

# What Drive Investors to Invest in Socially Responsible Investment Sukuk? A Pilot Study

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## ABSTRACT

*Socially Responsible Investment (SRI) Sukuk has been around for almost a decade in Malaysia to promote funding for sustainable and responsible investment. Yet the issuance of SRI Sukuk remains limited and concentrates only on renewable energy projects. As the Sukuk is issued based on demand, it is crucial to identify the factors stimulating that demand. Theoretically, investors' attitudes towards the investment and the financing instrument, subjective norms, and moral intensity may influence such demand. Thus, this study intends to investigate the impact of attitude (AT), subjective norm (SN), and moral intensity (MI) on SRI Sukuk investors' intention (SII). It also adopted an online survey technique to collect 55 samples from fund managers of institutional investors. The study employed the Partial Least Square Structured Equation Model (PLS-SEM) to analyse the data. The results revealed that all three variables did significantly influence SII. This study contributes to the literature of SRI Sukuk, which was still limitedly*



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*explored. This study also contributes to the advancement of Islamic finance by helping in reducing the gap between Islamic finance theory and practice, which has long been criticised for its inconsistency.*

**Keywords:** *Socially Responsible Investment; SRI Sukuk; Sustainable; Islamic Finance; Theory of Planned Behavior; Issue-Contingent Model*

## **INTRODUCTION**

Socially Responsible Investment Sukuk, which is a Syariah Compliant Bond, is known as SRI Sukuk. SRI Sukuk is a social impact bond that adheres to the Islamic law (Syariah) to fund any activities or projects related to green, social, sustainable or endowment (waqf) assets. SRI Sukuk framework was introduced by the Securities Commission (SC) Malaysia in 2014 (Azman et al., 2022; Foglie & Keshminder, 2022; Owais & Mustafa, 2018). This financial instrument can handle social problems in the waqf asset improvement (Zain & Sori, 2020), poverty alleviation (Dalhatu & Sharofiddin, 2021; Marwan & Ali, 2016a) refugee crisis (Mahomed et al., 2021), and provide environmental protection (Alam et al., 2016), and assistance in the growth of microfinance (Khouildi & Kassim, 2018). Its funds may also be allocated to projects like renewable energy projects, clean transportation, green building, food security, vaccine or employment generation (Rahman et al., 2020).

Unfortunately, despite its immense capability, the issuance of SRI Sukuk is low and concentrates on green projects (Drum, 2019; Foglie & Keshminder, 2022). Furthermore, in comparison to its conventional part, the issuance of SRI Sukuk remains relatively small. The overall amount of SRI Sukuk and global SRI issuance in 2021 was USD 6.103 billion (Refinitiv, 2022) and USD 1.1 trillion (Harrison et al., 2022) respectively. In addition, only a country appeared to be the focus of SRI Sukuk issuance. Out of the 18 issuances worldwide as of 2019, 11 were issued in Malaysia (Mardi et al., 2020). To realize the financial product's stated potential, increasing in SRI Sukuk issuance is needed.

Furthermore, Islamic finance has always been criticised since the objective of Islamic finance is not reflected in its product (Marwan & Ali, 2016a). The principles of Islam have not been displayed in the financial

instruments and it is necessary to bridge the gap by including social responsibility (Kassim & Abdullah, 2018; Khouildi & Kassim, 2018; Ng et al., 2015; Owais & Mustafa, 2018). SRI Sukuk is a product that has the potential to provide the much-needed social impact, that is likely to be lacking in its current practice (Khouildi & Kassim, 2018; Marwan & Ali, 2016a, 2016b). Therefore, SRI Sukuk issuance is important to foster and support the growth of the Islamic financial market.

Additionally, SRI Sukuk can address Islamic sustainability challenges. For example, SRI Sukuk can be used to fund projects for waqf assets development (Securities Commission Malaysia, 2019). Other than that, it can be used to support Islamic microfinance which can provide Syariah-compliant financial support (Khouildi & Kassim, 2018). Thus, the increase of SRI Sukuk is important to realize its potential, support the Islamic financial industry and address Islamic sustainability issues.

