

## Determining Ways of Developing Trust towards Investment in Unit Trusts Fund

Siti Haryati Shaikh Ali, Nurul Syamimi Kamarudin

Faculty of Business Management  
Universiti Teknologi MARA (Terengganu), 23000 Dungun, Terengganu, Malaysia

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### ABSTRACT

There is nothing new when we talk about effect of advertisement and consumption. However, the issue turns the other way around when the consumption is actually in terms of investment and it is even more intense when it is involving Muslims as the investors. Investments itself is not an issue, but the association with interest contributes in making it unpopular among Muslims in Malaysia. This research intends to find out the effect of different advertising methods used in attracting Muslim investors to invest in Amanah Saham Nasional Berhad (ASNB) and Amanah Saham Bumiputra (ASB) unit trusts. Besides that, this study intends to reveal the effect of religion as a mediating factor between advertising tools and motivation to invest. The total number of respondents for this questionnaire survey is 300. The results proved the positive and significant effect of all advertising method used; namely word-of-mouth (WOM), online and mobile advertising. More importantly, this study proved the effect of religion as an important mediating factor that motivates Muslims towards investment.

**KEYWORDS:** Investment, Trust, WOM, Brand, Mobile Advertisement, Religion.

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### INTRODUCTION

Amanah Saham Nasional Berhad (ASNB) was established on May 22, 1979, to manage the unit trust funds launched by Permodalan Nasional Berhad (PNB), Malaysia's biggest fund management company. ASNB is actually the largest unit trust schemes offered by PNB. Having been in the industry for more than 25 years, ASNB has confirms to maintain its position as a leading unit trust manager, controlling more than 40% of the total units in circulation. ASNB is a wholly-owned subsidiary company of Permodalan Nasional Berhad (PNB). In addition, ASNB offered their products not only to Bumiputra, but also to non-bumiputra. Bumiputra is the term used to define only Malay and indigenous people in Malaysia (following Article 160 (2) of the Malaysia Constitution) The second largest unit trust offered by PNB as compared to others is Amanah Saham Bumiputera (ASB) product. On the other hand, ASB unit trust fund is only open for Bumiputras, and the minimum age required is 12 years old and above. As a whole, PNB is not a bank but the half of the operation is similar to bank since they can manage people money. The division and special privileges given to Bumiputra does not mean to create disparity and inter-ethnic tension but as a way to build significant urban Malay and Native Bornean Middle class. As a result, that will contribute in eradicating poverty among rural communities, which consist mostly of Malays and the natives. Looking at the level of investment over the years, both ASNB and ASB are doing well in attraction Malays (whom majority are Muslims) as they believe the investment in the two unit trusts comply with the Islamic rules and guidelines.

However, the decision by Syariah Advisory Committee or Majlis Penasihat Syariah (SAC) of Security Commission (SC or Suruhanjaya Sekuriti) has left all investors in great dilemma. SAC has made a decision that ASB and ASN schemes do not comply with the Suruhanjaya Sekuriti (SC) guidelines on Islamic Unit trust Fund. As a result this forces people to think twice towards investing in PNB. On our part, we take this as an opportunity to study dimensions of factors affecting trust towards investment in mutual funds of ASNB and ASB.

#### Customer Trust

Trust is defined as the confidence that one will find what is desired from another, rather than what is feared [1]. Looking it from a different perspective, trust can be treated as perceptions that create strong believe towards something. Trust is conceptualized as a belief, in keeping with the tenets of social psychology research or as willingness or behavioral intention. In terms of consumers' preference, trust is something that is relied upon in terms of humanity, honesty and likely performance of the product [2].

Trust can be treated as a central of the partner relation. The existence is important to reduce perceived risk and to increase confidence in the consumer brand relationship. It is the result from the expertise, the reliability and the intentionality. Not too much to say that, the feeling of trust towards a brand reassures the consumer. It allows simplifying his process of choice and reducing the necessary time for the decision-making [1].

