

Determinants of Public Trust towards Unit Trust Investment: A Study Using PLS-SEM

Zahariah Mohd Zain¹, Roslilee Ab. Halim², Arlinah Abdul Rashid³,
Abdul Yazid Apat⁴, Nurhazirah Hashim⁵ and Abdul Azeez Oluwanisola Abdul Wahab⁶

^{1,2,3}Department of Economics, Faculty of Business and Management,
Universiti Teknologi MARA, Shah Alam Malaysia
²roslilee@salam.uitm.edu.my

⁴Department of Postgraduate Studies, Faculty of Business and Management,
Universiti Teknologi MARA, Shah Alam, Malaysia

⁵Department of Entrepreneurship & Marketing Studies, Faculty of Business and Management,
Universiti Teknologi MARA, Kampus Puncak Alam, Selangor, Malaysia
⁵nurhazirah@salam.uitm.edu.my

⁶Faculty of Economics and Muamalat, Islamic Science University of Malaysia

Received: 13 November 2018 Reviewed: 2 December 2018 Accepted: 24 December 2018

Abstract

There are many types of investment exist in our world. People can choose where to invest their money based on the risk that they are willing to take. There is investment with low risk, medium risk and high risk. Unit trust is classified as medium risk investment. This research will focus on the biggest company in Malaysia that offer unit trust investment to public which is Permodalan Nasional Berhad (PNB) and it wholly subsidiary company, Amanah Saham Nasional Berhad (ASNB). It will focus on finding the determinants to build a trust from public to invest in unit trust. Company strong brand name, word of mouth and effective promotional strategies have been chosen as the independent variables. Primary data will be use in this research in the form of distributing questionnaires and the data will be analysed with the help of Statistical Package for Social Science (SPSS). The findings have shown that all three independent variables have an effect on the dependent variable namely public trust. Using the regression analysis, the most significant independent variable is company strong brand name.

Keywords: Public Trust, Unit Trust Investment, Word of Mouth

INTRODUCTION

Unit trust in Malaysia has been established for quite a period now but there is still people that do know about the existence of unit trust. Unit trust investment can be defined as the type of investment where the public pooled their resources and funds to be invested in some securities or assets. The public does not hold the ownership of securities or assets directly because the ownership is divided into the units that the public purchased. The return on investment of unit holders is usually in the form of income distribution and capital appreciation, derived from the

pool of assets supporting the unit trust fund.

History of unit trust in Malaysia can be seen around the year of 1959 when a unit trust was first established by a company namely Malayan Unit Trust Ltd. During the first two decades of unit trust establishment, public are not very interested to invest in this type of investment which can be seen with the slow growth in the sales of unit trust. The unit trust industry was regulated by several parties including the Registrar of Companies, The Public Trustee of Malaysia, Bank Negara Malaysia and the Ministry of Domestic Trade and Consumer Affairs during the first two decades.

Building the trust from the public is not easy specially to ask the public to start invest in ASNB products. Public need to be convinced that it is worth for them to invest in the unit trust. The first reason that can make the public doubtful to invest in ASNB and PNB products is the syariah status of their products. As stated in article 3 of federal constitution Malaysia is an Islamic country so definitely majority of citizens in Malaysia will be an Islam. From the previous research, Islam citizens is made up of 61.3% if the total population in Malaysia. Before May 2017, the decision made by Syariah Advisory Committee or Majlis Penasihat Syariah (SAC) of Security Commission (SC or Suruhanjaya Sekuriti) that ASB and ASN schemes do not comply with the Suruhanjaya Sekuriti (SC) guidelines on Islamic Unit trust Fund. This makes Islam citizens in Malaysia think twice before investing in PNB. Recently, Jabatan Mufti Negeri Selangor has decided that the law or hukum to invest in PNB wholly subsidiary company ASNB is a must or *Harus*. It has been stated that the investment has achieved more than 66% comply with the Suruhanjaya Sekuriti guidelines on Islamic Trust Fund. This may make the Islamic investor to believe that ASNB has comply with Syariah and start invest in ASNB.

