



## A Correlation Analysis of Knowledge, Experience, Religious Belief, and Behavior of Malaysian EPF Investors Towards Investing in Islamic and Conventional Unit Trusts





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**Abstract:** The objective of the study is to examine the relationship between knowledge, religiosity and experience, and the behavior of employee provident fund (EPF) investors investing in Islamic and conventional unit trusts. The variables are extracted from the literature to achieve the objective. Additionally, 125 valid responses were composed through surveys of Malaysian government and private employees. The Statistical Package for Social Sciences has been applied to analyze the collected data, using correlation analysis techniques. This research found that knowledge about Islamic unit trusts and religious beliefs have a positive significant relationship with the EPF investors' behavior of investing in Islamic unit trusts. Moreover, the experience of investing in Islamic and conventional unit trusts is also positively and significantly associated with the EPF investors' behavior of investing in Islamic and conventional unit trusts, respectively. As research in this area is insufficient, this study will play a vital role for the unit trust industry in exploiting the financial strategies that are highly and positively observed by Malaysian EPF investors.


**Keywords:** Islamic unit trust, conventional unit trust, knowledge, religiosity, experience, investors' behavior, Malaysia


**JEL Classification:** G4, G11, G23, G32

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## Introduction

A unit trust fund organization is permitted by the Securities Commission (SC) to buy stocks in authorized Malaysian assets, such as cash, bankers' acceptances, negotiable certificates of deposit, government investment certificates, registered and unregistered securities of Malaysian companies, and Malaysian government securities. However, the SC has provided a clause allowing up to 10% of the portfolio of a unit trust fund to be invested in foreign companies. Therefore, until the conventional unit trust funds reach their maximum authorized size, investments in the aforementioned Malaysian assets are unrestricted. The conventional units in circulation as of 30 August 2017 were 412.669 billion out of 558.978 billion units, while the NAV was RM345.730 billion at the same time (Malaysia Unit Trust information [MUTI], 2017). Islamic unit trust funds are now recognized as Islamic financial products on the market and are managed per Shariah law. Islamic unit trust investment is discovered to be a guaranteed relationship between a unit trust fund firm and the investors based on the most current market condition in Malaysia, comparing both conventional and Islamic unit trusts (Ferdiian & Dewi, 2007). With strong market conditions, new financial products are introduced with rising unit demand and amazing NAV development of unit trust funds. The association between a shared investment system and the total number of unit trusts can be seen in the most recent statistics (Nathie, 2008). The total asset allocation, including Shariah, was RM629.93 billion on December 31, 2014; however, only RM150.6 billion was allocated to Shariah (Rashid, 2005). The Islamic Units in Circulation as of 30 November 2017 in Malaysia were 146.309 billion units out of 558.978 billion units, and the NAV was RM75.835 billion (MUTI, 2017).

In both developed and developing markets, the growth of fund investments has been phenomenal. The Malaysian unit trust market had phenomenally strong growth in NAV, reaching RM487.9 billion in May 2022. Additionally, the ratio of the NAV to the Bursa Malaysia market capitalization increased over time, rising from 29.66% in 2011 to 32.30% in August 2021; unfortunately, it was downward slopy in 2022 as the NAV became RM487.9 from RM526.9 in 2021 (Securities Commission Malaysia, 2022). However, this growth rate was very modest relative to other developed and recognized markets. According to the Investment Company Institute (2021), the aggregate net assets of mutual funds operated by US asset management companies in June 2021 exceeded \$26.5 trillion (USD), whereas, in March 2021, the aggregated assets of mutual funds accomplished by European countries exceeded \$14,577.20 billion (Chong, Ming, & Chong, 2021). This shows that the unit trust market in Malaysia is still in its infancy.

In Malaysia, workers are permitted to deposit a portion of their savings in a unit trust through the Provident Fund Members Investment Scheme. Members of the EPF are permitted to withdraw a certain amount of money out of the Basic Savings Account 1 and to invest it in unit trusts recognized by the EPF. EPF participants are permitted to withdraw up to 20% of the amount beyond the Account 1 limit. Members of the Malaysian Employees Provident Fund are also allowed to invest a portion of their savings in recognized unit trusts. The Members Investment Scheme authorized these funds. According to information obtained from the government website, 343 trust funds were authorized under the EPF Members Investment Scheme as of December 31, 2015. Of them, 217 funds are available for sale. Seven of these 217 active funds were disqualified for failing to meet the requirements they had been evaluated against by the EPF annually. Under the evaluation exercise, 20 funds rejected previously have been replaced, and four new funds have been added for listing. So, as of April 1, 2016, 254 active trust funds are believed to be available for this year and 2017 (Kumpulan Wang Simpanan Pekerja [KWSP], 2016).

