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„I hereby declare that I have read this thesis and in my opinion this project is sufficient in terms of scope and quality for the award Bachelor Degree of Technopreneurship with Honors"

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CHARACTERISTICS OF UNIT TRUST INVESTMENT: EFFECT TOWARDS CUSTOMERS‟ INVESTING PERSPECTIVES

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This Report Submitted in Partial Fulfillment of the Requirements for the Award of a Bachelor of Technopreneurship with Honors

Faculty of Technology Management and Technopreneurship

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STUDENT'S DECLARATION

"I hereby declare that this thesis entitle "Characteristics of unit trust investment: effect towards customers‟ investing perspectives" is my own work except for the quotations summaries that have been duty acknowledged. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree."

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DEDICATION

I would like to dedicate this research to my beloved parents, Norzaidi Bin Haron and Azizah Binti Ahmad, and my siblings for always believing in the things I do and supporting me in every way they possibly can along the process of completing this research. Their unconditioned love and encouragement allowed me to strive for the best and motivated me to move forward beyond the limits that I never thought would be possible. The inspiration they gave me helped me to complete this research paper smoothly and efficiently. I would dedicate this thesis as a special token of gratitude to them, especially my parents, for their invaluable support as this thesis is the result for their effort to get me where I am now. I would also like to dedicate this thesis to my beloved lecturers who have been teaching me for the last 4 years and to my supervisor Prof. Madya. Dr. Ahmad Rozelan Bin Yunus who have been giving me assistance and recommendation in completion of this thesis. All the knowledge, advice, support, guidance, and lectures they have been feeding me is taken into account and applied in this thesis. This thesis would be the reflection of all the hard work they have given to me and made me who I am now.

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ABSTRACT

This study aims to identify the characteristics of unit trust investment and the effect toward customers‟ investing perspectives. According to past literature, there are three characteristics that were identified in this research that can affect customers‟ investing perspectives which are: [1] benefits of unit trust investment, [2] risks of unit trust investment and [3] types of unit trust investment. 320 Public Mutual customers of the Melaka Public Mutual branch were involved in this research to identify which characteristic affect their investing perspectives the most. The result indicates that the risks of unit trust investment has the most significant affect towards the customer‟s investing perspectives. The quantitative method which is conducted through questionnaire enabled researcher to collect data and analyzed it using descriptive, correlation and regression analysis. From the data analysis, it is found that all the variables (benefits, risks and types of unit trust investment) have relationships with the customers‟ investing perspectives. Some discussions and recommendations were also suggested in this study.

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ABSTRAK

Kajian ini bertujuan untuk mengenal pasti ciri-ciri pelaburan unit amanah yang mendorong pandangan pelaburan pelanggan.. Berdasarkan kajian kesasteraan yang lalu, terdapat tiga ciri-ciri pelaburan unit amanah yang dapat dikenalpasti dalam kajian ini iaitu: [1] kelebihan pelaburan unit amanah, [2] risiko pelaburan unit amanah dan juga [3] jenis-jenis pelaburan unit amanah. 320 pelanggan Public Mutual telah terlibat dalam kajian ini bertujuan untuk mengenalpasti ciri-ciri yang paling memberi kesan terhadap pandangan pelaburan mereka. Keputusan menunjukkan bahawa risiki pelaburan unit amanah merupakan ciri-ciri yang paling memberi kesan terhadapa pandangan pelaburan pelanggan. Kaedah kuantitatif yang berasaskan borang kaji selidik membolehkan pengkaji untuk memungut data dan menganalisisnya melalu kaedah diskriptif, korelasi and analisis regresi. Berdasarkan analisis data, kajian menunjukkan bahawa kesemue pemboleh ubah (kelebihan, risiko dan jenis-jenis pelaburan unit amanah) mempunyai hubangan dengan pandangan pelaburan pelanggan. Beberapa perbincangan dan cadangan turut disertakan di dalam kajian ini.

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LIST OF ABBREVATIONS AND SYMBOLS

H1	= H one (accepted)
IV	= Independent Variable
DV	= Dependent Variable
SPSS	= Statistical Package for Social Science
%	= Percent
>	= Greater-than
<	= Less than
=	= Equals

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CHAPTER 1

INTRODUCTION

In this chapter, the introduction to the study is provided, along with the research background, problem statement, research question, research objective, scope and significant of the study.

1.1 Background of study

Unit trust investment (UTI) is a form of collective investment under a trust deed. It offers access to wide range of securities available in the market. Trusts are found in Malaysia, Singapore, UK, South Africa, Kenya, Namibia, Australia, New Zealand, Jersey, Guernsey, the Isle of Man, Ireland, and Fiji. UTI is an open-ended investment which means that there is no infinite number of units in issue, that can increase and decrease in value depending on the net sales and repurchases of existing unit holders.

In Malaysia, UTI are divided into two; conventional funds and Islamic funds. As at August 2016, 35 unit trust companies are available in Malaysia. Approved funds are at 638 in total, where 439 are conventional in Malaysia. Approved funds are at 638 in total, where 439 are conventional and 199 are Islamic funds. Furthermore, the number of launched funds is a total of 626, 428 of which are conventional while 198 of them are Islamic based. The number of units in circulation is 476.731 billion units, 358.827 billion of units in conventional funds and 117.904 billion of units in Islamic based. The numbers of accounts invested are 18,219,612 where 15,633,134 are

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conventional and 2,658,478 are Islamic based. The Net Asset Value (NAV) are of RM29.289 billion for conventional funds while RM 56.577 billion for Islamic based fund, which total up to RM 356,656 billion.