The extent of literature suggests how trust had a substantial impact on consumer behaviors, such as the selection of the existing and new products and the word of mouth about the brand to other customers. Trust is seen to have an important effect on behavioral constructs, especially on the customer's propensity to leave or stay with the same service provider. Indeed, empirical findings have shown that higher feelings towards trust are associated with a greater tendency to create word of mouth [3]. Additionally, a study by [4] stresses how the role of trust is important in the area of relational marketing, in which investments in supplier relationships are established to minimize risk, involving activities traditionally considered the exclusive domain of the other party. Such investments will lead to significant increase in the quality and duration of relationships, which further increase the likelihood of that parties may be willing to make greater investments in future transactions. In this sense, trust without doubt requires some sense of mutuality and reciprocal loyalty. Overall, this research agrees with [5] that the interpretation of trust differs from author to author. However, as the whole explanation, trust is not far from inner feeling develop towards one person or organization. Trust is a concept that has received attention in numerous different areas of social science literature such as psychology, sociology, political science, economics, anthropology, history, and socio-biology [6]. Overall trust is related to the past experience that make people increase or decrease their trust towards the product or services. Trust is qualitative in nature because it is not an easy task to measure how deep the trust is. It depends on people and different people have different way of thinking and reason to trust.

#### **What May Affects Trust for Investment?**

There are many factors which may affect trust towards investment in unit trusts. Discussion on suggested factors is as outlined accordingly.

#### **Company's Strong Brand Name**

The value of a brand name is associated closely with its awareness, quality perception, and the customer satisfaction engendered by related products and offerings, among others. Brands are symbols that consumers have learned to trust over time, and they often signal intangible product qualities. This signal is often based on "experience attributes" such as perceived reliability, quality, and safety that products and related marketing programs offered. Such intangibles often lead to more defensible advantages for the firm relative to "search attributes" (physical features and prices that are readily comparable across brands via inspection or information search) because consumer learning time and experience opportunities are limited [7]. Branding efforts create a feeling of involvement, a sense of higher quality and an aura of intangible qualities that surround the brand name, mark or symbol [8].

Brands usually create thoughts in the mind of the consumer that it is unique and there is no other similar product or service in the market. Therefore, a brand is to say to be strong entity if it is consistent over a long period of time in providing the product or service which consumers and prospective purchasers can rely and trust, which will lead to a brand promises [8]. Brand names and images are major elements of strategic positioning which often act as the key to differentiation and sustainable advantage by improving cash flow, expand brand loyalty, smooth and ready adoption of brand extension, trade leverage etc. These most valuable assets of any business are intangibles, which come in the form of company's name, brand symbol, slogans, their underlying associations, perceived quality, brand awareness, channel relationship and others [9]. Moreover, there are lots of rewards to be gained from trying the brand name with the firm's name. With the goodwill that has been built up over the years of continuous advertising and a commitment to consistency, new brand additions can gain immediate acceptance by being linked with the heritage. It said that the concept increases consumer trust in trying a brand which draws upon the name of well established firms [10]. From the discussion, this research is proposing the following hypothesis:

H<sub>1</sub>: Company's strong brand name significantly affects customer trust on investment

#### **Word of Mouth (WOM)**

Word of mouth seems to be an important decision making influencer. Word of mouth is defined as informal person to person communication between a perceived non-commercial communicator and a receiver about a brand, a product, a service or an organization [11]. However, there are opinion saying that word of mouth is an informal mode of communication between private parties concerning the evaluation of goods and services. Agreeing to that, in [12] defines it as informal communication between private parties concerning evaluations of goods and services. In a marketing context, word of mouth communication defines as informal communications

directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers [13].

The work done by [11] reveals word of mouth gain expression through a higher perceived credibility and trustworthiness. To a certain extent, it plays an important role to influence customers or to contribute in their buying decision [14]. Interestingly, word of mouth provides a highly credible means of persuasion because the communicator is not seen as having a vested interest in selling the recommended product or service and is more likely to portray information in a meaningful way [12]. Abundant research demonstrates that word of mouth is one of the most powerful channels in the marketplace. It is provided with the evidence that word of mouth is seen as more credible than marketer initiated communication because it is perceived as having passed through the unbiased filter of “people like me”. Some research has reported that word of mouth influence as greater as print ads, personal selling and radio advertising [15]. While reading, there is some opinion said most of word of mouth messages are very positive or negative. However, it is the negative form of word of mouth is thought to have a greater influence on a receiver [16]. In a nutshell, word of mouth is easy to spread the information, but at the same time it might harms the products or services because of the rumours. That leads to the formation of the following hypothesis:

H<sub>2</sub>: WOM significantly affects customer trust on investment

**Internal Communications**

Promotional strategies are too common and it can be divided into advertising, sales promotion or personal selling. According to [17], on the medial side, advertising can be the principal way to collect the funds necessary to pay programming cost. Definition wise, advertising is paid non-personal communication from an identified sponsor using mass media to persuade or influence an audience in making decision on buying process [18].

