

**DETERMINANTS OF CUSTOMER'S INTENTION TO USE
ISLAMIC PAWN BROKING (AR-RAHNU) SCHEME: A CASE
STUDY OF (UPSB) STAFFS IN UNIVERSITY UTARA MALAYSIA**

BY

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IN THE NAME OF ALLAH THE MOST GRACIOUS THE MOST MERCIFUL

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DEDICATION

To my lovely parents, my sister and my Dear Halimo Sudi Mire

ABSTRACT

Islamic pawn broking (*Ar-Rahnu*) is considered as an instrument that serves as immediate and fast financial service. Islam deems the contract as a charitable and voluntary contract (*tabarru'*). According to this perspective of Islam, the conventional pawn broking operates in the opposite side, that is providing a financial service by pledging the customer's assets and charging interest as a result of money loaned out, whereas, *Ar-Rahnu* service is based on three principles, which are *Qardhul Hassan*, *Wadiah*, and *Ujrah*. The *Wadiah* principle is then categorized into two types, which are *Yad Amanah* and *Yad Dhamanah*. This paper is an attempt to determine the customer's intention to use *Ar-Rahnu* service by investigating five dimensions, which are attitude, social influence, religious obligation, pricing system and intention to use. The aims of this paper is to identify the differences of intention to use Islamic pawn broking (*Ar-Rahnu*) based on the demographic factors of (gender, age, educational level, monthly income level) and, to determine the relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Islamic pawn broking (*Ar-Rahnu*), and to examine the factors that influences mostly the intention to use Islamic pawn broking (*Ar-Rahnu*). The study has targeted certain population, that is, Uniutama Property SDN.BHD (UPSB) employees at University Utara Malaysia. The study employed a quantitative type of research using questionnaire and the sample comprised of 217 respondents. The result obtained from this study, reveals that the customer's uses *Ar-Rahnu* service for mostly two reasons or factors, which are social influence and religious obligation. Therefore, this study provided great contributions, implications and has recommended both the government and financial institutions on how to improve *Ar-Rahnu* usage.

Keywords: *Ar-Rahnu*, attitude, social influence, religious obligation, pricing system, intention to use.

ABSTRAK

Pajak gadai Islam (ar-Rahnu) dianggap sebagai satu instrumen yang menyediakan perkhidmatan yang pantas dan cepat. Dalam Islam kontrak ini adalah kebajikan dan sukarela. Menurut perspektif Islam, pajak gadai konvensional yang beroperasi di pihak lain menyediakan perkhidmatan kewangan dengan menerima cagaran aset pelanggan dan mengenakan faedah kepada pinjaman kewangan yang diberikan. Manakala perkhidmatan ar-rahnu adalah berasaskan tiga prinsip iaitu *al-Qard al-Hasan*, *al-Wadiah* dan *al-Ujrah*. Kajian bertujuan untuk mengetahui niat pelanggan untuk menggunakan perkhidmatan ar-rahnu dengan mengkaji lima dimensi iaitu sikap, pengaruh sosial, kewajipan agama, sistem harga dan niat pelanggan untuk menggunakan. Objektif kajian adalah untuk mengenalpasti perbezaan niat pelanggan menggunakan ar-rahnu berdasarkan faktor demografi (jantina, umur, tahap pendidikan dan pendapatan bulanan) , untuk mengenalpasti hubungan antara niat menggunakan ar-rahnu dengan (sikap, pengaruh sosial, kewajipan agama dan sistem harga) serta mengkaji faktor-faktor yang paling mempengaruhi pelanggan untuk menggunakan ar-rahnu. Kajian ini mensasarkan populasi iaitu pekerja Uniutama Property SDN.BHD (UPSB) di Universiti Utara Malaysia. Kajian ini menggunakan kaedah kuantitatif dengan menggunakan soalselidik dan sampel terdiri daripada 217 responden. Hasil kajian mendapati kebanyakan pelanggan yang menggunakan ar-rahnu disebabkan dua faktor iaitu pengaruh sosial dan kewajipan agama. Oleh itu, kajian ini telah memberikan sumbangan dan implikasi yang besar dan telah mencadangkan kedua-dua pihak iaitu kerajaan dan institusi kewangan untuk membuat penambahbaikan dalam penggunaan *Ar-Rahnu*.

Kata kunci: *Ar-Rahnu*, sikap, pengaruh sosial, kewajipan agama, sistem harga, niat untuk menggunakan

CHAPTER ONE (INTRODUCTION)

1.0.Introduction	1
1.1.Background of the study	5
1.1.1. Methods of Binding the Contract	7
1.2 Problem Statement	15
1.3 Research Questions	19
1.4 Research Objectives	20
1.5 Significant of the Study	20
1.6 Scope of the Study	21
1.7 Organization of the Study	22

CHAPTER TWO (LITERATURE REVIEW)

2.0 Introduction.....	24
2.1 Intention to Use	30
2.2 Theory of Reasoned Action	31
2.3 Factors influencing the Intention to use <i>Ar-Rahnu</i>	34
2.3.1. Attitude	34
2.3.2. Social influence	36
2.3.3. Religious obligation	40
2.3.4. Pricing system	42
2.3.4.1. The Pricing System and Loan Policy of the Different Islamic Pawn broking in Malaysia	43
2.3.5. Demographic Factors	46
2.4. Theoretical Framework	49
2.5. Hypotheses Development	50
2.6. Conclusion	52

CHAPTER THREE (RESEARCH DESIGN AND METHODOLOGY)

3.0 Introduction	53
3.1 Research Design	53
3.2 Data Sources	54
3.3 Unit of Analysis	55

3.4 Sampling Design	57
3.4.1. Population of the Study	57
3.4.2. Sampling Size	58
3.4.3. Sampling Technique	58
3.5 Operational Definition	59
3.5.1. Attitude	59
3.5.2. Social Influence	60
3.5.3. Religious Obligation	60
3.5.4. Pricing System	61
3.5.5. Intention to use <i>Ar-Rahnu</i>	61
3.6 Measurement of Variables	62
3.7 Data Collection Technique	64
3.8 Research Instrument	66
3.8.1. Attitude	66
3.8.2. Social Influence	67
3.8.3. Religious Obligation	68
3.8.4. Pricing System	70
3.8.5. Intention to Use	70
3.9 Reliability of the Instruments	71
3.10 Data Analysis Technique	73
3.10.1. Assessment of Normality	73
3.10.2. Descriptive Statistics	75
3.10.3. T-test and ANOVA (Analysis of Variance).....	76
3.10.4. Pearson’s Correlation	76
3.10.5. Multiple Regressions	77
3.11 Conclusion	77

CHAPTER FOUR (DATA ANALYSIS AND FINDINGS)

4.0 Introduction.....	79
4.1 Profile of the Respondents	79
4.2 Determining the Level of the Customer’s Intention to Use <i>Ar-Rahnu</i> System	83
4.3 Result of the Hypotheses Test	85
4.4 Conclusion.....	96

CHAPTER FIVE (CONCLUSION AND RECOMMENDATION)

5.0 Introduction	98
5.1 Summary of Findings Consistent With Research Objectives	98
5.1.1. Objective 1	99
5.1.2. Objective 2	101
5.1.3. Objective 3	102
5.2 Contribution of the Study	104
5.3 Implication of the Study	105
5.4 Recommendation and Future Research	108
5.5 Limitation of the Study	109
5.6 Conclusion	110
REFERENCES	112
APPENDIX A (QUESTIONNAIRE).....	120
APPENDIX B (NORMALITY TEST).....	127
APPENDIX C (RELIABILITY TEST).....	138
APPENDIX D (DESCRIPTIVE STATISTIC).....	144
APPENDIX E (PEARSON’S CORRELATION ANALYSIS)	150
APPENDIX F (MULTIPLE REGRESSION ANALYSIS).....	151
APPENDIX G (T-TEST AND ANOVA).....	154

LIST OF TABLES

Table 3.1: Research Instruments and Sources	66
Table 3.2: Attitude	67
Table 3.3: Social influence	68
Table 3.4: Religious Obligation	69
Table 3.5: Pricing System	70
Table 3.6: Intention to Use	71
Table 3.7: Reliability Test Analysis	72
Table 3.8: Statistical Tools for Data Analysis	73
Table 3.9: Assessment of Normality	75
Table 4.1: The Profile of the Respondents	80
Table 4.2: Descriptive Statistics Analysis	84
Table 4.3: Differences between respondent's intention to use and their gender	86
Table 4.4: Differences between age, educational level, and monthly income level towards the intention to use Ar-Rahnu	88
Table 4.5 The Comparison of Educational Level Groups and Customer's Intention	90
Table 4.6: Summary of the First Hypothesis Tested Using T-test and ANOVA	91
Table 4.7: Correlation Between the intention to use Ar-Rahnu and attitude, social influence, religious obligation, and pricing system	92
Table 4.8: Summary of the Second Hypothesis Tested Using Pearson's Correlation Analysis	94
Table 4.9: Result of Multiple Regression Analysis	95
Table 4.10: Summary of the Third Hypothesis Tested Using Multiple Regression Analysis	96

LIST OF FIGURE

Figure 2.1: Theoretical Framework	49
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LIST OF ABBREVIATIONS

DV	Dependent Variable
IV	Independent Variable
SPSS	Statistical Package for Social Science
UPSB	Uniutama Property SDN.BHD

CHAPTER ONE

INTRODUCTION

Overview

This is the first chapter of the study and the areas that will be included in this section comprises of introduction, background of the study, the problem statement, research questions and objectives, the significance and scope of the study as well as the organization of the study.

1.0 Introduction

The Islamic pawn broking (*Ar-Rahnu*) is an instrument and a mechanism that serves as fast financial service provider to help the customers to fulfill their immediate financial needs by placing or pledging their personal properties. From the Islamic point of view the contract of pawn is considered as a charitable, good will and voluntary contract (*tabarru'*). This is because the pawned item is given without any financial compensation (Hisham, Shukor et al. 2013).

The pawn broking contract is termed in the Arabic language as '*Ar-Rahnu*' which linguistically means to detain or dedicate something. And in the language of Sharia (Islamic law) the scholars defined it as 'to mortgage a valuable object in the eyes of

sharia for the security of the money loaned out'. Whereby in the case of default in payment the object will be sold to interpolate the creditor's right. The Islamic scholars declared that the Sharia (Islamic law) prohibits pledging an item that is forbidden to be sold and therefore any object that is outlawed to be sold it is also outlawed to be mortgaged.

The key objective of Islamic pawn broking (*Ar-Rahnu*) is to help those who facing financial difficulties in order to protect them from getting involved with interest ('*riba*') based loan which is prohibited in Islam (Haron, 1996). Islamic pawn broking is fundamentally a contract of pledging an item as a security that becomes binding once the possession of the pledge is taken place (Bhatt and Sinnakkannu 2008).

From the view of the fact that the importance of helping the poor and the needy has been emphasized and strongly encouraged in the Islamic faith, Ar-Rahnu scheme plays an important role in providing financial support for those people without being involved in the element of '*riba*' which is deliberated as a declaration of a war with Almighty Allah (s.w.t) and His messenger. Accordingly Allah (S.W.T) mentioned in the Holy Qur'an the following verses:

قال الله تعالى: "ياأيها الذين ءامنوا اتقوا الله وذرُوا ما بقى من الربوا إِنْ كنتم مؤمنين (278) فَإِنْ لم تفعلُوا فأذنوا بحرب من الله ورسوله, وَإِنْ تنبتم فلکم رءوس أموالکم لا تظلمون ولا تظلمون (2:279).

“O you, who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers (278). And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal [thus] you do no wrong, nor are you wronged (2:279).

From the above verse of the Qur’an it is clear that being involved in a transaction which is based on interest (*riba*) is prohibited in Islam. And therefore *Ar-rahnu* mechanism becomes a valuable and an important alternative in fulfilling the society’s needs without having implicated in elements which is forbidden by Islam such as interest (*riba*).

The legitimacy of Ar-Rahnu instrument is then found in the Holy Qur’an as well as in the Sunnah of Prophet Muhammad peace be upon him. From the Qur’an Allah (s.w.t) said in the second Surah of the Qur’an:

قال تعالى: "وإن كنتم على سفر ولم تجدوا كاتباً فرهن مقبوضة، فإن أمن بعضكم بعضاً فليؤد الذي أوثمن أمانته وليتق الله ربه، ولا تكتنوا الشهادة، ومن يكتنمها فإنه آثم قلبه، والله بما تعملون عليم (2:283).

“And if you are on a journey and did not find a scribe, then a security deposit (should be taken). And if one of you entrusted another, then let him who is entrusted discharge his trust (faithfully) and let him fear Allah, his Lord. And do not conceal testimony, for whoever conceal it-his heart is indeed sinful, and Allah is Knowing of what you do” (2:283).

As for the evidence from the (Sunnah) of the Prophet peace be upon him, the two major Hadith collectors i.e. Al-Bukhari and Muslim have recorded in their books several Hadiths mentioning about *Ar-Rahnu* transaction. Among these are the following Hadith;

حدثنا قتيبة, حدثنا جرير عن الأعمش عن إبراهيم عن الأسود عن عائشة رضي الله عنها قالت: "اشتري رسول الله صلى الله عليه وسلم من يهودي طعاما ورهنه درعه" رواه البخاري, باب الرهن, دار ابن كثير, حديث رقم 2378.

Aisha may Allah be blessed with her reported that the Messenger of Allah peace be upon him bought some food from a Jewish and mortgaged his armor with him" (narrated by Al-Bukhari, 2378).

Apart from these two evidences of the Qur'an and the Sunnah of Prophet Mohammad (p.b.u.h), the legality of *Ar-Rahnu* mode of transaction is been unanimously approved by the Islamic scholars which is deemed to be the *ijma'* of the *Ummah* on the lawfulness of Islamic pawn broking transaction. Moreover, according to the four *Mazhabs* of Islamic jurisprudence (school of thought) *Ar-Rahnu* contract is based on four principles. One; there must be two parties with a full of capacity in forming a contract, which means they shall not be a child or a mentally disordered persons. Second, the statement or the assertion of the contract which is known as (*Al-Ijab* and *Al-qabul*) or the offer and acceptance should be clearly stated.

Third, a permissible and valuable item (*marhun*), the term permissible item indicates that, any item that is not permissible in Islam to be sold or possess it is not permitted to be

mortgaged as well, and the word valuable points out that the item should be worth of the wealth loaned out (Ash-Sharh al-Mumti' ala Zad al-Mustaqni', Al-Uthaymeen, 9 vol.).

For example, A received a loan of 1000 from B and mortgaged an item worth 1000. In this case the item is valuable; the scholars also stated that if the item worth's 500 the contract is still valid and can be exercised (Ash-Sharh al-Mumti' ala Zad al-Mustaqni', Al-Uthaymeen, 9 vol.). This is because the technical definition of *Ar-Rahnu* is to mortgage a valuable object for the security of the money loaned out'. Whereby in the case of default in payment the object will be sold to interpolate the creditor's right. The fourth principle is the debt known as (*Al-marhun bih*) (Ibrahim, Yaacob et al. 2012).

1.1 Background of the study

The number of researches conducted in Islamic pawn broking *Ar-Rahnu* in Malaysia is limited. However, there are some studies done on the concept of *Ar-Rahnu* system. And there are a number of studies that highlighted the importance of Islamic pawn broking (Amina, Chonga et al. 2007). Furthermore, (Ismail and Sanusi 2005) carried out studies where they emphasize on the importance of the Sharia element in establishing Islamic pawn broking. They stated that the Sharia principles such as *Wadiah*, *Qardhul Hassan* and *Ujra* should be set as the basis of implementing the system of Islamic pawn broking (Bhatt and Sinnakkannu 2008). Rogers and Shoemaker 1971) stated that “customers normally walk through a process of knowledge, encouragement, decision and confirmation before they choose or accept some product or service”.

In Malaysia, the first Islamic pawn shop began in 1992, when the state of Terengganu established and opened its shop under the name of Muassasah Gadaian Islam Terengganu (MGIT) (Amin and Chong 2011). This emergence has served as a substitute to the conventional pawn broking and allowed the people to make a choice on which method to approach in the time of needs for quick cash financing (Bhatt and Sinnakkannu 2008).

This development was highly needed by the people as the majority of the residents in the East Coast states of Malaysia are Muslims. Bhatt and Sinnakkannu (2008) mentioned that 95% of the populations in the east coast of the Malaysian states are from Malay ethnic, and as a result almost 100% of the citizens are Muslims. Moreover, the Islamic law imposed on the conventional ways of financing that is the prohibition of interest based pawnshops has contributed much in the development of Islamic pawn broking around the Malaysian states (Shaari and Azlina 2003).

