

**THE FACTORS INFLUENCING THE PUBLIC  
SECTOR EMPLOYEES' INVESTMENT IN UNIT  
TRUST FUNDS: AN APPLICATION OF THE  
THEORY OF PLANNED BEHAVIOUR  
AND RISK PROPENSITY**



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2016**

## UNIVERSITI MALAYSIA SABAH

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JUDUL KAJIAN: THE FACTORS INFLUENCING THE PUBLIC SECTOR EMPLOYEES' INVESTMENT IN UNIT TRUST FUNDS: AN APPLICATION OF THE THEORY OF PLANNED BEHAVIOUR AND RISK PROPENSITY.

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EMPLOYEES' INVESTMENT IN UNIT TRUST FUNDS: AN  
APPLICATION OF THE THEORY OF PLANNED BEHAVIOUR  
AND RISK PROPENSITY**

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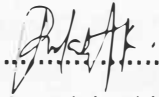
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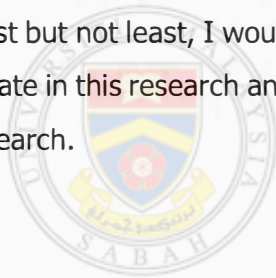
In the name of Allah, the Most Gracious and Most Merciful.

First and foremost, I would like to praise Allah S.W.T, the Al-Mighty and Merciful for blessing given to me to accomplish this research.

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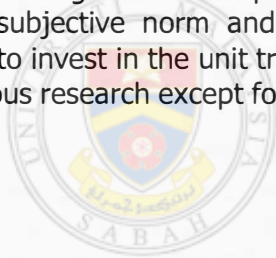
Thank you.

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## ABSTRACT

Nowadays, unit trust investment becomes one of the most popular investment tools which is preferred by the investors in Malaysia as well as throughout the world. Thus, this leads to the rapid growth of the unit trust management companies which are offering wide range of the unit trust funds in Malaysia. The rapid growth of this unit trust management companies will eventually create an intense competition among them. Therefore, it is crucial to understand about the determinant of factors which influence the investor's intention to invest in the unit trust funds so that the effective marketing strategies can be implemented in order to attract the new potential investors as well as maintaining the existing investors. The main purpose of this study is to examine the relationship between attitude, subjective norm, perceived behavioural control and risk propensity with the intention to invest in the unit trust funds among the public sector employees in Kota Kinabalu, Sabah. Theory of Planned Behaviour by Ajzen (1991) was used as an underlying theory for this study. The survey method used whereby a total of 250 questionnaires were distributed at the several public sector locations but only 176 questionnaires were usable for data analysis. The Smart Partial Least Square 2.0 (SmartPLS) was used for hypothesis testing. The findings of this study found that attitude and perceived behavioural control were significant and positively correlated with the intention. Meanwhile, in contrast subjective norm and risk propensity were found insignificant with the intention to invest in the unit trust funds. The findings of this study were in line with the previous research except for the subjective norm which found contradict with the TPB.



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## ABSTRAK

### **FAKTOR-FAKTOR YANG MEMPENGARUHI KAKITANGAN SEKTOR AWAM UNTUK MELABUR DALAM DANA UNIT AMANAH : APLIKASI BAGI TEORI TINGKAH LAKU DIRANCANG DAN KECENDERUNGAN RISIKO**

*Pelaburan unit amanah merupakan salah satu jenis pelaburan yang paling popular menjadi pilihan para pelabur di Malaysia dan juga di seluruh dunia. Ini telah membawa kepada pertumbuhan pesat syarikat-syarikat pengurusan unit amanah yang menawarkan pelbagai jenis dana unit amanah di Malaysia. Pertumbuhan pesat syarikat pengurusan unit amanah ini akhirnya akan mewujudkan persaingan sengit di kalangan mereka. Oleh itu, adalah penting untuk memahami tentang faktor-faktor penentu yang mempengaruhi niat pelabur untuk melabur dalam dana unit amanah supaya strategi pemasaran yang berkesan dapat dilaksanakan bagi menarik pelabur baru yang berpotensi serta mengekalkan pelabur sedia ada. Tujuan utama kajian ini adalah untuk mengkaji hubungan antara sikap, norma subjektif, kawalan tingkah laku dan kecenderungan risiko dengan keinginan untuk melabur dalam dana unit amanah di kalangan pekerja sektor awam di Kota Kinabalu, Sabah. Teori Tingkahlak Terancang oleh Ajzen (1991) telah digunakan sebagai teori asas untuk kajian ini. Kaedah tinjauan digunakan di mana sebanyak 250 soal selidik telah diedarkan di beberapa lokasi sektor awam tetapi hanya 176 soal selidik yang boleh digunakan untuk analisis data. Smart Partial Least Square 2.0 (SmartPLS) telah digunakan untuk ujian hipotesis. Hasil kajian ini mendapati bahawa sikap dan kawalan tingkah laku adalah penting dan positif dengan niat. Sementara itu, berbeza dengan norma subjektif dan kecenderungan risiko yang mana didapati tidak signifikan dengan niat untuk melabur dalam dana unit amanah. Hasil kajian ini adalah selaras dengan kajian lepas kecuali norma subjektif yang didapati bercanggah dengan TPB.*



