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Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,
Linguística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

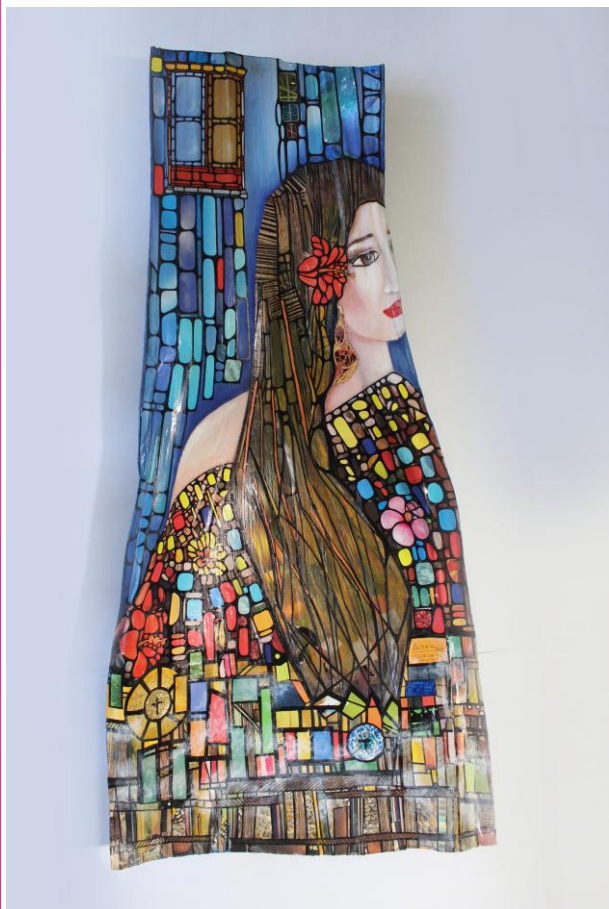
Año 34, 2018, Especial N°

16

Revista de Ciencias Humanas y Sociales

ISSN 1012-1587/ ISSNe: 2477-9385

Depósito Legal pp 198402ZU45



Universidad del Zulia
Facultad Experimental de Ciencias
Departamento de Ciencias Humanas
Maracaibo - Venezuela

The sustainability of Ar-Rahnu practices

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Abstract

This research examines the factors (brand image, brand loyalty and perceived value) contribute to the brand equity of Ar-Rahnu Pawnshop. 150 questioners have been distributed in Klang Valley area and only 100 questionnaires were returned. Five Likert scale questionnaire were employed. Linear regression method has been used to diagnose the relationship between each independent and dependent variable. As a result, brand image and brand loyalty show significant relationship to dependent variables. In conclusion, the managerial implication would be that image and loyalty are critical areas in building a sustainable Ar-Rahnu practice.

Keywords: Ar-Rahnu, Brand Equity, Brand Image.

La sostenibilidad de las prácticas de Ar-Rahnu

Resumen

Esta investigación examina los factores (imagen de marca, lealtad de marca y valor percibido) que contribuyen al valor de marca de Ar-Rahnu Pawnshop. Se han distribuido 150 cuestionarios en el área del valle de Klang y solo se devolvieron 100 de ellos. Se emplearon cinco cuestionarios de escala Likert. El método de regresión lineal se ha utilizado para diagnosticar la relación entre cada variable independiente y dependiente. Como resultado, la imagen de marca y la lealtad a la marca muestran una relación significativa con las variables dependientes. En conclusión, la implicación gerencial sería que la imagen y la lealtad son áreas críticas en la construcción de una práctica sostenible de Ar-Rahnu.

Palabras clave: Ar-Rahnu, Brand Equity, Imagen de marca.

1. INTRODUCTION

Nowadays, the market becomes more challenge. By having added value in technology make it more challenge to the entrepreneur to sustain in the market. Strong brand equity is needed to survive and sustain in the market. Many business pop ups in the market every day, and many businesses also close down every day because of the incompetence to compete in this challenging market. A brand can be defined as "a name, term, sign, symbol or design or combination of them which is intended to identify the goods and services of one seller and to differentiate them from those of competitors" (Kotler, 1991: 442). Selecting the right brand is important to make sure that consumer will choose our product compared to the others. It is

important for the business not only have a good product but to have a good brand. Brand image is defining as current view of the customer towards the company brand. Customers will not only be purchasing the good and services but also the image associated with the products and services. Brand image is not created but it is automatically formed in the mind of customers. It can be developed through a strong marketing campaign and direct experience. Positives brand image enhances the goodwill and brand value of an organization. This will contribute to the firm sustainability in the long run.