SRI Sukuk is an instrument based on demand (Bennett & Iqbal, 2013) in which the demand from investors significantly affected the frequency and size of its issuance. Therefore, one plausible reason for its small number in the market is the low demand from investors. Rahman et al. (2020) explained that the difficulty of SRI Sukuk in generating interest from investors and the risk of losing initial capital contribute to the low demand for the Sukuk, while Chew (2015) claimed that it is challenging to attract potential investors as the concept of SRI Sukuk is still relatively new.

SRI Sukuk can be considered relatively new since the awareness about SRI Sukuk is low among investors and issuers (Azman et al., 2022; Radzi & Sakai, 2022; Rahman et al., 2020). Furthermore, the issuance of SRI Sukuk remains low in comparison to the conventional SRI (Drum, 2019; Foglie & Keshminder, 2022). Moreover, the market for SRI Sukuk is still in its early development stage (Foglie & Keshminder, 2022). The SRI Sukuk framework was introduced in 2014 in Malaysia (Azman et al., 2022). Since then, only 18 issuances were made worldwide as of 2019 (Mardi et al., 2020). Among them was Sukuk Ihsan which was issued in 2015, three SRI Sukuk which were Tadau Energy, Quantum Solar Park and PNB Merdeka Ventures in 2017, UiTM Solar Power in 2018 and Edra Solar in 2019 (Securities Commission Malaysia, 2020).

Therefore, the objective of this study is to discover the determinants of the investors' investment intention to invest in SRI Sukuk (SII). Grounding on the Theory of Planned Behavior (TPB) and the Issue-Contingent Model (ICM), three determinants are examined namely, attitude (AT), subjective norms (SN), and moral intensity (MI).

Questionnaires have been distributed among fund managers, resulting in the collection of 55 questionnaires suitable for analysis. The analysis of the partial least squares structural equation (PLS-SEM) revealed that attitude (AT), subjective norms (SN), and moral intensity (MI) contributed to SRI Sukuk investment intention (SII).

This study holds significant importance due to the scarcity of research endeavours in examining the factors that influence investors' intention to invest in SRI Sukuk. Furthermore, the concept of SRI Sukuk is regarded as irrational in the financial theory (Hofmann et al., 2008; Lewis & Mackenzie, 2000; Monicah & Shiundu, 2020) as it is driven not merely by financial motives but also by religion and social objective of the investors. Hence, the combination of both the Theory of Planned Behavior (TPB) and the Issue-Contingent Model (ICM) in this study is crucial to capture the multiple objective investments (financial, religious, and social objectives). The result of this study can assist policymakers in developing appropriate marketing strategies through identified determinants to improve SRI Sukuk demand and issuance.

Additionally, this study extends towards the body of knowledge, practice improvement, policymakers, the government, and Islamic finance itself. The additional SRI Sukuk literature will be beneficial to practitioners and researchers alike as the conventional SRI seems to be the focus of the majority of previous studies on the relationship investigation between determinants and intention. Moreover, the increasing volume of papers in SRI Sukuk may pique the interest of additional researchers leading to more thorough scientific investigations in this area. Furthermore, by identifying the factors that influence SII, the authorities will be able to develop an effective plan to increase SRI Sukuk usage. Additionally, governments or organisations may benefit greatly from the findings of this study to improve SRI Sukuk investments, particularly in Islamic nations. This study will also contribute to the development of the Islamic financial market by strengthening the value of the Islamic ruling objective (Maqasid al-Syariah)

in daily life, especially in the conduct of business and investment strategy. Moreover, this study will help to reduce the gap between Islamic financial theory and practice. According to Kassim and Abdullah (2018), Marwan and Ali (2016b), Mohammad and Shahwan (2013), Owais and Mustafa (2018), and Radzi and Sakai (2022), the true objective of Islamic finance is not found in the finance product since most products are focusing on the finance aspect instead of the social aspect.

This section covers the organisation of this paper. The second section discusses the literature related to AT, SN and MI along with the hypotheses. The third section describes the research design, including the instrument measurement and data analysis. Section four contains the findings and discussion of the study. The last section summarises the study's limitations and future research possibilities.