However, this study identifies a few issues with Malaysian EPF investors' unit trust investments. The first problem is that EPF investors make less money in unit trusts (Jidwin, Tuyon, & Ali, 2011). The issue raised above partially addresses the fact that EPF created the investment withdrawal scheme in 1996 to increase retirement funds. However, the concerned participants, who had lost more than RM600 million in unit trust investments, were very concerned about the situation (Abdullah, Muhammad, Hassan, Abdullah, & Redzuan, 2013). There is a lot of debate about the successful performance of the Malaysian unit trust market.

When EPF members choose to invest in a unit trust, there was no evidence of significant pressure from their financial consultants. Additionally, it is asserted that the source of information, the degree of investor awareness of unit trusts, and the selection criteria for funds have all substantially affected the performance of EPF members' investments. Additionally, financial advisors have been essential in helping EPF members make wise investment decisions, as the majority of them rely on the former's advice and services (Jidwin et al., 2011).

In comparison to other countries, Malaysia has the lowest perseverance in obtaining good returns (García, Vidal, Boubaker, & Uddin, 2016). Additionally, entry fees for unit trust funds in Malaysia are fixed at between 5.00% and 5.50%, meaning that investors would lose between 5.00% and 5.50% even before they start investing. To invest in unit trust funds, investors need a large amount of holding

power as it takes them a while to recoup the charge from the return. Hence, the unit trust fund performance in Malaysia is less appealing than that of other nations. This raises the issue of why Malaysian unit trust funds have such a high admission rate (Chang, Kong, Lim, Lim, & Yong, 2018). For the reasons listed above, the relationship between knowledge, religiosity, and experience and the behavior of employee provident fund investors when participating in Islamic and conventional unit trusts needs to be examined.

Numerous studies have been performed on the point and characteristics of unit trust investments, including those on “investors” or “mutual fund purchasers” (Bauer, Koedijk, & Otten, 2005), the effectiveness of unit trusts relative to the market (Galagedera & Silvapulle, 2002), investment philosophy of fund managers and their experience and qualifications, cost of contract, value of assets (Fauziah & Isa, 2007), performance of Islamic unit trusts (Low & Ghazali, 2007), performance contrast of unit trusts across different industries (Lam, 2008), price relationship with index in developing market (Abdullah, Hassan, & Mohamad, 2007), performance of unit trusts over various economic cycles (Low, 2007), and comprehensive performance of unit trusts (Ramasamy & Yeung, 2003). However, research on Malaysian EPF investors’ behavior in conventional and Islamic unit trusts is scant. This might be the area where the unit trust sector needs more research. The goal of the paper is to fill the gap.

The principles of the unit trust fund also play a huge role in the modern Malaysian economy. Many people’s incomes directly or indirectly depend on this sector. The mutual-fund regulatory agencies, unit trust management firms, and investors most significantly influence the development of the industry. Additionally, the unit trust agents play a crucial role in managing the required capital of the industry. Investors have many options for where to invest money. However, investing savings in mutual funds is not without its challenges. When electing to invest their funds in unit trusts, EPF investors must take into account several factors, including the advantages and challenges, as well as their investing goals. Mutual funds have developed as the appropriate vehicle for retirement and savings in several nations. The industry has experienced remarkable growth, which benefits foreign investors and the national economy. For the continuous development of the Malaysian unit trust sector, researching investor behaviors, understanding unit trusts, experience with unit trust investments, and other characteristics encouraging investment in unit trust funds is crucial.

## Literature Review

### Unit Trusts in Malaysia

Malaysian government and commercial sector personnel frequently deposit their savings in unit trusts. A scheme that professionally collects and pools money from financial experts is known as a unit trust asset. It was also mentioned that the combined funds would be invested in a wider variety of securities, as permitted by the unit trust fund guidelines of the Securities Commission. Furthermore, an Islamic unit trust has been stated to be a type of value stock that collects funds from gamblers and links them for investment in shares, bonds, or other projects (Tan, 1995).

According to Firth (1978), a unit trust is an actively managed, collective undertaking that gathers client money and devotes it to a certain goal specified in its paperwork. Unit trust investments in Malaysia may be employed in a range of advantages or venture classes, which may not be accessible to a single financial professional. Government securities and business securities may be included in these classifications. Such endeavors call for a significant number of resources, which are frequently outside the scope and tolerance of a single financial expert. However, broadly speaking, access to those businesses is possible. Speculative portfolios in unit trust deposits can assume a variety of forms depending on the attributes, goals, and business model of the asset. For instance, a security shop offers a personal finance specialist access to the security sector and possibly a reliable source of revenue (Federation of Investment Managers Malaysia [FiMM], 2011).