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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

This chapter presents the overview of the research that will be studied. It begins with the background of the study of unit trust investment in Malaysian perspectives. Then, it is followed with a brief discussion about the type of unit trust funds, benefits and disadvantages of unit trust investment, history of unit trust industry and its growth in Malaysia. Furthermore, in this chapter also will include the research problem, research objectives and research questions. The scope of study, significance of study and definition of all the variables which are used in this study will also be stated in this chapter.

### 1.2 Background of the Study

Unit trust concept had been introduced in Malaysia since 1959 which relatively early as compared to its Asian neighbours. Malayan Unit Trust Ltd was a first company that established the first unit trust in Malaysia (FIMM, 2016). Unit trust or mutual funds investments are defined by the Permodalan Nasional Berhad (PNB) as an investment in the portfolio of securities which is managed by investment professionals and it consists of collective investment that pool funds from individual and or institutional investors who share similar investment objectives. But, the unit trust holder generally does not own the securities in that portfolio directly.

Unit trust is known as mutual fund in most developed countries however in Malaysia, it is named as unit trust due to the ownership of fund which is divided into the units of entitlement. There are various type of unit trust funds available in the market such as property unit trust, equity unit trust, Islamic unit trust, balanced unit trust and so on. All of these type of unit trust funds provide specific and different investment objectives to the investors.

Furthermore, there are several benefits that can be gained by the investors when they are investing in the unit trust funds such as diversification, affordability, minimize risk, profesional management, etc (Nawang, Hashim and Marzuki, 2008). Despite those benefits, this unit trust investment also provides some disadvantages such as risk, loss of control, fees and charges and opportunity cost (Lam, 2008).

As according to the Federation of Investment Managers Malaysia (FIMM), history of unit trust industry in Malaysia has more than four decades. In addition, it claimed that this industry's development can be presented in some significant chronological order which are the formative years (1959 -1979), period from 1980 to 1990, period from 1991 to 1999 and period from 2000 to current.

However, the growth of unit trust industry in Malaysia was started to booming when the Permodalan Nasional Berhad (PNB) had launched Skim Amanah Saham Nasional (ASN) and Amanah Saham Bumiputera (ASB) in early 1981 (Nawang *et al.*, 2008). It became as the significant development of this industry. The overwhelming response to ASN was reflected through the total units subscribed by the public which was unprecedented level although there was only 11 funds being launched at that moment (FIMM, 2016).

Nowadays, unit trust investment becomes one of the most popular investment tools is preferred by the investors in Malaysia as well as throughout the world (Ali, Zani and Kasim, 2014). Therefore, this leads to the rapid growth of the unit trust management companies which are offering wide range of the unit trust funds in Malaysia (Ramasamy and Yeung, 2003). The Securities Commission (2016) stated that there are 35 investment management companies with 640 funds which

are offered in the market. Among these 640 funds in which 440 funds are conventional unit trust funds whereas the remaining 200 funds are Islamic unit trust funds.

Apart from that, the statistical figure for this unit trust industry also shown significant and positive growing over the year (Nawang *et al.*, 2008). The net asset value (NAV) was growing by 39% from RM249.46 billion in 2011 to RM346.58 billion in 2015 (Securities Commission, 2016). Therefore, due to the rapid growth of unit trust management companies as well as significant and positive growing over the year of this unit trust industry. It is beneficial to understand the determinant of factors which influence the investors to invest in the unit trust funds. This might be useful for the unit trust management companies to develop the most effective marketing strategies in order to attract the new potential investors as well as maintaining the existing investors.

