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DETERMINANTS OF THE INVESTOR'S BEHAVIOUR ON SOCIALLY RESPONSIBLE INVESTMENT (SRI) SUKUK: AN INTEGRATION OF THEORY OF PLANNED BEHAVIOUR (TPB) AND MORAL INTENSITY

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ABSTRACT

This study aims to investigates the determinants of perceived SRI Sukuk behaviour from the view of institutional investors. Using the Theory of Planned Behaviour (TPB) as a core theory, this study expands the research framework by incorporating moral intensity to assess the impact of attitude, subjective norms, perceived behavioural control and moral intensity on both SRI Sukuk intention and perceived SRI Sukuk behaviour. This study employed a positivist paradigm and a quantitative approach in order to investigate the relationship between independent variables, mediator variables and dependent variables. This study distributed questionnaire online with a series of follow-ups to collect data from fund managers of institutional investors in Malaysia. The result indicate that attitude, subjective norm, and perceived behavioural control exert a positive and significant influence on SRI Sukuk intention. However, moral intensity does not demonstrate a significant effect on SRI Sukuk intention. Additionally, the study reveals a positive and significant influence of SRI Sukuk intention on perceived SRI Sukuk behaviour. Nevertheless, there is insufficient evidence to support the influence of perceived behavioural control and moral intensity on perceived SRI Sukuk behaviour. Furthermore, the study highlights that SRI Sukuk intention mediates the relationship between attitudes and perceived SRI Sukuk behaviour. This study is important as it underscores the scarcity of research exploring the determinants of SRI Sukuk intention and behaviour. Moreover, there is a dearth of quantitative research employing secondary data in the realm of SRI Sukuk. Thus, this study contributes significantly to the literature on SRI Sukuk by addressing these gaps in knowledge.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

The primary objective of stock market investing is to generate money (Shrivastava & Pandey, 2019), and therefore, the most relevant criterion for choosing a fund or portfolio should be financial in nature (Beal et al., 2005; Shum & Faig, 2006). In practice, investors are motivated not only by rational behaviour but also by irrational behaviour. Investors are making decisions that contradict the conventional financial theory (Pompian, 2012). Investors choose a portfolio based on a variety of non-financial factors such as religion, environment, society, and ethics (Pompian, 2012).

In Socially Responsible Investment (SRI) Sukuk, the behaviour of investors is influenced by financial, religious and social objectives. In financial theory, the concept of this investment is regarded as irrational (Hofmann et al., 2008; Lewis & Mackenzie, 2000; Monicah & Shiundu, 2020). According to portfolio theory (Markowitz, 1952), the considerations of religion and social impact would increase and expose the investment to risk, thus reducing the probability of wealth maximization. Therefore, this study will examine how the multiple objectives are translated into investment behaviour by incorporating Ajzen's Theory of Planned Behaviour (TPB) and Jones' moral intensity of the Issue-Contingent Model (ICM) as an extended variable.

1.2 Background of Study

SRI Sukuk is defined as an Islamic bond in the form of a Social Impact Bond that complies with Syariah principles (Alam et al., 2013; Azman & Ali, 2016; Wilson, 2008). SRI Sukuk was introduced due to the need for improvement in the Islamic finance product. Islamic finance has faced criticism as the full target of the Islamic finance practice need to be realized in its product (Piotrowski, 2020). It has been found that the goals of Islamic banks often emphasis on profit orientation rather than social orientation (Azman & Ali, 2016; Kassim & Abdullah, 2018; Mohammad & Shahwan, 2013; Owais & Mustafa, 2018; Radzi & Sakai, 2022). The Islamic principles have not been expressed in the products of Islamic finance. It is