



**DETERMINING FACTORS ON INVESTORS  
CHOICE AND INTENTION TOWARDS  
INVESTING IN SHARIAH COMPLIANT PUBLIC  
EQUITY FUNDS IN MALAYSIA**

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Doctor of Philosophy in Islamic Banking and Finance**

## DECLARATION

I am, MR. ABDULGHANI PADUNGRAKSART confirms that, my PhD research entitled: DETERMINING FACTORS ON INVESTORS CHOICE AND INTENTION TOWARDS INVESTING IN SHARIAH COMPLIANT PUBLIC EQUITY FUNDS IN MALAYSIA (Number of words 66327 and pages 221), I have read and understood the Rules and Regulations of Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah (UniSHAMS) concerning plagiarism. I confirm that all the materials presented are my own work and that any quotation or paraphrase from the published or unpublished work of another person has been duly acknowledged.

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## ACKNOWLEDGEMENT

All Praise to Almighty Allah with Who's grace good actions are efficiently completed and His peace and blessings be upon the Prophet Muhammad, his family, his companions and their followers till the Day of Judgment.

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## ABSTRACT

This study aims to analyze the empirical effect of Perceive Compatibility intermediaries on the investors' intention towards investing in *Shari'ah* compliant equity funds in Malaysia. Public equity fund is an asset class where individuals or organizations can buy ownership in shares or stock of a company through a public market such as the Kuala Lumpur Stock Exchange or through the fund management companies. In the Malaysian Capital Market today, there exist two categories of public equities; one is the conventional equity fund and the other is the *Shari'ah* compliant equity fund or classified as Islamic equity funds. This study concerns with the *Shari'ah* compliant public equity funds and for the purpose of this study, the term *Shari'ah* Compliant Public Equity Investment shall be used interchangeably with the Islamic Public Equity Investment as both express similar connotation; differentiating it from the conventional or non-Islamic based public equity investments. The phenomenal growth of the Islamic financial system globally has undoubtedly provided positive implications on the Islamic investment equity market. *Shari'ah* compliant public equity funds market, despite being in the development stage, is regarded as "one of the fastest growing sectors within the Islamic financial system compared with less than ten (10) *Shari'ah* compliant equity funds in 1995, whereas currently there are more than 500 *Shari'ah* compliant equity funds worldwide, with net asset value (NAV) in excess of USD1.5trillion, and enjoying an average annual growth rate of between 12-15% from 2000 to 2018. In evaluating investors' intention, this study employs a combination of both Theory of Reasoned Action (TRA) and Planned Behaviour (TPB) models as its underpinning theoretical framework as both theories have been widely used by past researchers within the similar areas of researches. The specific aim is to determine which one of the variables used in this study; Attitude, Subjective Norm, Perceived Behaviour Control, Level of knowledge and Awareness, and the Perceive Compatibility has the greatest influence on the investors' intention to invest in the *Shari'ah* compliant public equity funds in Malaysia. As a new contribution to the academic literature, this study examines the mediating role of Perceive Compatibility in determining the investors' intention. The approach to this study is through the survey analysis in obtaining the primary data on investors' intention to invest and a total of 240 valid samples from the Klang Valley area were gathered and the data were analysed using the SPSS software. This study has developed a model to measure customers' intention towards investing in *Shari'ah* compliant public equity funds. The objectives of the proposed model are to explore the dimensions of the Theory of Planned Behaviour (TPB) with the integration of Islam component variable to assess the robustness of TPB with attitude, subjective norm, perceived behavioural control (PBC), knowledge and *Shari'ah* compliance in influencing customers behaviour intention towards *Shari'ah* compliant public equity investments. The results showed that Perceive Compatibility has strengthened the investors' intention while two constructs i.e. Attitude, Perceive Behaviour Control and are also significant with the intention towards *Shari'ah* compliant public equity investment. However, subjective norms, and knowledge are not significant with intention towards such investments. This study will contribute to new strategies of promoting and marketing *Shari'ah* compliant Islamic capital market products. The findings of this study revealed contrary to popular belief and market expectation, it is proven that the expected rate of return to investment and risk appetite have not been the major criteria for investors' choice in investing in *Shari'ah* compliant public equity fund in Malaysia.

