






Preference of Islamic Mutual Funds in Pakistan: Theoretical Triangulation, Methodological Conceptualization and SEM-Based Modeling

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Abstract

The purpose of this study is to understand the factors that are responsible for shaping investor's attitudes toward Islamic Mutual Funds. The gist of the study has been based on the Theory of planned behavior (TPB) which is the extension of the Theory of Reasoned action (TRA) and used by most of the prior research to conduct studies in this vein. The model of the study is based upon parallel mediation that differentiates the model of the study from the rest of the studies. Data has been collected from a quota with a sample size of 250 respondents. Respondents of the survey are investors registered with Asset Management companies with significant stakes in Islamic Mutual Funds. Analysis has been made through using structural equation modeling via SMART-PLS and findings of the study indicated that the use of TPB is effective for assessing the investor's attitude towards Islamic Mutual Funds and investor's attitude is also found to be a potent indicator of intentions to invest in mutual funds. Therefore, this study is beneficial for multiple stake holders and can be used for better policy making, conducting rigorous research and also to improve understanding of Islamic mutual funds.

Keywords: *Mutual Funds, Investor Buying Behavior, Behavioral Finance, Theory of Planned Behavior & Intention to Invest in Islamic Mutual Funds.*


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1. BACKGROUND

Behavioral Finance is the research area that has been developed through the integration of marketing concepts into the domain of financial economics. By combining these two disciplines academicians and researchers are analyzing financial markets based on the financial behavior of investors (Saleem et al., 2021). Among the elements of the contemporary financial landscape, one of the most popular investment options is “Mutual Funds” (Azizah & Tamanni, 2023). These forms of funds are mostly managed by asset management companies that allow investors to pool capital to contribute to diversified portfolios. However, there are some points that are required to be accepted and adhered to by professionals for obtaining permission and a license from the Securities and Security Exchange Commission. Other than asset management companies’ mutual funds are distributed and sold by financial intermediaries including freelance agents, internet-based distributors, etc (Kasemharuethaisuk & Samanchuen, 2023).

Studies define mutual funds as the form of a well-managed portfolio that is formed through fund management or pooling to purchase shares for different investors (Saleem, 2023). Managers who are handling mutual funds are required to invest the pool money effectively in stocks bonds etc. The appropriate and proportionate disbursement of profit among investors is based upon an appropriate calculation of the “Net Asset Value” (NAV) of the scheme. The value of Mutual Funds is actually the reflection of the performance of security and the buying of units of any security is based upon the investor’s perception of the security. However, buying mutual funds is much different from buying stocks as mutual funds will not provide any voting rights to the investors (Kathiria et al., 2024). However, mutual funds are perceived as significant tools for the optimization of the economy as they transform the wealth of small investors and families into shares for business avenues like security bonds, etc. Moreover, mutual funds also make it easier for the smaller investor to invest in funds by capitalizing on the knowledge, expertise, and experience of skilled fund managers (Saleem et al., 2021)

1.1 INTRODUCTION

Islamic Mutual Funds are the tool that optimizes forms of alternative investment that do not only yield good returns but also the Halal Means of earning (Azizah & Tamanni, 2023). In recent times marketers have been trying to foster sales of mutual funds to end-users through broadcast media, over-the-counter techniques exhibitions, etc (Amin et al., 2015). Studies are also reflecting that in recent times Islamic Finance is also perceived as one of the most important parts of the International Financial System. This point is evident through the climbing sales of Islamic Mutual Funds (Mansor & Bhatti, 2011). Hence, the sales and preference of Islamic Mutual funds have increased significantly since 2015 in all Islamic countries (Azizah & Tamanni, 2023) This pattern has continued for the past three to four decades, and due to the increased preference for Islamic Mutual Funds some of the conventional institutions are also offering Islamic Mutual Funds (Mansor & Bhatti, 2011).

Initial studies concerning Islamic Mutual funds in Pakistan revealed that most of the investors were focused on conventional mutual funds. Hence, Islamic mutual funds were required to focus on multiple areas for successive growth in the country (Asim & Perveen, 2023).

1.2 Statement of Problem

Studies highlighted a severe lack of research related to Islamic Mutual Funds. Moreover, most of the previous studies related to Islamic Mutual Funds are hypothetical in nature that assumes Islamic Mutual Funds just lay ordinary mutual funds (Merdad et al., 2017). On the other side studies related to Islamic Mutual Funds are not holistic in nature and explore limited areas related to Islamic Mutual Funds (Aljaed et al., 2019). Hence, optimal to believe in the points mentioned by Naqvi et al (2018) who indicated that the superior performance of Islamic Mutual Funds might be illusionary and may not be a true reflection of the inherent factors. Hence, the major impact would be coming from country-specific investment styles rather than from the structure of Islamic Mutual Funds.

These points support the clause of Aljaed et al (2019) and Merdad et al (2017). Hence, there is an optimal need to understand the importance, significance, and scope of Islamic Mutual Funds with reference to Pakistan. Hence, this study has been conducted specifically to understand the factors behind the preference for Islamic Mutual Funds in Pakistan. However, this study is very different in comparison to the other studies on the topic of investors' preference towards Islamic Mutual Funds. A major reason for differentiation includes a focus on the knowledge gap with reference to Pakistan and Islamic mutual funds, a strong theoretical foundation, and parallel mediation analysis. Combining these elements the significance of this study has multiple folds as the study is beneficial for students, researchers, academicians policy makers, etc. This claim is genuine as this study may assist multiple stakeholders from an academic perspective to a pragmatic perspective and may result in the holistic improvement of society.

