FACTORS INFLUENCING ACCEPTANCE OF AR-RAHNU: COMPARISON BETWEEN PRIVATE AND STATE AR-RAHNU PROVIDERS IN TERENGGANU

BY

NUR NAJIHAH ABDUL RAHMAN

A research paper submitted in fulfilment of requirement for the degree of Master of Science (Islamic Banking and Finance)

IIUM Institute of Islamic Banking and Finance

AUGUST 2016

ABSTRACT

Many Muslim customers are hesitant to patronise the conventional pawn-broking due to the element of interest which is prohibited in Islam. The establishment of Ar-Rahnu provides a convenient form of financing which is both shariah-compliant and low-cost for the public. Amid the demand for a shariah-compliant pawn-broking product, the first Islamic pawn-broking was set up by Maidam in Terengganu. Since then, there are several private Ar-Rahnu providers such as the Ar-Rahnu post-office and Ar-Rahnu Bank Rakyat. This paper aims to compare the factors influencing the acceptance of Ar-Rahnu between private and state Ar-Rahnu providers in Terengganu. Questionnaires were distributed to 400 customers of State's Ar-Rahnu (Ar-Rahnu Maidam) and private which is Ar-Rahnu Post office and Ar-Rahnu Bank Rakyat Terengganu through purposive sampling. Data analysis methods of descriptive, multiple regression and cross tabulation were used to analyse the information collected. Overall there are six factors being evaluate namely services quality, locality, pledge asset, pricing, Shariah view and social factor. Based on the regression analyses for state ar-rahnu, services quality, pricing, pledge asset and shariah view were significant. Meanwhile for private ar-rahnu services quality, locality, pledge asset and shariah-compliancy factors were shown to be significant toward customer acceptance. In highlighted the difference between private and state ar-rahnu, pricing is the best predictor for state Ar-Rahnu but the factor is not significant with the acceptance of private Ar-Rahnu. For state Ar-Rahnu, locality is not significantly related with acceptance but for private Ar-Rahnu, the factor is one of the predictors and is significantly associated with acceptance of services provided by Ar-Rahnu scheme. The significance of the ouput is, the researcher is able to compare the factors influencing customers' acceptance of private and state Ar-Rahnu providers based on the data obtained from the respondents. There is lack of studies comparing of acceptance between both private and state Ar -Rahnu. This study is necessary for future development of Ar-Rahnu services. The management of Ar-Rahnu is able to recognise the influential factor customers accept Ar-Rahnu regardless whether it is the state or private Ar-Rahnu. For instance, as the pricing system is identified as the most significant factor for customers adopt state ar-rahnu, Ar-Rahnu management shall maintain this factor to satisfy the existing customers and to attract the potential customers. As the location one of insignificant factor, Ar-Rahnu shall re-create strategy or allocate more branches to ensure easy access by the customers. Further research is proposed to measure other variables that are not noted in this study and to make comparison between private and state Ar-Rahnu in other states in Malaysia. As this study only focuses on three Ar-Rahnu shops, future research could examine many other Ar-Rahnu run by various cooperatives provided by state and private sector. This is to ensure the assumptions and generalisations have a much wider scope.