## **LITERATURE REVIEW**

### **Socially Responsible Investment (SRI) Sukuk**

SRI Sukuk is defined as an Islamic bond that takes the form of a Social Impact Bond and adheres to the principles of Syariah (Alam et al., 2013; Wilson, 2008; Marwan & Engku Ali, 2016a). According to Kassim and Abdullah (2018), SRI Sukuk can be referred to as a Syariah-compliant social impact investment. SRI Sukuk also known as financial instruments, was designed specifically to finance projects that meet specified environmental, social or identical criteria (Richardson, 2020). Generally, SRI Sukuk can be identified as a social bond that complies with the Syariah law.

### **Islamic Finance and SRI**

Sairally (2007) claimed that Islamic finance has always been compared to SRI. Previous researchers have identified several similarities between Islamic finance and SRI concepts. SRI and Islamic finance are both built on the same premise of employing money in accordance with moral principles. Furthermore, Islamic finance theory and SRI promote environmental protection, embody the risk-sharing principle, which is in

accordance with part of Maqasid al-Syariah, and have been primarily driven by demand.

Because of the similarities and compatibility of SRI with Islamic finance, experts and academics such as Bennett and Iqbal (2013), Kassim and Abdullah (2018), Marwan and Ali (2016a, 2016b), and Khouildi and Kassim (2018) claimed that SRI has the potential to fill the gap in Islamic finance. Therefore, a new Sukuk with SRI features were designed and launched as a new Islamic product called SRI Sukuk.

Despite the similarities, the product of SRI Sukuk differs from conventional SRI. The section that follows will look into the differences between SRI Sukuk and conventional SRI.

## **SRI Sukuk and Conventional SRI**

Conventional SRI is a financial instrument that offers financial returns while upholding moral principles and fostering positive societal impact. Conversely, SRI Sukuk is a Syariah-compliant Islamic bond that upholds Maqasid Al-Syariah's principles as well as moral values and positive societal impact.

The difference between both instruments lies in the core values; conventional SRI is related to moral ideals while SRI Sukuk is based on religious foundations (Radzi & Sakai, 2022), screening process; conventional SRI procedure is focused on financial and social aspects while SRI Sukuk includes Syariah compliance as primary factors (Azman et al., 2022; Bennett & Iqbal, 2013), guarantees of capital; SRI Sukuk allows for the provision of a capital guarantee, but conventional SRI often does not (Azman et al., 2022), financial risk; conventional SRI's investors can be said has higher risk compared to SRI Sukuk's investors (Azman et al., 2022), rating requirements; the issuance of SRI Sukuk requires a credit rating, however, conventional SRI don't seem to need any rating standards (Azman et al., 2022), and group of investors for both products are different.

## **Theory of Current Study**

Social psychological theories like TPB and ICM have been employed in several prior studies to identify the intention of investors. In

TPB, the intention is controlled by three elements: attitude, subjective norm, and perceived behaviour control. Meanwhile, in ICM, the intention is established by going through three stages before engaging in certain behaviour. These stages including intention were influenced by moral intensity and organizational factors. This study aims to examine the influence of attitude, subjective norms, and moral intensity on SRI Sukuk intention.

## **Intention**

Intention refers to the extent that an individual is willing to try and attempt to perform a behaviour (Ajzen, 1991). The greater the intention to engage in a particular behaviour, the higher the probability of actual performance. The subsequent section delves into an analysis of preceding research concerning the interconnected theories of intention and its underlying determinants.

## **Theory of Planned Behaviour**

The TPB is a concept used to study the behaviour and intention of humans and it was constructed by Ajzen (1985). It is a theory that has been employed by a lot of scholars to examine the intention or behaviour (Adam & Shauki, 2014; Osman et al., 2020). TPB suggests that someone's intention is a direct factor in influencing his or her decision to engage in an activity. Intention itself is determined by attitude, subjective norms, and perceived behaviour control.

## **Attitude**

Attitude is an assessment of a certain action or activity in which individuals may find the action appropriate or not (Ajzen, 1991). The interest in performing a behaviour or action is higher for individuals who have a positive attitude towards the behaviour itself (Sanchez-Medina et al., 2014).