1.3 THEORETICAL FRAMEWORK

Studies in the domain of behavioral finance use multiple theories from the area of psychology to understand financial behavior (Jaiyeoba & Haron, 2016). However, most of the studies are built on the Theory of Planned Behavior (TPB) & Theory of Reasoned Action (TRA) to discuss the financial behavior of customers. However, most of the studies use TPB which is an extension of TRA and explains human behavior by considering various motivational factors. Moreover, TPB can also predict financial behavior by considering the prerequisites of that behavior e.g., required skills, resources, and opportunities etc (Widyastuti et al., 2023). Other studies e.g., Saleem et al (2021) also used TPB to assess and understand an individual's financial behavior. The study also indicated that individual financial behavior is based upon an individual's attitude that is based upon motivational factors. Similar has also been indicated by a recent study conducted by Azizah and Tamanni (2023) for assessing investor buying behavior for Islamic Mutual Funds.

1.4 Research Model

Analyzing an individual's investment behavior is quite different from institutional investment behavior. However, environmental conditions are always found to have a definite impact on the financial behavior of investors. Studies mentioned that investor behavior is based on the acquisition, use, assessment, and disposal of products. On the other side, external factors are also found to be a dominant predictor of investor behavior (Saleem et al., 2021). Hence the model for this study has been developed through assessing multiple studies e.g. Azizah and Tamanni (2023); Bouzekouk and Mansor (2024); Hoque et al (2022); Saleem et al (2021) etc. Hence, the model is a combination of variables deduced from multiple studies in order to make research innovative and specifically related to planned buying behavior. Hence, the predicting variables are Islamic Financial Literacy (Azizah & Tamanni, 2023 & Ramadhani and Cahyono (2020)); Islamic Values (Hoque et al., 2022); Risk Perception (Bouzekouk & Mansor, 2024; Saleem et al., 2021 & Widyastuti et al., 2023) Reputation (Saleem et al., 2021). Mediating variables are Investor's Attitude (Hoque et al., 2022) & Subjective Norms (Widyastuti et al., 2023) as these two are found to be the major predictors of behavioral intention as indicated by Ajzen (1991). On the other side, Inclusion of Behavioral Intention towards Islamic mutual funds will not only assist in investigating investors' planned behavior but will also assist in understanding the determinants of Islamic Mutual Funds and their impact on investors' attitudes. The theory of Planned Behavior has also been already investigated by Hoque et al (2022) for Islamic Banking services. Thus, it is optimal to use the theory of planned behavior to understand the preference of Islamic Mutual Funds in Pakistan.

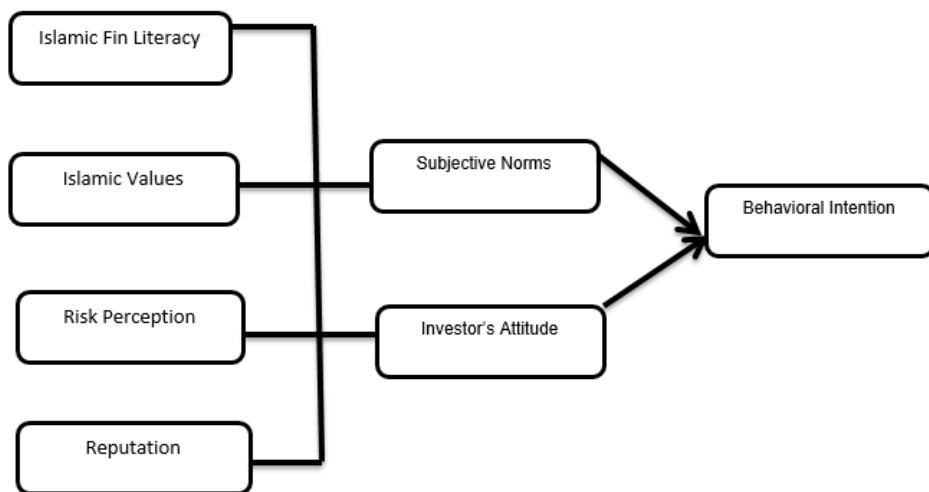


Figure 1: Research Model (Researcher's own creations)

2. LITERATURE REVIEW

2.1 Islamic Financial Literacy:

Financial Literacy can be defined as the totality of understanding that individual possess about the financial products. Financial Literacy makes investor to take better financial decisions on the bases of information about financial products in order to improve one's financial position. Studies also highlighted that increase in complexity of financial products and services are also fostering the importance of financial literacy (Abdullah & Anderson, 2015). This postulate is especially important for individuals as due to the increase in the level of complexity individual are required to be more vigilant and must take informed and effective financial decision (Abdullah & Anderson, 2015). Similar is the indication of study conducted by Edi et al (2018) who claimed that there is a positive association between financial literacy and financial decision. However, when it comes to Islamic Mutual funds researchers e.g., Azizah and Tamanni (2023) and Ramadhani and Hapsari (2022) use Islamic Financial Literacy as the major predicting variable instead of financial literacy. Azizah and Tamanni (2023) used SMART-PLS to reflect that Islamic Financial literacy has a positive association with decision to invest in online Islamic Mutual Funds. Studies define Islamic Financial Literacy as the form of financial literacy that is based on principles of Islamic Finance (Shah et al., 2024). Hence, Islamic Financial Literacy is the sum of skills and understanding that may make person understand the information from Islamic Financial Institutions (Albaity & Rehman, 2019).

