

RESEARCH REPORT

PERCEPTIONS OF MALAYSIANS TOWARDS UNIT TRUST INVESTMENTS:  
A CASE STUDY IN KLANG VALLEY

RESEARCH CODE: PPPP(G) 2007

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UNIVERSITI SAINS ISLAM MALAYSIA  
AUGUST 8, 2008

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## PPPP(C)/2007

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جامعة العلوم الإسلامية الماليزية  
ISLAMIC SCIENCE UNIVERSITY OF MALAYSIA



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**UNIVERSITI SAINS ISLAM MALAYSIA**  
**Bandar Baru Nilai, 71800 Nilai,**  
**Negeri Sembilan**

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## ABSTRACT

Consumer behavior from the marketing perspective has brought the surface of an exciting area for study and research. The way consumer behaves, acts and decides on certain matters have been the focal interest among the researchers. The reason is in order to produce products and services according to the customer needs and preferences. With regards to this study, the main objective is to examine the consumers' perceptions on financial decision-making particularly on unit trust investments. Unit trust investment in Malaysia is start to booming after the success of ASN and ASB introduced by PNB as early as in 1980s. Since then, the growth of unit trust industry in Malaysia is very encouraging. The statistical figure of the industry has shown a positive and rapid growth over the year. The NAV recorded as of December 2007 grew by 39 percent to RM169.41 billion from RM 121.76 billion in 2006. Of this, RM152.55 billion represented conventional unit trust funds whilst RM16.86 billion was *Shariah* based funds. The increase in the NAV could be attributed to the increase in the net sales of unit trust funds. The total NAV of unit trust funds as of end December 2007 represented 15.32 percent of the market capitalization of Bursa Malaysia as compared to 14.35 percent for 2006. Notwithstanding that the growth of the industry, the number of unit holders are still below par. Apart from that as reported by the SC, in December 2007, the Malaysian unit trust boasted 15.32 percent equity penetration rate. However, in comparison to the same period, United Kingdom's equity penetration rate was 41.62 percent (London Stock Exchange and Investment Management Association, UK). In addition as reported in Malaysian Business in 2002, out of 24 million of Malaysian populations only two to three million are the unit trust holders and they are the inactive investors. Apart from that, the statistical figure as at December 2007 showed that the total fund approved was 473 billion yet the total unit in circulation was only 208 billion units. This scenario shows that Malaysians' penetration rate in unit trust industry is still small in comparison with more developed countries like the UK for instance. The objective of this paper is to investigate the factors that contribute to the above said scenario. The main finding of the study concluded that Malaysians still have a limited knowledge on unit trust investments (both Islamic and conventional investments). Due to this limitation in knowledge, they would not bother to invest in unit trust investments. Another area that is being investigated is on the factors influencing unit trust holders in choosing the fund to invest. The result showed that past performance was the main attribute that they consider followed by marketing activities and

fund qualities. In addition, the study also found that those who opposed to unit trust investments claimed that despite having zero knowledge on unit trust investments, they are confused because of variety of fund choices, invested in other investment instruments and they were not approached by any unit trust' agents. Thus, it is hope that this research could add knowledge and provide some implications to the investing publics to make a better investment choice, the fund managers to take necessary measures to further improve the marketing strategies of fund management and the regulators to enable them to foresee the future prospect of the industry and further develop the industry to become more efficient and effective investment channel.



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CHAPTER ONE  
INTRODUCTION

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INTRODUCTION**

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

Unit trust investment is becoming popular and being recognized as one of the investment tools in Malaysia. Unit trust as according to Choong (2005, p.2) in his book “Investors’ Guide to the Malaysia Unit Trust”, is an investment scheme that pools money from many investors who share similar financial objectives, investment strategy and risk tolerance. Permodalan Nasional Berhad (PNB) on the other hand, describes unit trust as a collective investment scheme that pools funds from individual and or institutional investors who share a common investment goal for long term capital growth and stable returns (2001, p.31).

In most developed countries, unit trust is better known as mutual fund, however, in Malaysia, it is called unit trust instead of mutual fund because the ownership of the fund is divided into units of entitlement. There are many categories of unit trust such as equity unit trust, property unit trust, Islamic unit trust, balanced and diversified unit trust and specialty unit trust. Each of these categories offers different and specified investment objectives for investors. Unit trust investors can expect to gain a number of benefits from unit trust investment, (be it conventional or Islamic unit trust funds). Those benefits are: (i) diversification, (ii) liquidity, (iii) professional management, (iv) affordability and (v) minimize risk. In terms of length of investment, potential return and risk, unit trust provides returns superior than cash savings and fixed deposit investment. Table 2 presents types of investments with the potential return for investors. Even though stock or equity and property investment promise higher return as compared to unit trust, but they are of high risk. Most of the unit trust investors are those with small amounts to invest, hence unit trust is a perfect fit.

**Table 1: Different Types of Investment Available**

Type of Investment	Length of Investment	Potential Return	Risk
Fixed Deposit	Short Term	6% - 8%	No
Unit Trust	Medium – Long Term	10% - 15%	Low – Medium
Stock/Equity	Medium – Long Term	Above 15%	Medium – High
Property	Long Term	15%	Medium – High

Source: “Investing in Unit Trust in Malaysia”, Sally Cheong 1994

Unit trust fund operates when the pooled fund being invested in a diversified portfolio of authorized investments, on a unit trust investor’s behalf by a professional investment

management company (Choong, 2005, p.2). The authorized investments are securities commission approved stocks, bonds, commercial papers, government securities, treasury bills including direct business ventures, unquoted securities, foreign securities and etc. Unit trust scheme is created out of a deed, which constitutes a contractual agreement governing the tripartite relationship between the:

1. Manager – often referred to as the management company, which is the promoter of the fund and is responsible for the day-to-day operations and its overall investment performance.
2. Unit Holders – investors of the fund. The ownership of a unit trust is expressed in the form of units. Depending on the amount invested, a proportionate share of the fund will be allocated to the investor. The returns, commonly known as income distribution are distributed annually or biannually depending on the performance of the funds.
3. Trustee – appointed to act as the custodian for all assets of the fund, and to ensure that the Manager adheres strictly to the provisions of the Deed.

### **1.1 History of Unit Trust Industry in Malaysia**

The history of unit trust industry is traced back 172 years ago (Siti Zaleha, 1994, p.4). It began in Belgium in the 19<sup>th</sup> century when in 1822 King William I established the first unit trust fund called *Societe General de Belgique*, a close ended fund or fixed trust. From Belgium it spread to France where in 1852 French launched its first investment fund. Then London introduced the Foreign and Colonial Government Trust in 1868. In 1924, the United States of America established their first unit trust, the Massachusetts Investors trust. The unit trust industry started blooming when the Wall Street stock market collapsed in October 1929 where American investors turned their interest to unit trust.

In Malaysia, the history of unit trust fund can be traced back in 1959 with the establishment of Malayan Unit Trust Ltd., which later became known as Asia Unit Trust Berhad by a group of Australian investors. Then it was followed by MARA Unit Trust Berhad (Majlis Amanah Rakyat), which was established in 1967. In 1970s, several state governments began to introduce their various unit trust investment schemes, in reply to the Federal Government's plea to mobilize domestic household savings. However, until 1979 only five unit trust

management companies were established, with a total of 18 funds introduced over that period. The slow growth in the sales of units during this period was presumably due to lack of public interest in this new investment product.

The turning point for the industry where it began to develop significantly was when the Malaysian Government took an initiative step to launch a government-sponsored unit trust known as Amanah Saham Nasional (ASN) managed by Permodalan Nasional Berhad (PNB). The initial motive to introduce this investment product was to call for participation of Bumiputras in the corporate sectors through share ownership in order to improve their socio-economic standing. Even with only 11 funds being launched during this period, the total units subscribed by the public escalated to an extraordinary level because of the tremendous response to this unit trust. The 1980s also was a period of growth for the industry in general with the emergence of more unit trust management companies, which were subsidiaries of financial institutions such as Kuala Lumpur Mutual Fund Berhad (now Public Mutual Berhad), Arab-Malaysian Unit Trust Berhad and Bank Bumiputra Malaysia Berhad Unit Trust Management Berhad (now CIMB Bank Berhad). Since then the growth was tremendous particularly during the period of 1991-1996.

The establishment of the Security Commission (SC) in 1993 further marks as a milestone for the industry. The roles and responsibilities of SC included being the sole authority responsible for centralizing regulations of the industry. With the establishment of this regulatory body coupled with the introduction of various innovative products and formation of many new management companies during this period, the industry matures at a very fast pace. The public further enjoys the benefits stem from this development and the involvement of the financial institutions' unit trust management subsidiaries which made use the financial institutions' branch networks for the marketing and distribution of the unit trust. This investment scheme has now been within reach of the laymen and this significantly increased their participation. As a result, the total asset value of funds under management grew more than threefold from RM15.72 billion at the end of 1992 to RM59.95 billion at the end of 1996.

This trend continues although the rapid progress of this industry was slightly slowed down by the 1997 Asian Financial Crisis. In 2006 for example, the unit trust industry experienced another year of strong growth, which saw the NAV of managed funds capitalizing 14.35



percent of Bursa Malaysia's market at RM 121.76 billion at the end of 2006. Moreover, with effect from 1 April 2005, further relaxations of the foreign exchange administration rules are introduced by the Bank Negara Malaysia (BNM), which results in the liberalization of overseas investment rules. Amongst the rules relevant to this industry are the threshold for investing abroad funds attributed to residents by a unit trust company is increased to 30 percent from the current 10 percent of the NAV of all resident funds managed by the unit trust company and the fund managers may now invest abroad any amount of funds belonging to non-resident clients and resident clients that do not have any domestic credit facilities. Fund managers are also free to invest up to 30 percent of funds of resident clients with domestic credit facilities. Currently they may invest only 10 percent of resident funds, irrespective whether the resident clients have any domestic credit facilities. This new development has seen unit trust management companies introducing numerous offshore funds or realigning investment strategies of domestic funds to invest offshore up to the permitted limit with an intended overseas investment exposure. The positive impact of the relaxation of the rules and the consequent result clearly shows that Malaysian public has become better educated in this industry. With the knowledge and information they acquired they have become aggressive in grabbing any available opportunity offered by the unit trust management companies in order to boost their household incomes.

## **1.2 Islamic Unit Trust Industry in Malaysia**

The success of ASN and ASB has actually paved the way for the establishment of Islamic unit trust. The Islamic unit trust funds are collective investment funds, which offer investors the opportunity to invest in a diversified portfolio of *Shariah*-compliant securities that are managed by professional managers in accordance with *Shariah*. Unlike the conventional unit trust industry, the Malaysian Islamic unit trust industry's history started only in 1993 with the launching of Arab-Malaysian Tabung *Ittikal* managed by Arab-Malaysian Unit Trust Berhad.

The introduction of this alternative investment scheme arises from the needs for *halal* (permissible) investment and also as a result of the considerable broadening of products range. Although, the industry was only introduced in 1990s, the Malaysian Government has been very responsive and supportive to this industry. For example, in 1996 the SC's *Shariah* Advisory Council (SAC) which comprises of muftis, Islamic scholars, academicians and Islamic finance experts was set up to advise the SC on all matters related to the comprehensive development of the Islamic capital market activities and function as a

reference centre for issues related to it. The development of the industry was further catalyzed with the launching of KLSE *Shariah* Index (now Kuala Lumpur *Shariah* Index – KLSI) in 1999 by the Malaysia Securities Exchange Berhad (now known as Bursa Malaysia Securities Berhad). The index includes all Main Board shares that are on the *Shariah* approved securities' list. These authoritative bodies carry out an imperative function, as they exist to preserve the confidence of the public, mainly Muslims on *halal* status of the financial products offered and available in the marketplace. As a result, the Islamic unit trust funds have also seen rapid growth over the years. From only one fund in 1971 with total funds of about RM1,770.72 million and 80.377 million units, the number has grown to 95 funds as end of December 2006. As of end December 2006 the total funds grew to RM16.9 billion and 36.4 billion units in the market. The Islamic unit trust industry witnessed the increase in the NAV every year, although the increase is minor, but it is significant to mark the raise in demand for Islamic unit trust. As of end 2006, the NAV recorded was RM9.17 compared to RM8.49 in 2005.

The availability of Islamic unit trust undeniably caters the needs of Malaysian Muslims for an alternative investment, which is pure in the context of *Shariah* guidelines. The Islamic unit trust is also available to non-Muslims who wish to invest in portfolios, which do not run against their sense of social responsibility. This is factual since Islamic investment funds are subject to strict guidelines prescribed under the *Shariah* whereby Muslims must avoid investments in banks and institutions dealing in *riba* (interest) and *gharar* (uncertainty) based products, firms producing alcoholic beverages and food, pork based products, immoral, exploitative and *haram* (not permissible) food and beverage activities including tobacco. These strict guidelines run in line with a distinct moral code of conduct although the latter may not be as exhaustive as the former.

The fact that the majority of Malaysian population is comprised of Muslims and further that the socially responsible non-Muslims would also opt for Islamic unit trust which accommodates their needs would suggest that the Islamic unit trust is well received in Malaysia and units in distribution would be bigger compared to the conventional unit trust. However, this assertion is only imaginative and bare in nature compared to the realistic scenario of Malaysian pattern of investing in unit trust funds. The statistical data shown in Table 2 indicates that the conventional unit trust funds are most preferred by the Malaysians.

This trend is also apparent in other countries, which also have majority of Muslims in the countries' population.

### 1.3 The growth of Unit Trust Industry in Malaysia

Unit trust industry in Malaysia has experienced considerable growth over the last decade in terms of number of funds offered and volume of capital managed by the unit trust management companies. The overall status of unit trust industry in Malaysia from 2004 up to 2007 is presented in Table 2.

**Table 2: Overall Status of Unit Trust Industry**

	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
Number of funds approved	495	392	340	291
• Conventional	367	297	257	220
• <i>Shariah</i> -based	128	95	83	71
Total approved fund size (billion units) *	473.94	339.88	267.3	218.05
Units in circulation (billion units)	208.34	154.07	139.39	118.63
Number of accounts (million) **	12.68	11.4	10.86	10.43
Total NAV (RM billion)	169.41	121.76	98.49	87.39
• Conventional	152.55	112.59	90.00	80.63
• <i>Shariah</i> -based	16.86	9.17	8.49	6.76
% of NAV to KLSE market capitalization	15.32	14.35	14.17	12.10

Source: Securities Commission Annual Report 2007

\* For funds approved, including those not yet launched

\*\* Including accounts in Institutional Unit Trust Advisors (IUTA) operating a nominee system

The statistical figures of the unit trust industry keep on increasing year by year. Tremendous growth in the NAV of unit trust funds is owing to increasing demand for units, launch of new products and bullish market conditions (Securities Commission Annual Report 2007, p.6-46).

Based on the statistics above, in relation to collective investment scheme the total number of unit trust funds increased from 291 to 495 as at end December 2004 and end December 2007 respectively. Out of 495 funds, 128 funds belong to *Shariah* based funds. The amount of total approved fund size also increased to 473.94 billion units in 2007 compared to 339.88 billion units as of end December 2006. In addition, as of December 2006, the total number of NAV grew 39 percent year on year from RM121.76 billion in 2006 to RM169.41 billion in 2007. Of this, RM152.55 billion represented conventional unit trust funds whilst RM16.86 billion was *Shariah* based funds. The increase in the NAV could be attributed to the increase in the net sales of unit trust funds. The total NAV of unit trust funds as of end December 2007

represented 15.32 percent of the market capitalization of Bursa Malaysia as compared to 14.35 percent for 2006.

#### **1.4 Problem Identification**

Financial planning is very crucial to every individual and it influenced behavior of consumers especially when it involved decisions to invest. Some might decide to save in fixed deposit accounts, while some tend to have cash on hand. A substantial number of consumers invested their saving in securities and hope for higher returns on these investments. The growing popularity of mass investments such as unit trust had shown the trend among Malaysian consumers over the last few years. Realizing the huge potential of this industry, initiatives to promote and to invigorate unit trust investment have been carried out by the government and the unit trust companies. Various programs have been organized and implemented to educate and to create awareness among the publics on this kind of investments.

The local unit trust industry is a multi-billion Ringgit industry because of its vastly untapped potential. In a period of just 15 years since 1992, the amount managed by private unit trust companies grew from a mere RM400 million to RM71.005 billion. (Lipper, 28 January 2008). In addition as reported by the SC, in December 2007, the Malaysian unit trust boasted 15.32 percent equity penetration rate. However, in comparison to the same period, United Kingdom's equity penetration rate was 41.62 percent (London Stock Exchange and Investment Management Association, UK). In addition as reported in Malaysian Business<sup>1</sup> in 2002, out of 24 million of Malaysian populations only two to three million are the unit trust holders and they are the inactive investors. Apart from that, the statistical figure as at December 2007, the total fund approved was 473 billion yet the total unit in circulation was only 208 billion units. This scenario shows that Malaysians penetration rate in unit trust industry is still small in comparison with more developed countries like the UK for instance.

Despite the benefits promised by unit trust investments to their investors, the unit trust industry is still experiencing a low penetration rate among Malaysian investors. Though the industry is growing but it grows at a very slow pace. What went wrong? Is it because of marketing failure or simply because Malaysian investors are ignorant? The fund issuers or

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<sup>1</sup> Retrieved from [http://findarticles.com/p/articles/mi\\_qn6207/is\\_20020416/ai\\_n24905050](http://findarticles.com/p/articles/mi_qn6207/is_20020416/ai_n24905050) on May 25, 2008.

companies, the Government and the regulated bodies such as the SC and Federation of Management Unit trust Managers (FMUTM) need to reevaluate their current marketing and investment strategies to attract more investors to invest in the funds.