As for the studies that observed the Islamic pawnshop, a number of qualitative studies were carried out by scholars and has become a noteworthy in this arena (Amin and Chong 2011). On the other hand, Hanudin Amin and Rosita Chong (2011) also declared that the quantitative studies related to Islamic pawnshop are mostly limited. Therefore, this study aims at filling this gap, whereby a quantitative method will be applied to examine the impact of attitude, social influence, religious obligation, pricing system on the customer's intention to use the Islamic based pawn broking.

1.1.1 Methods of Binding the Contract

The Islamic jurists have discussed several forms of initiating *Ar-Rahnu* contract, by addressing the sharia views upon each form. Imam Ibn Qudamah Al-maqdisi stated that *Ar-Rahnu* falls under three kinds of formulating the contract:

- 1) To place the object after the possession of the loan.
- 2) To place the item in the time of the contract.
- 3) To place the item a period before the possession of the loan.

In the first form, the jurists are in agreement of its permissibility which is deemed as *Ijma'*, as it is clearly stated in the Quranic verse where Allah (S.W.T) said:

قال تعالى: "وإن كنتم على سفر ولم تجدوا كاتباً فرهن من مقبوضة" (2:283).

"And if you are on a journey and did not find a scribe, then a security deposit (should be taken). (2:283).

Similarly in the second phase the scholars are of the opinion that it is allowed whereby the offer and the acceptance are made at the same time. For example, one may say to another 'I have sold you this dress by 10 Dinars which you will pay it to me in one month and you mortgage me your servant', and then the other party will say 'I accept', this opinion is said by Imam Shafi and Malik. As for the third stage, the scholars are in different opinions. This form works as follow:

‘One will say, I mortgage you my servant and you provide me with amount of loan in the future’. This form of the contract is invalid, and it is the *Mazhab* of Imam Ahmad and Shafi, which however some scholars are of the opinion of its validity, and it is the *Mazhab* of Imam Malik and Abu Hanifah. The scholars have then preferred the opinion of Imam Malik and Abu Hanifah that permits to mortgage the object and receive the loan in the future (Al-Mughni, 6/382).

Furthermore, the Islamic pawn broking (*Ar-Rahnu*) is formulated based on a three Sharia (Islamic law) values which makes the transaction differ from that of conventional pawn broking. According to Bhatt and Sinnakkannu (2008) these values are *Qardhul Hasan* (Benevolent loan), *Wadiyah* (safekeeping) which comprises two types i.e. *Wadiyah Yad-Amanah* (Trustworthiness), and *Wadiyah Yad dhamanah* (safekeeping with guarantee), and the third value is *Ujrah* (Safekeeping fees).

The first value that is *Qardhul Hasan* is a financial contract known as benevolent loan whereby the borrower is only obliged to repay the lender the amount loaned out unlike the conventional type of lending which is charged with interest. This sort of lending and borrowing is the merely permitted form of lending by the Islamic law (Sharia) and it is meant for economic and social justice (Haron and Azmi 2009). With regard to this Allah (S.W.T) mentioned in His Holy Qur’an the following verse:

قال الله جل في علاه: "من ذا الذي يقرض الله قرضاً حسناً فيضعفه له وله أجر كريم (57:11)"

"Who is he that would loan to Allah a goodly loan so that He (Allah) will multiply it for him and he will have (besides) a liberal reward" (57:11).

Under the contract of Islamic pawn, the financial institution who acts as the lender will loan out an interest free loan to the candidate who desires to pledge his valuable item and afterward the borrower is required to pay back the exact amount borrowed in order to redeem back the valuable item at the maturity date agreed in the contract (Bhatt and Sinnakkannu 2008).

Bhatt and Sinnakkannu (2008) further discussed that in the case of default of payment by the borrower at the due date, a notice alerting the candidate that the valuable item will be sold to interpolate the creditor's right shall be disclosed. This notice is a reminder to the debtor to extend the time if he is unable to make the repayment of the loan, and it is a good faith from the creditor to accept the debtor's requirement for the extension in order to become dissimilar to the conventional way of lending which charges interest after the due date. For this regard Allah (S.W.T) says in the Holy Qur'an:

"وإن كان ذو عسرة فنظرة إلى ميسرة، وأن تصدقوا خير لكم إن كنتم تعلمون" (2:280).

"And if someone is in hardship, then {let there be} postponement until {a time of} ease. But if you give {from your right as} charity, then it is better for you, if you only knew"

(2:280).

Nevertheless, if the candidate did not react with the notification such as extending the period, then the item pawned shall be sold to recover the creditor's amount and if there is any extra amount that is made from the item sold it should be given back to the candidate who is the owner of the item. And in the case whereby the owner of the item cannot be found for collecting the surplus amount, then the Islamic institution shall put it in the account of *Baitulmal Al-Muslimin* (Muslim Finance House) for any claims by the owner or by his heirs (Bhatt and Sinnakkannu 2008).

The second value is *Wadiyah* (safekeeping). Basically the contract of *Wadiyah* refers to an agreement between two parties, the owner and a custodian. The term *Wadiyah* is an Arabic word means to leave, keep or to deposit an object to another. Technically, Hanafi scholars (jurist school of thought) defined *al-wadiyah* as 'an authorization of a person to keep the owner's property explicitly or implicitly'. While Shafi'i school and Maliki stated that *wadiyah* is 'a representation of keeping possession of reliable private goods in a particular manner'. As for Hanbali scholars they consider the element of charity while defining *wadiyah*, in their definition *wadiyah* is 'a representation in keeping other's property as a charity' (Ibn Muflih, *Al-Furu'*. 7/210). The legitimacy of this form of contract that is leaving some property to others which is exercised in the Islamic pawn *Ar-Rahnu* contracts is found in the main three Islamic sources namely, *Qur'an*, *Hadith* and *Ijma'*. As for the Qur'an Allah (S.W.T) says:

"إن الله يأمركم أن تؤدوا الأمانت إلى أهلها وإذا حكمتم بين الناس أن تحكموا بالعدل, إن الله نعمًا يعظكم به, إن الله كان سميعًا بصيرًا (4:58)

"Indeed, Allah is commanding you to render the trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing" (4:58).

In other verse in the Qur'an Allah (S.W.T) says:

"فإن أمن بعضكم بعضا فليؤد الذي أوّمن أمانته وليتق الله ربه ولا تكتنوا الشهادة ومن يكتنمها فإنه آثم قلبه والله بما تعلمون علِيمٌ" (2:283).

"But if you trust one another, then let him who is trusted fulfill his trust and let him fear Allah, his Lord. And do not conceal testimony, for whoever conceals it, his heart is indeed sinful, and Allah is Knowing of what you do" (2:283).

From the Hadith source:

حدثنا أبو كامل, أن يزيد بن زريع, حدثهم حدثنا حميد, يعني الطويل, عن يوسف بن ماهك المكي, قال كنت أكتب لفلان نفقة أيتام كان وليهم فغالطوه بألف درهم فأداها إليهم فأدركت لهم من مالهم مثليها, قال قلت أقبض الألف الذي ذهبوا به منك قال لا حدثني أبي أنه سمع رسول الله صلى الله عليه وسلم يقول "أد الأمانة إلى من ائتمنك ولا تخن من خانك" (سنن أبي داود, كتاب الإجارة, 3/290)

It is been narrated by Yusuf Ibn Mahik al-Makki says: *"I used to write the expenditure incurred on the orphan who were under the guardianship of so-and-so. And they cheated him with one thousand dirhams and he paid it to them. I then got double the property which they deserved. I said to the man: Take one thousand dirhams which they have taken from you by cheating. He said: No, my father has told me that he heard the Messenger of Allah (P.B.U.H) say: And perform the trust (amanah) to those who entrusted you and do not betray those who betrayed you" (Sunan Abi Dawud, 3/290).*

The two verses and the Hadith above indicate the legitimacy of leaving or depositing a valuable object to others for particular purposes. Moreover, the Muslim scholars are unanimously agreed on the legitimacy of *Wadiyah* contract (Ibn Qudamah, al-mughni, 6/382). The contract is then categorized into two types namely, *Wadiyah yad Amanah* and *yad dhamanah*. In the case of Islamic pawn *Ar-Rahnu* contract, the both types are applied. The former type refers to a contract between the depositors of the item whether in the form of money or an object and the custodian. The custodian is expected to keep the item and take care of it as if it is his own property. He has the responsibility to protect the property from being lost, stolen or damaged.

However, if the property has been damaged naturally without the negligence of the lender, then the lender is not responsible to replace the item (Al-qurashi, Hashiyat Al-qurashi, 6/472). The later type *Wadiyah yad dhamanah* involves safekeeping with guarantee whereby the lender or custodian is responsible to replace the item or property in case of damage, lost or stolen. Imam Al-mawardi stated that: “If the custodian agrees to guarantee the replacement or the refund of the property kept with him as well as ensuring the item upon request, then we regard the agreement as *Wadiyah yad dhamanah*” (Al-mawardi, Al-Hawi Al-Kabir, 8/357-361).

This will entitle the lender to make use of the property for trading or other purposes unlike the former type where the lender has no right to make use of the property kept with him. The third Sharia value of Islamic pawn broking is *Al-Ujrah* (Safekeeping fees).

Al-Ujrah is a concept that permits the lender to charge a reasonable fee in return for the services rendered while keeping the pawned object safe and in a good condition. The financial institution receives the object based on *Al-Wadiah* concept and takes the responsibility of keeping it safe and return it when the time due.

Moreover, the Islamic jurists have further addressed the issue of mortgaging an object that has a benefit to others, such as the riding animal. They stated that this benefit of the animal should not be deactivated during the mortgage period, but rather to be used and its milk to be drunk. However, a dispute occurred between them regarding of the entitled person for this benefit as well as the one who should pay the expenses needed to generate these benefits and also the expenses needed to keep it in a safe place (Al-mawardi, *Al-Hawi Al-Kabir*, 8/357-361).

According to the *Jumhur Al-Fuqaha* (majority jurists, i.e. Shafi'is, Hanbalis and Malikis) the borrower who pledged the object has the responsibility of paying both the expenses necessary to ensure its benefit and the expenses required to keep it safe. Whereas the Hanafis School had different thoughts on this; they addressed an opinion that decouples the two expenses from each other.

They said that: 'the expenses required for the benefit of the object such as the animal feed, watering the garden and the employee salary it should be paid by the borrower who

mortgaged the object, and the expenses necessary for keeping the object safe such as the shelter for the cattle and the salary of the guardian it should be paid by the pledger (lender) as the object is in his custody (Al-mawardi, Al-Hawi Al-Kabir, 8/357-361). The majority scholars based their opinion that the borrower should pay all the expenses required to safe the object and to maintain its benefit such as watering the garden, they based this opinion on the hadith narrated by *Abu Hurairah* that Prophet Muhammad peace be upon him says:

"لا يخلق الرهن من صاحبه الذي رهنه , له غنمه , وعليه غرمه".

"A pledge does not become the property of the mortgagee (lender), it remains the property of its owner who has mortgaged it, he is entitled to its benefits and he is liable for its expenses".

It is obvious from this Hadith that all the expenses should be paid by the borrower who pledged the asset in the custody of the lender and the mortgagee have no right to use the benefit of the object as its expenses is been paid by its owner, therefore its benefit is only entitled for the owner. A part of Hanbali scholars and some of the followers of the companion (Al-tabi'in) are of the opinion that, although the mortgagee have no any right to benefit from the asset kept in his custody, but if the owner fail to pay the expenses necessary for ensuring the benefit of the asset, and the mortgagee pays these expenses, then he is entitled for its benefit in accordance to the amount he spend, meaning to say, he should not benefit more than his input in the asset. This view is been based on the Hadith narrated by *Abu Hurairah* that the Messenger of Allah peace be upon him says:

"الرهن يركب بنفقته إذا كان مرهونا , ولين الدر يشرب بنفقته إذا كان مرهونا , وعلى الذي يركب ويشرب النفقة"

"The mortgaged animal is used for riding in return for its expenses if it is pledged, and the milk is drunk in return for its expenses (according to what one spend on it), if (the animal) is pledged. He who rides the animal and drinks the milk has to pay the expenses"

(Al-Bukhari).

The conclusion of the scholars views is that, the benefit of the pledged asset is for the one who pays its expenses whether the lender or the borrower. Bearing in mind that all this judgments is for the objects that has a benefits which should not be deactivated such as a garden that needs watering and an animal that requires feeds. Nevertheless, the objects that does not requires these expenses, but only needs expenditures of keeping it safe, then is paid by the borrower which is known as the concept of *Al-Ujrah* in the Islamic pawn broking scheme.

1.2 Problem Statement

Problem definition or statement is defined as a comprehensive statement of the research dilemma and identification that specifies the research mechanisms. The research problem is basically detailed information about an actual issue in the field of the study. (Uma and Roger 2003) stated that the problem statement happens to be clear, detailed and brief that fits the subject matter in which the researcher aims to investigate with the objective of finding a solution.

The new and small businesses who seeks for a source of capital to initiate their trades as well as those who are in need of immediate cash financing due to an unexpected incidents such as accidents, illness, lost, stolen and/or property damage are exposed to approach a prohibited means of obtaining loan through money lenders based on a very high interest charges such as 'loan shark'. Loan shark is a term used to describe those individuals or entity who lends some amount of money at extremely higher rates of charge (Nugent 1941).

These charges happens to be 100 percent, for instance, a loan shark will lend a person 10,000 with the provision that the borrower will repay 20,000. The reason why those people approaches this kind of money lenders is because they are not entitled for a bank loan. This is because the procedures of the banks is that when a person requires a loan from the bank needs to have a guarantor, and his income level has to be in line with the loan required as well as the bank's policy.

Nugent has further explained that these money lenders have been taken over by banks, pawnbrokers as well as institutions that provide cash financing by way of tangible asset mortgages. As the Sharia (Islamic law) outlaws acquiring money through prohibited means, it provides a substitute mode of financing namely Islamic pawn broking (*Ar-Rahnu*) in order to fulfill the requirements of immediate cash financing. *Ar-Rahnu* scheme neither it needs a guarantor nor a certain income level to obtain cash financing

especially in the time of emergency, and this will strongly benefit the lower income group of the society.

In the present circumstances whereby the cost of living is much higher than ever before, the lower income group of the society are highly exposed to a financial difficulties. A study conducted by Mustafa (2006) found that the issue of lower income is the major cause to the people to seek for cash financing. Therefore, *Ar-Rahnu* (Islamic pawn broking) plays a significant role in financing those who need quick and fast cash financing. The system also has a great contribution to those people who are involved in the agricultural business industries as they require a capital to supply their craft (Othman, Hashim et al. 2012).

The conventional system of pawn broking charges interest of 2 percent per month and 24 percent per annum (Bhatt and Sinnakkannu 2008). This practice is considered against the Sharia (Islamic law) as the money cannot be used to generate cash. In this case, the Islamic pawn broking fits the needs of lower income group and in the case of emergency as it charges no interest, but rather provides the loan based on the Islamic principle known as '*Qardhul Hassan*' (Bhatt and Sinnakkannu 2008). Therefore, conducting this research is basically important whereby an investigation attempt will be made in order to address the factors that influence the customers to select the Islamic pawn broking.

This study is carried out in order to determine the customer's intention to use *Ar-Rahnu* system, the case study used by this research is the support staff of Uniutama Property SDN.BHD (UPSB) at University Utara Malaysia. This is because this group is categorized as lower income group. There are several issues faced by these staffs which can encourage them to approach *Ar-Rahnu* service. These issues fall under their basic needs and wants as well as their different life styles.

The majority staffs who are working in (UPSB) are old people and their income level are low. These two factors of age and income impede them from being entitled for a bank loan in the time of need for cash financing. The age of most of these staff is 40 and above, and the salary that they receive ranges from RM 1000 and below. And for a person to be entitled for a bank loan, his/her salary should range from RM 2000 and above. When these lower income staff intends to support their children to start a school, their income will not assist them to cover all the school and university fees as well as the expenses required for their education.

The present circumstances of the economic condition whereby Good and Service Tax (GST) is imposed on almost everything, as well as the fact that most of (UPSB) staff are not aware of *Ar-Rahnu* system or does not have enough information and knowledge in terms of its procedure and application as stated by the general manager of (UPSB) who have been interviewed by the researcher, all these issues have caused the staff of (UPSB) to obtain cash financing from institutions based on interest charges as mentioned by the

manager. These institutors are such as; RHB bank and AEON credit service. These staff has also faced difficulties in paying back the loan granted by these institutions which is based on interest and their salary does not assist to meet these requirements as stated by the manager. Therefore, this study aims at determining the customer's intention to use *Ar-Rahnu* by investigating the staff of (UPSB). The study selected to investigate these employees as they are categorized as the lower income group among the society, which they have the greater tendency to use the system. In addition, the issues stated above are faced by these employees in an actual way.

1.3 Research Questions

1. What are the differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use Islamic pawn broking (*Ar-Rahnu*)?
2. What are the relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Islamic pawn broking (*Ar-Rahnu*)?
3. What are the factors among (attitude, social influence, religious obligation, and pricing system) that influence mostly the intention to use Islamic pawn broking (*Ar-Rahnu*)?