ملخص البحث

لكثير من عملائها المسلمين تتردد فى استخدامها كقطعة التقليدية، واوما الى عنصر الفائدة الذى يعتبر حراما فى الاسلام. انشاء الاسلامية تظهرها سماسرة يوفر شكل التمويل وهو متوافق مع الشريعة ومنخفضة التكلفة. ومنذ ذلك الحين، يوجد العديد من موفرى الاسلامية تظهرها سماسرة خاصة مثل الاسلامية تظهرها سماسرة ومكتب البريد، مصرف راكيات. وسط الطلب متوافقة مع الشريعة اللبنانية سبيلهم، المنتج، وحجته الاسلامية الاولى التى تظهرها سماسرة Maidam شكلت فى تيرينجاونو. هذه الورقة ترمى الى المقارنة بين العوامل المؤثرة فى قبول الاسلامية تظهرها سماسرة بين الدولة والقطاع الخاص والجهات تيرينجانو. وزع استبيانات الى 400 من العملاء بين الدولة Maidamالاسلامية تظهرها سماسرة (خاصة وهو مكتب البريد الاسلامية تظهرها سماسرة مصرف راكيات تيرينجانو خلال المسح هادف اساليب تحليل البيانات الوصفية، الانحدار المتعدد عبر الجداول استخدمت فى تحليل المعلومات التى تم جمعها. عموما هناك ستة عوامل تقييم جودة خدمات محلية وهو تعهد والتسعير الاصول الشريعة عرض العنصر الاجتماعى. استنادا الى تحليلات الانحدار الاسلامية تظهرها سماسرة الدولة الذى، وجودة الخدمة، والتسعير، تعهد راى الشريعة الاصول كبيرة. فى هذه الاثناء الاسلامية تظهرها سماسرة الخاصة الذى وجودة الخدمة، او المكان، تعهد راى الشريعة الاصول كبيرة نحو قبول العميل. فى ابرز الفرق بين الدولة والقطاع الخاص، والتسعير الاسلامية تظهرها سماسرة –هو افضل للتنبؤ بالوفاة الاسلامية تظهرها سماسرة الدولة ولكن عامل ليس كبيرا مع قبول الاسلامية تظهرها سماسرة خاصة. الاسلامية تظهرها سماسرة الدولة، لا يتصل كثيرا محلة مع القبول بل الاسلامية تظهرها سماسرة الخاصة، هو احد يشكلان مؤشرين بارزين للدلالة، بشكل كبير المرتبطة قبول الخدمات التى يقدمها نظام الاسلامية تظهرها سماسرة همية لمشغل هو الباحث هو ان اقارن بين العوامل التى تؤثر على قبول العملاء الخاصة الاسلامية تظهرها سماسرة لمقدمى الخدمات على البيانات التى يتم الحصول عليها من المشاركين فى الاستطلاع. انعدام الدراسات التى تقارن القبول بين القطاعين الاسلامية تظهرها سماسرة – – الدولة ومقتضى هذا الدراسة هذه الدراسة ضرورى لمستقبل والمتاجر الاسلامية رهينة ادارة الاسلامية تظهرها سماسرة قادرة على التعرف على عوامل التاثير على الزبائن تقبل الاسلامية تظهرها سماسرة بصرف النظر عما اذا كان من الدولة او الاسلامية تظهرها سماسرة . على سبيل المثال، نظام التسعير باعتباره اهم عامل للعملاء اعتماد الدولة الذى الاسلامية تظهرها سماسرة الاسلامية تظهرها سماسرة ، تحتفظ ادارة هذا العامل لارضاء العملاء الحاليين لاجتذاب الزبائن المحتملين. كموقع احد الاسلامية تظهرها سماسرة تافهة عامل تعيد انشاء استراتيجية او تخصيص المزيد من الفروع لضمان سهولة وصول العملاء. المزيد من البحوث المقترحة لقياس المتغيراتلاخرى التى لم تذكر فى هذه الدراسة والى ان يتيح المقارنة بين الدولة والقطاع الخاص Ar-Rahnu دولا اخرى فى ماليزيا. وبما ان هذه الدراسة تركز فقط على ثلاثة محلات Ar-Rahnu البحوث المقبلة Ar-Rahnu دراسة اخرى كثيرة التى تديرها مختلف.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion; it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science (Islamic Banking and Finance).

....
Salina Hj Kassim
Supervisor

This research paper was submitted to the IIUM Institute of Islamic Banking and Finance and is accepted as a fulfilment of the requirement for the degree of Master of Science (Islamic Banking and Finance).

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DECLARATION

I hereby declare that this research paper is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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This research paper is dedicated to my beloved parents and my late uncle for laying the foundation of what I turned out to be in life.

ACKNOWLEDGEMENTS

Firstly, it is of my utmost pleasure to dedicate this work to my dear parents and family who granted me the gift of their unwavering belief in my ability to accomplish this goal: thank you for your support and patience.

I wish to express my appreciation and thanks to those who provided their time, effort and support for this project.

Finally, a special thanks to Dr Salina Hj Kassim for her continuous support, encouragement and leadership, and for that, I will be forever grateful.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF STUDY

Islamic pawn broking service is now a growing industry, being provided by many institutions, and offered in almost every state in Malaysia. Due to its compliant with the shariah, Islamic pawn broking has provided an alternative particularly for Muslim customers who are in need for fast, convenient and low cost funding, rather than relying on the interest based conventional pawn broking providers.