The overall net asset value for the unit trust sector increased to RM365 billion in April 2015, representing 22.4% of the Bursa Malaysia market capitalization and representing a 10-year compound annual growth rate of 12.9 percent for the sector. The market demand for Islamic unit trust funds is growing, which has been positive for those investors who want to support religious values while avoiding financial stocks. From 84 funds, or 25.4 percent, in 2005 to 192 funds, or 31.6 percent, in October 2015, Islamic funds have increased. Islamic funds' impressive 10-year annual growth rate of 20.1 percent is thus a record. Additionally, the value of Islamic assets in the sector increased by 15.1% to roughly RM50 billion from RM9.2 billion in 2006 (FiMM, 2016).

In Malaysia, conventional supports have a greater standard deviation than Shariah-based assets have, which suggests that Shariah-based assets are less risky than conventional supports, according to Norman, Almsafir, and Smadi (2013). Additionally, deliberate risk research reveals that Shariah-based equities have a re-

duced beta value than conventional assets do, indicating that these stocks are less susceptible to economic sector changes. The results also revealed a link between risk-return profile and asset arrival and execution. The findings of this study lead to the acceptance of the beliefs that the state of the economy affects how assets are executed and that the risk-return profile is connected to the performance of the asset.

### **Effectiveness of Islamic and Conventional Unit Trusts in a Selection of Some Nations, Including Malaysia**

Zhang, Ding, and Zhou's (2010) study in Europe found that European collective funds, and small capital funds in particular, can increase significance as indicated by their optimistic following cost alphas. Four out of the five nations described in the research demonstrate significant out-performance on a global scale if management fees are added. Last but not the least, a strong persistence for funds in mean returns investing in the UK is identified in this study (Otten & Bams, 2002). The research findings diverge from those of the majority of US studies in showing that mutual funds outperform the market by a greater margin than the charges they impose.

According to Abdullah et al. (2007), Islamic funds performed better in Malaysian negative economic trends than conventional funds did, whereas conventional funds performed better in Malaysian positive economic trends. For instance, both conventional and Islamic unit trusts surprisingly failed to achieve market diversity standards of at least 50%. However, compared to Islamic Unit Trusts, conventional unit trusts have a slightly superior level of diversification. This conclusion also raises the possibility that Unit Trust Fund managers misidentify cheap stocks, for which it is challenging to forecast market price swings.

The effectiveness of public and non-governmental finances, as well as conventional and Islamic capital, is compared in practically three distinct economic periods, namely before, during, and after the financial crisis (Fikriyah, Abdullah, Hassan, & Mohamad, 2007). The availability of Islamic financial products is one of the repercussions of their study on the financial sector. This study also shows how the performance of traditional and Shariah-compliant equity funds has evolved over time in the Malaysian capital market. To achieve the major goals of the research, the effectiveness of the mutual funds was evaluated using a conventional technique. The main finding of their analysis is that while conventional funds fared better than Shariah-compliant funds during an upbeat economic time, Is-

Islamic funds performed superior to non-Islamic securities during a downturn. They found that conventional funds had a slightly greater level of market diversity than the Islamic trust funds did, but that neither conventional nor Islamic funds could achieve market diversification rates of at least 45%. Finally, their research shows that investment fund managers are unable to reliably identify well-reduced equities and forecast changes in market price.

From 2002 to 2005, a study was conducted in Malaysia to evaluate the proficiency of traditional and Islamic mutual fund companies (Norma, Shabri, Kassim, Hamid, & Yusof, 2010). In their analysis, assessing the effectiveness of conventional and Islamic unit trust firms is necessary as the former were susceptible to potential capital market loss, and the latter were subject to both potential capital market loss and Shariah restrictions. They anticipate that the two types of unit trust will function differently. To study efficiency measures, they use Data Envelopment Analysis, which may be divided into two segments: efficacy and practical change indices. According to the report, technical efficiency plays a major role in boosting the effectiveness of the Malaysian mutual fund business, and performance incompetence increases with the growth of the unit trust company. When evaluating the effectiveness of unit trust companies, the research also reveals that some Islamic unit trust companies outperform their conventional counterparts.

A study compares the investment performance of Malaysian Islamic Unit trust funds to that of non-Islamic Unit trust funds. During strong economic conditions, Islamic unit trust funds outperformed traditional unit trust funds. Additionally, they discovered that conventional funds are just slightly more diversified than Islamic funds. Their findings suggested that a portfolio of Islamic unit trust funds can reduce the downside risk in a challenging economic environment (Fikriayah et al., 2007). Additionally, according to Abdullah et al. (2007), Islamic unit trust investments in Malaysia outperformed non-Islamic investments during a bearish economy, while conventional funds outperformed Islamic ones during a bullish economy. Moreover, Islamic mutual funds in a portfolio can help mitigate risk in a rapidly deteriorating economic environment.

