CHAPTER 3
RESEARCH METHODOLOGY

3.1 Objectives of the study

Every person, after fulfilling the basic needs, would like to save for the uncertain future. The human beings have unlimited needs & wants and the financial capacity and availability may fulfill these needs to a certain extent and everyone, after reaching this extent may save for the future unforeseen requirements. The necessity of savings may also arise from the angle of making the future strong and secure. A saver may initiate the savings effort by putting the savings in a bank account for safety and moderate returns. The banking industry in India is very old and it has been enjoying the trust of the savers so far as safety of capital and moderate fixed rate of return are concerned. There has been no need for the banks to provide much publicity and advertisements of their products as the same have been very simple to understand and operate. The easy availability of a large number of banks has also been a factor for the popularity of bank accounts amongst savers. The easy liquidity in bank accounts has also been a factor for the acceptance of bank deposits as the most common method of saving money.

It has been observed that till 90s the banks in India were not engaging themselves in advertising their products as the knowledge and the perception of the bank accounts among savers was sufficient to attract them towards opening various bank accounts. With the advent of new generation private banks in India from 1994-95, these banks started advertising for their technology driven systems and operations to attract more savers in a competitive environment.

The insurance industry is another area which attracts savings of the people. Till 1956, about 245 insurance companies in the private sector provided insurance policies in India but they were offering services in big cities and towns only. Their services were not available to a large number of people in rural and semi-urban areas. In order to provide insurance services to a wider section of the society, Govt. of India nationalized the insurance sector by merging all the private insurance companies into one single entity called Life Insurance Corporation of India (LIC). In India, the investment in insurance policies has mostly been tax-driven. It is said that insurance policies are not bought but are sold. Due to this reason, LIC has been advertising for its products and providing detailed information to the investors for putting their money into insurance policies. The objectives and the benefits of insurance policies
need to be explained to the investors thoroughly in order to attract the attention of the investors to invest money in insurance policies. In 2000, Govt. of India once again opened up the insurance sector to the private players and many private insurance companies came up on the scene, including the foreign players. The insurance field in India has remained untapped for a long time and that’s why the insurance companies today are advertising extensively to motivate the investors to go in for purchasing the insurance policies.

The Mutual fund schemes too are not bought but have to be sold as the Mutual fund instruments have the inherent feature of investing the money collected, in risky instruments like equity & money market instruments. Many studies have shown that equity investments give attractive returns in the long term but the investor has to understand the risk-return trade off. The Mutual fund schemes also provide better returns as compared to the bank deposits. The Mutual funds provide market-related returns and there is no guarantee of returns. The first Mutual fund in India, the Unit Trust of India, for the first few years of its existence had tough time, explaining the people of the country, the concept of a Mutual fund/ a financial institution and the investment pattern of the schemes. During the first few years of its operations, UTI delivered the fixed returns to the investors to make them understand the working of the Mutual fund schemes and ensured them guaranteed returns. As a matter of fact, the Mutual funds can only give market-related returns and this is essential due to the volatility in the stock markets. After the SEBI regulations, 1996 it became mandatory for all Mutual funds to provide market-related returns to the investors. This made it essential for all Mutual funds to educate the investors regarding the concept, working and the risk factors associated with the Mutual fund schemes.

All the Mutual funds have been regularly advertising for their schemes to explain the salient features of different schemes, under strict regulations of SEBI. Some investors invest their surplus money directly into the stock market instruments but a large number of risk-averse investors do not like to do it. Many of the Mutual funds are advertising for their schemes as per SEBI guidelines. The advertisements of the schemes also mention the standard warning / disclaimer that past performance is no indication of the future results and the investors are advised to read the offer documents and the objectives of the scheme very carefully, before investing.

An effort has been made in this study to find out the effectiveness of the advertising, being done by various Mutual funds for their various schemes. The Mutual funds are using various methods for advertising but it has been observed that since the advertisements by Mutual
funds are regulated by SEBI, its real impact on the investors has not been measurable. It is also a fact that since the investment in Mutual fund schemes is not risk free and also the fact that without advertising, all the investors may not feel motivated to invest in Mutual fund schemes, an attempt has been made to find out the factors which will affect the investor’s behaviour. This study also makes an attempt to analyse the advertising aspects of Mutual funds. It was found during the review of literature that not many studies have been undertaken to find out the effects of advertising of Mutual fund schemes on the investor’s behaviour. It was found interesting to probe into this area, of finding out that when the Mutual funds are advertising heavily about their products, its impact on the investor’s behaviour. The response of the investors to the various awareness campaigns of the Mutual funds, was studied.

