

CUSTOMER SATISFACTION LEVELS OF SERVICE QUALITY AT AR-RAHNU, KELANTAN

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ABSTRACT

This research was conducted to verify levels of customer satisfaction and service quality for the pawn-broking company Ar-Rahnu in Kelantan, Malaysia. Three hundred (300) respondents were selected by choosing the sample through simple sampling or by quota sampling. The instrument used to collect the data was by a questionnaire that was filled out by the respondents and collected back on the same day. The information collected was analysed using inferential and descriptive methods. The descriptive analysis showed that the majority of the respondents were married women, 30-39 years old. The majority of the respondents also had an education level until secondary school (high school), but only 38% had an education level until diploma or degree. Most of the respondents were traders and made less than RM1000.00 per month. The main factor that motivated the respondents to obtain Ar-Rahnu services was that the company could handle problems that were not expected. Statistical methods showed that service quality at Ar-Rahnu Kelantan and Ar-Rahnu Bank Rakyat services is high. The research may show the level of service quality prepared by the Ar-Rahnu organizations but the organizing and implementation within society helps many people, primarily in time of emergencies and in the need for cash quickly. It is hoped that much more research can be done on Ar-Rahnu, but from different aspects.

Keywords: *ar-Rahnu; customer satisfaction; service quality; Islamic Banking*

Introduction

Many people normally say that “*diamonds are a girl’s best friend*”, but in reality decorative items made from gold are the really true friend of Malaysian women of any race. Gold jewelry has taken on many roles in the lives of their owners, such as showing off the outstanding style of a woman, and gives an exclusive image of a woman’s high status, as the more gold they have the richer they are. Gold is also shown as an asset held to be good, because its value is very stable, and is widely accepted by many people in terms of cash value. Decorative items made from gold can also become capital or as an item of exchange when cash is needed quickly. From this advantage, Adam’s children also have the chance to share the goodness in an emergency. This is because gold can be exchanged for money quickly, and can be redeemed after a specified time. This is where the role of the pawnbroker becomes very important. The pawnbroker’s shop came to be known in Malaysia in the early 19th century. The conventional pawn-broking system was well known for allowing anyone and everyone to borrow money quickly. Primarily, the group of people who had little or no cash, and those people who work for themselves, found it difficult to obtain loans from banks or other financial institutions. However, the conventional pawn-broking system has several bad faults such as high service charges, an element of interest, and pawn-broking practices that were not totally fair. Because of this, to help society, an alternative pawn-broking system, or Ar-Rahnu, was set up and introduced, which led to an exchange of information on the company Ar-Rahnu with the local populace.

Ar-Rahnu: The Beginning of a New Era

Based on historical facts, the majority of the people who follow Islam are afraid to do business with conventional banks, as they deal in interest (*riba*’), which is forbidden in Islam, and management of profits that is definitely not based on Islamic principles. (Nor Mohamed Yakcob, 1996)

Howsoever, bank management changed with the introduction of Islamic-based bank management. Even though this happened, the saving culture of keeping decorative items, primarily of gold, continued to be practiced, and because of this pawn-broking services continued to be visited by their customers.

Business deals that are fast enough and that people don’t have to scramble for money or funds has made the pawnbroker the favourite choice to make micro-loans. However, the pawn-broking systems used by many people in Malaysia have the characteristics of conventional pawnbrokers, which reduce the number of Muslims who use pawnbrokers. Based on their need for concern, the Foundation for Islamic Economic Development (*Yayasan Pembangunan Ekonomi Islam Malaysia – YPEIM*) developed an Islamically-based pawn-broking system called Ar-Rahnu, as it was then known. (Abd Malek Awang Kechil 2005)

To bring the project to realization, Ar-Rahnu shop was built in the state of Kelantan by the Kelantan state government, where after that it was entrusted to a cooperative to manage and conduct operations at other branches. The first cooperative to conduct Ar-Rahnu business was a bank cooperative (*Bank Rakyat*), in the month of October 1993 with the cooperation of YPEIM. The Ar-Rahnu pawn-broking system developed rapidly and was widely accepted by the populace. In 2004, there were twenty-two (22) cooperatives became involved in the business, with 124 central offices nation-wide. Out of all the Ar-Rahnu offices nation-wide, 100 of them are owned by the Bank Rakyat (*Koperasi Bank Rakyat*) (Ab Mumin Ab Ghani (1999)).