Merdad, Hasan, and Alhenawi (2010) researched Saudi Arabian Islamic and conventional mutual fund investments. They found that while Islamic funds outperformed conventional ones in bull markets, conventional funds underperformed Islamic funds in bad markets and financial crises. Additionally, they found that while Islamic law restricts portfolio choice, Islamic mutual funds do offer hedging options to investors during recessions. Hassan, Nahian, Khan, and Ngow (2010)



also found that Islamic and traditional Islamic unit trusts perform differently. They found that while conventional unit trust funds focus on value, Islamic unit trust funds concentrate on small-cap stocks. Malaysian unit trusts do not offer risk-free returns or market portfolios. Bond funds outperformed the market and equities unit trust in terms of performance due to the high-interest rates maintained during the crisis (Lee et al., 2002). Girard and Hassan (2008) concluded that there is no noticeable distinction in performance between Islamic and non-Islamic indexes even after accounting for book-to-market, market volatility, size, and local and global features. The co-integration analysis revealed that both types of indices are integrated at all times, and Islamic and conventional indicators behave similarly.

The results of Islamic and non-Islamic securities on the Malaysian capital market reveal that Mann-Whitney tests, relying on the t-test and the regions of both types of funds, substantially differ between Islamic and conventional funds (Dom et al., 2014). To achieve the major goals of this study, mutual fund profitability is evaluated using the Sharpe ratio, Treynor index, and Jensen alpha. Kassim and Kamil (2012) claim that although Shariah-based Malaysian unit trusts perform effectively similar to the market benchmark, Islamic unit trusts perform better than non-Islamic unit trusts do during non-crisis periods. The study employs the standard deviation and R coefficient of determination to calculate risk.

In Malaysia, Islamic funds outperformed conventional funds during recessionary tendencies whereas conventional funds outperformed Islamic funds during upbeat economic situations (Abdullah et al., 2007). Furthermore, neither the conventional nor the Islamic funds were at least 47% diversified in the market, but the conventional unit trusts are more diverse than the Islamic unit trusts. Additionally, Sandha (2013) compared the performance of Islamic and conventional unit trusts in which average performance was evaluated by Adjusted Sharpe Indices. For the analysis, secondary data from Islamic and conventional unit trust funds were processed from January 2001 to December 2012 on a four-time-per-year basis.

### **Difference Between Islamic and Conventional Unit Trusts**

Both conventional and Islamic unit trusts in Malaysia have comparable risk, return, and diversification structures (El-Gamal, 2000). In many aspects, Islamic and conventional unit trust funds are comparable, but Islamic unit trusts adhere to Shariah. Shariah completely forbids Riba (interest), Gharar (selling anything that is not one's own), and Maysir, although it encourages investors to employ profit-sharing and partnership plans (gambling). Muslim investors prefer making a profit that should be



the product of their own efforts rather than ones driven mostly by interest. Muslim investors also intend to invest in morally pure portfolios. Shariah advisory boards, which oversee Islamic mutual funds, have the responsibility of ensuring that money is managed in accordance with Islamic law (Zaher & Hassan, 2001).

In Malaysia, Islamic and traditional mutual funds are favorably linked (Mansor & Bhatti, 2009). The relevance of Islamic funds is demonstrated by the rising ratio of Islamic to conventional funds. It is interesting to note that, in terms of NAVs, Islamic mutual funds grow faster than traditional unit trusts do. The consistency of expectations, faster rates of growth, and resilience during the crisis were cited as contributing factors. Additionally, they invest in conventional funds that are larger than Islamic funds. Investors in traditional mutual funds have the opportunity to select between profit- and debt-bearing assets, as well as from the full range of market sectors. Investors are not permitted to invest in Islamic Unit trust funds. They must set up screening procedures to identify the businesses adherent to Shariah's quantitative and qualitative standards. Companies with stocks containing forbidden characteristics or having a particular type of business are filtered out using the qualitative screen (e.g., involving Maysir, Riba, and Gharar). Such companies are engaged in unethical business practices in accordance with Shariah, such as those engaged in human cloning and the use of aborted embryos. Therefore, fixed-income assets including corporate bonds, warrants, bonds, bills, preferred stocks, and some derivatives products such as options must be excluded from the list of Islamic-approved securities.

