CHAPTER NO.3 RESEARCH METHODOLOGY

3.1 Introduction:-

A research cannot be successfully evaluated unless its procedure is reported in required details. Irny, S.I. and Rose, A.A (2005) said, research methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. The researcher should adopt systematic and appropriate procedures in conducting the research such as a careful consideration should be given in selection of appropriate tools, data collection and analysis of data. The accuracy, reliability and validity of the findings of the research study depend on the correct and careful choice of tools and techniques. The subject of study has to be dedicated towards the solutions of problems that have been present in that particular field of study.

In this chapter, one can find an outline of the steps needed to conducting research using both the questionnaire and interview methods. Details on preparing questionnaires and interview schedules are presented, along with a comparison of both methods for different community-based situations. More specifically, a survey is a method of collecting data in a consistent, or systematic, way. This usually involves constructing a set of questions that are either asked by means of a questionnaire or through an interview. In relation to the methods presented in the previous chapter needs assessments often use survey techniques.

The purpose of this chapter is to define the specifications that have been followed while performing research for Trend analysis for IPO. When a research has been identified to be conducted, a survey has to be completed to select the proper direction of the study, to locate existing features of the study, to identify areas of other factors and its impacts on the survey, to identify areas of difficulties, to help to determine the costs of the project and to design the project. Various strategies have been decided on how to perform research and what tools and techniques must be utilized to get best outcome from the research. Various standards are decided while performing the activities of research. Guide have played very vital role in giving the specifications for the research.
There are several different approaches to conducting a research. One very common approach is the cross-sectional research, where a set of information is collected for a sample at one point in time. Data may be collected from a sample of the population or from the entire population or community. When the data can be collected from an entire population, as may be the case in the small community or tribe, then the survey is sometimes called a census. When the data are analyzed from a cross-sectional research, the results can vary from tabulations of answers on single questions to a more complex analysis exploring the relationships between variables. Even though the data are collected at one point in time with the cross-sectional research there are methods of comparing items or looking for change. For example, the questions asked may be time-ordered, referring to events in the past, present, or the future. The responses on such questions can provide a basis for looking at change, but with the disadvantage that the person answering the questions may distort impressions of an event over time.

This chapter is concerned with the methodological framework of the study consisting of the following aspects:

3.2 Steps for conducting Research:

The following steps are intended as a general outline of the methods generally used in conducting a research. Consideration of these steps is useful in completing the research design before the actual research begins. An overview of the steps involved in the research process is given in the following diagram.

3.2.1 Define Purpose of Research:

Any research may it be conducted by researcher or any filed is done with some purpose. The purpose of the research may be for acquiring knowledge or for improving sales or showing trends depends upon the researchers. In this case the research is an attempt to analyze the trend of Indian Stock Market with reference to Initial Public Offering.
3.2.2 Selection of location and companies to study trends:

The next important step in the conducting research is selection of location and companies to study trends which are included in the research study by the researcher. For conducting research, researcher under the guidance of guide and experts have selected Pune city to carry out the study of the research and have gathered the data of the companies which have introduced the IPO in last ten years.

3.2.3 Collection of Data:

Collection of data is next step in research. A perfect research designed is tried to be framed in order to get definite plan determined before any data are actually collected for obtaining source. Primary sources are original works which give extra information and insight to the researcher. Primary sources can be hard to understand without some knowledge of their context. Questionaries’ have been designed in such way that detail information regarding the investors can be obtained in very preside manner. Secondary sources include statistical data, manuscript surveys, speeches, biographies, diaries, oral histories, interviews work of art and literature research report government documents.
3.2.4 Planning the Research Design and Research Method:

Once the data is collected, the next important step in research is planning the research design and deciding the research methodology to be used to carry out the research. There is no data without a theory, so the researcher needs to stress the theoretical basis for his selection of relevant data. However, the methodology of interpretation varies from person to person, but each researcher has to specify his process of collecting and analyzing data. Researcher in this regard has studied many research tools and reports present in various libraries. The important suggestion given by the guide and expert people is taken into consideration for selecting the best research design and method. Many options of research design and method are verified, and the best suitable option is selected and tested before implementing it for the purpose of the research. It was then decided to collect data in a very systematically way and is arranged in order to meet the standard of research and get desired knowledge and information from it. After collection of the data, the researcher goes through it thoroughly and tries to interpret it in her own way. The data is presented with the help of tables, percentage, and graphs in a very systematical way.

3.2.5 Final Stage:

After the data have been collected, the researcher has analyzed them. The researcher has done a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding and then drawing statistical influences. The researcher summarized cumbersome data into a few manageable groups for further analysis. Thus, the researcher has classified the raw data into some purposeful and usable categories. The objectives of the research are accomplished by proving the details and giving self-analyzed statements which are relevant from the point of view of research. The conclusion is given in details, and scope for the further study is also discussed at the end of the research report writing.
3.3 Relevance of the Study: -

The relevance of the study can understand it one considers the merits and utility of the research.