From the literature review of Sukuk, Ashidiqi and Arundina (2017), Awn and Azam (2020a, 2020b), Bin-Nashwan et al. (2022), and Bin-Nashwan and Muneeza (2021) reported a significant positive relationship between attitude and the intention to invest in Sukuk. Meanwhile, Warsame

and Ileri (2016) discovered that attitude has a positive effect but no significant influence was identified on the intention to invest in Sukuk. Furthermore, in the studies in the SRI part, Adam and Shauki (2014), East (1993), Gamel et al. (2022), Garg et al. (2022), Hofmann et al. (2005, 2008), Khan and Alam (2019), Osman et al. (2020), Raut et al. (2020), Talha et al. (2012), and Thanki et al. (2022) found that the intention to invest in SRI was significantly and positively influenced by attitude.

This study defines attitude as the investors' perceptions of SRI Sukuk investment outcomes. The more positive the investors find the outcome of SRI Sukuk investment, the stronger the intention to acquire SRI Sukuk. Thus, the following hypothesis is formulated:

H1: There is a positive relationship between attitudes and the intention to invest in SRI Sukuk.

### **Subjective norm**

Subjective norm is the perception of social pressures by individuals to act in a specific way (Ajzen, 1991). It is the individual's interpretation of others' opinions about the action (Carpenter & Reimers, 2005) It can also be explained as an individual's perception that their significant others think of how the individual should act (Ajzen & Fishbein, 1977; Randall & Gibson, 1991).

Investors' decisions about their investment strategies may be influenced by the opinions and perceptions of others, such as spouses, superiors, regulators, and communities (Pitluck, 2008). Ashidiqi and Arundina (2017), Awn and Azam (2020), Bin-Nashwan et al. (2022), and Bin-Nashwan and Muneeza (2021) reported that the intention to invest in Sukuk was positive and significantly influenced by subjective norms. Meanwhile, Warsame and Ileri (2016) stated that subjective norms did not significantly influence the intention to acquire Sukuk. Prior studies of SRI by Osman et al. (2020) identified subjective norm to be a less significant variable influencing the intention to invest. However, studies by Adam and Shauki (2014), East (1993), Gamel et al. (2022), Garg et al. (2022) Khan and Alam (2019), Osman et al. (2020), Raut et al. (2020), Talha et al. (2012), and Thanki et al. (2022) revealed that subjective norm was a significant and positive factor in determining the intention of investors.



The subjective norm in this study refers to investors' judgments of others' acceptance, approval, and encouragement regarding SRI Sukuk. If investors discover that others are approving or encouraging them to invest in SRI Sukuk, they will be more likely to do so. Based on this argument, the following hypothesis is formed:

H2: There is a positive relationship between subjective norms and the intention to invest in SRI Sukuk.

### **Issue-Contingent Model**

The ICM is a framework that accurately assesses moral behaviour (Hofmann et al., 2005, 2008) and divides moral decision-making into four stages (Rest, 1986). Initially, the individuals will assess the moral dilemma. Next, they will make an ethical judgment. After that, they will create the intention to perform the behaviour. Finally, the individuals will behave according to their desired behaviour (Hofmann et al., 2008). According to Rest (1986), development occurs in stages, with each one progressing after the one before it has reached maturity. The four stages in ICM are defined by two variables; moral intensity and organizational factors (Hofmann et al., 2005, 2007, 2008; Talha et al., 2013).

### **Moral intensity**

There are six aspects of moral intensity: (1) magnitude of consequences, (2) social consensus, (3) probability of effect, (4) temporal immediacy, (5) proximity, and (6) concentration of effect (Jones, 1991). The magnitude of consequences is referred to as the overall advantages or damages that individuals may experience due to the behaviour in question (Jones, 1991). The social consensus is described as whether the behaviour is deemed good or bad in society (Jones, 1991). The probability of effect is defined as the possibility of the expected advantages or damages from certain behaviour to happen (Jones, 1991). Temporal immediacy is referred to the duration of the effect from the behaviour to take place. The proximity is related to the individuals' feelings towards other individuals who may be affected by the behaviour in question. Lastly, the concentration of effect refers to the strength of the impact resulting from the behaviour.