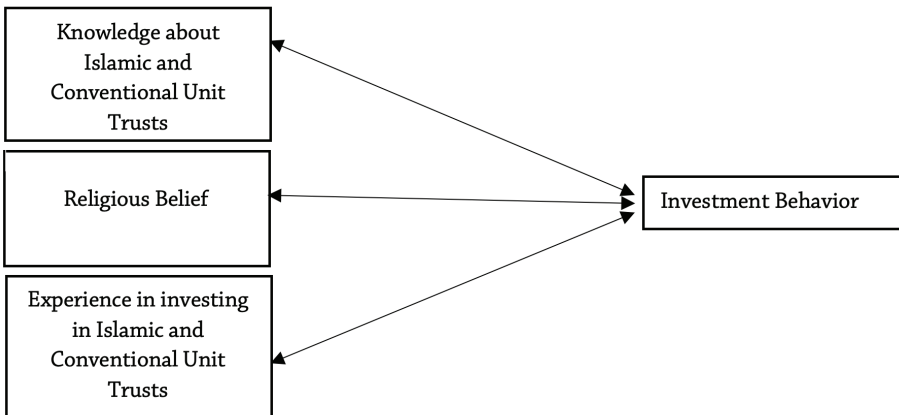
Furthermore, Islamic mutual funds in Malaysia are not permitted to participate in selling contracts and cannot employ debts with interest payments to finance their investments. A Shariah-based mutual fund runs in accordance with Shariah, meaning that invested funds must be interest-free. Islamic investment funds are not permitted to finance investments using debt that accrues interest. Contrarily, conventional funds, such as hedge funds and arbitrage funds, all significantly rely on borrowing to support their investment strategies. However, Muslim stockholders are prohibited from doing these. Participating in a sale and repurchase agreement is likewise forbidden. Traditional fund managers are permitted to engage in speculation, whereas Shariah-based fund managers are not. Risk adoption is expected in an Islamic economic environment when risk is properly valued and adequately informed. Speculation is unacceptable only when there is no information available or when there is uncertainty as it resembles a game of chance (Mansor & Bhatti, 2009).

## Conceptual Framework of the Research

This paradigm has been developed in light of the literature study that focuses on Malaysian EPF members' behavioral intention to invest in both conventional and Islamic unit trusts. Figure 1 shows that to determine the expected relationship with the dependent variable known as the behavior of EPF investors investing in Islamic and Conventional Unit Trusts in Malaysia, researchers have culled out independent variables from this literature review, including knowledge about Islamic and Conventional Unit Trusts, religious belief, and experience in investing in Islamic and Conventional Unit Trusts.

**Figure 1**

*Conceptual Framework (Source: Hasnat & Salleh, 2018)*



## Research Methodology

The participants in this study were given questionnaires used to collect the core data for the investigation. A survey method is an essential resource for gathering first-hand information, which enables researchers to compile the necessary information according to participants' beliefs, views, and lifestyles, as well as their statistical profiles. Respondents can express themselves freely via a self-administered questionnaire, postal surveys, and telephone interviews while using this technique (Zikmund & Babin, 2007). The subjects of a researcher-led self-administered questionnaire survey in Kuala Lumpur and Selangor, Malaysia, included both public and private citizens. A correlation analysis was performed using SPSS software to

examine EPF investor behavior. Overall, 125 EPF investors from the Klang Valley participated in this survey. The study intends to test the following hypotheses:

**H1:** The correlation between knowledge about Islamic unit trusts and investors' behavior while investing in Islamic unit trusts is significant.

**H2:** The correlation between knowledge about conventional unit trusts and investors' behavior while investing in conventional unit trusts is not significant.

**H3:** The correlation between religious belief when investing in Islamic and conventional unit trusts and investors' behavior while investing in Islamic unit trusts is significant.

**H4:** The correlation between religious belief when investing in Islamic and conventional unit trusts and investors' behavior while investing in conventional unit trusts is not significant.

**H5:** The correlation between experience of investing in Islamic unit trusts and investors' behavior while investing in Islamic unit trusts is significant.

**H6:** The correlation between the experience of investing in conventional unit trusts and investors' behavior while investing in conventional unit trusts is not significant.

The section after that describes additional results.

## Data Analysis: Result and Discussion

### Correlation Analysis

A statistical technique known as correlation analysis is used to explain both the direction and the degree of the linear link between two variables (Pallant, 2013). A positive correlation value denotes an inverse association between two variables, while a negative correlation value suggests a positive association between them. The connection is very positive if the value is close to +1, and vice versa (Bryman, 2016).

## The Correlation Between Knowledge About Islamic Unit Trusts and Investors' Behavior when Investing in Islamic Unit Trusts

Table 1 uses correlation analysis to show the relationship between investors' behavior when investing in Islamic unit trusts and their understanding of Islamic unit trusts. The Pearson correlation value could be used to determine the direction and intensity of the association. The Pearson correlation coefficient is 0.250, indicating a positive association between the two variables. This finding demonstrates a substantial correlation between EPF investors' knowledge and conduct while investing in Islamic unit trusts as it meets the significance threshold of 0.05. The correlation between the two variables ranges from -1 to +1 in value. So, there is a positive correlation in the linear relationship between these two variables, indicating a relationship between the understudied EPF investors' actions and their understanding of Islamic unit trusts. This suggests that as their understanding of Islamic unit trusts grows, so will their behavior toward investing in these trusts, which is likely to be favorable. Therefore, this finding supports H1, which is consistent with the result of Ibrahim, Isa, and Ali (2012).

