

**UNIVERSITI TEKNOLOGI MARA**

**RISK TOLERANCE,  
FINANCIAL READINESS, AND  
SERVICE QUALITY TOWARD  
DIGITAL UNIT TRUST  
SUBSCRIPTION INTENTION**

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## ABSTRACT

Recurring financial crimes within Malaysia's digital Unit Trust industry have weakened the credibility of the investment scheme's online digital services (UTODS), as many retail investors perceive these platforms as insecure due to mismanagement. This situation has potentially hindered the industry's growth by reducing subscription intention and raising concerns about investors' risk tolerance and financial readiness in relation to their intention to subscribe. Therefore, this study addresses the gap in understanding the UTODS quality and examines how digital service quality, grounded in SERVQUAL and Technology Acceptance Model (TAM), influences subscription intention. The model integrates retail investors' risk tolerance based on the COSO ERM (2017) framework, and financial readiness, aligned with FINRA (2025), as moderating factors. Using a quantitative design, data were collected from 384 Unit Trust retail investors, and Covariance-Based Structural Equation Modelling (CB-SEM) tested the hypothesized relationships. Findings reveal that six service quality dimensions, excluding empathy, significantly enhance subscription intention, moderated by financial readiness and not risk tolerance. The results from this study have important implications for researchers and financial professionals who are interested in better understanding how UTODS qualities, risk tolerance and financial readiness could potentially influence current and future subscription intention of retail investors in Malaysia.

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# TABLE OF CONTENT

	<b>Page</b>
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>ii</b>
<b>AUTHOR'S DECLARATION</b>	<b>Hi</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>ACKNOWLEDGEMENT</b>	<b>v</b>
<b>TABLE OF CONTENT</b>	<b>vi</b>
<b>LIST OF TABLES</b>	<b>xii</b>
<b>LIST OF FIGURES</b>	<b>xv</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xvii</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Preface	1
1.2 Research Background	1
1.3 Research Gap	12
1.3.1 Quality Gap in Available Online Digital Service.	14
1.3.2 Risk Tolerance Gap.	21
1.3.3 Financial Readiness Gap.	23
1.4 Scope of Study	25
1.5 Problem Statement	27
1.6 Research Objectives	28
1.7 Research Questions	29
1.8 Significance of the Study	30
1.8.1 Theoretical Significance	30
1.8.2 Practical Concerns of the Study	31
1.9 Definition of Terms	31
1.10 Outline of Chapters	32
<b>CHAPTER 2 INSTITUTIONAL SETTINGS</b>	<b>34</b>
2.1 Introduction	34
2.2 Unit Trust Scheme in Malaysia	34

# CHAPTER 1

## INTRODUCTION

### **1.1 Preface**

This chapter elucidates the study's background, encompassing the online digital service subscriptions within Malaysia's Unit Trust industry, their governance, integrity, retail investors' acceptance, platform quality, online risk tolerance of retail Unit Trust investors, the financial readiness of these investors, prevailing subscription issues in Unit Trust schemes, the problem statement, research objectives, research questions, and the study's significance.

### **1.2 Research Background**

Financial criminal activities and mismanagement (Table 1.1), which have been recurring for almost eight years within the Malaysian Unit Trust digital environment, have adversely affected the subscription intentions of retail investors via the UTODS platforms (FFMM-SPS, 2024). As a result of these crimes, a large portion of these prime subscribers are reluctant to use the available UTODS, as they feel insecure exposing their money and personal information online (FIMM-SPS, 2024). Instead, they are more confident using the banks' semi-digital service they perceive as safer and reputable (FFMM-SPS, 2024). FIMM year 2023 investment management survey reported UTODS security challenges faced by industry players include fraudulent activities and unauthorised transactions, data breaches and user privacy concerns, identity theft and account takeovers. Due to these crimes, the industry has also witnessed millions of financial losses suffered by these retail investors (FIMM-AR, 2024), raising doubts about the UTODS's security quality, developed from the DFM framework in 2017. Since the DIM framework was initiated by the SC, the supporting online regulatory provisions that define governance obligations for transacting via UTODS (SC-GL/GOTA-2004 (RI-2017)) have been met with doubt among retail investors and are increasingly perceived as requiring review and enhancement to align with current digital