According to Jones (1991), moral intensity is directly related to intention. According to the study by Talha et al. (2013) and Lin et al. (2018), there is a significant and positive influence of moral intensity on intention. Talha et al. (2013) discovered that most of the characteristics of moral intensity play a vital role in determining intention. The study by Lin et al. (2018) found that there is a positive and significant relationship between perceived moral intensity and intention in acquiring SRI. In similar studies, Bayer et al. (2019) and Hofmann et al. (2005, 2007, 2008) reported that moral intensity had no significant effect on intention. Nevertheless, the study by Hofmann et al. (2008) did reveal that the social consensus component improves intention.

In this study, moral intensity is presumed to determine the intention of investors to invest in SRI Sukuk. Investors will have a stronger intention to invest in SRI Sukuk if components of moral intensity are highly prevalent. The statements lead to the following hypothesis:

H3: There is a positive relationship between moral intensity and the intention to invest in SRI Sukuk.

## **RESEARCH METHODOLOGY**

This study employed quantitative techniques through a survey to investigate the relationship between AT, SN, and MI with SII by adhering to a positivist paradigm. The data were gathered from fund managers of institutional investors. This is due to the fact that the socially responsible investor is likely to be identified among institutional investors rather than retail investors (EUROSIF, 2018; GSIA, 2018; Hrob et al., 2010; Kassim & Abdullah, 2018). Moreover, institutional investors around the world have been encouraged to take the lead on SRI initiatives such as SRI Sukuk (Sethi, 2005; Talha et al., 2012). Fund managers are deemed suitable as they are responsible to manage the money entrusted by implementing investment strategies and overseeing portfolio trading activities for institutional investors.

This study includes both fund managers from public and private institutional investors. The public institutional investors are from the federal level (such as Permodalan Nasional Berhad (PNB), Kumpulan Wang

Simpanan Pekerja (KWSP) and Lembaga Tabung Haji (LTH)) (Abdul Wahab et al., 2008) and state level (such as Menteri Besar Incorporated, and the State Islamic Foundation). Private institutional investors are independent companies that trade in financial markets. These private institutional investors in Malaysia include asset management companies, insurance companies, takaful companies, stockbroking firms, banks, and real estate investment trust funds (REIT).

## **Instrument and Measurement**

For the data collection, online surveys or internet surveys were used to gather the samples. 120 identified institutional investors were reached out by mailing emails containing the link to the survey and a soft copy. To enhance the data collection, follow-up approaches including phone calls and emails were conducted.

The survey for this study was divided into four (4) parts. The first part comprises items related to SII which was developed by employing the study of Adam and Shauki (2014). Five-point Likert scales (1 – Strongly Disagree to 5 – Strongly Agree) were applied to measure the items. The items were deployed to evaluate the propensity to invest in SRI Sukuk.

The second part consists of questions about AT and SN. Following the study by Talha, et al. (2012) and adapting five-point Likert scales (1 – Strongly Disagree to 5 – Strongly Agree), the items were designed to evaluate attitudes and opinions about social pressures to invest in SRI Sukuk.

The third part was designed by following the study by McLachlan and Gardner (2004) to assess the MI identified by investors to decide to invest in SRI Sukuk. The study by McLachlan and Gardner (2004) used the Moral Intensity Scale (MIS) by Singhapakdi et al. (1996) to measure MI. Once again, five-point Likert scales (1 – Strongly Disagree to 5 – Strongly Agree) were applied. The items were designed to assess the investors' moral intensity value.

The last part was used to accumulate demographic data such as age, gender, education level, working experience, and managerial level of the respondents.

## Data Analysis

This study employed the partial least squares structural equation model (PLS-SEM) by Ringle et al. (2015), to examine the measurement and structural models. This model does not require the assumption of normality of the data set. Additionally, the survey is not commonly and normally distributed (Chin et al., 2003).