However, another problem has emerged for ASNB with the no longer use of book to make transactions. Older generation feel burden with this development as they are not very good with technology so they cannot use the Myasnb portal. Younger generation may not be affected with this problem as they are very good with technology. Trust from older generation may have decline toward the ASNB so this is one of the crucial problem that just emerged. Recent political change in Malaysia also may lower the public trust to invest in ASNB. Public are afraid that new government may shut down or close the transaction in PNB. For example, in budget 2018, ex-Prime Minister Datuk Seri Najib Razak announced that indian community can continued to invest in Amanah Saham 1Malaysia (AS1M) until it become full. Datuk Seri Najib Razak open the amount for Indian community to invest up to RM1.5 billion and each individual can only invest as much as RM30000 only. Public are afraid that new prime minister may change this policy so they are afraid to invest in ASNB. Another example, is ADAM50 or Amanah Dana Anak Malaysia 2050 where a baby that born in 2018 until 2022 can open an account in ASNB with the RM200 incentives that will be credited to the baby account. This is one of policy announced by ex- Prime Minister Datuk Seri Najib Razak. With the new government and new prime minister, the public are afraid that this policy also will change which reduce the public trust toward ASNB.

All of this will affect the public trust which make the low rate of participation in unit trust investment by bumiputera and non-bumiputera. Public also are not exposed to this investment so public may not know about this investment. Public may know the company name but do not know how the unit trust investment and the benefits toward them.

LITERATURE REVIEW

Trust can be defined in many ways and many levels. It can be analysed within individual, group, organizations, inter-organizations or at societal levels. Basically, trust can happen between anyone such as sellers and customers (Fuan, L & Betts, C. S., 2011). There are several definitions made by the scholars about the definition of trust. For example, trust is the readiness of two parties to rely on each other when there is certainty (Moorman, Deshpande & Zaltman, 1993). Another scholar stated that trust is defined as the feelings that when the parties involved in the conflict are treated fairly with a good faith effort (Tyler & DeGoeij, 1996). For an economist, trust is viewed as a calculated probability of an event given their commitment to the agency theory (Williamson, 1993). Trust also can be defined in other terms such as psychologists consider trust as a psychological state of attitude, tendency or personal trait of taking the risk (Rotter, 1967).

Trusts have been defined in many ways so it can be very confusing to understand if there is no coherence in terms of defining trust. Basically, all the scholars that define trust have agreed that trust involves two parties which the two parties must have confidence in each other so that they can benefit from the trust. Trust cannot be measured as it is qualitative so it depends on people involved in the trust and how they interpret the trust itself. Basically, it depends on the individuals themselves on how they want to think about the trust (Siti Haryati Shaikh Ali & Nurul Syamimi Kamarudin, 2014). Trust also can be defined as a consumer's confident beliefs that he or she can rely on the seller to deliver promised services, whereas a relational value can be defined as a consumer's perceptions of the benefits enjoyed versus the cost incurred in the maintenance of an ongoing exchange relationship (Agustin and Singh, 2005).

There are many ways on how trust can work between two parties. Basically, past researchers state that trust is a choice. It is the decision that must be made whether to trust or not to trust someone either a person, organizations or even a business. Trust is based on an alternative course of choice that the person can choose. For example, a person can choose to not to be operated with a less familiar as the sense of the trust is lower toward a stranger or toward the unfamiliar person. Other ways that trust can work is trust is relational and trust is a psychological state (Fuan, L & Betts, C. S., 2011). There are many variables that can affect trust especially trust from the public such as advertising of the products which can appeal to attract the customers.