2.2 Islamic Values:

Studies mentioned that religion has definite impact on values, habits and attitudes of its followers. Hence, religiosity is perceived as an important factor that has the tendency to shape human psychology and attitudes. Similar has been found in the Islamic countries where religiosity is found to be an important factor that not only influences consumer decision (Bouzekouk & Mansor, 2024). Studies also reflected that the person that ranked high in religiosity will always follow stipulated sharia principles and guidelines, especially for wealth management and related activities (Iswanti & Endri, 2024). Hence, studies that are conducting to relate Islamic values with the Islamic Banking researchers indicated that religiosity is one of the main predictor of customer's satisfaction related with Islamic Banking (Yussaivi et al., 2020). The points are verified through customer's intention to open Islamic Investment Account and also to purchase Islamic bonds etc (Bouzekouk & Mansor, 2024)

2.3 Risk Perception:

Risk perception is a variable that is significantly important for assessing the individual investment behavior. Studies claim that individuals that are ranked lower in risk aversion are much likely to hold riskier stocks (Bouzekouk & Mansor, 2024). There are various types of risks that may affect customer's intention for e.g., financial risk, time loss risk and technological risk etc (Lubis et al., 2022). Empirical

studies conducted in India reflected that there is definite association between demographic characteristics of investor and risk perception. Study was based on primary data that was collected through structured closed-ended questionnaire and findings revealed that age and marital status of investor are the major demographical factors associated with investor's risk perception (Kathiria et al., 2024). Azizah and Tamanni (2023) conducted study to understand the impact of risk perception on online investment in Islamic Mutual Funds. Analysis of the study has been made through SMART-PLS which highlighted the insignificant association between risk perception and investment in online Islamic Mutual Funds. Similar indications are made by Byrne (2005) that risk perception are always positively correlated with the investment in mutual funds and females are found to be rank higher than their counterparts on the scale of risk-aversion (Dwyer et al., 2002)

2.4 Reputation:

Reputation is defined as the assessment of company's performance and quality of its services (Amin & Al Arif, 2024). Reputation of the organization is based upon series of thoughts that spark the mind when customer starts to think about the organization. Studies also define reputation or corporate image as final outcome that is based on overall experience & understanding the customer. Therefore, it is optimal to support studies that mention image as one most important factor for affecting customer's attitude towards products of Islamic banks. Studies also indicated that bank image also affects customer preference and may also forces customer to switch brand due to any negative evaluation related to reputation (Kaakeh et al., 2019). Reputation of Islamic Banks and products is mainly associated with following sharia laws. Banks that breached the laws of Sharia are found to be on lower-side of perceived quality. Lower perceived quality ultimately resulted in customer dissatisfaction which leads to withdrawal of funds from banks or from Islamic Banking products (Widyastuti et al., 2023).

2.5 Investors Attitude:

Positive Attitude from customers is important for success of any product or company. Positive Attitude makes customer attracted towards the company or brand etc. Similar is found true for convention and Islamic banks (Hoque et al., 2022). Social Norms and Perceived Ethical alignment of investment with ethical principles of investors are the major predictors of investor's attitude (Bouzekouk & Mansor, 2024 & Che Hassan et al., 2024).

On the other side religiosity and previous fund performance are the also perceived as the positively correlated elements with investor's attitude. However, risk perception is the one that has a negative association with investor's attitude (Bouzekouk & Mansor, 2024).

2.6 Subjective Norms:

Subjective norms are the benefits that are based on normative believe. Studies define normative believes as the individual or group understanding or disagreement

that can influence individual's behavior. Studies indicated that subjective norms are positively associated with investment buying behavior of individuals. Hence, it is appropriate to believe that influence of friends, family member, mass media or Investment Company has the tendency to make individual inclined towards the investment (Iswanti & Endri, 2024). Most of the times subjective norms are found to be affluent predictor of individual's investment decision except the findings of Anisa and Kholid (2022). Study conducted by Anisa and Kholid (2022) highlighted that theory of planned behavior and all the related variables are potent in investment buying behavior except subjective norms. Similar was the indications of Salisa (2021) and Prayoga et al (2021) which indicated subjective norms does not have any impact over the interest to invest. Findings were also supported by latest study conducted by Haslinda et al (2024)

2.7 Islamic Financial Literacy and Investor's Attitude:

According to Roemanasari et al (2022) indicated that Islamic Financial Literacy is the ability to use skills and abilities to manage financial resources in effective manner. Hence, Islamic Financial Literacy has a positive association with investor's attitude & also with intention to invest. Positive association has been found between increase of Islamic Financial Literacy and intention to invest. Studies also claims that Islamic Financial Literacy is also perceived as important variable that may affect investor's attitude towards Islamic financing (Albaity & Rehman, 2019). Similar has also been posited by Pravin et al (2014) that there is a positive association between increased Islamic Financial Literacy and participation in Islamic Mutual Funds. Similar has been reflected by Bouzekouk and Mansor (2024) that people with higher level of Islamic Financial Literacy will perceived lower risk while investing in Islamic Mutual Funds.