**Table 1**

*Correlation Between Knowledge of Islamic Unit Trusts and Investors' Behavior while Investing in Islamic Unit Trusts*

Description		Knowledge about Islamic Unit Trusts	Investors' Behavior while Investing in Islamic Unit Trusts
Knowledge about Islamic Unit Trusts	Pearson Correlation	1	.250*
	Sig. (2-tailed)		.011
	N	125	125
Investors' Behavior while Investing in Islamic Unit Trusts	Pearson Correlation	.250*	1
	Sig. (2-tailed)	.011	
	N	125	125

Note. \*Correlation is significant at the 0.05 level (2-tailed).

## The Correlation Between Knowledge about Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts

Table 2 shows the results of a correlation analysis between investors' behavior while investing in conventional unit trusts and their knowledge of these trusts, which shows no association between these two variables ( $r = 0.159$ ) at a significant level of 0.087 ( $>0.05$ ). Hence, there is little correlation between Malaysian EPF investors' actions and their familiarity with conventional unit trusts. Their decision to invest in this sort of investment will not be influenced by their ignorance of conventional unit trusts. Therefore, this finding supports H2, which is consistent with the results of Norma et al. (2010) and Fikriayah et al. (2007).

**Table 2**

*Correlation between Knowledge about Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts*

Description		Knowledge about Conventional Unit Trusts	Investors' Behavior while Investing in Conventional Unit Trusts
Knowledge about Conventional Unit Trusts	Pearson Correlation	1	.159
	Sig. (2-tailed)		.087
	N	125	125
Investors' Behavior while Investing in Conventional Unit Trusts	Pearson Correlation	.159	1
	Sig. (2-tailed)	.087	
	N	125	125

*Note.* \*Correlation is significant at the 0.05 level (2-tailed).

## The Correlation Between Religious Belief when Investing in Islamic and Conventional Unit Trusts and Investors' Behavior when Investing in Islamic Unit Trusts

According to the correlation study in Table 3 ( $r = 0.453$ , significant at 0.001), there are favorable correlations between religious belief and behavior when it comes to investing in Islamic unit trusts. This suggests that there is a strong positive corre-

lation between religious belief and EPF investors' behavior in Malaysia. Investors will be more likely to invest in Islamic unit trust funds if their level of religiosity rises. Therefore, this finding supports H3, which is consistent with the result of Nathie (2009).

**Table 3**

*Correlation Between Religious Belief when Investing in Islamic and Conventional Unit Trusts and Investors' Behavior when Investing in Islamic Unit Trusts*

Description		Religious Belief when Investing in Islamic and Conventional Unit Trusts	Investors' Behavior when Investing in Islamic Unit Trusts
Religious Belief when Investing in Islamic and Conventional Unit Trusts	Pearson Correlation	1	.453**
	Sig. (2-tailed)		.000
	N	125	125
Investors' Behavior when Investing in Islamic Unit Trusts	Pearson Correlation	.453**	1
	Sig. (2-tailed)	.000	
	N	125	125
<i>Note.</i> **Correlation is significant at the 0.01 level (2-tailed).			

### **The Correlation Between Religious Belief when Investing in Islamic and Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts**

On the basis of the findings of the correlation analysis shown in Table 4 below, there is no association between investors' behavior in conventional unit trusts and their religious beliefs towards investments in Islamic and conventional unit trusts. The Pearson correlation value of -0.117 shows no correlation between the two variables. Additionally, the Pearson correlation value is not statistically significant due to its p-value greater than 0.05. This indicates that Malaysian EPF investors' level of religiosity has no bearing on their choice to participate in conventional unit trusts. So, this result supports the previous research finding a relationship between EPF investors' level of religiosity and their investment decisions. In this instance, however, because the majority of respondents are Muslims, the relationship between the level of religiosity and behavior toward conventional unit trusts is negligible.

Therefore, this finding supports H4, which is consistent with the result of Fauziah, Suhaimi, and Lee (2002).

**Table 4**

*Correlation Between Religious Belief when Investing in Islamic and Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts*

Description		Religious Belief when Investing in Islamic and Conventional Unit Trusts	Investors' Behavior when Investing in Conventional Unit Trusts
Religious Belief when Investing in Islamic and Conventional Unit Trusts	Pearson Correlation	1	-.117
	Sig. (2-tailed)		.216
	N	125	125
Investors' Behavior when Investing in Conventional Unit Trusts	Pearson Correlation	-.117	1
	Sig. (2-tailed)	.216	
	N	125	125

Note. \*Correlation is significant at the 0.05 level (2-tailed).