During the 9th and 13th centuries there were inhabitants of Scandinavia where they used a language called Old Norse which is a North Germanic Language which has a word called *brandr* where the word *brand* was derived. The word can be translated literally which is as "to burn". Livestock was heated with iron so that it can be identified as a brand for the owners of the livestock (Upendra Kumar Maurya, 2012). That is what people believe where the word *brands* come from. The consequences of brands can be seen with the existence of product differentiation and market segmentation. Businesses do product differentiation then they identify it as their brands. Organizations that have certain products and services can use the term *brands* which show that their products and services are under their name but brands can involve other things too (Kapferer, 2004). The term market segmentation refers to grouping their potential customers based on specific characteristics meanwhile when a company makes a minor variation on a product to make the customers feel like they have a lot to choose then it is one of the marketing strategies called product differentiation. One of the strategies to gain a competitive advantage is to have a favourable corporate identity where the term *brands* is defined as the

company itself (Van Reil and Balmer, 1997). It means that the company can distinguish themselves from other with the company brand name itself and it itself can be consider as competitive advantages against their competitors. Other term of brands can be used as legal instrument, logo or as a company (Varadaranjan et al., 2006). Brands definitely have an effect on the customers itself. When customers have the trust to purchase the brand then it can be viewed as leverage of credibility, which later can make the customers to purchase the items of brands repeatedly (Amine, 1998). The term brand trust can be define as the ability of the brand to perform its stated function which can affect the willingness of the average customers to purchase or not (Chaudhuri, and Holbrook, 2001). Basically, brands can gain customers trust or decrease the customers trust towards the products, companies or services. Past researcher has associated that brands can give effect to customer trust.

Daily interaction with other human beings by meeting face to face is very important. This is because people can know about certain products or services by the feedback or information from other person (Taylor et. al, 2012). Face and face interaction can make information spread fast when one person share the information with one person then the other person spread it to other people. This type communication channel happen because people want to make a careful judgement before purchasing a product or service by gathering information and opinions from other people (Attia et al, 2012). People want to know about their products or services before purchasing them so they survey about it beforehand. With the development of technology, the usage of internet has become common which also affect the meaning of word of mouth. Basically, the definition of word of mouth has become wider. It not just about face to face interaction only but also involve the information that been gathered in the internet. By using the Internet, information is available to a lot of people so any positive or negative statement by the user of certain products or services can be use as the definition of word of mouth (Hennig-et .al. 2004). Blogs, social media, forums can be used as a place to share information and gain information (Chu & Kim, 2011). The internet definitely made the sharing session and getting in touch with people around the world easier so nowadays, online word of mouth is more favourable. The existence if social networking tools such as Instagram, Facebook and Twitter definitely make things easier which then become the replacement for email, face to face interaction and even phone calls (Ho, J.Y., & Dempsey 2010).

Past studies show that customers' decision can be affected by the word of mouth so word of mouth is very important factor (Allsop et al.2007). Word of mouth is definitely an important channel in marketplace as it can make other customers to purchase and have trust on the products when they gather information about the products (Siti Haryati Shaikh Ali & Nurul Syamimi Kamarudin, 2014). Advertising, sales promotion or personal is the three categories of promotional strategies. The first one is advertising. The act of advertising is when the identified sponsor get paid for the non-personal presentation of goods and services (Kotler, 2004). The meaning of non-personal is the targeted of the act is not on any single person. The relation methods to select the type of advertising media shall be use by the managers (Amin Asadollahi, 2011). Advertisement in radio and television or printed in newspaper and magazine can be the way to advertise to products and services. Sales can be affected directly with the type of advertising chosen so the one who want to advertise must select it carefully. The researcher Yongjun Sung, Heidi J Hennink- Kaminski (2008) said that the reason that advertisement is an effective medium because of many reason. Effectively can convey longer messages are one of the reasons. From the past studies, advertising is variable that affect the trust positively.

Next is personal selling. It can be said as the form of business relation with the

customers. Efficient functioning firm that deal with customers must maintain business relations that are managed by individuals and human performance (Roman & Martin, 2008). Another definition is it is the act of persuading specific customers to purchase the products or services where it is very important part to see if the marketing succeed or not (Jaramilo & Marshall, 2004). The nature of personal selling is that it is must be done by face to face interaction so it is more persuasive than advertising. Another category is sales promotion where it is a favourite marketing tools use by the manufacturers. More than half of their communication budget is use for it (Low & Mohr, 2000). Mass offer is one of the sales promotion marketing activities (Mitchell, H., 2000). Gaining trust from the customers is very important so one of the categories in promotional strategy must be use.

