



FACTORS THAT DETERMINE CONSUMER
INVESTMENT DECISIONS IN CHILDREN'S
EDUCATION: EMPIRICAL STUDY OF THEORY OF
REASONED ACTION (TRA)

BY

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ABSTRACT

Financial institutions in Malaysia are always emphasizing the individual, parents and society to plan for their financial. For parents, it is encouraged that they perform financial planning especially for their children's education funds. This is also because the cost of tertiary level is increasing year by year whether for study locally or abroad. Through this kind of investment hopefully it can lead to the peace of mind and financial freedom for all parents in the future. Hence, parents should start saving or investing for their child's education as early as they could. Therefore, the main objective of this study is to choose the suitable investment that suits the needs of the parents especially during their tertiary education level. By given the importance of financial planning in the investment of children's education funds, this study is aimed to explain the level of awareness among the parents and also looking at the effects of attitude and subjective norm of the parents' behavioral intention to perform and choose either conventional or Halal type of investments in children's education funds for their future use. Drawing upon the theory of reasoned action model (TRA) by Fishbein and Ajzen (1975), this study was carried out to determine factors that influence consumers' choice in investment in a child's education by means of factor analysis, correlation and multiple regressions. Further analysis using descriptive was used to examine the level of awareness among the parents towards the investment for children's education. A survey questionnaire was conducted on 282 working employees in the government, semi-government and private sectors. The findings from the survey indicated that parents were still lacking of awareness and knowledge pertaining to the traditional investment and halal investment for children's education fund and they did not sure of the existence of the investment product specified the fund for their children's educations especially in Halal products. Furthermore, the result of attitude and subjective norm, significantly influence the intention of the consumer choice in investing in children's education. By using this TRA model, the subjective norm is more as the influence factor in explaining the parent's intention to choose in investing for their children's education. Both hypotheses in this study are supported. Hence, the findings have proven the soundness of the TRA for study in the area of conventional and Halal investments for children's education.

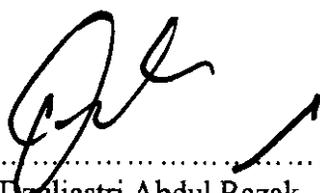
ملخص البحث

المؤسسات المالية في ماليزيا دوماً تركز على الفرد والآباء والمجتمع في تخطيطها المالي. بالنسبة للآباء فيشجعوا على القيام بالتخطيط المالي خصيصاً فيما يخص الأموال المخصصة لتعليم أولادهم. يعود ذلك أيضاً إلى تزايد تكاليف التعليم الجامعي سنةً بعد سنة سواء كانت الدراسة محلية أم في الخارج. إنه من المأمول أن يؤدي استثمار من هذا النوع إلى راحة البال والوفرة المالية لجميع الآباء في المستقبل. لذا فعلى الآباء أن يبدؤوا في الادخار والاستثمار لتعليم أولادهم في أقرب فرصة ممكنة. بناءً على ذلك فإن الهدف الرئيسي من هذا البحث هو اختيار الاستثمار الأمثل الذي يلئم احتياجات الآباء خصيصاً خلال مرحلة الدراسة الجامعية. بالتركيز على أهمية التخطيط المالي في إيجاد أموال لتعليم الأولاد، فهذا البحث يهدف إلى إيضاح مدى الوعي لدى الآباء مع الأخذ بعين الاعتبار أثر الانطباع وضغط المجتمع على النية السلوكية لدى الآباء في اختيار إما الاستثمار الربوي وإما الإسلامي للمدخرات المخصصة لتعليم أولادهم مستقبلاً. بالاعتماد الذي ابتكره فيشباين وأجزين (TRA) على نموذج نظرية السلوك العقلاني عام 1975، فقد تم إجراء هذا البحث لتحديد العوامل التي تؤثر على نوع الاستثمار الذي يختاره العملاء لتعليم أولادهم من خلال عملية تحليل العوامل والارتباطات والانحدار المتعدد. وتم إجراء المزيد من التحليل الوصفي لاختبار مدى الوعي لدى الآباء تجاه الاستثمار لتعليم أولادهم. تم توزيع استبيانات على 282 موظفاً يعملون في القطاعات الحكومية وشبه الحكومية والخاصة. أظهرت نتائج الإحصاء أن الآباء يفتقرون إلى الوعي والعلم المتعلقين بالاستثمارات الربوية والاستثمارات الإسلامية لمدخرات تعليم أولادهم بينما يظهروا معرفتهم بوجود منتجات مالية مخصصة لمدخرات تعليم أولادهم خصيصاً تلك التي تتعلق بالاستثمارات الإسلامية. بالإضافة إلى ذلك فإن النتائج أظهرت أن الانطباع وضغط المجتمع لهما أثر واضح على نية العميل في اختيار استثمار لتعليم أولادهم. بالاستعانة فإن عامل ضغط المجتمع يعتبر (TRA) بنموذج نظرية السلوك العقلاني العامل الأكثر تأثيراً في تفسير نية الآباء في القيام بالاستثمار لأجل تعليم أولادهم. تم تأكيد كلتا الفرضيتين في هذا البحث. بناءً على ذلك فإن النتائج