In January 1992, Muassasah Gadaian Islam Terengganu (Islamic Pawn Broking Organisation of Terengganu, henceforth referred to as MGIT) was established by the Terengganu government and became the first Islamic pawn broking service provider in Malaysia. The move was followed by Kelantan in March 1992 through the establishment of the Kedai Ar-Rahnu Kelantan (KAR) (Hisham, Shukor, Salwa & Jusoff, 2013). KAR is a subsidiary of Permodalan Kelantan Berhad (Kelantan Capital Berhad, PKB), owned by Kelantan state government. The PKB and MGIT were permitted to open up branches around Malaysia, particularly in Kelantan and Terengganu. In 2011, it was reported that 190,810 customers had used the service provided by MGIT since 2007 through its nine outlets (Azizah et al., 2013). In term of pricing, the low storage charges imposed by these Ar-Rahnu providers had attracted customers to choose Ar-Rahnu service rather than the conventional pawnshop.

The number of Ar-Rahnu counters, either in banks and non-banks, are not certain. This is due to the registration for Ar-Rahnu pawnshop depends on the type of institution administrating to it. For instance, Ar-Rahnu Exchange which is run by Bank Rakyat needs to be registered under Cooperative Commission of Malaysia

(Suruhanjaya Koperasi Malaysia). However some institution were registered under Ministry of Urban Wellbeing, Housing and Local Development for example MAIDAM is the only Islamic Council granted a license to run a pawnbroking activities by the Ministry of Housing and Local Government (ministry) and placed under legal Pawn Act 1972. During early establishment via cooperation with YAPEIM, Bank Rakyat had opened up Ar-Rahnu counters at its Bandar Tun Razak, Mergong, Seremban, Butterworth, Muar and Kuala Terengganu branches. In 1975, the organisation was rebranded to be known as Ar Rahnu Exchange and Bank Rakyat had branched out to provide more franchising opportunities. In 2015, there are 146 Bank Rakyat Ar Rahnu counters, while the Bank Rakyat Exchange had 91 outlets throughout Malaysia. Pos Malaysia Berhad has made innovative approach by launcing the Ar-Rahnu@POS in 2012 with its banking partner Bank Muamalat. Ar-Rahnu Pos had opened up 65 Ar-Rahnu branches over Malaysia. To date, majority of banks in Malaysia such as Affin Bank Berhad, RHB Bank Berhad, and Agro Bank are providing Ar Rahnu schemes.

Before being flood out by Ar-Rahnu system, the conventional pawnbroker service was mainly dominated by Chinese. According to Mohammed et al., (2005), Ar-Rahnu's success is due to low fee charged practiced. In addition, Ar-Rahnu provided services for public at low cost and simultaneously prohibits riba practices. As such, Ar-Rahnu service as an interest free micro credit instrument has successfully attracted various customers (Hisham et al., 2013). Unlike the application process at the conventional financial institutions, Ar-Rahnu is seen feasible due to the scheme's easy procedures and process (Bhatt and Sinnakkannu, 2008). In addition, Ar-Rahnu promotes fair auctioning with the surplus being returned after deducting the default charges to the owner of the pawned items (Razak, 2004).

There are several advantages of using Ar-Rahnu services. Those who want to borrow money from Ar-Rahnu providers just need to bring with him or her valuables such as gold or jeweleries as mortgage of money that he or she borrows (Ismail and Ahmad, 1997). Thus, it's provided easy and fast financial alternative for those who need urgent assistance. Next, the establishment Ar-Rahnu is one of the means to fulfil corporate social responsibility through providing micro financing (Ibrahim, Yaakob & Ahmad, 2012). For instance, majority of Ar-Rahnu owned by big entities such as Bank Rakyat, the establishment Ar-Rahnu is one of the means to fulfil corporate social responsibility through providing micro financing. This mechanism is far more effective than direct aids because it gives opportunity to borrowers to increase their standard of livings through their own efforts.

In term of the economic impact, Ar-Rahnu has the potential to give significant contribution towards the economic sectors' growth. Islamic pawnshop is one of the most feasible sources of financing in starting up a micro-sized business (Ali, 2005). Ar-Rahnu as one of micro credit sources can benefit those who work on agricultural sector and small industries by providing access to capital. Hence, Ar-Rahnu is seen as a contributor to the economic sectors' growth particularly for low income group because Ar-Rahnu facilitates the small earners. Undoubtedly, Ar-Rahnu scheme is the best option instead of other illegal schemes such as illegal money lenders such as loan shark or Ah Long in the case of Malaysia (Ali, 2005).