1.4 Research Objectives

1. To identify the differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use Islamic pawn broking (*Ar-Rahnu*).
2. To determine the relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Islamic pawn broking (*Ar-Rahnu*).
3. To examine the factors that influences mostly the intention to use Islamic pawn broking (*Ar-Rahnu*).

1.5 Significance of the study

This study is carried out in order to determine the factors that influence the customer's intention to select the Islamic pawnshop. Therefore, the study is highly significant whereby the financial institutions will discover the relationship between the customer's intention to use Islamic pawn broking and the factors of attitude, social influence, religious obligation and pricing system. After completing this study institutions and public at large will notice the major factor that influences the customers to use Islamic pawn broking among the other factors that been investigated.

The study will also have a great contribution to Islamic banks as it help improving their product and services and put more emphasize on the factors that derives the customers to

make use of *Ar-Rahnu*. For instance, the study may discover that the service fees charged in Islamic pawnshops for the item pledged based on '*Ujra*' (service fees) is what makes the customer to use the Islamic based pawn broking, this will encourage the Islamic banks to act as a competitor and acceptable system by the public.

1.6 Scope of the study

This study aims at determining the customer's intention to use Islamic pawn broking (*Ar-Rahnu*). The research will focus on the factors that have effect on the customer's intention. The variables used to examine this are attitude, social influence, religious obligation, pricing system and intention to use *Ar-Rahnu*. These variables are categorized as dependent and independent variables. The independent variables are attitude, social influence, religious obligation and pricing system. On the other hand, intention to use *Ar-Rahnu* is used as the dependent variable of the study. Moreover, the research will highlight the differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use Islamic pawn broking (*Ar-Rahnu*), and also the relationship between the independent variables with the dependent variable.

In order to do this, the research will apply a quantitative method whereby the data will be obtained through questionnaires. The study will be conducted in University Utara Malaysia and it will be used as the research population. The study is expected to be highly significant and suitable findings is anticipated as the variables used are been tested

by previous scholars as presented in the research instrument table and the instrument used are deemed to be valid.

1.7 Organization of the study

The aim of this research is to study the determinants of customer's intention to use *Ar-Rahnu* system. And in order to achieve that, the study is organized into five chapters. A brief picture of each chapter is given below:

Chapter One serves as the introduction of the study by providing a brief description of the research background and the different methods of establishing *Ar-Rahnu* contract approved by the Muslim scholars. the chapter also covers the problem statement, research questions and objectives, significant and scope of study.

Chapter Two discusses and provides a review of the literature related to the studies conducted on *Ar-Rahnu* and it is arranged in accordance with the research variables, which discusses the previous studies carried on attitude, social influence, religious obligation, pricing system and intention to use. This was designed in order to build the theoretical framework for this study.

Chapter Three is the section whereby the researcher describes the theoretical framework used for this study as well as the research design and methodology employed in this study. This chapter also discusses the hypotheses development. The chapter as well detailed the data collection method applied for this research as well as the analysis technique and the statistical tools used to analyze the gathered data.

Chapter Four discloses the findings obtained for this research and the interpretations which are arranged in accordance with the research hypotheses.

Chapter Five is the final section of the study and it represents the summary of the findings in line with the research objectives. The chapter also presents the contribution of this research, the implications as well as recommendations and future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This is the second chapter of the study and it will cover the relevant literatures and the findings of the previous studies carried out in Islamic pawn broking. Uma Sekeran (2003) stated that a literature review is a documentation of the comprehensive reviews of the past studies and it is obtained from secondary sources in accordance with the researcher area.

Based on that, this section of the study will discuss the studies done in *Ar-Rahnu* from various angles and findings. The chapter is divided according to the variables used in the study which includes the independent variables as well as the dependent variable. The chapter will at first review the literature related to the dependent variable of the study that is intention to use. In this section the Theory of Reasoned Action (TRA) will also be addressed, this will be followed by the independent variables of the study that is attitude, social influence, religious obligation, and pricing system. All this discussion will be used as supporting evidences of the study. Lastly the chapter will as well cover the theoretical framework as well as the research hypotheses.

Since the last two decades, the creation of Islamic pawn broking (*Ar-Rahnu*) has successfully minimized the impact of the conventional pawn broking which is largely owned by Chinese (Ibrahim, Yaacob et al. 2012). Mohamed and Sanusi N.A., (2005) stated that customers will prefer the Islamic pawn broking system as its service charge are more cheaper than the conventional pawnshops. In Malaysia there are studies conducted in *Ar-Rahnu*. Shaari Abd. Hamid and Azlina Abdul Aziz (2003) has employed 267 respondents from the state of Kelantan to compare the demographic and lifestyle profiles of small Islamicised conventional based pawn shops with a large institutions i.e. (PKB and Bank Rakyat).

184 of the respondents were from the large institution of *Ar-Rahnu* and the rest 83 represented the small conventional pawnshop customers. Their finding was that the Islamicised conventional pawn broking were attracting the low income group of the society where they had been serving them in the Islamic way. They also found that they have influenced the female more than the males (Ibrahim, Yaacob et al. 2012). Consistently, one of the objectives of this study is to identifying the differences between the demographic factors towards the intention to use *Ar-Rahnu*.

Furthermore, a study done by Hanudin Amin et al. (2007) has also examined 384 respondents by investigating the relationship between the independent variables that is (Sharia view, pricing system, pledge asset, customer service, locality of Islamic-based pawn broking) and the dependent variable which is (acceptance of Islamic-based pawn

broking). They found that only three independent variables which are Sharia view pledge asset and customer service has significantly correlated with the dependent variable which is acceptance of Islamic-based pawn broking. Whereas the remaining two variables that is pricing and locality of Islamic-based pawn broking has insignificantly correlated with the acceptance of Islamic-based pawn broking.

The studies conducted on Islamic pawn broking are quite limited especially the quantitative approach of it (Bhatt and Sinnakkannu 2008). Though, some studies that have examined the existence and the operational system of *Ar-Rahnu* have been carried out by a number of researchers. Other studies have researched the importance of having pawn broking system which is differ from that of conventional (Sanusi and Johari, 2006; Mohamed et al., 2005; Lao, 2005; Ismail and Ahmad, 1997; and Rugayah, 1986).

These researchers have discovered in their studies the issues related to the Sharia views concerning the factors of pricing system, assets pledged, customer service and also the locality of Islamic pawn broking activity. Precisely, Ismail and Sanusi (2005) have carried on studies on the importance of the Sharia element in operating the Islamic based pawn broking scheme. They have emphasized on the Islamic principles of *Wadiah*, *Qardhul Hasan* and *Ujra* in forming the contract and operating the system. They said these values needs to be given a strong attention in building the Islamic pawn broking scheme as each one of it provides its own contribution for the system to be different from that of conventional pawn system.

For instance, the factor of pricing which is used in the Islamic based pawn contract for the service fees charged is dissimilar from the conventional which imposes 2 percent interest. This evidence is found in the study conducted by Mohammed *et al.* (2005) that the service charge enforced by *Ar-Rahnu* is comparatively cheaper than that of the conventional pawn broking system that imposed 2 percent.

This means that the cost of getting loan from Islamic pawn broking system is lesser than the conventional scheme. These findings will highly contribute to the importance of having *Ar-Rahnu* scheme as it offers a rivalry price that will reflect the ordinary pricing structure in the market (Bhatt and Sinnakkannu 2008). Furthermore, there are studies that have researched the accepted sorts of stuffs to be pawned as collateral (Sanusi and Johari, 2006; Mohamed *et al.*, 2005 and Ismail and Ahmad, 1997).

Sanusi and Johari declared that Islamic based pawn broking takes only gold and the Jewellery that is made from the gold. Compare to the conventional pawn shops which accepts objects further than the gold and jewellery. This includes Rolex watches that its prices vary from \$7,000 to \$10,000 respectively as stated by Ariel Adams in his watch review article (Ariel Adams). The conventional pawnshop also receives diamond and other valuable items as the system is not restricted only for the gold and jewellery (Sanusi and Johari, 2006).

The finding of Sanusi and Johari is parallel with the studies made by Mohammed et al., (2005) and Ismail and Ahmad (1997). According to Mohammed et al., (2005) the objects that is pawned are the gold and platinum. Platinum is a chemical component and one of the precious metal, it's a gray-white color. Its name is derived from the Spanish word *platina* which means the "little silver". Ismail and Ahmad (1997) on the other hand stated that the items used in the pawn contract include jewelry and the electronic properties. They also mentioned that the gold objects are among the appropriate items to be mortgaged as it maintains its value over a time.

This study is carried out to determine the customer's intention to use Islamic pawn broking system (*Ar-Rahnu*) by investigating the factors that influences their intention to select the scheme. Accordingly, a contemporary study by Santhi Appannan and Gaithry Doris (2011) researched the level of public awareness towards *Ar-Rahnu* and the key factors that influence the public to pursue the Islamic pawn broking in Sungai Petani, Kedah. In their study a total of 150 respondents were studied. Their findings showed that the public in Sungai Petani are in diverse level of awareness to the system of *Ar-Rahnu*.

As there are three different races, the result presented that most of the Malays and Chinese were familiar and aware of the system while the Indian were not aware of the scheme or having a low awareness (Appannan and Doris (2011)). More important of which they have found is that the majority of *Ar-Rahnu* users are those who are in a lower income group. Other noteworthy of their findings is that the major influential factor

for the public to pursue and make use of the scheme was its cheapest cost. This factor is termed in the present study as the pricing system.

The rest of the factors used by Appannan and Doris 2011 namely; confidential, low income and customer service indicated less significance factors. Moreover, a recent study by Azizah Othman et al. (2012) examined the customer satisfaction levels of service quality at *Ar-Rahnu* in Kelantan. The study carried out 300 respondents and the result indicated that the major factor that driven the customers to use *Ar-Rahnu* system was the company's way of handling problems.

Additionally, a study by Mansor et al. (2013) examined the customer acceptance towards *Ar-Rahnu* in Dungun, Terengganu. The variables used were; storage charge, service quality, locality and management. In the study, a total of 330 respondents were selected for the survey and the result showed that all the variables were highly significant and correlated with the customer acceptance towards *Ar-Rahnu* system.

All the above stated studies and the findings discussed were in the arena of the customer satisfaction, acceptance levels, awareness of *Ar-Rahnu* scheme and the importance of having such system in the market. These studies have investigated a number of various variables to reach their objectives of the research. However, those studies have not investigated the elements that motivate the customer's intention to select the Islamic pawn

broking system except the study conducted by Appannan and Doris (2011) which aimed at identifying the level of public awareness towards the system followed by the factors that influence the public to pursue *Ar-Rahnu*. Hence, this study aims at determining the customer's intention to use Islamic based pawn broking by investigating the factors that influencing their intention using the variables of attitude, social influence, religious obligation and pricing system.

2.1 Intention to Use

Intention is the probability that an individual may or may not perform a particular behavior (Ajzen & Fishbein, 1980). The theory of reasoned action by Ajzen and Fishbein 1980 suggests that the performance of a certain behavior is a meaning of an individual's intention to engage in that behavior. Therefore, the intentions are considered as the 'immediate determinants' of behaviors according to the TRA model.

According to the theory, investigating the determinants of individual's intentions is necessary in order to find greater vision into his/her behavior. In the (TRA) model, the authors mentioned two essential determinants of intentions i.e.: attitudes and subjective norms. Attitude is defined as whether the performance of a certain behavior or action is deemed as being good or bad by a person (Ajzen & Fishbein, 1980). For example, if a person considers using *Ar-Rahnu* system as good which is a positive attitude toward *Ar-Rahnu*, then he/she is more likely to have the intention to use the scheme of *Ar-Rahnu*.

Subjective norm on the other hand, is defined as the ‘specific behavior instructions that are attributed to a general social agent’ (Ajzen and Fishbein, 1980). For instance, if an individual sees that others are commonly supporting the usage of *Ar-Rahnu* which is positive subjective norm, he/she will have a great intention to use such system. Hence, according to the (TRA) the individual’s attitudes as well as the subjective norm (commonly known as social influence) will collectively determine his/her intention to use or perform a particular action.

Further, behavioral intentions can be referred to as the indications of how hard the individuals are willing to perform a particular behavior, and how much effort they are planning to employ in order to undertake the behavior (Ajzen, 1991). A study by Ramayah et al. (2005) examined the intention to use an online bill payment among part time MBA students in University Sains Malaysia (USM) to determine the factors that influence the intention to use an online bill payment system. A survey involved 120 students was carried out. They found that perceived ease of use and perceived usefulness were significantly influenced the intention to use the online bill payment. Similarly, this study is to determine the customer’s intention to use *Ar-Rahnu* scheme.

2.2 Theory of Reasoned Action

The theory of reasoned action is a theory that was first introduced by Fishbein in 1975 which aims at predicting the human behaviors that are under optional control. The theory is an attempt to draw and explain the relationship between the *attitudes, beliefs,*

intentions and *behavior* (Emmanuel Tlou, 2009; Timothy Rogers, 2009). It is a commonly studied model in the social psychology areas as it concerns the determinants of deliberately intended behaviors (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980).

Ajzen and Fishbein, 1980 claimed that in order to determine the factors that influencing the behavior of an individual it is important to consider the beliefs that an individual believes about him/herself as well as his/her environment (Fauziah *et al.* 2008). The theory of reasoned action supposes that the human beings typically behave in a reasonable manner in order to obtain favorable results and meet the expectations of the others (Fishbein and Ajzen, 1975).

According to the theory, the behavioral intention is what determines a behavior. And the behavioral intentions of the person is determined by the attitude towards performing an action, it is also determined by subjective norms that are linked with the particular behavior (Tlou, 2009). The attitude is defined by the person's beliefs about the results or the characteristics of performing a particular behavior known as 'behavioral beliefs' assessed by the evaluations of the consequences (Park and Levine, 1999).

The subjective norm of the individual on the other hand is defined as whether the people around the person agrees or disagrees to certain action undertaken by the individual. It consists of normative beliefs and motivations to perform. Normative beliefs refer to the

individual's perceptions about what the others would think if he/she undertakes the behavior. Motivation to perform is the individual's tendency to act in accordance to the way of his/her reference group's beliefs (Park and Levine, 1999).

Accordingly, the theory of reasoned action is used in a number of different studies such as the research conducted by Rogers, (2009) who examined the men's intentions to seek psychological help. Other studies that utilized the theory of reasoned action include the study of Tlou, (2009) that aimed at determining whether the variables of the (TRA) would predict the intentions to change the HIV/AIDS health behavior, and the study of Alsughayir and Albarq, (2013) who examined the applicability of theory of reasoned action in the situation of internet banking intention.

With regard to the field of the present study which is related to Islamic banking system, there are studies that applied the (TRA) such as the study by Fauziah *et al.* (2008) who examined the acceptance level of Islamic home financing using the theory of reasoned action (TRA). Amin, Abdul Rahman and Ramayah (2009) investigated the acceptance level of Islamic accounting by undergraduate students at University Malaysia Sabah (UMS) also using the theory of reasoned action (TRA).

The finding of these researches indicates that the acceptance level of Islamic finance can be explained by using the factors of theory of reasoned action (TRA) Amin et al., (2009)

and Fauziah *et al.* (2008). Therefore, in this study the researcher uses the theory with an extension of variables to determine the usage intention of Islamic pawn broking (*Ar-Rahnu*) scheme. These variables are; attitude, social influence, religious obligation, pricing system and intention to use Islamic pawn broking (*Ar-Rahnu*) system.

2.3 Factors influencing the Intention to use *Ar-Rahnu*

A study by Amin *et al.* (2007) investigated the relationship between five factors that is; Sharia view, pricing system, pledge asset, customer service and locality of Islamic pawn broking with the dependent variable which is (acceptance of Islamic pawn broking). In their study, 384 respondents were involved in the survey. Their results showed that only three out of the five factors which are Sharia view, pledge asset and customer service found to be significantly correlated with the acceptance of Islamic pawn broking. In this study, the researcher used four other dimensions to determine the customer's intention to use *Ar-Rahnu*, these dimensions are; attitude, social influence, religious obligation and pricing system.

2.3.1 Attitude

Attitude is one of the factors that introduced by Fishbein and Ajzen, (1975) in their theory of reasoned action (TRA) i.e. *Belief, attitude, intention and behavior*. By definition, attitude is the evaluation of the individual's positive or negative approaches in performing certain action or behavior (Fishbein and Ajzen, 1975). Suki and Ramayah,

(2010) mentioned that attitude is the cause of the intention. Attitude is determined through the evaluation of an individual's beliefs about the results arising from performing a certain behavior and also the assessment of the needs for these results.

