



How to cite this article:

Mohd Aziz, N. I., & Kassim, S. (2021). Investment decision making towards investing in Islamic unit trusts amongst women. *International Journal of Banking and Finance*, 16(1), 43-54. <https://doi.org/10.32890/ijbf2021.16.1.3>

INVESTMENT DECISION MAKING TOWARDS INVESTING IN ISLAMIC UNIT TRUSTS AMONGST WOMEN

¹Nor Izzati Mohd Aziz & ²Salina Kassim

IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, Kuala Lumpur

²*Corresponding author: ksalina@iium.edu.my*

Received: 14/8/2020 Revised: 30/9/2020 Accepted: 25/10/2020 Published: 30/1/2021

ABSTRACT

The differences in skill expectations and knowledge are amongst factors that contribute to the variances when men and women choose financial products. Women are claimed to be risk averse, somewhat insecure, lacking self-confidence and interest in financial investment products. Nevertheless, the evolving working and educational environment has changed this stereotype, wherein women are increasingly more educated, knowledgeable, and are more exposed to investments. Gender equality between men and women in terms of the volume of investments has turned into a requirement that boosts economic growth with people being the most important factor to contribute through investing habit. This cannot be realised if only men are involved in investment. Financial institutions aim certain figures of targeted investment volume each year. As such, this study identified the factors of women investments, particularly in Islamic unit trusts.

A total of 201 respondents were selected via the convenience sampling technique. The Likert scale questionnaires were analysed using SMART PLS software. As a result, several investment behaviours, including investment objectives, return expectations, awareness, and risk attitude, emerged as factors that influenced women investors to choose unit trusts. The study outcomes are beneficial in devising effective strategies that may attract women to invest in Islamic unit trust. Besides, certain agencies should conduct campaigns or seminars on financial literacy for this potential sector, so as to enhance their knowledge in investing in Islamic unit trusts.

Keywords: Gender equality, financial investment, risk tolerance, Islamic unit trusts.

JEL Classification: G11, G14, G17, G20, G40

INTRODUCTION

Unit trust or mutual fund is an indirect financial investment tool that has been growing at a rapid pace and supports a range of complex needs within the financial industry. This investment vehicle is known as Islamic unit trust when the diversified portfolios are invested in a portfolio of halal stocks that comply with *Shariah* rules. Islamic unit trusts have recorded tremendous growth since 2001, which reflect the acceptance of this type of investment in Malaysia. It has attracted Muslim investors, particularly small investors aiming to fulfil the needs to invest based on *Shariah* principles.

Islamic unit trusts allow retail investors with similar financial objectives to accumulate savings and pool their money and invest in a well-diversified portfolio of assets, such as cash, bonds, shares, and properties; whichever included in the portfolio. Such portfolio diversifications can minimise risks. The Malaysian Government, along with the support of Bank Negara Malaysia, gives a strong commitment through its Capital Market Master Plan 2 2011-2020 to promote an effective investment management industry, in order to stimulate economic growth.

As a Muslim majority country, Malaysia has vast opportunities to contribute and play an active role in developing its Islamic economy. Malaysia desires to become the Global Halal Hub for financial markets

by year 2020. With 75 percent achievement recorded in 2017, the Halal industry is expected to contribute as high as 87 percent to the country's GDP in 2020, as projected by its related government agency; the Halal Industry Development Corporation. The Halal industry operates across a number of sectors, including food, clothing, tourism, and finance. By enhancing the development of Islamic capital market (ICM), Islamic finance is exposed to multiple opportunities to gain market share in the Halal industry realm. Malaysia's ICM has been under the control of Kuala Lumpur *Shariah* Index (KLSI), which was introduced in 1999, primarily to accelerate and boost ICM. The total Islamic funds accounted for 28.5 percent in year 2017, whereas the Net Asset Value (NAV) of conventional and unit trust funds increased from RM432 billion in 2018 to reach higher by the end of 2019. Although this figure grew over the years, the Capital Market Master Plan 2 target of NAV for Islamic unit trusts was RM158 billion for 2020. It is essential for Islamic unit trusts to undergo detailed and clear efforts to inculcate the investment culture.

