APPENDIX A

Pretest Instrument

Dear Professor:

I am pursuing PhD from Shri Mata Vaishno Devi University. Katra. As part of the requirement for my doctoral degree program I will be conducting a survey on individual mutual fund investors who have recently purchased mutual fund scheme(s). The objective is to help understand the investment behaviour of mutual fund investors. To conduct the survey an instrument has been developed. I solicit your help in the content validity of the instrument.

A) I would like to know if there are any items of any of the constructs/variables that you do not understand because of the wording of the item. If there is any please put a question mark (?) by the item.

B) I would like to know whether the variable(s) (variables are underlined) as shown below correctly represent the construct (construct are kept bold). If you do see any variables not correctly representing the construct kindly circle that variable(s) number

B) I would like to know whether the items (questions) as shown below correctly measures the variable (variable are underlined). If you do see any item(s) not correctly measuring the variables kindly circle that item(s) number

Ci represents Construct
Vi represents Variable
a, b, c represents Items

C1 Perceived purchase risk (PPR)

Four item 5 point Likert scale to measure perceived purchase risk with mutual fund (PPR) where 1 = not at all and 5= Very much. Individual point will be added to find overall point.
a) How much there is a chance that the agent(s) will mislead while purchasing mutual fund scheme?
b) How much there is a chance that there may be hidden charges while/after purchasing mutual fund scheme?
c) How much there is a chance that investment in certain mutual fund scheme can have large negative consequence on your future cash position?
d) How much there is a chance that investment in certain mutual fund scheme could lead to monetary loss?

C2 Investors Knowledge (IK)

V1 Objective Knowledge measured by the score obtained by respondent in a multiple option type financial quiz.

a) If you invest Rs. 1000 today at an interest of 4 % for a year, your balance after one year will be
   i) higher if the interest rate is compounded daily rather than monthly
   ii) higher if the interest rate is compounded monthly rather than weekly
   iii) higher if the interest rate is compounded yearly rather than monthly
   iv) will remain same no matter how the interest is calculated

b) What is the expected return on investment if there is a probability of 0.5 to get a return of 10% and probability of 0.5 to get a return of 20 %?
   i) 30%
   ii) 15%
   iii) 20%
   iv) 10%

c) If you are suppose to receive Rs. 1000 at the end of this year and the prevailing inflation rate is 10%. What is the value of your money now?
   i) Rs. 1000
   ii) Rs. 1100
   iii) Rs. 909.09
   iv) Rs. 900

d) Suppose you have Rs. 100 for investment and you want to invest Rs. 25 in fixed deposit giving return of 10% and Rs. 75 in MF scheme giving return of 15 %. What will be your overall return?
   i) 13.75 %
   ii) 12.5 %
   iii) 15%
   iv) 10%
e) Suppose your annual income is Rs. 100 and the annual expense is Rs. 25. Assuming 50% tax rate what will be your tax liability for the year
i) Rs. 100
ii) Rs. 75
iii) Rs. 50
iv) Rs. 25

f) A distribution from a mutual fund reduces its net asset value (NAV) by:
i) the entire amount of the distribution
ii) the amount of the distribution less capital gain
iii) the amount of the distribution less capital inflow
iv) a distribution does not reduce NAV

g) Consider the following companies and their betas. Which stock will underperform the others when the stock market rises by 10%:
i) Blue company: Beta = 0.85
ii) Orange company: Beta = 1.05
iii) Purple Company: Beta = -1.10
iv) Gold Company: Beta = -0.95

h) Diversifying your portfolio to protect it against company risk:
i) can be achieved only through ownership of a mutual fund
ii) requires an ownership of at least one stock in every industry
iii) requires an ownership of at least 100 stocks in different industries
iv) requires an ownership of at least 10 to 20 stocks in different industries

i) Solely in regards to income taxes, if you are considering selling a stock that you have held for 11 months and that has appreciated in price you must
i) hold the stock for at least one more month to get a lower tax rate on a sale
ii) hold the stock for at least 7 more months to get a lower tax rate on the sale
iii) sell the stock now to get the lower tax rate on the sale
iv) the proceeds of the sale will be taxed at the same rate when ever you sell it

j) If other factors remain the same, Indian Rupee value (INR) of a U.S fund will be
i) higher if INR rises against U.S dollar
ii) lower if the INR value rises against U.S dollar
iii) unchanged if the U.S dollar value rises against that of INR
iv) lower if the U.S dollar rises against that of INR

V2 Subjective Knowledge Three items 5 point Likert scale to measure Subjective Knowledge where 1 = strongly disagree and 5 = strongly agree. Individual point will be added to find overall point.
   a) Compared to average men and women, I am very familiar with wide variety of mutual fund schemes
   b) Compared to my friends, I am very familiar with wide variety of mutual fund schemes
   c) Compared to people who invest a lot in mutual fund schemes, I am very familiar with wide variety of mutual fund schemes

C3 Purchase Decision Involvement (PDI)

Three items 5 point Likert scale where 1= strongly disagree and 5 = strongly agree. Individual point will be added to find overall point
   a) I choose mutual fund schemes very carefully
   b) Which mutual fund scheme I buy matters to me a lot
   c) Choosing mutual fund scheme is an important decision for me

C4 Information Search Behaviour

V3 Width of information search measured by counting the number of information source(s) which respondents used (from the given possible twelve sources) while gathering information before the purchase of the recent MFs.

1) Mutual fund sales agent
2) Banks
3) Brokers
4) Store display
5) Newspaper
6) Magazines
7) Family
8) Friends
9) Peer group
10) Television
11) Mail
12) Financial portal

V4 Depth of information search Twelve items 5 point Likert scale to measure the extent to which respondent have used each type of
information source while gathering information before the purchase of the recent mutual fund scheme where 1= did not use 2= use very little 3= Used a little 4=Used some 5= Used a lot .Individual point will be added to find overall point

1) Mutual fund sales agent
2) Banks
3) Brokers
4) Store display
5) Newspaper
6) Magazines
7) Family
8) Friends
9) Peer group
10) Television
11) Mail
12) Financial portal

C5 Information Processing Behaviour

V5 Width of information processing measured by counting the attributes (from the given possible 12 attributes) which respondent have used for comparing MFs before/at the time of purchase of the scheme.

1) Fund historical performance
2) Fund size
3) Scheme entry and exit load
4) Scheme investment portfolio
5) Favorable rating of fund scheme
6) Clarity of accounting statement
7) Reputation of fund manager]
8) Fund manager background
9) Investment style
10) Scheme tax benefit
11) Pending legislation
12) Fund advertisement expense

V6 Depth of information processing Twelve items 5 point Likert scale to measure the extent to which respondent used each type of attributes for comparing schemes before/at the time of purchase of this scheme
where 1= did not use, 2= Used very little, 3= Used a little, 4 Used some, 5= Used a lot. Individual points will be added to find overall point.

1) Fund historical performance
2) Fund size
3) Scheme entry and exit load
4) Scheme investment portfolio
5) Favorable rating of fund scheme
6) Clarity of accounting statement
7) Reputation of fund manager
8) Fund manager background
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[Name of the Faculty/ Expert]

[Designation]

[Organization]

[Signature]