Attitude is a factor considered as a concept that leads the future behavior or the cause of the intention where it finally leads to a certain behavior (Gopi and Ramayah, 2007). It has been proved that attitude is an influential factor toward the people's intention to use in different field of studies (Ramayah et al., 2003; Teo and Pok, 2003; Yulihastri, 2004; Ramayah and Suki, 2006). For instance, Ramayah and Suki (2006) studied MBA student's intention to make use a mobile personal computer. They found that attitude has significantly correlated to behavioral intention.

Other studies include the study by Amin and Chong (2011) who has documented that attitude has a significant influence on the customers to use Islamic pawn broking. Amin et al, (2010) also found that attitude has significantly influenced the customer's intention to choose Islamic banking products and services, such as Qardhul Hassan (benevolent loan) financing, Musharakah Mutanaqisah (diminishing partnership home financing) and Islamic personal financing.

Furthermore, a study by Gopi and Ramayah (2007) has studied the intention to use an online trading scheme, and they found that attitude has recorded a positive effect on the

intention to use. Tarkiainen and Sundqvist (2005) have as well studied the consumer's intentions to buy organic food, and declared that the consumer's intentions to buy can be predicted by their attitude. This finding is similar with the study conducted by Lada et al. (2009) who examined the factors that lead the consumer to choose Halal products, and found that attitude has significantly associated to the consumption of the Halal products.

Similarly, in this study it is highly anticipated that the intention to use Islamic pawn system is influenced by the individual's attitude. Hence, the theory of attitude is suggesting that the more positive attitude a person possesses to certain product or service, the more likely that the individual is to use that product or service (Karjaluoto *et al.*, 2002). And the overall attitude to certain objects is anticipated to be linked to the behaviors towards the object (Ajzen and Fishbein, 1980).

2.3.2 Social influence

Social influence can be defined as the change in the individual's thoughts, feelings, attitudes, or his/her behaviors as a result of interacting with another person or group (Rashotte, 2007). In another word, Cialdini (2001) defined social influence as a change in one's beliefs, attitudes or behavior resulting from external pressures which can either be existent or imaginary. Social influence is different from conformity, power and authority. Conformity also known as obedience or subordination happens when the person acts in accordance with a particular opinion in order to fit the given situation or to meet the expectations of others even though he/she does not believe in that opinion or that the

behavior is appropriate (Rashotte, 2007). It is a compliance with a given standards, rules or laws.

Power on the other hand, is the capability to force or to pressure while controlling the outcomes. And the authority is the command or supremacy that is considered to be legitimate. Lisa Rashotte (2007) stated that social influence is dissimilar to any of these factors. And as a result, social influence is defined as the process whereby individuals make real changes to their feelings and behaviors while acting in accordance to a given situation as a result of interacting with others who are deemed to be similar.

The individuals are highly influenced by the majority group in which the person is belongs to, if a great portion of the social group holds a specific attitude or opinion, it is more likely that the person will adopt it too. Moreover, the individual can change an opinion as a result of the influence of another who is considered to be an expert in the given matter.

Since 1959, scholars were differentiating the true social influence from the forced public acceptance (Rashotte, 2007). Rashotte has further addressed the concept known as the minority influence. Minority influence happens when a minority group of people tries to influence or change the majority or a large portion of a people. For instance, when a

teacher influences the student's beliefs, political and religious leaders often change the behavior of their followers.

Furthermore, a theory produced by Bibb Latane (1981) known as social impact theory is actively forms the basis of today's inquiry called 'dynamic social impact theory'. Basically, the social impact means the changes that might happen in the individual physiological, cognitive, emotional or behavioral results from the action of others which are actual, imaginary, or estimated (Rashotte, 2007). The theory of social impact suggests that the impact of an information source is derived by three factors i.e.: the number of people who made up that source, their closeness to it, and their strength or power.

The theory of dynamic social influence (Latane 1996) adopts these notions about the social impact in order to define and estimate the circulation and the spreading of the beliefs via social systems. Accordingly, social structure is the result of peoples influencing each other in a dynamic and frequently manner. Moreover, the theory points out that the probability of someone being influenced by another nearby, rather than distant person. The factor of closeness or nearness stated above produces localized values of beliefs in the communication nets.

The theory of dynamic social influence views the society as a system of self-organizing compound in which the people interrelate and influence each other's opinions. Further, the structural approach toward the social influence examines the interpersonal impact that happens in a larger network of impact (Rashotte, 2007). Hence, attitudes and opinions of the people are reflected by the attitudes and opinions of their referent groups. The interpersonal impact is considered as the basis of people's socialization and identity.

Social influence on the other hand is deemed as the process by which a group of people weigh up the opinions of others within the context of social structural restraints (Rashotte, 2007). Social influence arises in numerous forms and can be seen in traditional values, socialization, parallel pressure, view, trades, and marketing (MA Hamid *et al.* 2014). It occurs when a person's thoughts or accomplishments are influenced by other persons.

As for the findings and inferences of the previous studies on social influence, the term is referred to subjective norm or normative pressure (Amin *et al.*, 2011). Subjective norm is the original factor in the theory of reasoned action developed by Fishbein and Ajzen (1975) and it is commonly referred to social influence (WL Koe, NZA Rahman, 2014). Taib *et al.* (2008) studied the level of acceptance of diminishing partnership (*Musharakah Mutanaqisah*) and found that subjective norm has associated with the level of acceptance, and that it was influential factor to predict the intention to use Islamic financing. Other

studies by Venkatesh and Davis (2000) and Teo and Pok (2003) documented a significant correlation between subjective norm and behavioral intention.

Amin and Chong (2011) studied the customer's intention to use *Ar-Rahnu*, and found that social influence has significantly influenced the customer's intention to choose Islamic based pawn broking. Additionally, several researchers including Taib *et al.* (2008) and Amin *et al.* (2011) had unanimously declared that subjective norm is a factor that played a significant role in influencing the customer's intentions to use Islamic financing packages (WL Koe, NZA Rahman, 2014). Respectively, in this study it is foreseen that customer's intention to use Islamic pawn broking is influenced by the social influence factor.

2.3.3 Religious obligation

Religious obligation is defined as the role of religion that influences the individual's choices and deeds (Amin et al. 2011). The Muslim society is influenced by Islamic views based on *Sharia* (Sulaiman, 2003). *Sharia* is an Arabic word literally means, 'the path or the way' or 'the straight path to be followed' (ISRA, 2012). The word is used in the Qur'an referring to this meaning in the below verse:

قال تعالى: ثُمَّ جَعَلْنَاكَ عَلَىٰ شَرِيعَةٍ مِّنَ الْأَمْرِ فَاتَّبِعْهَا وَلَا تَتَّبِعْ أَهْوَاءَ الَّذِينَ لَا يَعْلَمُونَ ﴿١٨﴾

“Then We put you, {O Mohammad} on an ordained way concerning the matter {of religion}; so follow it and do not follow inclinations of those who do not know” (45:18).

Technically is defined as the comprehensive guides of Islamic teachings and systems that revealed to Prophet Mohammad (p.b.u.h), recorded in the Holy *Qur'an* and the Prophet Sayings and lifestyle which is known as *Sunnah*. The combination of the two is then called 'Islamic law' or *Sharia*. From the view of the fact stated in the above verse, whereby the Muslims are commanded by Allah (S.W.T) to follow the ordained way concerning the religious matters, this study used the religious obligation as one of the factors to determine the customer's intention to use *Ar-Rahnu* scheme.

With regard to the previous studies on religious obligation, a study by Omar (1992) examined 300 Muslims living in the United Kingdom while studying about the implication of Islamic beliefs and practice. He found that religious obligations were a significant factor in motivating the Muslims in the UK to contract and conduct transaction with the Islamic financial institutions. A study by Metwally (1996) on the attitudes of Muslims towards Islamic banks found that religious factor was the most significant in determining the Muslims attitudes towards Islamic banks.

Moreover, Metawa and Almosawi (1998) studied the banking behavior of Islamic bank customers and found that the most important factor for the use of Islamic bank services was 'religion'. Another study by Haque et al. (2011) who examined the religious image towards the perception of young Muslim consumers, found that religiosity has positively influenced the young Muslim customer's purchasing behaviors.

Further, Amin et al. (2011) surveyed the customer's intention to use Islamic personal financing and determined that religious obligation significantly influences the customers to use Islamic personal financing. Okumus (2005) in his study of customer satisfaction and bank selection criteria found that the main reason for the customers to use Islamic bank products was religion. All these studies have recorded that the religious obligation is an influential factor that affects the customer's choice. Therefore, in this study religious obligation is used as one of the factors that influence customer's intention to use *Ar-Rahnu* system.

2.3.4 Pricing system

Pricing is basically defined as the time and money spent in order to carry out financial transaction (Mishkin and Eakins, 2008). It is a means of organizing economic activities. In *Ar-Rahnu* scheme pricing plays an important role as the system is deemed to be a *Sharia* compliant alternative to that of conventional pawn broking. The significant of the pricing factor for the pawnshop transactions have been studied by (Mohammed et al., 2005; Ismail and Ahmad, 1997).

Mohammed et al. (2005) stated that the charging fee imposed by Islamic pawnshops is cheaper compared to that of conventional pawnshop which imposes 2 percent as interest. This declaration is in line with the study carried out by Ismail and Ahmad (1997) who asserted that the cost of getting immediate cash financing from Muassasah Gadaian Islam

Terengganu (MGIT) is cheaper than that of conventional pawnshop which charges 2 percent for pawned items.

Further, Amin et al. (2011) in determining the customer's intention to use Islamic personal financing found that price has influenced the customer's intentions to use Islamic personal financing. Similarly, Amin et al. (2010) stated that price has influenced the bank customer's acceptance toward *Al-Qardh Al-Hassan* financing. Additionally, Appannan and Doris (2011) surveyed the Islamic pawn broking awareness and factors influencing the system in Sungai Petani Kedah, and found that cheap cost of loan was the most significant factor that influenced the public to pursue *Ar-Rahnu* system. Hence, in this study it is expected that the intention to use *Ar-Rahnu* is influenced by its transactional cost.

2.3.4.1 The Pricing System and Loan Policy of the Different Islamic Pawn broking in Malaysia

- Muassasah Gadaian Islam Terengganu (MGIT)

MGIT was the first Islamic pawn broking established by the Terengganu State Islamic Affairs and Malay Customs in January 1992. The items received by (MGIT) as collateral for the loan given are only gold or diamond jewellery. The amount of loan granted should be not more than 75 percent of the item's value. The amount of loan given is only up to

RM 1,500 per item. The loan period is three month, and if the customers fail to pay back they can extend for three month. This means that (MGIT) only gives six month loan period to pay back whereby if the customers fail to repay, the collateral will be auctioned by MGIT and any surplus will be returned to the customer (Razak, 2004).

- Permodalan Kelantan Berhad (PKB)

PKB was the second Islamic pawnshop in Malaysia began operation in March 1992 and it is a subsidiary opened by Perbadanan Kemajuan Iktisad Kelantan (PKIK). The collateral recognized is similar to MGIT which is only gold and jewellery. The loan granted to customers should not exceed RM 5,000 and it should be 60 percent of the item value. The loan period is six month and the customers can extend the time if they are unable to pay back subject to agreement between both parties. If the customer fails to repay, the item will be auctioned and any surplus will be given back to the customer.

- Bank Kerjasama Rakyat Malaysia Berhad

Bank Rakyat or Bank Kerjasama Rakyat Malayisa Berhad is an Islamic based bank established on 18 September 1954. Bank Rakyat has introduced *Ar-Rahnu* scheme on August 1993. Objects accepted as collateral are only gold and jewellery. The loans given to customers should not exceed 60 percent of the object value. The amount of loan allowed per period is RM 5,000 or an accumulative amount not exceeding RM 25, 000

per customer. The loan period is six months and the customer can extend it for another four months.

Similarly, if the customer fails to pay back the amount, Bank Rakyat will auction the object and deduct the loan amount granted to the customer as well as the safekeeping fees. Then any surplus will be returned to the customer (Razak, 2004). It should be noted here, that the banks and any creditor who holding an asset as collateral is expected to send a notice alerting the customer before selling the object. Then if the customer is unable to claim the object, the bank shall auction the object in a just and valuable market price.

- Bank Pertanian Malaysia (Agro Bank Malaysia)

Agro Bank Malaysia is the current name of Bank Pertanian. The bank operates in 132 branches nationally, and it has introduced Al-Rahnu scheme in 12 branches of its total outlets. The bank accepts only gold and jewellery as collateral. The customer will be given a loan that does not exceed 60 percent of the market value of the pawned item. The amount limit allowed per day is RM5, 000 and a cumulative of RM50, 000. The loan period is six months with an extension of another three months and a final extension of two months (Razak, 2004).

2.3.5 Demographic Factors

Demographic factors can be defined as the studies of a population based on the factors of gender, age, race, education level and income level. It can also be referred as the socioeconomic characteristics of a population uttered statistically, such as age, gender, race, education and income. The previous studies on the demographic factors have shown significant findings. A study by Poon (2007) examined the usage of electronic banking services. A total of 324 respondents were surveyed. The finding showed that the different age groups, education level, income level, computer knowledge, and internet accessibility has significant relationships with the usage of electronic banking.

Precisely, the finding indicates that the young age group is more knowledgeable in computer and as a result finds it easy to use new technologies such as electronic banking (Poon, 2007). This finding of Poon (2007) is in line with the studies conducted by Jarvenpaa and Todd (1997), Harrison and Rainer (1992), and Zeffane and Cheek (1993). Further, a study by Black *et al.* (2001) stated that past experience significantly influences customer's willingness to use electronic banking.

Moreover, these studies have also found that conducting financial transactions through electronic banking is basically related to a consumer with experience and computer knowledge. Further, the studies found that the high and middle income group appears to be significant wealthy users. These results are also consistent with the findings of Wilhelm, 2000, Martin, 2003, Im *et al.*, 2003, and Lassar *et al.*, 2005).

Furthermore, a study done by Metawa and Almoosawi (1998) investigated the banking behavior of Islamic bank customers. A sample of 300 respondents was involved in the study. After a comprehensive profile analysis conducted to examine the relationship between the major socio-demographic factors and the usage of Islamic bank product/services. They found that there is a significant relationship between customer age and the usage of 'current accounts'.

More specifically, the result showed that this product (current accounts) is relatively more common among the older customers who are between the ages of 35-50 years old. Added to this, their results showed that there is a significant relationship between customer age and the usage of ATM cards. This product is more common among the customers aged 25-50 years old. As for the income level, Metawa and Almoosawi (1998) also found that there is a significant relationship between customer's income and the usage of 'current account'.

The result also indicated that there is a significant relationship between the customer's education level and the usage of 'current account' as well as 'ATM cards', which concludes that these two products are more common among the well-educated customers compared to those customers of low education level. In addition, Hamid and Masood (2011) conducted a research to examine the selection criteria of customers for Islamic home financing by studying the factors of gender, age, income, and occupation. In their study the majority of the respondents was male and based on their response, the main

factor that they consider in selecting Islamic home financing is Sharia principle followed by fast and efficient services, price, banks reputation, and terms and condition of the product.

As for the female answers, they also consider Sharia element at first, followed by price, fast efficient services, and terms and conditions of the product. The result showed that Sharia principle was significant at 5 percent for both males and females.

In terms of ages, the customers who were between the age of 30 and 40 years, considered Sharia, fast services, bank reputation, terms and condition, and price as important factors. And for those customers, who were between the age of 40 and 50 years considered Sharia as the top most important factor, followed by price, fast and efficient services and reputation. But for those customers aged above 50 years, the main factor in selecting Islamic home financing is terms and conditions, followed by fast and efficient services and ends with Sharia principle.

Further, with regard to the income level, the most important factors for those respondents who receive income 10,000-40,000 are Sharia principle, fast service, and reputation. Customers with an income level of 40,000-100,000 deemed Sharia, fast service and terms and condition as important factors. Respondents with income level above 100,000 believed Sharia, price and fast and efficient services as the most important factors.

Therefore, by reviewing those previous studies and reporting their findings on the demographic factors as supportive evidences for this research, this study aimed at identifying the differences between the demographic factors of gender, age educational level, and monthly income level with the intention to use *Ar-Rahnu*.