H1A: There is a relationship between Islamic Financial Literacy and Investor's Attitude

H11A: Investor's Attitude does flourish the relationship Islamic Financial Literacy and behavioral intention to invest in Islamic Mutual Funds

2.8 Islamic Values and Investor's Attitude:

Religious aspects are perceived to be important predictors of investor's attitude. According to studies religious does not only influence attitude but it is also an important predictor of one's knowledge and beliefs. Previous studies also indicated that religiosity (Islamic values) is found to be one of the main indicators of customer's intention to use Islamic Fin-Tech (Lubis et al., 2022). Similar has been indicated by Begam et al (2023) that Islamic law does not permit Muslims to invest in any of the non-compliant sectors. Hence, legitimate to posit that Islamic values are aligned with ethical investing in shariah complaint stocks

H1A: There is a relationship between Islamic Values and Investor's Attitude

H12A: Investor's Values does flourish the relationship Islamic Financial Literacy and behavioral intention to invest in Islamic Mutual Funds

2.9 Risk Perception and Investor's Attitude:

Risk Perception is one of the major variable related with technological products. Studies define risk as one of the hindrance in selecting online applications and services etc. According to studies risk is negatively associated with the intention to use the system (Lubis et al., 2022). Similar has been the case of mutual funds where studies indicated that less riskier nature of mutual funds in comparison to the direct stocks is one of the prime reason for investors to invest in mutual funds (Sharma & Rani, 2013). Similar findings are found true for generation-Y from Malaysia that Muslim investors prefer to invest in Islamic Mutual funds due to their less riskier nature (Yuliasuti & Hendranastiti, 2024)

H3A: There is a relationship between Risk perception related to Islamic Mutual Funds and Investor's Attitude

H13A: Investor's Attitude does flourish the relationship Islamic risk perception and behavioral intention to invest in Islamic Mutual Funds

2.10 Reputation and Investor's Attitude:

Albaity and Rehman (2019) indicated that decreases in reputation due to fraud etc may harm the customer's attitude and customers tend to avoid services from Islamic Financial institutions. Studies also indicated that reputation of the Islamic Financial Institute also has the positive association with the intention that will make investor inclined towards investment (Amin & Al Arif, 2024). Similar has also been indicated by latest studies that use of social media for optimizing understanding of investors is one of the most dominant tools for boosting the goodwill of the Islamic Mutual Funds (Isnaini et al., 2023).

H4A: There is a relationship between reputation of Islamic Mutual Funds and Investor's Attitude

H14A: Investor's Attitude does flourish the relationship reputation and behavioral intention to invest in Islamic Mutual Funds

2.11 Islamic Financial Literacy and Subjective Norms:

Financial Literacy is based upon understanding and knowledge of principles of Islamic Finance which ultimately affects the intention to invest in Islamic capital markets (Agustin et al., 2023). The relationship between financial literacy and subjective norms highlighted that increase in the level of financial literacy may leads to better financial decisions. However, Muslim who relies only on subjective norms may not have desired and optimal outcomes (Muharromah et al., 2023 & Osman et al., 2023). Contrary to these points some of the studies indicated that subjective norms may also result in negative impact over investment decisions. These sorts of conditions are especially associated with conditions when the subjective norms or community attitudes are not aligned with the Islamic financial principles (Muharromah et al., 2023).

H5A: There is a relationship between Islamic Financial Literacy and Subjective norms

H15A: Subjective Norms does flourish the relationship Islamic Financial Literacy and behavioral intention to invest in Islamic Mutual Funds

2.12 Islamic Values and Subjective Norms:

There is a positive association between religiosity and preference of Islamic Funds. According to the research religiosity foster ethical obligations and make investor invest in line with sharia and Islamic principles (Parvin et al., 2024). On the other side studies also claims that the association between religiosity and investment intention are not necessarily be in direct relationship. Hence, subjective norms may found to be an important mediator for making the relationship more prominent (Che Hassan et al., 2024).

H6A: There is a relationship between Islamic Values and Subjective norms

H16A: Subjective Norms does flourish the relationship Islamic Values and behavioral intention to invest in Islamic Mutual Funds

2.13 Risk Perception and Subjective Norms:

Investors possess sensitivity towards the fund manager that would influence their withdrawals from Islamic Mutual funds (Widyastuti et al., 2023). The Theory of Planned behavior entails that subjective norms are the important predictor of investment behavior (Yuvaraj & Venugopal, 2023). Hence, subjective norms have the ability to influence the intention to invest in positive manner (Yuliastuti & Hendranastit, 2024)

H7A: There is a relationship between Risk Perception of Islamic Mutual Funds and Subjective norms

H17A: Subjective Norms does flourish the relationship Risk Perception and behavioral intention to invest in Islamic Mutual Funds

2.14 Reputation and Subjective Norms:

There is a definite relationship between subjective norms and investment behavior in stocks. The postulate is based upon the theory of planned behavior which assumes social pressure creates significant impact over the investment decisions (Yuvaraj & Venugopal, 2023 & Yuvaraj & Venugopal, 2024)

H8A: There is a relationship between reputation of Islamic Mutual Funds and Subjective norms

H18A: Subjective Norms does flourish the relationship Reputation and behavioral intention to invest in Islamic Mutual Funds

Investor's Attitude and Behavioral Intention to invest in Islamic Mutual Funds

Attitude is perceived as one of the most important variable that may directly affect the behavior. According to research positive attitude will cause positive impact over the behavior and vice versa (Ganesan et al., 2020). Studies define this association as the evaluation that might be obtained through the outcome (Widyastuti et al., 2023). Studies e.g., Hoque et al (2022) examined the mediating role of customer's attitude towards Islamic Banks through taking customer's intention to use services from Islamic Banks and found the association true for Islamic Banks. Studies with reference to investor's attitude in mutual funds indicated that positive attitude of investor will leads to increase in the interest towards investment and vice versa (Haslinda et al., 2024).

