

INTRINSIC FACTORS AFFECTING THE ACCEPTANCE OF MUSLIM SMALL ENTREPRENEURS IN KELANTAN TOWARDS AR-RAHNU

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ABSTRACT

Small entrepreneurs are often associated with the issue of difficulty in obtaining capital due to lack of trust from financial institutions. This is due to no loan repayment guarantee by small entrepreneurs. Therefore, Ar-Rahnu is one of the alternatives to small entrepreneurs to get financing easily and quickly. However, response of Ar-Rahnu towards entrepreneurial goals is still low as a result of focusing more on personal use rather than for entrepreneurial purposes. Is this low response related to the low acceptance of Ar-Rahnu? Hence, this article intends to identify the intrinsic factors (internal stimuli) that affect the acceptance of Muslim small entrepreneurs in Kelantan towards Ar-Rahnu. A total of 350 respondents were selected by a purposeful sampling consisting of Muslim small entrepreneurs in Kelantan. The set of questionnaires consisted of 8 items relating to respondents' backgrounds, and 20 items on the intrinsic factors that affected the acceptance of small entrepreneurs towards Ar-Rahnu. The findings were analysed descriptively to analyse the percentage and mean values using Statistical Package for Social Sciences (SPSS) version 22.0. Overall, small entrepreneurs in Kelantan exhibited positive acceptance of Ar-Rahnu based on the intrinsic factors. This was indicated by the high mean value displayed by each item, particularly items for halal and haram considerations.

Keywords: Ar-Rahnu; Islamic pawn broking; Entrepreneurship; Kelantan; Behaviour; Acceptance.

Received: 3 April 2018
Accepted: 20 May 2020

1. INTRODUCTION

Ar-Rahnu is capable of being one of the micro credit schemes that helps low-income groups who are not eligible for funding from financial institutions. In addition, it also becomes an alternative to small entrepreneurs to seek capital financing for businesses (Noar & Ahmad, 2015) as small entrepreneurs often face problems in obtaining funding from financial institutions (Sultana, Arifin, & Juraini, 2015). These small-scale entrepreneurship activities include food stalls, tailors, handicraft shops, retail stores and so on. Most small entrepreneurs also have no collateral (land or house) or guarantor to get a loan. Financial institutions do not want to suffer losses because there is no guarantee of repayment due to the small-scale entrepreneurship activities (Al-Ameen, 2016). Therefore, Ar-Rahnu is one of the alternatives for small entrepreneurs to get funding, particularly for those who are marginalized by the formal financial system.

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The main issue of acceptance of Ar-Rahnu by the small entrepreneurs is the weakness of service in micro credit institutions which causes difficulty for small entrepreneurs to get micro loan facilities (Mahmood & Mohamad, 2011). Among them are bureaucratic red tape, stringent loan conditions, high leverage rates, requirements for collateral and guarantors, and overwhelming payment methods (Roslan & Karim, 2009; Nor, 2011; Mohamad, Azer & Che Harun @ Mohamad, 2013). In addition, the practice of *riba* by some micro credit institutions is clearly against the concept of business practiced in Islam. Another reason for the inefficient of current financing scheme is that it does not really help small entrepreneurs. Some of the terms and conditions cannot be fulfilled by these small entrepreneurs due to their small-scale businesses; thus, the financial institutions are not convinced that the loan can be paid within the period given without any guarantee.

Due to the difficulties to get loan from micro credit institutions, some entrepreneurs are unable to enlarge their businesses. Some of them also choose to get financial from illegal or not established financial institutions, while some may be obtained financial assistance from personal savings, siblings and relatives (Ibrahim, 2014). Insufficient capitals also hinder some entrepreneurs to continue and terminate their businesses. Therefore, it is observed that small entrepreneurs are greatly in need for financial assistance to ensure their business survival. Alternative ways should be provided to these small entrepreneurs in order to obtain faster and easier funding with low risk for their businesses growth. They should be encouraged to keep gold as savings which is more stable than money. Thus, it is important to study this issue to help small entrepreneurs to easily get financial from established institutions and prevent them from illegal finance institutions such as 'Ah-Long' (Bahari, Safii, Ahmad, Faisal, & Shahar, 2015). Ar-Rahnu an established financing institutions with low risk, is perceived as an alternative medium for small entrepreneurs to obtain financial assistance for their businesses. Nevertheless, entrepreneurs are mostly not aware of its existence and benefits provided from this institution.