Currently there is limited number of studies focus on the acceptance and perceptions of Malaysian consumers towards unit trust investments (both conventional and Islamic unit trust investments). Thus, this research aims to understand the perceptions of Malaysia regarding unit trust investment and to identify factors influencing them to invest and not to invest as well as to determine the selection behavior among investors when choosing which fund to invest.

Based on the argument above, this research aims to investigate these aspects.

### **1.5 Research Objectives**

The main objective of this research is to explore the perceptions of Malaysians regarding unit trust investments. More specifically this study underlying other objectives as follows:

1. To investigate the relationship between demographic profiles and level of knowledge of the respondents.
2. To determine the reasons for investing and not investing in unit trust investments.
3. To identify the fund attributes that influence selection behavior of unit trust investors.

### **1.6 Research Questions**

The aforementioned objectives were specified to address the following research questions:

1. Is there any significant relationship between demographic profiles and level of knowledge?
2. What are the reasons for investing and not investing in unit trust investments?
3. What are the funds attributes that influence selection behavior of unit trust investors?

### **1.7 Significance of the Research**

Unit trust industry has shown a positive growth since its introduction in Malaysian market. A number of studies have been carried out on the performance evaluation of unit trust but limited number focuses on the acceptance and perception of customers towards unit trust investments.

This study may provide better understanding and knowledge to the Malaysian investors on the unit trust investment. Thus, they could also increase their knowledge in terms of alternative investment vehicles besides ASB<sup>2</sup> and other saving accounts. The results of this research may present some insights on the marketing effectiveness on unit trust providers. Appropriate marketing strategies could be developed to improve the level of awareness and acceptance of unit trust among Malaysian investors.

## **1.8 Limitations of the Research**

This study has some limitations:

1. The sample size of this study is limited to 267 Malaysian investors and out of the total respondents only 76 of them invest in unit trust investments. In addition the choice of location is only concentrated to Klang Valley. Thus, the sample size and location may not adequately represent the Malaysian market.
2. The data collection method used in this study was a questionnaire. There are few problems associate with this kind of method that may result in imprecise outcomes. For example the results may not convey the actual feelings of the respondents.

## **1.9 Organization of the Research**

This research is organized into five chapters. Chapter one is on the introductory of the research. Chapter two reviews the previous literatures related to the research area. Chapter three explains on the methodology employed in this study, which includes data collection and data analysis. Chapter four presents the findings of the study. Finally, chapter five summarizes the findings and discusses the conclusion and recommendation of the study.

## **2.0 Summary**

Perhaps this study can be considered as an exploratory research in examining the perceptions of Malaysians investors towards unit trust investments. Undoubtedly the growth of unit trust industry is overwhelming, however the involvement of Malaysians in this area is still at an infant stage. It is hoped that the findings from this study can benefit the relevant parties involved in unit trust industry.

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<sup>2</sup> ASB and Amanah Saham Wawasan 2020 (ASW2020) were excluded because they are non-floating.

CHAPTER IV  
LITERATURE III

**CHAPTER TWO:  
LITERATURE REVIEW**

## CHAPTER TWO

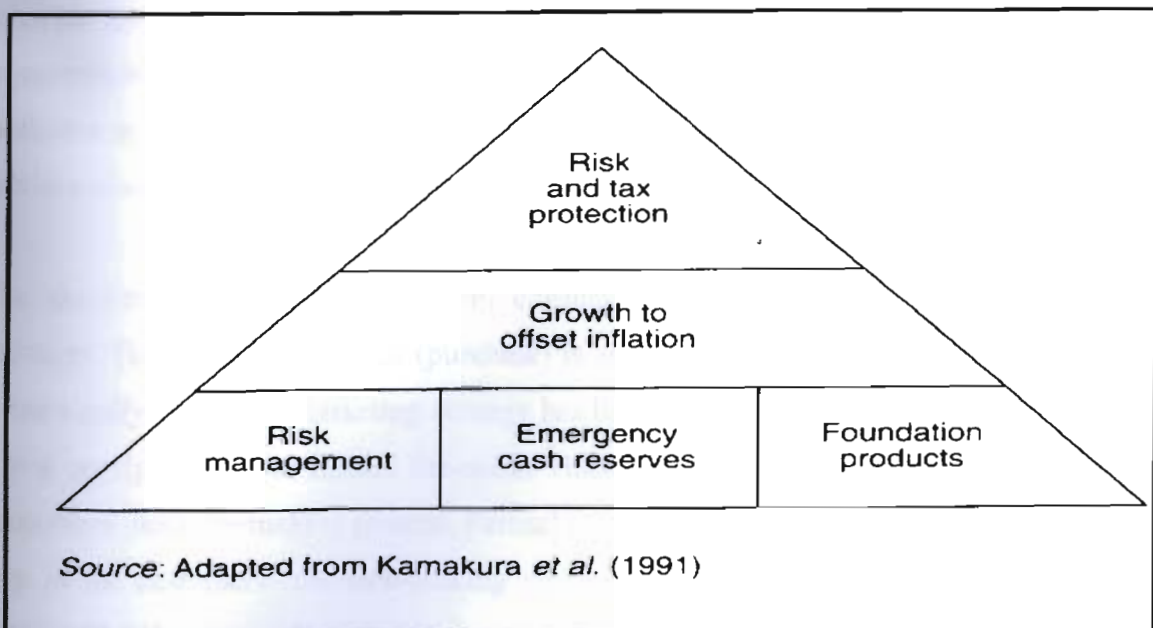
### LITERATURE REVIEW

#### 2.0 Introduction

According to Abraham Maslow, humans have a number of needs that are instinctoid, that is, innate. He postulated that needs are arranged in a hierarchy in terms of their potency, which better known as hierarchy of needs. Maslow's hierarchy of needs suggest humans must satisfy each need in turn, starting with the lower and most basic needs which deal with the most obvious needs for survival. After the basic needs are satisfied, only then the higher level needs may be satisfied.

In the context of financial services, Kamakura et. al (1991) developed the similar concept to the Maslow's known as the hierarchy of financial needs. This hierarchy also suggests that the basic objectives such as liquidity and cash reserved should be satisfied before allocating funds to higher order products.

**Figure 1: Kamakura, Ramaswami and Srivastava (1991)'s  
Hierarchy of Financial Needs**



Source: Google image

Based on this model, Kamakura et. al. (1991) states that financial services consumption and service acquisition appears to occur in a hierarchical order from higher-liquidity, lower-risk



products to those requiring greater resources and with lower liquidity. Thus, according to this model, the ability to become involved with any of the basic foundation is necessary before the more complex product involving longer-term commitment, resources and risk are looked into. This hierarchical movement between financial services is referred to as financial maturity, which hypnotizes that individuals move from lower-order to higher-order financial products and ownership of higher-order products presupposes ownership of lower-order products (Harrison, 1994). Kamakura et. al. classify unit trust investment as the third level in the hierarchy of financial needs.

In the context of financial behavior, in order to satisfy consumers, organizations, particularly financial institutions, should at the initial stage understand consumer behavior, why they behave in certain way and how they make decision. Theories related to human behavior come primarily from psychology, sociology and anthropology and these theories help marketers and consumer behaviors writers to understand relevant behavior related to financial services decision-making.

A number of marketing writers and consumer behavior authors, for instance Kotler (1998) and Engel, Blackwell and Miniard (1990), claim that understanding and adapting to customer behavior and motivation is an absolute necessity for competitive survival. This demands organizations to see wider aspects of consumer psychology and behavior, including what motivates consumers, their attitudes and perceptions on the organization, the products and services as well as an understanding of their decision process (Harrison, 2000, p.41).

The absolute behavior expected from consumers after they make decision is purchase activities. This absolute behavior (purchase) is an important moment for most organizations. It can signify whether a marketing strategy has been wise, insightful and effective or whether it was poorly planned or missed the mark. Thus, marketers are particularly interested in the consumers' decision-making process. Perusal of the marketing literature suggests that the first step in the customers' decision-making process is the awareness of the existence of the product (Schiffmann and Kanuk, 1994).

Another challenge to the decision-making approach emerged from the effects of environmental stimuli on purchase behavior and focus on cognitive model behavior. Consumer behavior is often examined through two major psychological disciplines, which are

cognitive psychology and social psychology (Yusserie et. al., 2003). Cognitive psychology refers to knowledge related to mental behaviors, which include attention, perception, comprehension and the decision-making process. While social psychology refers to the manner in which personality traits, attitudes, intentions and behaviors of the consumer influence and is influenced by social groups. One such model is based on AIDA framework. AIDA model (Awareness, Interest, Desire and Action) is the information-processing model, which assumes that buyers pass through a cognitive, affective and behavioral stage when there is a high degree of involvement in a product category, which is perceived to have a high degree of differentiation of products within it. According to Harrison (2000, p.62), another model introduced by Guirdham (1987) bases the AIDA model but adds the variables of knowledge and 'know-how' at several points in the decision process. This 'know-how' variable is a critical factor for a first time buyer of complex financial services such as unit trust. This model suggest that awareness exist in two stages, first in relation to the general product category and second in the decision regarding which particular brand to offer (Harrison, 2006).

Perhaps the next stage after awareness is perception. It should be noted that the expectations of investors play a vital role in financial market. According to Ranganathan (2006), investors' expectations influence the price of securities, the volume traded and various other financial operations in actual practice. Expectations are influenced by perceptions, and generally perceptions are related to actions. Perception is the process of acquiring, interpreting, selecting, and organizing sensory information. The word perception comes from the Latin *capere*, which means "to take", the prefix *per* meaning "completely". Individual actions are influenced by his or her perception of the situation (Kotler and Armstrong, 2006, p.143). In addition, consumers make decisions based on what they perceive rather than on the basis of objective reality. Perception may lead to either favorable or unfavorable behavior. Hence, the decision-making process is dependent upon the customers' knowledge and understanding on how financial products can benefit or fulfill certain needs of their lives.

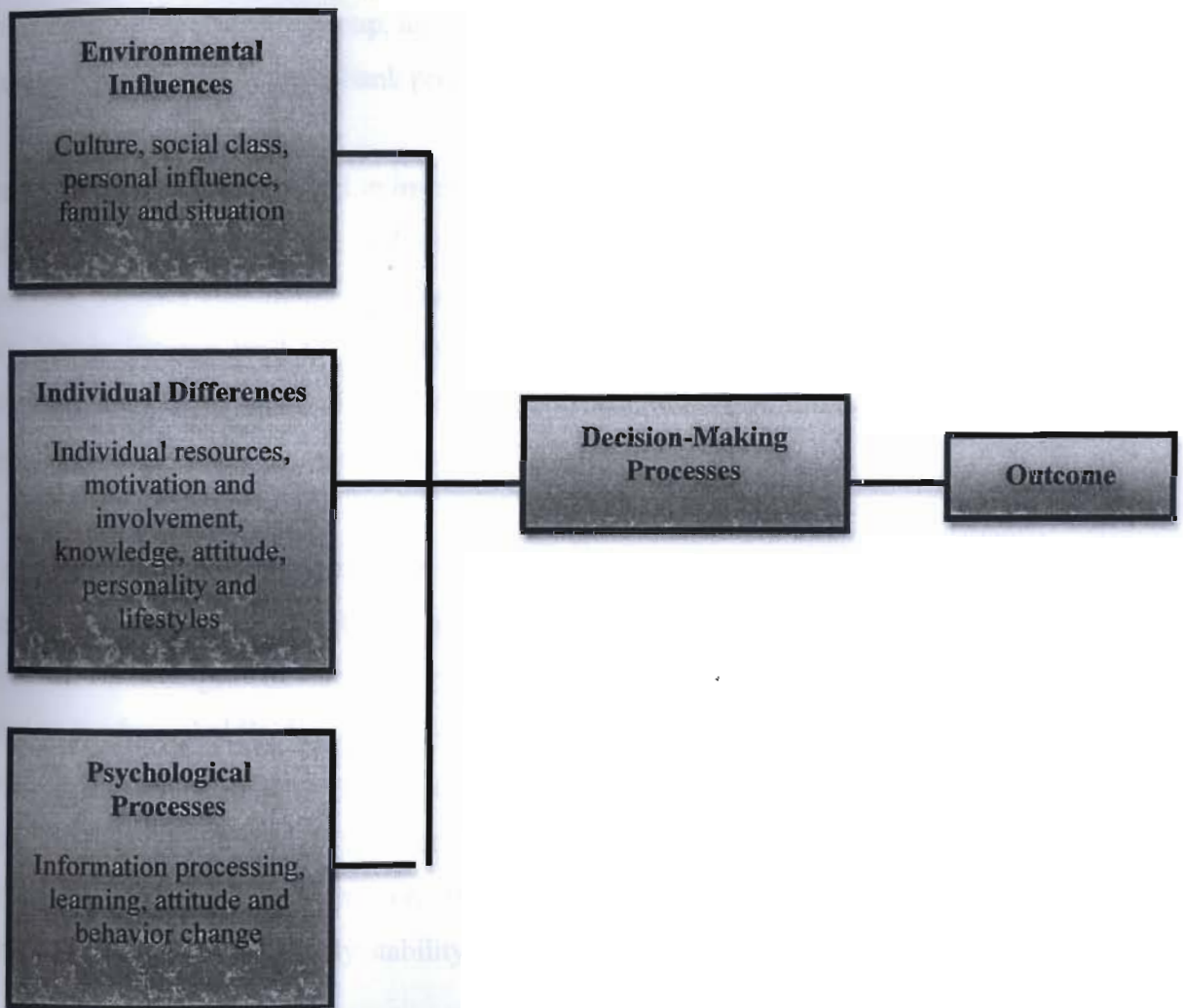
## **2.1 Socioeconomic and Demographic Characteristics and Savings and Investment Objectives**

Making wise financial investments is one of the most important and challenging decisions faced by consumers. Most people save and invest with the objective to prepare for rainy days. Two of the most important reasons to save are to finance expenditures after retirement

(retirement or life cycle motive) and to protect consumption against unexpected shocks (precautionary motive) (Cagetti, 2003). Furthermore people save to allocate available life resources to lifetime consumption (Han et. al., 2007).

In fact there are many factors affected the decision-making behavior of individuals. For instance according to Engel, Blackwell and Miniard's (1990) decision-making process is influenced by three factors namely (i) environmental influences, (ii) individual differences and (iii) psychological processes (Figure 2).

**Figure 2: Engel, Blackwell and Miniard's Decision-Making Model**



Though Engel et. al. model was developed based on the experiences and theories of marketing, the framework can be adopted to explain how individual making financial decision such as retirement and investments (Joo and Grable, 2000). As for unit trust investments,

various factors may influence individuals whether to invest in unit trust investments and vice versa.

Prior studies indicate that there is significant relationship between demographic factors such as age, income, gender, education and marital status and financial decision-making such as Hogarth (1991), Catrambone (1998), Zhong (1994), Zhong and Xiao (1995) and Grable et. al. (1998).

In addition, Stanley et. al. (1985) conducted a research into the users of 31 retail banks in a Midwestern US state indicates that there is a greater chance of success in promoting certain products to a particular age group, and that product usage tends to support the assumption that user age is a primary factor in bank product selection.

The decision either to save and to invest or not to save and not to invest is also closely related with economic status of the individuals. According to Han et. al. (2007), neoclassical economic theories commonly view savings as primarily related to income level. Individuals with higher income tend to save and accumulate more wealth. Another factor influence savings behavior is economic conditions. If economic conditions are expected to be pessimistic, saving will increase (Han et. al., 2007).

In addition, psychological constructs such as expectations, perceptions and motivations are important to include in an attempt to model complex human behavior and these factors influence the savings behavior (Hogarth and Anguelov, 2003). Hogarth and Anguelov further add that the household's decision of whether or not to save is influenced by socioeconomic, demographic characteristics, psychological, institutional variables and access to resources. They also agree with Fang and Chang (1995) that expectations about future increase in income influenced savings behavior. In addition, they include that the importance of saving as a driving force behind family stability, community development and economic progress.

## **2.2 Ethical and Islamic Investments**

Ethical investment or socially responsible investment (SRI) has received considerable attention over the past decade. SRI is an investment process that integrates social, environmental and ethical consideration into investment decision-making (Renneboog et. al., 2008). Ethical investment has ancient origins in Jewish, Christian and Islamic traditions.

Due to rapid growth of ethical and Islamic investment, studies were conducted reflecting to the increasing awareness of investors to this type of investment. Hofmann et. al. (2007) for example find that majority of SRI investors are looking at financial returns. In fact Bauer et. al. (2005) conclude that there is no statistical difference between ethical and mutual fund returns. Thus, the difference is perhaps in terms of investment objectives.

Islamic unit trust funds are alternative platforms of investments, which operate in accordance with *shariah* principles. Islamic funds provide the same benefits as conventional funds in terms of long-term profitable growth and stable return. However, Islamic funds are governed by the sources of Islamic jurisprudence mainly Al-Quran, al-Sunnah, *Ijtima'* and *Qiyas*. Thus it allows Muslim investors to fulfill both religious obligations as well as investment needs. According to Wilson (1997) Muslim consumers invest in order to preserve financial interest and stability, to safeguard their family and to contribute to economy development community as a whole.

Naziruddin and M. Shabri (2001) examine the savings behavior in Islamic framework among Muslims students at the International Islamic University Malaysia. The main objective is to investigate whether there is a significant relationship between religiosity and economic activities (savings behavior). They find that religiosity was a driving force behind the saving behavior. The higher the level of religiosity as implied by Religiosity Index (developed by Naziruddin and M. Shabri), the higher the tendency to save among respondents.