2.4 Theoretical Framework

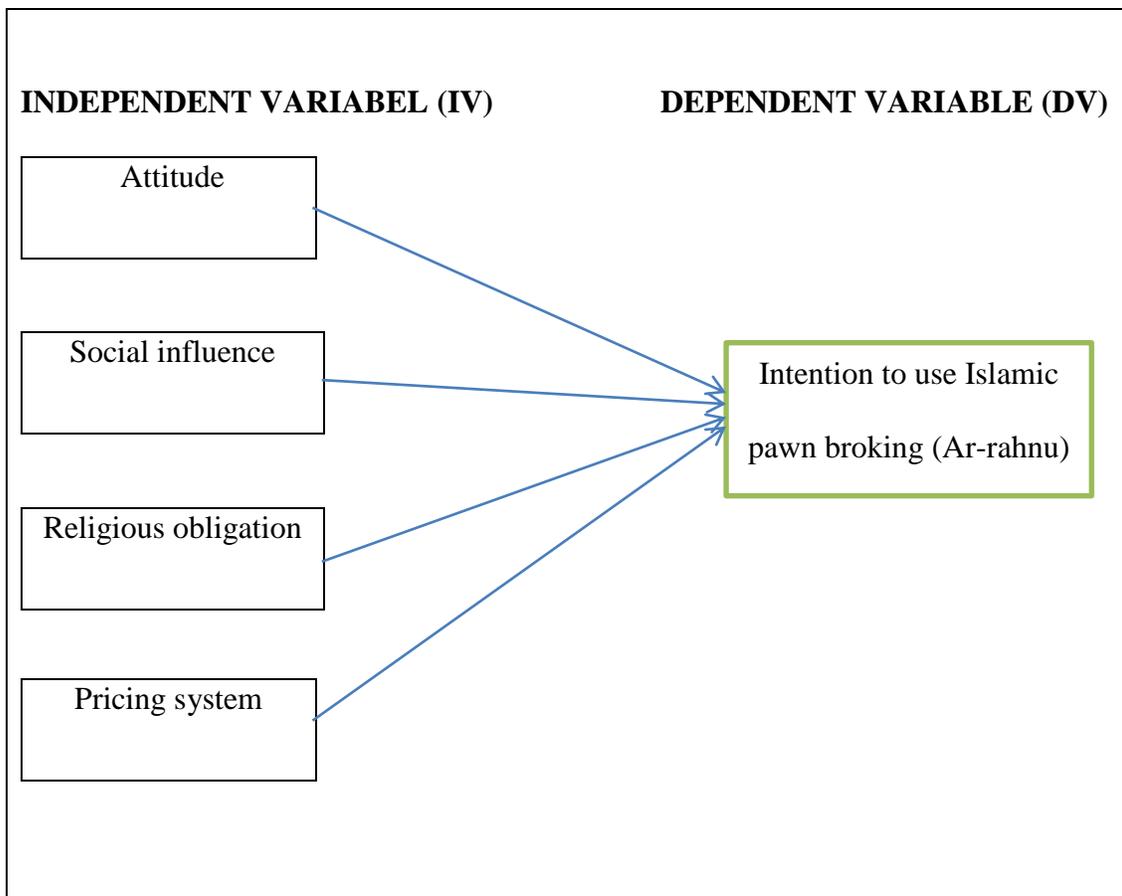


Figure 3.1: Theoretical Framework

According to Uma Sekeran (2003), a theoretical framework is a conceptual model of how one can make rational meaning of the relationships between the identified factors. The theoretical framework is the basis on which the whole research project is based. Sekeran

further stated that, the theoretical framework discusses the correlations between the variables that are considered to be essential to the situation being examined. A variable is something which can take on differing or changeable standards (Sekeran, 2003). There are four main types of variables, and this study only uses two of them, that is dependent variable and independent variable. Dependent variable is the variable that the researcher has a primary interest on it, whereby the researcher's goal is to define, understand or explain the variability or the changeability. The independent variable on the other hand, is the one that influences the dependent variable on either a positive or negative way (Sekeran, 2003). In other word, the independent variable is the variable that the researcher has a control over it, where he/she can select and manipulate.

In this research, a total of five variables has been used which are categorized as dependent and independent variables. These variables as shown in the model above are attitude, social influence, religious obligation, pricing system and intention to use Ar-Rahnu system. The variable of intention to use is categorized as dependent variable whereby the research will heavily concentrate on it. The rest of the variables which are attitude, social influence, religious obligation and pricing system have been used as the independent variables of the research.

2.5 Hypotheses Development

Having developed a conceptual framework, then, testable hypotheses can be developed in order to test whether the model framed is valid or not. A hypothesis is an assumption or a

theory that is provisionally accepted in order to interpret a certain phenomenon and to provide direction for further investigation. According to Uma Sekeran 2003, a hypothesis is a logically estimated relationship between two or more variables which stated in an appropriate testable statement. The relationships are estimated based on the network established in the theoretical framework that is conveyed for the research study. Accordingly, in this study the following hypothesis were drawn from the theoretical framework of the study.

H0: There are no significant differences between the intention to use Islamic pawn broking (*Ar-Rahnu*) and the demographic factors of (gender, age, educational level, monthly income level)

H1: There are significant differences between the intention to use Islamic pawn broking (*Ar-Rahnu*) and the demographic factors of (gender, age, educational level, monthly income level)

H0: There is no significant relationship between the intention to use Islamic pawn broking (*Ar-Rahnu*) and attitude, social influence, religious obligation, and pricing system

H1: There is significant relationship between the intention to use Islamic pawn broking (*Ar-Rahnu*) and attitude, social influence, religious obligation, and pricing system.

H0: There is no significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use Islamic pawn broking (*Ar-Rahnu*).

H1: There is a significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use Islamic pawn broking (*Ar-Rahnu*).

2.6 Conclusion

In this chapter the relevant literatures and the findings of the previous studies were reviewed. A detailed discussion was made on the research variables, which are attitude, social influence, religious obligation, pricing system and intentions to use. This chapter of the study has also reviewed the related literatures concerning the concept of theory of reasoned action (TRA). Added to this, researches conducted on the demographic factors such as age, gender, education level, and income level were reviewed as well and their findings were reported in a detailed manner in order to support the present research. In this chapter theoretical framework and the research hypotheses was as well developed. The findings of the reviewed studies indicate that all the variables used in this research were significant and that they are influential factors towards people's intention to use. Therefore, this study is carried out to determine the customer's intention to use *Ar-Rahnu* scheme rather than that of conventional system. The methodology applied in doing so, will be discussed in the following chapter of the study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This is the third chapter of the study and it covers the research design and methodology, data sources, unit of analysis, population and sampling technique, operational definition of the research variables, and the method used to measure the research variables. The research instrument is also discussed in this chapter as well as its reliability analysis using Cronbach's alpha. The chapter also discusses the technique applied to collect the data for the research and the tools used to analyze the collected data. The chapter further covers the normality test conducted for the collected data to ensure normal distribution of the data set.

3.1 Research Design

According to Barnes and Grove (2003) a research design is a "blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings". (Barnes, Grove et al. 2003). Uma Sekeran (2003) defined the research design as "a set up for deciding on how to collect further data, analyze and interpret them in order to provide an answer to the problem". The method used in this study was a

quantitative nature which aims at investigating the factors that influence the customer's intention to make use of *Ar-Rahnu* (Islamic pawn broking) system. The study is been designed as a descriptive type of research whereby a survey method was applied using questionnaires. The dependent variable of the study is intention to use, and the independent variables are attitude, social influence, religious obligation, and pricing system.

3.2 Data Sources

The study has obtained data from both primary and secondary sources. According to Uma Sekeran (2003), a primary data is the information obtained directly and personally by the researcher on the variables of interest for the specific purpose of the study, such as information obtained from individuals and focus groups. And the secondary data is the information collected from existing sources, for instance; company records or archives, government publications, industry analyses, web sites and so on.

As for the primary data, this study employs a questionnaire that will be distributed to respondents. And in terms of the secondary data, the study obtains information from previous works done in the Islamic pawn broking (*Ar-Rahnu*). This will be done by reviewing published journals, articles as well as books in the field of *Ar-Rahnu* (Islamic pawn broking).

3.3 Unit of Analysis

The unit of analysis is the level of combination of the data obtained during the subsequent data analysis stage (Uma Sekeran (2003). There are a number of researches conducted in *Ar-Rahnu* type of system. These studies are concerned more on the scheme itself; meaning to say, researchers has emphasized more on the acceptance, satisfaction, and awareness of the system by investigated different type of units or respondents. Precisely, a study by Mansor *et al*, (2013) studied the customer acceptance towards *Ar-Rahnu* by surveying certain units, that is, customers that had received financial assistance at *Ar-Rahnu* Maidam. Another study by Appannan and Doris (2011) studied the public awareness towards *Ar-Rahnu* by examining Sungai Petani community.

As for satisfaction part, Othman *et al*. (2012) researched the customer satisfaction level for *Ar-Rahnu* in Kelantan by selecting the unit of analysis through simple sampling technique. Other study by Amin *et al*. (2007) has examined an *Ar-Rahnu* shop acceptance model (ARSAM) by evaluating the factors that affect the local people of Labuan to accept *Ar-Rahnu* shop (Islamic-based pawnshop). Further, Shukor and Sabri (2013) conducted a research also on the customer satisfaction towards *Ar-Rahnu*, investigating the antecedents and consequences of customer satisfaction.

Additionally, a study by Ibrahim *et al*. (2012) conducted a study aiming at developing the best model of *Ar-Rahnu* services for cooperatives in Micro-financing in Malaysia, the unit of analysis for their study was three *Ar-Rahnu*'s groups: group 1 (YAPEIM, Bank

Rakyat and Agrobank), group 2 (MAIDAM, PKB) and group 3 (Co, Co Franchisee). Other studies also include the study by Hisham *et al.* (2013) who has reviewed the concept and challenges faced by Islamic pawn shops in Malaysia employing library and archive research. Moreover, there are also studies related to the concept itself and the importance of having such system as a form of short term financing alternative to reflect the average market price with the existent conventional pawnshops.

Accordingly, Zambahari *et al.* (2013) provided a study aiming at explaining the concepts and importance of *Ar-Rahnu* as a form of short term financing alternative which at the same time attempted to highlight the benefits of *Ar-Rahnu* and the issues related to the implementation of the system, the paper has then used descriptive method based on the available existing literatures. The paper also aimed at explaining the differences between conventional and Islamic pawn broking. And many more other studies have been done under *Ar-Rahnu* system.

The goal of reporting all these studies is to indicate the unit of analysis that most of *Ar-Rahnu* studies has used. As most of the previous studies conducted in *Ar-Rahnu* uses various unit of analysis, none of those studies have used the low income group widely and the support staffs of the organizations in particular, the support staffs meant here are those responsible for cleaning works, including gardeners and maintenance workers. Therefore, this study is conducted in order to fill this gap. The unit of analysis used in

this study is the individual employees of Uniutama Property SDN.BHD (UPSB) at University Utara Malaysia.

The justification of choosing this unit of analysis is that, the research aims at determining the customer's intentions to use *Ar-Rahnu* scheme. And the upper class of the society which includes the admin staffs in the example of organizations does not have the tendency of using such service. But the low and middle income group has the greater tendency to use the system.

3.4 Sampling Design

The sampling design is the method of choosing the correct individuals as representatives of the entire population. The element included for the sampling design of this study comprises the population of the study, sampling size and sampling technique.

3.4.1 Population of the Study

Uma Sekeran (2003) defined the population as the entire group of people, events, or things of interest that the researcher desires to examine. It is the total element from which the examiner collects data. It is the total factor that the researcher intends to draw a conclusion about. And in order to do that, a sample that is meant to be representative of the population is often used. For each population there are many possible samples. A sample statistic gives information about the corresponding population parameter, for

instance, the sample mean for a set of data would give information about the overall population mean. The target population employed for this study is the entire workers of Uniutama Property SDN.BHD (UPSB) at University Utara Malaysia, and their total number is received from the administration office which is said to be 500 workers.

3.4.2 Sampling Size

The sample size is the indication of the number of elements chosen to be included in the study. According to Roscoe (1975) in Sekeran (2003) the sample size that is greater than 30 and less than 500 are suitable for most studies. According to Krejcie and Morgan (1970) table for determining a sample size for a given population, if the total number of the given population is 500 the sample size is 217. Therefore, in this study the researcher has personally distributed 217 sets of questionnaires to the respective respondents according to the population size.

3.4.3 Sampling Technique

The sampling technique used in this study is probability sampling technique. Probability sampling is defined by Uma Sekeran (2003) as the technique whereby the elements in the population have a known chance of being chosen as a subject in the sample. This probability sampling can either be unrestricted also known as (simple random sampling) or restricted (complex probability sampling) (Uma Sekeran, 2003). In this research, the unrestricted (simple random sampling) is used. This is because the entire element of the

population has an equal chance to be selected as the study subjects. The researcher has obtained a permission letter for data collection from the university and brought it to the general manager of (UPSB) at University Utara Malaysia. The researcher was granted the permission by the office of (UPSB) to meet the respondents (workers) and distributed 217 sets of questionnaire according to the sample size of the study.

3.5 Operational Definition

An operational definition is the process of operationally defining a concept to render it measurable, which is done by looking at the behavioral dimensions, facets, or things meant by the concept. This is then converted into measurable elements in order to develop a measurement index of the concept (Sekeran, 2003). In this study, the constructs used in the research framework are defined below:

3.5.1 Attitude

Attitude toward the performance of individuals is defined as the person's positive or negative feelings about performing certain action or behavior (Fishbein and Ajzen, 1975). Attitude is the index of the degree to which an individual likes or dislikes a thing, and this is determined by the person's beliefs about performing a behavior (Ajzen and Fishbein, 1980). Ajzen and Fishbein, 1980, proposed four steps in defining the attitude from the person's beliefs. First, the subject's beliefs have to be drawn. Second, it has to be measured how a subject assesses the outcome of each belief. Third, the strength of this

belief needs to be measured by asking the subject certain questions to indicate the possibility that performing a behavior will end in a given outcome. And finally, the product of each outcome is multiplied by the corresponding beliefs strength to identify the subject's attitude (Ajzen and Fishbein, 1980). Hence, attitude is used in this study as an independent variable to determine the customer's intention to use *Ar-Rahnu*.

3.5.2 Social Influence

Social influence can arise in several forms which could be regarded as traditional values. It occurs when a person's thinking; opinions and actions are affected by other persons (MA Hamid *et al.* 2014). Social influence is then defined as the individual's awareness of those who are essential to him/her would or would not do the behavior in demand (Fishbein and Ajzen, 1975).

3.5.3 Religious Obligation

Religious obligation is defined as the role of believe that has an effect on the person's choices and in performing certain actions (Amin *et al.* 2011). Sulaiman (2003) stated that Islamic society is influenced by Sharia in making certain choices.

3.5.4 Pricing System

Fundamentally, price is defined as the quantity of payment or compensation granted by one person to another in return for goods or services. It forms the basis of exchange in the commercial transaction. In *Ar-Rahnu* system price plays a significant role as it reflects the conventional pawnshop pricing system. The charges imposed by *Ar-Rahnu* for the safekeeping is cheaper than the conventional charge which enforces 2 percent (Mohammed et al., 2005). Accordingly, this study uses pricing system as a factor that influences the customer's intention to make use *Ar-Rahnu* system.

3.5.5 Intention to use *Ar-Rahnu*

In general, intention is a psychological state that represents a commitment to carry on a certain action or actions in the future. From the theory of reasoned action perspective, Ajzen and Fishbein (1980) defined intention as the probability that the person may or may not perform a certain behavior, therefore acting upon particular behavior is the meaning of an individual's intention to engage in that behavior. *Ar-Rahnu* on the other hand, is an Arabic word means to detain or dedicate something which termed as (pawn). It is then defined as a contract between two parties, where one party (*ar-rahin*) provides an object (*marhun*) as a mortgage to obtain certain amount of loan and the other party (*murtahin*) provides the loan amount and takes the object as collateral for the loan. In this study, intention to use *Ar-Rahnu* is used as a dependent variable in order to determine the customer's intention to use *Ar-Rahnu* scheme.

3.6 Measurement of Variables

Measurement is defined as the assignment of numbers to objects or events according to their rules. This study aims at measuring the independent variables (IVs) and the dependent variable (DV). The (IVs) used for the survey are attitude, social influence, religious obligation and pricing system. And the (DV) is intention to use *Ar-Rahnu*. In order to measure these variables the researcher applies a descriptive type of research whereby a survey method is applied using questionnaire. The questionnaire is divided into two sections; the first section captures the demographic profile such as gender, age, marital status, race, education level, and monthly income level.

The gender was measured by asking the respondent to select one of two options that is male or female. Age was given four choices ranging from 20 years and below to 50 years and above. Marital status was categorized into single, married and widow/widower whereby the respondent will select one choice that represents his/her status. The race was given only two selections which are Malay and Non-Malay. As for the respondent's educational level, it measured by given four choices; primary school, secondary school diploma and none of the above, this is because the researcher decided to study those who fall under the low income and low educational level group as they have greater tendency to use *Ar-Rahnu* system.

The respondents was as well been asked their monthly income level and it measured by a range between RM500 and below to RM1500 and above. Apart from these six questions,

there was two more questions reflecting whether the respondent is *Ar-Rahnu* user or not and the major factor that inspires him/her to obtain *Ar-Rahnu* service. The former was measured by simply asking the respondent; are you *Ar-Rahnu* user, by giving choices of yes or no and the latter is measured by providing five factors whereby the respondent was asked to select only one factor that he/she deems it as a major one. These factors are; financial needs for daily expenses, to solve unexpected problems, to start a business, working capital and others. Therefore, the total number of questions for this section is 8 using Nominal measurement.

