The Contribution of Non-Muslim Consumers in Building Islamic Pawn Shop in Indonesia

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ABSTRACT

This research is aimed at proving and analyzing the effect of satisfaction with service toward repurchase intention and word of mouth on Islamic pawn shop consumers in Indonesia. The sample of this research contains a large number of the customers of *Rahn* Islamic pawn shop in West Nusa Tenggara, Indonesia. Data were collected through questionnaire distributed to intercept a sample of 220 customers of *Rahn* Islamic pawn shop. Data were analyzed with descriptive statistics, regression analysis and structural equation modeling. It was found that the satisfaction with service is associated with repurchase intention and word of mouth among Muslim and Non Muslim consumers. Thus, this research contributes to understanding the Islamic pawn shop. In creating, developing and designing services, Islamic pawn shop paid more attention to the needs of consumers by conducting a lot of marketing strategies. It serves not only the needs of Moslem consumers but also the needs of non-Moslem consumers.

Keywords: Islamic Pawn Shop, Satisfaction with Service, Repurchase Intention, Word of Mouth.

1. Introduction

The operational concept of Islamic pawn shop in Indonesia is referred to the modern administrative system that is aligned with Islamic values. Islamic pawn shop operational functions using the principle of efficiency, effectiveness and rationality. Based on the operations, Islamic Pawn Shop Service Unit is under the management of other business division of *PT. Pegadaian*, which is separated structurally in management from the conventional business. As other Islamic financial institutions, Islamic pawn shop does not emphasize the provision of the interest of goods being pawned, yet still benefit by imposing the costs of maintaining the pawned goods through the calculation of the value of the goods. Financing activities in the Islamic pawn shop obtained from sources that are free from the elements of *Riba*. The funds distributed to consumers also come from the equity and the accountable funds from the third party.

The developments of Islamic pawn shop in terms of financial are also

followed by continuous improvement in service. The service provided to the consumers by Islamic pawn shop is the best service, expecting that it could create the customer satisfaction. Creating and increasing the customer satisfaction through service aims to create a positive image in the hearts of consumers. Satisfaction is the relationship between expectations and experience. The closer to the expectations, the better satisfactions of the costumers are.

Service is social activities that are aimed at establishing cooperation between the parties in the long term with the principle of mutual benefit. Good service is a service that can meet the desires and needs of consumers and provide added value to consumers. Islamic pawn shop strives to continuously improve service quality, because it can improve the perception of consumers.

According to Parasuraman (1996), the main factor affecting the service is expected services and received services. When consumers receive services similar to those that is expected or even better, then the perception that quality services are good or positive and so if the service is bad, the perception will also be bad. Therefore, the quality of service is affected by the ability of providers to consistently meet customer expectations. Continuous satisfaction of customers then will be followed by a repurchase intention. Repurchase intention is to repeat the motivation of consumers purchasing behavior of the products, one of which is shown by the use of the brand of a product in a sustainable manner (Chang and Wildt, 1994; Petrick, Backman & Bixler, 1999; Woodruff, 1997 cited in Tsai Shu-pei, 2005). Repurchase intention has a considerable effect on the attitudes, behaviors and interests that would lead the customer to how he behaves. Gunarso (2005) defines that interest is something personal and related to the individual's attitude on the object.

In addition to the repurchase intention, good service will make word of mouth. Word of mouth is defined as the promotion from a story of one to another. Word of mouth is also carried out by Islamic pawn shop, besides the cost is relatively low, according to Herr et.al (1991), word of mouth has a greater impact than written information. Word of mouth can attract attention, hold people to not being away and to improve accessibility, thereby it may increase the consumer ratings.

Word of mouth occurs when consumers talk to others about their opinions about the brands, products, certain services to others. If a customer expressed his opinion about the goodness of the product, this is called a positive word of mouth. Conversely, if the customer tells about badness of the product vices, this is called a negative word of mouth.

Word of mouth is a promotional activity that is difficult to control by marketers, but it provides tremendous impact on the product or brand of the company

(Yosefina, 2008). Marketers have no control on what the consumer will tell others about the products he consumes. However, the company may direct, encourage, and facilitate the conversation from the mouth to meet customer satisfaction through innovative products and high quality so as to create positive word of mouth.

Consumers of Islamic pawn shop also vary. Based on religion they may be distinguished into Muslim and non-Muslim consumers. This means that Islamic economic principles applied to the Islamic finance industry, one of which is the sharia mortgage, can also be accepted by consumers whose background is Non-Muslim.