The population in Malaysia is predominantly Muslims, which offers a huge potential to this country in developing *Shariah*-based Islamic products, including Islamic unit trusts. In the present investment industry, women have been claimed to be not very receptive toward investments. The Statistics showed that women participation in investment was as low as 30 percent when compared with men, which evidences a huge gap in light of gender equality. The Deputy Minister of the Women, Family, and Community Development Ministry Hannah Yeoh in 2020 asserted that women should embark on the path of stock investment to grow their financial wealth and achieve greater financial freedom.

In the effort to generate better product innovations in future, the R&D Centre of each unit trust conducted regular research on the determinants of reasons for people to buy unit trust products. Insufficient data have "proven the acceptance of women investing in unit trusts". Despite the features of the products, there are other factors that influence behaviour toward investing. Based on a different approach, this study focused on internal factors and behaviour toward investment. More precisely, this study looked into the factors for women to invest or otherwise in Islamic unit trusts, in comparison with men. As such, this study concentrated on unit trust management, fundi size performance, corporate disclosure, and performance of fund managers.

Studies concerning Islamic unit trusts in Malaysia are scarce, as the compilation of literature review have been mostly based on conventional unit trusts. This serves as a motivation to assess the acceptance of Islamic unit trusts amongst women so as to identify if the level of their investment is encouraging.

LITERATURE REVIEW

Annamalah et al., 2019 claimed that investment behaviour is related to the investors' attitude in the process of consideration between the alternatives people have. Investors with positive attitude directly create positive intention and preferences to invest (Ali et al., 2014). They feel good, useful, and beneficial when investing. The behaviour is based on several factors in order to make the right investment decisions for choosing specific investments. In a study about investors' decision in unit trust investment, they seemed to be more influenced by financial status, risk-taking behaviour, and sources of information. Those with highly stable financial status, excess income, and better jobs had more awareness to choose to invest in unit trusts. With money surplus on a monthly basis, some of them relied on unit trust knowledge shared by their work mates familiar with investing. Hence, they were aware of many unit trust functions (Xian & Hassan, 2019). Although it is not difficult to measure demographic characteristics, correlations between gender and other demographic factors cannot be assumed without conducting a survey.

(Stoker et al., 2012) discovered that gender has an important role in management positions. Investors will look into the gender of fund managers when ascertaining that the volume of investment invested in mutual funds is managed by one with high self-confidence and a risk taker. A good fund manager is believed to be amongst men. One of the many factors connected to gender variance is the risk-taking behaviour between male and female. (Karim et al., 2016) found that male working adults in Kuala Lumpur, Malaysia displayed more risk tolerance toward choosing riskier assets, such as mutual funds or unit trusts. Women are not necessarily of the best managers because they hesitate to take risks and appear to lack confidence when partaking in competition. They exert low confidence when making investment decisions. Their willingness to take risks is flexible across age and lifecycle (Mehta & Shah, 2012). Investors less than 30 years old prefer

high return with low risks, while those above 50 years would choose low risk regardless of the return. Hence, the related risk factors must be examined as they vary based on investors' demographic profiles, despite some studies reporting that risk factors have no impact on the selection of unit trusts (Kamil et al., 2016).

The literature depicts the opposite, as it claims that participation of females in unit trust is more strongly encouraged than males (Cannivate, 2018). Women and men, generally, make different decisions and display different attitudes toward unit trusts, in a way where females are better at investments than males are (Begum & Rahman, 2016). For women, it is not good to let overconfidence/emotional responses drive their investment decision, while men are overconfident in their ability to actively manage their portfolios as they believe that they are in control of the outcomes, more than they really do. Men tend to feel an extra urge to buy more in good times to capture more gain.

Nonetheless, everyone has differing views regardless of gender. No investor prefers either male or female fund managers because investors generally place trust on the manager to make decisions and to analyse the performance of mutual funds (Shafee, 2018). A specialist often spreads the risk through careful diversification because the basic nature of unit trust is to carry low-level risks. Dharani et al. (2014) described that safety of funds is a priority for choosing investment amongst investors. Young adults below 30 years of age and married women exhibited higher tendency to buy investment funds. For investors, an investment needs to be part of their monthly financial planning. They need to put aside a fraction of their monthly income for investment and expenditure purposes.

Since 2006, a number of studies began highlighting the lack of information about Islamic unit trusts. The studies have urged for improvements in financial literacy amongst people. Lack of financial literacy and information may lead non-*Shariah* investors to opt for better alternative investments other than Islamic unit trusts. The tendency to rely on various sources seemed to affect the information capacity of investors as they gain information from the mass media, family, relatives, friends, and Islamic unit trust agents (Hasna & Salleh, 2018).

