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METHODOLOGICAL STRATEGIES

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CHAPTER III

METHODOLOGICAL STRATEGIES

The methodological strategies followed in this study are explained here. It outlines the whole research plan and describes just what will be done, how it will be done, what data will be needed, what data collection methods will be employed, how sources of data will be needed, and how the data will be analysed and the conclusion arrived. The present study was undertaken with the broad objective of "A Study of Non-Banking Financial Intermediaries with Special Reference to Benefit Funds in Kanyakumari District". The various aspects included in this chapter are presented under the following heads.

3.1 Significance of the Study

The financial system comprises of financial institutions, financial instruments and financial markets that provide an effective payment and credit system and thereby facilitate channelising of funds from savers to
the investors of the economy. In India considerable growth has taken place in
the non-banking financial sector in last two decades. During this period they
are successful in rendering a wide range of services. Initially intended to cater
to the needs of savers and investors, NBFIs later on developed into institutions
that can be provided the services similar to banks.

In India, several factors have contributed to the growth of
NBFIs. As the demand for financial services grow, countries need to
encourage the development of NBFIs and securities market in order to
broaden the range of services and stimulate the competition and improve the
efficiency. The last decade has witnessed a phenomenal increase in the
number of NBFIs. The number of such companies stood at 24,009 in 1990
and it has been increased to 60,995 in 2000. The prime reason for increasing
deposits with NBFIs are greater customer orientation and higher rate of
interest offered by them as compared to other nationalised commercial banks.

The NBFIs are classified into, the equipment leasing company,
hire purchase finance company, housing finance company, investment
company, loan company, benefit fund company, miscellaneous non-banking
company and residuary non-banking company.

Benefit fund is one type of NBFIs. A Benefit Fund is a
company formed solely with the object of catering to the various finance and
credit needs of its members and is incorporated as a public limited company
under the Companies Act of 1956. Benefit Funds, have functioned mostly in South India for the past several decades. They evolved as typical home spun credit institutions, with the middle and poor class people being their customers. Formed with the object of inculcating the idea of thrift and compulsory savings in their mind, they were promoted mostly by public spirited men.

Benefit Funds have a low capital base. In urban and semi-urban centres, the authorised capital ranged between Rs.1 lakh and Rs.5 lakhs and in metropolitan centres, up to Rs.25 lakhs. The face value of a share formed after 1980 was generally Rs.1, though companies were offered shares of face value Rs.5 or Rs.10. The minimum face value of the shares enabled by person to subscribe to a share and become a member entitled to avail the facilities.

Benefit Funds are regulated by the provisions of Company Act in force. They also come under one class of NBFI s and hence RBI is empowered to issue directions to them in matters relating to their deposit acceptance activities. Benefit Funds offer different schemes for their members to invest their savings. Recurring deposits are opened to promote the habit of thrift and savings deposits help members to put their surplus funds in accounts which ensure both yield and withdrawal facilities for them. Fixed deposits, cash certificates and re-investment deposits are all deposits accepted
for a term basis and repayable on maturity at the end of the term and recurring interest payable compounded on monthly basis with less frequent intervals.

Loans are given to meet urgent family expenses like medical treatment, marriage, higher education, funeral expenses, clearing of hand loans, repairs, renovations and improvements to existing dwelling house. Loans are granted on the security of (a) jewels, gold and silver coins, gold and silver vessels, bullion, jewels set with precious stones which shall be duly examined by a jewel appraiser as to the purity and genuineness of the articles pledged, (b) immovable property like building, residential house, flats and vacant plots, (c) fixed deposits, recurring deposits of the company and (d) insurance policies, units, National Savings Certificates (NSC) and trust securities. Some extent loans to agriculturists on pledge of produce while others offer loan schemes for purchase of two wheelers, by their members. For salaried class, some have provision for loan schemes, recoverable by deduction from monthly salaries through an arrangement with the disbursing officers.

The default ratio of loans is relatively low, compared to any other financial institutions and recovery is almost 70 per cent. The investigator propose to discuss some financial ratios which can be usefully employed with a view to judge the (1) profitability and efficiency of control over expenses based on profit and loss account figures, (2) operational
efficiency, effective use of facilities and resources on the basis of balance sheet and profit and loss account figures and financial position on the basis of balance sheet figures. To investigate the problems, faced by the benefit funds in their day-to-day operations and to study the problems faced by the beneficiaries while borrowing and repaying the loans. Based on the above mentioned characteristics the investigator resolves to do research in this topic.

The Benefit Funds (B.F) play an important role in providing credit to people living in urban areas and semi urban areas. The successful functioning of any bank depends on its efficient performance. B.F faces many problems, they are as follows (1) problems of deposit mobilisation, (2) problems of overdues, (3) Managerial inadequacies. Efficient performance can be achieved only when the above problems are tackled efficiently by the management. Therefore, it is very necessary to evaluate the functioning of benefit funds in Kanyakumari district to explore about its performance.