As single-source data was collected, this study follows the suggestion by Kock and Lynn (2012) and Kock (2015) to run a full collinearity testing to manage the issue of Common Method Bias. Following the method, all variables were regressed against a common variable. Single source bias is considered a less serious problem if VIF shows a value lower than or equivalent to 3.3.

As shown in Table 1, all VIF values for AT, SN, MI and SII are lower than 3.3, hence the single source bias is regarded as a less serious issue.

**Table 1**  
*Full Collinearity Testing*

AT	SN	MI	SII
1.198	1.273	1.615	1.753

Note: AT = Attitude, SN = Subjective Norm, MI = Moral Intensity, IN = Intention

## RESULTS AND DISCUSSION

### Descriptive Analysis: Respondents' Profile

Table 2 shows the characteristics of the respondents. It shows that the majority of the respondents were more than 40 years old (43.64%), male (58.18%), graduated with a bachelor's degree (49.09%), with working experience of more than 4 years (65.45%) and working in middle management level (50.91%).

**Table 2**  
*Respondents' Profile*

<b>Respondents' Profile (n = 55)</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Age		
Less than 30 years	8	14.55
30 to 40 years	23	41.82
More than 40 years	24	43.64
Gender		
Male	32	58.18
Female	23	41.82
Education Level		
High school	8	14.55
Diploma	9	16.36
Bachelor's Degree	27	49.09
Master's Degree	11	20.00
Doctoral Degree	0	0
Working Experience		
Less than one year	0	0
One year	2	3.64
Two years	4	7.27
Three years	1	1.82
Four years	10	18.18
Five years and above	36	65.45
Managerial Level		
Top management level	13	41.82
Middle management level	28	50.91
Low management level	12	21.82

## Measurement Model Analysis

This study adopted Anderson and Gerbing's (1988) recommendation; to test the model developed in two steps. This study first ensured the reliability and validity of the instruments by testing the measurement model using Hair et al. (2019) and Ramayah et al. (2018) guidelines. Then, this study analysed the identified hypotheses by running the structural model test. Tables 3 and 4 summarized the Convergent Validity and Discriminant Validity respectively.

To test the measurement model, the convergent validity; loading, average extracted (AVE) and composite reliability (CR) were analysed. The values of loading and AVE need to be more or equal to 0.5. Meanwhile, the values of CR need to be more or equal to 0.7. As reported in Table 3, the values of AVE and CR for each construct are more than their required

values. Furthermore, all loadings were accepted with only four loadings less than 0.708 (Hair et al., 2019). The results show that all constructs are reliable, valid and have internal consistency.

**Table 3**  
*Convergent Validity*

<b>Construct</b>	<b>Item</b>	<b>Loading</b>	<b>CR</b>	<b>AVE</b>
IN	IN1	0.786	0.880	0.650
	IN2	0.888		
	IN3	0.867		
	IN4	0.667		
ATT	ATT1	0.804	0.845	0.645
	ATT2	0.849		
	ATT4	0.753		
SN	SN1	0.674	0.840	0.570
	SN2	0.711		
	SN3	0.813		
	SN4	0.812		
MI	MI1	0.668	0.869	0.527
	MI2	0.755		
	MI3	0.737		
	MI4	0.631		
	MI5	0.716		
	MI6	0.833		

Note: ATT3 was deleted due to low loading.

The discriminant validity was then examined using the HTMT criteria as recommended by Henseler et al. (2015) and revised by Franke and Sarstedt (2018). The values of HTMT need to be less than 0.86 for the stricter criteria (Kline, 2011) and less than 0.91 for the more lenient criteria (Gold et al., 2001).

**Table 4**  
*Discriminant Validity*

	1	2	3	4
1. IN				
2. ATT	0.780			
3. SN	0.589	0.370		
4. MI	0.662	0.779	0.323	

All HTMT values in Table 4 are less than 0.86, indicating that all constructs are acceptable in this study. Based on the results of both validity tests, it is concluded that the measurement items are reliable and valid.

### Structural Model

Following the suggestion of Hair et al. (2017), this study evaluated the multivariate skewness and kurtosis. Table 5 shows Mardia's multivariate skewness (3.3644) and Mardia's multivariate kurtosis (26.92243), indicating that the data collected in this study were not multivariate normal.