Based on these descriptions, the research problems to answer are; (a) is there any effect of satisfaction with service on the repurchase intention in service of *Rahn* Islamic pawn shop in Indonesia ?; and (b) Is there any effect of satisfaction with service on positive word of mouth on the service *Rahn* Islamic pawn shop in Indonesia?

2. Theoretical Framework and Hypothesis

2.1. Islamic pawn shop

The term pawn in Islamic is known as *Rahn*. *Rahn,* according to Imam Ibn Qudamah is defined as objects used as the warrant of a debt that meets the price that should be paid if the debtor is not able to pay of the person indebted. Simply defined, *Rahn* is to hold the treasure of one belonging to the borrower as collateral for loans he received. In positive law, pawn is chattels obtained from an indebted person, which are submitted by someone who owes or by any other person on behalf of him and that gives authority to the indebted (Ansori, 2006).

2.2. Satisfaction with service

Kotler et al., 2006, defines satisfaction as the feeling of being happy or upset of someone who comes from the comparison between the performance of the product and expectations. If the performance is under the expectation, the consumers will feel disappointed. Conversely, if the performance is above expectations, then the consumer will feel satisfied. Thus, the customer satisfaction is affected by the consumer expectations and company performance.

There are several methods that can be used to measure and monitor the customer satisfaction (Tjiptono and Chandra, 2005). They are:

1. The system of complaints and suggestions. The Company prepares the opportunity and convenient and easy access for consumers to submit suggestions, criticisms, opinions, and complaints.

2. Ghost shopping (mystery shopping). Ghost shopper acts as a potential consumer of product companies and competitors. They were asked to interact with staff and

service providers to use their services.

3. Lost customer analysis. Companies may contact consumers who have stopped buying the products or who have moved to competitors product to obtained data of why they did so in order that the company take further policy for improvements.

4. Survey on consumers satisfaction. Through the survey, the company will obtain responses and feedback directly from customers and also give a positive impression that the company is paying attention to its customers.

2.3.Repurchase intention

Repurchase intention or repurchase interest is the behavior of consumers who respond positively to what has been given by a company and would like to make a return visit or taking back the company's products. Repurchase intention is supported by the presence of past behavior that may directly affect the interests of customer to buy again in the future. The current proposed research hypothesis is as follows:

Hypothesis 1 (H1) There is the effect of satisfaction with service on the repurchase intention in the service of *Rahn* Islamic pawn shop in Indonesia.

2.4.Positive word of mouth

Kotler and Armstrong (2008) defined the word of mouth as a personal communication about the product between the buyers and the surrounding people. Word of mouth is any informal communication that is directed to other customers regarding the possession, the use, or the characteristics of certain products and the sales. Word of mouth communication refers to an exchange of thoughts, ideas or comments between two or more people where they are not a source of marketing. Word of mouth cannot be invented or created.