As for the second section of the questionnaire, the method of Likert scale of five-point was used to measure the variables of attitude, social influence, religious obligation, pricing system as well as intention to use *Ar-Rahnu*. Likert scale is a non-comparative scaling method and is one-dimensional which only measures a single trait in nature (Bertram, 2007). The respondents are asked to indicate their level of agreement or disagreement with the given statements through an ordinal scale. This scale is originally developed by Dr. Rensis Likert, a sociologist at University of Michigan. The most commonly used for this scale is a 5-point scale ranging from “Strongly Disagree” and ends to “Strongly Agree”.

Hence, the researcher uses the 5-point technique to measure the variables. Whereby, (1) rates as “Strongly Disagree”, (2) Disagree, (3) “Neither Agree nor Disagree”, (4) Agree and (5) “Strongly Agree”. Consequently, the respondent that rates the strongly disagree

or score (1) regarding the attitude statements shows that the respondent have negative attitude toward *Ar-Rahnu* system, and if the respondent circles the fifth point means that he/she have a positive attitude toward the system. Same goes to the rest of variables, if the statement is related to social influence and the respondent circles score (1) it shows that the intention to use *Ar-Rahnu* system is not affected by social influence and if the respondent circles score (5) it means that the intention to use *Ar-Rahnu* is affected by social influence.

As for the religious obligation and pricing system, the measurement is that; the score of (1) means that the religious obligation factor does not affects one's intention to use *Ar-Rahnu* system while the (5) score indicates that the religious factor affects one's intention toward using *Ar-Rahnu*, pricing on the other hand is measured as; the score of (1) tells the researcher that the pricing system operated by Islamic pawn shops does not influences the customer's intention to use *Ar-Rahnu* while the score of (5) shows that the pricing system functioned by Islamic pawn broking system (*Ar-Rahnu*) influenced the customer's intention to use the system.

3.7 Data Collection Technique

There are several methods used in order to gather the data as indicated by scholars such as, Uma Sekeran (2003) specified four techniques of obtaining the required data which are interviews which can be face-to-face, telephone, computer-assisted interviews, and electronic media interviews. The second method is through the use of questionnaires

which can be personally administered, sent via mail, or electronically managed. The other two are by way of observation of individuals or events and motivational methods Uma Sekeran (2003).

In this research, the questionnaire method was employed for data collection. A set of 217 questionnaires was developed, and it has been divided into two parts. The first part of the questionnaire covers the demographic profile of the respondents and it was a self-developed with a total number of 8 questions, and the second part of the questionnaire consists of the respondent's level of agreement or disagreement to the statements of the research variables. All items used in this part were adapted from previous studies according to their respective variables with a total number of 25 questions.

The distribution process was handled by the researcher himself whereby the questionnaire was handed over to the respective respondents as well as the collection procedures. Thus, this study applied self-administered questionnaire. The questionnaire was written in both languages Malay and English and the respondents was given few minutes to get it done whereby each set of questionnaire was designed to have it done in five to 10 minutes.

3.8 Research Instrument

A research instrument is a set of questionnaires, survey, test, scale, rating or tool that is designed to measure the research variables. This research uses instruments that were adapted from the previous studies for the purpose of this study. The table below shows the number of questions for each variable, the total number of items as well as the author.

Table 3.1:
Research Instruments and Sources

Variables	Authors	Number of questions	Total of Items
Demographic factors	Self-developed.	1-8	8
Attitude	Taib <i>et al.</i> (2008).	1-6	6
Social influence	Taib <i>et al.</i> , 2008; Ramayah and Suki, 2006.	7-11	5
Religious obligation	Metwally, 1996; Metawa and Almosawi, 1998; Naser <i>et al.</i> , 1999.	12-16	5
Pricing	Hanudin <i>et al.</i> (2011) and Mohammed <i>et al.</i> (2005).	17-20	4
Intention to use	Hanudin <i>et al.</i> (2011)	21-25	5

3.8.1 Attitude

Suki and Ramayah, (2010) stated that attitude is the cause of the intention. Attitude is considered as a factor that leads the future behavior or the cause of the intention where it ultimately leads to a certain behavior (Gopi and Ramayah, 2007). In this study, attitude is

the first independent variable of the study which the researcher aims at determining its influence on the dependent variable of the research that is intention to use. All the items used for the measurement of this variable were adapted from Taib *et al.* (2008), with a total number of 6 items and each item is measured by a five point Likert scale ranging from 1 = (Strongly disagree) to 5 = (Strongly agree). The table 3.2 below shows these items.

Table 3.2:
Attitude

No	Items
1	Choosing <i>Ar-Rahnu</i> is a good idea.
2	Choosing <i>Ar-Rahnu</i> is useful.
3	Choosing <i>Ar-Rahnu</i> financing is beneficial.
4	I appreciate <i>Ar-Rahnu</i> financing.
5	<i>Ar-Rahnu</i> is one of the best Islamic banking products.
6	<i>Ar-Rahnu</i> financing is positive.

3.8.2 Social Influence

Social influence is considered as the course by which a group of people weigh up the opinions of others within the context of social structural restraints (Rashotte, 2007). Social influence happens when a person's thoughts or actions are influenced by other people. In this study, social influence is used as the second independent variable. The total numbers of items used to measure this variable are five items, and it measured using

Likert scale of five points. All items for this variable were adapted from Taib *et al.*, 2008; Ramayah and Suki, 2006. The table 3.3 below shows the measurement of social influence.

Table 3.3:
Social influence

No	Items
1	Most people who are close to me think that I have to choose <i>Ar-Rahnu</i> financing.
2	It is expected by others that I should choose <i>Ar-Rahnu</i> financing.
3	Most people who are important to me think that <i>Ar-Rahnu</i> financing is useful.
4	Most people who are important to me think that <i>Ar-Rahnu</i> financing is beneficial.
5	Most people are assuming me familiar with the need of <i>Sharia</i> .

3.8.3 Religious Obligation

Religious obligation is a significant factor that influences the believers to select different products and services. The Muslim society is influenced by Islamic views based on *Sharia* (Sulaiman, 2003). Islamic finance and institutions are expected to comply with the Islamic principles in conducting business transactions and providing financial services. Any activities that may compromise the compliance with sharia principles will directly affect one's decision to use the services offered by Islamic institutions.

Therefore, Islamic pawn broking institutions must put more emphasize of the Sharia element, whereby the more the compliance with Sharia, the greater is the possibility of the individuals to use the Islamic pawn broking (Sulaiman, 2003). This study uses the religious obligation as the third independent variable of the research. All items used to measure this factors are adapted from Metwally, 1996; Metawa and Almosawi, 1998; Naser et al., 1999, with a total number of 5 questions. The method of Likert scale of five points was used to measure this variable. The table 3.4 below displays the measurement of religious obligation.

Table 3.4:
Religious Obligation

No	Items
1	<i>Ar-Rahnu</i> financing is in line with an Islamic philosophy of doing banking business.
2	<i>Ar-Rahnu</i> financing is based on Islamic principle business implementation.
3	An introduction of <i>Ar-Rahnu</i> financing is based on Al-Qur'an and Hadith.
4	<i>Ar-Rahnu</i> financing is free from <i>riba</i> .
5	<i>Ar-Rahnu</i> financing is free from fraud.

3.8.4 Pricing System

Price is defined as the money used in order to carry out financial transactions (Mishkin and Eakins, 2008). In *Ar-Rahnu* system price plays a significant role as it reflects the conventional pawnshop that imposes 2 percent as interest, while the service fees charged by *Ar-Rahnu* is more cheaper (Mohammed et al., 2005). The items used in this study to measure the Pricing system are adapted from Hanudin et al. (2011) and Mohammed et al. (2005), with a total number of 4 questions, the method of Likert scale of five points is used for the measurement of this variable. The table 3.5 below indicates the measurement of pricing system.

Table 3.5:
Pricing System

No	Items
1	Ar-Rahnu financing offers unjust pricing for those who are lower income group.
2	Ar-Rahnu financing practice ibra' or discount for early redemption.
3	The approval process for Ar-Rahnu financing is better and efficient.
4	Ar-Rahnu financing issue a receipt for all transactions made.

3.8.5 Intention to Use

Intention is defined as the probability that the person may or may not perform a certain behavior Ajzen and Fishbein (1980). In this study, intention to use is the dependent

variable of the study and it consist of five questions, whereby each item is measured by a five point Likert scale ranging from 1 = (Strongly disagree) to 5 = (Strongly agree). All the items for this variable were adapted from Hanudin et al. (2011). The table 3.6 below shows the measurement of Intention to use.

Table 3.6:
Intention to Use

No	Items
1	I am interested to use <i>Ar-Rahnu</i> .
2	I am interested to use <i>Ar-Rahnu</i> in the future
3	I will use <i>Ar-Rahnu</i> someday
4	I satisfied to use <i>Ar-Rahnu</i>
5	I will definitely recommend <i>Ar-Rahnu</i> to others

3.9 Reliability of the Instruments

According to Sekeran (2003), reliability is used to test consistency and stability. Reliability is the degree to which the test score indicates individual differences in any traits at the present moment. The Reliability Analysis process calculates a number of normally used measures of scale (Rubin *et al.* 2010). The reliability analysis in addition provides information about the correlation between individual items in the scale. The Cronbach's Alpha is a reliability coefficient that shows how well the items in the questionnaire are positively correlated to each other Sekeran (2003). The Cronbach's Alpha ranges from 0.8 to 0.90. Thus, the Alpha that is in the rage of .70 is considered as acceptable, the Alpha in the rage of .80 is said to be good and the Cronbach's Alpha in

the range of .90 is measured as excellent (Hair et al. 1998). Therefore, this study applied Cronbach's alpha test to measure the reliability of the scales used in the research. The table below shows the result of the test.

Table 3.7:
Reliability Test Analysis

Variables	Number of items	Cronbach's Alpha Values
Attitude	6	.940
Social influence	5	.926
Religious obligation	5	.879
Pricing system	4	.715
Intention to use	5	.938

The above table 3.7 shows the results of the reliability test applied to the items in the questionnaire. The Cronbach's alpha of the first independent variable that is attitude is .940 which is excellent, the second variable that is social influence showed a Cronbach's alpha of .926 and it is excellent as well. The result of alpha for the third independent variable, religious obligation is .879 which is good. The fourth independent variable has a Cronbach's alpha result of .715 which is acceptable. And for the dependent variable that is intention to use showed alpha of .938 which is considered excellent. Therefore, all the variables used in this research are reliable and have very good values.

3.10 Data Analysis Technique

The study used the Statistical Package for Social Science (SPSS) version 20.0 to analyze the gathered data. The statistical tools that were used in interpreting the data were in accordance with the research hypotheses. This is presented in the below table;

Table 3.8:
Statistical Tools for Data Analysis

Hypothesis	Test
H₀: There are no significant differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use Islamic pawn broking (<i>Ar-Rahnu</i>).	T-test, ANOVA
H₀: There is no significant relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Islamic pawn broking (<i>Ar-Rahnu</i>).	Pearson Correlation
H₀: There is no significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use Islamic pawn broking (<i>Ar-Rahnu</i>).	Multiple Regression

3.10.1 Assessment of Normality

Normality test is a test used in order to determine if a data set is well-displayed by a normal distribution. Pallant (2001) stated that normality is used to define a proportioned bell-shaped curve, which has the highest frequency of scores in the middle, with lesser

frequencies towards the excesses. Pallant has further expressed that normality can be assessed to some extent through finding skewness and kurtosis values. The skewness value provides an indication of the proportion of the distribution. Kurtosis, on the other hand indicates the 'peakedness' of the distribution. This means that, if the distribution is normal the skewness and kurtosis value would be 0.

Furthermore, the positive skewness value displays positive skew and a negative skewness value indicates a negative skew. Positive kurtosis values on the other hand shows that the distribution is moderately peaked. A negative kurtosis indicates a distribution that is rather flat Pallant (2001). Assessment of normality is an essential step and fundamental requirement of inferential and multivariate analysis of data (Sekaran, 2006; Hair et al., 2010). Normality test describes the normal distribution of data and serves as the benchmark for many statistical techniques. In this study, skewness and kurtosis of the variables were examined.

According to Hair et al. (2010) if the both values of skewness and kurtosis are equal to zero, the data is normally distributed. However, this is very rare in the social science studies (Pallant, 2001; Sekeran, 2006; Hair et al., 2010). Hence, the acceptance level of skewness and kurtosis in social science studies is, skewness that is equal or less than 3; and kurtosis that is equal or less than 10 (Kline, 1998; Suki, 2006; Tong, 2007; Ismail, 2007). Accordingly, in this study, the researcher used the normality test to check the

normal distribution of the data. The below table 3.9 represents the skewness and kurtosis obtained for the purpose of this study.

Table 3.9:
Assessment of Normality

Variables	Skewness	Kurtosis
Intention to use	0.475	-0.612
Attitude	0.070	0.633
Social influence	-0.699	0.339
Religious obligation	-0.013	-0.923
Pricing system	0.016	-0.259

3.10.2 Descriptive Statistics

Descriptive statistics is a set of brief descriptive coefficients that summarizes the given data, which can either be a representation of the entire population or a sample that represents the population. The measures utilized to define the data are the measures of central tendency and variability. The central tendency measures include the mean, median and mode, while the variability comprise of the standard deviation or the variance, the minimum and maximum, skewness and kurtosis. The descriptive analysis

used in this study is the analysis of the frequency, percentage, mean, standard deviation, t-test, Pearson correlation and also multiple regressions.

3.10.3 T-test and ANOVA (Analysis of Variance)

T-test is a statistical examination used in order to determine any significant differences between the means of two groups. ANOVA on the other hand is a statistical analysis tool that is used to compare the means of selected norms for more than two groups. Hence, in this study, independent t-test was used in order to test the differences between the respondent's genders with the intention to use *Ar-Rahnu* system. The t-test examination will indicate whether the intention to use *Ar-Rahnu* system is significantly different for women than for men and vice versa. One way ANOVA (Analysis of Variance) is used to test the differences between the respondent's age, educational level, and monthly income level with the intention to use *Ar-Rahnu*.

3.10.4 Pearson's Correlation

Pearson's correlation is a measure of linear correlation between two variables that are measured on the same interval or ratio scale. Represented by a value between positive 1 and negative 1, where 1 is total positive correlation and 0 no correlation, and negative 1 total negative correlation. Therefore, this study used Pearson's correlation to test whether there is a significant relationship between the independent variables which are attitude,

social influence, religious obligation, pricing system, and the dependent variable that is intention to use Islamic pawn broking (*Ar-Rahnu*) system.

3.10.5 Multiple Regressions

Regression analysis is a statistical process that is used to estimate the relationships among variables. The analysis of this statistical tools helps to predict the outcome of a response variable. Precisely, regression analysis helps to understand how the value of the dependent variable changes when any one of the independent variables is varied. In this study, this tool was used to test the third hypothesis of the study which examines whether there is a significant influence of the independent variables which are attitude, social influence, religious obligation, and pricing system on the dependent variable that is intention to use Islamic pawn broking (*Ar-Rahnu*).

3.11 Conclusion

This was the third chapter of the study which has covered the research methodology applied by the researcher for the objectives of the study in a detailed manner. It opened with a brief description of the research design followed by the data source and the unit of analysis, then the theoretical framework and hypothesis is been drawn in this chapter. The researcher has then detailed the method he used for data collection and analysis, how the questionnaire process was carried out, population of the study as well as the sampling technique and size. The researcher has also reported in this chapter that the data gathered

were analyzed using the SPSS software version 19.0. The results of the analysis are comprehensive presented and explained in the following chapter of the study that is chapter four.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.0 Introduction

This is the fourth chapter of the study and it presents the final outcomes and the analysis of the data. The purpose of this section is to detail the discovery of the research. Data were analyzed by a number of techniques; such method used is a descriptive statistics, mean and standard deviation, frequency analysis as well as correlation between the research variables.

4.1 Profile of the Respondents

Based on the sample size of the research, a total of 217 self-administered sets of questionnaires were distributed to the respective respondents in (UPSB) staffs at University Utara Malaysia. In order to describe the respondent's profile, the researcher conducted a descriptive analysis to explore the data that has been collected. Analyzing the respondent's profile is an essential step to determine the tendency of the customer's intention to make use Ar-Rahnu scheme. The factors used to determine the respondent's profile include; gender, age, marital status, race, the educational level of the respondents, their monthly income level, the major factor that encourages them to get pawn broking service which comprises of five option and the respondent was asked to choose one major

factor that makes him/her to get pawn broking service, and the last item in the demographic profile is a question that determines whether the respondent is a user of Ar-Rahnu system or not. Table 4.1 presents the respondent's profile for this research.