It is a general expectation that gender influences the value which leads to decision making. Women are more confident to just keep their money safe in the bank as they believe that investing in unit trusts takes a longer timeframe to achieve capital gain returns. This stems from lack of knowledge in financial planning, hence their reluctance to participate in unit trusts. Similarly, Bakar et al. (2015) found that women would rather choose a fixed price unit trust investment with low risk, such as Skim Amanah Saham Bumiputra (ASB). Knowledge barrier hinders one from investing as they do not know that Islamic unit trusts offer diversified portfolios and the investments adhere to *Shariah* guidelines (Hasna & Salleh, 2018).

METHODOLOGY

The study respondents comprised Malaysian women who had already invested in Islamic unit trusts, as well as potential users of Islamic unit trusts. The distributed questionnaires gathered data regarding demographic profiles and the factors that influence decision making to invest in Islamic unit trusts, including risk-taking behaviour, investment behaviour, and barriers to invest. Behaviour of investors toward investment may differ, depending on varied investment goals and objectives, awareness levels, and expected return from the investment. Risk-taking behaviour and other barriers, such as lack of information, confidence to save money only in banks, and poor affordability to invest, are some factors that have been highlighted in past studies. These factors prevent women investors from investing in Islamic unit trusts. Figure 1 illustrates the framework that represents the factors that contribute to the specific variables, which influence the direct relationship with the dependent variable.

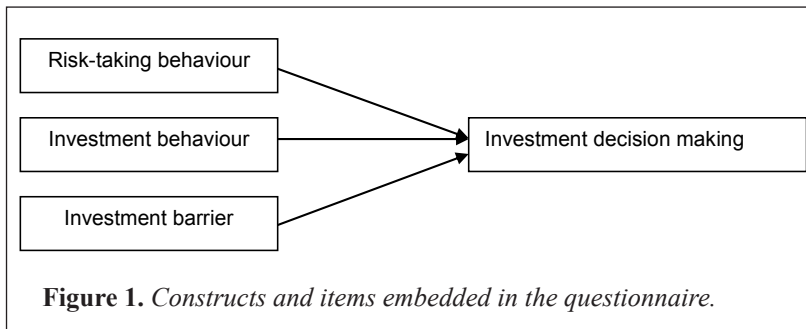


Figure 1. *Constructs and items embedded in the questionnaire.*

Table 1

Constructs and the Items in the Questionnaire

No.	Variables	Items
1.	Investment decision making on Islamic Unit Trusts	<ol style="list-style-type: none"> 1. I prefer investing in fixed/term deposit accounts and investment accounts offered by Islamic banks 2. I prefer investing in unit trust because of the low transaction cost.
2	Risk taking	<ol style="list-style-type: none"> 1. I prefer to invest in unit trust because it carries a lower level of risk compared with other similar investments. 2. I am aware that the level of risk will determine the level of return on investment. 3. I will consider the risk of each type of investment before buying financial products. 4. I took my personal risk assessment test to understand the instruments that suit my risk-taking ability.
3	Investment behaviour <ul style="list-style-type: none"> • Investment objectives • Awareness on investment • Expected return 	<ol style="list-style-type: none"> 1. I am interested in increasing wealth through investing. 2. I am aware that investment can increase my income. 3. I am aware that financial institutions offer online transfer services (just click) for easy investment transaction. 4. I am aware it is good to diversify income into various investments for future returns. 5. I have my target of an expected return. 6. I have set the return factor to be the priority for investing.
4.	Investment barrier <ul style="list-style-type: none"> • Financial stability • Financial knowledge 	<ol style="list-style-type: none"> 1. Even if I consider buying investment products, I still have surplus money at the end of the month. 2. I am even prepared to cut my expenses for saving and investment. 3. I don't think that the required principal amount to invest is too high. 4. I am very confident that I have a very good level of financial knowledge. 5. I understand that diversification is buying various assets and combining them in a portfolio in order to reduce risks.

FINDINGS

Table 2 shows the demographic profiles of the respondents, which is composed of all women who have already invested in Islamic unit trusts, as well as potential users who prefer investing in Islamic unit trusts. From the 201 respondents, only 44 respondents (22%) had invested in unit trusts, while 78 percent of the respondents either chose another investment or were uninterested in any investment product. Most of the respondents were married, 26-39 years old, possessed degrees, and earned RM3,001 – RM5,000 a month.