## 2.2 Financial Literacy

Financial services products have become increasingly complex, consumers' inability to understand them has become increasingly apparent and the consequences of this inability more dire (Willis, 2008). Due to these reasons, the need for financial knowledge or financial literacy is more indispensable. Few studies supported the influence of financial literacy with wise financial decision-making but few others find no relationship between the two.

Baverly and Burkhalter (2005) define financial literacy as skills and knowledge related to the money management. According to the U. S. Financial Literacy and Education Commission, financial literacy concerns with the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. Thus, financial

literacy denotes one's understanding and knowledge of financial concepts and is crucial to effective consumer financial decision-making (Fox et. al. 2005).

Willis (2008) suggests the financial literacy education policy model as illustrated in Figure 3.

**Figure 3: Financial Literacy Education Policy Model**



Based on this model, financial education aimed at consumers may be conducted and promoted by many sources including social groups, institutions and the Government. The adequate financial education may contribute to financial literate individuals that later on lead to good and wise financial decision and behavior.

Research done by Harisson (1997) highlights the importance of knowledge in financial services purchases and the role of involvement in financial decision. Harrison conducts a study on mapping customer segment for personal financial services. She finds that consumers can be categorized into four segments: (i) financially confused, (ii) apathetic minimalists, (iii) cautious investors, and (iv) capital accumulators. Each of these segments is characterized by particular attitudes towards financial services, perception of financial service, financial services behavior and degree of future orientation. Harrison adds that those with extremely low levels of perceived knowledge seem to have very low level of interest in financial services and do not seem to attach a great amount of value to financial services. On the other hand, customers with high degree of perceived knowledge of financial services would seem to have a high level of financial sophistication. These customers know which products are best suited to their needs. She concludes that, the individual perceived knowledge, confidence and interest in financial services could possibly form determinants of financial services behavior and potential profitability.

Guirdham (1987) states that consumers would not consider buying unit trust unless they understood them a lot better. This study indicates the importance of knowledge in financial decision-making process of financial services products.

Kozup et. al. (2008) investigate the effects of prior knowledge on product evaluations. Their results show that subjects with higher knowledge about the product class had stronger attitudes towards the specific mutual fund information shown, investment intentions, expectations of future performance and level of perceived risk associated with investing in their particular fund. In addition, more knowledgeable consumers seem to have more favorable attitudes, in general, toward both the product and information about the product.

Howlett et. al. (2008) find that financial knowledge influences financial decision-making. Their study resembles that those with less basic knowledge have little influence to participate to a employer-sponsored retirement plan (401(k) plan). In addition, basic information on the plan also contributes to the positive involvement to that plan. In contrast, those with some basic financial knowledge express higher likelihood of contributing to that plan and had less-favorable attitudes towards a risky investment. This finding emphasizes the importance of having sound financial knowledge in making financial decision.

On the contrary, Wilcox (2003) finds that investors with a great knowledge of basic finance are less likely, not more likely, to make reasonable fund choices. In addition, Willies (2008) also support Wilcox that he finds no reliable empirical evidence that financial literacy programs are effective. Due to ineffective financial education programs, he suggests that financial literacy education that already in place should be replaced by policies that more conducive to good consumer financial outcomes.

### **2.3 Fund Selection Behavior**

Selecting a mutual fund is a challenging process. Correctly deciding upon the right funds to invest in, or the right companies to invest with, determines how closely one can achieve their financial goals. Previous studies portrayed many aspects of investors' behavior related to fund selection behavior. Studies have shown that investors make investment decision heavily based on past performance (Kane et al., 1990; Patel et al., 1992; Roper and Brobeck, 2006; Sirri and Tufano, 1998; Wilcox, 2001; Gharghori et. al, 2007) management fees (Sirri and Tufano, 1998; Drachter et. al., 2007) and advertising and marketing efforts of the fund issuers (Sirri and Tufano, 1998).

According to Roper and Brobeck (2006) virtually all financial experts consider fund's risks, including the volatility of its past returns and its expenses to be among the most important

factors for investors to consider when selecting a fund. However, a study conducted by Roper and Brobeck found that investors gave higher priority to the reputation of the fund company or fund manager and to the fund past's performance.

Schlegelmilch (1997) surveys 172 investment professionals to classify their investment selection criteria. The study finds that return on investment emerges as the dominant investment selection criteria, followed by risk, ethics, liquidity and environment. Besides that, Sirri and Tufano (1998) find that apart from previous fund performance, search costs, company size, and the firm's level of marketing effort seem to have a strong influence on investors' mutual fund selection process.

However other evidence suggests that consumers use factors other than return and risk. As quoted in Capon et. al. (1994), based on the 1990 Consumer Reports Survey of mutual fund investors found that, although past performance and level of risk (safety) were rated the two most important factors in aggregate, several additional factors were also relevant: ie amount of sales charge, management fees, fund manager reputation, fund family (eg. Fidelity, Vanguard), clarity of the fund's accounting statement, recommendation from a financial magazine or newsletter, availability of telephone switching, funds already owned in that family and friends' recommendation.

In addition, Gharghori et. al. (2007) agree that investors are chasing funds that have performed well in the past and that cash flows to fund are persistent. Wilcox (2003) also agrees that investors pay a great deal to past performance of the funds instead of management fees. On the contrary, Drachter et. al. (2007) add that investors not only interested in past performance but in the fund management process as well.

In addition, in selecting fund religious and ethical consideration also play a role. For instance according to Webley et. al. (2001) ethical investors based their decision on ideology and identity and they do not put much concern either to financial return or the impact of ethical investment. In addition, ethical investors are not only ethical but also committed, once they made their choice to invest ethically, there is a very strong tendency for them to stick with that decision. According to Bollen (2007), investors may have a multi-attribute utility function that is not only based on the standard risk-reward optimization but also incorporates a set of personal and societal values.



Ethical investing has ancient origins in Jewish, Christian, and Islamic traditions. Judaism has a wealth of teachings on how to use money ethically, and in medieval Christian times, there were ethical restrictions on loans and investments, which were based on the Old Testament. The Catholic Church imposed a universal prohibition on usury in 1139, which had not been relaxed until the 19th century. In England, a law called The Act Against Usury which prohibited excessive interests on loans was in effect from 1571 to 1624 (Glaeser and Scheinkman, 1998) and (Lewison, 1999).

In the 17th century, the Quakers refused to profit from the weapons and slaves trade when they settled in North America. The founder of Methodism, John Wesley (1703–1791), stated in his sermon 'The Use of Money' that people should not engage in sinful trade or profit from exploiting others. In the 1920s, the Methodist Church in the UK avoided investing in 'sinful' companies, such as companies involved in the production of alcohol, tobacco, and weapons and in gambling. The first modern mutual fund employing screens based on religious traditions, the Pioneer Fund, was founded in 1928. Ethical investing has also origins in the Islamic tradition. Based on the teachings of the Quran and its interpretations, Islamic investors avoid investing in companies involved in pork production, pornography, gambling, and in interest-based financial institutions.

Apart from that, fringe benefits (free insurance and tax benefit) offered by certain funds, image and branding also another criteria that influence the fund investors in selecting which fund to invest. For example Bergstresser and Poterba (2002) suggest that taxation can play a role in the way investors choose their mutual funds. Rajeswari and Rama Moorthy (xxxx) find that investors are basically influenced by the intrinsic qualities of the product followed by efficient fund management and general image of the fund in selection of fund schemes. Frieder and Subrahmanyam (2004) find that individual investors prefer to invest in stocks with easily recognized products.

## **2.4 Marketing Strategies**

Indeed the nature of financial services products is very complicated and difficult to be grasped mentally by consumers. Therefore, for many financial consumers, financial services products are seen as uninteresting and unexciting purchases (Enew, 2002, p5-2). Furthermore, they find difficulties in differentiating financial services products, say for example, savings account offered by CIMB and one from RHB and between an insurance policy from

Prudential BSN Takaful and Etiqa Takaful. To make it worst, the blend of Islamic and conventional financial services products in the market offered by financial institutions, both Islamic and conventional. With so much variety and so many different types of financial services products, financial consumers may regard financial services products as distress purchases (things that they do not want to purchase but they have to buy). Yet, no matter how dull the financial services products are, consumers are forced and felt obligated to purchase them (for instance hire purchase loan comes together with insurance and buy an insurance policy). Due to these reasons, most financial consumers (particularly personal consumers) are very passive consumers and they have limited knowledge on financial products and services. This is where marketing plays essential roles in informing, educating and creating awareness among consumers on financial services products to minimize confusion and reduce bewilderment. Therefore, financial services products should be designed in a way to facilitate consumers' understanding. Apart from that, marketing activities should also concentrate in educating consumers on financial services products.

Given the difficulties that consumers may experience when making a decision about financial services products, financial institutions should, at the initial stage, educate consumers by conducting proactive campaign and aggressive promotional activities (Saiful Azhar Rosly, 2005, p.533). One way of conducting campaign and promotional activities is by joining exhibitions, expos, seminars and conferences to provide consumers with necessary information and advice. Distributing flyers and pamphlets may also help facilitate consumers on information gathering. Besides, financial institutions should also have knowledge on how to lure consumers by sending out the right message in advertisements. In addition, with heavy competition, financial institutions should be aware with the current market trends and must keep informing consumers about their latest services or products to ensure the consumers use them. With the advent of technology, it should be no hitch for financial institutions to disseminate knowledge to potential consumers.

Considering Malaysia is a multi cultural society, Saiful Azhar (2005, p.533) further added that a market segmentation study is also necessary to ensure that accurate information is made available to consumers irrespective of their racial and religious background. Undeniably all consumers are different and unique but it is possible to group them based on the attitudes, behavior, wants and needs that quite similar. The process of identifying and grouping them

into similar group is called market segmentation. Market segmentation has the following benefits (Harrison, 2000, p.67):

- Enables cost to be reduced via a closer matching of company resources with market requirements,
- Customer satisfaction can be enhanced by meeting consumer requirements more accurately,
- Enables company to focus its efforts on a narrower target, thus, gaining a specialist knowledge of the needs and requirements of that groups of customers,
- New consumer requirements can be anticipated by projecting known segment characteristics onto new/potential customers,
- Customer retention can be improved via increased customer satisfaction and anticipation of customer needs through segment migration.

Huhmann and Bhattacharyya (2005) suggest that mutual fund advertising activates consumer decision-making heuristics. All mutual funds advertisement should present specific investment information. Mutual fund advertisements do not provide the information needed by consumers to optimize their investment decisions. Mutual fund advertisements do not explicitly or implicitly discuss the risk-return trade-off or risk-adjusted returns, no proof of credibility to assuage consumer's principal-agent conflict concerns and no information on transaction costs.

Mutual funds with higher advertisement exposure get more investment flow (Sirri and Tufano (1998) and attract more investment money Jain and Wu (2000). Inconsistent with Zheng (1999) did not find any evidence that mutual funds receiving more investment money subsequently beat the market.

## **2.5 Summary**

Previous studies find that there is a significant relationship between demographic profiles and the decision to invest. In addition, financial knowledge also influences the behavior to invest. It is found that the higher the knowledge one possesses the higher the possibility one might engage in financial decision. In terms of fund selection behavior, findings of past studies suggest that criteria such as past performance, management fees, fund qualities, fund's return and marketing activities influence investors in selecting which fund to invest.

## CHAPTER THREE: RESEARCH METHODOLOGY

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter explains on the methodology employed in conducting this study. The discussion in this chapter includes research design, instrument design, sampling and sample size, data collection and statistical analysis.

#### 3.1 Research Design

The research adopted a survey-based approach. The questionnaire designed in a specific manner based on the goals and objectives of the study. Potential respondents were given a self-administered questionnaire and the approximate time to complete the questionnaire was 15 to 20 minutes. The questionnaire was translated in both Bahasa Malaysia and English.

The research began by determining the objectives of the study after an extensive review on the relevant literature. The process was followed by designing questionnaire, collecting and analyzing the data and finally preparing the research report.

#### 3.2 Instrument Design

A survey questionnaire was administered during mid 2007. For the purpose of this study, the information needed is on the socio-demographic status of the respondents, their knowledge, awareness and perception of unit trust, their factors for investing and not investing in unit trust investments. The questionnaire was reengineered based on the study done by Kavita Rangnathan (2006). Revisions were made accordingly to improve the validity and reliability of the instrument. The questionnaire was divided into four sections, Section A, Section B, Section C and Section D.

##### *Section A*

Section A covered on socio-demographic profile of the respondents. Demographic information solicited on the survey included age, gender, marital status, race, academic qualification and personal income.

### *Section B*

Section B captured the information on respondents' knowledge, awareness and perception on unit trust investments. The questions asked in this section are related to both Islamic and conventional unit trust schemes. The questions include the open-ended questions.

Respondents were required to identify their level of knowledge pertaining to unit trust investment whether they have zero knowledge, knowledgeable or very knowledgeable. They were also required to identify the sources of information on unit trust investment. Respondents were allowed to choose more than one answer for this question. In order to further access the respondents' knowledge on unit trust investments, they were asked to name the issuers and the funds that they are familiar for both conventional and Islamic unit trust.

Next questions were on knowledge of Islamic unit trust investments and on perceptions related to unit trust investments. Respondents were given 23 questions and were asked to identify how far they agree or disagree with the statements based on the 5-scale of Likert scale which "1 is strongly disagree" to "5 is strongly agree".

### *Section C*

Section C was to be filled by respondents who invest in unit trust investments. Respondents were asked on type or types of their unit trust investments, who influence their unit trust investments, sources of unit trust investments, amount of principal investment, preferred types of investments, main reasons for investing in unit trust investments and whether or not to recommend unit trust investments to others. Since this section were meant for unit trust investors, respondents were also required to name their issuer and their unit trust funds.

In addition, respondents were given 17 questions related to fund selection behavior. The questions asked were to gauge the factors influence investors to invest in unit trust investments. The variables included in this section are funds' performance, issuers' reputation and performance, funds' benefits, funds' brand name and marketing activities. Respondents were needed to identify their level of conformity on the statements. The questions were designed using Likert scale ranging from "1 which denotes strongly disagree" to "5 which implies strongly agree".

### *Section D*

Section D was meant only for non-investors. This section was to capture the factors leading to the respondents' rationale for not investing in unit trust investments. Respondents were asked to identify their level of agreement to the statements pertaining to their reasons for not investing in unit trust investments. There were 18 questions on reasons for not investing. Respondents were provided with five (5) options after each question. Answers to these questions were arranged in a Likert-scale format ranging from "1 is strongly disagree" to "5 is strongly agree".

In addition, respondents were requested to state whether they intend to invest in unit trust investments in future and if they agree to invest, which will they prefer to choose between product, issuer or portfolio. They were also asked to name the fund issuer that they will choose to invest.

### **3.3 Populations And Sample**

The respondents for the survey were selected based on convenience sampling around Klang Valley. These respondents were given self-administered questionnaires by the enumerators in mid 2007. The sample of this study consists of 267 investors, representing two groups of Malaysians residing in Klang Valley. The choice of location is made based on convenience and competitiveness of banking environment.

### **3.4 Procedures**

500 sets of questionnaires were distributed around Klang Valley. Most of the time, respondents were asked to return the completed questionnaires promptly. However, in some cases respondents were allowed to return their questionnaires by post for which they were given a self-addressed enveloped. Out of 500 questionnaires being distributed to the respondents, at the end of the data collection period, a total of 267 completed questionnaires had been answered leaving 233 questionnaires unanswered. The completed questionnaires represent 53 percent response rate.

Based on the administered questionnaires distributed and collected, the respondents can be divided into two groups:

1. 76 respondents who are unit trust investors
2. 191 respondents who are the non-investors (invest in other instruments such as stocks)

### **3.5 Data Collection Method**

Initially, a pilot test was conducted to test the reliability of the questionnaire. The purpose of the pilot study was primarily that of lending credibility to the information-seeking portion of the research instrument. The primary goal of the pilot study was to develop reliability statistics for the investment information-seeking questions. The surveys were distributed to a small convenience sample of 150 participants in Klang Valley. Out of this, a total of 67 completed questionnaires were returned. Based on the response received from respondents, the questionnaires were simplified and the number of questions was reduced.

### **3.6 Data Analysis**

Analysis of data for this study involved both descriptive and inferential statistics. The descriptive statistics was to summarize the respondents' profiles and all the variables in the questionnaire in terms of frequency and means while inferences were made based on sample t-test and chi-square at 5 percent significant level as well as factor analysis.

### **3.7 Summary**

This research is considered as a quantitative study. The data is gathered from self-administered questionnaire, which consist of four sections. Research assistant and trained enumerators were employed to distribute the questionnaires in Klang Valley. Descriptive and inferential analysis was performed to generate the findings.



# CHAPTER FOUR: FINDINGS

Item	Percent		
	Response	Non-Response	Total
17	85.1	14.9	100.0
18	88.1	11.9	100.0
19	78.2	21.8	100.0
20	60.1	39.9	100.0
21	55.1	44.9	100.0
22	45.1	54.9	100.0

## CHAPTER FOUR

### RESEARCH FINDINGS

#### 4.0 Introduction

This chapter presents the results of the study. The findings are presented in four sections. Section A describes the respondents' profile include gender, age, race, marital status, academic qualification and personal monthly income. Section B explains on the level of knowledge, awareness and perception of Malaysian investors towards unit trust investments. Section C illustrates the findings on unit trust investors in terms of amounts of principal investments, sources of investments and the selection behavior. Section D reports on the factors influencing non-investors for not investing in unit trust investments.