Herr et al. (1991) stated that the positive word of mouth communication has been recognized as a valuable effort to promote the company's products and services. Since it is non-commercial communication, word of mouth is viewed as a promotional effort with scepticism by the company. While Kumar et al., (2002) stated that the most valuable customer is not those that buy most, but the most active customer word of mouth that are able to bring other customers to use the services of the company. The current proposed research hypothesis is as follows:
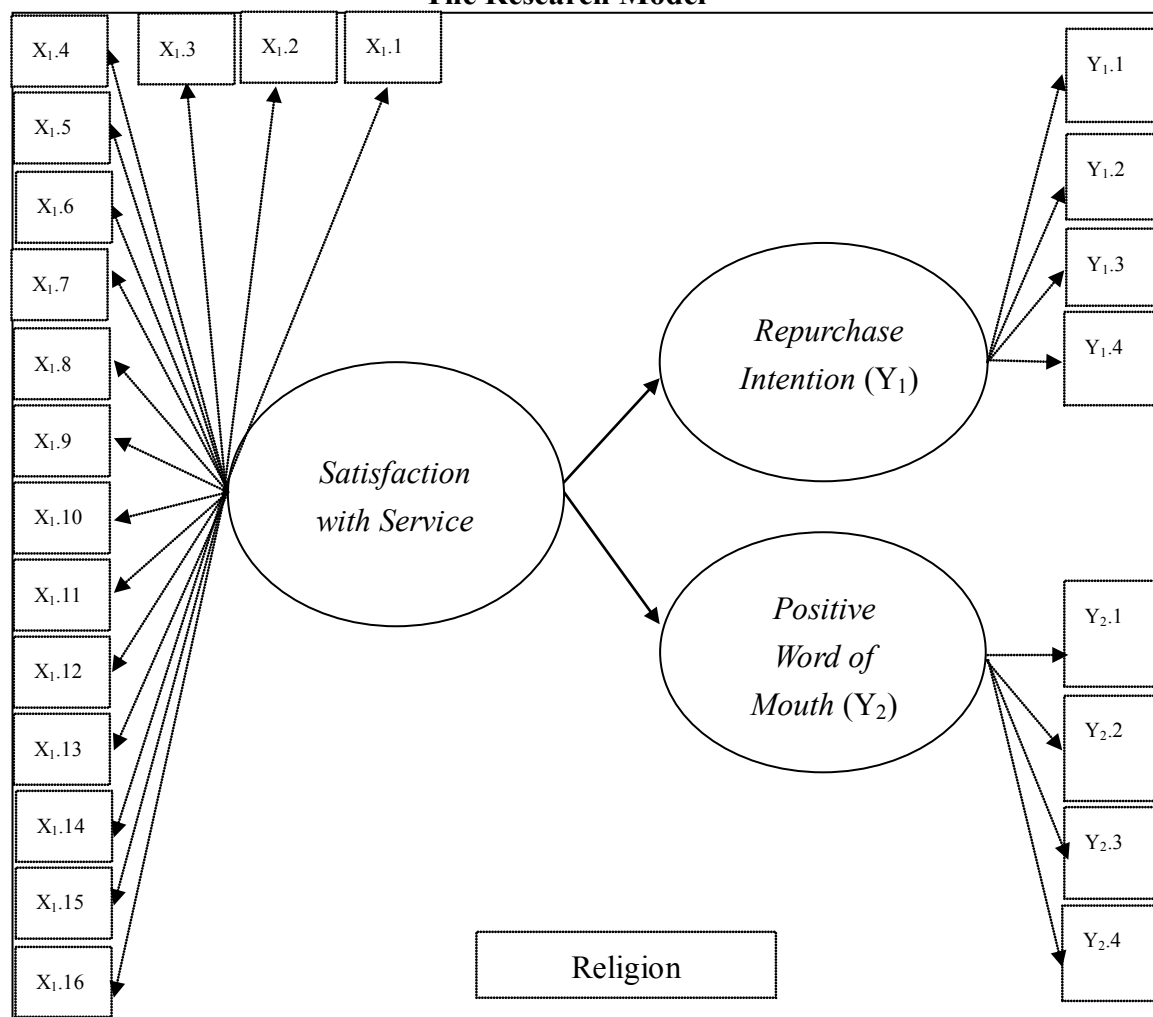
Hypothesis 2 (H2) There is the effect of satisfaction with service on the positive word of mouth in the service of *Rahn* Islamic pawn shop in Indonesia?

2.5.Sub religious culture

Sub-culture is a certain group of people in a society that have the same cultural significance for affective and cognitive responses (emotional reactions, beliefs, values and goals), behavior (customs, rituals and writing, norms of behavior), and the

environmental factor (living conditions, geographical location and important objects) (Peter and Olson, 2000; 72-90). Sub religious cultures are divided into several groups according to the beliefs. They are Jewish, Catholic, Morman, Buddhism and Islam (Peter and Olson, 2000; 72-90). Consumers are affected by their religious beliefs to make a purchase, so that some producers associate their products with symbols and religious celebration.

Figure 1
The Research Model

3. Research Method

This study is aimed at measuring the effect of satisfaction with service on the repurchase intention and positive word of mouth in the service of *Rahn* Islamic pawn shop in West Nusa Tenggara, Indonesia. The research employed the analytical descriptive research method. This research is an explanatory study that explores and explains the causal relationships between variables through hypothesis testing.

The population of this research were all consumer of products *Rahn* Islamic pawn shop in West Nusa Tenggara, Indonesia, who have been customer for at least one year. The total population of customers *Rahn* products in Islamic pawn shop in

West Nusa Tenggara, Indonesia, is infinite so that the number of samples can be determined up to 220 consumers. The variables of this research was satisfaction with service (X_1), repurchase intention (Y_1) and positive word of mouth (Y_2).

