BENEFITS-SACRIFICES EXCHANGE (BSX) IN ISLAMIC PAWN BROKING TRANSACTION: AN EXPLORATORY FACTOR ANALYSIS

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ABSTRACT

Historically, the first Ar-Rahnu (Islamic pawn broking) shop was established in Kelantan State of Malaysia in 1992 with Bank Rakyat applying the Ar-Rahnu principle the following year. In the recent years, Ar-Rahnu has moved towards growth and development yet the determination of its development has not been much put into emphasize in Malaysia. It has been found that several literatures in marketing area highlighted the exchange between benefits and sacrifices can be the driving factors of business development. However, it seems that the conceptual framework of Benefits-Sacrifices Exchange is not well developed hence compelling conceptual rationale for the hypothesis. The objective of this paper is to identify a smaller set of summary in Benefits-Sacrifices Exchange (BSX) as the variables embedded in Malaysian Islamic Pawn Broking transaction. This paper used the Exploratory Factor Analysis (EFA) as a statistical technique to reduce data to a smaller set of summary variables. Principal Component Analysis (PCA) will used to consider the total variance in the data and transform the original variables to smaller set of linear combinations. A set of questionnaire which consists of 45 items of Ar-Rahnu Benefits and 14 items of Sacrifices were disseminated to 101 Ar-Rahnu customers as the respondents. Varimax method was used to simplify the column of factor matrix so that the factor extracts were clearly associated and separated among variables. This paper demonstrates that Ar-Rahnu Benefits and Sacrifices are dimensioned into 8 and 3 components. These finding were used to identify the structure of the relationship between the variables and the respondents.

Keywords: Islamic Pawn broking, Benefits-Sacrifices Exchange, Exploratory Factor Analysis, Principal Component Analysis

Introduction

Islamic pawn broking is known as one of the microfinance products that were designed to help the poor. Ar-Rahnu or Islamic pawn broking is defined as a transaction whereby a loan is given by an Islamic institution to a customer through a contract of *Al-Qardh* and *Ar-Rahn*. The customer is required to make gold as the collateral of the loan. An *Ujrah* Fee will be imposed for every RM100 from the *Marhun* Value. The Ujrah fee is a service charge for the gold's storage fee by the Islamic institutions. *Marhun* Value is regarded as the current value of the customer's gold. The loan period is six month and a renew period will be given after the payment of Ujrah fee. The Islamic institutions will offer the loan with a range between 65% - 80% of *Marhun* Value. A stark example is Bank Rakyat, the biggest and the most flourishing cooperative in Malaysia that is currently operating hundreds of outlets – the highest number of *Ar-Rahnu* cooperative(Yaacob, Ahmad, & Ibrahim, 2012). For the non-banking institution, Malaysian Islamic Economic Development Foundation (YAPIEM) and Malaysian Post Office are the biggest institutions that offer *Ar-Rahnu* services. In addition, there are several Islamic banks offering *Ar-Rahnu* services such as Bank Muamalat Malaysia Berhad (BMMB), Bank Kerjasama Rakyat (Bank Rakyat), Agrobank and Affin Islamic. There is a debate among Muslim economists about the real effects of *Ar-Rahnu* services in Malaysia. Some Muslim economists proposed Ar-Rahnu transaction as a substitution to the conventional pawn-broker which imposes high rate of storage fee. On the other hand, some opposed the implementation of Ar-Rahnu in Islamic financial institutions because of the benefits from the existing policy such as storage fee gained by the financial institutions from the loan. The Ujrah fee in Ar-Rahnu is regarded as the same element with the conventional storage fee as an interest (riba). There are many significant differences between Ar-Rahnu and conventional pawn broking transaction. The main difference is the rate of storage fee. The Islamic institutions only imposed about RM0.50 to RM1.00 for every RM100 of Marhun Value. By the way, the conventional pawn broking normally will charge RM1.00 to RM12 for every RM100. The process of gold valuation between these two institutions is also conflicting. The Islamic institutions produce an expertise in gold valuation with a sophisticated gold tester which assures the element of security and transparency. However, both of the elements are not assured in conventional pawn broking. Therefore a research must be done to investigate the real effects of Ar-Rahnu. The general interest of this paper is to explore the Benefits and Sacrifices of Ar-Rahnu transaction and to build a set of variables which will be reduced to a smaller set of summary. It can contribute towards the conceptual

framework on the *Ar-Rahnu* business determinants in Islamic banking in Malaysia. It is very important to determine the factors of the development and growth of this business as the only subject matter is gold and transactions that are based on loans.