#### 4.1 Section A: Demographic Profile

**Table 3: Demographics of Respondents**

		Frequency			Percent		
		Investors	Non-Investors	Total	Investors	Non-Investors	Total
N = 267							
Invest = 76							
Non-Investors = 191							
Gender	Male	34	80	114	44.7	41.9	42.7
	Female	42	111	153	55.3	58.1	57.3
Age	30 years and below	29	112	141	38.2	58.6	52.8
	31 – 40 years	35	65	100	46.1	34.0	37.5
	41 – 50 years	10	10	24	13.2	5.2	7.5
	50 years and above	2	4	6	2.6	2.1	2.2
Race	Malay	56	142	198	73.3	74.3	74.2
	Chinese	12	37	49	15.8	19.4	18.4
	Indian	8	10	18	10.5	5.2	6.7
	Others	-	2	2	-	1.0	0.7
Religion	Muslim	56	142	198	73.3	74.3	74.2
	Non-Muslim	20	49	69	26.3	25.7	25.8
Marital Status	Single	23	87	110	30.3	45.5	41.2
	Married	52	102	154	68.4	53.4	57.7
	Others	1	2	3	1.3	1.0	1.1
Academic Qualification	Professional	10	11	21	13.2	5.8	7.9
	PhD/Master	14	31	45	18.4	16.2	16.9
	Bachelor	24	73	97	31.6	38.2	36.3
	Diploma/Certificate	28	76	104	36.8	39.8	39.0
Employment Sector	Government	22	111	133	28.9	58.1	49.8
	Private	44	76	120	57.9	39.8	44.9
	Self-Employed	10	4	14	13.1	2.0	5.2
Personal Monthly Income	RM1,000 and below	6	7	13	7.9	3.7	4.9
	RM1,001 – RM3,000	20	94	114	26.3	49.2	42.7
	RM3,001 – RM6,000	28	67	95	36.8	35.1	35.6
	RM6,001 – RM9,000	14	17	31	18.4	8.9	11.6
	RM9,001 and above	8	6	14	10.5	3.1	5.2

Table 3 summarizes the respondents' profile of both investors and non-investors who participate in this study. Out of 267 respondents, 76 of them were unit trust investors while 191 were non-investors.

Unit trust investors are classified as Malays (73.3 percent) and Muslims (73.3 percent). Majority of them (46.1 percent) are between the ages of 31 to 40, with 36.8 percent hold a Diploma/Certificate. The unit trust investors are almost equally divided between female (55.3 percent) and male (44.7 percent). Most of the investors are working in the private sector (57.9 percent), married (68.4 percent) and earned a salary between RM1,001 to RM3,000.

On the other hand, the non-investors are categorized as Malays (74.3 percent) and Muslims (74.3 percent). They are between the age of 30 years and below (58.6 percent) and majority of them are Diploma/Certificate holders (39.8 percent). 58.1 percent are female and married (53.4 percent) who work in a government sector (58.1 percent) and earned a salary between RM1,001 to RM3,000.

In total, based on the results presented above, out of 267 respondents participate in this study, a total of 153 participants represent 57.3 percent are female while 114 participant or 42.7 percent are male. Malays and Muslims respondents dominated the study with 74.2 percent of total respondents. Most of the respondents are married they represent 57.7 percent. In addition, 52.8 percent of the total respondents are below 30 years of age. Majority of the respondents are Government officers (49.8 percent) with 42.7 percent earned the salary between RM1,001 to RM3,000 per month.

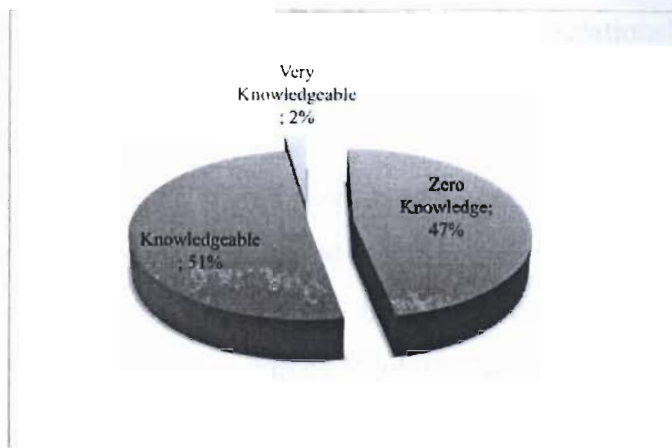
## 4.2 Section B: Knowledge and Perception on Unit Trust Investments

### 4.2.1 Level of Knowledge on Unit Trust Investments

**Table 4: Respondents' Perceived Knowledge on Unit Trust**

Level of Knowledge	Frequency	Percent
Zero Knowledge	126	47.2
Knowledgeable	135	50.6
Very Knowledgeable	6	2.2
<b>Total</b>	<b>267</b>	<b>100.0</b>

**Figure 4: Percentage of Respondents' Perceived Knowledge on Unit Trust**



Respondents were asked to indicate their 'perceived knowledge on unit trust' and they were required to rate themselves on three criteria, 'zero knowledge', 'knowledgeable' and 'very knowledgeable'. The result above indicates that majority of respondents, which is 135 of them (50.6 percent) claimed that they have knowledge on the matter and only 2.2 percent said that they are very knowledgeable on unit trust investments. While 126 respondents, which represent 47.2 percent of total respondents, stated that they have zero knowledge on unit trust. In total, the perceived knowledge among the respondents is equally divided between those who have knowledge and those who do not.

**Figure 5: Level of Knowledge on Unit Trust**

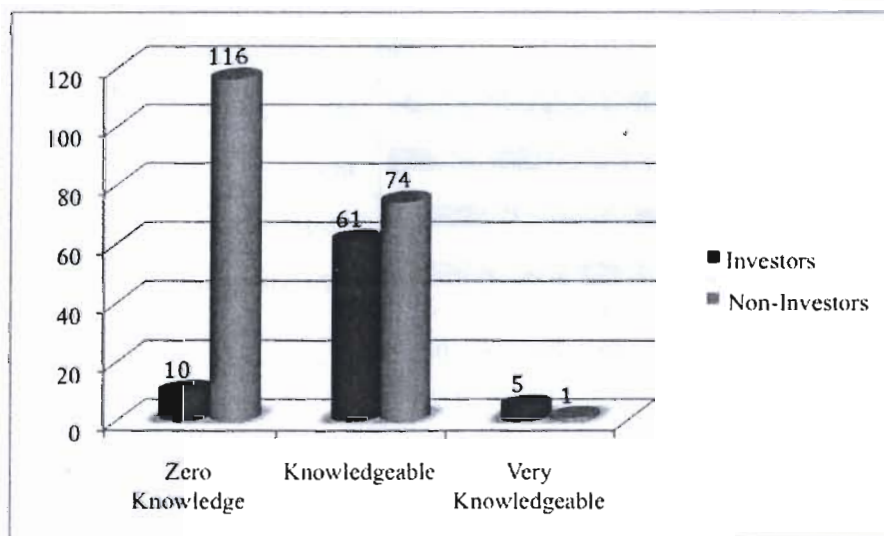


Figure 5 shows the comparison between unit trust investors and non-investors' level of perceived knowledge. Majority of the non-investors (60.7 percent) stated that they have zero knowledge on unit trust investments. In contrast, those invest viewed that they are somewhat

knowledgeable on unit trust investments (86.8 percent). The finding is consistent with previous studies that found knowledge has a significant relationship with investment behavior.

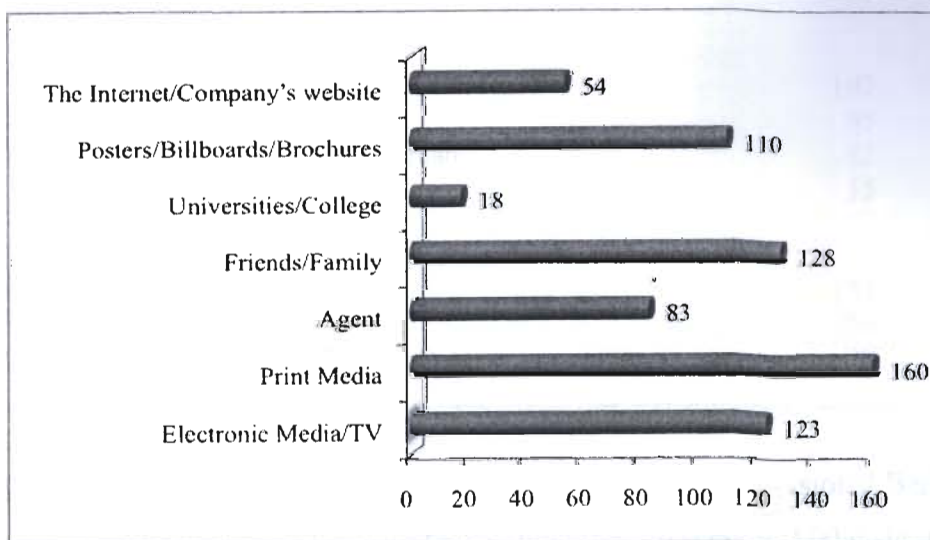
#### 4.2.2 Sources of Information on Unit Trust Investments

In this section respondents were also asked on the sources of information that creates respondents' awareness and knowledge on unit trust investments. Respondents were allowed to choose more than one option on the sources of information. The result is shown in Table 5.

**Table 5: Sources of Information on Unit Trust Investments**

Source	Percent
Electronic Media/TV	46.1
Print Media	59.9
Agent	31.1
Friends/Family	47.9
Universities/College	6.7
Posters/Billboards/Brochures	41.2
The Internet/Company's website	20.2

**Figure 6: Sources of Information on Unit Trust Investments**



A total of 160 respondents indicate that print media is the most powerful source of information on unit trust investments followed by friends/family, electronic media and posters/billboards/brochures. This result shows that print media such as newspaper, magazines and *et cetera* is an important marketing channel in creating and disseminating information of unit trust investments to the public.

### 4.2.3 Familiarity on Unit Trust Investments

In addition, respondents were required to fill up an open-ended questions pertaining to their familiarity on the unit trust issuers and unit trust funds available in the market. The questions cover for both Islamic and conventional unit trust schemes. Respondents were asked to name two conventional unit trust issuers, two conventional funds/schemes, two Islamic unit trust issuers and two Islamic funds/schemes. Out of 267 respondents, only 122 respondents filled up the questions while the rest left the questions unanswered.

**Table 6: Familiarity of Islamic and Conventional Unit Trust Issuers and Schemes**

Item	Frequency
<i>Conventional Unit Trust Issuers</i>	
Permodalan Nasional Berhad	94
Public Mutual Berhad	65
Maybank Berhad	37
RHB Bank	24
CIMB Bank Berhad	24
<i>Conventional Unit Trust schemes</i>	
ASN	87
Amanah Saham Didik	79
Amanah Saham BSN	43
Mayban Unit Trust	35
<i>Islamic Unit Trust Issuers</i>	
Public Mutual Berhad	102
Maybank Berhad	95
CIMB Islamic Bank Berhad	32
RHB Islamic Berhad	15
<i>Islamic Unit Trust Schemes</i>	
Public Ittikal Fund	141
ASM Dana Al-Aiman	64
Public China Ittikal Fund	39

Based on Table 6, majority of the respondents state that Permodalan Nasional Berhad (PNB)<sup>3</sup> and Public Mutual Berhad<sup>4</sup> are the most renowned unit trust issuers in Malaysia, followed by

<sup>3</sup> PNB is Malaysia's leading and well-established investment company. PNB marked the turning point for the growth of unit trust investments in Malaysia. Due to this reason, PNB is still standing as a strong player in unit trust industry. In addition PNB's funds/schemes are well known and well accepted by the public such as ASN, Amanah Saham Didik and *et cetera*.

<sup>4</sup> Public Mutual Berhad is another successful unit trust institutions in Malaysia. Public Mutual Berhad holds 40 percent market share of private unit trust industry as at end December 2007 (Lipper, 31 December 2007).

Maybank Berhad (Malayan Banking Berhad). Public Mutual Berhad and Maybank Berhad offer both Islamic and conventional unit trust schemes for investors. In terms of unit trust schemes, majority of respondents cited that ASN and Amanah Saham Didik are the most popular schemes for conventional unit trust schemes while Public Ittikal Fund for Islamic unit trust schemes. According to the study done by Bala Ramasamy (2003), investors are more inclined to invest in unit trust funds that are managed by Government agency compared to privately owned funds.

#### 4.2.4 Knowledge on Islamic Unit Trust Investments

Question B7 to B11 were asked to examine further the knowledge among respondents on Islamic unit trust investments. The knowledge was examined via Likert-scaled statements (where 1 = strongly disagree to 5 = strongly agree).

**Table 7: Mean Score on Knowledge on Islamic Unit Trust Investments**

Knowledge on Islamic Unit Trust Investments	N	Mean	Std. Deviation
B7. Islamic unit trust is structured under <i>Halal</i> securities that are in compliance with <i>Shariah</i>	267	4.01	.804
B8. Appointment of <i>Shariah</i> Advisor is an important requirement for Islamic unit trust	267	4.08	.861
B9. Islamic unit trust are governed and protected by the Securities Commissions (SC)	267	3.75	.838
B10. Islamic unit trust investments are only meant for Muslims	267	3.27	1.126
B11. Islamic unit trust schemes are similar to conventional unit trust schemes	267	3.43	1.021

The result indicates that the respondents have considerably high knowledge on Islamic unit trust investments. The mean score of 4.08 and 4.01 clearly demonstrate that the respondents generally understand the concept of Islamic unit trust investments where the appointment of *Shariah* Advisor is crucial for Islamic investments and that the Islamic unit trust investments is in line with *Shariah* practices. In addition, the mean score of 3.75 shows the respondents are aware that Islamic unit trust investments are secure and protected by the Securities Commissions (regulated body). However, the respondents were uncertain whether the Islamic unit trust are meant only for Muslim and whether there are similarities in the schemes of Islamic and conventional unit trust investments.

#### 4.2.5 Perceptions Towards Unit Trust Investments

In addition, respondents were asked a series of questions about their perceptions towards unit trust investments (questions B12 to B29). Specifically they were asked to rate on a one-to-five scale whether their perceptions towards funds are generally favorable or unfavorable. The result is presented in Table 8.

**Table 8: Mean Score of Perceptions on Unit Trust Investments**

Perceptions on Unit Trust Investments		N	Mean	Std. Deviation
B12.	Unit trust investment offers various advantages/benefits	267	3.89	.722
B13.	Investing in unit trust helps you realize the advantages/benefits of stock market investments	267	3.69	.745
B14.	Unit trust investment is guaranteed by the Government	267	3.37	.939
B15.	Unit trust investment is suitable and profitable for long-term investment	267	3.86	.761
B16.	Unit trust investment is tax exemption	267	3.48	.868
B17.	There are many unit trust funds to meet the varied needs of investors	267	3.76	.685
B18.	Unit trust investment gives better return compared to regular savings	267	3.77	.760
B19.	Unit trust investment gives definite positive return	267	3.36	.991
B20.	Return on the principal amount invested in unit trust investment is guaranteed	267	3.33	.941
B21.	Unit trust investment gives higher return compared to fixed deposit (FD) for the same period	267	3.60	.814
B22.	Ups and downs of stock market will not affect the return of unit trust investments	267	2.93	.977
B23.	Due to professional management, a higher return can be expected from unit trust investments	267	3.65	.743
B24.	Unit trust investment is risky	267	2.82	.954
B25.	Unit trust investment requires huge capital	267	3.06	1.013
B26.	Unit trust investment is an alternative of savings for retirement	267	3.78	.772
B27.	Unit trust investment is one of the best alternatives of savings for children education	267	3.66	.876
B28.	Unit trust issuers should be more aggressive in promoting unit trust investment	267	3.91	.722
B29.	The Government and the SC should help in increasing public's awareness on unit trust investments	267	4.07	.654



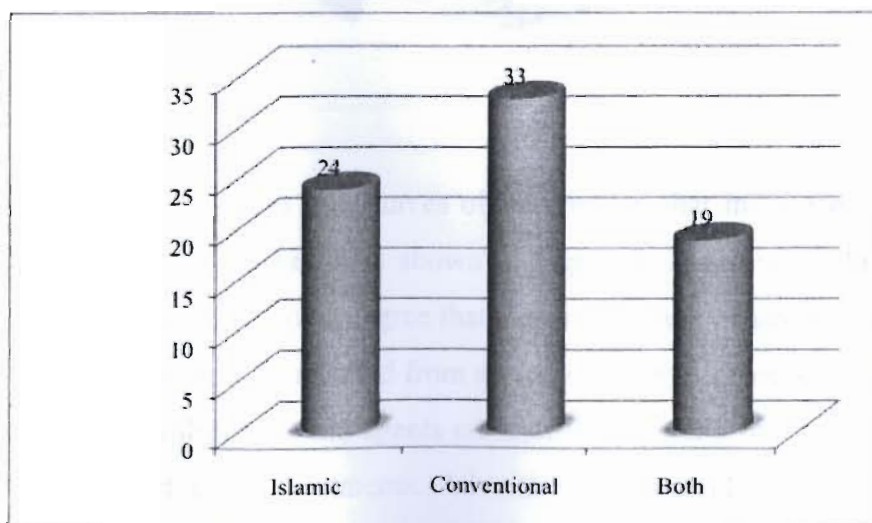
A large majority of respondents held positive perceptions towards unit trust investments. At the same time, many of the respondents expressed an understanding that there are risks associated with investing in unit trust investments (mean score of 2.82). Respondents agreed that unit trust investments offer various advantages and that unit trust investment is an alternative instrument to save for retirement and to fund for children education. Both factors produced means of 3.78 (B26) and 3.66 (B27) respectively. Furthermore respondents also perceive that unit trust issuers and the SC as well as the Government should conduct aggressive marketing campaign and promotion strategies to further enhance the publics' awareness and understanding on unit trust investments. This is clearly shown by the mean score of 3.91 (B28) and 4.07 (B29). However, respondents were uncertain whether ups and downs of stock market would affect unit trust investments' return as it recorded the mean of 2.93.