3.1. Research instrument

3.1.1. Satisfaction with service

Variable of satisfaction with service (X_1) is a measure that reflects the structure, processes and customer care such as: a) officers showed a pleasant performance, b) officers use the technology, c) officers fulfil the promise, d) the officers convincingly answer the questions, e) services with a positive response, f) the officers can handle the complaints, g) officers direct the customers to the service according to the needs, h) officers greet the customer during the service, i) officers should be polite, j) officers attentively listen to the customers, k) officers communicate in an easily understood language, l) officers expressed empathy on the complaints, m) officers provide clear information, n) officers document the complaints, o) officers should be consistent in providing the services, p) solutions of the officers should solve the problems encountered.

3.1.2. Repurchase intention

Variable of repurchase intention (Y_1) is a condition in which the consumer has a positive attitude on the brand and is committed to the brand and intends to continue purchasing in the future: a) back again to the Islamic pawn shop, b) repurchase the products of Islamic pawn shop, c) remain comfortable with Islamic pawn shop, d) visit more frequently to the Islamic pawn shop.

3.1.3. Positive word of mouth

Variable of positive word of mouth (Y_2) is a personal communication about the product between the buyer and the surrounding people (Brown et al, 2005; Allen, 2001): a) happy to share the experience with others, b) pleased to recommend others to use the products, c) intensifying the word of mouth in communication, d) convincing others to make a purchase.

The sample were selected through technique of probability sampling with systemic random sampling technique in which every consumer of *Rahn* have equal opportunity to be selected as sample. The data were collected door to door in the home of consumer of *Rahn*. The analysis employed to answer the hypothesis is Structural Equation Modelling or SEM using AMOS program version 18 and SPSS program version 16.

4. Data Analysis and Discussion

4.1. Measures

All indicators use a seven-point Likert scale, starting from number one 'strongly disagree' up to number seven 'strongly agree'. All indicators (observed) are reasonable

to use as an indicator of the constructs (latent variables). The coefficient alpha (Cronbach alpha) has a value above 0.60 so that it is obvious that the research variables were appropriate to be used as variables (constructs) in a study.

4.2. Respondents profile

Of the 220 respondents, the age of the majority of consumers of *Rahn* Islamic pawn shop range from 21 to 40 years with a number of 169 respondents (77%). then 29 respondents (13%) aged between 41 and 60 years and the last 10% or 22 respondents are 18 and 20 years This showed that the majority of consumer of *Rahn* Islamic pawn shop is in productive age between 21 to 40 years. The total number of male respondents is 92 male respondents (42%) and 128 female respondents (58%). This suggests that women customer is more than that of man in Islamic pawn shop.

The majority of consumers of *Rahn* Islamic pawn shop works as a self-employed ie 67 respondents or 31%. 29% are the employees of private sector and 55 respondents (25%) are civil servants. 15% or 34 respondents are the employees of state-owned companies. This showed that the majority of consumer of *Rahn* Islamic pawn shop is working as self-employed. Based on the monthly income, the majority of consumers of *Rahn* Islamic pawn shop has monthly income of about Rp. 1,000,000 up to Rp. 3,000,000. They are 142 respondents (65%) in this position. 48 respondents (22%) have income of Rp. 3,100,000 up to Rp. 6,000,000, and the 30 respondents (13%) have monthly income of about Rp. 6,100,000 up to Rp. 9,000,000. Based on the frequency of interaction of consumers in dealing with Islamic pawn shop and use products of *Rahn*, 131 respondents (60%) of them interact one per month, 56 respondents (25%) interact once in two months, and 33 respondents (15%) interact twice a month. This showed that the majority of consumer borrowed once a month. The majority of consumers of *Rahn* Islamic pawn shop (168 respondents or 76%) have a conventional loan and 24% or 52 respondents have no loan. This showed that most of them have loan.

Based on the religion of consumers, the majority of consumers of *Rahn* Islamic pawn shop or 136 respondents (62%) are Moslem and 84 respondents (38%) are non-Moslem. This showed that the majority of consumers of Islamic pawn shop are Moslem. The number of consumers who are not Muslims is 84 respondents. It also suggests that the Islamic pawn shop with the principles of Islamic finance is also demand by the group of consumers who are not Muslim.