Advantages and Benefits of the Ar-Rahnu System

There are many advantages and benefits in services received from Ar-Rahnu. Among these are the sensitivity towards different groups of women. Many people have compiled information that decorative items are seen as assets, and following Islam, women have complete control over all of their property. Because of this, whatever they do with their property, including items made with gold, is unquestionable. This problem is related to the involvement of women in small-scale businesses. They need money quickly for raising capital, buying stock for their business, and whatever else. Therefore, the cooperatives with Ar-Rahnu have available schemes that are sensitive to these women's needs and requirements.

Ar-Rahnu also doesn't charge interest in their transactions. This follows closely the teachings of Islam along with the main points of the religion as well as the needs of the *ummah* (the overall Muslim population) of Islam, along with the people who use or support the Islamic banking and financial system. Another advantage is that Ar-Rahnu conducts their business in a transparent, friendly manner with their customers. Every step taken in the acceptance process for items tendered, the valuation and personal records of the customers are done in front of the customer. This ensures that the customer is satisfied; in fact, every transaction is written down clearly, and all the staff speak clearly so the customer understands them.

All the items tendered would be kept in a secure place under government insurance protection. Every customer would also be told in a monthly notice everything concerning the item submitted including the date of the final day before surrendering the item, excess money from the sale of the item, and whatever else. Another benefit of Ar-Rahnu is that if the customer does not want to claim back the item, then the item would be sold by Ar-Rahnu, and any excess from what they owed Ar-Rahnu would be returned to the customer. (Rugayah 1986; Abdul Ghafar 1997)

Concepts of Ar-Rahnu

The Ar-Rahnu system uses various Islamic concepts such as:

1) *Benevolent Loan (Qardhul Hasan)*

This is a loan agreement between the person taking the loan and the person giving the loan. The loaner is forbidden from taking back more than value of the loan, but the borrowers are encouraged to give a small consideration as a sign of appreciation.

2) *Amanah (Trust) – Wadiyah Yad-amanah (Safe Custody)* – An instrument that allows a person to keep the wealth or assets belonging to oneself with another person for safekeeping purposes. In the case of Ar-Rahnu, the borrower can leave some type of collateral that can be returned so that repayment can be made. The loaner is also entrusted to safeguard the items for the full period of the loan. If anything happens to the items deposited, but not because of carelessness on the part of the loaner, the loaner is not required to replace the items.

3) *Safekeeping Fee (Al-Ujrah)* – The loaner is allowed to charge a commission for safeguarding items submitted, and keeping the items in good condition.

4) *Assured (Guaranteed) Storage -Wadiyah Yad-dhamanah* – The loaner is required to replace any items that are missing or stolen, if the loaner defaults on the agreement.(al-Zuhayli 1989;Ab Mumin Ab Ghani 1999)

The Role of Ar-Rahnu in Socio-Economic Development

Ar-Rahnu is also seen as giving large contributions to the socio-economic development of society in Malaysia. Ar-Rahnu is clearly seen as a source of capital for small- and medium-size traders as well as companies that are just beginning, and as a source of capital injection for companies that have already been set up. An individual who has a lot of gold items is more inclined to choose Ar-Rahnu because their business is done much faster and is much easier compared to the normal banking system.