The weaknesses of micro credit institutions in providing funding to these small entrepreneurs have given opportunity to them to move to Ar-Rahnu which conforms to the principles of Islamic law, as well as provides easy and quick service (Hassan, Ahmad, & Wahab, 2015). However, the acceptance of Ar-Rahnu by small entrepreneurs is still low because the use of Ar-Rahnu is more to bear personal cost of living rather than for the purpose of entrepreneurial activity (Azman, Kassim, & Adeyemi, 2016). Cost of living defines daily necessities, payment of debt, medicine, education, traveling or purchasing a vehicle. Therefore, Ar-Rahnu is one of the institution that can prevent small entrepreneurs from selecting illegal or non-shariah compliance financial institutions with *riba* and high interest.

2. LITERATURE REVIEW

The reason for low response towards Ar-Rahnu is probably related to issues of public awareness and understanding. For the same reason, the response towards Ar-Rahnu is said to be lower than the conventional pawn (Sam, Tahir & Latif, 2010). Conventional pawn becomes the user's choice over Ar-Rahnu due to misunderstanding of Ar-Rahnu's concept. A study by Hsni (2009) revealed that lack of knowledge of the local community in relation to Ar-Rahnu has become one of the factors that undermined the development of Ar-Rahnu. Therefore, Marimuthu, Lam, Chee, Razali,

& Kolandaisamy (2009) suggested promoting factor is essential to govern the understanding and knowledge of the people towards Ar-Rahnu.

In addition to the issue of understanding, Ar-Rahnu also faces issues related to halal and haram. As Muslims, consumers need to consider halal and haram when choosing a service. The halal and haram issues in Ar-Rahnu such as *riba* and Sharia compliance can lead to misunderstanding towards Ar-Rahnu (Azman, Kassim & Adeyemi, 2016). In attracting multi-religious communities in Malaysia to accept Ar-Rahnu, Sharia compliance by Ar-Rahnu has no effect on their acceptance significantly (Hashim, Akir, & Kamil 2013). Therefore, the study considered that the Sharia viewpoints cannot be a major factor in influencing the multi-religious communities to accept Ar-Rahnu. The study by Hsni (2009) reported that the main factor of Muslim consumers to use Ar-Rahnu is due to their awareness of *riba*. Amin, Chong, Dahlan and Supinah (2007) as well as Bhatt and Sinnakkannu (2008) stated Sharia-compliant Ar-Rahnu operations can attract the Muslim community to secure their valuable items for cash.

This article finds that previous studies also focused on discussing the extrinsic factors (external stimuli) rather than intrinsic factors (internal stimuli). For example, Magenderan, Wahid and Ahmad (2014) investigated the effectiveness of promotional factors and found that the Ar-Rahnu users in Selangor were more susceptible to electronic advertising than word-of-mouth promotions. In addition, Appannan and Doris (2011) and Muhamat, Rosly, & Jaafar (2011) associated the extrinsic factors to good service factors that affected the Ar-Rahnu's acceptance. They acknowledged the comfort of Ar-Rahnu products as it is not necessary to disclose the reasons for performing pawn transaction due to confidentiality and security guarantee while using the Ar-Rahnu service. Meanwhile, Marimuthu, Lam, Chee, Razali and Kolandaisamy (2009) assumed that the location of Ar-Rahnu branch which is only available in the city whereby most of its users live in the rural areas could be the drawback.

Hence, this article provides new insights when highlighting the intrinsic factors that have influenced the recent study on Ar-Rahnu regarding extrinsic factors. The intrinsic factor according to Hendriyanto (2012) originates from the inner self, while extrinsic factor comes from outside oneself. However, this article only focuses on the influence of intrinsic factors that have a direct relationship with religion such as the factors of *maslahat* returns and factor of use by priority that have been highlighted by Adnan (2010). The return of goodness or benefits means the law that has been approved and agreed by the Muslims and is closely related to the Sharia purposes (Mudjib & Harisah, 1996). This includes banking transactions that maintain the benefits between debtors and creditors based on profit and loss sharing (Nasrudin & Ismail, 2011). Meanwhile, as explained by Borhan (2008), use by priority is the expenditure of individual Muslim which is moderately done based on Sharia principles and restrictions. People tend to have different needs and desires and it makes it difficult to know the extent of an individual's use (Adnan, 2010). Based on previous studies, most researchers have merely focused on Ar-Rahnu consumers, but not to entrepreneurs as research respondents. This article is important to investigate entrepreneurs as respondents on the acceptance of small entrepreneurs towards Ar-Rahnu, whilst one of the main goals of Ar-Rahnu is to provide capital for entrepreneurial activities.