H9A: There is a relationship between investor's attitude and behavioral intention to invest in Islamic Mutual Funds

2.15 Subjective Norms and Behavioral Intention to invest in Islamic Mutual Funds:

There is a definite impact of subjective norms over the investor's intention to invest in Islamic Mutual Funds. Similar has been found true for the Indonesian Context where the association between subjective norms for Shariah complaint securities have a definite and significant impact over the investor's intention to invest (Razak et al., 2024 & Wuladari et al., 2023)

H10A: There is a relationship between subjective norms and behavioral intention to invest in Islamic Mutual Funds

3. RESEARCH METHODOLOGY

The research methodology of this study is based on quantitative technique that is also used by Haslinda et al (2024) to understand that association between investor's attitude and interest in investment in mutual funds. However, in order to follow indication of Kothari (2004) effectively this studies incorporated indications of Saunders et al (2007); Saunders et al (2015) and Sekaran and Bougie (2016) in detail to discuss research design and sampling deign.

3.1 Research Design:

This is one of the correlational studies as the model is not reflecting any definite relationship of selected variables (Sekaran & Bougie, 2016). The model used in this study is based upon suggested and adapted variables. The philosophy associated with this study is epistemology that is the philosophy of knowledge (Saunders et al., 2007) and philosophical stance related with this study is post-positivism (Saunders et al., 2015). The research approach is deductive, research strategy is survey, methodological choice is mono-method (quantitative) & time horizon is cross-sectional (Saunders et al., 2015).

3.2 Sampling Design:

One of the initial study conducted by Sharif (2020) collected data from investors of Islamic mutual funds. Study collected the response to formulate quantitative study based on five points Likert scale. However, study of Asim and Perveen (2023) indicated that investors selected as the respondents for the study must belongs to top twenty asset management companies operating in Pakistan. Moreover, respondents must also belong to the organizations that are in the top list of Mutual Funds Association of Pakistan. Hence, considering the points highlighted by Asim and Perveen (2023) and Sharif et al (2020) this study collected data from investors professionally associated with Asset Management companies who have significant stakes in Islamic Mutual Funds. The total sample size for this study is 250 respondents. However, initially 300 questionnaires were circulated but due to incomplete responses or lack of interest from respondents the analysis has been made on the sample of 250 respondents. Therefore, the response rate for this study is 0.75 %. The sampling type used in this study is non-probability sampling that is consistent with the sampling technique used by Asim and Perveen (2023) and Sharif et al (2020) but sampling method used is quota sampling that was used and recommended by Etikan and Bala (2017) and used by Salman and Hassan (2020) to assess the participation of consumers in Islamic Mutual Funds. Hence, the use of quota sampling also looks optimal for assessing the preference of Islamic Mutual Funds.

4. STATISTICAL RESULTS

Latest studies of Dong et al (2023) highlighted the importance of using structural equation modeling in assessing complex association held between observed and latent variables. Use of SEM is based on structural and measurement model that are associated with the testing hypotheses (Khairi et al., 2021). The statement is valid as the scope and significance of this toll is found to be higher than regression especially when it is incorporated through SMART-PLS (Gunzler et al., 2013).

Table 1: Construct Reliability and Convergent Validity

Variable	Outer Loading	Cron-abach's Alpha	Goldstein rho	Composite Reliability	AVE
Islamic Finan- cial literacy	0.842	0.794	0.805	0.866	0.620
	0.808				
	0.798				
	0.692				

Islamic Values	0.874	0.880	0.891	0.917	0.734
	0.843				
	0.888				
	0.822				
Risk Perception	0.709	0.845	0.861	0.896	0.685
	0.846				
	0.890				
	0.854				
Reputation	0.746	0.826	0.844	0.884	0.656
	0.846				
	0.890				
	0.850				
Subjective Norms	0.851	0.830	0.834	0.887	0.663
	0.841				
	0.774				
	0.779				
Investor's Attitude	0.778	0.855	0.856	0.902	0.698
	0.846				
	0.879				
	0.835				
Behavioral Intention	0.842	0.795	0.805	0.866	0.620
	0.807				
	0.799				
	0.693				

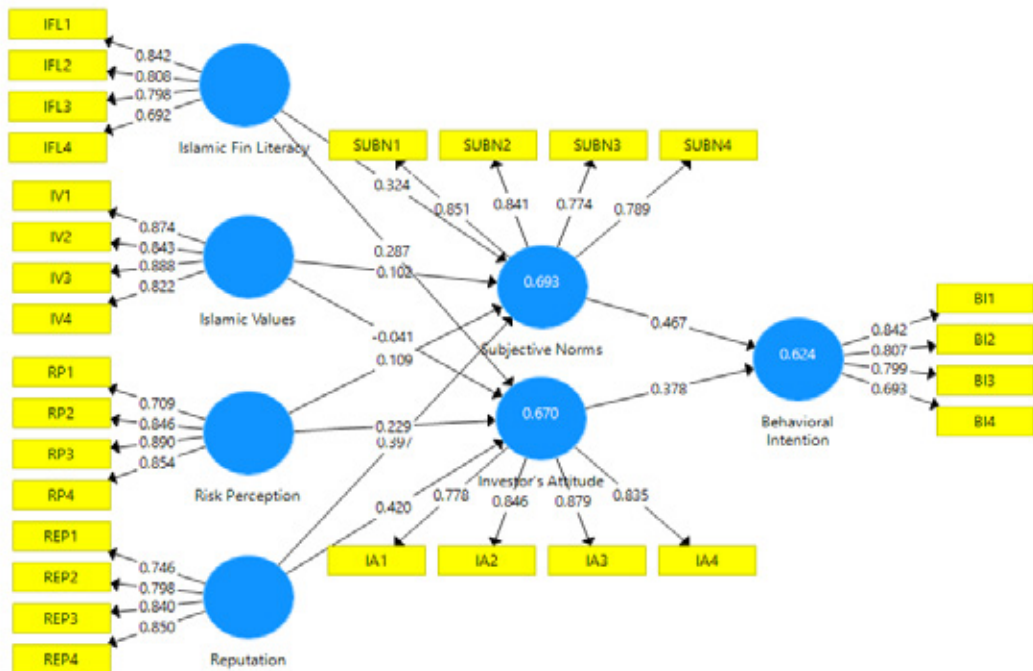


Figure 2: Outer Loading & Confirmatory Factor Analysis (Researcher own creation)