Literature Review

Realizing the development and growth of *Ar-Rahnu* distributions among the state as well as the increase of financing size, profitability and framework of product feature, the researchers intend to refine the *Ar-Rahnu* contracts from the Muslim jurist perspective. There are a few research studies about the efficiency of *Ar-Rahnu* in Malaysia. From the past literature about the Islamic contract, operation and feature of *Ar-Rahnu*, a new direction for research in *Ar-Rahnu* development is recommended.

In today's business market, there is a rich and growing body of research focusing on the relationship between buyers and suppliers. The theory of SET has become a major concern by researchers due to its influence in the relationship of a successful *Ar-Rahnu* business in Malaysia. This marketing theory has still yet to be tested with *Ar-Rahnu*. Previous researchers' concern is customer satisfactions which is the only factor for a successful service. This research answers the question of what influences the high demand and satisfaction rate for *Ar-Rahnu* customers, and what influence Islamic banks to offer such a vast number of *Ar-Rahnu* counters at their banks.

The rationale of this concept is justified. The Benefits and Sacrifices that has been the concern in Relationship Value Theory is identified in *Ar-Rahnu* customer-pawnbroker relationship. Generally, in *Ar-Rahnu*, the relationship between *Ar-Rahin* (customer) and *Al-Murtahin* (pawnbroker) is recognized as continuous and circulated when the *Ar-Rahin* returns to the pawnshop to redeem the pledged item. The cycle chain is clear when the *Ar-Rahin* is a gold investor. They need to pawn and redeem the pledged item in order to gain profit from the rise in the price of gold. This relationship is recognized as a social exchange relation between the contracting parties. In order to define the dimensions of *Ar-Rahnu* relationship value, it is important to explain the Benefits-Sacrifices Exchange among the customers.

Benefits and Sacrifices can also be understood by analyzing relational exchange. Quoted from Dwyer, Schurr, and Oh (1987), relational exchange participants can be expected to derive complex, personal, non-economic satisfactions, and engage in social exchange. Because duties and performance are relatively complex and occur over an extended time period, the parties may direct much effort toward carefully defining and measuring the items of exchange. Contractual elements of relational exchange are elaborated by Dwyer et al. (1987) - namely situational characteristic and process characteristic. In the former, the timing of exchange, number of parties, obligation and expectation for relations are defined. While in the latter, the primary social relations, contractual solidarity, transferability, cooperation, planning, measurement and specificity, power and division of benefits and burden are stated.

From this research's analytical view, *Ar-Rahnu* transaction fulfills the characteristic of relational exchange. The primary observation of *Ar-Rahnu* operations, structure, feature produced by the Islamic banks in Malaysia and the social media such as blogs, website and Facebook pages of *Ar-Rahnu* user, illustrates the situational and process characteristic involved. For situational characteristic, *Ar-Rahnu* involved in timing of exchange where the Islamic bank's pawnshop counter give approximately 6 months to redeem the pledged item with another gradually 6 months for extension. There would normally be two parties involved in *Ar-Rahnu* (*Ar-Rahin* and *Al-Murtahin*) with an addition of regulators or gold dealers. Obligation is known where the repayment by the *Ar-Rahin* is a must within the timing of exchange and the safety of pledged item is obliged to the pawnbroker. Expectation for relations is anticipated among the contracting parties such as future troubles and conflicts of interest, counterbalanced by trust from both of them.

Ar-Rahnu also involves process characteristic. The primary personal relations are involved when the social discussion among the *Ar-Rahin* and *Al-Murtahin* is done to discuss the value of pledged item and size of financing. Contractual solidarity is also found in *Ar-Rahnu* especially related to the Shariah contracts in the transaction. It was found that both Muslim and non Muslim customers were almost satisfied with the *Ar-Rahnu* Shariah contracts such as *Al-Qardh, Al-Wadi'ah and Al-Ujrah* provided by the Islamic banks as an alternative for them to make a fast a loan or gold investment instead of the conventional pawnshop or loan sharks. Transferability is limited in *Ar-Rahnu* when the pledged item proposed by Islamic banks has only been gold jewelries. Joint efforts relating to both performance and planning of time proves that *Ar-Rahnu* is characterised by cooperation among the contracting parties. The significant focus of the exchange process and planning exist when the *Ar-Rahin* plans for their profits in gold investments and *Al-Murtahin* planning for their profits in the service of storage charge. Measurement and specificity of pledged item depend on the value of gold and the duration of financing. In *Ar-Rahnu*, the power or ability of Islamic pawnbroker to re-sell the unredeemed item takes place when customers fail to make finance repayment within the contracted timing of exchange. Lastly, there are benefits and burdens shared among the contracting parties whereby adjustment to both shared parceled benefits and burden over time is allowed.