Therefore, the question is why the acceptance of small entrepreneurs toward Ar-Rahnu is still low? What are the real factors that determine the acceptance of small entrepreneurs towards Ar-Rahnu? Is it possibly due to intrinsic factors (individual internal stimulus such as halal and haram

considerations, understanding, *maslahat* returns and use by priority)? Hence, a survey should be conducted on small entrepreneurs to know their acceptance of Ar-Rahnu which will influence their tendency to deal with Ar-Rahnu.

3. METHODOLOGY

Kelantan is one of the states in the East Coast of Peninsular Malaysia which has been selected as the location of the study influenced by several reasons. First of all, most people in Kelantan are actively involved in small business entrepreneurship and earn good income (Al-Mamun & Ekpe, 2016). The Kelantan's are also known for their entrepreneurial capabilities admired by the Malays throughout the country (Nash, 2009 & Yaacob, 2010). The selection of Kelantan as the study area was further confirmed by Yusoff and Yaacob (2010) that entrepreneurs in Kota Bharu Kelantan have made pawnshops as an alternative for capital sourcing. This is because most entrepreneurs especially women entrepreneurs keep and wear jewellery. Likewise, Othman, Hashim and Abu Bakar (2009) reported that the culture of business among Kelantan's has contributed to the encouraging response to Ar-Rahnu in that state. Hence, there are two main questions identified in this article; first, what is the demographics background of Muslim small entrepreneurs in Kelantan? Second, what are the intrinsic factors that influence the acceptance of Muslim small entrepreneurs in Kelantan towards Ar-Rahnu?

In order to identify the intrinsic factors affecting the acceptance of small Muslim entrepreneurs in Kelantan towards Ar-Rahnu, 350 questionnaires were distributed to Muslim small entrepreneurs in Kelantan. According to Clark and Creswell (2015), 350 respondents are sufficient as minimum sample size needed in a questionnaire survey. The questionnaires were distributed at the main markets in ten districts of Kelantan. Small entrepreneurs that were selected in this study comprised small entrepreneurs with business capital starting from less than RM1,000 to not more than RM20,000 and capital starting from less than RM1,000 to not more than RM10,000.

Quantitative method was applied in this study. This study did not included the actual numbers of Muslim small entrepreneurs in Kelantan due to confidentiality from the markets management and availability of entrepreneurs at all time as they are mostly not consistent with their business operation hours. In fact, these small entrepreneurs have not normally registered their business due to the small-scale business activities which led to difficulty to identify the actual population of small entrepreneurs in Kelantan.

This article uses a purposive sampling method to obtain available information from individuals (Sekaran, 2003). Purposive sampling is limited to the specific types of people that can give information and 'most suitable' that can meet the purpose of research (Sekaran, 2006; Clark & Creswell, 2015). The purposive sampling method was done by selecting small entrepreneurs as respondents who carried out a business near the Ar-Rahnu premises. All ten large markets were the main business areas located in the city and close to premises or branches of Ar-Rahnu. Therefore, most of the respondents already have information and familiar about Ar-Rahnu.

Questionnaire distributed to the respondents was in Malay language as the most used language among people in Kelantan. Each entrepreneur selected at the sampling location was approached and asked for permission to be respondent. Only Muslim small entrepreneurs were selected as

respondents. After getting approval, each respondent was given a questionnaire to complete before submitting it back to the researcher. The findings were then analysed descriptively to find out the percentage and mean values using Statistical Package for Social Sciences (SPSS) version 22.0. The analysis of findings has been discussed in the next section which included the background of respondents' profiles, influence of intrinsic factors on the acceptance of Ar-Rahnu by Muslim small entrepreneurs in Kelantan, and conclusion.