لدراسة مجال (TRA) أظهرت سلامة تطبيق نظرية السلوك العقلائي
الاستثمارات الربوية والإسلامية لتعليم الأولاد.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion; it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science in Islamic Banking and Finance.



.....
Duljastri Abdul Razak
Supervisor

This research paper was submitted to the IIUM Institute of Islamic Banking and Finance and is accepted as a partial fulfillment of the requirements for the degree of Master of Science in Islamic Banking and Finance.



.....
Ahamed Kameel Mydin Meera
Dean IIUM, Institute of Islamic
Banking and Finance

DECLARATION

I hereby declare that this research is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Nik Rozila Binti Nik Mohd Masdek

Signature.....

Date2/6/2014.....

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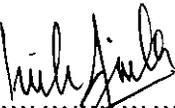
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**FACTORS THAT DETERMINE CONSUMER INVESTMENT CHOICE IN
CHILDREN EDUCATION: EMPIRICAL STUDY OF TRA**

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In the name of Allah, the Most Gracious and the Most Merciful,

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The first chapter covers the introduction of the study. It provides an overall background of the study, followed by the problem statement. It spells out the research objectives as well as research questions aimed to be answered throughout the study. The significance of the study to be conducted is also highlighted. The chapter will further discuss the definition of terms for each factor as to clearly clarify the purpose of the study. Finally, it's followed by the summary of chapter one before starting the second chapter on literature review.

1.2 BACKGROUND OF THE STUDY

In Malaysia, the development in education has brought a competitive environment in higher education industry to a level that no one has ever dreamt before. Based on the statistic published by the Ministry of Higher Education in 2014, besides 20 public Universities, Malaysia has another 414 private colleges, 37 private universities, 20 university-colleges and seven foreign branch campuses nationwide to date. Besides that, the learning institutions are waiting for their potential candidates to enroll, gain and bring colorful ideas to the nation (Ministry of Higher Education, 2014). According to the World Economic Forum's "Global Competitiveness Report 2012/2013" (Klaus Schwab, 2012), Malaysia's overall higher education sector was ranked no 14th (out of 144 countries), and its primary education was ranked no 24th. It showed that Malaysia is very committed in creating the intellect nation that will bring fortune to the country.

In order to express the generation of knowledge, apart from the enrichment of the education itself, there is a basic thing needs to be prepared, whereby an individual must have a good or strategic financial planning or wealth management. There are six features of financial planning and there is personal, family, social obligation, dynamic role, voluntary social responsibility and leadership role (Nik Mohamed Affandi, 2001). The objective of family financial planning is basically to deliver as much as education and guidance to the children in term of the importance in saving, smart investment, allowances and financial literacy. Besides that, saving or investment for children can help the parents to execute their special needs such as to cover extra expenses which have not been covered by the insurance or Takaful Company (Bachman L.E., & Haddad C. R., 2012). Islam also had highlighted that knowledge on financial planning is very important to be gained. Moreover, with the knowledge, it can help people to plan, accumulate, distribute and manage the wealth they earned. This will lead to financial freedom and fulfill the desire and basic needs in life. However, without a proper financial planning, there will be an impediment to the socio economy, which it affects the long run economic performance. This is because the society did not aware of the importance of managing the wealth and planning for their owned financial.