Table 4.1:
The Profile of the Respondents

No	Items	Frequency	Percent
1	Gender		
	Male	91	41.9
	Female	126	58.1
	Total	217	100
2	Age		
	29 and below	39	18.0
	30-39	93	42.9
	40-49	46	21.2
	50 and above	39	18.0
	Total	217	100
3	Marital Status		
	Single	42	19.4
	Married	163	75.1
	Widow/widower	12	5.5
	Total	217	100
4	Race		
	Malay	202	93.1
	Non-Malay	15	6.9
	Total	217	100
5	Educational level		

Primary school	71	32.7
Secondary school	117	53.9
Diploma	17	7.8
None of the above	12	5.5
Total	217	100
6 Monthly income level		
500 and below	20	9.2
501-1000	171	78.8
1001-1500	23	10.6
1501 and above	3	1.4
Total	217	100
7 Major factor of encouragement		
Financial need for daily expenses	57	26.3
Solve unexpected problems	105	48.4
To start a business	34	15.7
Capital of business cycles	19	8.8
Other	2	.9
Total	217	100
8 User of Ar-Rahnu scheme		
Yes	71	32.7
No	146	67.3

The above table 4.1 displays the results of the respondents profile analysis carried out by the researcher. The first category of the profile that is gender is found to have more female respondents than the male. The result shows that the total female respondent is 126 equivalent to (58.1%) from the total number of respondents and the rest 91 were male which is equal to (41.9%) respectively. As for the respondents age, the result of the descriptive analysis used by the researcher indicates that most of the respondents were

between the age of 30-39 years old which showed a percentage of 42.9% followed by the category of 40-49 with 21.2%, the rest two category which is '29 and below' and '50 and above' showed an equal result that is 18.0%. According to the marital status of the respondents, married is the highest figure which is 163 respondents with a percentage of (75.1%) and 42 respondents were single (19.4%). For the race, the result found that the majority of the respondents were Malay which is 202 respondents (93.1%) while the non-Malay was only 15 respondents (6.9%). As for the respondent's education level, most of them are secondary school level that is, 117 respondents (53.9%) studied until high school level, while 71 (32.7%) of them are from primary school, 17 respondents (7.8%) are diploma holders and only 12 (5.5) respondents were not from any of the above levels of education.

The results above also shows the respondent's monthly income level, according to the descriptive analysis conducted by the researcher for the collected data, out of 217 respondents 171 of them (78.8%) receives income between RM 501-1000, followed by 23 (10.6%) of them that gains RM 1001-1500 each month, while 20 (9.2%) respondents gain only RM 500 and below. And only 3 (1.4%) respondents receive income of 1501 and above.

Moreover, the above table of shows the result of major factor that encourages the respondents to get pawn broking service. Out of 217 respondents, 105 (48.4%) of them are encouraged to get pawn broking service in order to 'solve unexpected problems',

followed by 57 (26.3%) of them gets pawn broking service for 'daily expenses need', while 34 (15.7%) respondents the major factor that encourages them to obtain pawn broking service is 'to start a business', 19 (8.8%) respondents gets pawn broking service for 'capital of business cycles' and only 2 (.9%) respondents is encouraged by factors other than that.

The last item in the demographic profile factors is a question that indicates whether the respondents are users of *Ar-Rahnu* system or not. According to the results obtained from the analysis made, most of the respondents were not *Ar-Rahnu* users, that is 146 (67.3%) respondents answered as 'No' while only 71 (32.7%) respondents was *Ar-Rahnu* users and answered to the question that says 'are you *Ar-Rahnu* user?' as 'Yes'.

4.2 Determining the Level of the Customer's Intention to Use *Ar-Rahnu* System

In order to determine the level of customer's intention to use *Ar-Rahnu* scheme, the researcher conducted Descriptive Statistics Analysis. By using this test, the researcher analyzed the dependent and independent variables of the study which are intention to use *Ar-Rahnu*, attitude, social influence, religious obligation, and pricing system. To obtain the mean values of these variables, a measure of five Likert scale were used. This means that, the more the number of five the greater the goodness of the variable.

Therefore, the mean values that are close to 5 are treated as good, while the values that are near to zero are deemed as bad. Further, the mean value that is equal or higher than 4 shows a high agreement with a certain measure, the mean value that is equal or less than 2 is considered as low, and the value that is 3 is deemed as reasonable. The table below shows the result of the descriptive statistics analysis.

Table 4.2:
Descriptive Statistics Analysis

Variables	Minimum	Maximum	Mean	Std. Deviation
Attitude	1.00	5.00	3.951	.76369
Social Influence	1.00	5.00	3.804	.78927
Religious Obligation	1.00	5.00	4.131	.71816
Pricing System	1.00	5.00	3.176	.75827
Intention to Use	1.00	5.00	3.944	.78879

The above table of the descriptive statistics analysis shows the minimum, maximum, mean and the standard deviation of the research variables. The mean value of attitude is 3.9508 with a standard deviation of .76369; social influence, pricing system and intention to use showed mean values of 3.8037, 3.1763, and 3.9438 with a standard deviations of .78927, .75827, and .78879. All these values of the mean are considered reasonable.

The highest mean value of the variables is the religious obligation which is 4.131 with a standard deviation of .71816. This value of the mean for the religious obligation indicates that the customers choose to use Ar-Rahnu system because of the religion element. Therefore, the highest mean value for the variables is religious obligation which is 4.13, followed by attitude and intention to use at 3.9508 and 3.9438. The lowest value of mean is pricing system which is 3.1763.

4.3 Result of the Hypotheses Test

The researcher in this study used a number of tools to test the research hypotheses developed, three hypotheses were developed for this study. T-test and ANOVA was used to test the first hypothesis (hypothesis 1) that is, whether there are significant differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use Islamic pawn broking (*Ar-Rahnu*). T-test is a statistical tool used to examine the differences between two groups, in this study t-test is used to test if there are any significant differences of the respondent's gender on the intention to use *Ar-Rahnu*.

ANOVA is used to examine the differences between factors that have more than two means. Pearson's correlation is used for the second research hypothesis (hypothesis 2) that is, to test if there are any significant relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Islamic pawn broking (*Ar-Rahnu*). And a multiple regression analysis is used to test the third hypothesis of the

study (hypothesis 3) that is, to test if there is any significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use Islamic pawn broking (*Ar-Rahnu*). The results of these tests and their interpretations are presented and discussed below.

4.3.1 Hypothesis 1: Using t-Test; Hypothesis 1 is stated in the null as follows:

H10: There is no significant difference between the intention to use Islamic pawn broking (*Ar-Rahnu*) and the customer’s gender.

This is statistically expressed as: H10 is: $\mu_F = \mu_M$

Where μ_F is the intention to use *Ar-Rahnu* by female and μ_M is the intention to use by men.

Table 4.3:

Differences between respondent’s intention to use Ar-Rahnu system and their gender

Variable	Gender	Mean	Std. deviation	t	Sig.
Intention to use Ar-Rahnu	Male	3.903	.853	-.642	.522
	Female	3.973	.740		

The hypothesis that been tested in the above table is linked to the first objective of this study that is to identify the differences between the respondent’s intention to use Islamic pawn broking (*Ar-Rahnu*) scheme and their gender. The result of the above table shows

that the 126 female respondents whose intention to use *Ar-Rahnu* have a mean of 3.973 with a standard deviation of .740 compared to the 91 male respondents that have a mean of 3.903 with a standard deviation of .853. The interpretation of this result is that, the study found that both male and female have a high intention to use *Ar-Rahnu* scheme. Further, the female respondents found to have a high intention to use *Ar-Rahnu* which showed a mean of 3.973 compared to the male respondents who have a less intention to use *Ar-Rahnu* as the mean is 3.903.

Further, the result of the independent t-test showed that the significant value (t-value) is -.642 which is more than the significant level of 0.05. Therefore, the null hypothesis for this test is failed to reject. And it can be concluded that there is no significant differences between the intention to use *Ar-Rahnu* and the customer's gender.

Hypothesis 1: Using ANOVA: Hypothesis 1 using ANOVA is stated in the null as follows:

H10: There are no significant differences between the intention to use *Ar-Rahnu* scheme and age, educational level, and monthly income level.

This is statistically expressed as: H10 is: $\mu_1 = \mu_2 = \mu_3$

Where μ_1 , μ_2 and μ_3 ; signifies the means on intention to use *Ar-Rahnu* of respondent's age, educational level and monthly income level.

Table 4.4:

Differences between age, educational level, and monthly income level towards the intention to use Ar-Rahnu

Factors	Mean	Std. deviation	F	Sig.
Age				
29 and below	3.76	.786	1.717	.164
30-39	3.91	.802		
40-49	3.99	.802		
50 and above	4.15	.717		
Educational level				
Primary school	4.16	.684	3.111	.027
Secondary school	3.82	.828		
Diploma	3.82	.824		
None of the above	4.07	.715		
Monthly income level				
500 and below	3.54	.892	2.450	.065
501-1000	4.01	.754		
1001-1500	3.86	.897		
1501 and above	3.60	.400		

The table 4.4 above presents the results of the ANOVA test that checks the assumption whether the variances of the three groups that is, age, educational level, and monthly income level are equal or not; that is, not significantly different. As for the age factor, the mean for the four items that is '29 and below', '30-39', '40-49', and '50 and above' are 3.76, 3.91, 3.99, and 4.15 with a standard deviations of .786, .802, .802, and .717. In

terms of the educational level, the mean for the primary school, secondary school, diploma, and none of the above are 4.16, 3.82, 3.82, and 4.07 while the standard deviation for these items are .684, .828, .824, and .715. For the third factor, the mean for the items of '500 and below', '501-1000', '1001-1500', and '1501 and above' are 3.54, 4.01, 3.86, and 3.60 with a standard deviation of .892, .754, .897, and .400.

Moreover, the result of the F-value for the first factor that is 'age' happened to be 1.717 with a significant value (P-value) of .164. The significant value for this factor is more than the alpha value of 0.05. Therefore, the P-value for this factor is not significant and the null hypothesis is failed to be rejected. Thus, it can be concluded that there is no significant difference between the 'age' and intention to use *Ar-Rahnu* scheme.

Further, the outcome of the second factor that is 'educational level' showed an F-value of 3.111 with a significant value (P-value) of .027. The significant value for this factor is less than the alpha value of 0.05. Therefore, the P-value for this factor is significant and the null hypothesis is rejected which means that the alternate hypothesis is true and accepted. Thus, it can be concluded that, there is a significant difference between the intention to use *Ar-Rahnu* scheme and educational level, and that at least one group of the educational level are significantly different towards the intention to use *Ar-Rahnu* system. The table below shows a further analysis using Post Hoc test.

Table 4.5*The Comparison of Educational Level Groups and Customer's Intention*

Educational	Secondary school	Diploma	None of the above
Primary school	.019	.378	.980
Secondary school		1.00	.715
Diploma			.840

**The Difference is significant at the 0.05 level*

Note: Figures in cell shows the significant value

The table 4.5 shows the further analysis using Post Hoc test, the result indicates that group A (primary school) shows significant (.019) with group B (secondary school). Further, the mean value for group A (primary school) has the higher score compared to group B and the rest. This means that group A has the higher intention to use Islamic pawn broking (*Ar-Rahnu*) compared to the other groups. The rest of groups showed insignificant.

As for the last factor in the ANOVA test that is 'monthly income level' indicates an F-value of 2.450 while its significant value (P-value) is .065. The P-value for this factor is greater than the alpha value of 0.05. Thus, the P-value in this factor is not significant and the null hypothesis is failed to be rejected. Therefore, it can be concluded that, there is no significant difference between the monthly income level and the intention to use *Ar-Rahnu* scheme.

Table 4.6:
Summary of the First Hypothesis Tested Using T-test and ANOVA

Hypothesis	t-value	Test	Result
Hypothesis 1: Using t-Test;			
H₀: There is no significant difference between the intention to use <i>Ar-Rahnu</i> and gender.	-.642	P>0.05	Fail to reject
Hypothesis 1: Using ANOVA;			
H₀: There is no significant difference between the intention to use <i>Ar-Rahnu</i> and age.	.164	P>0.05	Fail to reject
H₀: There is no significant difference between the intention to use <i>Ar-Rahnu</i> and educational level.	.027	P<0.05	Rejected
H₀: There is no significant difference between the intention to use <i>Ar-Rahnu</i> and monthly income level.	.065	P>0.05	Fail to reject

4.3.2 Hypothesis 2: There is no significant relationship between the intention to use Ar-Rahnu and (attitude, social influence, religious obligation, and pricing system).

The second research hypothesis (hypothesis 2) is to test whether there are any significant relationships between the independent variables of the research which are (attitude, social influence, religious obligation, pricing system) and the dependent variable that is intention to use Islamic pawn broking (*Ar-Rahnu*). This hypothesis corresponds to the second objective of the research which is to determine the relationship between (attitude,

social influence, religious obligation, pricing system) and the intention to use *Ar-Rahnu*. The statistical tool used for this hypothesis is Pearson's correlation. The result of this test and its interpretation is presented and discussed below.

Table 4.7:
Correlation Between the intention to use Ar-Rahnu and attitude, social influence, religious obligation, and pricing system

Variables	DV	IV1	IV2	IV3	IV4
DV; intention to use Ar-Rahnu	1				
IV1; Attitude	.372**	1			
IV2; Social influence	.670**	.377**	1		
IV3; Religious obligation	.625**	.343**	.694**	1	
IV4; Pricing system	.398**	.149*	.309**	.223**	1

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

The table 4.7 above presents the result of the Pearson's correlation analysis between the independent variables of the research which are; attitude, social influence, religious obligation, pricing system and the dependent variable that is intention to use Ar-Rahnu system. The result indicates that all the independent variables are positively correlated with the intention to use Ar-Rahnu system. Further, the strongest independent variable that highly correlated with the dependent variable is social influence which correlated at (67%), followed by religious obligation at (62.5%), pricing system at (39.8%), and

attitude at (37.2%). Hence, the result indicates that social influence and religious obligation has the strongest relationship with the intention to use *Ar-Rahnu* system while pricing system and attitude has a moderate relationship with the intention to use *Ar-Rahnu*.

This is considered a logic results, because the Muslim population are expected to approach an interest-free system when conducting business transactions or obtaining loans in order to fulfill the requirements of their religion. And for social influence, people are expected to be influenced by their important ones when acting in the social environment. The second hypothesis tested here is stated in the null as; there is no significant relationship between the intention to use Islamic pawn broking (*Ar-rahnu*) and attitude, social influence, religious obligation, pricing system.

All the independent variables are significant at the confidence level of both 99% and 95% which showed a result of (.000). The P-value for all the independent variables is less than the significant levels of both 0.01 and 0.05. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. And it is concluded that there is a significant relationship between the intention to use *Ar-Rahnu* system and attitude, social influence, religious obligation, pricing system.

Table 4.8:

Summary of the Second Hypothesis Tested Using Pearson's Correlation Analysis

Hypothesis	P-value	Test	Result
H₀: There is no significant relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use Ar-Rahnu.	.000	P<0.05	Rejected

4.3.3 Hypothesis 3: There is no significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use Ar-Rahnu

The third and last hypothesis of the study is to test if there is a significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on intention to use *Ar-Rahnu*. The hypothesis is stated in the null as; there is no significant influence of the factors of (attitude, social influence, religious obligation, and pricing system) on the intention to use *Ar-Rahnu* system. This hypothesis corresponds to the third research objective which is to examine the factors that influences mostly the intention to use *Ar-Rahnu* system. The statistical tool used for this hypothesis is multiple regression analysis. The result of this test and its interpretation is presented and discussed below.

Table 4.9:
Result of Multiple Regression Analysis

Variables	B	Std. error	Beta	t	Sig.
(Constant)	-.285	.399		-.713	.476
Attitude	.285	.099	.104	2.062	.040
Social influence	.366	.067	.366	5.458	.000
Religious obligation	.319	.071	.290	4.485	.000
Pricing system	.213	.051	.204	4.198	.000

R²= 0.547

F value = 63.908

Significant = 0.000

The above table 4.9 shows the result obtained from the multiple regression analysis. The analysis of variance from the ANOVA table showed that F is equal to 63.908 and the P-value for all the independent variables is significant at 0.05 significant levels. Therefore, the null hypothesis is rejected and the alternate one is accepted. And it is concluded that there is a significant influence of the factors of; attitude, social influence, religious obligation, and pricing system on the intention to use Ar-Rahnu system. Further, the R square result is 54.7%. Therefore, 54.7% of the variance of customer's intention to use Ar-Rahnu system can be explained by all the independent variables which are attitude, social influence, religious obligation and pricing system. Further, the highest B coefficient is social influence with a value of .366, followed by religious obligation with a value of .319, attitude and pricing system with a value of .285 and .213 respectively. It can be concluded that the factors that influence mostly the intention to use Ar-Rahnu

system are social influence and religious obligation, while attitude and pricing system have a moderate effect on the intention to use *Ar-Rahnu* system.