4. RESULTS AND DISCUSSION

4.1. Respondent's Profile and Background

Demographic analysis was conducted on 350 small entrepreneurs. The characteristics of profile of the respondents were determined by descriptive statistics. Demographic profile of entrepreneurs was divided into gender, age, marital status, level of education and household income (monthly). The demographics profile of small entrepreneurs is shown in Table 1.

Table 1: Small Entrepreneurs Profile (N=350)

Num.	Entrepreneur Profile	Numbers	Percent (%)
1	Gender		
	Male	80	22.9
	Female	270	77.1
	Total	350	100.0
2	Age		
	18-29 years	84	24.0
	30-39 years	90	25.7
	40-49 years	109	31.1
	50 years and above	67	19.1
Total	350	100.0	
3	Marital Status		
	Single	62	17.7
	Married	258	73.7
	Widower	17	4.9
	Divorced	13	3.7
Total	350	100.0	
4	Education Level		
	Primary School	15	4.3
	Secondary School	265	75.7
	Higher Education	68	19.4
	Others	2	0.6
Total	350	100.0	
5	Income		
	Less than RM1000	146	41.7
	RM1001-RM2000	114	32.6
	RM2001-RM3000	39	11.1

Num.	Entrepreneur Profile	Numbers	Percent (%)
	RM3001-RM4000	19	5.4
	RM4001-RM5000	13	3.7
	RM5001-RM6000	7	2.0
	More than RM6001	12	3.4
	Total	350	100.0
6	Type of Business		
	Food and beverages	41	11.7
	Retail shop	50	14.3
	Jewellery and flowers	7	2.0
	Beauty and cosmetics	21	6.0
	Fish and chick sellers	27	7.7
	Fabric and clothing	123	35.1
	Vegetables and fruits	41	11.7
	Traditional Medicines	3	0.9
	Others	37	10.6
	Total	350	100.0
7	Duration of Business		
	5 years and below	105	30.0
	6-10 years	92	26.3
	11-15 years	49	14.0
	16-20 years	45	12.9
	21 years and above	59	16.9
	Total	350	100
8	Business Capital		
	Less than RM1000	78	22.3
	RM1001-RM2000	55	15.7
	RM2001-RM3000	50	14.3
	RM3001-RM4000	29	8.3
	RM4001-RM5000	18	5.1
	RM5001-RM6000	37	10.6
	RM6001-RM7000	5	1.4
	RM7001-RM8000	6	1.7
	RM8001-RM9000	0	0
	RM9001-RM10,000	23	6.6
	More than RM10,001	49	14.0
	Total	350	100.0

Based on the findings in Table 1, most of the entrepreneurs involved in this distribution was female (n = 270, 77.1%) compared to male (n = 80, 22.9%). There was a significant difference between the female entrepreneurs and male entrepreneurs in the study area which proved that women are dominating the markets for small-scale business activities around Kelantan. Thus, women become a role model to the small entrepreneurship in Kelantan. This study also found many women traders in the market area compared to men. The involvement of women entrepreneurs in entrepreneurship also helps to generate additional income in their families (Yusoff & Yaacob, 2010). It has been reported that entrepreneurial activity has long been in the Malay race in Kelantan, especially the

women who are actively involved in entrepreneurship activities (Yusoff & Yaacob, 2010; Azmi & Ibrahim, 2013). Women in Kelantan particularly some who involved in business are normally kept gold as savings. The gold's are usually purchased after obtaining profits from their business. Then, they go Ar-Rahnu branch and pawn the gold to get some money as capital for their business. Thus, women in Kelantan are playing significant roles for contribution in small entrepreneurship activities, and highly accepting the Ar-Rahnu as their alternative financial institution.

In terms of age, majority of entrepreneurs were between 40 and 49 years old ($n = 109$, 31.1%), followed by entrepreneurs aged between 30 to 39 years ($n = 90$, 25.7%), younger group aged between 18 and 29 years old ($n = 84$, 24%), and entrepreneurs who aged over 50 years old ($n = 67$, 19.1%). At the age of 40 to 49 years, the community tends to be more competitive. They are willing to risk their involvement in entrepreneurship since they have life experience. At this level of age, some of them chose to engage in entrepreneurship after retiring from previous jobs such as government pensioners. These findings also provided information that people of Kelantan have high interest and ability to do business at all ages whether young or adult.