METHODOLOGY

This study was conducted by using correlational research technique which describes the relationship among variables (Salkind, 2009). This research is designed to investigate the relationship service experience equity (i.e. service convenience, service environment, employee service and hedonic service) and behavior intention among eco-resorts' guests. The sample was collected from selected ten eco-resorts in Malaysia using purposive sampling technique. This technique is used as it provides fast, inexpensive and easier for the researcher to obtain the data. These data were coded and analyzed using SmartPLS version 2.0.

RESULTS AND FINDINGS

Partial least squares (PLS) technique also known as components-based structural equation modeling (SEM) is used to analyze the data in this study. PLS-SEM can evaluate the psychometric properties by using the measurement model and estimate the parameters via structural model (Chin, 1998). Hitherto, the objective of using PLS-SEM is to maximize the explained variance of the endogenous variables (i.e. behavior intention). Referring to Anderson and Gerbing (1988), the measurement model was first determined to measure the convergent and discriminant validity then followed by assessing the structural model. On the other hand, the bootstrapping method (500 re-samples) was used to determine the significance levels for loadings, weights and path coefficients (Chin, 1998).

Measurement model

The measurement model consists of relationships among the latent variables and their items/indicators. It is required to establish the construct validity for the measurement model before evaluating the structural model for hypothesis testing. Items in the measurement model need to demonstrate sufficient convergent and discriminant validity as a condition for establishing a structural model (Hair et al., 2006).

Convergent Validity

Table 1.0 presents the items loadings, average variance extracted (AVE) and composite reliability (CR) of this study. Based on the results, the items loadings of all indicators in this study ranging from 0.678 to 0.951 exceeded the required cut-off level of 0.60 (Bagozzi & Yi, 1988). Moreover, the composite reliability values for all the constructs that are ranging from 0.955 to 0.968 surpassed the threshold value of 0.70 (Hair et al., 2006) while the AVE values for each construct ranging from 0.783 to 0.941 exceeded the suggested value of 0.50 by Fornell and Larcker (1981). Hence, the convergent validity of this study was established.

Table 1.0 Items loadings, AVE and CR

Construct	Items	Loadings	AVE	CR
Public Trust	BI1	0.905	0.783	0.955
	BI2	0.932		
	BI3	0.939		
	BI4	0.911		
	BI5	0.915		
	BI6	0.678		
Company Strong Brand Name	SEE		0.941	0.968
Word of Mouth	SC1	0.927		
	SC2	0.941		
Effective Promotional Strategies	SE1	0.797		
	SE10	0.776		
	SE2	0.836		
	SE3	0.861		
	SE4	0.867		
	SE5	0.870		
	SE6	0.840		
	SE7	0.773		
	SE8	0.769		
SE9	0.804			

Discriminant Validity

Table 2.0 shows the latent variable correlations with square root of average variance extracted in this study.

Table 2.0 Latent variable correlations with bolded square root of the AVEs

	Public Trust	Company Strong Brand Name	Word of Mouth	Effective Promotional Strategies
Public Trust	0.8846			
Company Strong Brand Name	0.7428	0.9402		
Word of Mouth	0.7370	0.7534	0.9241	
Effective Promotional Strategies	0.7423	0.7414	0.7316	0.9342

Note: Diagonals represent the square root of the AVEs while the off-diagonal entries represent the correlations between constructs

After convergent validity was satisfied, then discriminant validity can be tested in order to identify the degree to which the measures of different constructs are distinct from one another and by assessing the comparison of correlations between constructs with the square root of the AVE for each construct (Fornell, & Larcker, 1981). Based on Table 2.0, the elements in the matrix diagonals which represent the square root of the AVEs are found to be greater in all cases than the off-diagonal elements in their corresponding row and column, therefore, demonstrating that discriminant validity was satisfactory.

