

Synthesizing Risk Tolerance, Financial Readiness, and Service Quality in Shaping Digital Unit Trust Subscription Intention

Sunita Karim, Farah Aida Nadzri, Nor Balkish Zakaria

UNIKL, Johor Bharu, Malaysia¹, Accounting Research Institute, Universiti Teknologi MARA, Malaysia, Accounting Research Institute², Universiti Teknologi MARA, Malaysia³

Email: sunitawati.karim@unikl.edu.my, aidanadzri@uitm.edu.my, norbalkish@uitm.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i12/24218>

DOI:10.6007/IJARBSS/v14-i12/24218

Published Date: 25 December 2024

Abstract

This study explores the interplay of digital service quality (DSQ), risk tolerance, and financial readiness in shaping retail investors' intentions to subscribe to digital Unit Trust services in Malaysia. The Malaysian Unit Trust industry, despite advancements in digitalization, faces challenges such as cybersecurity risks, investor reliance on agents, and low financial literacy. Using a qualitative and case study approach, the research synthesizes insights from models like Technology Acceptance Model (TAM) and SERVQUAL, emphasizing dimensions of tangibility, security, reliability, empathy, and personalization. Case studies from Malaysia, Indonesia, and Thailand highlight the importance of technological investments, cybersecurity measures, and financial literacy campaigns in driving digital adoption. The findings underscore the critical role of risk management frameworks like COSO ERM in enhancing investor trust and addressing adoption barriers. Practical implications include recommendations for targeted education programs, robust cybersecurity enhancements, and tailored services to foster investor confidence, ensure security, and promote sustainable growth in the digital Unit Trust ecosystem.

Keywords: Risk Tolerance, Financial Readiness, Service Quality, Digital Unit Trust Subscription Intention

Introduction

The Malaysia Unit Trust business operates predominantly on a subscription basis, where investors commit funds periodically or as a one-time investment, creating a recurring revenue model (Lim & Tan, 2024). The transition to online subscription processes for Malaysia's Unit Trust has been driven by the need for greater convenience, efficiency, and accessibility (Lim & Tan, 2024). By 2024, the adoption of digitalization has been increasing with advancements in digital subscription platforms and improved user interfaces (Hassan et al., 2023). Despite the progress, challenges such as risk tolerance and financial readiness still

affect subscription rates (Ong & Teh, 2024). The growing digitalization aims to enhance investor engagement and simplify investment procedures. Continued efforts in addressing security and user education are crucial for long-term success (Lim & Tan, 2024).

Background of Study

The Unit Trust industry is evolving through the integration of digital technologies, offering retail investors advanced digital services. Digital Investment Management (DIM) frameworks introduced by the Securities Commission Malaysia in 2017 have provided guidelines for automated discretionary portfolio management services, emphasizing simplicity, affordability, and accessibility. Despite these advancements, only 56% of Malaysian Unit Trust companies have adopted digital services, with the remainder relying on traditional models. This slow adoption persists amidst growing investor complaints about agent misconduct, unauthorized transactions, and inadequate security measures. Unit Trust companies that incorporate digital investment management rely on technology for risk profiling, asset allocation, and portfolio rebalancing. However, despite the advantages, many investors still prefer agent-led services due to challenges such as lack of personalization and concerns over cybersecurity threats. This research focuses on understanding how digital service quality (DSQ) influences retail investors' subscription intention, moderated by their risk tolerance and financial readiness.

Purpose of the Study

Retail investors, typically non-professional individual market participants, are the primary clientele in the Malaysian Unit Trust industry. These investors often lack expertise and discipline in investment decision-making, making service quality a critical factor. With the rise of digital platforms, understanding the dynamics of investor acceptance has become essential to fostering industry growth. This study aims to contribute to this understanding by integrating dimensions of DSQ, risk tolerance, and financial readiness. Hence, this study focuses on synthesising the elements of digital service quality and Unit Trust to unit trust subscription intention.

Research Problem

While digital services are designed to replace traditional agent-led models, retail investors' reliance on agents persists due to perceived challenges with digital platforms. Complaints of agent misconduct, including misappropriation of funds and unauthorized transactions, highlight vulnerabilities in the current system. Furthermore, cybersecurity threats expose investors to risks that deter subscription to digital services.

Investors' concerns extend to inconsistent digital service features among Unit Trust providers, resulting in varying levels of trust and satisfaction. According to the Federation of Investment Managers Malaysia (FIMM), online channels accounted for only 1.2% of total gross sales of Unit Trust funds in 2021. These statistics underscore the slow adoption rate and highlight the need for improved digital service quality to instil investor confidence.