SMART-PLS is one of the specialized software that actually incorporate SEM through incorporating measurement model and structural model (Wong, 2013). The outer model is associated with descriptive statistical modeling that is related with association of latent variable with its indicators (Ab Hamid et al., 2017) while inner model is used to validate effective association, relationships and paths required to highlight relationship of variables (Vijaybanu & Arunkumar, 2018).

Table 1 is based upon descriptive statistical measures as indicated by Ab Hamid et al (2017). However, Table does not have all the elements that are associated with descriptive statistics or outer model of SMART-PLS. Table only reflects some of the major elements like outer loading, elements of internal consistency and AVE. The use of outer loading is to make readers understand the strength of indicators that are accompanied in this study (Afthanorhan, 2013).

According to research that values near to 1 are always preferred for the selection of indicator. However, bench mark value is 0.70 and values that range between 0.60 and 0.70 might be deleted if omitting of the indicator has a significant impact over the convergent validity. Discussing the range of values for internal consistency it has been reflected that the values must be more than or equal to 0.70 but values that are above 0.90 are not preferred. Other than outer loading and internal consistency table 1 also contains elements of convergent validity i.e., AVE that is sufficient to

assure convergent validity with the value of 0.50 or above (Ab Hamid et al., 2017). Hence, in the light of these valued citation it is optimal to declare that table 1 is validating outer loading, construct reliability and convergent validity. However, there are two elements that are below than the par value of 0.70 but these values are much closer to 0.70. Hence, through considering Flake et al (2017) it is valid to not eliminate these values as eliminating these values may result in compromise over value able data. Similarly the claim related with construct reliability and convergent validity can be validated through using Kampar (2019) and Strauss and Smith (2009) who indicated that values of Cronbach alpha, Goldstein rho and AVE must yield values that are greater than or equals to 0.70.

Table 2: Discriminant Validity

	Behavioral Intention	Investor's Attitude	Islamic Fin Literacy	Islamic Values	Reputation	Risk Perception	Sub-jective Norms
Behavioral Intention							
Investor's Attitude	0.503						
Islamic Fin Literacy	0.713	0.720					
Islamic Values	0.716	0.639	0.716				
Reputation	0.557	0.711	0.683	0.789			
Risk Perception	0.844	0.826	0.844	0.771	0.662		
Subjective Norms	0.522	0.679	0.784	0.735	0.729	0.829	

Table 2 is used to make readers observes discriminant validity through Heterotrait-Monotrait ratio. Studies define Heterotrait-Monotrait ratio as the ratio that is used to highlight that variables that are used in the study are mutually exclusive from each other (Malik et al., 2021). Studies also mentioned that Heterotrait-Monotrait ratio as the best tool to assess discriminant validity. However, there is a benchmark value of 0.85 that cannot compromises if researchers are required to show discriminant validity through Heterotrait-Monotrait ratio. Hence, in accordance with the indication of authentic research the value obtained at junction of two variables must not reach or cross 0.685 to assure discriminant validity (Hair et al., 2019). Therefore, in line with the above-mentioned points it is optimal to declare that table 2 assures discriminant validity as there is no value that is greater than or equals to 0.85.

Table 3: Quality Criteria (Predictive Accuracy)

	R Square	R Square Adjusted
Behavioral Intention	0.624	0.622
Investor's Attitude	0.670	0.666
Subjective Norms	0.693	0.689

Table 3 is used to highlight predictive accuracy that is also known as Quality Criteria and usually reflected through R-square. This is the part of inferential statistical portion of SMART-PLS. According to studies this measure is used to indicate model fitness of structural and measurement model developed through SMART-PLS (Purwanto et al., 2020). Studies explain predictive accuracy as the tool that measures the predicting power of independent variables. Hence, it is described as the change that 1% change in the independent variable brings to the dependent variable and the minimum acceptable change is 0.25 while 0.50 and 0.75 are termed as moderate and substantial change (Wong, 2013). Hence, in the light of above-mentioned points it is optimal to indicate that the model developed to assess investor's preference towards Islamic Mutual Funds is fit and successfully fulfilling quality criteria, i.e., predictive accuracy. The claim is valid as there is no value that is lesser than 0.50 and values of predictive accuracy for mediators and outcome variables are in between 0.60 and 0.75 which indicated moderate fit. Therefore, considering the points mentioned by Antara et al (2013) the model developed through theoretical triangulation has been found fit for inferential statistical testing.