3.2 Choice of the Study Area

Kanyakumari district is the smallest district in the state having an area of 1,672 sq.kms. The Western Ghats ending into green hills, perennial rivers, beautiful lotus filled tanks, dense forests, extensive paddy fields, rich coconut groves and a curved coastal line are the unique natural features of Kanyakumari district. The economy of the district is mainly agrarian. This is the only district in Tamil Nadu where rubber is grown extensively. About 68
per cent of the total geographical area of the district is under cultivation. The forest forms 33.4 per cent of the total area. Paddy, coconut, rubber, tapioca, palmyrah, tamarind, banana, mango, cashew, arecanut and groundnuts are the major crops of this district. This district lies at the southern most tip of the Indian Peninsula, where Indian Ocean, Arabian Sea and Bay of Bengal confluence. The district is bounded by Tirunelveli district in the North and North-East and by Kerala State in the North-West. The district is divided into two revenue divisions, Thuckalay and Nagercoil. The district is divided into four taluks – Agasteeswaram, Kalkulam, Thovalai and Vilavancode with nine blocks. The present study covers the entire blocks of the Kanyakumari district ie., Agasteeswaram, Killiyoor, Kurunthencode, Melpuram, Munchirai, Rajakkamangalam, Thiruvattar, Thovalai and Thuckalay. There are 50 Benefit Funds in the district. All the benefit funds are taken for the present study. These benefit funds are controlled and regulated by the Reserve Bank of India.

3.3 Selection of Samples

Benefit Fund limited was purposively selected for present study with Kanyakumari district as the study area. There are 50 Benefit Fund Ltd., registered and functioning in Kanyakumari district. Among those persons who have borrowed loans and/or have deposits with the benefit fund, the investigator has selected 1000 beneficiaries by using simple random sampling
technique from the study area. The indicators were collected from annual reports, audit reports and other official records of the benefit funds.

The aspects of benefit funds such as trading account, balance sheet, profit and loss account were abstracted from the audit of the benefit funds for constructing the growth performance indicators, and a well structured interview schedule was used to collect information on financial growth performance indicator of benefit funds for the year 1994-95 to 2003-2004.

Framework of Analysis

The collected data were presented in the simple table and these tables were systematically analysed with the help of simple statistical techniques such as percentage, average.

3.4 Collection of Data

Relevant and required data pertaining to the present study have been collected from two sources, namely, primary and secondary sources of information. The primary sources of information have been collected through personal interview method from selected sample of 1000 beneficiaries and 50 Benefit Funds with the help of a structured interview schedules.

(i) Interview Schedule for Beneficiaries (Appendix – I)
(ii) Interview Schedule for Benefit Funds (Appendix – II)
A pre-test and pilot study were carried out to test the validity of the interview schedule and reliability of the sample.

The secondary sources of information have been collected from both published and unpublished sources. They have been obtained from books, journals, reports and (audit) official records. Company data required for the study such as number of members, sharecapital, deposits received, loan disbursement, profit and loss accounts have been collected for the period of 10 years from 1994-1995 to 2003-2004. Records and yearly audit reports of Benefit Funds in nine blocks were used for the purpose of analysis.

3.5 Statistical Tools and Techniques Used

After the collection of the required data pertaining to the study with the help of the structured interview schedule, a master table was prepared. The collected data were tabulated and subject to statistical analysis. Simple systematic tables have been formulated.

Correlation Co-efficient, Multiple Regression, Arithmetic Mean, Percentage, Analysis of Variance and Tabular Analysis are used to study the socio-economic profile of the sample beneficiaries.

Multiple Regression

In order to find out the functional relationship between a set of choice variables and dependent variable, the researcher has used multiple regression analysis.
\[ Y = b_0 + b_1x_1 + b_2x_2 \ldots \ldots \ldots \ldots + b_nx_n \]

Where, \( Y \) – dependent variable, it represents years. Independent variable such as

\( x_1 \) - Capital

\( x_2 \) – Reserves and surplus

\( x_3 \) – Deposits.

**Correlation Co-efficient**

Correlation is to be ascertained to know the nature and extent of interdependence of one factor or attribute on another factor or attribute.

\[ r = \frac{\Sigma xy}{\sqrt{\Sigma x^2 \Sigma y^2}} \quad \text{Or} \quad r = \frac{\Sigma (x-\bar{x})(y-\bar{y})}{\sqrt{[\Sigma (x-\bar{x})^2] [\Sigma (y-\bar{y})^2]}} \]

**ANOVA**

Anova is the essence of the total amount of various in a set of data is broken down in to two types that, amount which can be attributed to chance and that can be attributed to specify causes. Through the Anova technique one can in general, investigate any number of factors which are hypothesised or set to influence a dependent variable. The investigator has used the Anova technique for analysis of “A Study of Non-Banking Financial Intermediaries with Special Reference to Benefit Funds in Kanyakumari District”.
The data collected for a period of 10 years are analysed, using percentage, co-efficient correlation, average and ratio.

1. To study the satisfaction level the investigator used percentage analysis.

2. Correlation co-efficient between the annual change in the percentage of loan recovery between the period of ten years and the annual profit generated by the benefit fund.

3.6 Limitations of the Study

Every research study suffers from various constraints and limitations. The present study is subject to the following constraints and limitations:

1. The present research study particularly the socio-economic profile of the beneficiaries is undertaken for a period of one year within the short span of time we may not draw correct inference.

2. The present study is confined to Benefit Funds alone in Kanyakumari district which is one of the NBFIs. It excludes all other types of NBFIs.

3. The present study is restricted only to 1000 beneficiaries in the study area.
4. The study is restricted to Benefit Funds at Kanyakumari district. Therefore the conclusion derived from this study that cannot be generalised as regards to other Benefit Funds.

5. The primary data was collected through a structured Interview Schedule. All the informations furnished by the respondents were treated as correct. Therefore the findings of the study will have only limited application.

3.7 Period of the Study

The field investigation and data collection regarding the beneficiaries were carried out during the period of one year (2003-2004).