The Benefits-Sacrifices Exchange values embedded in the transaction between the customer and the Islamic pawnbroker contributes towards the long term relationship between the contracting parties. This value is suggested to become the sustainability factor and offers a stronger competitive position of *Ar-Rahnu* businesses and industry in Malaysia. Such a strong competitive position can be achieved only by developing a competitive advantage that can be created through shared values between customers and Islamic pawnbrokers.

In *Ar-Rahnu* research, the social exchange theory, relational exchange, relationship value and its dimensions can explain many insights into its development. Previous studies focused on product awareness while neglecting the relational dimensions of

customer-perceived value. Relationship value is the most recent research development that considers the customer value from the viewpoint of relationship marketing (Ulaga & Eggert, 2005).

In business, value is defined as the perceived worth in monetary units of the set of economic, technical, service and social benefits received by the customer firm in exchange for the price paid for a product offering taking into consideration the available alternative suppliers offerings and prices (Ulaga & Eggert, 2005). The concept of value produces the exchange view of marketing. Market exchange takes place in *Ar-Rahnu* business because all parties involved expect to be better off post-exchange. The higher the net value expected or received, the stronger the motivation to commence and to sustain an exchange process. Ulaga and Eggert (2005) state that the value can be investigated from two complementary perspectives. Research on "value-to-the-customer" focuses on the net-value a customer receives in a market exchange and captures the seller's perspective of net-value realized through market exchange with a particular customer.

One of the characteristics of value in business is the benefits and sacrifices obtained in the market exchange. The customer value is defined as the tradeoff between the benefits ("what you get") and the sacrifices ("what you give") in a market exchange (Ulaga & Eggert, 2005).

The Shariah justification for *Ar-Rahnu*'s operation and features in Malaysia made by Naim (2004) suggest that it is based on a social welfare financial transactions (*Al-Aqd Tabarru'*). This research offers the relevance of the underpinnings Benefits-Sacrifices Exchange in understanding the relationships between the customer and Islamic pawnbroker that can be described as one of the determinants of *Ar-Rahnu* development in Malaysian Islamic banks. The relationship between the *Ar-Rahin* and *Al-Murtahin* is based on the benefits and sacrifices bounded by each of the party. The benefit to customers is the fast cash loan of money they get from the pawnbroker in 6 months period of time and that they can apply for extension if certain rules are fulfilled.

Table 1: Benefits and Sacrifices of Contracting Parties in *Ar-Rahnu* Transaction

	Benefits	Sacrifices
Customer of *Ar-Rahnu*	Fast cash loan within 6 months with extension facility	Storage fee
Islamic Banks as the pawnbroker	Authority of pledged item storage	Financing size
	Storage fee as service charge	Regulation cost
	Price of unredeemed pledged item	Administration cost

Methodology

Exploratory Factor Analysis on Benefits in Ar-Rahnu Transaction

The factor analysis is started with identifying the items that refer to the Ar-Rahnu Benefits. Forty-five items were drafted from the literature reviews and were updated from current interviews with expertise in Ar-Rahnu industries. The items of Ar-Rahnu Benefits are demonstrated in Table 2.

Table 2: Benefits of Ar-Rahnu

CODING	Benefits of Ar-Rahnu
MR1	To fix the Business Capital
MR2	To generate an Income
MR3	To pay the Debt
MR4	To pay the Rental
MR5	To settle the Insurans Premium
MR6	To increase the Marketing Strategies
MR7	To fulfill children's School Fee
MR8	To buy the Groceries
MR9	To buy another set of gold jewelry
MR10	To pay the Health treatment
MR11	To fulfill the Eid Celebration budget
MR12	To buy the Stationaries for my children
MR13	To manipulate the Gold price
MR14	Low cost of gold redemption
MR15	Gold safety
MR16	Low cost of Gold Deposit
MR17	Low Storage Fee
MR18	High of financing limit
MR19	Financing limit correspond to my ability

