research, Vol. 13, pp.98-102.
- Sharif, D., Shaharuddin, A., Muhamed, N. A., Pauzi, N. S., & Mohd, M. Z. (2013). *The Improvement of Ar-Rahn (Islamic Pawn Broking) Enhanced Product in Islamic Banking System*. 9(2), 36-47.doi:10.5539/ass.v9n2p36
- Z. Awang, M Safri Ya .(2004).*The comparative study between Islamic pawnshop (Ar Rahn) and the conventional pawnshop in Kelantan regarding their system, concept of operation*.Institute of Research, Development.

Authors:

Rubiah Abu Bakar  
*Academic of Contemporary Islamic Studies*  
*Universiti Teknologi MARA Cawangan Terengganu*  
*Kampus Kuala Terengganu, Terengganu, Malaysia*  
*Email: rubiah73@tganu.uitm.edu.my*

Najdah Abd Aziz  
*Faculty of Business Management and Administration*  
*Universiti Teknologi MARA Cawangan Terengganu*  
*Kampus Bukit Besi, Dungun, Terengganu, Malaysia*

Norliyana Zulkefli Mohd  
*Faculty of Business Management and Administration*  
*Universiti Teknologi MARA Cawangan Terengganu*  
*Kampus Dungun, Terengganu, Malaysia*

Adida Muhammad  
*Faculty of Applied Science*  
*Universiti Teknologi MARA Cawangan Terengganu*  
*Kampus Bukit Besi, Dungun, Terengganu, Malaysia*