Table 4: Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Investor's Attitude -> Behavioral Intention	0.378	0.381	0.064	5.942	0.000
Islamic Fin Literacy -> Investor's Attitude	0.287	0.289	0.051	5.578	0.000
Islamic Fin Literacy -> Subjective Norms	0.324	0.322	0.067	4.863	0.000
Islamic Values -> Investor's Attitude	-0.041	-0.028	0.064	0.644	0.520
Islamic Values -> Subjective Norms	0.102	0.107	0.062	1.651	0.099
Reputation -> Investor's Attitude	0.420	0.410	0.064	6.565	0.000
Reputation -> Subjective Norms	0.397	0.397	0.074	5.389	0.000
Risk Perception -> Investor's Attitude	0.229	0.224	0.063	3.624	0.000
Risk Perception -> Subjective Norms	0.109	0.104	0.060	1.812	0.071
Subjective Norms -> Behavioral Intention	0.467	0.464	0.065	7.168	0.000

Table 4 is indicating path-coefficient that is the matrix related with inferential statistical model of SMART-PLS and used to reflect all the valid paths and associations among the variables of interest (Silaparaasetti et al., 2017). The benchmark to legitimize the associations and paths is based upon p-values and

t-statistics where p-values must be lower than or equal to 0.05 and t-statistical values must be greater than or equal to 1.97 (Hair et al., 2017). Hence, considering the indications of Hair et al (2017) it is valid to accept alternative hypotheses for all the conditions except

the three, i.e., for relationship of Islamic Values and Investor's attitude, Islamic values and subjective norms and risk perception and subjective norms.

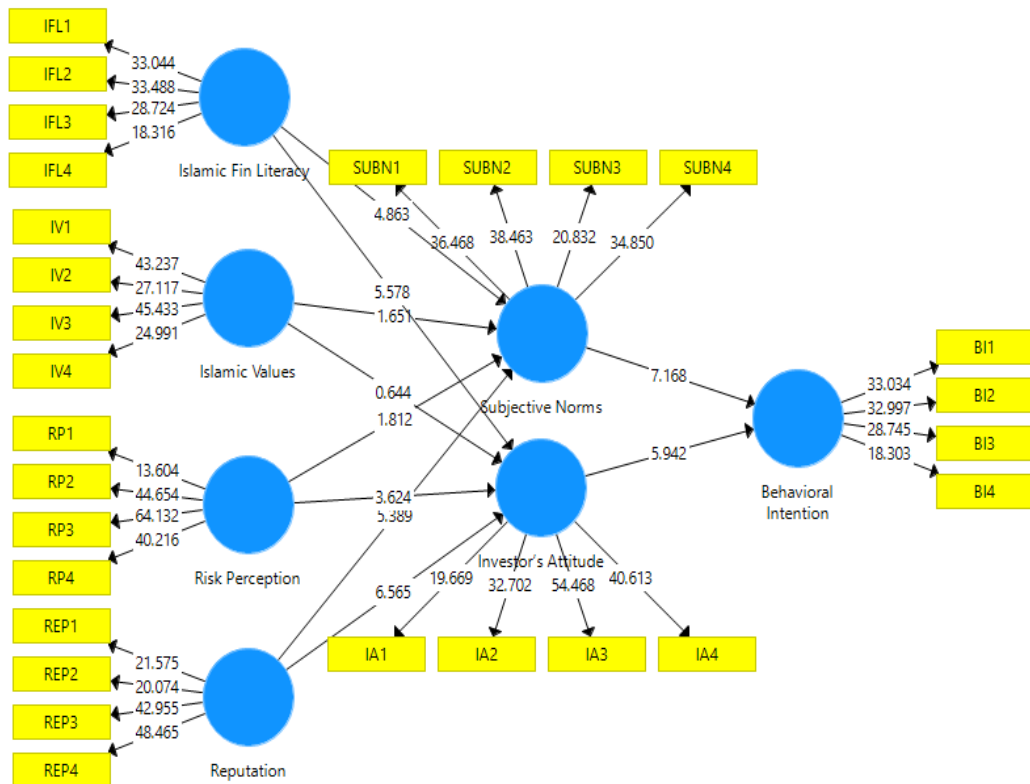


Figure 3: Boot Strapping (Path Coefficient)

Reason for accepting the null hypotheses in all these conditions are lesser t-values i.e., lesser than 1.97 and higher p-values i.e., more than 0.05. Therefore, it is optimal to indicate that on the basis of analysis researchers failed to reject H2O, H6O & H7O that means most of the hypotheses including H1A, H3A, H4A, H5A & H8A are accepted.

Table 5 is intimating about the specific indirect effect that is also based upon the values indicated by Hair et al (2017). Hence, the assessment and evaluation criteria are same that is used to assess path coefficient. Hence, in the light of the table 5 it is optimal to declare that three mediating analysis are not optimal as subjective norms does not mediate between risk perception and behavioral intention and Islamic values and Risk perception. Similarly there is no indirect association found between

Islamic Values and Behavioral Intention through mediation of Investor's Attitude.

Table 5: Specific Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Islamic Fin Literacy -> Investor's Attitude -> Behavioral Inten- tion	0.109	0.112	0.033	3.277	0.001
Islamic Values -> Investor's Attitude -> Behavioral Intention	-0.016	-0.011	0.024	0.648	0.517
Reputation -> In- vestor's Attitude -> Behavioral Intention	0.159	0.155	0.030	5.287	0.000
Risk Perception -> Investor's Attitude -> Behavioral Intention	0.086	0.085	0.028	3.062	0.002
Islamic Fin Literacy -> Subjective Norms -> Behavioral Inten- tion	0.151	0.152	0.049	3.116	0.002
Islamic Values -> Subjective Norms -> Behavioral Intention	0.048	0.051	0.031	1.543	0.123
Reputation -> Subjec- tive Norms -> Behav- ioral Intention	0.186	0.181	0.029	6.481	0.000
Risk Perception -> Subjective Norms -> Behavioral Intention	0.051	0.048	0.029	1.771	0.077

Thus, it is optimal to declare that researcher failed to reject H11O, H17O & H17O. Therefore, legitimate to declare investor's attitude does not assist the relationship of Islamic values and Behavioral Intention. Subjective Norms does not mediate the relationship of Islamic Financial Literacy and Behavioral Intention and Subjective Norms also does not have any role in the relationship of Risk Perception and Behavioral Intention. However, similar to the analysis of path coefficient most of the results indicated in the acceptance of alternative hypotheses that causes researchers to accept H10A, H12A, H13A, H14A, H15A & H18A

5. CONCLUSION

Findings of this study revealed that Theory of planned behavior is well associated with the investment in Islamic Mutual Funds. According to the detailed analysis conducted through SMART-PLS it has been revealed that selection of both the mediators is valid due to their effective association with investor's behavioral intention.