The purpose of this research is to study, understand and analyse the impact of advertising on the investor’s behaviour so that it can fulfill the following objectives:

- To evaluate the factors affecting the investors behaviour on investment.
- To study the advertisement aspects of financial instruments with special reference to mutual fund schemes.
- To analyse the investors behaviour in response to mutual fund advertisements.

### 3.2 Research design

The research is exploratory and conclusive in nature. It is exploratory because various factors and parameters influencing investor’s buying behavior towards Mutual funds have been explored, using interview method. The interviews of 20 Mutual fund managers working in both public and private Mutual fund companies in India were taken to get a deep insight about the problem of the study. After completion of the interview method, a pilot study was carried out to create an appropriate scale for measuring the effectiveness of advertisement on investor’s buying behavior. The pilot study was carried out using a sample of 50 persons who have been investing in Mutual fund schemes for more than a decade.

The research design is also conclusive because the study has checked as to how much is the effect of advertisement on the investor’s buying behavior towards Mutual funds. Under conclusive research design, it has been a descriptive study because it described the buying behavior of investors towards Mutual funds in the presence of the product/service advertisement through various media. For the purpose of statistical analysis of effectiveness of advertisement on investor’s buying behavior related to Mutual funds, primary data has
been collected using a self made questionnaire. The questionnaire has four parts-Part A, B, C and D. The questionnaire was distributed to a sample of 640 respondents who had invested in Mutual funds. The period of collection was from 1st April 2009 to 31st December 2010.

3.3 Sampling design

**Population:** The target population included all the investors who have invested in Mutual funds in India.

**Sampling Frame:** The sampling frame consisted of investors of Mutual funds in NCR region.

**Sampling Element:** The individual investor who has invested in Mutual funds was asked to fill the self made questionnaire.

**Sample Size:** The sample size used is 640 investors who have invested in Mutual funds of India.

**Sampling Technique:** The judgment sampling technique (non probability sampling technique) has been used to collect the required data.

3.4 Data collection

The primary sources were used to collect the data. A self-made questionnaire was prepared to get the responses of 640 investors who have invested money in Mutual funds companies in India. The questionnaire had 4 parts – Part A, B, C and D. The part-A collected the general information of the respondents and also collected various answers related to factors and parameters influencing investors buying behavior towards Mutual funds. The part-B collected the responses of the effects of visual media (Television, Internet etc.) on investors buying behavior. The part-C collected the responses of the effects of audio media (Radio) on investors buying behavior. The part-D collected the responses of the effects of print media on investors buying behavior. The different scales were used in the questionnaire. The part-A used both nominal and interval scales whereas, the parts B, C and D have used 5 point Likert scale (interval scale) only. The part-A has 22 questions; part B, C and D have 10 questions each.

3.5 Hypotheses of the study

Keeping the objectives in mind, this study intends to test the following hypotheses:

**H0:** There is no significant effect of advertisements (visual, audio & print) on investor’s buying decision in mutual funds.
H1: There is no difference in advertisement effect related to investors buying decision between visual media and audio media.

H2: There is no difference in advertisement effect related to investors buying decision between visual media and print media.

H3: There is no difference in advertisement effect related to investors buying decision between audio media and print media.

3.6 Statistical tools

In order to analyse the effects of advertisements on the buying behavior of investors towards Mutual funds, the percentage method has been used. The Pie charts have been used to show the overall responses of the investors. In order to map the differences in the advertisement effect related to investors buying decision between visual and audio media, independent sample test using SPSS software has been applied. Independent sample test is applied to map the difference in the advertisement effect related to investors buying decision between visual media and print media. Independent sample test is also applied to map the difference in the advertisement effect related to investors buying decision between audio media and print media.

This chapter discussed about the research methodology duly used for the study. It includes the objectives of the study. The objectives of this research is to study, understand and analyse the impact of advertising on the investor’s behaviour to evaluate the factors affecting the investors behaviour on investment, study the advertisements aspects of mutual fund advertisements and analyse the investors behaviour in response to advertisements. The research is exploratory and conclusive in nature. It is exploratory because various factors and parameters influencing investor’s buying behavior towards Mutual funds have been explored, using interview method. The research design is also conclusive as the effect of advertisements on the investor’s buying behavior towards Mutual funds has been checked.

The target population included all the investors who have invested in Mutual funds in India. The sampling frame consisted of investors of Mutual funds in NCR region. The individual investor who invested in Mutual funds was asked to fill the self made questionnaire. The sample size used is 640 investors who invested in various schemes of Mutual funds in India. The judgment sampling technique (non probability sampling technique) was used to collect the required data. The chapter also mentions four hypotheses which were tested.