MR20	The loan period is long
MR21	The loan period is correspond to my ability
MR22	I feel comfortable when can renew
MR23	Rate within the range allow me to choose
MR24	Gold assessment be done carefully
MR25	There is no element of fraud in the process of gold evaluation
MR26	No gold counterfeiting element in evaluation process
MR27	The gold valuation process is reliable

CODING	**Benefits of Ar-Rahnu**
MR28	Gold kept in place safely
MR29	The counter is virtually secured
MR30	Transaction carried out in enclosed spaces
MR31	The branches are plenty
MR32	Branch locations near to where I live
MR33	Branch locations are strategic
MR34	I do not need to fill many forms
MR35	There are no conditions related to personal
MR36	The procedure is simple
MR37	I do not have to wait for a long period of time
MR38	Ar-Rahnu officers have the skills to evaluate gold
MR39	Ar-Rahnu officers provide accurate information
MR40	Ar-Rahnu officers can answer my questions
MR41	Ar-Rahnu officers have the knowledge about Islamic contracts
MR42	Halal transaction assured
MR43	No element of Riba
MR44	Syubhah properties are reduced
MR45	Defending the less wealthy people

All the items were transferred into statistical data. The Principle Components and Varimax Method were chosen to run exploratory factor analysis. All the items were extracted by these methods. Principal Component is the standard extraction method that was used to extract uncorrelated linear combinations of the variables. Varimax method was used to rotate the factors to better fit the data. In this research, output was chosen to be specified and not all factor loadings were included. It is appropriate to increase the default value from 0.1 to 0.6. To get the result, a re-run of the factor analysis was done.

Table 3: First stage of EFA on 45 items of Ar-Rahnu Benefits

Rotated Component Matrix[a]									
	Component								
	1	2	3	4	5	6	7	8	9
MR1						.753			
MR2						.691			
MR3							.703		
MR4							.663		
MR5							.612		
MR6									
MR7		.799							
MR8		.812							

MR9			.647						
MR10		.660							
MR11		.845							
MR12		.811							
MR13			.658						
MR14			.738						
MR15			.718						
MR16			.683						
MR17			.730						
MR18									
MR19									
MR20				.768					
MR21				.728					
MR22									
MR23				.684					
MR24									
MR25					.743				
MR26					.806				
MR27					.791				
MR28									
MR29	.663								
MR30	.630								
MR31									
MR32								.682	
MR33									
MR34	.750								
MR35									
MR36	.788								
MR37	.744								
MR38	.621								
MR39	.863								
MR40									.742
MR41	.832								
MR42	.727								
MR43	.644								
MR44	.864								
MR45	.702								
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.									
a. Rotation converged in 21 iterations.									

Table 3 shows the results for the first stage of factor analysis. The analysis structured the items into nine column or components. The dark rows show the nine items that scored lower co-efficient value. After all the lower co-efficient values were removed, a re-run of factor analysis was again done. The result is shown in Table 4.

Table 4: Second stage of EFA on Ar-Rahnu Benefits

Rotated Component Matrix[a]								
	Component							
	1	2	3	4	5	6	7	8
MR1								.839

MR2								.721
MR3							.724	
MR4							.662	
MR5							.639	
MR7		.795						
MR8		.808						
MR9			.669					
MR10		.656						
MR11		.848						
MR12		.811						
MR13			.713					
MR14			.789					
MR15			.683					
MR16			.627					
MR17			.703					
MR20						.799		
MR21						.670		
MR23						.639		
MR25					.758			
MR26					.820			
MR27					.808			
MR29	.706							
MR30	.676							
MR32	.759							
MR34	.751							
MR36	.731							
MR37	.715							
MR38				.622				
MR39	.787							
MR40								
MR41	.797							
MR42				.672				
MR43				.738				
MR44	.742							
MR45				.679				

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 17 iterations.

For the second stage of EFA, we can see the components of Ar-Rahnu benefits were reduced from nine to eight. Item MR40 were also removed because of the low factor loading. A third re-run of factor analysis was then done.