The extent of literature suggests over the past decade has shown that marketing activity can lead to more distinctive product characterized by lower own price elasticity. It is also mentioned that the power of sales promotions to improve future cash flows has been investigated deeply in empirical research. On the other hand, sales promotions are effective demand booster because they often have substantial immediate effects on sales volume and profit [19]. Advertising, on the other hand, allows the firm to communicate with consumers independently of their neighbours [20]. Basically, there are other alternative to achieve the goal of web sale promotion. One is through traditional channel such as television, newspaper or radio station, to broadcast the existence of an online storefront.

Indeed, there is a problem because advertisers typically do not knowingly allocate budgets to media that are not effective [21]. The study argued that Islam could be an influential mediator for eliciting advertisement message [22]. In conclusion, trust is created trough company brand, word of mouth and effective promotional strategies. Trust created senses that causes people become aware on any situation or environment. Overall, the proposed hypothesis is as follows:

H<sub>3</sub>: Effective promotional strategies significantly affect customer trust on investment

With all of the factors, the proposed framework of the study is shown in Figure 1. Combining all factors, the following framework is being proposed.

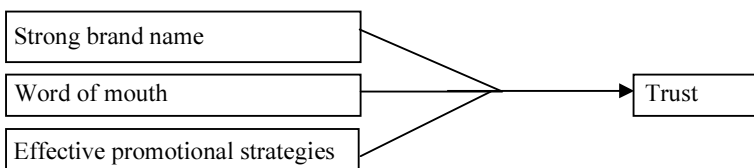


Figure 1: Proposed relationships between independent variables and dependent variable

The framework is being proposed together with six (6) testable hypotheses to be analyzed:

H1: There is a significant relationship between Strong brand name and Trust to invest

H2: There is a significant relationship between Word of Mouth and Trust to invest

H3: There is a significant relationship between Effective promotional strategies and Trust to invest

**METHODOLOGY**

Methodology can be divided into several stages as being elaborated below:

### Research Design

This research is quantitative in nature with the instruments of self-administered questionnaires. This study has been designed systematically to investigate the correlation between the variables and is conducted in a real-life situation. The population for this study is teachers of several schools around Kuala Terengganu. At first the researcher tried to adopt stratified sampling technique. However, we failed get enough respondents force us to change to convenience sampling method.

### Data Collection Method

The data was collected via distributing the self-administered questionnaires randomly distributed among the secondary school teachers in Terengganu. Convenience sampling method was adopted by selecting customers (teachers) in banks and post offices.

### Pilot Test

Pilot test was first being conducted to test the feasibility of the questionnaire. A number of 30 customers were selected for reliability analysis. The overall Cronbach's Alpha value obtained was above 0.6, which leads to the assumption that the questionnaire was reliable. Furthermore, no complaint was received during the practice which leads to the assumption that the questions were well understood by customers.

### Analysis of Data

This study used the descriptive statistical tools from Statistical Package for Social Science (SPSS) to analyze the results of the research when the raw data has been successfully collected from the respondents. The researcher used reliability analysis, correlational analysis and multiple regression analysis to analyze the data gained.

## RESULTS AND DISCUSSION

Factor analysis was performed on all questionnaire items to establish their suitability for performing the subsequent multivariate analysis. The results presented are based on parsimonious sets of variables, guided by conceptual and practical considerations with loadings of 0.50 and above [23], and cross loadings below 0.20. The varimax factor rotation was employed for the analysis. High communality values were recorded for all the variables, indicating that the total amount of variance an original variable shares with all other variables included in the analysis is high. Overall, the results show that the construct measures are valid. The Cronbach Alpha results with trust (0.852), company's strong brand name (0.862), WOM (0.851) and effective promotional strategies (0.846). All variables indicate factors exceeding 0.500, which indicates the reliability of scales used in that survey.