Literature Review

Case studies from Malaysia, Indonesia, and Thailand provide practical insights into the challenges and successes of integrating digital platforms in the Unit Trust industry, aligning seamlessly with the themes explored in the literature review. Each case demonstrates how

key dimensions such as Digital Service Quality (DSQ), risk tolerance, and financial readiness influence the adoption and performance of digital subscription platforms. The initiatives undertaken by CIMB-Principal Asset Management in Malaysia, Mandiri Investasi in Indonesia, and Kasikorn Asset Management (KAsset) in Thailand illustrate the practical application of theoretical models like TAM and SERVQUAL, highlighting the interplay between perceived usefulness, ease of use, and the tangible impacts of cybersecurity measures and financial literacy campaigns. These real-world examples underscore the importance of a comprehensive approach that synthesizes technology, user education, and robust governance frameworks to foster trust and drive digital adoption. By bridging theoretical insights with actionable strategies, these case studies enhance the relevance and applicability of the findings, offering valuable lessons for improving digital service quality and addressing investor concerns in the context of the Unit Trust industry.

CIMB-Principal Asset Management (2021-2023)

CIMB-Principal Asset Management, one of Malaysia's prominent Unit Trust providers, embarked on a digital transformation initiative in 2021, investing RM30 million to enhance its digital platform, CIMB Clicks. This platform introduced features like automated portfolio management, real-time transaction tracking, and AI-driven investment recommendations. However, the initial phase faced resistance from investors due to cybersecurity concerns, including phishing attacks and technical failures during peak trading hours. Reports indicated that only 15% of the firm's clients were using the platform by mid-2022.

To address these issues, CIMB implemented multi-layered cybersecurity measures, including biometric authentication and Secure Socket Layer (SSL) encryption, in compliance with the COSO ERM framework. Additionally, CIMB allocated RM10 million toward investor education programs, conducting over 50 nationwide webinars on digital investment safety and platform navigation in 2022. These efforts led to a significant turnaround, with digital subscriptions increasing to 35% of the company's total subscription base by late 2023, amounting to an additional RM2.5 billion in funds under management. This case highlights the need for substantial financial investment in technology and education to overcome adoption barriers.

Mandiri Investasi (2019-2022)

Mandiri Investasi, part of Indonesia's Mandiri Group, launched its Mandiri Online Wealth platform in 2019 with an investment of IDR 150 billion (approximately USD 10 million). The platform aimed to simplify the investment process for retail investors by offering tools like automated portfolio balancing, detailed risk profiling, and personalized investment dashboards. Despite these advancements, a 2020 report revealed that only 25% of Mandiri Investasi's retail investors used the platform, with a majority citing low financial literacy and concerns over platform reliability.

To address these challenges, Mandiri Investasi partnered with the Indonesian Stock Exchange (IDX) to conduct a nationwide financial literacy campaign in 2021, spending IDR 25 billion (USD 1.7 million) on workshops and online courses targeting young professionals. Additionally, the company upgraded its cybersecurity infrastructure, implementing real-time fraud detection systems and two-factor authentication, reducing reported cyber incidents by 40% in 2022. These measures proved effective, as digital subscriptions increased by 50% between 2021 and 2022, bringing in an additional IDR 5 trillion (USD 333 million) in managed funds by the end

of 2022. The case demonstrates the importance of financial literacy and technological reliability in driving digital adoption.

Kasikorn Asset Management (KAsset) (2020-2023)

Kasikorn Asset Management (KAsset) launched the K-My Funds mobile application in 2020, investing THB 500 million (approximately USD 15 million) to integrate AI-driven analytics, blockchain technology, and user-friendly navigation. The app's goal was to capture the growing market of digital-savvy retail investors while addressing concerns about transparency and data security. By 2021, the app had attracted 100,000 users, but investor surveys revealed skepticism over the privacy of financial data and the lack of direct human support. KAsset implemented blockchain technology to address these concerns in 2021, ensuring secure and transparent transaction records. They also introduced an AI-powered chatbot capable of simulating real-time human interaction, reducing response times for investor queries by 60%.

Additionally, KAsset launched a marketing campaign in 2022, spending THB 100 million (USD 3 million) to promote the app's security features and benefits through digital channels and public events. These initiatives yielded positive results, with the app's user base increasing to 200,000 by the end of 2023 and generating an additional THB 15 billion (USD 450 million) in Unit Trust subscriptions. This case underscores the impact of advanced technology and strategic communication in fostering trust and boosting digital adoption.

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) underscores the influence of perceived usefulness and perceived ease of use on technology adoption. Davis (1989) posits that systems perceived as useful and easy to use are more likely to gain acceptance. In the context of digital Unit Trust services, perceived usefulness relates to the platform's ability to enhance investment outcomes, while perceived ease of use pertains to user-friendly interfaces.