Ar-Rahnu is known as instruments of Islamic micro credit offered by the financial institution in Malaysia. Ar-Rahnu was known as a pledge or pawn his or her personal asset. Ar-Rahnu is the combination of a few principles: Ar-Rahnu, Qard Al Hassan, Wadiah Yad Dhamanah and Ujrah (Hussain et al., 2018a). The product is very unique with the additional value that offered to the customer. Moreover, the number of outlets is kept increasing, shows that there is a demand for that particular business. The number of conventional pawnshops is decreasing due to the existence of the Islamic pawn broking (Mohd et al., 2012). It shows that Ar-Rahnu has a good brand image and brand equity, but in the end what factor actually influences the brand equity of Ar-Rahnu. Therefore, this paper focuses on identifying the factors that contribute to the strong brand equity of Ar-Rahnu and to study the relationship of the factors towards strong brand equity. It is important to Ar-Rahnu, because a strong brand equity at the end will contribute to competitive advantage. It will increase the Ar-Rahnu performance in the future. Malaysia is very positive and has

a high aim in the Islamic Finance industry, so that is important to know the factors contributed to the sustainability in the industry (Hussain et al., 2018b). It is a big challenge for Ar-Rahnu to sustain in the market. Since people always mention that Ar-Rahnu is only a small part in Islamic Finance. For the researcher, even Ar-Rahnu is a small part in Islamic Finance but the existence of it brings a lot for the maslahah of Ummah.

2. LITERATURE REVIEW

2.1. Brand Equity

Customer based brand equity involve customer reaction and it shows customer familiar with the brand and hold it in mind or memory. Customer confidence towards the brand will lead to high brand equity. The greater the customer confidence, the greater willingness to pay to the products. In simple word, brand equity means company successful in positioning the company brand in the customer mind. Marketing mix will influence the strong brand equity. Successful marketing mixes are the keys of the brand equity. In addition, firms with high brand equity gain more competitive advantage and enjoy the opportunity for successful extensions (Asad et al., 2018). Aaker (1991), brand equity is influence by brand loyalty, brand awareness, perceived quality, brand association and other proprietary brand assets. Keller (1993) suggest brand knowledge consist of brand image and brand awareness. Yoo et al. (2000) suggest

that brand equity consist of brand loyalty, perceived quality and brand association. Therefore, in this research researcher tries to study on the effect of brand image, brand loyalty and brand loyalty. Ar-Rahnu is the only microcredit instrument offered with the possession of valuable assets and normally is gold. It is totally different from the conventional pawn broking. Ar-Rahnu helps people to solve their financial problems. Ar-Rahnu numbers of pawnshop is increasing from year to year. It shows that customer acceptance is very high (Alkali and Imam, 2016).

2.2. Brand Image

Brand image is referred as the customer perception towards specific brands whether it is more to rational or emotional. It can be obtained through marketing campaign or direct experience. In the new century of online marketing campaign, the brand image will be faster to develop since it involves cheap cost and wide coverage. A positive or strong brand image will enable marketing program can be liked and at the end will create customer retention. To retain the customer is very difficult responsibility to the company since the perception about the brand and product is very subjective. There is customer, retain to the specific brand because of the uniqueness of the product, sale after service, social status, price and etc. It is a challenge to the company to maintain it. Three dimension of brand image stand out particularly on strong price determinant: uniqueness, country origin and social image Brand image is a key driver of brand equity (Zhang, 2015). Choose a

good and positive brand image is a big challenge to the firm, because at the end people will judge and make perception about the company just because of the brand. Moreover, the decisions will affect the future of the company. Keller (1993) mentioned that brand image and brand awareness is the basis sources of brand equity. In the case of Ar-Rahnu, Ar-Rahnu is known as Islamic Pawn broking/ Islamic Pawn shop. It gives advantage to Ar-Rahnu, because it carries the sentiment of religion. In addition, Malaysia is known as Muslim country. Malaysian government also give focus on Islamic product and services, so it is another advantage that Ar-Rahnu is include on that. Strong brand image will influence strong brand equity.

2.3. Brand Loyalty

Brand trust has been mentioned in many studies. Brand trust is "the willingness of the average customer to rely on the ability of the brand to perform its stated function" (Chaudhuri and Holbrook, 2001: 14). Brand trust arises after customers have a direct experience to the company products and services. If companies provide the customer with high quality, safety, reliable products and services, then the brand trust will be created. At the end will create brand loyalty. Brand loyalty can be defined as a " Deeply held commitment to rebuy or patronize a preferred product or services consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver, 1997: 392). In simple words, brand loyalty known as repetitive buying behaviour towards a