4.3. Results

Based on Table 1, it can be described as follows:

1. The value of coefficient of satisfaction with service (X_1) on the repurchase intention (Y_1) is 0.665. All error probability value of 0.000 < a significance level

(α) of 0.05. It can then be concluded that there are significant effect of satisfaction with service (X_1) on repurchase intention (Y_1). So the first hypothesis stating that there is an effect of satisfaction with service on the repurchase intention in service of *Rahn* Islamic pawn shop in Indonesia (H1) is accepted.

2. The value of coefficient satisfaction with service (X_1) on the positive word of mouth (Y_2) is 0.607. All error probability value of 0.000 < a significance level (α) of 0.05. It can then be concluded that there are significant satisfaction with service (X_1) to positive word of mouth (Y_2). So the second hypothesis stating that there is effect of satisfaction with service on positive word of mouth in the service *Rahn* Islamic pawn shop in Lombok (H2) is accepted.

4.4. Discussion

The first structural equation modelling showed that there were significant effect of satisfaction with service on the repurchase intention. The results of this study support the theory and research conducted by several experts (mentioned in the theoretical framework). Satisfaction with service is defined as the feeling of being happy or upset of consumers of a product's performance and expectations for the product. If the expectations of consumers under the performance of a product, the consumer will feel satisfied. Conversely, if performance is below expectations, then the customer is not satisfied. So customer satisfaction is affected by consumer expectations and the company performance.

The feeling of being satisfied and dissatisfied of the consumers have affected the attitudes and behaviors. If consumers are satisfied then the consumer will perform repeated transactions. But on the contrary, if the customer is not satisfied with the services, the consumer has a negative perception to the service. Satisfaction with service that the Islamic pawn shop performed are that the performance of customer service is pleasant; the technology is applied; the officers are able to answer the questions; the complaints are handled properly; the officers are polite, attentive, communicating in an easily understood language; and the information provided is clear and understandable.

The results of this study support the results of research of Johanna (2006) who found that repurchase intention is established if satisfaction with service provided by the company exceed the expectations of the customers and this have established a preference for the brand in the minds of consumers. The findings of this study is that satisfaction with service provided by Islamic pawn shop affect the repurchase intention of *Rahn* consumers.

The results of this study reject the theory of Peter and Olson (2010) stating that the consumer behavior in consuming the products is affected by the sub-cultural

factors such as religion. The findings of this study is different from the theory of Peter and Olson (2010). Many non-Muslim consumers are dealing with consumers Islamic pawn shop. Satisfaction with service that is carried out by the Islamic pawn shop is accepted by both groups of Moslem and Non-Muslims consumers. Repurchase intention of consumers is indicated by the attitude and behavior of customers to repurchase the product and to return again in the future.

The second structural equation modelling showed that there is effect of satisfaction with service on word of mouth. The results of this study support the results of research of Prasmawati (2010) stating that satisfaction of mouth affect the word of mouth. There are many ways the company use to promote the product. One is through word of mouth or mouth-to-mouth communication. Word of mouth has a huge influence on the consumers, because before using a service, a consumer will usually hear the experiences of other people who were previously use these services.

The findings of this study are that the word of mouth occurs if satisfaction with service is in good condition. If consumers feel happy for the performance of a product, the consumer will tell other people nearby of what he has felt. Conversely, if the consumer satisfaction cannot be achieved, it will lead to negative word of mouth. The results of several studies suggested that consumers would do more negative word of mouth, if feel unsatisfied. While only a few consumers doing positive word of mouth if satisfied. The results of this study also showed that word of mouth will be conducted mostly by both Moslem and Non-Moslem groups of consumers. As Muslim customers do, non-Muslim consumers will also do word of mouth in case of satisfaction with the services.

5. Conclusion, Implication, Suggestions and Limitation

This study contributes to the analysis of variable of satisfaction with service repurchase intention, positive word of mouth and religion. This research showed that there is effect of satisfaction with service on repurchase intention and the effect of satisfaction with service on the positive word of mouth in the service of *Rahn* Islamic pawn shop in West Nusa Tenggara, Indonesia.

This research also contributes to the Islamic financial institutions particularly Islamic pawn shop. In creating, developing and designing services, Islamic pawn shop paid more attention to the needs of consumers by doing a lot of marketing approach. Besides serving the needs of Moslem consumers, Islamic pawn shop also pays attention to the needs of the non-Muslim consumers. The future of research is possible to be conducted on other services using sub-national culture, sub-geographical cultures and sub-racial cultures, to expand the market segmentation.

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