In terms of marital status, the majority of entrepreneurs were married ($n = 258$, 73.7%), while the rest were single ($n = 62$, 17.7%), widowed ($n = 17$, 4.9%) and divorced ($n = 13$, 3.7%). The entrepreneurial groups for married and single status showed a very significant difference. This finding reflected that the married group managed their business for their own family needs as a mature population. It can be assumed that married people have self-reliant attitude by trying to earn incomes through business compared to entrepreneurs with single status who mostly were more comfortable to be employees.

In addition, the majority of entrepreneurs received education at secondary level ($n = 265$, 75.7%), followed by certificates, diplomas and degrees holders ($n = 68$, 19.4%), education at primary level ($n = 14$, 4.0%), and the remaining has not received formal education from any institution ($n = 2$, 0.6%). Generally, most of the entrepreneurs did not pursue their studies at higher level and chose to be involved in entrepreneurship that does not require high skills.

For income earning, the number of respondents who earned less than RM1000 was the highest ($n = 146$, 41.7%). Then, followed by respondents who earned between RM1001 to RM2000 ($n = 114$, 32.6%). About 39 respondents earned income of RM2001 to RM3000 ($n = 39$, 11.1%). Hence, the majority of respondents have income less than RM1000 which indicated that the income earned through business was not so high as the respondents only run small businesses with small capital. The earning of small entrepreneurs was also small due to the small capital invested.

The majority of entrepreneurs was found to involve in the fabric and clothing business ($n = 122$, 34.9%), followed by retail shops ($n = 50$, 14.3%), food and beverages business and vegetables and fruits business ($n = 41$, 11.7%). The rest involved in other businesses ($n = 38$, 10.9%) which included shoe and slippers, bags, spices, kitchen utensils, rice, gold trade and so on. These statistics illustrated the diversity of businesses undertaken by the respondents at the main markets in Kelantan. However, apparel and clothing business was dominant around the markets in every district in Kelantan.

Additionally, 105 entrepreneurs (30%) involved in the business for 5 years and below, whilst 93 entrepreneurs (26.3%) run their business within 6 to 10 years. The rest of the entrepreneurs mostly

engaged in business over 21 years ($n = 59, 16.9\%$). The duration of involvement in carrying out business showed that most entrepreneurs were still new to entrepreneurship and generated various business experiences.

In terms of total business capital obtained, most respondents used capital of less than RM1000 ($n = 78, 22.3\%$), and within the range of RM1001 to RM2000 ($n = 55, 15.7\%$). In addition, some respondents used business capital of more than RM10,001 ($n = 49, 14.0\%$). The use of capital above RM10,001 was probably involving respondents in fabric and clothing business that required a larger amount of capital compared to other businesses in this small entrepreneurial category. Overall, entrepreneurs in this small-scale entrepreneurial category have issued capital starting from less than RM1000, but not more than RM20,000.

The results of the respondents' demographic statistics can be summarized that the majority of respondents were women, adults (40s), married, received education at secondary school level, earning less than RM1,000 and a capital of less than RM1000. Additionally, the majority of respondents are engaged in fabric and clothing business with new business experience.

The diversity of respondents' backgrounds from various demographic characteristics has resulted in various acceptance factors of the respondents towards Ar-Rahnu. Feedback received from the respondents is important information in order to know more about the intrinsic factors that affected the acceptance of Muslim small entrepreneurs in Kelantan towards Ar-Rahnu.

4.2 The Influence of Intrinsic Factors towards Ar-Rahnu Acceptance of Muslim Small Entrepreneurs in Kelantan.

To measure the intrinsic factors affecting the acceptance of respondents, the 5-point *Likert* Scale was used in this study to assess the level of acceptance of small entrepreneurs towards Ar-Rahnu.

Table 1: Research Scale

Meanings	Scale	Perception Interpretation
Strongly Disagree	1	Negative perception
Disagree	2	
Neutral	3	Uncertain perception
Agree	4	
Strongly Agree	5	Positive perception

Based on Table 1, 5 scales were used. Scale 1 and 2 represented the negative perceptions of respondents about their acceptance towards Ar-Rahnu. Scale 3 represented uncertain perception, while scale 4 and 5 represented positive perception towards Ar-Rahnu. Perception interpretation level for mean value is also shown in Table 3.