### Frequency Distribution

Majority of the respondents for this study are females (61.6%), with majority at the ages of more than 41 years old (45.4%). Most of the respondents are Bumiputera (71%) and earn a bracket of monthly income of more than RM3000 per month (51.3%) and invest not more than RM500 per month (42.3%). Full details are shown in Table 1.

Table 1: Respondents' demographic profile

No	Profile	Description	Responses	Percentage
1	Gender	Male	90	38.4
		Female	144	61.6
2	Age	Less than 30 years	60	25.6
		31-40	68	29.0
		More than 41	106	45.4
3	Marital status	Single	71	65.2
		Married	154	34.8
		Others	9	3.0
4	Monthly Salary	Below RM2000	43	18.3
		RM2001-RM3000	36	15.4
		RM3001-RM4000	76	32.5
		Above RM4001	78	33.8
5	Monthly investment	Less than RM500	127	54.3
		RM501-1000	55	23.5
		RM1001-2000	38	18.3
		RM2001-3000	4	1.8
		Above RM3001	5	2.1

### Correlations among Variables

Correlation analysis was carried out to trace the mutual influence of variables on one another. As indicated in Table 2, it shows that there were significant relationships between all the identifiable independent variables

with the main variable of this study. All independent variables were significant at 0.01 significant level ( $p > 0.01$ ) based on two-tailed test and demonstrated a significant correlation with trust in using social media ( $r = 0.781, 0.668, 0.724$  respectively).

Table 2: Correlations among variables

	A	B	C	D
<b>Trust (A)</b>	1.00			
<b>Strong brand name (B)</b>	0.781*	1.00		
<b>Word of Mouth (C)</b>	0.668*	0.908*	1.00	
<b>Effective promotions (D)</b>	0.724*	0.204*	0.340*	1.00

Note: \*correlation is significant at the 0.01 level (two-tailed)

### Regression Analysis

Multiple regression analysis method was adopted in order to prove the hypotheses all the three independent variables (namely strong brand name, word of mouth and effective promotional strategies) actually makes up for the overall trust among customers/ investors.

In the first part of regression analysis as shown in Table 3, multiple regressions were conducted between all independent variables with customer trust. The results prove that all the three factors contribute significantly to the study ( $F = 155.244, p = 0.000$ ). In fact, all the three independent factors contribute about 67% of the variation in predicting factors that affect trust towards investment decision. Analyzing the factors individually, the results show that all the three factors significantly affect trust. All of those factors include strong brand name ( $\beta = 0.525$ ), effective promotional strategies ( $\beta = 0.300$ ) and word of mouth ( $\beta = 0.063$ ) contribute significantly to customer trust to invest with ( $p = 0.000$ ). Full result is as shown in Table 3.

Table 3: Summary of regression analysis

Summary		ANOVA		Dimensions			Collinearity Statistics		
R	$\Delta R^2$	F	Sig.		$\beta$	t	p	Tolerance	VIF
<b>.818</b>	.669	155.244	0.000	Brand name	0.328	5.910	0.000	0.759	1.317
				Word of Mouth	0.134	2.760	0.006	0.529	1.892
				Effective promotion	0.313	6.196	0.000	0.550	1.819

Note: predictors (constant) empowerment, remuneration and reward, internal communication

### CONCLUSION

It is high time to conduct this research especially in facing an unpredictable economic situation. People are looking for trusted means and ways for their future investment. As conclusion, from this research of study, all the three factors (namely strong brand name, WOM and effective promotional strategies) contribute significantly in developing trust towards investment to be made. However, to compare among the three, strong brand name gives a higher weightage as compared to all other factors. This is supported by the result of analysis shown above. Customers or investors are very much affected by reputation and brand name of the company. Secondly, the result also shows a positive attraction of effective promotional strategies towards trust to invest. It can be assumed that information conveyed through various advertising channels and tools, do reach the customers. However, to our surprise, word of mouth is the least significant factor to contribute towards trust of investment to be made. It is as if customers are not easily trust on something that they cannot see especially when deciding with money. The finding is almost similar the finding of research done by [24, 25].

From the research, we believe that the three factors can serve as the best basis for any investment companies to attract customers to invest. Having said that, we also agree those three factors should serve as the companies' focal point in attracting customers. However, the reason for people to invest might vary from time, place and situation all together.

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