## ABSTRAK

Kajian ini bertujuan untuk menganalisis kesan empirikal perantaraan keserasian terhadap niat pelabur untuk melabur dalam dana ekuiti yang sesuai dengan Shar'iah di Malaysia. Dana ekuiti awam adalah kelas aset di mana individu atau organisasi boleh membeli dan memiliki saham pelaburan atau memiliki saham syarikat melalui pasaran awam seperti Bursa Saham Kuala Lumpur (BSKL) atau melalui syarikat pengurusan dana. Pada Pasaran Modal Malaysia hari ini, terdapat dua kategori ekuiti awam; satu adalah dana ekuiti konvensional dan yang lain adalah dana ekuiti patuh Syari'ah atau diklasifikasikan sebagai dana ekuiti Islam. Kajian ini berkaitan dengan dana ekuiti awam yang patuh Syari'ah dan untuk tujuan kajian ini, istilah Pelaburan Ekuiti Awam Patuh Syari'ah hendaklah digunakan secara bergantian dengan Pelaburan Ekuiti Awam Islam kerana keduanya menyatakan konotasi yang serupa; yang membezakannya dengan pelaburan ekuiti awam berasaskan konvensional atau bukan Islam. Inilah yang menumbuhkan sistem Kewangan Islam secara fenomenal atau secara global yang telah memberikan implikasi positif terhadap pasaran Ekuiti Pelaburan Islam. Pasaran dana ekuiti awam yang patuh syariah walaupun berada di tahap pengembangan dianggap sebagai "salah satu sektor yang paling cepat berkembang dalam sistem kewangan Islam dibandingkan dengan sepuluh (10) dana ekuiti patuh Shari'ah yang ada pada tahun 1995, yang mana pada saat ini ada lebih banyak dari 500 dana ekuiti patuh Syari'ah di seluruh dunia, dengan nilai aset bersih (NAB) melebihi USD1,5 trilion, dan menikmati kadar pertumbuhan tahunan purata antara 12-15% dari tahun 2000 hingga 2018. Dalam menilai niat pelabur tersebut, kajian ini menggunakan gabungan kedua-dua model Theory of Reasoned Action (TRA) dan Theory of Planned Behavior (TPB) sebagai kerangka teori pendukungnya kerana kedua-dua teori telah digunakan secara meluas oleh para penyelidik pada masa lalu dalam bidang penyelidikan yang serupa. Tujuan khusus adalah untuk menentukan mana satu yang boleh mempengaruhi; Sikap, Norma Subjektif, Kawalan Tingkah Laku yang dikehendaki, Tahap Pengetahuan atau Kesedaran, dan Keserasian yang mempunyai pengaruh paling besar terhadap niat para pelabur untuk melabur dalam dana ekuiti awam yang patuh Syari'ah di Malaysia. Sebagai sumbangan baru untuk literatur akademik, kajian ini juga mengkaji peranan mediasi keagamaan dalam menentukan niat pelabur. Pendekatan untuk kajian ini adalah melalui analisis tinjauan dalam mendapatkan data primer mengenai niat investor untuk melabur. Dan sejumlah 240 sampel yang sah dari kawasan Lembah Klang telah diambil dan data telah dianalisis dengan menggunakan perisian SPSS. Kajian ini telah mengembangkan model untuk mengukur niat pelanggan untuk melabur dalam dana ekuiti awam yang mematuhi Shari'ah. Objektif model yang dicadangkan adalah untuk meneroka dimensi Teori Perilaku Terancang (TPB) dengan penyatuan yang boleh mempengaruhi komponen Islam untuk menilai ketahanan TPB dengan sikap, norma subjektif, kawalan tingkah laku yang dirasakan (PBC), pengetahuan atau kesedaran dan keserasian dalam mematuhi Shar'iah serta mempengaruhi niat tingkah laku pelanggan terhadap pelaburan ekuiti awam tersebut. Hasil kajian menunjukkan bahawa Keserasian Pengetahuan atau Kesedaran Keagamaan memang memantapkan niat pelabur sementara dua yang lain juga ikut membina iaitu Sikap dan Kawalan Tingkah Laku dengan ketara terhadap niat para pelabur dalam pelaburan ekuiti awam yang patuh kepada Shar'iah. Walau bagaimanapun, norma dan pengetahuan subjektif tidak begitu jelas ketara terhadap niat para pelabur untuk pelaburan tersebut. Kajian ini akan menyumbang kepada strategi baru untuk mempromosikan dan memasarkan produk Pemodal dalam Pasaran Kewangan Islam yang sesuai dengan Shari'ah. Hasil kajian ini menunjukkan bahawa bertentangan dengan kepercayaan popular dan jangkaan pasaran, terbukti bahawa kadar pulangan pelaburan yang diharapkan dan selera risiko belum menjadi kriteria utama pilihan pelabur untuk melabur dalam dana ekuiti awam yang mematuhi Shari'ah di Malaysia.

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