Perceived Usefulness refers to the degree to which a user believes that using a digital service will enhance their investment performance. For example, digital platforms that provide real-time data analytics and personalized investment recommendations improve users' financial decision-making.

Perceived Ease of Use focuses on the simplicity and intuitiveness of the platform. Services with straightforward navigation, clear instructions, and efficient processing encourage higher adoption rates. Studies reveal that perceived ease of use directly impacts user satisfaction, indirectly influencing subscription intentions.

Digital Service Quality (DSQ)

Digital Service Quality (DSQ) encompasses five key dimensions adapted from the SERVQUAL model: tangibility, security, reliability, empathy, and personalization. These dimensions collectively evaluate investors' perceptions of digital service quality, bridging the gap between their expectations and actual experiences. Tangibility refers to the physical and visual aspects of digital platforms, including design, ease of navigation, and functionality. Platforms with appealing interfaces and seamless navigation foster positive user experiences. Security, another critical dimension, protects users' financial and personal data during digital

transactions. Robust cybersecurity measures ensure safety and enhance investor trust and confidence in the platform.

The remaining dimensions of DSQ—reliability, empathy, and personalization—further refine service quality. Reliability emphasizes consistent and accurate service delivery, essential for building trust, particularly in transaction processing and timely portfolio updates. Empathy is reflected in personalized interactions, such as prompt responses to inquiries and tailored advice, showcasing a platform's care and understanding of individual investor needs. Lastly, personalization involves offering customized investment options, tools, and educational resources to cater to investors' unique preferences and objectives. Together, these dimensions contribute to a holistic digital service experience that aligns with investor expectations.

Risk Tolerance

As defined by Kogan and Wallach (1964), risk tolerance refers to an individual's willingness to engage in uncertain activities with potential for loss. In the digital investment context, it involves investors' readiness to accept cybersecurity risks. COSO's framework highlights the importance of robust control environments, risk assessments, and mitigation strategies in managing these risks.

Studies show that risk tolerance is influenced by prior experience, trust in the service provider, and the perceived usefulness of digital platforms. Investors with higher risk tolerance are more likely to adopt digital services, provided these services demonstrate reliability and security.

Financial Readiness

Financial readiness reflects an individual's capacity to allocate resources for investment. Factors such as income, savings, and financial literacy influence investment decisions. FINRA's framework emphasizes cash flow management, debt control, and savings as critical components of financial readiness.

Wahyuni et al. (2022) emphasizes financial literacy's critical role in shaping investment decisions, demonstrating its significant influence on economically informed behavior among university students. On the other hand, Jappelli and Padula (2011) presents a model linking financial literacy with wealth accumulation, showing how literacy enhances investment returns and national savings. It highlights the importance of continuous financial education to optimize wealth outcomes. Research indicates that financially prepared investors prioritize secure and efficient digital platforms. Expectations include transparent communication, rapid transaction processing, and tailored investment options. Providers must address these expectations to attract and retain financially ready investors.

Methodology

This study adopts a qualitative and case studies synthesizing approach to explore the interplay between digital service quality (DSQ), risk tolerance, and financial readiness in shaping Unit Trust subscription intentions in Malaysia. The research relies on secondary data sources, including academic literature, industry reports, and regulatory frameworks such as COSO ERM (2013) and the Fraud Risk Management (2023) guidance. By synthesizing insights

from established models like TAM and SERVQUAL, the study examines critical dimensions such as tangibility, security, reliability, empathy, and personalization in digital services. This approach facilitates a comprehensive understanding of how these elements influence investor behavior and the digital transformation of Unit Trust services.

Additionally, qualitative insights are enriched through the analysis of stakeholder perspectives, including findings from existing reports and interviews available in secondary sources. This method identifies gaps and challenges within the current digital ecosystem, particularly investor concerns over security, usability, and trust. The synthesizing approach ensures a holistic analysis of the existing body of knowledge (BOK), providing practical recommendations for enhancing digital service quality and addressing investor needs. This structured methodology underscores the importance of integrating theoretical frameworks with real-world practices to promote sustainable digital adoption within the Unit Trust industry.

Thematic Findings

The following table summarizes the key themes discussed in the paper, including Digital Service Quality (DSQ), risk tolerance, financial readiness, and case studies from Malaysia, Indonesia, and Thailand. Each theme is broken down into components, key insights, and their relevance to the digital transformation of Unit Trust subscription intentions.