In Malaysia, Department of Insolvency had reported a total of 122,169 individual bankruptcy cases from 2007 to 2013 and this number keeps increasing from year to year (Utusan Malaysia, 10 April 2014). Therefore, due to this bankruptcy scenario, it's shown that there are people don't care in managing their financial or poor financial planning. Based on the statistic of bankruptcy in the year 2012, the most bankruptcy people are at age 35 – 44 years old (7,164 cases), the second highest is 45 – 54 (5,698 cases) and third highest is 25 – 34 years old (3,970 cases) (Malaysia

Department of Insolvency, 2012). Meaning that, people at the abovementioned ages, if we can assume that most of them are parents, this scenario may consider as a catastrophic to the family's system in Malaysia. There was a study conducted by Agensi Kaunseling dan Pengurusan Kredit (AKPK) in 2012 based on 349,362 Malaysians who were undergoing their Credit Counseling and Debt Management program, showed that there were 25 percent of respondents are poor in financial planning. Hence, this showed that if the parents cannot control and save their finances accordingly, the mission and vision in saving and invest for their children education also will become a failure.

The purpose of investing in children's education is to ensure the children will gain an adequate education for their future. Consequently, the parents have to be alert on the increments of the cost of education. Parents should not depend on the government's aid solely in sending the children to further their study in tertiary level.

Moreover, in budget presentation in Parliament every year, the Government has apportioned the country revenue for the important purposes such as education, agriculture, civil services, public investments and so forth. Since the costs of living are getting higher and higher including the cost of education, this is lead to more details and tight on the allocation of the budget ever. The government always takes serious actions toward the educational system and welfare for the purpose of generating the excellence generations. It has been highlighted in the Malaysian Budget 2014 where, the education sector has been given the biggest allocation to enhance the system and funding the students in their education. The distribution for education sector was RM54.6 billion (21 percent). However, it is still not sufficient enough to support the higher education level because the budget needs to be shared with the primary and secondary level. Thus, for higher level education, the total

budget allocation is about RM600 million. Nevertheless, from the total budget for higher education, RM100 million scholarships are allocated for postgraduate to pursue their study (New Straits Times, October 2013). As can be seen, it is not adequate amount to support the qualified candidates in pursuing their studies. Therefore, parents need to properly plan their children's education fund as a backup and not rely on the government scholarships.

As a human being, we were created by Allah S.W.T to follow and obey His order and leave what is not permitted by Him. Allah S.W.T has given us *aql* (mind) to think and it must be used wisely in order to generate positive impact to ourselves and society. In our life, we are directly and indirectly do planning the activities and things that need to be done in short and in long term situations. The example of short term planning is our daily life activities such as our normal routine doings i.e. working, eating, sleeping, and *et cetera*. Besides, the long term planning is the most essential duty and responsibility to undertake, amongst others is to plan for our wealthy.

Each of us as an individual or parents basically will be thinking about how to manage and plan for our finances. The term financial plan can be defined in many ways. First, we have to know the revenue and the expenses, the cash in and cash out of our financial so that we can maximize the earning. For example, there are monthly expenses such as bills, grocery, loan payment and other miscellaneous. As of now, this study will focus on the level of awareness, attitudes, subjective norm and the intention to perform by the parents to do planning in order to accumulate their wealth for the use of their children's education in the future. There are steps or strategies need to be executed in order to achieve the goal.

To do planning for children education, the parents need to identify, segment and position the objective in the right way. According to Carl Richards in New York

Times in June 2012, the parents need to save a sum of money to cover all the expenses for their children's education in such a way they are planning for a vacation. Therefore, it is better for the family to create their own account of the balance sheet. This will make them aware of their cash in and cash out flows. As of now, the parents need to clearly identify their financial position. Moreover, financial planning is not just to manage the fund for investing, but we also need to know the strategic process procedure for financing itself. According to the Money Today in September 2011, the process of financial planning was to answer three simple questions. One: where you are today, meaning that, your current personal balance sheet. Two: where do you want to be tomorrow, meaning that, finances linked to your goals, and three: what you must do to get there, meaning that, and the asset allocation and investment strategy that will assist you to achieve your objectives. These questions also can be applied by the parents to plan for their investment in children's education funds.