Ar-Rahnu also plays the role as a source of funds for educational needs, especially when starting a child's first year in school or to pay the fees for their children to enter a center for higher learning. This also includes buying school supplies such as books, uniforms and transporting their children to college or wherever. Apart from this, Ar-Rahnu plays a major role in agricultural development and village industries. Many people are involved in agricultural projects and small industries in the basic village need rotating capital at a fast rate, and furthermore, these people don't need a guarantor for a bank loan. (Rugayah 1986; Abdul Ghafar 1997)

Among the roles that Ar-Rahnu plays is as a tool to encourage people to save and trade at the same time. In the beginning they save their money to buy jewelery, but when the time is right, they'll be buying or selling their jewelery. This is seen as a form of investment

because decorative items, especially those made from gold, always have a strong stable market value. With this kind of transaction a person who needs the money to start a business or inject more capital can go to Ar-Rahnu under many of their borrowing schemes. (Abd Malek Awang Kechil 2005)

Research Problems

Based on the problems noted above, this research looks at the financial services that have their foundation in Syari'ah studies in business, where they cannot guarantee success. This is because whenever that business involves people as customers, the factors of customer satisfaction and services that are offered such as quality, any of those services cannot be seen as unimportant. Because of this, this research was conducted on the customers of Ar-Rahnu to ensure how far they were satisfied with the services provided and what perceptions of service quality the customers received from the Ar-Rahnu shops, primarily from the Ar-Rahnu Bank Rakyat and the Kedai Ar-Rahnu Kelantan in Kota Bharu, Kelantan.

Objectives of the Research

By using general methods, this research is to observe how far the Islamic pawn-broking services of Ar-Rahnu give satisfaction to their customers. Because of this, the objectives of this research are:

- 1) Recognize the level of customer satisfaction for Muslim customers concerning services provided by Islamic pawn-broking services.
- 2) Recognize the factors that motivate respondents to receive pawn-broking services from Ar-Rahnu.
- 3) Recognize the level of service quality provided for by the pawn-broking companies.

The Sample and Sampling Methods

The population of this research involved customers of the Kelantan Ar-Rahnu and the Ar-Rahnu Bank Rakyat that operate in Kota Bharu, Kelantan. Choosing the sample was done with simple sampling or by quota sampling. This technique was chosen as the researcher was constrained in order to get an outline of the sample or a list of customer's names from Ar-Rahnu at the two research locations. Aside from that, the technique derives the necessary data very quickly and easily, and helps in receiving back a high percentage of returned questionnaires.

The questionnaires were distributed to the respondents face-to-face by the researcher and research assistants at the premises of the Kelantan Ar-Rahnu and the Ar-Rahnu Bank Rakyat, in Kota Bharu. This was to ensure that all the questionnaires given were returned on the same day. Besides that, it gives the respondents a chance to ask any questions

about the questionnaire. Whoever of the respondents answered all the questions completely were considered as part of the sample for this research.

Those who circulated the questionnaires only did so for long enough to finish off the 350 questionnaires that were to be filled out by the respondents. However though, fifty (50) questionnaires had to be refused, as they had not been filled out properly or completely. This was because respondents were in a hurry to leave as soon as they finished their business with the excuse of being busy or something else that needed to be signed. Because of this, only 300 of the 350 questionnaires were able to be used.

Description of the results

The respondents' profiles

Table 1 below shows the demographic information for the respondents. It was concluded that the percentage of respondents from both locations was almost the same at about 50%. From gender, the female respondents were higher (59%) than the men who used the services of Ar-Rahnu (41%). A majority of the respondents were between 30 – 39 years old (33%), and a majority of the respondents as well were married (71%). Half of the respondents also only had a high school (sekolah menengah) education, although there were some that had a diploma (21%) and 17% who had degrees, who were also customers of Ar-Rahnu services. Twenty-six percent (26%) of the respondents consisted of business people, 20% were support staff, 19% were housewives, and 13% worked in management or services departments, while 12% of the respondents were from a group of professional workers.