**The Correlation Between Experience of Investing in Islamic Unit Trusts and Investors' Behavior when Investing in Islamic Unit Trusts**

The Pearson correlation between investors' behavior and experience of investing in Islamic unit trusts is positive and scores 0.545 in Table 5. Furthermore, because the p-value is significantly lower than that, the value is extremely significant at the 0.001 level. Furthermore, because the Pearson correlation value is very close to 1 and highly significant, the linear link between the two variables shows a strong positive correlation. Due to their positive conduct and satisfaction with their investment, EPF investors in Malaysia show positive behavior while investing in Islamic unit trusts. Therefore, this finding supports H5, which is consistent with the result of Hasnat and Salleh (2018).



**Table 5**

*Correlation Between Experience of Investing in Islamic Unit Trusts and Investors' Behavior when Investing in Islamic Unit Trusts*

Description		Experience of Investing in Islamic Unit Trusts	Investors' Behavior when Investing in Islamic Unit Trusts
Experience of Investing in Islamic Unit Trusts	Pearson Correlation	1	.545**
	Sig. (2-tailed)		.000
	N	125	125
Investors' Behavior when Investing in Islamic Unit Trusts	Pearson Correlation	.545**	1
	Sig. (2-tailed)	.000	
	N	125	125

Note. \*\*Correlation is significant at the 0.01 level (2-tailed).

### **The Correlation Between Experience of Investing in Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts**

The correlation study shown in Table 6 below shows a strong association between investor behavior and experience of investing in conventional unit trusts. The Pearson correlation coefficient, which shows a positive association between variables due to their high level of experience of investing in conventional unit trusts, is 0.384, or positive. Additionally, at the 0.01 level, the Pearson correlation value is statistically significant. However, because the value is so far from 1, the linear relationship between the variables is not at all strong. Furthermore, compared to the experience of investing in conventional unit trusts and investor behavior when investing in conventional unit trusts, the Pearson connection is stronger between the experience of investing in Islamic unit trusts and investor behavior when investing in Islamic unit trusts. So, given a favorable experience with investing in conventional unit trusts, EPF investors will behave favorably. Therefore, this finding does not support H6, which is consistent with the result of Lam (2008).

**Table 6**

*Correlation Between Experience of Investing in Conventional Unit Trusts and Investors' Behavior when Investing in Conventional Unit Trusts*

Description		Experience of Investing in Conventional Unit Trusts	Investors' Behavior when Investing in Conventional Unit Trusts
Experience of Investing in Conventional Unit Trusts	Pearson Correlation	1	.384**
	Sig. (2-tailed)		.000
	N	125	125
Investors' Behavior when Investing in Conventional Unit Trusts	Pearson Correlation	.384**	1
	Sig. (2-tailed)	.000	
	N	125	125

Note. \*\*Correlation is significant at the 0.01 level (2-tailed).

### Discussion from the Objective of this Research

- To examine the relationship between knowledge, religiosity, and experience of investing in Islamic and Conventional Unit Trusts and the behavior of EPF investors.

This study discovered a substantial and favorable correlation between investor behavior in Malaysian Islamic unit trusts and investor understanding regarding Islamic unit trusts ( $r = 0.250$ ;  $p < 0.05$ ). Hence, when their degree of awareness about Islamic unit trusts rises, so will their behavior toward investing in this kind of unit trust, which is consistent with Ibrahim et al.'s (2012) finding. The association between investor behavior and understanding of conventional unit trusts, however, is not statistically significant ( $r = 0.159$ ;  $p > 0.05$ ). Hence, there is little correlation between Malaysian EPF investors' actions and overall familiarity with conventional unit trusts, consistent with Norma et al.'s (2010) and Fikriayah et al.'s (2007) findings. Their decision to invest in this sort of investment will not be influenced by their ignorance of conventional unit trusts. Additionally, this study discovered a substantial and positive correlation between religious belief and investors' behavior when investing in Islamic unit trusts ( $r = 0.453$ ;  $p < 0.01$ ). Hence,

the investors' willingness to invest in the Islamic unit trust fund will be influenced by their level of religiosity, which is consistent with the result of Nathie (2009). However, investors' conduct when investing in conventional unit trusts is not correlated to their religious beliefs when investing in Islamic and conventional unit trusts ( $r = -0.117$ ;  $p > 0.05$ ). This indicates that Malaysian EPF investors' level of religiosity has no bearing on their choice to participate in conventional unit trusts, which is consistent with Fauziah et al.'s (2002) finding. Due to their high level of religiosity, EPF investors in Malaysia prefer Islamic unit trusts, which is consistent with Nathie's (2009) finding that Malaysian respondents strongly prefer Shariah and detest "riba."