Table 5 : Third stage of EFA on Benefits of Ar-Rahnu

Rotated Component Matrix[a]								
	Component							
	1	2	3	4	5	6	7	8
MR1							.870	
MR2							.821	
MR3								.721
MR4								.668
MR5								.647
MR7		.801						
MR8		.804						
MR9			.676					
MR10		.665						
MR11		.842						
MR12		.812						
MR13			.711					
MR14			.789					
MR15			.667					
MR16			.626					
MR17			.705					
MR20						.811		
MR21						.666		
MR23						.644		
MR25					.761			
MR26					.821			
MR27					.827			
MR29	.701							
MR30	.673							
MR32	.753							
MR34	.746							

MR36	.730							
MR37	.721							
MR38				.605				
MR39	.788							
MR41	.796							
MR42				.652				
MR43				.736				
MR44	.749							
MR45				.683				
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 16 iterations.								

After the third stage of EFA, the eight components were remained and all the items reached high co-efficient value or factor loading. Therefore, it can be seen that the results are meaningful. Results were simplified in the Table 5.

Table 6: The Components of Ar-Rahnu Benefits after EFA

Komponen	No item								
1	MR29	MR30	MR32	MR34	MR36	MR37	MR39	MR41	MR44
2	MR7	MR8	MR10	MR11	MR12				
3	MR9	MR13	MR14	MR15	MR16	MR17			
4	MR38	MR42	MR43	MR45					
5	MR25	MR26	MR27						
6	MR20	MR21	MR23						
7	MR1	MR2							
8	MR3	MR4	MR5						

A Reliability Test was applied to each of the Ar-Rahnu Benefits component. The Cronbach alpha was used to test the reliability of Ar-Rahnu Benefits components. The results are shown in tables below.

Table 7: Reliability Test for Component 1

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.924	.925	9

Table 8: Reliability Test for Component 2

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.889	.888	5

Table 9: Reliability Test for Component 3

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.851	.854	6

Table 10: Reliability Test for Component 4

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.908	.911	4

Table 11: Reliability Test for Component 5

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.922	.923	3

Table 12: Reliability Test for Component 6

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.830	.838	3

Table 13: Reliability Test for Component 7

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.911	.912	2

Table 14: Reliability Test for Component 8

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.844	.842	3

The Reliability Test in Table 6 to Table 13 indicate that all the Ar-Rahnu benefits component are reliable and fulfill the requirement to be tested in the theoretical framework. Since factor analysis is an explorative analysis, it does not distinguish between independent and dependent variables. From this test, the Ar-Rahnu benefits are identified as latent variables. These components are regarded as Dimensions in Ar-Rahnu Benefits.

Exploratory Factor Analysis on Sacrifices in Ar-Rahnu Business

The next EFA was applied on Sacrifices items. All the items were transferred into statistical data. The items and codes are presented in Table 14. The Principal Component and Varimax was applied on the set of data.

Table 15: Sacrifices' Items in Ar-Rahnu Business

CODING	**Sacrifices of Customers in Ar-Rahnu Business**
RR1	The decrease of gold price give impact on my redemption
RR2	Pawning gold with coated plastic is complicated

RR3	My name is on record in CCRIS per receipt
RR4	The transportation cost
RR5	The differences between the bank conditions urge me to do selection
RR6	The storage fee is increased every day
RR7	The storage fee is not standardized in every institutions
RR8	I waited a long of time at the counter
RR9	I have to pawn 1 jewelry for 1 receipt to facilitate redemption
RR10	I feel burden to redeem a set of gold in one receipt
RR11	I feel disappointed when I fail to redeem my gold
RR12	I fear my name will be on black list if I fail to redeem
RR13	I find it difficult to sell my pawn receipt
RR14	I find it difficult to find the buyer of my pawn receipt

Table 16: EFA on Sacrifices in Ar-Rahnu

Rotated Component Matrix[a]			
	Component		
	1	2	3
RR1		.730	
RR2			.642
RR3			.783
RR4			.750
RR5		.701	
RR6			
RR7		.831	
RR8	.600		
RR9			
RR10	.783		
RR11			
RR12	.662		
RR13	.796		
RR14			.637

As shown in Table 15, the EFA extracted the 14 items of Sacrifices in Ar-Rahnu into three components. Three items were found to have achieved low co-efficient value, which was below than 0.6. They were removed from the list of variables and a re-run for the factor analysis was done.

Table 17: Second Stage of EFA on Sacrifices in Ar-Rahnu

Rotated Component Matrix[a]			
	Component		
	1	2	3
RR1			.728
RR2		.651	
RR3		.835	
RR4		.768	
RR5			.748
RR7			.848
RR8	.669		
RR10	.799		
RR12	.602		
RR13	.844		
RR14	.654		

The Table 16 shows the final and complete results of EFA on Sacrifices by customers in Ar-Rahnu business. The three components are presented in Table 17.