Table 2: Perception Interpretation and Mean Value

Mean Value	Perception Interpretation
1.0 to 2.49	Low
2.5 to 3.49	Moderate
3.5 to 5.00	High

Table 2 shows the relationship between mean value and interpretation of respondents' perceptions. Perception interpretation was at low level indicated by the mean value of 1.00 to 2.49, while the mean value was at moderate level represented by a mean value of 2.5 to 3.49. High and good perception was indicated by a mean value between 3.5 and 5.00.

Table 4: Summary of Findings on Intrinsic Factors Influencing the Acceptance of Muslim Small Entrepreneurs in Kelantan towards Ar-Rahnu

Num.	Statement	Negative Perception (%)	Uncertain Perception (%)	Positive Perception (%)	Mean
Consideration of Halal and Haram (4 items)					
1	I choose Ar-Rahnu to take care of my relationship with Allah SWT	16.9	20.3	62.8	3.65
2	As a Muslim, I must choose Ar-Rahnu compared to the conventional pawn	8.6	15.1	76.3	3.98
3	If I need to be in debt, I still choose Ar-Rahnu although it is even more expensive than the conventional pawn	16.0	21.4	62.6	3.65
4	I reject the loaning facilities on business that raises suspicion, especially in terms of its halal nature	10.3	17.7	72.0	3.89
Understanding towards Ar-Rahnu (6 items)					
5	I obtain complete information about Ar-Rahnu	15.2	32.3	52.5	3.48
6	I know the difference between Ar-Rahnu and conventional pawnshops	11.7	24.3	64.0	3.68
7	I know that there is the concept of helping each other in Ar-Rahnu	9.7	19.1	71.1	3.79
8	I know Ar-Rahnu does not contradict Islamic principles	6.8	14.6	78.5	4.00
9	I know that Ar-Rahnu is free from the elements of riba	7.7	18.6	73.8	3.93
10	I have knowledge about the sharia principles, namely <i>Qard al-Hasan</i> , <i>al-Wadiah</i> , <i>al-Rahn</i> and <i>Ujrah</i> contained in Ar-Rahnu	13.4	37.1	49.5	3.47

Num.	Statement	Negative Perception (%)	Uncertain Perception (%)	Positive Perception (%)	Mean
Maslahat Returns (6 items)					
11	By choosing Ar-Rahnu, I will obtain a good profit for my worldly affairs and rewards in the Here after	10.6	23.7	65.7	3.74
12	I realize that there are bad impacts from Ar-Rahnu that practises riba	20.0	19.4	60.5	3.53
13	I believe that Ar-Rahnu promises a share of profit to the lenders and borrowers	14.3	30.6	55.1	3.50
14	I believe that Ar-Rahnu promises the share of loss to lenders and borrowers	30.5	31.7	37.7	3.08
15	I believe that Ar-Rahnu practices the principle of joint fairness between the lender and borrower	8.6	20.9	70.5	3.75
16	My participation in Ar-Rahnu can help contribute to the Muslims' economic development.	8.3	21.7	70.0	3.79
Use by Priority (4 items)					
17	I believe that leaving riba is more important than performing non-obligatory worship	7.7	18.9	73.5	3.91
18	I believe that Ar-Rahnu can give benefit to the people compared to individuals	13.1	24.6	62.3	3.63
19	I prioritise Ar-Rahnu which is free from <i>syubhah</i> compared to the conventional pawn that has elements of <i>syubhah</i>	8.3	20.9	70.9	3.81
20	I prioritise the conventional financing priority in some circumstances	29.2	33.7	37.1	3.09

Average Mean Overall=3.67

Based on Table 4, there were four determinants of intrinsic factors, namely halal and haram considerations, understanding of Ar-Rahnu, *Maslahat* returns (return of benefits) and use by priority. The four factors included twenty items which were used to review the acceptance of Ar-Rahnu by Muslim small entrepreneurs in Kelantan. The findings showed that most respondents agreed on the items indicated by the high mean value of each item. The item that recorded the highest mean value was related to the understanding of Ar-Rahnu factor, i.e. "I know Ar-Rahnu does not contradict with Islamic principles" with a mean value of 4.00. About 78.5% agreed and strongly agreed that Ar-Rahnu complied with Islamic Sharia in its implementation. Item that recorded the second-highest value was halal and haram considerations, i.e. "As a Muslim, I must choose Ar-Rahnu compare to conventional pawnshops" with a mean value of 3.98. Additionally, item that showed the third-highest mean value was related to the understanding of Ar-Rahnu factor, i.e. "I know that Ar-Rahnu is free from the element of riba" with a mean value of 3.93. Next, use by priority factor recorded a mean value of 3.91, i.e. "I believe that leaving riba is more important than performing non-obligatory worship".