In the perspective of Islam, it is also emphasized that the *Ummah* should have appropriate financial planning. In the Holy Quranic verse 12:43-49, the God Almighty (Allah) says in this regard where Yusuf said: "You shall sow for seven years continuously, then what you reap leave it in its ear except a little of which you eat. Then there shall come after that seven years of hardship which shall eat away all that you have beforehand laid up in store for them, except a little of what you shall have preserved. Then there will come after that a year in which people shall have rain and in which they shall press (grapes)" (Y. A. Abdullah, 2007). Based on the above verse, it can be interpreted that people need to work and earn things by using the capabilities given by Allah S.W.T. People are urged to save and expend wisely without being extravagant and uneconomical and at the same time, they are advised to accumulate the wealth for the future uses.

Currently, there is a way to plan for financial according to Islamic way. It is known as Islamic Financial Planning. This concept can be developed by the individuals in many ways. The things are whether the planning or action that being taken is good or not. According to Mohd Ma'sum Billah, the Islamic financial planning is the process of individual personal and financial goals are achieved through the development and implementation of a comprehensive financial plan based on wealth as (trust) and human is just a custodian. Besides that, as a Muslim, we are being encouraged by Allah S.W.T to have plans in our life to ensure that we are properly mobilizing the resources without wasting it.

Moreover, the crucial part of planning is the financial planning. Wealth being given by Allah to mankind to be accumulated, created, protected and distributed. To ensure the financial planning runs smoothly, there are a few questions that need to be asked. First, it is about the time horizon, for example, the period of investment (no of years) till the fund is considered as matured. Second, it is the objective or goal of the investment and third, is about the risk appetite surrounding the investment process. Identifying the risk appetite may assist us to ensure that the investors are aware and comfortable with the risks associated with it. As a Muslim, we are responsible and it is our obligation to fulfill the task given by Allah to ensure that we have balance the needs and requirements in the world and also in the Hereafter.

In this context, Islam, wealth and children are a gift from Allah to Her beloved Ummah or mankind. These three subjects have a good interrelation with one and another. Al-Quran being revealed by Allah is telling the mankind about Islam and also providing the guidelines or commandment to guide the mankind. In the Quran, it tells us so many things about managing wealth that has been given to the person He chooses. Islam is the most comprehensive, integrative and holistic religion that

governs all aspects of life, major and minor, personal and social, spiritual and materialistic and relates this worldly life to the Hereafter. In order to get blessed by Allah, we need to obey and practice what Islam had taught us in our daily life in term of business or economics activities.

In every Muslim family, they need to believe that Islam is a true religion. Besides that, Islam also teaches us about how to accumulate wealth and how to use the wealthy in the right way. One of the ways in spending the wealth is through the children education. It is important for every child to learn and get a lot of knowledge. This scenario will raise the level of society and perhaps become the intellectual generation. With the effective system of education, it will develop potential and good generation of people. Children are the gift from Allah and the parent is their caretaker. As a caretaker, the wealth entrusted by Allah to mankind for the children need to be managed wisely especially for their future education. This is the responsibility toward the family as a good mankind in managing the wealth for the children education.

Furthermore, giving adequate education for the children is very important because this is also one of the objectives of Shariah (Maqasid Al- Shariah) that need to be fulfilled by the Muslim in this world (Dusuki, 2011). There are five elements in the objective of Shariah which there are religion, life, intellect (aql), lineage and wealth. In Islam also mentioned that knowledge or aql are the aspects that need to fill in, in order to develop the greater Ummah or society. Besides that, it is Daruriyat (necessities) as a good muslim and parent that have children to ensure the children gain enough knowledge that can protect them from any harm. The knowledge must also be useful and can bring goodness to the country. Therefore, this study is to assess the level of awareness of the parents and the pattern of investment for their children's

education for the future. This study also will observe the attitude of the parents, subjective norm and intends to perform in investment for children's education funds using opinion overviews based on the Theory Reason Action Model (TRA). Thus, the study will be important to provide parents with motivation and encourage the parents to invest in their children's education in the future.