Table 4.10:

Summary of the Third Hypothesis Tested Using Multiple Regression Analysis

Hypothesis	P-value	Test	Result
H₀: There is no significant influence of the factor of attitude on the intention to use Ar-Rahnu.	.040	P<0.05	Rejected
H₀: There is no significant influence of the factor of social influence on the intention to use Ar-Rahnu.	.000	P<0.05	Rejected
H₀: There is no significant influence of the factor of religious obligation on the intention to use Ar-Rahnu.	.000	P<0.05	Rejected
H₀: There is no significant influence of the factor of pricing system on the intention to use Ar-Rahnu.	.000	P<0.05	Rejected

4.4 Conclusion

This chapter was design to analyze and interpret the findings in accordance to the research hypotheses and objectives of the study. Valuable findings were disclosed in relation to the customer’s intention to use *Ar-Rahnu* system. Remarkable results on the intention to use *Ar-Rahnu* were presented and discussed in a form of tables and paragraphs. These outcomes were obtained from the analyses and tests made to the research hypotheses using Statistical Package for Social Sciences (SPSS) version 20. As

the analyses were in accordance to the research hypotheses, there were four statistical tools used to present and report the result, that is, t-test and One-way ANOVA, Pearson's correlation and multiple regression analysis. T-test and ANOVA were used to test the differences between the demographic factors and intention to use *Ar-Rahnu*, Pearson's correlation was used to determine the relationship between the independent variables and the dependent variable. Multiple regression analysis was used to examine the factors that influence mostly the intention to use *Ar-Rahnu*; all the results of these tests were presented and discussed in a detailed manner in this chapter. The next chapter covers the discussions of these results and the conclusion and recommendation of the study.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 Introduction

This is the fifth chapter of this study and it is design in order to summarize the findings obtained by the research. In this chapter, the summarize of the findings are in accordance with the research objectives that is; to identify the differences between the demographic factors of (gender, age, educational level, monthly income level) and the intention to use *Ar-Rahnu*, to determine the relationship between (attitude, social influence, religious obligation, pricing system) and the intention to use *Ar-Rahnu*, and to examine the factors that influences mostly the intention to use *Ar-Rahnu* scheme. Further, the chapter as well highlights the relevant implications and provides recommendations for future researches.

5.1 Summary of Findings Consistent With Research Objectives

This research was carried out in order to determine the customer's intention to use Islamic pawn broking know as (*Ar-Rahnu*) system. The study focuses on the low income group of the society, and therefore, the study case is the support staffs of University Utara Malaysia who are working under Uniutama Property SDN.BHD (UPSB). For the study to

achieve the above mentioned objectives and determine the customer's intention to use *Ar-Rahnu*, it uses attitude, social influence, religious obligation and pricing system as independent variables, and employs intention to use as the dependent variable of the study. The summary of the findings are delineated below.

5.1.1 Objective 1: To Identify the Differences between the Intention to use *Ar-Rahnu* and the Demographic Factors of (gender, age, educational level, monthly income level).

The first objective of the study was to identify whether there is a significant differences between the demographic factors and the intention to use *Ar-Rahnu*. The demographic factors analyzed include gender, age, educational level and monthly income level. Whereby the gender was analyzed using T-test analysis tool as it is either male or female, whereas the age, educational level and monthly income level was analyzed using One-Way ANOVA as it is a comparison between a group which are more than two. As for the age, it contains four categories which are; '29 years and below', '30-39 years old', '40-49', and '50 and above'. The educational level consisted of four types as well, which are primary school, secondary school, diploma and none of the above. The monthly income level is made up of four items, which are '500 and below', '501-1000', '1001-1500' and '1501 and above'.

Thereafter, the findings of this study revealed that, there is no any difference between the customer's intention to use *Ar-Rahnu* based on their gender, given that P-value is more

than alpha value that is ($p=.522$) (greater than 0.05, significant level). Consequently, this study concludes that both male and female are equally likely to use *Ar-Rahnu* system. This outcome is consistent with the findings of Hamid and Masood (2011) where they studied the selection criteria of customers for Islamic home financing based on the factors of gender, age, income and occupation. Their finding indicated that there is no difference between male and female in selection criteria and both considers Sharia principle as the main factor for selecting Islamic home financing.

Moreover, the result of ANOVA on the three factors namely; age, educational level and monthly income level revealed that only one factor has a significant difference towards the intention to use *Ar-Rahnu* that is, educational level with a P-value of .027 which is less than the significant level of 0.05. The other two factors found to be insignificant, given that P-value for age is $.164 > 0.05$ and for the monthly income level $p=.065 > 0.05$. This corresponds with the study mentioned earlier by Hamid and Masood (2011) which found that there is no significant difference between the customer's age and the selection criteria of Islamic home financing as well as their income level.

The finding of this study regarding the educational level which revealed that there is a significant difference between the educational level and the intention to use is observed to be consistent with the findings of Poon (2007) which highlighted that the educational level and intention to use has significant differences. Moreover, the mean value for the first item in the educational level factor that is, primary school (Mean = 4.16) appear to

have the highest level of intention to use *Ar-Rahnu* compared with those who are in secondary school (Mean = 3.82), diploma (Mean = 3.82) and others (Mean = 4.07). This could possibly be due to the low income that they earn, which makes them got the greater tendency to use *Ar-Rahnu* compared to those who holds diploma and the like.

5.1.2 Objective 2: To Determine the Relationship between the Intention to use *Ar-Rahnu* and (attitude, social influence, religious obligation, pricing system).

The second objective of this study aimed at determining if there is any significant relationship between the independent variables of the study which are attitude, social influence, religious obligation, pricing system and the dependent variable that is intention to use *Ar-Rahnu*. The result of the Pearson's correlation analysis determines that the independent variables of the study and the dependent variable have a positive relationship.

Social influence and religious obligation indicated to have the highest strength, given that for social influence the correlation towards the intention to use *Ar-Rahnu* is at (67%), and for religious obligation at (62%). This result is in line with the findings of Taib et al. (2008) which reported that social influence has a significant relationship with the level of acceptance. Further, Venkatesh and Davis (2000) and Teo and Pok (2003) stated that there is a significant relationship between social influence and behavioral intention. Therefore, this study reveals that the stronger the people influence one another the higher the intention to use *Ar-Rahnu* will be.

Further, this study also reported a positive relationship between religious obligation and intention to use which is corresponding with the findings of Omar (1992) in a study examining the implications of Islamic beliefs and practice, the study pointed out that religious obligation found to be a significant factor for conducting transaction with the Islamic financial institutions. Added, Metawally (1996) found that religious is the most significant factor in determining the Muslims attitudes towards Islamic banks. Similarly, Metawa and Almosawi (1998) reported that the most significant factor for the use of Islamic bank services is religion.

Hence, it is expected that the religious factor to be the most factor that correlates with the intention to use, this is because in Islam, religion is an essential part that has a greater influence on the Muslims in selecting business transaction. thus, this study points out that the Islamic pawn broking institutions needs to put more emphasize on the Sharia element and ensure that all transactions are in accurate accordance with the Sharia lines in conducting transactions as it correlates with the customer's intention to choose *Ar-Rahnu* system rather than the conventional pawn broking.

5.1.3 Objective 3: To Examine the Factors that Influences Mostly the Intention to Use Islamic Pawn Broking (*Ar-Rahnu*)

This is the third objective of the study which is meant to seek facts about the factors that influences mostly the intention to use *Ar-Rahnu*. to achieve this objective, the independent variables of the study which are attitude, social influence, religious

obligation and pricing system has been tested to draw a conclusion concerning whether there is a significant influence of these factors on the intention to use *Ar-Rahnu* and to reveal the factors that influences mostly the intention to use the system.

The result reveals that 54.7% of the variance of customer's intention to use *Ar-Rahnu* can be explained by all the independent variables which are attitude, social influence, religious obligation and pricing system. Further, this study discloses that the factors that influence mostly the intention to use *Ar-Rahnu* are social influence and religious obligation, while the other two independent variables which are attitude and pricing system discovered to have moderate effect on the intention to use *Ar-Rahnu* system. The social influence factor showed a highest B coefficient with a value of .366 compared with the other independent variables, this is followed by religious obligation with a B coefficient value of .319.

The result obtained from the multiple regression analysis on the social influence is consistent with the findings of Amin and Chong (2011) who studied the customer's intention to use *Ar-Rahnu*, and found that social influence has significantly influenced the customer's intention to choose Islamic based pawn broking. And the result of the religious obligation found by this study is constant with the findings of Metawa and Almoosawi (1998) who has studied the banking behavior of Islamic bank customers and found that the most important factor for the use of Islamic bank services was 'religion'. In addition, a study by Haque et al. (2011) examined the religious image towards the

perception of young Muslim consumers, and found that religiosity has positively influenced the young Muslim customer's purchasing behaviors.

Attitude and pricing system on the other hand revealed to have .285 and .213 B coefficient value correspondingly. Therefore, it is assured by this research that the dependent variable used in this study can be explained by the independent variables. And that social influence and religious obligation are the factors that influence mostly the intention to use *Ar-Rahnu* system.

5.2 Contribution of the Study

In the field of Islamic pawn broking, there are a number of qualitative studies by well-known scholars which has later become a valuable work (Amin and Ching, 2011). Amin et al (2011) reported that the quantitative studies related to Islamic pawn service (*Ar-Rahnu*) are typically limited. Therefore, this study was design to fill such gap and increase to the literature of Islamic banking and financial institutions that provides personal loan. This study investigates the factors that derive the customers to make use the system of *Ar-Rahnu*. Hence, the determinants of customer's intention to use the system were analyzed.

The result from this study provides the Islamic financial institutions particularly the Islamic pawnshops with the useful direction on how to improve the factors that are reported to be the most influential to the usage of *Ar-Rahnu* system, which are social influence and religious obligation. Thus, the findings of this study is considered a modern and a noteworthy, whereby the Islamic based pawn broking after noticing the result that this study contributes will be encouraged to take it into consideration and utilize it as an information asymmetry that makes their system competitor in the market and acceptable one by the public at large.

5.3 Implication of the Study

The aim of this study was to draw insights on the factors that affect the intention to *use Ar-Rahnu*. This study highly contributes to the field of Islamic based pawn broking by providing a framework that helps to have knowledge on the factors that have effect to the intention to use Islamic based pawn broking rather than that of the conventional. This study is a significant noteworthy that fill the existed gap on the literature of Islamic pawn broking in terms of the quantitative approach. The research model for this study uses four dimensions to examine its influence on the intention to use *Ar-Rahnu*.

The Theory of Reasoned Action (TRA) was employed to state the factors that have an impact on the customer's intention to use the system. The result states that social influence and religious obligation are the main factors that motivate the customers to

make use the system. Hence, the outcome from this study suggests the Islamic financial institutions and Islamic pawn shops in particular to emphasize on the religion aspects.

Moreover, the result of this study provides a number of major implications for the Islamic financial institutions as well as the policy makers. As for the financial institutions, this study reveals that there are customers who are not *Ar-Rahnu* users. From the descriptive analysis, it was found that only 71 respondents out of 217 who were included in the survey were *Ar-Rahnu* users, while the rest 146 were not users of *Ar-Rahnu*. Therefore, this study suggests to the Islamic pawnshop operators to produce new strategies that can effectively attract the public to use *Ar-Rahnu* system. They need to carry out advertisements and promotions by using appropriate strategies such as focusing on low charges and developing a good relationship with the customers.

In addition, Islamic financial institutions and *Ar-Rahnu* shops in particular needs to conduct programs of awareness which educates the customers on the method of using the system. The information delivery to the customers is an essential step to be addressed. Islamic pawnshop operators should organize an exhibition activity in the shopping malls in order to invite prospective users to learn and be familiar with the concept of *Ar-Rahnu*. Moreover, they may also advertise their service on television which is a wise approach to make awareness of the system to the potential users. All these steps and activities will facilitate to generate good perceptions of the system among the public. These perceptions are then transforms the customer's intention to make use of the system.

Further, this study suggests the Islamic financial institutions to advertise more in the society and create motive elements so that people influence one another towards the system as this study revealed that social influence is a significant factor of customer's usage intention. From the multiple regression analysis, this study found that the highest B coefficient is social influence with a value of .366. Thus, it is essential for the operators to take strong measures in creating awareness among the potential customers. Among the useful and possible steps that operators can exercise is to broadcast the information about their operations, principles, and systems over the media, newspapers advertising material and online.

For the policy makers on the other hand, this study suggests the governments to ensure the factor of Islamic business ethics. The businesses that are intended to start up Islamic pawnshop should understand and realize the importance of the religion factor in the business. This is because this study was conducted with the aim of determining the customer's intention to use *Ar-Rahnu* system. Based on the factors of attitude, social influence, religious obligation and pricing system which is identified as the four independent variables of the study, while the intention to use categorized as the dependent variable.

Thus, after including 217 respondents in the survey who are chosen for being a low income group, the study carried out a number of different tests. From the multiple regression analysis, this study revealed that religious obligation is one of the major

factors that influence the customer's intention to use *Ar-Rahnu* with a B coefficient value of .319. Therefore, the policy makers has to establish laws and regulations for institutions offering *Ar-Rahnu* services and to form a Sharia board that serves as monitors of Sharia laws and requirements as the religious element is the main factor that derives the people to use the system which if it is compromised the system will not operate as it is expected.

In addition, the government should strictly forbid the illegal moneylending activities and encourage those people who are in need for immediate cash financing to approach *Ar-Rahnu* institutions rather than resorting to illegal money lenders who charges excessive interest and injustice recovery practices. Further, Islamic pawnshops needs to be opened in countries, regions, and over populated areas in order not to allow a few pawn brokers to monopolize and control the society, which the governments in this matter needs to grant the licenses and make these procedures easy to achieve.

5.4 Recommendation and Future Research

This study was carried out in order to determine the customer's intention to use *Ar-Rahnu* system by employing five dimensions which categorized as independent and dependent variable, the independent variables are attitude, social influence, religious obligation, pricing system and the dependent variable is intention to use *Ar-Rahnu* system. The study has targeted the support staffs of University Utara Malaysia who working under Uniutama Property SDN.BHD (UPSB). The study found that social influence and religious obligation are the factors that derive the customers to use the system. Therefore,

this study at first recommends to put more emphasize on educating the people about the system and the female entrepreneurs in particular as it will serve the possibility of influencing one another. Further, this study recommends Islamic pawn shops to pay more attention to the Sharia element in conducting transactions and to put more emphasize on the Islamic business ethics as this study revealed that religious obligation have a positive impact on the customer's intention in selecting business transactions.

As for the future research, this study focuses on certain population which is very limited to draw a generalization about the entire theory regarding the customer's intention to use *Ar-Rahnu* system. In addition, this study only uses five dimensions which are attitude, social influence, religious obligation, pricing and intention to use. Future research may investigate the awareness of the people towards the system and their preferences by adopting other dimensions such as, social demographic, product knowledge, service quality, promotion, security, and confidentiality of *Ar-Rahnu* system. Future research may extend the number of population and adopt other techniques of data collection such as personal interview which is not employed in this survey.

5.5 Limitation of the Study

As there is no study free from limitations and as it is a human nature, this study contains several limitations. In terms of the populations, the study only focuses on a specific group and location to collect the data from, and therefore, the findings cannot be generalized to extended theory regarding the customer's intention to choose and make use *Ar-Rahnu*

system rather than that of conventional pawn service. But to fill the limitation it was recommended for the future researches to extend the population into countries and a large population.

Added to this, the researcher faced limitation with regard the previous studies on the topic as there were lack of resources regarding the topic and its variables. This caused the researcher to put more efforts and time in finding resources to support the study. Another limitation faced by the researcher in this study was the process of data collection which was a self-administered questionnaire, whereby the researcher faced serious difficulties to get the questionnaire answered by the respondents as many of them refused to cooperate, which caused the researcher to spend a lot of time getting those respondents who were willing to cooperate.

5.6 Conclusion

This study was undertaken to identify the determinants that influences the customer's intention to use *Ar-Rahnu* system. There was three research questions and objectives developed for the purpose of this study. Hence, all the objectives of this research were achieved in a successful manner. The result of this study indicated that social influence and religious obligation are the most factors that influence the customers to use *Ar-Rahnu* system. The findings of the research were presented in the fourth chapter of the study in a detailed and interesting manner. This was followed by an extensive discussion on these findings while relating it to the research objectives. Further, this study has as well

highlighted the implications of the study. The study also provided the relevant recommendations to the government as well as the Islamic financial institutors. Besides, this study suggested for future researches by describing new dimensions that were not undertaken in this study.

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