The findings concluded that the majority of Muslim small entrepreneurs in Kelantan understood that Ar-Rahnu is a Sharia-compliant Islamic financing scheme and does not practice riba in the provision of its services, as well as believed that it is important to stay away from practicing riba in life. The findings were consistent with previous studies from Tahar (2001), Salleh (2005) and Baharum (2014) who agreed that Ar-Rahnu which was implemented in several institutions in Malaysia has no conflict with Islamic Sharia. In addition, according to Yusof (2004), customers have high trust and confidence in Ar-Rahnu due to its compliance with the operation of Islamic law, for instance no usury, oppression and fraud in its affairs.

The findings also found that all items recorded a high mean value of 3.5 to 5.00. However, there were 4 items that recorded a medium mean value, i.e. items of 5, 10, 14 and 20. The item that recorded the lowest mean value was for the *maslahat* returns factor, i.e. "I believe that Ar-Rahnu promises a share of profit to the lenders and borrowers" with the mean value of 3.08. About 30.5% of respondents showed negative perception, while 31.7% of respondents showed uncertain perception for this item. Additionally, item of use by priority factor, i.e. "I prioritize the conventional financing priority in some circumstances" recorded the lowest mean value of 3.09. About 29.2% of respondents disagreed, while 33.7% showed uncertain answers to this item. These responses highlighted that the respondents still choose Sharia-compliant financing.

In addition, there were two items from the understanding toward Ar-Rahnu factor which also showed a mean value at a moderate level of 3.48 for the items of "I get complete information about Ar-Rahnu" and "I have knowledge about Sharia principles, namely *Qard al-Hasan*, *al-Wadiah*, *al-Rahn* and *Ujrah* contained in Ar-Rahnu" with a mean value of 3.47. This finding showed that the respondents did not receive enough information about Ar-Rahnu, particularly the implementation of Sharia principles in the Ar-Rahnu. The findings were in line with a study by Hsni (2009) who found that lack of knowledge of the local community has hampered the development of Ar-Rahnu. It is therefore important for the community to understand the Ar-Rahnu procedure so that no misunderstanding will occur to these Islamic financial instruments. According to Azman (2010), the misunderstanding of Ar-Rahnu occurs when there are entrepreneurs who think that the storage wages charged by Ar-Rahnu are similar to riba as applied by the conventional pawn concept.

Based on the findings, the overall mean of all the items obtained was 3.67. This indicated that the respondents gave positive responses as well as clarifying that the proposed items have reinforced the factors affecting their acceptance towards Ar-Rahnu. The findings also showed that the acceptance of Ar-Rahnu by small entrepreneurs was largely driven by individual internal factors. As a result, halal and haram considerations dimensions have recorded the highest mean value compared to other factors in the intrinsic constructs. It was supported by the findings from Hamid, Rahman, & Halim (2014) which stated that the Ar-Rahnu Sharia factor which was to reject the haram and to choose halal recorded the highest mean score and became the main criteria in choosing Ar-Rahnu.

5. CONCLUSION

It can be concluded from the findings that the intrinsic factors and internal stimuli are very important in influencing the acceptance of Muslim small entrepreneurs towards Ar-Rahnu owing to high mean values which were related to usury and compliance with Islamic sharia. The findings

also highlighted the dominance of all religious factors, particularly halal and haram considerations either directly or indirectly. However, there were 4 items that showed moderate level of mean value for items of understanding towards Ar-Rahnu. These findings also suggested that although small entrepreneurs show their trust in Ar-Rahnu's compliance with Islamic Sharia, however, small entrepreneurs still do not get the correct information about Ar-Rahnu. This study is expected to contribute and help Ar-Rahnu institution to improve its service level and marketing. The outcome of this study can provide important information to the institution to provide more effective marketing strategy and to follow the Islamic sharia as guidelines. This study can give positive change the perception to small entrepreneurs about the benefits of Ar-Rahnu and the difference between Ar-Rahnu and conventional pawnshop.

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