1.2 PROBLEM STATEMENT

Demand for Ar-Rahnu services continues to increase among the Malaysian community. It is regarded as a new competitive mode of financial instrument in the Islamic financial industry. One of the issue regarding acceptance of ar-rahnu is closely related with different of customer's demographic profile. Different customers' demographic profile is expected to give different response towards the acceptance of ar-rahnu. Ar-Rahnu is not only applicable to the low income group, but has broadened up its spectrum to all income levels. Realising the important issues on demographic background, this study intends to analyze the influence of demographic factors on the acceptance level of Ar-Rahnu between private and state Ar-Rahnu.

Some claim that public acceptance towards Ar-Rahnu is low compared to other financial aids due to insufficient attention paid by Ar-Rahnu providers towards their customers on features they provided. These issues influence customers' acceptance and demotivate them from choosing Ar-Rahnu. In managing the issues, Ar-Rahnu providers shall accommodate various factors for better customers' acceptance in the future. The factors include pricing, services quality, pledge item, shariah view, locality and social factors. Ar-Rahnu shall not neglect these attributes in order to attract more people to subscribe to the scheme. The specific issues in each influencing factor are also important and necessary to be discussed.

The first issue is pricing as some debate the different service charges that are practiced by different of Ar-Rahnu providers (Sharif, Shaharuddin, Muhamed, Pauzi, & Mohd, 2013). According to Sharif et.al (2013), the rate of charges are determined by each pawnbroker. For instance, the absence of a clear justification of the *ujrah* fee rate charged by the bank and pawnshop. This visualises inconsistency among Ar-Rahnu providing in term of the charges, leading to confusion towards Ar-Rahnu among customers to subscribe the services. For conventional pawn broking impose interest rate fixed at 2 per cent 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 among the types of

Ar Rahnu operators. However, previous study stated that people subscribe to Islamic pawnshop because of the low charges imposed by them. Thus, this study will examine whether pricing is really effective in influencing the acceptance level among customers.

According to Rasmin and Markom (2004), the next issue highlighted is collateral issue which is some argue on the absence of any security element in the pawn shop as there is no specific act for the Islamic pawn broking, relative to conventional pawn broking that is protected under the Pawnshop Act 1972. Such absence may make way for any misconduct during the process. However, *Pawn Broking Guideline Activity* (*Ar-Rahnu*) was formed by *Malaysian Cooperatives Commission* in order to provide guideline in relation to Ar-Rahnu. Still, the guideline is unable to defend party rights which involved in Ar-Rahnu contract. Essentially, this guideline only cover basic matter about Ar-Rahnu as clarified according to Shariah such as pillar of charge, charge concept, but it has not include procedure and vital needs to protect parties involved in Ar-Rahnu contract. However, the state Ar-Rahnu in Terengganu has its own Ar-Rahnu scheme management procedure (Rasmin & Markom, 2014). Therefore, Ar- Rahn institutions are governed by the various overlapping statutes and guidelines depending on the registration of the institutions. Nevertheless, the customers may be at peace as Ar-Rahnu are secured by Takaful. Thus, this study attempts to evaluate the important of collateral or pledge factors in affecting customers' acceptance towards Ar-Rahnu.

Despite the mounting attention on Ar-Rahnu, the scheme still receives critics as for its limited availability to certain segment of the population. There are cases where people cannot subscribe to the Ar-Rahnu service because of the limited branches, especially those living in rural area and facing difficulties to reach the urban area. Hence, this study will consider the locality factor which may influence people acceptance Ar-Rahnu.

People opt for Ar-Rahnu basically because of the Shariah perspective and to avoid the element of riba. However the Shariah issues arise when some critics claim that Ar-Rahnu lacks of Shariah monitoring on its transaction and not all Ar-Rahnu institutions have established their own Syariah supervisor that is obligated by Bank Negara Malaysia (Rasmin & Markom, 2014). These issues prompt the researcher to determine whether Shariah view is seen as an important factor by the customers in accepting Ar-Rahnu. Still, it is important for Ar-Rahnu operators to increase the level of Syariah practices in the scheme in future.

According to Mohammed et al. (2005), service quality is a crucial issue to be considered by Ar-Rahnu. Customers are willing to continue with the services because of the consistent quality. It is also mentioned that the importance of services quality factor is a subject of debate among the researchers and many has agreed on the importance of this element in continuously maintained the loyalty of customers towards the services render. Ar-Rahnu shall maintain the services quality, including the staffs shall maintain keep confidentiality of customers' data and treat them justice without any bias (Ahmad et al., 2012). Customers are often reluctant to use Ar-Rahnu because of inconvenient and inconsistent of these services. As a matter of fact, the front liners are very vital in attracting the customers. Hence, this study will consider the services quality factor which may influence people acceptance Ar-Rahnu.