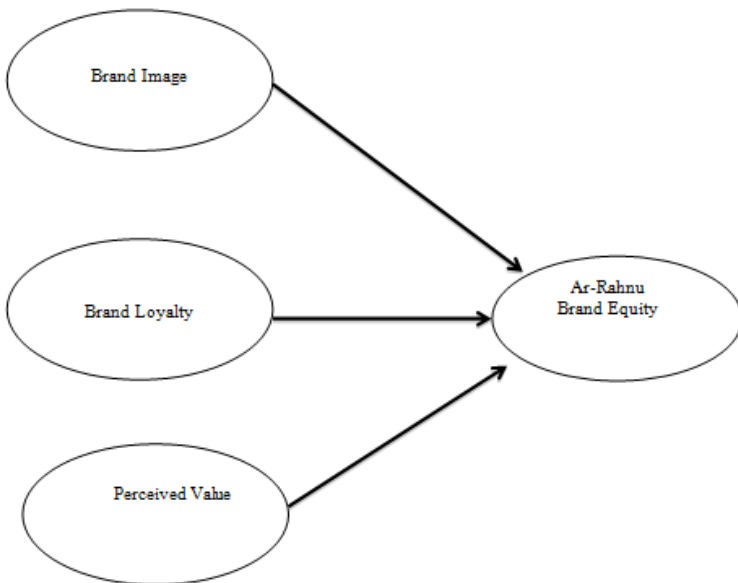
specific brand, product or services. Having satisfaction from the customer will at the end create repeat purchase and brand loyalty. Customer satisfaction means an evaluation of the recent purchase experience from Yin et al, 2009. Customer satisfaction is very subjective and depends on the individual customer itself. Brand equity affected brand loyalty. Brand loyalty will reduce the tendency of switching to competitors. Hence, brand loyalty will increase brand equity (Aziz, et.al. 2015). Juliza et al. (2017) mention that customer will be loyal to the company because of the services are given to the customer. Ar-Rahnu should take this input as an important since in operating the modus of operandi front liner is very important to retain the customer (Haseeb, 2018).

2.4. Perceived Value

Perceived value means customer sees the products as a source of value. It means the product will be viewed as a bundle of benefit compared to the money spent. When a customer decides to choose the products and services that they preferred, they expect they will gain some benefits from that. Value and benefit can be in terms of quality, brand, product, design, price, colour and many more (Asad et al., 2018). Consumers evaluate monetary and non-monetary cost that involved in purchasing any products and services. Positive perceived value will at the end influence customer satisfaction (Lin and Wang, 2006), and automatically will make the customer repeat purchase. Both intrinsic value and extrinsic value will influence the perceived

value. According to Petrick (2002) perceived value has five dimensions: 1- behavioural price, 2- monetary price, 3- emotional response, 4- quality and 5- reputation. Thus, the high-perceived value would strengthen brand equity. Ar-Rahnu can offer uniqueness to the customer through its product such as a lower fee charged, high margin and long maturity compared with the conventional pawn broking. Customer acceptance is towards Ar-Rahnu because of the location and customer services based on (Zainal et al., 2016). Value is very subjective and differs from one person to another.

3. CONCEPTUAL FRAMEWORK



4. METHODOLOGY

The present study examined the factors determining the brand equity based on brand image, brand loyalty and product uniqueness. To gather the data, one set of survey questionnaire was distributed at Ar-Rahnu pawnshop located in Klang Valley. Besides the brand equity, we also gathered information about the users' demographic profiles. The population for this study was the public that uses the Ar-Rahnu services. It is a non-probability sampling; thus, we are using convenience sampling research technique to collect the data (Jabarullah and Hussain, 2018). We distributed 150 sets of questionnaires and managed to get 100 usable sets. The questionnaire is formulated based on the specific research objectives (Salem et al., 2016). The respondents were instructed to answer the questionnaire based on the provided answer to make it easier to sample it into categories (Salem et al., 2018). It is divided into four critical parts: brand equity, brand image, brand loyalty and product uniqueness. Five Likert scales is employed to measure brand equity. In the question, it was mentioned that if the respondents agree 100% with the question, they can choose strongly agree or if they 75% agreeing with the statement they can choose agree. Meanwhile, if they did not agree with the question they can choose between disagreeing or strongly disagree. Besides that, they are also an option where they can be neutral by choosing to agree/disagree in the questionnaire. Once the data obtained from the pilot test, a reliability test was conducted on the data by using Cronbach alpha. A value of the alpha, which is, more than 0.70 indicate that the questions are reliable and can present its

respective constructs. Linear regression is a method that is used to determine the relationship between the dependent variable and its corresponding independent variables. Usually, this method is employed in determining the relationship between one dependent variable with one or more than one independent variables. In obtaining its estimates, maximum likelihood method was utilized which maximize its likelihood functions for the variables. Once the estimates are obtained and the relationship was determined, a diagnostic checking was done onto the predicted models. The diagnostic includes the coefficient of determination, R^2 that determine the variables that exists in the model.

5. FINDINGS

This study would like to determine the relationship between the brand equity and its corresponding factors namely a brand image, brand loyalty and product uniqueness. A frequency regarding the demographic profile was obtained. Majority of the respondents are male (51%). Looking at the marital status, most of them age is more than 25 years old (55%). Majority of the respondents is self-employed (79%) and it can be said that the majority of them are working at private sector (72%). The table below summarized the demographic profile.