According to the research, there is a positive correlation between the conduct of EPF investors and their experience of investing in Islamic and conventional unit trusts, respectively ( $r = 0.545$ ;  $r = 0.384$ ). Additionally, at a statistical significance level of 0.01, the experience of investing in conventional unit trusts correlates to investors' behavior, which is consistent with Lam's (2008) finding, as well as between experience of investing in Islamic unit trusts and investors' behavior, which is consistent with Hasnat and Salleh's (2018) finding. The association between the experience of investing in Islamic Unit Trusts and the behavior of EPF investors is highly positive compared to conventional unit trusts, which is the only difference between investing in Islamic and conventional unit trusts ( $r$ -value of the experience of investing in Islamic unit trusts is close to 1). So, EPF investors in Malaysia used to have considerable investment behavior experiences by placing their funds in both conventional and Islamic unit trusts. However, Nathie (2009) found that negative attitudes and views toward Islamic unit trusts led to poor marketing and an inadequate understanding of agents. This is in contrast to the conclusion that investors' behavior is determined by their knowledge and experience. Additionally, according to the findings, the differences between choosing Islamic and conventional unit trusts based on performance and fund flow criteria are not significant, nor are Islamic investors any different from other investors in terms of their attitudes toward risk, return prospects, and asset inclination. Particularly, Islamic unit trust funds outperform conventional ones in terms of risk management (Nathie, 2009).

### **Implication of the Research**

The following perspectives are presented in relation to the potential consequences of this research.

As a significant sector of the Malaysian economy, the unit trust sector is actually playing a significant role. The unit trust investment is meant to produce a good return for investors. In addition to this, Unit Trusts provide them a terrific technique to acquire greater profits than the typical savings accounts and even the fixed deposits in the long term. The industry will be able to build some effective ways to structure the best unit trust fund to suit investors' needs thanks to the research-produced elements affecting investors to make investment selections (Lam, 2008).

During the period of a positive economic scenario, Islamic unit trust funds outperformed conventional ones (Fikriayah et al., 2007). Additionally, the portfolio of Islamic unit trust funds aids in hedging the downside risk in a challenging economic environment. For instance, the research by Abdullah et al. (2007) indicates that Islamic Unit trust funds outperformed non-Islamic funds in a down economy. This study is extremely important for both government and business.

Thus, the unit trust has helped Malaysia's financial system grow as a whole. Malaysians are becoming increasingly reluctant to invest money in this sector. The findings of this study will help EPF investors select the best unit trust fund, as well as the industry structure business strategies to boost the financial development of the unit trust industry, which in turn aids in the robust long-term growth of the Malaysian economy.

To determine the links between knowledge, religiosity, and experience of Islamic and Conventional Unit Trust and the actions of EPF investors, this research was carried out empirically. It was accomplished by empirically examining the correlations between the research's contributing variables.

## **Conclusion and Recommendation for Future Research**

Generally, the quantitative approach was used to achieve the research goal. The findings of the correlation analysis have achieved the goal of the study. According to the results of the Pearson correlation analysis, there is a positive correlation between Malaysian EPF investors' behavior in Islamic unit trusts and their knowledge of them, religious convictions regarding investing in them, and experiences in investing in Islamic and conventional unit trusts. This finding is consistent with the results of Ibrahim et al. (2012), Nathie (2009), and Hasnat and Salleh (2018). Investors believe that picking Islamic unit trust funds is wise, practical, and advantageous for them. Those who have a strong desire to invest in Islamic unit trust

funds place a lot of weight on the perception of behavioral control. In conclusion, investors can be said to be highly confident in their ability to invest in and choose Islamic unit trust funds. According to Ajzen (1991), knowledge enhancement may directly impact behavior. However, there is no obvious association between investors' behavior in conventional unit trusts, their knowledge of these trusts, and their religious convictions regarding investing in Islamic or conventional unit trusts. This finding is consistent with the results of Norma et al. (2010), Fikriayah et al. (2007), and Fauziah et al. (2002). Therefore, due to their high degree of knowledge, experience, and religious belief, the majority of EPF investors choose Islamic unit trusts for their investments in Malaysia. Overall, knowledge and religious belief cannot be said to be significant and favorable factors in investors' decisions to invest in conventional unit trusts, but experience and knowledge have a significant positive relationship with investors' decisions to invest in Islamic unit trusts. This result is consistent with earlier research by Shanmugham and Ramya (2012) and Alam, Janor, Zanariah, Che-Wel, and Ahsan (2012). In this study, the theory of planned behavior has been employed.

A new topic of inquiry is anticipated to emerge, which could aid in expanding knowledge of the subject matter of the current study. To create a new research dimension in the future, several guidelines can be established. First and foremost, researchers performing their research are advised to use a large number of respondents. Second, the researcher can extend the research to other regions or nations, whether Muslim-majority or Muslim-minority. Third, research on multiple countries or areas may be conducted as part of a comparison study between the world's countries or regions as a whole. In conclusion, they might expand the research framework and introduce additional factors.

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