There were several studies had been conducted regarding on the investor's behaviour towards the unit trust investment in Malaysia as well as abroad. However, in Malaysia itself, there were only two published studies found which employed the Theory of Planned Behaviour (TPB) in order to investigate the investor's behaviour towards the unit trust investment that conducted by Lam (2008) and Ali *et al.* (2014). Therefore, this study focuses on the factors which influence the intention to invest in the unit trust funds by applying the TPB and risk propensity .

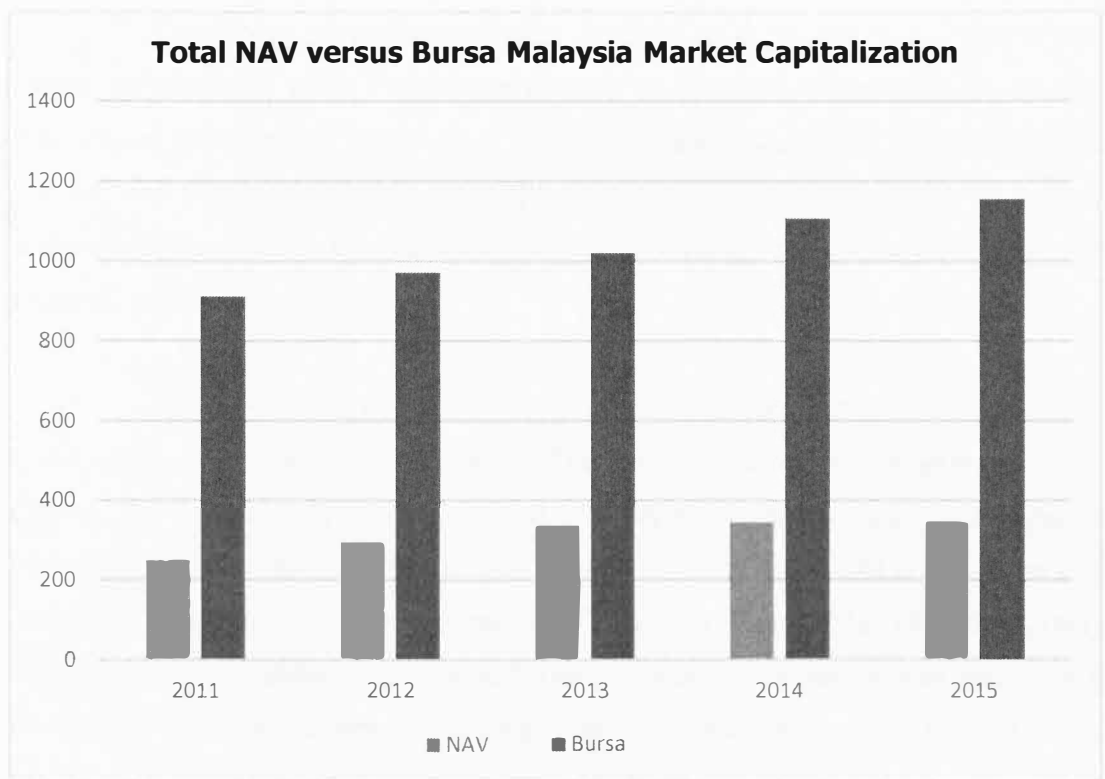
### **1.3 Research Problem**

Unit trust investment is one of the investment vehicles that can help the investors to achieve their financial objectives. This unit trust investment is provided to the investors who wanted to have better returns in their long-term investment objectives by investing in the diversified portfolios.

Nowadays, unit trust investment becomes one of the most popular investment tools is preferred by the investors in Malaysia as well as throughout the world (Ali *et al.*, 2014). Therefore, this leads to the rapid growth of the unit trust management companies which are offering wide range of the unit trust funds in Malaysia.

Besides, unit trust also becomes a significant factor that contributes to the economic growth and financial development while it is also one of the largest sources of funding to the country (Choong, Thim, Fie, and Ng, 2012). Lam (2008) also claimed that this unit trust industry is beneficial to the investors as well as economic of the country.

Apart from that, the statistical figure for this unit trust industry also shown significant and positive growing over the year that can be seen through the Figure 1.1 (Nawang *et al.*, 2008). The net asset value (NAV) was growing by 39% from RM249.46 billion in 2011 to RM346.58 billion in 2015 (Securities Commission, 2016). Figure 1.1 represents the growth trend of unit trust funds and total NAV versus Bursa Malaysia Market capitalization.