In recent years, unit trust is becoming more and more acceptable as the number of companies and funds available are increasing from time to time. Examples of the popular unit trust companies are Public Mutual, CIMB group and Hwang-DBS Investment Management, which managed to put themselves into the top unit trust companies every year in terms of funds size, fund performance and market share.

There are two types of investment in unit trust; cash investment and EPF investment. Cash investment is when unit holders invest their own money, as lump sum or regular saving. While for EPF investment, investors whom are private sector employees can withdraw certain, calculated and approved amount from Account 1 of their Employee Provident Fund (EPF) and invest in unit trust. It is recommended as the higher rate of return of unit trust fund can accumulate more profit thus increasing their retirement fund.

In Malaysia, Public Mutual is the number 1 unit trust companies among many others such as CIMB group and Hwang-DBS. After being founded by Tan Sri Teh Hong Piow back in 1966, Public Mutual set the standard of Unit Trust Company and dominating the market. It is the largest private unit trust company in Malaysia, currently managing 58 funds with total NAV of more than RM28.4 billion, with 1.65 million account holders. It commands a market share of 49.5% for retail fund and 40.9% for the Private Retirement Scheme (PRS) sector. The funds are managed by 23 fund managers, backed up by 30 search analysts. They have 32 service centers nationwide while having 255 Public Bank branches that function as their ubiquitous

After decades of urbanization, UTI have developed and new idea was generated from time to time, originally, there were only conventional funds in unit trust. Over the years, Islamic based fund was introduced to meet the conditions for Muslims to do investment as they have to follow the Shariah of Islam. Early studies shows that Islamic based funds was a minority choice yet it is becoming selected as Muslims are

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becoming more aware of following the Shariah even in investments, especially in Malaysia. EPF was also a conventional fund and as at August 2016, Shariah based fund is introduced where almost all account holders changed from conventional to Islamic based fund. EPF reported 95% of Muslim account holders had switched to Shariah based fund before the final date was reached.

In present study, the characteristics of UTI were never particularly investigated and have not yet being related to customer‟s perspective. There are 3 main characteristics that always customers think about unit trust. The characteristics were investigated considering its increasing productivity and tremendous performance.

1.2 Problem Statement

Due to the fast changes in the global market and increase in competition, performance of unit trust funds has become significant in order to obtain more profit, which is the main reason people invest in unit trust. Recently, there are quite a few companies involved in unit trust, competing every year to achieve the highest rate of return, net asset value, gaining most account holders among themselves thus becoming the top unit trust company in Malaysia.

The difference in performance between conventional and Islamic based fund can be measured by their rate of return, fund size and available fund. These differences will implicate the clients‟ choice in which company and in which type of funds they want to invest. In accordance, it is necessary to identify these differences commonly compared by clients upon choosing a unit trust fund which will play the major role of accumulating their retirement fund.

There are a few risks of investing in unit trust funds that often considered paramount by clients. These risks often influence clients to think twice about what fund and unit trust they want to invest, or even whether to invest at all. The risks face can‟t be eliminated or terminated but they can be controlled and reduced based on the individual unit trust company.

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On the other hand, the benefit of unit trust is often overlooked by clients, potential clients. Non-investors also do not know these benefits, which is one of the reasons why they are not investing in unit trust. Knowing these benefits can cause more people to be interested in investing in unit trust. So, each benefit has to be identified and so that if can benefit more individuals.

1.3 Research Objective

This study is performed in order to investigate how does the characteristics of unit trust investment affect the customers‟ perspective towards it. As stated, the objectives of the research is acquired which are:

1. To examine the most significant characteristic that can affect Customers‟ investing perspectives among benefits, risks and types of unit trust investment.
2. To identify the relationship between the characteristics of unit trust investment and the effect towards customers‟ investing perspectives.

1.4 Research Question

Based on the problem statement gained, we find questions which are related to the problem statement as follows:

1. What are the most significant characteristic that can affect Customers‟ investing perspectives among benefits, risks and types of unit trust investment?
2. What are the relationships between the characteristics of unit trust investment and the effect towards customers‟ investing perspectives

1.5 Scope of the study

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The scope of this study is to investigate the effect of unit trust investment‟s characteristics towards customers‟ perspective. There are several characteristics of unit trust such as types of fund (conventional or Islamic based), benefits of unit trust and risks of unit trust investment. In order to achieve the research objectives of this study, the scope of the study is to study several variables that affect customers‟ perspective on unit trust investment.

1.6 Limitation of study

Although the research meets its aims, there were a few limitations:

This research only focused on unit trust investors of Public Mutual Berhad in Melaka. This research was not conducted outside of Melaka due to the fact that it will require high cost, time and energy. The questionnaire distributed is also having difficulties as the investors have different time schedule and daily activity.

1.7 Significant of Study

The importance of the study is to identify the benefits and risks of unit trust investment, as well as to study the differences between conventional and Islamic based unit trust funds. This study is essential in order to promote awareness to both investors and non-investors about the characteristics of unit trust investment. Unit trust industry is proved to be increasingly important as it can contribute to the economy as well as to help account holders to accumulate and grow their money or retirement fund.

The study is also important in order to give an overview for unit trust companies in Malaysia as it investigate the customers‟ perspective on unit trust. Therefore, unit trust companies can enhance and improve their performance after knowing the vital factors that influences customers‟ perspective. Hence, this study will be identifying what are the characteristics that influence customers‟ perspective towards unit trust investment.

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1.8 Summary

This chapter is the introduction of the whole research. It introduces the topic of the study including the background of the study, problem statement, research objective, research question, scope of study, limitations of the study and the significant of study.

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