**Table 5**  
*Mardia's Multivariate Skewness and Kurtosis*

Skewness	Kurtosis
3.3644	26.92243

Therefore, this study employed the 5,000-sample re-sample bootstrapping approach (Ramayah et al., 2018) and declared the values of path coefficients, standard errors, t-values and p-values for the structural model as proposed by Hair et al. (2019). Additionally, this study included the combination of p-values, confidence intervals and effect sizes to identify the significance of the relationships since Hahn and Ang (2017) stated that p-values are insufficient for determining the significance. Table 6 summarises the criterion used to evaluate the hypotheses in this study.

**Table 6**  
*Hypothesis Testing*

Hypothesis Relationship	Std. Beta	Std. Error	t-value	p-value	BCI LL	BCI UL	f <sup>2</sup>	R <sup>2</sup>
H1								
ATT → IN	0.363	0.117	3.101	0.001	0.180	0.560	0.186	0.58
H2								
SN → IN	0.371	0.108	3.421	p<.001	0.168	0.525	0.279	
H3								
MI → IN	0.237	0.110	2.144	0.016	0.051	0.412	0.085	

This study also included squared multiple correlations (R<sup>2</sup>) to illustrate the integrated effect size for predicted dependent variables. According to Cohen (1988), the values of 0.01, 0.09 and 0.25 are weak, moderate and substantial, respectively. The values of R<sup>2</sup> for the relationship between the predictors (attitude, subjective norm and moral intensity) and the intention to invest in SRI Sukuk was 0.58, which indicates that the predictors explained 58% of the variance in SRI Sukuk investment intention which was substantial (Cohen, 1988).

Table 6 documents that, attitude ( $\beta = 0.0363, p = 0.001$ ) and subjective norms ( $\beta = 0.371, p \leq 0.001$ ) have a significant positive relationship with intention. Both variables have a medium effect since their f<sup>2</sup> values are greater than 0.15. Moral intensity ( $\beta = 0.237, p = 0.016$ ) has a significant positive relationship with intention, despite its small effect, as the f<sup>2</sup> value is lower than 0.15. Thus, H1, H2 and H3 were supported.

Thus, the above result indicates that the intention of fund managers to invest in SRI Sukuk was significantly and positively influenced by AT. Investors tend to have a higher intention to invest in SRI Sukuk as they have a positive perspective towards the outcome of SRI Sukuk. This finding is compatible with the results of Ashidiqi and Arundina (2017), Awn and Azam (2020a, 2020b), Bin-Nashwan et al. (2022), and Bin-Nashwan and Muneeza (2021) in the study of Sukuk and the results of Adam and Shauki (2014), East (1993), Garg et al. (2022), Hofmann et al. (2005, 2008), Khan and Alam (2019), Osman et al. (2020), Raut et al. (2020), Talha et al. (2012), and Thanki et al. (2022) in the study of SRI. Nevertheless, this finding



contradicted with the results of Warsame and Ileri (2016) in the study of Sukuk and the results of Gamel et al. (2022) in the study of SRI. Both studies found that attitude is a non-significant factor in determining the investors' intention to invest in both financial instruments.

Following that, this study also discovered that SN shows a significant positive effect on intention, which corroborated with the findings of Adam and Shauki (2014), Ashidiqi and Arundina (2017), Awn and Azam (2020a), Bin-Nashwan et al. (2022), Bin-Nashwan and Muneeza (2021), East (1993), Gamel et al. (2022), Hofmann et al. (2005, 2008), Khan and Alam (2019), Raut et al. (2020), Talha et al. (2012), and Thanki et al. (2022). Fund managers from institutional investors may find that the pressure from the regulators, employers, shareholders, and clients to act ethically influenced them to create the intention to invest in SRI Sukuk. Nonetheless, the findings of this study contradict the study of Warsame and Ileri (2016) and Osman et al. (2020) as they find that subjective norms do not significantly influence the intention.