Table 2

Demographic Profiles

		Frequency	Percent
Marital status	Single	54	26.8%
	Married	147	73.2%
Age	Under 26	11	5.5%
	26 – 39	165	82.1%
	40 – 59	24	11.4%
	Over 60	1	1%
Educational level	SPM/STPM/Diploma	16	8%
	Degree	123	61.1%
	Masters	55	27.4%
	Professional Degree	7	3.5%
Employment	Salaried	170	84.6%
	Retired	3	1.3%
	Business	21	10.8%
	Housewife	7	3.3%
Income	Less than RM1,500	25	12.4%
	RM1,500 – RM3,000	61	30.3%
	RM3,001 – RM5,000	108	53.7%
	RM5,001 – RM10,000	2	0.9%
	RM10,000 – RM15,000	3	0.9%
	More than RM15,000	2	1.8%
Investmen in unit trust	Yes	44	21.9%
	No	157	78.1%

As shown in Table 3, the Cronbach's alpha value for decision making exceeded 0.5, which is listed in the acceptable range. The acceptable

value must be equal or higher than 0.7 to indicate investment barrier, investment behaviour, and risk attitude, which resulted in 0.75, 0.81, and 0.72, respectively. The purpose of Cronbach's alpha is to measure internal consistency, reliability, and validity of data. For better internal consistency, it has been suggested to generate Composite Reliability (CR) to indicate the weighting rate from various categories. The CR is more reliable than Cronbach's alpha, and it helps to enhance reliability and validity. The values tabulated in Table 3 exceeded 0.7, except for investment decision making. Additionally, all the variables were qualified and fulfilled the condition of Average Variance Extracted (AVE), which is acceptable above 0.5. This verified the convergent validity, and no measurement error was detected in the variance.

Table 3

Summary of Test Criteria and Reliability Measures

	Cronbach alpha	Composite reliability	AVE	(A)	(B)	(C)	(D)
Investment barrier (A)	0.75	0.83	0.50	0.56			
Investment behaviour (B)	0.81	0.87	0.52	0.83	0.54		
Decision making (C)	0.51	0.76	0.64	0.54	0.71	0.45	
Risk attitude (D)	0.72	0.82	0.54	0.75	0.74	0.73	0.55

The discriminant validity was determined using Fornel and Larcker (1971) by comparing the square root of each AVE in the diagonal with the correlation coefficients (off-diagonal) for each construct in the relevant rows and columns. Discriminant validity refers to the extent a measurement is able to assess the concept of variables that is unrelated. The results presented in Table 3 show that the discriminant validity was not well established with having values below 0.5. This signifies that the structural model has moderate validation and only fits the model moderately.

After confirming the reliability and validity aspects (see Table 3), the path coefficient was identified to generate the significance of parameter estimates; in order to estimate the standard errors and to evaluate the structural model. The summary of structural model analysed using sub-samples of "bootstrapping" is presented in Table 4. The significant level was set at 10 percent, which means that when p -value is greater than the significant level, the result is unsupported. The p -values of investment barrier were lower than the significant

level, thus not supporting the relationship. Nevertheless, the P-values of investment behaviour and risk attitude exceeded the significant level and appeared significant to decision making.

Path Coefficient

Table 4

Summary of Structural Model

	Standard dev.	t-stats	p-values	Results
Investment barrier	0.072	1.199	0.231	supported
Investment behaviour	0.091	2.588	0.010	supported
Risk attitude	0.075	4.397	0.000	supported

The analysis elaborates in detail the reasons why some women prefer investing in Islamic unit trusts, while some do not. The analysis of items embedded in the questionnaire using statistical software revealed the reasons and causes of both attitude and behaviour exerted by the respondents towards investing in Islamic unit trusts. The following section interprets the analysis and concludes the issue highlighted in this research paper.