The social factors also need to be acknowledged by Ar-Rahnu providers. People opt Ar-Rahnu because of social influence from parents, spouse, peers, religious organisations are the most frequent examples cited by researchers (Kalafatis, East, Pollard & Tsogas, 1999). Thus, this study will examine whether social factor is really effective in influencing the acceptance among customers.

The other pertinent issue is the different practices among pawn brokers in attending their customers. As Ar-Rahnu may be owned by the state-linked operator and private operators as well, differences arise as they conduct their own practices and apply different guidelines. Therefore, the public may choose whether private or state Ar-Rahnu providers because of the different practices. These two Ar-Rahnu operators produce different features in term of storage fees, rules, market strategies and management. Almost studies on ar-rahnu mentioned the acceptance factors of ar-rahnu without concerning the comparison between both private and state providers. These issues seem important to be highlighted because different pawn-brokers providers providing difference features and practices in attending their customer. For instance, safekeeping charges by private and state pawn brokers are different and any lower charge will motivate them to go to that particular provider. However, some studies also suggest that charges are not the main reason that drives the consumer to choose between the private or state Ar-Rahnu services. By considering this issues, the main purpose of this study is to specifically draw a comparison between private and state Ar-Rahnu in Terengganu in term of factors that may influence public's acceptance on Ar Rahnu state and private providers in Terengganu. As stated before, Ar-Rahnu in Terengganu is provided by private institutions which are the Bank Rakyat Ar Rahnu, Ar Rahnu@Post and Maidam Ar-Rahnu established as state ar-Rahnu.

1.3 PURPOSE OF STUDY

This research seeks to identify the factors influencing the acceptance of Ar Rahnu schemes. The study focuses on Ar-Rahnu providers in Terengganu, including the private and state Ar-Rahnu. From the study, the researcher is able to compare on the factors influencing customers' acceptance towards private and state Ar-Rahnu providers based on the data obtained from the respondents. People tend to choose a service for various reasons. A review of the pertinent literatures was carried out to identify the possible factors in choosing the services. After affirming several selected variables to be included in the study, the questionnaires were distributed to the public. The significant of this research is to give a better understanding on the factors that influence people to accept Ar-Rahnu by comparing of the practices of the private and state Ar-Rahnu providers in Terengganu. Thus some features available to the existing ar-rahnu are crucial to be reviewed for the improvement and better of its potential.

1.4 RESEARCH OBJECTIVES

Due to the general issues mentioned earlier, the acceptability of Ar-Rahnu is relatively low compared to other financial aid because of the minimal attention by Ar-Rahnu providers on the factors influencing the customers' acceptance towards Ar-Rahnu services. The minimal attention demotivates the public to choose Ar-Rahnu. Thus, Ar-Rahnu providers shall accommodate the varieties factors for better acceptance of Ar-Rahnu in future. Ar-Rahnu provider shall not neglect this issues in order to attract people to utilise Ar-Rahnu. The other pertinent issues is the different practices among pawn brokers in attending their customers. As Ar-Rahnu may be owned by the state-linked operator and private operators as well, differences arise as they conduct their own practices and apply different guidelines. Therefore, the public may choose ether the private or state Ar-Rahnu providers because of the different practices. These two Ar-Rahnu operators produce different features in term of storage fees, rules, market strategies and management. However, lacking of studies conduct on the comparison on these two ar-rahnu providers made the issues less highlighted. In resolve all these issues, the main concern of this paper is to examine the factors influencing the acceptance on Ar-Rahnu by comparing between private and state Ar-Rahnu in Terengganu. The study focuses on Ar-Rahnu Maidam (State pawnshop), Ar-Rahnu@Pos, and Ar-Rahnu Bank Rakyat as private Ar-Rahnu. Hence, the objectives of this research are:

1. To analyze the influence of demographic factors on the acceptance level of Ar-Rahnu;
2. To identify factors influencing public's acceptance of Ar-Rahnu services; and
3. To make comparison in terms of factors influencing public acceptance between private and state ar-rahnu - providers in Terengganu.

1.5 RESEARCH QUESTIONS

1. What are the influences of demographic factors on the acceptance level of Ar-Rahnu?
2. What are the factors influencing public's acceptance?
3. What are the differences between the factors that influence the public's acceptance towards Ar-Rahnu services between private and state Ar-Rahnu operator's in Terengganu?

1.6 SIGNIFICANCE OF THE STUDY

In providing additional knowledge to spread the Islamic based pawn broking scheme to the society, this research is deemed as very important. The findings are expected to contribute to Ar-Rahnu organisation, both the private and state providers, in order to improve its management. Moreover, this research will provide knowledge on the factors that push people to pursue Ar-Rahnu. In this study, the researcher will determine the factors that influence the acceptance level among the customers. The researcher will try to evaluate the factors that contribute to customers' acceptance towards Ar-Rahnu in private and state Ar-Rahnu providers in Terengganu. This is deemed as the necessary initiative taken by the Ar-Rahnu institution to provide equal attention to all customers and improve Ar-Rahnu's services in future.

If the study shows that pricing is the influencing factor towards customers' tendency to use the service. Ar-Rahnu shall improve its services charges as the prices that are managed by the institution are still burdening the customers, especially the lower income group. In addition, inconsistency also makes people reluctant to use the scheme. Thus, Ar-Rahnu may accommodate the issue by revisiting their pricing system in order to provide more convenience to their customers.

The other dimension from this study is either Ar-Rahnu will be more concerned about their business. The concern means the need to give what the customers want. With this, they would know what the customers really hope based on the analysis of all factors. The study does not only focus on the subject matter itself which is providing the financial services, this study also shows the importance of giving attention on the management or the processing process inside the institution, in addition to internal factor such as delivering services quality. In fact, some people are attracted to use Ar-Rahnu because of the amicable staffs instead of the products. It is hoped that all these factors will enable Ar-Rahnu to revisel the highlighted aspects for better improvement and achievement in future.

From the customers aspects as well, this study contributes a lot of advantages including the opportunity to value the institution that they use. Their honest feedback will enhance Ar-Rahnu to respond more effectively. As being mentioned, most Ar-Rahnu users are not really agreed with the statement "secure of keep in Ar-Rahnu". The basis of their disagreement must be further evaluated by Ar-Rahnu as to ensure the issue will not be raised in future. Thus in future, its will increases the confident level of customers to deal with Ar-Rahnu.

This study actually opens wide dimension for others potential factors for the other study. Since the factors are successful to evaluate the other researchers, future research can expand it more to others factors which are not used in this study .Thus this study will also be beneficial to the other researchers to start and construct their idea in order to develop further study of Ar-Rahnu from other aspects. Besides for those new institutions who intend to develop Ar-Rahnu, all these factors study are very crucial for them to set up their business and strategies to attract the public. Thus, these factors are acknowledged by the provider and continued its improvement would be arranged by Ar Rahnu corporations for better movement in future. Besides, this research may also be useful to the businessmen who are willing to set up the Islamic pawnshop business in future.

In addition, study on the comparison between private and state Ar-Rahnu is crucial for any institution as it will motivate the Ar-Rahnu providers to provide better services in future. Based on the study it would be able customers and providers to o differentiate the factors contributing acceptance of customer providing by state ar-rahnu as well as private ar-rahnu.

1.7 LIMITATIONS OF THE STUDY

The study sample was limited to customers of private and state Ar Rahnu located in Terengganu. This study was confined to using questionnaires which were distributed amongst the customers. For the purposes of the study, the researcher just focused on the private and public Ar-Rahnu corporations in Terengganu because the study is only expected to include Ar-Rahnu respondents in Terengganu. Terengganu is chosen as the focus of the study because it was the first state in Malaysia which provides Islamic Pawnshop under the Muassa Gadaian Islam Terengganu (MGIT).

1.8 ORGANIZATION OF STUDY

This chapter presents and discusses the background of the study. It explained the advantages and development of Islamic pawn broking scheme practice in Malaysia. It show the numerous number of Ar-Rahnu providers in Malaysia. Nevertheless, the problem statement was discussed and general issues are highlighted concerning the pricing, locality, pledge, social factor, shariah law, services and other Ar-Rahnu related issues. This chapter also presents the research questions and objectives, as well as the issues leading to the research and aim to achieve the objective of the research. This is followed by the significance of the study which highlights how this study contributes towards Ar-Rahnu. This is due to the lack of research focusing on both private and state Ar-Rahnu providers and factors influencing people to accept Ar-Rahnu. The research is expected to contribute to Ar-Rahnu organization and improve its management. Finally, the limitations of the study are mentioned.