However, there is no association of Islamic values with investor's attitude related with Islamic mutual Funds and Islamic Values related Islamic Mutual Funds and Subjective Norms. Similarly there is no relationship between risk perception related with Islamic Mutual Funds and Subjective Norms. Adding further research also clarifies that investor's attitude failed to produce mediating impact for the relationship between Islamic Values and Behavioral Intention to invest in Islamic Mutual Funds. Similarly, subjective norms also unable to create mediating association between Islamic Values and Behavioral Intention to invest in Islamic Mutual Funds and also for the relationship between Risk Perceptions and Behavioral Intention related with Islamic Mutual Funds. That means Islamic values does not have any impact over positive approach of investor towards investment in Islamic Mutual Funds neither in discussing their understanding and thoughts regarding the investment opportunities with Islamic Mutual Funds. These points are supported by previous studies that may indicate that investors attitude may not found to be a potent mediator especially for Islamic Values as indicated by Wijayanti and Widayanti (2024). Similarly subjective norms may also not found to be an important mediator that may influence investor's behavioral intention to invest in Islamic Mutual Funds as indicated by Andespa et al (2024) and Iswant and Endri (2024).

5.1 Discussion

According to the findings of this study there is a definite association between investor's attitude and behavioral intention to invest in Islamic Mutual Funds. Hence, the findings of this study are found to be alligned with the indications of previous studies e.g., Ganesan et al. (2020); Haslinda et al (2024); Hoque et al (2022) and Widyastuti et al. (2023) etc. Similarly, study also reflects definite association between subjective norms and behavioral intention to invest in Islamic Mutual Funds hence, the findings of this study is also consistent with Razak et al (2024) and Wuladari et al (2023)

Now it is required to relate slamic Financial Literacy is positively related with both the mediators, i.e., investor's attitude and subjective norms. Hence, the findings of this study is found to be consistent with mix of old and latest studies related with investment in Islamic Mutual Funds, Specifically associating Islamic Financial Literacy with Investor's Attitude it is required to mention that the findings of this study are associated with Pravin et al (2014) and Bouzekouk and Mansor (2024). Similarly, for the association between Islamic Financial Literacy and Subjective norms the findings of this study are associated with Muharromah et al., (2023) and Osman et al (2023). However, this study highlighted that there is no relationship

between Islamic Values and Investor's Attitude which is not inline with Lubis et al. (2022) and Begam et al (2023). Similarly Islmaic values also not found to be corelated with subjective norms that is different from the indications of Che Hassan et al (2024) and Parvin et al. (2024). Adding further risk perception related with Islamic Mutual Funds does have positive association with Investor's Attitude that is consistent with Lubis et al. (2022) and Yuliastuti & Hendranastiti (2024). However risk perception related with Islamic Mutual Funds does not have any association with subjective norms.

Therefore, findings of this study is found to be different from the indications of Yuvaraj and Venugopal (2023) and Yuliastuti and Hendranastit (2024). Lastly it is requiried to indicate t hat reputation is the variable used in this study that is found to be effectively corelated with both of the mediators i.e., investor's attitude and subjective norms and these associations are also validated by Albaity and Rehman (2019) Amin and Al Arif, (2024) and Isnaini et al. (2023) for investor's attitude Yuvaraj and Venugopal (2023) and Yuvaraj and Venugopal (2024) for relationship with subjective norms.

5.2 Policy Implications & Future Need of Research

This study indicated about the role of theory of planned behavior in assisting investor's attitude towards Islamic Mutual Funds. However, in Pakistan Islamic and conventional fund managers are failed to out-perform the market as indicated by Sanaullah et al (2021). Hence, there is a need to consider this research for better understanding about the factors responsible for the investment in Islamic Mutual Funds. The most alarming outcome of this study is no association of investor attitude and subjective norms in between the relationship of Islamic Values (religiosity) and behavioral intention. However, there is a definite role of investor's attitude and subjective norms in the relationship of Islamic Finical Literacy and behavioral intentions. Hence, practical skills that are developed through Islamic Financial Literacy (Anita et al., 2024) are more important for investors in comparison to Islamic Values (religiosity) related with ethical behavior and character development (Faizah et al., 2024). Hence, it is an ample opportunity for companies to attract people and investors from diversified religions to invest in Islamic Mutual funds rather than only Muslims. Similar has been highlighted by Elfakhani (2024) who assessed the performance of Islamic Mutual Funds in Europe and America. Hence, the policies to foster investment in Islamic may not remain religion specific. Further studies may also be conducted to formulated policies and strategies to foster investment in Islamic Mutual Funds and also to understand investor behavioral intention through relating this model with control variables like age and gender etc. These studies will assist holistic understanding in understanding the behavior of individual investors from different age and genders

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