CONCLUSION

Behaviour, such as investment objective, awareness, and return, were evaluated in this study to determine the influential factors in investment decision. Women, similar to men, are keen in increasing wealth through investing as they believe that investment can increase income. For concerned women, they are aware that it is indeed a good decision to diversify their income into various investments for future returns. To date, many are aware that financial institutions offer online transfer services (just a click away) for easy investment transaction. The study outcomes showed that those earning between RM3,000 and RM5,000 were aware about the benefits of investing in unit trusts. Women from the middle-income group accounted for 29.5 percent, which is half from the total respondents who were knowledgeable about diversifying money. Meanwhile, only 4.5 percent from the low-income group invested in unit trusts. This emphasises the need to expose those from the low-income group to the fact that the principal

money required for investment is relatively smaller. Nonetheless, 15.9 percent of the respondents had strongly agreed that unit trust is to cater to the low-income group, while 4.5 percent had no idea about the statement. They still believed that unit trust is only meant for those with a high income.

Risk attitude displayed a significantly positive impact on decision making. This study focused only on women, which is known to possess low-risk tolerance during investment decision. The respondents agreed that they were willing to choose unit trust because it poses lower risk, when compared with other investments, such as investment account offered by Islamic banks or investing in the stock market or buying shares. They are particular about the risk posed by each investment product, apart from expecting that the risk taken would determine the level of return. This study found that 22.7 percent of the respondents had set the return factor as the priority for investing. They already had their target of return to achieve each year. Not surprisingly, some had taken the personal risk assessment in order to test and to understand the instruments that suit their risk-taking ability. Here, they are able to identify the investment products that suit their target in an affordable manner.

In conclusion, the barriers that hinder one from investing were financial stability and financial knowledge. Apart from surplus money at the end of the month or confidence to invest, many other factors seemed to dictate investing decision, such as behaviour and risk attitude “that are more crucial factors to be considered. Unit trust is becoming a popular alternative for investment that can boost economic growth. Therefore, the related institutions and agencies should take effective measures in attracting individuals to invest regardless of gender.

ACKNOWLEDGMENT

This research received no specific grant from any funding agency.

REFERENCES

- Ali, S., Zani, R. M., & Kasim, K. (2014). Factors influencing investors' behavior in Islamic unit trusts: An application of theory of planned behavior. *Journal of Islamic Economics, Banking and Finance*, 10(2), 183-201.

- Annamalah, S., Raman, M., Marthandan, G., & Logeswaran, A. K. (2019). An empirical study on the determinants of an investor's decision in unit trust investment. *Economies Journal*, 7(80), 4-23.
- Bakar, R. A., Nawawi, A., Saiful, A., & Puteh, A. (2015). Determinants of lower bumiputera participation in the variable-price. *International Academic Research Journal of Social Science*, 1(1), 58-66.
- Begum, N. N., & Rahman, S. (2016). An analytical study on investors preference towards mutual fund investment: A study in Dhaka City, Bangladesh. *International Journal of Economics and Finance, Canadian Center of Science and Education*, 8(10), 184-191.
- Cannivate, M. (2018). *Why women are better at investing*. <http://www.forbes.com>.
- Dharani N., Inbalakshmi, M., Murugapandi, J. (2014). Investment pattern of working women in dindigul District. *European Academic Research*, 2(7), 9073-9082.
- Hasna, M. A., & Salleh, M. C. M. (2018). Comparative analysis on EPF investors' knowledge, experience, and behavior towards investing in Islamic and conventional unit trusts: The case of Malaysia. *Journal of Islamic Economics, Banking and Finance*, 14(1), 125-145.
- Kamil, N. N., Subramaniam, M., Ali, H. E., Musah, M. B., & Alex, A. (2016). Factors influencing the selection of unit trust funds among Malaysian retail investors. *Journal of Islamic Accounting and Business Research*, 9(2), 155-170.
- Karim, B. A., Wenceslas, C. N., & Shukri, M. H. M. (2016). Risk tolerance level among working adults in Kuala Lumpur Malaysia. *Review of Accounting and Finance*, 1(1), 99-109.
- Mehta & Shah. (2012). Preference of Investors for Indian mutual funds and its performance evaluation. *Pacific Business Review International*, 5(6), 62-76.
- Shafee, N. B. B. (2018). Mutual fund investment decision by Malaysian investor. *International Journal of Academic Research in Business and Social Sciences*, 8(11), 607-615.
- Stoker, J. I., Velde M. V. D., & Lammers, J. (2012). Factors relating to managerial stereotypes: The role of gender of the employee and the manager and management gender ratio. *Journal of Business and Psychology*, 7(1), 31-42.
- Xian, Y. L., & Hassan, H. H. (2019). Awareness of Unit trust among young professionals in Malaysian private sector. *International Journal of Recent Technology and Engineering*, 7(5), 201-211.