Structural Model

After the measurement model was satisfied, then the structural model was analyzed. The structural model in this study presents the hypothesized relationship between company strong brand, word of mouth and effective promotional strategies with public trust. Figure 1.0 shows the R² result for the structural model in this study. The explanatory power of the estimated model can be assessed by observing the R² of the endogenous construct. Hence, the R² value for this model was 0.583, representing that 58.3% of the variance in public trust can be explained by all the exogenous variables in the model.

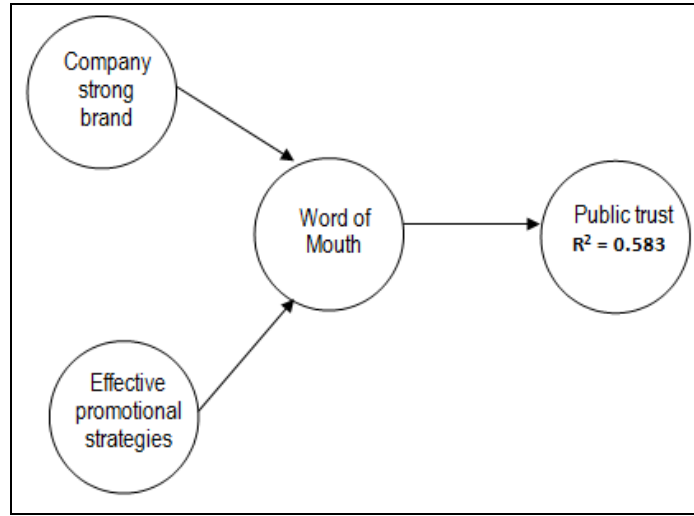


Figure 1.0 Structural Model of the Study

Table 3.0 Results of Hypothesis Testing

Hypothesis	Relationship	Standardized Beta	Standard Error	t-value	Decision
H1	Company Strong Brand Name => Public Trust	0.306	0.084	3.639**	Supported
H2	Word of Mouth => Public Trust	0.279	0.088	3.182**	Supported
H3	Effective Promotional Strategies => Public Trust	0.250	0.103	2.422**	Supported

Similarly, results of t-value in this study also reported that company strong brand, word of mouth and effective promotional strategies have a significant relationship with public trust with the value of 3.639, 3.182 and 2.422 respectively. Therefore, based on the above results, all hypotheses were supported.

DISCUSSION AND CONCLUSION

The importance of public trust plays many roles in the many aspects. Public trust definitely has an effect on the economy. Public play an important role in the economy. The circular flow in the economic activity itself show the importance of investment or in this research is getting the public trust to invest.

Household make private savings in the financial institutions that they choose such as commercial banks and ASNB. Then the financial institutions use it to make investment in the business sector. The highlighted part is highly related with ASNB. People set aside some money to save in ASNB products then PNB use the money to invest in core companies and strategic companies such as Maybank, Sime Darby and TM. The investment made by PNB helps the companies to use it as their capital to run their business. This definitely will increase the productivity of the business and later increase the nation GDP. More money circulated in the economy being used for investment can make the nation increase the economic growth. Public need to realise that this connection exist in the economy so their contribution is needed. Public is not gaining negative effective from the savings that they made but instead they get return from it in term of dividend. Public trust definitely plays an important role in economy so it is important to the PNB and ASNB to gain the public trust with some strategy such as effective promotional strategies. It can be concluded that the changes in public trust can be explained with the changes in word of mouth, company strong brand name and effective promotional strategies. However, future research can use other variables which may also have an effect on public trust such as perceived risk on the investment.