Lastly, MI also demonstrates a significant and positive effect on intention. It indicates that investors with a high magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect tend to have higher intentions to invest in SRI Sukuk. It is consistent with the discoveries of Talha et al. (2013) and Lin et al. (2018). However, this study did not agree with the findings of Bayer et al. (2019) and Hofmann et al. (2005, 2007, 2008). Hofmann et al. (2005; 2007, 2008) found that there is a negative and non-significant relationship between moral intensity and the intention to invest in SRI. Meanwhile, Bayer et al. (2019) found a positive relationship between moral intensity and intention but did not find any evidence showing a significant relationship.

This finding provides benefits towards the study of moral intensity with ethical investment as the majority of the study that incorporates MI in the study of ethical investments did not include all six aspects of MI to measure the MI. For example, Lin et al. (2018) only included items related to four aspects which are the magnitude of consequences, probability of effect, proximity, and concentration of effect. Hofmann et al. (2007) also did not include all aspects. This study however included all six aspects to measure MI and thus provided a more solid investigation of the relationship between MI and the intention to invest in ethical investments.

This study discovered that all three variables; AT, SN and MI have significant relationships towards SII. With the identification of the determinants, the government and policymakers can prepare a strong strategy to improve the demand for SRI Sukuk. The government may encourage investors' participation in SRI Sukuk by introducing tax incentives for issuers or investors to stimulate demands and improve the attitude towards SRI Sukuk. Moreover, since investors' intentions are also influenced by subjective norms, policymakers can raise the awareness of the public, the society and those around the investors about SRI Sukuk by initiating campaigns or educational programmes to educate them about the benefits of SRI Sukuk and indirectly encourage the investor to act according to the preference of the public. The identification of moral intensity as the determinant of SII also shows that if the outcome of the investments is deemed good and has greater potential to create benefit in the short term towards a lot of people or someone close towards the investors, the investors are more likely to invest in the investments. Therefore, the policymakers can formulate a standardized requirement to disclose the performance of the expected outcome of SRI Sukuk projects, potentially increasing the transparency and accountability of SRI Sukuk. This can make the public and investors become more aware of the actual outcome and benefits that certain SRI Sukuk investments may bring.

## **CONCLUSIONS AND RECOMMENDATIONS**

SRI Sukuk has the potential to address a wide range of issues concerning the environment, society, economy, sustainability, etc. Nevertheless, the issuance and investment of SRI Sukuk remain low. Since SRI Sukuk is a demand-driven investment, it is critical to identify the determinants that lead to the investment of SRI Sukuk. This study looks into the attitude (AT), subjective norms (SN) and moral intensity (MI) as the determinants of SRI Sukuk investment intention (SII), by employing an analysis of 55 fund managers of institutional investors in Malaysia. The measurements of convergent validity and discriminant validity revealed that the model is valid and reliable. The analysis suggests that all three determinants; AT, SN and MI are significantly and positively influencing SII.

Nevertheless, there are a few limitations to this study. This study used online survey techniques to collect data from 55 fund managers of institutional investors. The sample size for this study was small. Nonetheless, the study's findings cannot be dismissed. Thus, further investigation is welcome with a larger sample size to validate the current findings. Furthermore, this study focuses only on the part of institutional investors. Therefore, a future study may include retail investors to investigate the determinants of SRI Sukuk investments. Despite the limitations, the findings will help in improving the SRI Sukuk literature as limited studies have been found in SRI Sukuk. The findings will also assist governments and organizations in improving SRI Sukuk in the market, especially among Islamic countries. Following the identification of determinants for investors' intention in SRI Sukuk, the governments may implement tax incentives to encourage demand and improve investors' attitudes towards SRI Sukuk. The government or policymakers can also prepare a robust education programme to increase the awareness of the public towards SRI Sukuk. Policymakers can also develop standardized reporting requirements to improve the transparency and accountability of SRI Sukuk. Furthermore, the study will also help in strengthening the value of Maqasid al-Syariah in daily life and in closing the gap between Islamic financial theory and practice.

## **CONTRIBUTIONS OF AUTHORS**

The authors confirm the equal contribution in each part of this work. All authors reviewed and approved the final version of this work.

## **CONFLICT OF INTERESTS**

All authors declare that they have no conflicts of interest.

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