#### 4.3 Section C: Investment and Fund Selection Behavior of Unit Trust Investors

Section C is designed for respondents who invest in unit trust investments, both Islamic and conventional schemes. This section also meant to capture the factors leading to the respondents' investment behavior as well as factors influencing their fund selection behavior. Out of 267 respondents participated in the study, 76 were identified, as the unit trust investors. The demographic profiles of unit trust investors are illustrated in Table 3.

##### 4.3.1 Types of Unit Trust Investments

Figure 7: Types of Unit Trust Investments



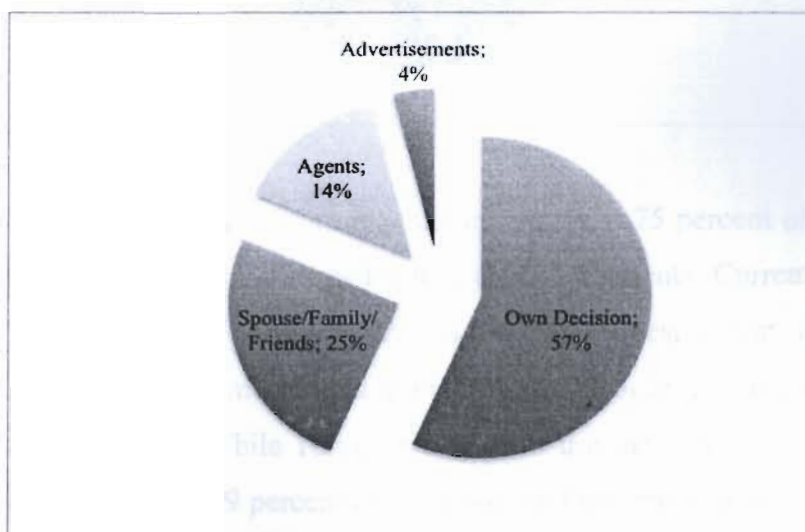
Responding to the types of unit trust investments owned, as shown in Figure 7, majority of the respondents invested in conventional unit trust investments represented by 43.4 percent (33 respondents) while 31.6 percent (24 respondents) invested in Islamic unit trust investments. In addition 25 percent (19 respondents) of the respondents invested in both Islamic and conventional schemes.

#### 4.3.2 Unit Trust Investments Decision-Making

**Table 9: Unit Trust Investments Decision-Making**

Investment Decision-Making	Frequency	Percent
Own Decision	43	57
Spouse/Family/Friend	19	25
Agents	11	14
Advertisements	3	4
<b>Total</b>	<b>76</b>	<b>100.0</b>

**Figure 8: Sources of Information on Unit Trust Investments Decision-Making**



Unit trust investors were asked on the sources of information that influence their action to invest in unit trust investments. Result is shown in Figure 8. Majority of the respondents represent 57 percent of total participants agree that their investment behavior starts from their own decision. The decision may be resulted from awareness on the importance of investment. Influence from spouse/family/friend and agents are another important sources that incite their decision to invest in unit trust investments. Advertisements on the other hand are not a powerful medium in influencing the investment decision-making. Advertisements are only effective in creating awareness as shown in Table 5 and Figure 4.

### 4.3.3 Source of Unit Trust Investments' Funding

**Table 10: Sources of Unit Trust Investments' Funding**

Investment Decision-Making	Frequency	Percent
Own Savings	57	75
EPF Withdrawal	19	16
Loans	11	9
<b>Total</b>	<b>76</b>	<b>100</b>

**Figure 9: Sources of Unit Trust Investments' Funding**

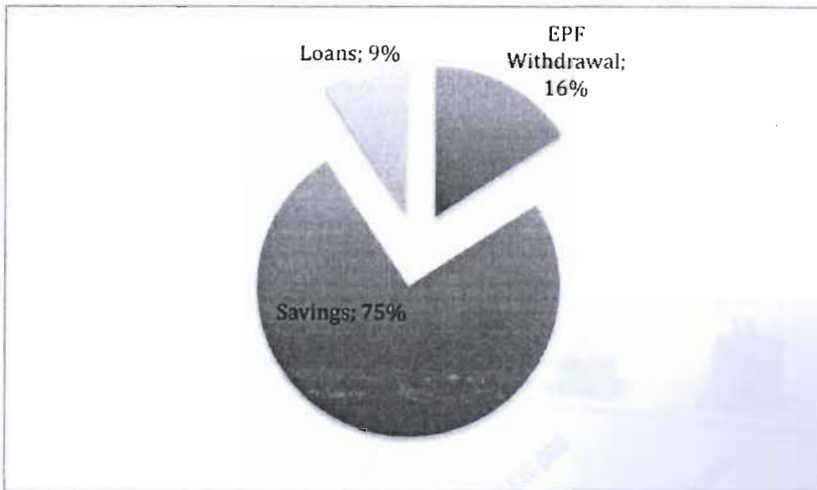


Figure 9 shows the sources of fund for unit trust investments. 75 percent of the respondents indicated that they use their own savings for unit trust investments. Currently the minimum amount for initial unit trust investments is RM500. Perhaps the respondents assumed that it is not necessary to withdraw EPF money and to make a loan in order to put a small amount for initial unit trust investments. While 16 percent of them use the EPF<sup>5</sup> (Employee Provident Fund) withdrawal to invest and 9 percent of them borrow from other means such as financing from financial institutions.

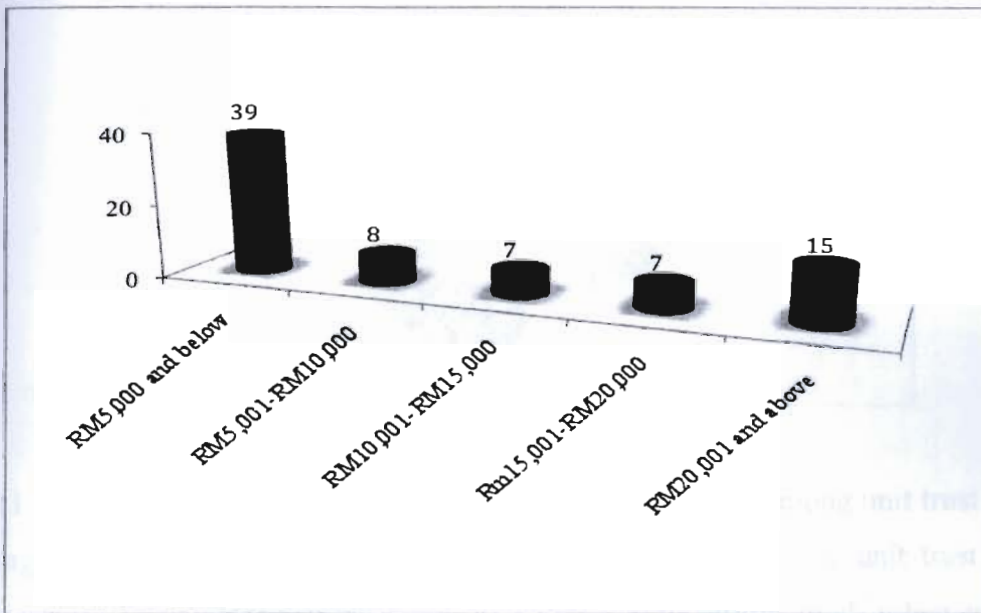
<sup>5</sup> The Employees Provident Fund (EPF) is a national social security organization operating through a provident fund scheme in Malaysia. The principal members are the private and non-pensionable public sector employees. EPF allows the members to withdraw their EPF savings for the purpose of investments based upon terms and conditions drawn by EPF. For more information on EPF investment withdrawal, please visit [www.kwsp.gov.my](http://www.kwsp.gov.my)

#### 4.3.4 Principal Amount of Unit Trust Investments

**Table 11: Principal Amount of Unit Trust Investments**

Principal Amount of Unit Trust Investments	Frequency	Percent
RM5,000 and below	39	51
RM5,001 to RM10,000	8	11
RM10,001 to RM15,000	7	9
RM15,001 to RM20,000	7	9
RM20,001 and above	15	20
<b>Total</b>	<b>76</b>	<b>100</b>

**Figure 10: Principal Amount of Unit Trust Investments**



It is shown in Figure 10 that majority of the respondents (51.3 percent or 39 respondents) stated that their principal amount of unit trust investments was below RM5,000. This is followed by 19.7 percent (15 respondents) put an initial investment of more than RM20,000. Whereas the rest of respondents pointed out that their principal investments were between RM5,001 to RM20,000.

### 4.3.5 Preferred Segments of Unit Trust Investments

**Table 12: Preferred Segments of Unit Trust Investments**

Principal Amount of Unit Trust Investments	Frequency	Percent
Products	34	45
Portfolios	24	31
Issuers	18	24
<b>Total</b>	<b>76</b>	<b>100</b>

**Figure 11: Preferred Segments of Unit Trust Investments**

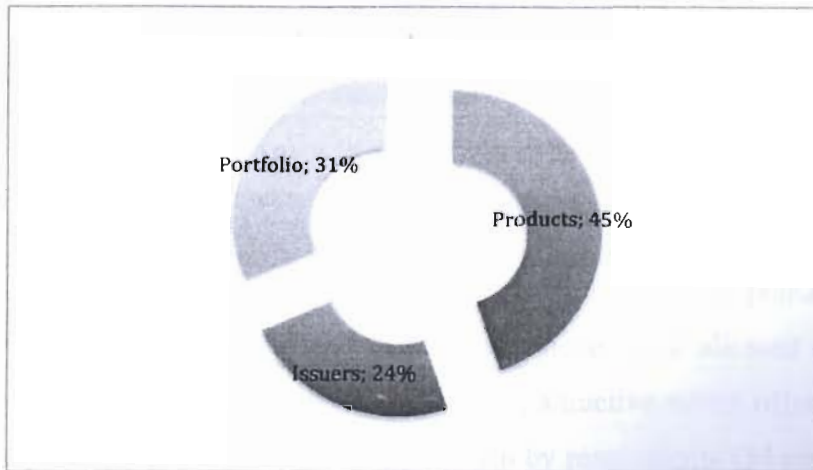


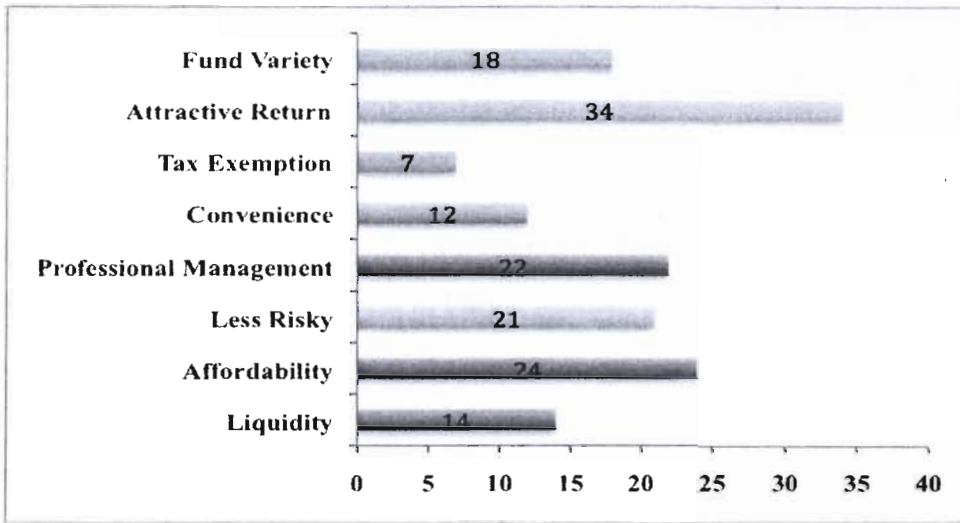
Figure 11 shows the preferred segments<sup>6</sup> of unit trust investments among unit trust investors. Surprisingly majority of respondents (45 percent) preferred to choose unit trust based on products, rather than portfolio or issuers. Although there are various funds/schemes available in the market, respondents may find it easy to differentiate between all those funds' name. The reason may be respondents were familiar with the product name such as ASN, Amanah Saham Didik, Public Ittikal Fund, Public China Ittikal Fund and *et cetera*. According to Frieder and Subrahmanyam (2004) individual investors prefer to invest in stocks with easily recognized products.

<sup>6</sup> For this study, we classify unit trust into three types/segments, based on:

1. product - such as Public Ittikal Funds, ASN, Amanah Saham Didik and *et cetera*
2. portfolio - such as Equity Funds, Balanced Funds, Income Funds, Islamic Equity Funds, Islamic Income Funds and *et cetera*.
3. issuer - fund companies such as PNB, Public Mutual, CIMB and *et cetera*.

#### 4.3.6 Reasons for Investing in Unit Trust Investments

Figure 12: Reasons for Investing in Unit Trust Investments



Indeed unit trust investments offer various advantages for investors. Respondents were asked to state their reasons for investing in unit trust. Respondents were allowed to choose more than one option for this question. Figure 12 shows that, attractive return offered by unit trust investments were the main reason for investing chosen by respondents (34 respondents). The second important reason was affordability (24 respondents), this may be due to the fact that the initial amount for investment is RM500. The next reason was professional management (22 respondents), followed by less risky 921 respondents). The weakest reason for investing stated by respondents was tax exemption (7 respondents).

#### 4.3.7 Intention to Recommend Unit Trust Investments to Others

Table 13: Intention to Recommend Unit Trust Investments to Others

Intention to Recommend	Frequency	Percent
Yes	69	91
No	7	9
<b>Total</b>	<b>76</b>	<b>100</b>

Respondents were also asked whether they would recommend unit trust investments to others. Table 13 clearly shows that majority of respondents representing 91 percent of them would recommend unit trust investment to others while only 9 percent would not do so.

#### 4.3.8 Fund Issuer and Fund Name

Respondents were asked to state their fund issuers and fund name that they have chosen to invest into. Unfortunately, out of 76 respondents only one third of them (25 respondents) gave their answer. Most of them choose Public Mutual Berhad (80 percent) followed by PNB (15 percent) and CIMB (5 percent) as their fund issuer as compared to other unit trust companies operated in Malaysia.

In addition, out of 25 respondents, only 18 respondents filled in the name of the fund, while the rest left it unanswered. Those invest in Public Mutual, they choose Public Ittikal fund and those invest in PNB they prefer ASN.

#### 4.3.9 Fund Selection Behavior Among Unit Trust Investors

The fund selection behavior among unit trust investors was also examined. The mean for each variable is calculated and the result is presented in Table 13. The statements were ranked from 1 is not important at all to 5 is very important. Fund selection criteria were first classified into three categories namely fund's quality, issuer's performance and investments services. Based on the findings, the maximum mean score was 4.18 and the minimum mean score was 3.79.

**Table 14: Mean Score of Fund Selection Behavior Among Unit Trust Investors  
In Terms of Fund's Quality**

Fund Selection Behavior		N	Mean	Std. Deviation
<b>Fund's Quality</b>				
C10.	Fund's performance record	76	4.12	.516
C11.	Fund's reputation or brand name	76	4.11	.579
C12.	Reputation of fund management	76	4.01	.600
C13.	Withdrawal facilities	76	3.88	.816
C14.	Favorable ratings by rating agency	76	4.00	.566
C15.	Fund with tax exemption	76	3.79	.884
C16.	Minimum initial investments	76	4.09	.593
C17.	Attractive return	76	4.14	.778

In terms of fund's quality, the highest mean score recorded was 4.14, which refers to "attractive returns" while "fund with tax exemption criteria" score the lowest means of 3.79. In addition, "fund's performance", "fund's reputation or brand name", "minimum initial

investments”, “fund management’s reputation” and “fund’s with favorable ratings” were equally viewed as the strongest criteria for fund’s quality. The mean score for all of these criteria was above 4.00. In short, the findings were consistent with Schlegelmilch (1997) who state that return on investment was the main criteria that investors look.

In contrast, “withdrawal facilities” and “fund with tax exemption” were viewed as not so important to the respondents. The mean score for both statements were 3.88 and 3.79 respectively. However, those qualities are still important for the investors.

**Table 15: Mean Score of Fund Selection Behavior Among Unit Trust Investors  
In Terms of Issuer’s Performance**

Fund Selection Behavior		N	Mean	Std. Deviation
<b>Issuer’s Performance</b>				
C18.	Reputation of issuer	76	4.18	.509
C19.	Issuer has a recognized brand name	76	4.13	.596
C20.	Issuer has a developed agency/network	76	4.16	.612
C21.	Professional management of funds	76	4.18	.626
C22.	Issuer has a developed R&D	76	4.18	.559
C23.	Issuer’s past performance in terms of risk and return	76	4.09	.677

Issuer’s performance was another category for selecting which fund to invest among unit trust investors. All of the variables for this criteria recorded mean score above 4.00, which indicate that these variables may influence the fund selection behavior of the respondents. The highest mean score was 4.18, which refers to “issuer’s reputation”, “issuer’s professional management” and “issuer’s developed R&D”, whilst the lowest mean score was 4.09 that belong to “issuer’s past performance in terms of risk and return”.

In terms of investment services, respondents viewed that disclosure of investment objectives, disclosure of NAV and fund with fringe benefits were equally important criteria when selecting which fund to invest. These variables produced means of 3.98, 3.86 and 3.96 respectively. (See Table 16).