REFERENCES

- Allsop, D. T., Bassett, B. R., & Hoskins, J. A. (2007). Word-of-mouth research: principles and applications. *Journal of Advertising Research*, 47(4), 398.
- Amin Asadollahi, Seyedsina Fallahhosseini (2011), The Role of Green Marketing in the Recycling of Electronic Case Study: Computer and Mobile to Iran, *European Journal of social Sciences- Volume 23, Number 4*
- Attia, A. M., Aziz, N., & Friedman, B. A. (2012). The impact of social networks on behavioral change: a conceptual framework. *World Review of Business Research*, 2, 91-108.
- Chu, S. C., & Kim, Y. (2011). Determinants of consumer engagement in electronic word-of-mouth (ewom) in social networking sites. *International Journal of Advertising*, 30(1), 47-75.
- Fuan Li, Stephen C. Betts. (n.d.). Trust: What It Is and What It Is Not. *International Business & Economics Research Journal*, Volume 2, Number 7.
- Hennig-, T., Gwinner, K. P., Walsh, G., & Gremler, D. D. (2004). Electronic word-of-mouth via consumer-opinion platforms: what motivates consumers to articulate themselves on the internet?. *Journal of interactive marketing*, 18(1), 38-52.
- Jaramilo, Fernando & Marshall, Greg (2004). Critical success factors in the Personal Selling Process, *The international Journal of Bank Marketing*, 229(1), (pp 9-25).
- J. Y., & Dempsey, M. (2010). Viral marketing: Motivations to forward online content. *Journal of Business Research*, 63(9), 1000- 1006.

- Kapferer, J.N. (2004). *The New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term*. London: Kogan Page 89.
- Kotler, P., Armstrong G., (2004), *Principle of Marketing* (10th edition), Prentice Hall, Uper Saddle River, New Jersey.
- Low, G.S., Mohr, J.J. (2000), advertising vs. sales promotion: a brand management perspective, *Journal of product & brand management*, Vol. 9 No. 6, pp. 389-414.
- Mitchell, H. (2000), the Communication Mix. In: *Marketing Management: A relationship marketing perspective*, edited by Cranfield School of Management, Palgrave Macmillan, Basingstoke, pp. 196.
- Moorman, Christine, Rohit Deshpande, and Gerald Zaltman, "Factors Affecting Trust in Market Research Relationships," *Journal of Marketing*, 57 (August), 81-101.
- Philip Kotler, Gary Armstrong, Prof John Saunders, Prof Veronica Wong (2011), in *Principles of Marketing: European Edition*, (pp 532-539), Europe: Prentice Hall.
- Roman & Martin (2008), Changes in Sales call frequency; a longitudinal examination of the consequences in the supplier customer relationship. *Industrial Marketing Management*, 37(g), pp 554-564.
- Rotter, Julian B. (1967), "A New Scale for the Measurement of Interpersonal trust," *Journal of Personality*, 35, pp 651-65.
- Siti Haryati Shaikh Ali & Nurul Syamimi Kamarudin (2015), Determining Ways of Developing Trust towards Investment in Unit Trusts Fund, *Journal of Applied Environmental and Biological Sciences*, Vol. 4 pp 88-93.
- Taylor, D. G., Strutton, D., & Thompson, K. (2012). Self-Enhancement as a Motivation for Sharing Online Advertising. *Journal of interactive marketing*, 12(2), 28.
- Tyler, Tom R. and Peter DeGoey (1996), "Trust in Organizational Authorities: the Influence of Motive Attributions on Willingness to Accept Decisions," in *Trust in Organizations*, eds. Roderick M. Kramer and Tom R. Tyler, Thousand Oaks, Calif.: Sage Publications.
- Upendra Kumar Maurya (2012), what is a brand? A Perspective on Brand Meaning, *European Journal of Business and Management*, Vol 4, No.3, pp 122- 133.
- Van Riel, C. B., & Balmer, J. M. T. 1997. Corporate identity: The concept, its measurement, and management. *European Journal of Marketing*, 31, pp. 341-355.
- Varadarajan, R., DeFanti, M. P., and Busch, P. S. (2006). Brand Portfolio, Corporate Image, and Reputaion: Managing Brand Deletions. *Journal of the Academy of Marketing Science*, 34(2), 195-205.
- Williamson, Oliver E. (1993), "Calculativeness, Trust, and Economic Organization," *Journal of Law & Economics*, XXXVI (April), 453-86.
- Yongjun Sung, Heidi J Hennink- Kaminski; (2008); *Journalism and Mass communication Quarterly*; 85;2; Proquest Education Journal