Table 18: Components of Sacrifices in Ar-Rahnu Business

Komponen RR	No item				
1	RR8	RR10	RR12	RR13	RR14
2	RR2	RR3	RR4		
3	RR1	RR5	RR7		

The Reliability Test was also applied on the components. The results are presented as in Table 18,19 and Table 20. From the results, it can be seen that all the components are reliable to be tested in the theoretical framework in future research.

Table 19: Reliability Test on Component 1

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.825	.826	5

Table 20: Reliability Test on Component 2

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.731	.733	3

Table 21: Reliability Test on Component 3

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.743	.743	3

Results and Findings

From the EFA analysis, it is found that all the items can be labeled into identified sub-variables. Fortunately, the components were satisfactorily divided into referred groups of needs and benefits such as Quality Services, Basic Needs (Dharuriyyat), Moderated Needs (Hajiyyat), Gold Investment (Tahsiniyyat), Staff Competency, Transparency, Product Feature and Business Capital.

Table 22: Dimensions on Benefits on Ar-Rahnu

Components	Labeled Sub-constructs	Cronbach Alpha
1. Service Quality	SQ	0.924
2. Basic Needs (Dharuriyyat)	DHA	0.889
3. Gold Investment (Tahsiniyyat)	GI	0.851
4. Staff Competency	C	0.908
5. Transparency	TR	0.922
6. Product Feature	PF	0.830
7. Business Capital	BC	0.911
8. Moderated Need (Hajiyyat)	HAJ	0.844

The components of the EFA on Sacrifices in Ar-Rahnu business were adequately divided into three identifiable burdens that was discussed in previous literature which are; Time Cost, Transaction Cost and Price Cost.

Table 23: Dimensions on Sacrifices in Ar-Rahnu

Components	Labeled of Sub-Construct	Cronbach Alpha
1. Time Cost	TC	0.825
2. Transaction Cost	TRC	0.731
3. Price Cost	P	0.743

Discussion

The Benefits and Sacrifices of Ar-Rahnu in this paper is produced as a smaller number of linear combinations on variables so that the reduced variables account for and explain most the variance in correlation matrix pattern. The items which are original variables are transformed into a smaller set of linear combination.

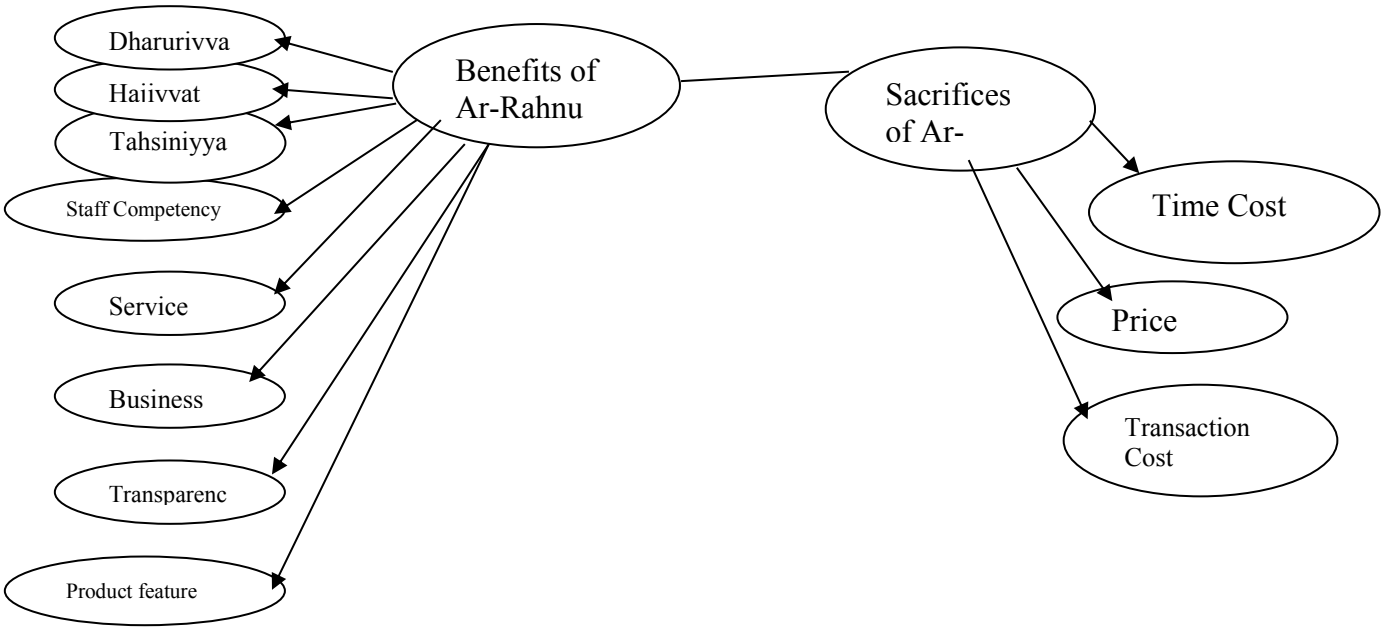
This finding also confirmed the variables in Ar-Rahnu studies such as product features (Yaacob et al., 2012), Service quality(Nor, Abdullah, Ismail, Bakar, & Yusni, 2012), Transaction Cost(Tang, Guan, & Jin, 2010), Transparency(Abdul-Razak, 2011), Gold Investment(Hisham, Shukor, Salwa, & Jusoff, 2013) and Staff Competency(Hartungi, 2007).