**Table 16: Mean Score of Fund Selection Behavior Among Unit Trust Investors**



**Table 16: Mean Score of Fund Selection Behavior Among Unit Trust Investors  
In Terms of Investments Services**

Fund Selection Behavior		N	Mean	Std. Deviation
<b>Investments Services</b>				
C24.	Disclosure of investment objectives in the advertisements	76	3.93	.550
C25.	Disclosure of NAV on everyday trading	76	3.86	.605
C26.	Fringe benefits (i.e. free insurance, tax exemption)	76	3.96	.682

#### 4.4 Section D: Factors for Not Investing in Unit Trust Investments

Section D was designed specifically for those who do not invest in unit trust investments. This section meant to gather information on the underlying causes for not investing in unit trust investments. 191 respondents were categorized as non-investors. The complete profile of respondents was shown in Table 3. The respondents were required to state their level of conformity to the statements on reasons for not investing via five point Likert scale, where 1 is strongly disagree to 5 is strongly agree.

##### 4.4.1 Reasons for Not Investing in Unit Trust Investments

**Table 17: Mean Score for Reasons for Not Investing in Unit Trust Investments**

Reasons for NOT Investing in Unit Trust Investments		N	Mean	Std. Deviation
D1.	I have zero knowledge on unit trust investments	191	3.56	1.013
D2.	I invest in other investment instruments	191	3.51	.876
D3.	Unit trust investment gives low return	191	3.15	.823
D4.	Unit trust investment is risky	191	3.21	.887
D5.	Unit trust market is uncertain	191	3.34	.823
D6.	Unit trust funds' performance is weak	191	3.09	.851
D7.	Unit trust funds are unprofessionally managed	191	2.98	.840
D8.	I will incur high loss compared to other investments	191	3.07	.861
D9.	Unit trust agents are not well verse on product knowledge	191	3.21	.851
D10.	I am not approached by any unit trust agents	191	3.54	.933
D11.	Unit trust investment is difficult to understand	191	3.32	.887

D12.	Unit trust investment has no added advantages over other investments	191	3.04	.800
D13.	Unit trust investment needs high investment principal	191	3.20	.845
D14.	I do not know which fund to choose due to variety of fund types	191	3.71	.731
D15.	I cannot afford to invest in unit trust investment	191	3.36	.876
D16.	I have no necessity to invest in unit trust investments	191	3.29	.898
D17.	I have no confidence in unit trust investments	191	3.18	.870
D18.	Unit trust investment has no tax exemption	191	3.20	.776

Table 17 indicates the factors for not investing in unit trust investments among respondents. The highest mean score reported was 3.71, which refer to the statement “I do not know which fund to choose due to variety of fund types” and the lowest mean score produced was 2.98, which belong to the statement “Unit trust funds are unprofessionally managed”.

In addition, another factors that may influence the respondents for not investing in unit trust investments were because of “zero knowledge on unit trust investments”, “not approached by any unit trust agents” and “invest in other investments instruments”. These variables recorded the means of 3.56, 3.54 and 3.51 respectively.

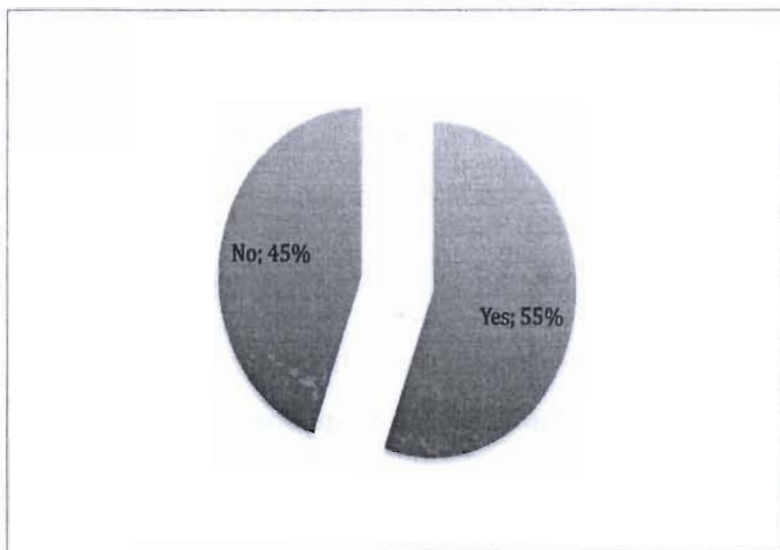
Based on the above findings, the fund issuer may take several actions in order to attract those non-investors to invest in unit trust investments in the near future. Fund issuers might consider revising their marketing strategies and approaches especially in educating the publics on the benefits of investing and train the agents the way of marketing their products more efficient.

#### **4.4.2 Plan to Invest in Unit Trust Investments in Future**

The non-investing respondents were asked whether they plan to invest in unit trust investments in future. Figure 13 demonstrates that 55 percent of the respondents planned to invest in unit trust investments in future whereas 45 percents were not. Based on the result, the fund issuer may want to improve their marketing strategies in order to attract those potential investors to invest in unit trust investments. The respondents may not have knowledge on unit trust investments, or if they have the knowledge they may find investing in

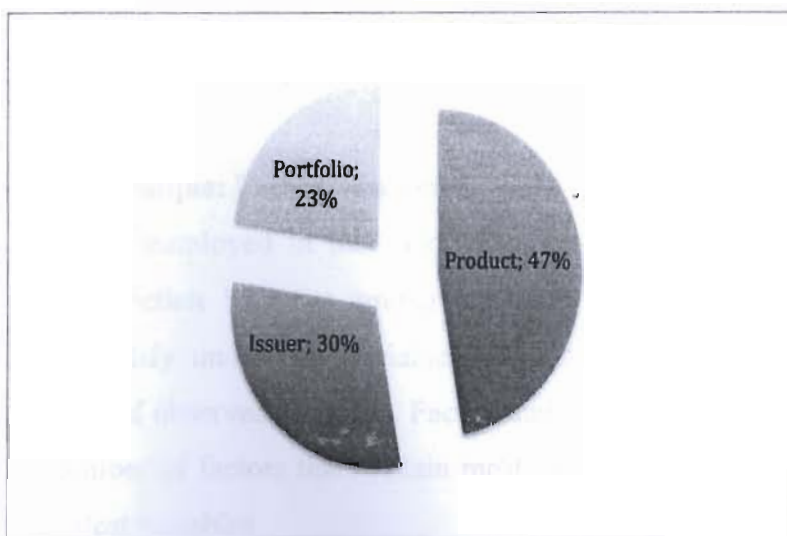
unit trust is not very benefitted as compared to other investments instruments. Therefore, approaches should be taken to educate them on the advantages of unit trust investments.

**Figure 13: Plan to Invest in Unit Trust Investments in Future**



#### 4.4.3 Preferred Segments if Invest in Future

**Figure 14: Preferred Segments if Invest in Future**



Respondents who plan to invest in unit trust investments were also asked to identify the preferred segments that they might choose if they plan to invest in future. Figure 14 shows that 47 percent of the respondents preferred to invest by products, followed by issuer and then by portfolio with 30 percent and 23 percent respectively.

#### 4.5 Bivariate Analysis: Chi-Square Distribution

In this study, the data was also analyzed using Bivariate analysis. Bivariate analysis was undertaken to see if one variable is related to another variable. For the purpose of this study, the objective is to find out whether there is a significant relationship between levels of perceived knowledge across the demographic factors. Chi-Square (at 5 percent significant level) was run to determine whether there is a significant influence between the level of knowledge and demographic factors. Based on Table 18 the test concludes that none of the factors under investigation has significant relationship with the level of knowledge of unit trust investors.

**Table 18: Chi-Square Analysis on  
Level of Knowledge and Demographic Factors**

<b>Variables</b>	<b><math>\chi^2</math></b>	<b>'P' Value</b>
Gender	1.761	0.415
Age	2.328	0.887
Race	2.498	0.645
Religion	1.162	0.559
Marital Status	1.025	0.906
Academic Qualification	2.140	0.976
Employment Sector	5.667	0.462
Monthly Income	7.039	0.532

#### 4.6 Multivariate Technique: Factor Analysis

Factor analysis was also employed in this study and was used to determine the factors influencing the fund selection behavior among unit trust investors. Factor analysis was extensively used to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables.

Factor analysis was done using Principal Component Analysis. 17 variables were analyzed using varimax algorithm of orthogonal rotation, the most commonly used method. Potential

factor solutions were examined and solutions with factors having an eigenvalue<sup>7</sup> less than one were eliminated. Bartlett's test of sphericity and Kaiser-Meyer Olkin (KMO) measure of sampling adequacy were used to examine the appropriateness of factor analysis.

#### 4.6.1 Reliability Analysis

Result on reliability analysis recorded the Cronbach's Alpha of 0.926.

#### 4.6.2 Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

**Table 19: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.846
Bartlett's Test of Sphericity	Approx. Chi-Square	942.517
	df	136
	sig.	.000

The KMO measures the sampling adequacy, which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at Table 19, the KMO statistic is 0.846 and larger than 0.5 and also the approximate chi-square statistic is 942.517 with 136 degrees of freedom, which is significant at .000 levels. Thus, factor analysis is considered as an appropriate technique for further analysis of data.

#### 4.6.3 Total Variance Explained

Based on Table 20, notice that component or factor one, two and three has an eigenvalue of greater than one, thus these three factors are retained for further analysis. In addition, the first factor accounts for 48.34 percent of the variance, the second 11.41 percent and the third 9.121 percent. All the remaining factors are not significant.

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<sup>7</sup> Eigenvalues are the variances of factors. Eigenvalues or latent root criterion is used in deciding how many factors to keep. This criterion (Kaiser's criterion) suggests that only factors that account for variances greater than 1 should be included (Norusis, 2005, p.398).

**Table 20: Total Variance Explained**

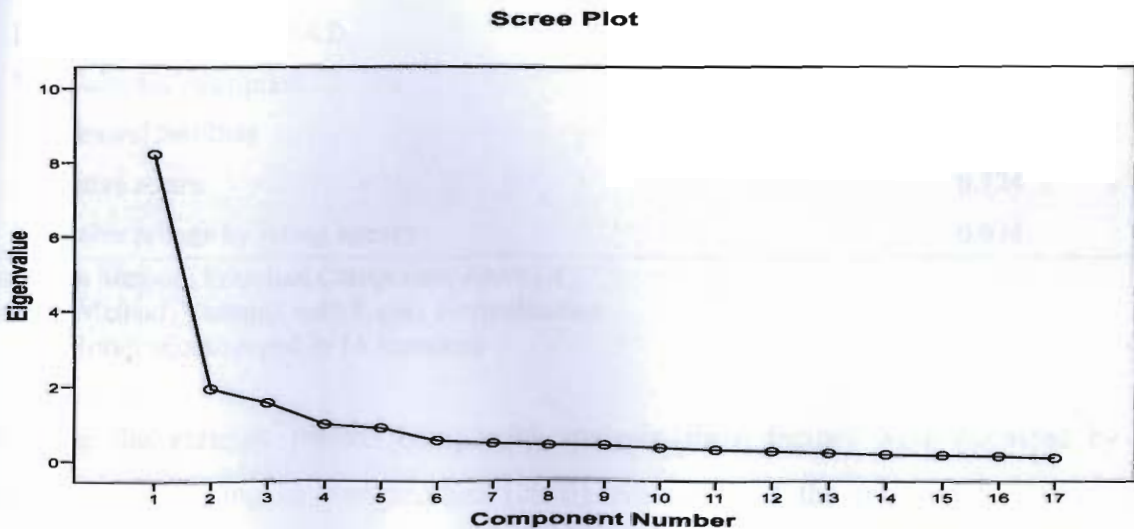
Components	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cum %	Total	% of Variance	Cum %	Total	% of Variance	Cum %
1	8.219	48.344	48.344	8.219	48.344	48.344	4.518	26.576	26.576
2	1.940	11.410	59.754	1.940	11.410	59.754	3.672	21.598	48.174
3	1.551	9.121	68.876	1.551	9.121	68.876	3.519	20.702	68.876
4	0.968	5.692	74.568						
5	0.881	5.180	79.747						
6	0.553	3.251	82.998						
7	0.462	2.719	85.717						
8	0.403	2.368	88.085						
9	0.399	2.346	90.431						
10	0.351	2.065	92.496						
11	0.299	1.758	94.255						
12	0.258	1.517	95.772						
13	0.209	1.228	97.000						
14	0.171	1.005	98.005						
15	0.149	0.876	98.881						
16	0.118	0.695	99.576						
17	0.072	0.424	100.00						

Extraction Method: Principal Component Analysis

**4.6.4 Screen Plot**

The screen plot is a graph of the eigenvalues against all the factors. The graph is useful in determining how many factors to retain. The point of interest is where the curve starts to flatten. It can be seen in Figure 15 that the curves began to flatten between factors 3 and 4. Note also that factor 4 has an eigenvalues of less than 1, thus only three factors are retained.

**Figure 15: Screen Plot**



#### 4.6.5 Rotated Component Matrix

The total variance explained by the three factors is 68.9 percent, which exceeded the minimum requirement of 0.60. The factor loadings for the variables of the three factors are also significant and overall communalities are above 0.5, except for C, which is of 0.491 however it is greater than one half of variance of each variable is taken into account. Thus it is remained in the analysis.

**Table 21: Rotated Component Matrix**

Fund Selection Criteria Variables		Component			
		Fund's Performance	Marketing	Fund's Qualities	Communalities
C11.	Fund's reputation or brand name	0.787			0.727
C18.	Reputation of issuer	0.760			0.581
C19.	Issuer has a recognized brand name	0.710			0.727
C10.	Fund's performance record	0.629			0.635
C23.	Issuer's past performance in terms of risk and return	0.620			0.579
C21.	Professional management of funds	0.606			0.761
C12.	Reputation of fund management	0.600			0.733
C16.	Minimum initial investments	0.510			0.637
C26.	Fringe benefits (i.e. free insurance, tax exemption)		0.796		0.801
C24.	Disclosure of investment objectives in the advertisement		0.795		0.669
C20.	Issuer has a develop agency or network		0.676		0.759
C25.	Disclosure of NAV on everyday trading		0.635		0.491
C22.	Issuer has a developed R&D		0.635		0.772
C15.	Fund with tax exemption			0.865	0.783
C13.	Withdrawal facilities			0.813	0.734
C17.	Attractive return			0.724	0.626
C14.	Favorable ratings by rating agency			0.674	0.685

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 14 iterations

Based on the varimax rotated component analysis, three factors were extracted by the techniques. According to Ranganathan (2006) evaluation of the resulting constructs and

naming of the factors is largely subjective, thus intuitions are used to name the factors and they were grouped as fund's performance, marketing activities and fund's qualities.

#### 4.6.6 Ranking the Factors Based on Composite Score Analysis

In order to identify and rank the most determining factors that influencing the fund selection behavior, the composite score analysis was used. The composite score analysis technique was computed by adding the means score of each variables under respective factor and divide them by the number of variables (Muhamad et. al, 2004). The score are averaged to indicate a single composite score. The highest composite score will be regarded as the most important factor influencing fund selection behavior.

**Table 22: Composite Score**

Fund Selection Criteria		Component		
Variables		Fund's Performance	Marketing	Fund's Qualities
C11.	Fund's reputation or brand name	4.11		
C18.	Reputation of issuer	4.18		
C19.	Issuer has a recognized brand name	4.13		
C10.	Fund's performance record	4.12		
C23.	Issuer's past performance in terms of risk and return	4.09		
C21.	Professional management of funds	4.18		
C12.	Reputation of fund management	4.01		
C16.	Minimum initial investments	4.09		
C26.	Fringe benefits (i.e. free insurance, tax exemption)		3.96	
C24.	Disclosure of investment objectives in the advertisement		3.93	
C20.	Issuer has a develop agency or network		4.16	
C25.	Disclosure of NAV on everyday trading		3.86	
C22.	Issuer has a developed R&D		4.18	
C15.	Fund with tax exemption			3.79
C13.	Withdrawal facilities			3.88
C17.	Attractive return			4.14
C14.	Favorable ratings by rating agency			4.00



<b>Determination of Composite Score</b>			
No. of loadings	8	5	4
Total Mean	32.91	20.09	15.81
Composite Scores	4.11	4.02	3.95
Ranking	1	2	3

Based on the result shown in Table 22, fund's performance was the most important factor when selecting which fund to invest followed by marketing strategies employed by the fund issuers and fund qualities. The finding was consistent with previous literature that found fund performance to be the dominant factor considered by investors when selecting criteria to invest.

#### **4.7 Summary**

The respondents participated in this study represent various individuals from different backgrounds. These differences influence how they perceive, behave and decide on financial investment particularly on unit trust investments. The finding shows that there is no significant relationship between demographic profile and level of knowledge. The respondents in this study are classified into two categories namely those who invest in unit trust investments and those who were not. The factors for investing and the fund selection behavior of investors as well as the factors influencing those who do not invest in unit trust investments were examined.

# CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

The study was conducted in a laboratory setting and the results are preliminary. Further research is needed to confirm the findings of this study. The study was limited to a specific population and the results may not be generalizable to other populations. The study was limited to a specific time period and the results may not be generalizable to other time periods.

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## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

Unit trust industry in Malaysia has been growing at a dramatic rate since the successful of ASN by PNB in 1980s. ASN was launched with the intention of establishing a unit trust vehicle that allow retail investors to participate in the capital market without having to assume the attendant risk associated with investing individually and of promoting Bumiputra ownership in a corporate sector. In fact, Malaysians are among the highest savers in the world. However, with the bulk of the discretionary savings being in the form of fixed deposits, the money may not be working hard enough to take care of the population's future financial needs. Encouraging investments in other instruments, including unit trust, makes sense and more effective.

Notwithstanding that the unit trust industry is booming, there is still an issue on the public perceptions towards this kind of investments. Indeed numerous studies were conducted pertaining to unit trust industry in Malaysia alas most of them concentrated on the performance of the unit trust funds. Almost none studies (based on researchers' limited knowledge) examined the perceptions, knowledge and behavior of investors particularly Malaysians' investors. Therefore, this study was conducted to examine those areas.