Table 1: Demographic Profile

Characteristics	Frequency
Gender	51 (51%)
Male	49 (49%)
Female	
Age	
20-35 years old	45 (45%)
More than 35 years old	55 (55%)
Employment status	
Student	14 (14%)
Employed	79 (79%)
Retired	7 (7%)
Working Sector	
Public	28 (28%)
Private	72 (72%)

A regression analysis was conducted on the variables in order to determine the relationship. The results from this statistical analysis depicted that brand loyalty (p-value = 0.000) and brand image (p-value = 0.003) has a significant relationship and contribute on its dependent variables which is brand image while product uniqueness (p-value = 0.945) does not give an impact on the brand image. The value of R² was reported to be 0.724 which revealed that 72.4% of the variation in brand equity can be explained by brand loyalty and brand image. The summary for the results is as follows:

Table 2: Regression

Variable	Coefficient	Standard error	SIG	R ²
Constant	0.305	0.195	0.115	0.724
Brand loyalty	0.199	0.104	0.000***	
Brand Image	0.391	0.126	0.003***	
Perceived value	0.008	0.114	0.945	

***Significant at 0.05.

6. DISCUSSION AND CONCLUSION

This research explored the relationship between brand image, brand loyalty, and perceived value with brand equity of Ar-Rahnu. Several kinds of literature are discussing the same issues; thus, it shows how important brand equity towards Ar-Rahnu. Finding from this research shows that brand image and brand loyalty have a positive relationship to brand equity < 0.05 p-value. This finding is similar to (Aaker, 1991). Customers trust of Ar Rahn brand image because it governs under Bank Negara Malaysia. Mohd et al (2012) mentioned that the critical success factor of Ar-Rahnu is customer trust, the rate of safekeeping, staff competency, and system and business location. It is also an advantage because they carry Islamic point of views or religious obligation, where Malaysian has a huge number of Muslim populations. Muhammad Ubaidullah, 2008 found that microfinance attracts billions of Muslims to use it because of the Religious obligation factor. Customer is loyal to Ar-Rahnu because of the Ar-Rahnu offers a win-win situation between the pawnbroking and the borrower. Ar-Rahnu offers attractive fees, high margin of the loan and long repayment period without any hidden charge. Customers tend to repeat purchase because satisfied with Ar-Rahnu. Zainal et al. (2016), found that 80% of the customers use Ar-Rahnu to solve its financial difficulties. They cover day today's financial activities from it, so the tendency to repeat purchase is very high and make them loyal to Ar-Rahnu since they are not affording to redeem the gold. Ar-Rahnu pawn shop has a good brand image and brand loyalty, but that is the challenge to Ar-Rahnu. Ar-Rahnu should think to expand the function

to make the organization sustain in the market. Ar-Rahnu has already helped a lot of ummah, but at the end what can Ar-Rahnu do to develop economic of Ummah. To make it sustain in the long run, Ar-Rahnu have to revisit the function.

Perceived value is not significant to the brand equity (p-value > 0.05) and this finding is contradicted with the previous researchers. This is due to the changes in customer preference when purchasing any products and services. People are more to brand orientation compared to product orientation. Ar-Rahnu has a strong brand image. That is a big advantage to the Ar-Rahnu to gain a competitive advantage from that. It was not surprising since the blooming of Ar-Rahnu in Malaysia shows the demand is there and the business is profitable. People use Ar-Rahnu not because of the uniqueness of the product but because they trust and because there is an element of religious obligation. Before this many pawn shop conquered by the Chinese company. This is similar to Juliza et al. (2017), found that there is no relationship between product quality and customer acceptance of Islamic Banking in product and services in Malaysia. But it is very upset when the customer cannot see the value that Ar-Rahnu can offer. Ar-Rahnu is Islamic Product that is less debated by other researchers since they only see Ar-Rahnu as a small and simple product compared to the others Islamic Product. To make sure that Ar-Rahnu is still relevant and still sustain in the market, policymaker must take a look into that. As a conclusion, Ar-Rahnu is a unique product that can contribute more to the development economic of ummah. Ar-Rahnu has a good brand equity it shows that Ar-Rahnu successful in

positioning their brand in the mind of the customer. To sustain, Ar-Rahnu must maintain the good brand image and provide a better service to make sure that they loyal. Ar-Rahnu must increase the perceived value of the customer, make them know and aware of the uniqueness of the products.

7. ACKNOWLEDGEMENTS

The authors gratefully acknowledge University College of Technology Sarawak for funding the publication of this research paper.

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Revista de Ciencias Humanas y Sociales

Año 34, Especial N° 16, 2018

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.
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