These variables were thoroughly used in various studies of Ar-Rahnu and microfinance. The study of intention usage, customer satisfaction and product awareness usually correlated with these variables.

The study of benefits-sacrifices exchange has not been tested in the Ar-Rahnu business context. Thus, this paper has contributed a new insight on Ar-Rahnu determinants among customers. The exploratory analysis should be applied in the Ar-Rahnu context in order to enhance the variables. This paper has also produced a new and updated dimensions of Ar-Rahnu determinants.

These dimensions can be used to structure a relationship between the variables and respondents. The results of the analysis can be used in theory testing to verify scale construction and operationalizations. This form of factor analysis can be used in structural equation modeling and confirmatory factor analysis. Indices can also be constructed. It can be suggested that there are two factors that influence the Ar-Rahnu business in Malaysia. The suggestion is illustrated as in Figure 1.

Figure 1: The Suggested Conceptual Framework



Conclusion

This paper explores the existence of benefits and sacrifices exchange in Ar-Rahnu Transaction. The Exploratory Factor analysis can proof the existence of BSX components. The validity and reliability of BSX in Ar-Rahnu Transaction are also tested. The customers of Ar-Rahnu have satisfied that the Ar-Rahnu loan give them effects in a form of benefits which are *Dharuriyyat*(Basic Needs), *Hajiyyat*(Intermediary Needs), *Tahsiniyat*(Accomplishment), Service Quality, Staff Competency, Transparency, Product Feature and Business Capital. In addition, Ar-Rahnu also can produce the effects in a form of sacrifices which are Time Cost, Price Cost and Transaction Cost. These findings indicate three major contributions which are conceptual contribution, empirical contribution and policy enhancement. This paper has improved the conceptual definitions of the original variables. The theoretical linkages also are developed. Furthermore, this paper have explored and tested the new theory namely Theory of Benefits and Sacrifices Exchange (BSX) derived from Theory of Social Exchange (SET) in Ar-Rahnu relationship. In addition, the finding can contribute towards the enhancement of Ar-Rahnu Guideline 17 (2004) in Pawn broking Act 1972. Guideline 17 state the minimum of storage fee which is up to 1% monthly or 12% per annum. The findings show the types of cost accrued by the customer. The differences of product feature can cause a difference sacrifices to the customer. Therefore, this paper suggests the improvement of Guideline 17 whereby the costs accrued by the customer should be reviewed. The study of BSX among customers in Malaysian Islamic financial institutions can proof the level of their needs. The Ar-Rahnu customers have a good awareness towards the usage of gold to fulfill their needs. From this paper, the other Muslim countries may learn about the usage of gold as one of medium to support small enterprises. Furthermore, this conceptual framework maybe applicable to study the BSX of Ar-Rahnu customers in Muslim countries. The exchange between gold and fast cash money can produce more benefits than sacrifices to Muslim entrepreneurs but with a proper guideline from the government. The small sample of respondents is become the limitation of this paper. For future research, the extra variables are suggested to be included in the analysis.

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