**Figure 1.1 : Total NAV versus Bursa Malaysia Market capitalization**

Source: Securities Commission, Bank Negara Malaysia (2016)

Therefore, as regards to the various benefits of unit trust investment are offered to the investors, rapid growth of unit trust management companies nowadays, significant and positive growing over the year of this unit trust industry as well as its importance to the economic growth and financial development in a country.

Hence, there were numerous studies had been conducted regarding on this unit trust investment in Malaysia as well as abroad. However, most of the studies conducted were emphasized on the performance of the unit trusts which comparing the performance between Conventional and Shariah based unit trust funds (Abdullah, Hassan and Mohamad, 2007; Hassan, Khan and Ngow, 2010; Mansor and Bhatti, 2011; M, R, O, R and Z, 2012; Norman, Almsafir and Smadi, 2013) and also associated with nature and characteristics of the unit trust itself (Ramasamy and Yeung, 2003; Jamaludin, Smith and Gerrans, 2012; Jamaludin, 2013).



The theory of planned behavior (TPB) is an extension theory of the TRA (Ajzen and Fishbein, 1980; Fishbein and Ajzen, 1975). Many disciplines have applied this theory including in the context of finance and investment (Schmidt, 2010; Sondari and Sudarsono, 2015). This TPB model can be applied in order to further understand the investors' behaviour towards mutual funds investment (Kaur and Kaushik, 2016).

However, the studies regarding on the investor's behaviour towards the unit trusts investment which employ the TPB are still limited. As stated by Ali *et al.* (2014), the studies of TPB in the context of investment decision were still found to be limited. In Malaysia itself, there were only two studies found which employed this TPB which were studies conducted by Lam (2008) and Ali *et al.* (2014). Lam (2008) was using the modified decomposed TPB in order to examine the individual's intention to invest in Malaysia. While, Ali *et al.* (2014) focused on investors' intention to invest in the Islamic unit trust investment in Malaysia.

Therefore, it can be seen that there is none published study regarding on the determinants of investor's intention to invest in unit trust investment in Malaysia which is really applying the TPB.

It is beneficial to understand the determinant of factors which influence the investors to invest in the unit trust funds. This might be useful for the unit trust management companies to develop the most effective marketing strategies in order to attract the new potential investors as well as maintaining the existing investors.

Hence, this study is conducted in order to further understand the determinant factors which influence the public sector employees to invest in unit trust funds by employing the TPB in which this study also actually intends to fill the gap of previous studies.



## **1.4 Research Questions**

The research questions that the study want to address are :

1. Does attitude have a positive relationship with the intention to invest in unit trust investment?
2. Does subjective norms have a positive relationship with the intention to invest in unit trust investment?
3. Does perceived behavioural control have a positive relationship with the intention to invest in unit trust investment?
4. Does risk propensity have a positive relationship with the intention to invest in unit trust investment?

## **1.5 Research Objectives**

This study is conducted to examine the determinants of investor's intention to invest in unit trust investment in Malaysia by applying the TPB. Therefore, there are four main objectives have been developed which are :

1. To examine the influence of attitude towards the intention to invest in unit trust investment.
2. To examine the influence of subjective norms toward the intention to invest in unit trust investment.
3. To examine the influence of perceived behavioural control towards the intention to invest in unit trust investment.
4. To examine the influence of risk propensity towards the intention to invest in unit trust investment.

## **1.6 Significance of the Study**

This study is beneficial to various parties. As stated previously, in Malaysia, unit trust industry becomes as significant factor that contributes to the economic growth and financial development while it is also one of the largest sources of funding to the country (Choong *et al.*, 2012). Therefore by identifying the factors which influence the intention to invest in the unit trust funds can help the unit trust companies to formulate the effective marketing strategies which will attract potential investors to invest in the unit trust funds. This will eventually enhance the growth of unit trust industry therefore contribute to the country's economic growth and financial development as well.

## **1.7 Scope of the Study**

This study is adopted the Theory of Planned Behaviour (TPB) by Ajzen (1985, 1991) as an underlying of the theoretical framework. In addition, this study was added another determinant which was risk propensity. The scope of this study is to investigate the influence of attitude, subjective norms, perceived behavioural control and risk propensity toward the intention to invest in unit trust investment among the public sector employees in Kota Kinabalu, Sabah. The sample consists of public sector employees who are working in several public sector locations. The public sector locations that involved were UiTM Sabah, Wisma Kewangan, Wisma Pertanian and Jabatan Tanah Ukur.

## **1.8 Definitions of Terms**

To be more understand the concepts have been used in this study, these are the key terms' definition as listed below: