RESEARCH METHODOLOGY
CHAPTER IV
RESEARCH METHODOLOGY

4.1 INTRODUCTION

In this chapter, the research methodology followed for carrying out the study is explained. The method of data collection, sampling procedure, hypothesis, framework analysis, and definition of terms used in the study are explained here.

4.2 METHOD OF DATA COLLECTION

The study depends on primary data. Questionnaires have been used to collect the needed particulars. Questions related to the objectives have been framed after consulting the investors, investor forum, AMFI - certified agents and financial experts. Based on the information gathered through a pilot study, the structure of the questionnaire has been restructured.

4.3 SAMPLING PROCEDURE

Coimbatore is the second industrially developed district next only to Chennai in the state of Tamilnadu. It is divided into three revenue divisions and eight taluks consisting of 481 revenue villages. A lot of investment activities take place in Coimbatore District. There are 447 bank branches (Public as well as Private) and 14 Life Insurance Corporation's (LIC) offices, which are in operation in Coimbatore district. In addition to this there are 84 Mutual Fund distributors and 89 Corporate Members of Coimbatore Stock Exchange do also exist. There is also a SEBI-recognized investor forum functioning in Coimbatore. The significant financial intermediaries fuel the growth of investment activities in the district. This prompted the selection of Coimbatore district as the study area. Random sampling method has been followed to identify 1200 investors from the investor list furnished by the mutual fund agents as well as the investor forum. Data reported in the study is the result of the response from 613 investors. Responses from investors numbering 91 have been found unusable while the remaining investors failed to respond.
4.4 HYPOTHESIS

In tune with the objectives of the study the following hypotheses have been framed

i. The investors have the same level of awareness about the following factors (i) Investors Rights (ii) AMFI, (iii) Trustees (iii) Sponsor (iv) Asset management Company (v) Custodian (vi) SEBI Regulations and irrespective of Areas, Gender, Age, Marital status, Educational qualification, Occupation, Monthly income, Total family income, No. of dependants, personal savings per month.

ii. All the newspaper, financial magazines are equally considered by the investors.

iii. All the distribution channel are equally preferred by the investors for investment in mutual funds.

iv. There is no association between the Agents/ Financial advisors level of satisfaction and Areas, Gender, Age, Marital status, Educational qualification, Occupation, Monthly income, Total family income, No. of dependents, and Personal savings per month.

v. There is no association between the investors forum services satisfaction and Areas, Gender, Age, Marital status, Educational qualification, Occupation, Monthly income and Total family income, No. of dependents and Personal savings per month.

vi. There is no significant relationship between the inducers of investors and investment in the mutual funds.

vii. There is no association between the investment avenues and preferences.

viii. There is no connection between the impact of factors while investing in mutual fund and Areas, Gender, Age, Marital status, Educational qualification, Occupation, Monthly income, Total family income, No. of dependents and Personal savings per month.

ix. There is no relation between the importance of Appraisal criteria in mutual fund and Areas, Gender, Age, Marital status, Educational qualification, Occupation, Monthly income, Total family income, No. of dependents and Personal savings per month.

x. There is no association between mutual fund scheme selection and Age, Educational qualification, Occupation, Monthly Income, Total family Income, Personal Savings Per month.
4.5 FRAMEWORK OF ANALYSIS

Data collected from investors have been analysed through (i) ANOVA (ii) Chi-square test (iii) Discriminant Analysis (iv) Factor Analysis (v) Mean and (vi) “t” test.

i) Analysis Of Variance

Analysis of Variance test has been used to examine whether there exists any association between selected variables and level of awareness about mutual fund. To find out similar or differential preference of Age, Educational Qualification, Monthly income, Total family income, Personal savings per month, Dependents of family group.

ii) Chi-square Test

Chi-square test has been used to examine whether there exists any association among the following (i) Financial magazine, news paper and consideration to gain the awareness by the investor. (ii) There is any significance relationship between the distribution channel and investment in mutual fund. (iii) There is any relationship between the inducers of investors and buying the mutual funds and (iv) Any association between investment avenues and preferences of investors.

iii) Discriminant analysis

Discriminant analysis joints nominally scaled criterion-dependent variables with one or more independent variables. Discriminant is a technique which uses multi measurement for differentiating between two groups. It also determines the linear relationship between dependent variables (Qualitative in nature) and independent variables. It also helps us to find out the variables which influence the Discrimination. Box’s M test significance level indicates that it validates and allows the discriminant Analysis. Therefore, Eigen value, Canonical correlation and low value Wilk’s λ indicates and ensures the further validity of Discriminant Analysis.

Discriminant Functions are estimated to discriminate between Regular and Non-Regular investors for level of awareness about mutual fund. The Discriminant Function permits the relative importance and also it allows for interrelationship between factors which are extremely different to account for by any other statistical technique.
iv) Factor Analysis

Of the two tests which indicate the suitability of the data for Factor analysis, the Kaiser-Olkin measure of sampling Adequacy is a statistic which indicates the proportion of variance in the variables, which is common variance. The Bartlett’s Test of sphericity indicates whether our correlation matrix is an identity matrix, which would indicate that our variables are unrelated. The facts obtained for the study were analyzed by using factor analysis for the identification of the main factors considered by an investor, while deciding upon investing in mutual fund and also reasons for not investing more in mutual fund. Factor analysis involves identification of common dimension of factors from the observed set of variables that have a high level of correlation with the observed and seemingly unrelated variables but none among the factors.

Principal Component Analysis is a commonly used method to group the variables under a few unconnected factors. Variables having a factor loading of greater than 0.5 are grouped under one factor. A predominant and important concept in factor analysis is the rotation of factors. The concept of varimax rotation has been used to simplify the factor structure. Only the factors having Eigen values greater than unity have been considered.

v) Mean

The Arithmetic Mean (Average score) is used to find out the level of satisfaction about investor forum, level of satisfaction on services rendered by agents/financial advisors, impact of factors while investing in mutual fund, reasons for not investing more in mutual fund and appraisal criteria of mutual fund. The level of awareness about (i) Investors Rights (ii) AMFI (iii) Trustees (iv) Sponsor (v) Asset management Company (vi) Custodian and (vii) SEBI Regulations

vi) “t”- Test

“t” test has been used to examine whether there exists any association between selected factors (i) Sex (ii) Marital Status (iii) Gender and (i.e) level of satisfaction on investor forum, level of satisfaction of agents/financial advisor, impact of factors while investing in mutual fund, appraisal criteria of mutual fund and awareness about mutual fund.
4.6 CONCEPTUAL DEFINITIONS

In the following paragraph, the meaning of different terms with which they are used in the study is explained.

i. “Offer documents” means any document by which a mutual fund invites public for sale without specifying a duration for the redemption.

ii. “Open ended scheme” means a scheme of a mutual fund which offers units for sale without specifying any duration for redemption.

iii. “Sponsor” means any person who acts alone or in combination with another body corporate, establishes a mutual fund.

iv. “Trustee” means the board of trustees or the trustees company who hold the property of the Mutual fund in trust for the benefit of the unit holders.

v. “Unit holder” means a person holding unit in a scheme of a mutual fund.

vi. “Unit” means the interest of the unit holders in a scheme, which consists of each unit representing one undivided share in the assets of a scheme.

vii. “Money market mutual fund” means a scheme of a mutual fund which has been set up with the objective of investing exclusively in money market instruments.

viii. “Close-ended scheme” means any scheme of a mutual fund in which the period of maturity of the scheme is specified.

ix. “Custodian” means a person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities Regulations, 1996).


xi. “Asset management company” means a company formed and registered under the Companies Act, 1956 (1 of 1956) and approved as such by the Board under sub-regulation (2) of regulation 21.