#### 5.1 Summary of Findings

The total of 267 respondents participated in this study. Their perceptions, knowledge and behavior towards unit trust investments were investigated. Based on the collected questionnaires, the respondents were grouped into two categories namely (i) unit trust investors and (ii) non-investors. These respondents were consisted of different individuals with various backgrounds.

The major finding is on the level of perceived knowledge of the respondents. Results of the study indicate that the main difference between unit trust investors and the non-investors is in the level of perceived knowledge. Those who claimed that they have somewhat knowledge on unit trust investments were the unit trust holders. Whereas those who admitted that their perceived knowledge was almost zero were the non-investors. This result was consistent with the study conducted by Guirdham (1987), Harrison (1997), Kazup et. al. (2008) and Howlett

et. al. (2008). Responding to the objective of the study on the relationship between the perceived knowledge and demographic profiles, the result showed that there is no significant relationship between the two.

With regards to the second objective of the study, respondents were asked on the reasons why they invest in unit trust investment and the reasons for not investing. Majority of the investors agreed that the main reasons they involved in this investment were because of attractive return, affordability and professional management of the fund. On the hand, for those who did not engaged in unit trust investment said that the major obstacles were due to lack of knowledge, confused because of variety of fund choices, invested in other investment instruments and they were not approached by any unit trust agents.

Pertaining to the third objective of the study, based on the factor analysis conducted, the result showed that the investors first chase the funds with good past performance followed by the aggressiveness of marketing activities and fund qualities. The importance of past performance of the fund was also recorded by many previous studies such as Kane et. al (1990), Patel et. al. (1992), Sirri and Tufano (1998), Wilcox (2001) and Gharghori et. al. (2008). The advertising and marketing efforts of the fund issuers were also taken into consideration when investors selected which fund to invest. The significance of marketing activities was also consistent with the study done by Sirri and Tufano (1998). In addition, the importance of fund qualities for instance in terms of attractive returns, favorable ratings of the funds and funds with tax exemption, were another issues when investors choose which fund to invest into. This finding was in line with the results found by Brefstreser and Poterba (2002), Rajeswari and Rama Moorthy (xxxx) and Freider and Subrahmanyam (2004).

## **5.2 Implications for Fund Companies and Policy Makers**

Understanding the factors why people invest and do not invest in unit trust investments should educate fund companies on more effective ways to attract the non-investing publics towards this kind of investments. Fund companies may want to consider redesign their segmentation strategies to catch the attention of more young investors to invest in unit trust. Since the current study done by the Citibank found that Malaysian women aged between 18 to 29 years old are more committed towards financial planning (Utusan Malaysia, July 25, 2008).

Fund companies would also consider redesign their marketing activities so that they will be more effective in drawing the attention of the potential investors to switch their investment behavior to unit trust. The appointed agents should be trained to become more well verse on the product knowledge, so that they will be able to convey the accurate information on unit trust investment.

Financial literacy is very crucial especially when the level of market and economic condition is uncertain. It was found that in this study the level of financial knowledge among respondents was somewhat very limited. Thus, the policy makers particularly the BNM, may need to look further in educating the Malaysian publics on the importance of financial knowledge so that they may be able to make wise financial decision.

Another area that requires serious attention is the Islamic unit trust investments. The growth of Islamic unit trust in Malaysia is very encouraging particularly when the majority of Malaysians population is Muslims. Thus, the demand for Islamic financial products is very high including Islamic unit trust. Unfortunately, the number of conventional investors outperformed the Islamic ones. Therefore, aggressive marketing activities should be directed towards Islamic unit trust investments.

### **5.3 Summary**

The major issue that leads to the research being proposed is to look into the reasons why the Malaysians' participation in unit trust investments was low. Undeniably the unit trust industry is growing and it has an important role to play in the development of Malaysian economy. Unit trust investment in Malaysia in 1980s was introduced with the objective to grow the Malaysian bond market and at the same time to increase Bumiputra's participation in the capital market. Despite numerous programs and seminars organized by the government, the fund issuers and the regulated bodies to create awareness and to educate the publics on the benefits of unit trust investments, in reality, the results turned out to be non-satisfactory. This is due to the fact that the population of unit trust holders in Malaysia is still small.

Thus, it is hope that this research could add knowledge and provide some implications to the investing publics to make a better investment choice, the fund managers to take necessary measures to further improve the marketing strategies of fund management and the regulators

to enable them to foresee the future prospect of the industry and further develop the industry to become more efficient and effective investment channel.

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SAINT ISLAND

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# APPENDIX I

SAINT ISLAND  
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Respondent's ID				
Classification				



UNIVERSITI SAINS ISLAM MALAYSIA

جامعة العلوم الإسلامية الماليزية  
ISLAMIC SCIENCE UNIVERSITY OF MALAYSIA



## QUESTIONNAIRE SURVEY

Mr/Madam,

We are the researchers from Universiti Sains Islam Malaysia (USIM) and we are currently doing a study on **Perception of Malaysian Towards Unit Trusts Investments: A Case Study in Klang Valley**. This study is sponsored by USIM and the research code is PPPP(C)/2007. The main objective of the study is to investigate the perception, behavior, level of knowledge and awareness of Malaysians towards Unit Trust Investment, both Islamic and conventional Unit Trust. The reason this study conducted is because Malaysians' acceptance of Unit Trust investment is still low compared to other investment instruments.

This questionnaire survey consists of **FOUR** sections:

- SECTION A: DEMOGRAPHIC PROFILE**  
**SECTION B: KNOWLEDGE AND PERCEPTION TOWARDS UNIT TRUST INVESTMENT**  
**SECTION C: REASONS FOR INVESTING IN UNIT TRUST INVESTMENT (only for Unit trust INVESTORS)**  
**SECTION D: REASONS FOR NOT INVESTING IN UNIT TRUST INVESTMENT (only for Unit Trust NON-INVESTORS)**

In this connection, you are requested to read the following items carefully and answer them. **The answers given will be held CONFIDENTIAL** and will be used solely for academic purposes. Please tick in the box corresponding to your choice. We thank you for your time and cooperation.

### Research Teams:

- Dr Wan Rasyidah Wan Nawang* email: [wrasyidah@usim.edu.my](mailto:wrasyidah@usim.edu.my)  
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### FACULTY OF ECONOMICS AND MUAMALAT

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**SECTION A: DEMOGRAPHIC PROFILE**

**INSTRUCTION:** Please tick (✓) in the box corresponding your choice.

- A1. Gender**  
[ ] Male  
[ ] Female
- A2. Age**  
[ ] <30 years  
[ ] 31 – 40 years  
[ ] 41 – 50 years  
[ ] >50 years
- A3. Race**  
[ ] Malay  
[ ] Chinese  
[ ] Indian  
[ ] Others
- A4. Religion**  
[ ] Muslim  
[ ] Non Muslim
- A5. Marital Status**  
[ ] Single  
[ ] Married  
[ ] Others
- A6. Academic Qualification**  
[ ] Professional  
[ ] Phd/Master  
[ ] Bachelor Degree  
[ ] Diploma/Certificate
- A7. Employment Sector**  
[ ] Government  
[ ] Private  
[ ] Self Employed
- A8. Monthly personal income**  
[ ] RM1,000 and below  
[ ] RM1,001 – RM3,000  
[ ] RM3,001 – RM6,000  
[ ] RM6,001 – RM9,000  
[ ] RM9,001 and above



**SECTION B: KNOWLEDGE AND PERCEPTIONS TOWARDS UNIT TRUST INVESTMENTS**

Unit Trust Investment meant by this study is **EXCLUDED TWO** Amanah Saham issued by PNB (i.e: ASB and ASW2020).

*INSTRUCTION: Please tick (✓) in the box corresponding your choice.*

**B1. Your level of knowledge regarding Unit Trust and Unit Trust Investment.**

- Zero knowledge
- knowledgable
- Very knowledgable

**B2. You heard of Unit Trust Investment from the followings sources: (You may choose more than one answer)**

- Electronic Media/TV
- Agent
- University/College
- The Internet/Company's website
- Print Media (eg.: newspaper/magazine)
- Collegues/Family
- Poster/BillBoard/brochure

**B3. Name 2 CONVENTIONAL UNIT TRUST ISSUERS.**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_

**B4. Name 2 types of CONVENTIONAL UNIT TRUST FUNDS.**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_

**B5. Name 2 ISLAMIC UNIT TRUST ISSUERS.**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_

**B6. Name 2 types of ISLAMIC UNIT TRUST FUNDS.**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_

*INSTRUCTION: Please tick (✓) on the following statements indicating your best views.*

KNOWLEDGE ON ISLAMIC UNIT TRUST INVESTMENT		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
B7.	Islamic Unit Trust funds is structured under <i>halal</i> securities that are in compliance to <i>Syariah</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B8.	Appointment of <i>Syariah</i> Advisors is an important requirement of the Islamic Unit Trust Funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B9.	Islamic Unit Trust Funds are governed and protected by Securities Commission (SC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B10.	Islamic Unit Trust Funds are meant only for Muslims	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B11.	Types of Islamic Unit Trust Funds are similar to conventional funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**INSTRUCTION:** Please tick (✓) and indicate your views using the scale below.

PERCEPTIONS TOWARDS UNIT TRUST INVESTMENT		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
B12.	Unit Trust Investment offers various advantages/benefits	[ ]	[ ]	[ ]	[ ]	[ ]
B13.	Unit Trust Investment is risky	[ ]	[ ]	[ ]	[ ]	[ ]
B14.	Unit Trust Investment gives better return compared to regular savings (eg. Tabung Haji, Bank's Savings Account)	[ ]	[ ]	[ ]	[ ]	[ ]
B15.	Unit Trust Investment requires huge capital	[ ]	[ ]	[ ]	[ ]	[ ]
B16.	Unit Trust Investment is guaranteed by government	[ ]	[ ]	[ ]	[ ]	[ ]
B17.	Unit Trust Investment is menguntungkan untuk jangkamasa panjang	[ ]	[ ]	[ ]	[ ]	[ ]
B18.	Unit Trust Investment is tax exemption	[ ]	[ ]	[ ]	[ ]	[ ]
B19.	Investing in Unit Trust Investment helps you realize the benefits of stock market investing	[ ]	[ ]	[ ]	[ ]	[ ]
B20.	UT investing gives a definite positive return	[ ]	[ ]	[ ]	[ ]	[ ]
B21.	Return of the Principal amount invested in any Unit Trust Funds is assured	[ ]	[ ]	[ ]	[ ]	[ ]
B22.	Unit Trust Investments give better return than Bank fixed deposit rate for a similar period	[ ]	[ ]	[ ]	[ ]	[ ]
B23.	Due to professional investment, a good return can be expected of Unit Trust Investments	[ ]	[ ]	[ ]	[ ]	[ ]
B24.	Ups and downs of stock market will not affect the return from Unit Trust Investments	[ ]	[ ]	[ ]	[ ]	[ ]
B25.	There are many Unit Trust Funds to meet the varied need of investors	[ ]	[ ]	[ ]	[ ]	[ ]
B26.	Unit Trust Investment is one type of savings for retirement	[ ]	[ ]	[ ]	[ ]	[ ]
B27.	Unit Trust Investment is one of the best alternatives to save for children education	[ ]	[ ]	[ ]	[ ]	[ ]
B28.	Unit Trust Issuers/Providers should be more aggressive in promoting Unit Trust Investment	[ ]	[ ]	[ ]	[ ]	[ ]
B29.	The Government and the Securities Commission should help in educating people on the advantages/benefits of investing in Unit Trust	[ ]	[ ]	[ ]	[ ]	[ ]

**SECTION C: REASONS FOR INVESTING IN UNIT TRUST INVESTMENT**

**(only for Unit Trust INVESTORS)**

**INSTRUCTION: Please tick (✓) in the box corresponding your choice.**

**C1. What is your current type of Unit Trust Investment?**

- Islamic
- Conventional
- Both

**C2. You invest in Unit Trust Investment because you are influenced by:**

- own decision
- Spouse/Family/Colleagues
- Officers/Agents
- Advertisement

**C3. Source of your Unit Trust Investment:**

- EPF Withdrawal
- Savings
- Loans

**C4. How much is your principal investment?**

- RM1,000 – RM5,000
- RM5,001 – RM10,000
- RM10,001 – RM15,000
- RM15,001 – RM20,000
- RM20,001 and above

**C5. You choose Unit Trust Funds based on:**

- Product
- Issuer/Provider
- Portfolio

**C6. What is your MAIN reasons for investing in Unit Trust Investment? (Only ONE answer).**

- |                                                 |                                            |
|-------------------------------------------------|--------------------------------------------|
| <input type="checkbox"/> Liquidity              | <input type="checkbox"/> Convenience       |
| <input type="checkbox"/> Affordability          | <input type="checkbox"/> Tax exemption     |
| <input type="checkbox"/> Low risk               | <input type="checkbox"/> Attractive return |
| <input type="checkbox"/> Professionally managed | <input type="checkbox"/> Variety of funds  |

**C7. Do you recommend Unit Trust Investment to others (eg. family, colleagues etc.)**

- Yes
- No

**C8. Who is (are) you Unit Trust ISSUER(S)?**

\_\_\_\_\_

**C9. What is (are) the NAME of your Unit Trust Fund(s)?**

\_\_\_\_\_

There are many qualities that could affect your selection of Unit Trusts funds and its specific schemes.

**INSTRUCTION:** Please indicate importance of the followings in your decision using scale below.

FUNDS' QUALITY		Not Important At All	Not Important	Neutral	Somewhat Important	Very Important
C10.	Funds' performance record	[ ]	[ ]	[ ]	[ ]	[ ]
C11.	Funds' reputation or brand name	[ ]	[ ]	[ ]	[ ]	[ ]
C12.	Reputation of the fund(s) manager	[ ]	[ ]	[ ]	[ ]	[ ]
C13.	Withdrawal facilities	[ ]	[ ]	[ ]	[ ]	[ ]
C14.	Favorable ratings by rating agency	[ ]	[ ]	[ ]	[ ]	[ ]
C15.	Fund with tax exemption	[ ]	[ ]	[ ]	[ ]	[ ]
C16.	Minimum initial investments	[ ]	[ ]	[ ]	[ ]	[ ]
C17.	Attractive return	[ ]	[ ]	[ ]	[ ]	[ ]
ISSUERS' PERFORMANCE		Not Important At All	Not Important	Neutral	Somewhat Important	Very Important
C18.	Issuers' reputation	[ ]	[ ]	[ ]	[ ]	[ ]
C19.	Issuer has a recognized brand name	[ ]	[ ]	[ ]	[ ]	[ ]
C20.	Issuer has a developed agency/network	[ ]	[ ]	[ ]	[ ]	[ ]
C21.	Issuer's expertise in managing money	[ ]	[ ]	[ ]	[ ]	[ ]
C22.	Issuer has a developed research and infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]
C23.	Issuer past performance in terms of risk and return	[ ]	[ ]	[ ]	[ ]	[ ]
INVESTMENTS SERVICES		Not Important At All	Not Important	Neutral	Somewhat Important	Very Important
C24.	Disclosure of investment objectives in the advertisement	[ ]	[ ]	[ ]	[ ]	[ ]
C25.	Disclosure of Net Asset Value (NAV) on every day trading	[ ]	[ ]	[ ]	[ ]	[ ]
C26.	Fringe benefits i.e free insurance, tax benefits	[ ]	[ ]	[ ]	[ ]	[ ]

**SECTION D: REASONS FOR NOT INVESTING IN UNIT TRUST INVESTMENT****(Only for Unit Trust NON-INVESTOR)***INSTRUCTION: Please tick (✓) in the box corresponding your choice using the scale below.*

REASONS FOR <b>NOT INVESTING</b> IN UNIT TRUST INVESTMENT		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D1.	I do not have knowledge on Unit Trust Investment	[ ]	[ ]	[ ]	[ ]	[ ]
D2.	I invest in other type of investment	[ ]	[ ]	[ ]	[ ]	[ ]
D3.	Unit Trust Investment return is less attractive	[ ]	[ ]	[ ]	[ ]	[ ]
D4.	Unit Trust Investment is risky	[ ]	[ ]	[ ]	[ ]	[ ]
D5.	Unit Trust Market is uncertain	[ ]	[ ]	[ ]	[ ]	[ ]
D6.	Unit Trust performance is low	[ ]	[ ]	[ ]	[ ]	[ ]
D7.	Unit Trust Fund(s) is (are) unprofessionally managed	[ ]	[ ]	[ ]	[ ]	[ ]
D8.	Risiko kerugian yang akan saya tanggung lebih tinggi berbanding pelaburan lain	[ ]	[ ]	[ ]	[ ]	[ ]
D9.	Unit Trust agent is not well versed on Unit Trust product	[ ]	[ ]	[ ]	[ ]	[ ]
D10.	I am not approached by any Unit Trust agents	[ ]	[ ]	[ ]	[ ]	[ ]
D11.	Unit Trust is complicated to understand	[ ]	[ ]	[ ]	[ ]	[ ]
D12.	Unit Trust Investments has the same benefit as other types of savings	[ ]	[ ]	[ ]	[ ]	[ ]
D13.	Unit Trust Investment requires huge capital investment	[ ]	[ ]	[ ]	[ ]	[ ]
D14.	I am confused of variety of funds available in the market	[ ]	[ ]	[ ]	[ ]	[ ]
D15.	Unit Trust Investment is unaffordable	[ ]	[ ]	[ ]	[ ]	[ ]
D16.	I have no interest in investing in Unit Trust Investment	[ ]	[ ]	[ ]	[ ]	[ ]
D17.	I do not have confident in Unit Trust Investment	[ ]	[ ]	[ ]	[ ]	[ ]
D18.	Unit Trust Investment has no tax exemption	[ ]	[ ]	[ ]	[ ]	[ ]

*INSTRUCTION: Please tick (✓) in the box corresponding your choice.***D19. Are you planning to invest in Unit Trust Investment in the future?**

[ ] Yes

[ ] No

**D20. If YES, you will choose Unit Trust based on:**

[ ] Product

[ ] Issuer

[ ] Portfolio

D21. If YES, who is (are) the Unit Trust ISSUER(S) that you will choose.