Table 1: Background Information for Respondents

Variable	Amount	Percentage
Location		
Ar-Rahnu Kelantan	146	48.7
Ar Rahnu Bank Rakyat	154	51.3
Gender		
Male	122	40.7
Female	178	59.3
Age		
< 20 years old		
20-29 years old	13	4.3
30-39 years old	54	18.0
40-49 years old	100	33.3
≥ 50 years old	75	25.0
	58	19.3
Marital Status		
Single	49	16.3
Married	212	70.7
Widow/Widower	39	13.0
Education		
Elementary school		

High school	34	11.3
Diploma	151	50.3
Degree	64	21.3
	51	17.0
Vocation		
Professional		
Support	36	12.0
Businessman/woman	59	19.7
Management/services	78	26.0
Safety/Security	40	13.3
Housewife	12	4.0
Self-employed	58	19.3
Student	12	4.0
Retired	4	1.3
	1	0.3
Salary		
≤ RM500	55	18.3
RM 1001-RM1500	78	26.0
RM1501-RM2000	58	19.3
RM2001-RM2500	50	16.7
≥ RM2501	28	9.3
	31	10.3

Meanwhile, this research also showed that the majority of the respondents had a monthly salary in the range between RM500 until RM1000. Nineteen percent (19%) of the respondents had a salary in the range between RM1000 and RM1500, 18% had a salary less than RM500, and 17% consisted of respondents that held a salary between RM1500 to RM2000. The results also showed that 9% and 10% of the respondents had the highest salaries at between RM2000 to RM2500, and more than RM2500, respectively.

Table 2 following shows the research findings concerning factors that motivated the respondents to obtain services from Ar-Rahnu. Results of the research found that many of the respondents needed quick cash by pawning their gold items at the Ar-Rahnu shop because they like to settle unexpected problems (a little more than 50%) and that the next biggest reason for obtaining the services of Ar-Rahnu was to obtain working capital for their business operations (at 21%). Eleven percent (11%) needed capital to start their business, while a little more than 10% of the respondents who obtained the services of Ar-Rahnu for the reason they needed the money for daily expenses. But there were also 1% of the respondents who needed the money to fulfill the necessary items for their children's education.

Table 2 Factors that Motivated Respondents to obtain services from Ar-Rahnu

Factors	Amount	Percentage
Solve unexpected problems	169	56.3
Needed working capital for their business	63	21.0
To start a new business	34	11.3
Need money for daily expenses	31	10.3
Children's school expenses	3	1.0

Table 3 below shows the percentages or the mean for all the research variables. It was found that the mean for all the variables was between 4.0 and 5.0. Considering the mean, we can conclude that the respondents showed a high rate of satisfaction (mean = 4.31) concerning services rendered by the Ar-Rahnu shops, while the perceptions of the respondents concerning service quality were also very good (mean = 4.25), as well as other dimensions of service quality given by the Ar-Rahnu shops.

Table 3 Mean values and Standard Deviation for Satisfaction Level and Service Quality

Variable	Mean	Standard Deviation	Median	Mode	Minimum	Maximum
Satisfaction level	4.31	0.522	4.40	4.00	1.80	5.00
Service Quality	4.25	0.481	4.37	4.00	1.50	5.00
Obedience	4.30	0.599	4.40	4.00	1.00	5.00
Guarantee	4.29	0.587	4.25	4.00	1.00	5.00
Belief	4.23	0.592	4.20	4.00	1.00	5.00
Significant	4.20	0.553	4.33	4.00	1.50	5.00
Empathy	4.26	0.510	4.33	4.00	1.33	5.00
Responsiveness	4.23	0.606	4.25	4.00	1.00	5.00

Conclusions and Recommendations

This research has shown that customer satisfaction level and service quality for Ar-Rahnu pawn-broking services is high. From the demographics, the results showed that there is a difference in service quality and customer satisfaction. This research only focused on six factors that would influence service quality and customer satisfaction; obedience, significance, guarantee, belief, empathy, and responsiveness. We would propose that future research studied the relationship between service quality and other factors not noted here. The research also only focused on only two Ar-Rahnu shops run by two cooperatives. It would hoped that future research could look at many other Ar-Rahnu shops run by various other cooperatives so that assumptions and generalizations can have

a much wider scope, and be more accurate and complete. This research could also look at the differences between Islamic and conventional pawnbrokers, especially from ease of operations, transparency and rules concerning service quality that have been prepared by the companies.

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