1.3 PROBLEM STATEMENT

Over the centuries, there is increasing awareness on the importance of education among parents. This has led to a greater number of students being sent to higher institutions to seek knowledge based learning at universities. It was stated in the blog the IME (Invest Made Easy) site in June 2013 that parents of 'baby boomers generation' are using most of their savings for their children to get the best higher education possible. The question is whether they realize the amount of financing needed for entrance to these universities. Hence, there is a need to find out the factors that influence their process in making these decisions.

Based on a study by YK Consultancy (2006), the cost of higher education has increased dramatically in the recent years. To compare the cost of education, YK Consultancy has come out with the data of cost of tertiary education. They are also comparing the cost of study in overseas, where some of the parents are aiming to send their children abroad. The increments of the cost of education in 4 different locations within 14 years are shown in the table 1.1 below:

Table1.1
Average Cost of Education between Years 2000-2014

Year	Malaysia	Australia	US	UK
2000	RM50,000	RM194,000	RM271,000	RM306,000
2004	RM73,700	RM285,000	RM398,000	RM451,000
2009	RM108,200	RM419,000	RM584,000	RM662,000
2014	RM159,000	RM615,000	RM858,310	RM973,000

Based on the above table, showed that the increment has resulting in a tremendous financial drain to the family with college age children. Generally, the example of expenses related to the education process are; tuition fees, books & supplies, travel costs of child including costs of travel of parents & family, and accommodation & food.

Based on a survey “HSBC Asian Insurance Monitor”, conducted by AC Nielsen for the HSBC Group from July to August 2010, about 56% of Malaysians are expected to fund their children’s schooling up to the university level and 1 out of 5 Malaysians are expected to borrow money to cover the future education expenses. This showed that the parents were very keen to ensure that their children pursue their studies up to the university level.

1.4 RESEARCH OBJECTIVE

Children are a gift from Allah to every parent to be raised in a good manner. In order to accomplish the order from Allah with this precious gift, the parents need to provide them with suitable and relevant education or knowledge for their future. The main objective of the study is to choose the suitable investment instrument that suit the need of the parents and the tertiary education for their children. This is to ensure that they have enough financial support for the expenses such as the study fees, reading

materials, stationeries, daily life expenses (food, transportation, shelter) and miscellaneous.

The other sub research objectives that will be discussed in these studies are as follows and it was designed to achieve the following:

- i. To examine the level of awareness in the investment in children's education fund.
- ii. To identify the factors of consumer investment choice for children's education fund.

1.5 RESEARCH QUESTION

In the view of this research, there are several research questions that relevant to this study of strategic Islamic investment in children's education that will be taken into consideration.

- i. What is the level of awareness in the investment in the children's education fund?
- ii. What are the factors of consumer investment choice for children's education?

1.6 SIGNIFICANCE OF THE STUDY

In order to make this study looks importance to everybody; it should generate a clear direction for the society as a whole especially to the person or family, to review the significance of the Islamic financial products and the planning to achieve the financial goal and peace of mind. By choosing the right investment for the children's

education, this will lead to the tremendous benefit to the family and also the country because these children will bring color to the world, economy and society.

1.7 SCOPES OF STUDY

The scope of this study assessed the perceptions of consumers such as parents, individual and society with regard to the financial planning towards the investment in children's education fund. It is important to initially determine their level of awareness in the investment in children's education according to the parental background lifestyle, investment time frame, and investment instrument and investment institutions. The study also investigates factors that influence consumer choice in investment in children's education by examining the Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975).

1.8 DEFINITION OF TERMS

1.8.1 Parental Lifestyle

Parental lifestyles are activities or behavior of the parents. Therefore, everything the parents do affects their children (Raiford, T., & Media, D., (2014)). This is because, children always consider their parents as role-models and it is more likely to behave similar to them adopting their healthy or unhealthy activities.

1.8.2 Awareness

Awareness is an ability to perceive, to feel or to be conscious of events. In this study, awareness is how concern the parents of their children's education by properly manage their finances. Awareness may influence parents to start making a strategy for their finances. The categories of human being that need to be alert for this financial