---

**Your cooperation is highly appreciated.  
THANK YOU.**

.....

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SUSU



## APPENDIX II

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Klasifikasi				



UNIVERSITI SAINS ISLAM MALAYSIA  
 جَامِعَةُ الْعُلُومِ الْإِسْلَامِيَّةِ الْمَالِيزِيَّةِ  
 ISLAMIC SCIENCE UNIVERSITY OF MALAYSIA



## SOALAN KAJIAN

Tuan/Puan,

Kami merupakan penyelidik dari Universiti Sains Islam Malaysia (USIM) dan sedang menjalankan penyelidikan bertajuk **Persepsi Rakyat Malaysia Terhadap Pelaburan Unit Amanah (Unit Trust): Satu Kajian di Lembah Klang**. Penyelidikan ini dibiaya sepenuhnya oleh USIM dan didaftarkan di bawah kod PPPP(C)/2007. Objektif utama penyelidikan ini adalah untuk mengkaji persepsi, pengetahuan, tahap kesedaran dan juga gelagat orang ramai terhadap pelaburan Unit Amanah Islam dan Konvensional. Ini adalah kerana penerimaan orang ramai terhadap pelaburan Unit Amanah masih lagi kurang mendapat sambutan berbanding instrumen pelaburan lain yang terdapat di pasaran Malaysia.

Soalan kajian ini mempunyai **EMPAT** bahagian:

**BAHAGIAN A: PROFIL DEMOGRAFI**

**BAHAGIAN B: PENGETAHUAN DAN PERSEPSI TERHADAP PELABURAN UNIT AMANAH**

**BAHAGIAN C: SEBAB-SEBAB MELABUR DI DALAM UNIT AMANAH** (Bagi PELABUR Unit Amanah sahaja)

**BAHAGIAN D: SEBAB-SEBAB TIDAK MELABUR DI DALAM UNIT AMANAH** (Bagi BUKAN PELABUR Unit Amanah sahaja)

Sehubungan dengan itu, anda diminta untuk membaca dengan teliti soalan-soalan di bawah dan menjawab berdasarkan pengetahuan anda. **JAWAPAN YANG DIBERIKAN ADALAH RAHSIA** dan hanya digunakan untuk tujuan penyelidikan akademik sahaja. Terima kasih di atas kerjasama anda.

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## **BAHAGIAN A: PROFIL DEMOGRAFI**

**ARAHAN:** *Sila tandakan (✓) pada ruang yang berkenaan.*

**A1. Jantina**

- Lelaki
- Perempuan

**A2. Umur**

- <30 tahun
- 31 - 40
- 41 – 50
- >50 tahun

**A3. Bangsa**

- Melayu
- Cina
- India
- Lain-lain

**A4. Agama**

- Islam
- Bukan Islam

**A5. Taraf Perkahwinan**

- Bujang
- Berkahwin
- Lain-lain

**A6. Kelayakan Akademik**

- Profesional
- Phd/Sarjana
- Ijazah Sarjana Muda
- Diploma/Sijil

**A7. Sektor Pekerjaan**

- Kerajaan
- Swasta
- Kerja sendiri

**A8. Pendapatan Sendiri Sebulan**

- RM1,000 ke bawah
- RM1,001 – RM3,000
- RM3,001 – RM6,000
- RM6,001 – RM9,000
- RM9,001 ke atas

**DAFTAR ISI: PENGETAHUAN DAN PERSEPSI TERHADAP PELABURAN UNIT AMANAH**  
 Pelaburan Unit Amanah (Unit Trust Investment) yang dimaksudkan dalam kajian ini adalah **TIDAK TERMASUK DUA Amanah Saham** yang dikeluarkan oleh PNB (iaitu ASB dan ASW2020).

**ARAHAN:** Sila tandakan (✓) pada ruang yang berkenaan.

- B1. Tahap pengetahuan anda mengenai Unit Amanah.**  
 Tiada pengetahuan  
 Berpengetahuan  
 Sangat berpengetahuan
- B2. Anda pernah mendengar mengenai Unit Amanah dari sumber-sumber berikut:** (Anda boleh memilih lebih dari satu jawapan)  
 Media Eletronik/TV  Media Cetak (cth: akhbar/majalah)  
 Ejen  Rakan/Keluarga  
 Universiti/Kolej  Poster/Papan tanda/brochure  
 Internet/ Laman Web Syarikat
- B3. Namakan 2 PENGELUAR UNIT AMANAH KONVENSIONAL.**  
 1. \_\_\_\_\_ 2. \_\_\_\_\_
- B4. Namakan 2 jenis DANA UNIT AMANAH KONVENSIONAL.**  
 1. \_\_\_\_\_ 2. \_\_\_\_\_
- B5. Namakan 2 PENGELUAR UNIT AMANAH ISLAM.**  
 1. \_\_\_\_\_ 2. \_\_\_\_\_
- B6. Namakan 2 jenis DANA UNIT AMANAH ISLAM.**  
 1. \_\_\_\_\_ 2. \_\_\_\_\_

**ARAHAN:** Sila tandakan (✓) sejauh mana anda bersetuju atau tidak bersetuju pada setiap pernyataan di bawah, berdasarkan kepada skala berikut.

PENGETAHUAN BERKENAAN UNIT AMANAH ISLAM		Sangat tidak setuju	Tidak setuju	Tidak untuk mana-mana	Setuju	Sangat setuju
B7.	Unit Amanah Islam distrukturkan di bawah sekuriti <i>halal</i> yang berlandaskan <i>syariah Islam</i> .	[ ]	[ ]	[ ]	[ ]	[ ]
B8.	Perlantikan Penasihat <i>Syariah</i> adalah syarat penting bagi Unit Amanah Islam.	[ ]	[ ]	[ ]	[ ]	[ ]
B9.	Dana Unit Amanah Islam diurus dan dijaga oleh Suruhanjaya Sekuriti (SC).	[ ]	[ ]	[ ]	[ ]	[ ]
B10.	Dana Unit Amanah Islam dikhususkan untuk orang Islam sahaja.	[ ]	[ ]	[ ]	[ ]	[ ]
B11.	Jenis Dana Unit Amanah Islam adalah sama dengan jenis Dana Unit Amanah Konvensional	[ ]	[ ]	[ ]	[ ]	[ ]

AMANAH. Sila tandakan (✓) sejauh mana anda bersetuju atau tidak bersetuju pada setiap pernyataan di bawah, berdasarkan kepada skala berikut.

PERSEPSI BERKENAAN UNIT AMANAH		Sangat tidak setuju	Tidak setuju	Tidak untuk mana-mana	Setuju	Sangat setuju
B12.	Pelaburan di dalam Unit Amanah mempunyai banyak kebaikan/faedah	[ ]	[ ]	[ ]	[ ]	[ ]
B13.	Pelaburan Unit Amanah berisiko tinggi	[ ]	[ ]	[ ]	[ ]	[ ]
B14.	Pelaburan Unit Amanah memberi pulangan lebih lumayan berbanding simpanan biasa	[ ]	[ ]	[ ]	[ ]	[ ]
B15.	Pelaburan Unit Amanah memerlukan modal yang besar	[ ]	[ ]	[ ]	[ ]	[ ]
B16.	Pelaburan Unit Amanah dijamin oleh kerajaan	[ ]	[ ]	[ ]	[ ]	[ ]
B17.	Pelaburan Unit Amanah lebih menguntungkan untuk jangka masa panjang	[ ]	[ ]	[ ]	[ ]	[ ]
B18.	Pelaburan Unit Amanah dikecualikan cukai	[ ]	[ ]	[ ]	[ ]	[ ]
B19.	Melabur di dalam Unit Amanah menyedarkan anda tentang kebaikan/faedah melabur di dalam pelaburan saham	[ ]	[ ]	[ ]	[ ]	[ ]
B20.	Pelaburan Unit Amanah memberikan pulangan yang dijamin	[ ]	[ ]	[ ]	[ ]	[ ]
B21.	Pulangan di atas jumlah permulaan (principal amount) yang dilaburkan adalah pasti	[ ]	[ ]	[ ]	[ ]	[ ]
B22.	Unit Amanah memberikan pulangan yang lebih tinggi berbanding simpanan tetap (fix deposit) bagi tempoh yang sama	[ ]	[ ]	[ ]	[ ]	[ ]
B23.	Berdasarkan pelaburan yang profesional, pelaburan Unit Amanah menawarkan pulangan yang tinggi	[ ]	[ ]	[ ]	[ ]	[ ]
B24.	Naik dan turun pasaran saham tidak memberi kesan kepada pulangan pelaburan Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]
B25.	Terdapat pelbagai jenis Dana Unit Amanah yang memenuhi keperluan pelabur	[ ]	[ ]	[ ]	[ ]	[ ]
B26.	Pelaburan Unit Amanah merupakan satu bentuk simpanan bagi persediaan hari tua	[ ]	[ ]	[ ]	[ ]	[ ]
B27.	Pelaburan Unit Amanah adalah alternatif terbaik untuk menabung bagi pendidikan anak-anak	[ ]	[ ]	[ ]	[ ]	[ ]
B28.	Pengeluar Unit Amanah perlu lebih agresif mempromosikan Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]
B29.	Pihak Kerajaan dan Suruhanjaya Sekuriti perlu membantu meningkatkan kesedaran masyarakat tentang kelebihan pelaburan Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]

**BANJIRAN 3: SEBAB SEBAGI MELABUR DI DALAM UNIT AMANAH**  
(Hanya untuk Pelabur Unit Amanah sahaja)

**ARAHAN:** Sila tandakan (✓) pada ruang yang berkenaan.

**C1. Apakah jenis pelaburan Unit Amanah anda?**

- Islam
- Konvensional
- Kedua-dua

**C2. Anda melabur di dalam Unit Amanah kerana dipengaruhi oleh:**

- Keputusan sendiri
- Pasangan/Keluarga/Rakan-rakan
- Pegawai/Ejen
- Iklan

**C3. Punca pelaburan Unit Amanah anda ialah:**

- Pengeluaran KWSP
- Simpanan
- Pinjaman

**C4. Berapa jumlah pelaburan prinsipal (principal investment) anda?**

- RM5,000 dan kebawah
- RM5,001 – RM10,000
- RM10,001 – RM15,000
- RM15,001 – RM20,000
- RM20,001 ke atas

**C5. Anda memilih Unit Amanah berdasarkan:**

- Produk
- Pengeluar
- Portfolio

**C6. Apakah sebab UTAMA anda melabur di dalam Unit Amanah?**

- |                                                 |                                                  |
|-------------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Kecairan (Liquidity)   | <input type="checkbox"/> Mudah (Convenience)     |
| <input type="checkbox"/> Mampu (Affordability)  | <input type="checkbox"/> Pengecualian Cukai      |
| <input type="checkbox"/> Risiko rendah          | <input type="checkbox"/> Pulangan lumayan        |
| <input type="checkbox"/> Pengurusan profesional | <input type="checkbox"/> Kepelbagaian jenis dana |

**C7. Adakah anda akan mengesyorkan pelaburan Unit Amanah kepada orang lain (cth. keluarga, rakan dll.)**

- Ya
- Tidak

**C8. Apakah nama PENGELUAR (ISSUER) Unit Amanah anda?**

\_\_\_\_\_

**C9. Apakah nama PRODUK Unit Amanah anda?**

\_\_\_\_\_

ARAHAN: Sila tandakan (✓) sejauh mana anda bersetuju atau tidak bersetuju pada setiap pernyataan di bawah, berdasarkan kepada skala berikut.

KUALITI DANA		Sangat tidak penting	Tidak penting	Tidak untuk mana-mana	Penting	Sangat penting
C10.	Rekod prestasi dana (fund performance)	[ ]	[ ]	[ ]	[ ]	[ ]
C11.	Reputasi atau jenama dana	[ ]	[ ]	[ ]	[ ]	[ ]
C12.	Reputasi pengurus dana	[ ]	[ ]	[ ]	[ ]	[ ]
C13.	Kemudahan pengeluaran	[ ]	[ ]	[ ]	[ ]	[ ]
C14.	Penarafan yang memuaskan (favorable rating)	[ ]	[ ]	[ ]	[ ]	[ ]
C15.	Produk yang memberikan pengecualian cukai	[ ]	[ ]	[ ]	[ ]	[ ]
C16.	Pelaburan permulaan (principal investment) yang Minima	[ ]	[ ]	[ ]	[ ]	[ ]
C17.	Pulangan yang menarik	[ ]	[ ]	[ ]	[ ]	[ ]
KUALITI PENGELUAR DANA		Sangat tidak penting	Tidak penting	Tidak untuk mana-mana	Penting	Sangat penting
C18.	Reputasi pengeluar (issuer reputation)	[ ]	[ ]	[ ]	[ ]	[ ]
C19.	Pengeluar mempunyai jenama produk yang dikenali	[ ]	[ ]	[ ]	[ ]	[ ]
C20.	Pengeluar mempunyai jaringan rangkaian yang kukuh (developed agency/network)	[ ]	[ ]	[ ]	[ ]	[ ]
C21.	Kecekapan pengeluar menguruskan dana	[ ]	[ ]	[ ]	[ ]	[ ]
C22.	Pengeluar mempunyai penyelidikan dan kemudahan yang cekap	[ ]	[ ]	[ ]	[ ]	[ ]
C23.	Prestasi pengeluar lampau (past performance) berkaitan risiko dan pulangan	[ ]	[ ]	[ ]	[ ]	[ ]
PERKHIDMATAN PELABURAN		Sangat tidak penting	Tidak penting	Tidak untuk mana-mana	Penting	Sangat penting
C24.	Makluman objektif pelaburan di dalam iklan	[ ]	[ ]	[ ]	[ ]	[ ]
C25.	Makluman Nilai Aset Bersih (NAV) harian	[ ]	[ ]	[ ]	[ ]	[ ]
C26.	Faedah sampingan cth: insurance, pengecualian cukai	[ ]	[ ]	[ ]	[ ]	[ ]

(Hanya untuk Bukan Pelabur Unit Amanah sahaja)

*ARAHAN: Sila tandakan (✓) pada ruang yang berkenaan.*

ALASAN <u>TIDAK</u> MELABUR DI DALAM UNIT AMANAH		Sangat tidak setuju	Tidak setuju	Tidak untuk mana-mana	Setuju	Sangat setuju
D1.	Saya tidak mempunyai pengetahuan mengenai Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]
D2.	Saya melabur di dalam instrumen pelaburan lain	[ ]	[ ]	[ ]	[ ]	[ ]
D3.	Pulangan pelaburan Unit Amanah rendah	[ ]	[ ]	[ ]	[ ]	[ ]
D4.	Pelaburan Unit Amanah berisiko tinggi	[ ]	[ ]	[ ]	[ ]	[ ]
D5.	Pasaran pelaburan Unit Amanah tidak menentu	[ ]	[ ]	[ ]	[ ]	[ ]
D6.	Prestasi Unit Amanah adalah lemah	[ ]	[ ]	[ ]	[ ]	[ ]
D7.	Pengurusan Unit Amanah tidak profesional	[ ]	[ ]	[ ]	[ ]	[ ]
D8.	Risiko kerugian yang akan saya tanggung lebih tinggi berbanding pelaburan lain	[ ]	[ ]	[ ]	[ ]	[ ]
D9.	Ejen pelaburan tidak mempunyai pengetahuan yang mendalam mengenai produk	[ ]	[ ]	[ ]	[ ]	[ ]
D10.	Saya tidak didatangi oleh mana-mana ejen pelaburan	[ ]	[ ]	[ ]	[ ]	[ ]
D11.	Unit Amanah sukar difahami	[ ]	[ ]	[ ]	[ ]	[ ]
D12.	Unit Amanah tiada kelebihan berbanding pelaburan yang lain	[ ]	[ ]	[ ]	[ ]	[ ]
D13.	Memerlukan pelaburan prinsipal yang tinggi	[ ]	[ ]	[ ]	[ ]	[ ]
D14.	Saya keliru disebabkan terlalu banyak jenis dana yang ditawarkan	[ ]	[ ]	[ ]	[ ]	[ ]
D15.	Saya tidak berkemampuan	[ ]	[ ]	[ ]	[ ]	[ ]
D16.	Saya tidak mempunyai keperluan untuk melabur di dalam Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]
D17.	Saya tidak yakin dengan pelaburan Unit Amanah	[ ]	[ ]	[ ]	[ ]	[ ]
D18.	Pelaburan Unit Amanah tidak dikecualikan cukai	[ ]	[ ]	[ ]	[ ]	[ ]

*ARAHAN: Sila tandakan (✓) pada ruang yang berkenaan.*

D19. Adakah anda bercadang untuk melabur di dalam Unit Amanah pada masa akan datang?

[ ] Ya

[ ] Tidak

D20. Sekiranya YA, anda akan memilih Unit Amanah berdasarkan:

[ ] Produk

[ ] Pengeluar

[ ] Portfolio

D21. Sekiranya YA, sila nyatakan PENGELUAR (ISSUER) yang akan anda pilih.

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**TERIMA KASIH** di atas kerjasama tuan/puan dalam menjayakan kajian ini.  
Sekian

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