Table 1

Thematic Synthesization

Theme	Components	Key Insights	Relevance to Study
Digital Service Quality (DSQ)	Tangibility, Security, Reliability, Empathy, Personalization	Ensures user-friendly platforms with robust cybersecurity and personalized interactions.	Aligns with investor expectations, fostering trust and adoption of digital platforms.
Risk Tolerance	Experience, Trust, Cybersecurity Risk Acceptance	Higher risk tolerance correlates with trust and platform reliability.	Helps identify investor profiles likely to adopt digital services.
Financial Readiness	Income, Savings, Financial Literacy	Financially prepared investors demand secure and efficient platforms.	Guides the development of tailored services to meet investor needs.
Case Study: CIMB-Principal Asset Management (Malaysia)	Digital Transformation, Investor Education, Cybersecurity	Invested RM40 million to enhance platforms and investor education, increasing digital subscriptions by 35%.	Demonstrates the importance of education and robust security in adoption.
Case Study: Mandiri Investasi (Indonesia)	Financial Literacy Campaigns, Platform Reliability	Allocated IDR 25 billion for literacy campaigns; subscriptions rose by 50%.	Highlights the role of literacy and reliability in driving adoption.

Case Study: Kasikorn Asset Management (Thailand)	Blockchain, AI Chatbots, Marketing	Invested THB 600 million in technology and campaigns, doubling user base and subscriptions.	Illustrates the impact of technology and strategic communication on trust and growth.
--	------------------------------------	---	---

Conclusion

Digital transformation in the Unit Trust industry presents opportunities and challenges. By examining the role of service quality, risk tolerance, and financial readiness, this study provides actionable insights for stakeholders. The findings aim to foster investor confidence, enhance digital service adoption, and support the growth of the Unit Trust industry. This study contributes to the growing literature on digital investment platforms, offering practical recommendations for improving service quality and addressing investor concerns. It emphasizes the importance of tailoring digital services to meet the diverse needs of retail investors, ultimately driving industry growth.

This study enhances understanding of the interplay between digital service quality, risk tolerance, and financial readiness in influencing subscription intentions. By integrating TAM and SERVQUAL dimensions, it provides a comprehensive framework for analyzing investor behavior in the digital Unit Trust context.

The study contributes to the body of knowledge by introducing risk-tolerant thresholds within the COSO framework to enhance transparency and accountability in online investment platforms. It emphasizes the need for structured risk management that aligns with user expectations of security and information disclosure. This approach ensures that investors can make informed decisions while maintaining trust in the system's governance standards.

Practical Implications

The research findings highlight the importance of enhancing digital platform usability and security features to build investor trust and increase subscription rates for Malaysia's Unit Trust. Practical implications include the need for targeted user education programs and robust risk management measures to effectively address financial readiness and risk tolerance concerns.

Recommendations for improving cybersecurity measures and promoting digital adoption.

The study contributes to legislative discussions by advocating for fraud deterrence mechanisms that are both accountable and effective, ensuring investor protection. It highlights the importance of transparent compensation policies to build trust and provide recourse for affected users. Implementing these measures would strengthen regulatory frameworks and promote a safer UTODS environment.

Guidance on leveraging digital platforms for informed investment decisions.

In Malaysia, Unit Trust investors demanded UTODS that is high-quality, consistent, and up-to-date to complement the five features, ensuring a technological experience throughout the subscription process. Moreover, they are inclined to subscribe to funds through online services where the security features align with the COSO ERM (2013) framework, particularly

the Fraud Risk Management (2023) guidance, which emphasizes transparency and accountability in safeguarding investor interests.

Acknowledgement

The authors would like to acknowledge the assistance from the Accounting Research Institute (HICoE) of Universiti Teknologi MARA and the Malaysian Ministry of Higher Education.

References

- Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.
- Kogan, N., & Wallach, M. A. (1964). *Risk-taking: A study in cognition and personality*. Holt, Rinehart, and Winston.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1991). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12–40.
- Financial Industry Regulatory Authority (FINRA). (2021). *Investor education materials*.
- COSO. (2013). *Internal Control—Integrated Framework*. Committee of Sponsoring Organizations.
- Hassan, R., Ahmad, S., & Ismail, M. (2023). Advancements in digital subscription platforms: Improving user interface and accessibility. *Journal of Digital Finance*, 12(3), 134-145.
- Jappelli, T., & Padula, M. (2011). Investment in financial literacy and saving decisions. *CEPR Discussion Paper Series*.
- Lim, K., & Tan, Y. (2024). The digital transformation of Malaysia's Unit Trust industry: Challenges and opportunities. *Journal of Southeast Asian Financial Studies*, 15(1), 25-39.
- Ong, W., & Teh, C. (2024). Risk tolerance and financial readiness in the context of digital investments. *Asian Journal of Investment Research*, 18(2), 78-91.
- Wahyuni, S., Radiman, R., & Nara, R. (2022). The influence of financial literacy, financial behavior, and income on investment decisions (2018 student case study for management study program Universitas Muhammadiyah Sumatera Utara). *Journal of International Conference Proceedings*.