The relevance can be explained is following criteria.

3.3.1 Academic Relevance:

The academic relevance of the study is explained is follows,

a. The concept of IPO (Initial Public Offer) has gained importance in last few years.

b. It is essential to understand the reason of growing importance of Initial Public Offer in a changed economic scenario.

c. The growth phenomenon of Initial Public Offer clearly justifies the need for its study in Indian context.

3.3.2 Research Relevance:

The research relevance of the study is explained is follows,

a. There is need to know the reasons of growth in the number of increased Initial Public Offer in Indian context.

b. It is equally important to analyze the impact of those changes on financial and economic markets.

c. It is also useful to examine how the growth process of Initial Public Offer is influenced by different financial and market forces.

3.3.3 Policy Relevance:

The policy relevance deals with following important trends,

a. To know why Initial Public Offer is a preferred way of acquiring finance from market.

b. To examine the favorable factor that evokes positive response from public to Initial Public Offer.

c. To know the factors that lead to failure of Initial Public Offer.
3.4 Statement of the Problem:

The present study deals with the evaluation of IPO’s issued by the different companies from the financial year 2008-2009 to 2017-2018. Since 2001 financial market has witnessed many ups & downward trends. The depression, economic turmoil, sudden and uneven changes are a few important factors responsible for significant changes in financial market. The present study intends to analyze extent of response to various IPO of different companies and its impact on success in fund raising. Hence the researcher has selected the topic “Trend Analysis of Indian Stock Market with Reference to Initial Public Offer”.

3.5 Scope of the Study:

The present study is conducted by adopting the principles of desk research. Its specific termed are,

1. It is based on primary and secondary data.
2. It has a statistical data base.
3. It is analysis of empirical data.

The data is collected for a specific time frame i.e. financial year from 2008-2009 to 2017-2018.

3.6 Objectives of the Study: -

The present study is under taken with following important objectives.

1) To understand the pattern of IPO’s issued from the financial year 2008-2009 to 2017-2018.
2) To study the reasons of raising funds through IPO.
3) To examine number of IPO issued from the financial year 2008-2009 to 2017-2018.
4) To identify pattern of success and failure of IPO’s.
5) To enlist the causes of success and failure of IPO’s.
3.7 Justification of the Objectives: -

The objectives laid down for the study are related with success pattern of IPO. Capital market deals with primary and secondary securities. When a new security is issued in the market it faces many problems of acceptance from the potential investors. The concept associated with new issues and unknown institutions offering public issues. It always influences the success of IPO. Market environment, status of economy, trend in the capital market and goodwill of the investor also influences.

The success and failure of IPO depends on the short term and long-term conditions of the financial market. These conditions decide how the fund will be raised in the capital market. As such investor’s response depends to a great extent on the results company raising funds, its standing in the market. The growth pattern of public offering varies from year to year and market to market. Hence it is appropriate to analyze this growth pattern in the light of changing economic and market conditions.

Success and failure of IPO is the result of many temporary factor variations in the market. It is influenced by emotions, rumors and temporary changes in the market and economy.

3.8 Working Definitions of terms used: -

1. IPO: -

The term IPO is defined as, “The first sale of stock by a private company to the public.” IPOs are often issued by smaller; younger companies seeking the capital to expand but can also be done by the large privately-owned companies looking to become publicly traded.

2. Investor: -

The term Investor is defined as, “An individual who commits money to investment products with the expectation of financial return.” Generally, the primary concern of an investor is to minimize risk while maximizing return, as an opposed to a speculator, who is willing to accept a higher level of risk in the hopes of collecting higher-than-average profits.
3. **Investor’s Response**: -

   The term investor response is defined as the extent of support to IPO of a particular company.

4. **Success of IPO**: -

   The term success of IPO is defined as over subscription to a particular issue and when the share gained double than the normal response to IPO.

5. **Failure of IPO**: -

   The term failure of IPO is defined as when the share or instrument less than the 50% of responses.

6. **Trend**: -

   The trend is the general direction of a market or of the price of a security. In technical analysis, trends are identified by trend lines that connect a series of highs or lows. Trend can also apply to interest rates, bond yields, and other markets where they are characterized by a long term movement in price or volume.

7. **Event**: -

   Occurrence happening at a determinable time and place, with or without the participation of human agents. It may be a part of a chain of occurrences as an effect of a preceding occurrence and as the cause of a succeeding occurrence.
3.9 Statement of Hypothesis: -

The researcher has laid down the following premises to conduct the study.

1) IPOs are successful only in the healthy and favorable economic environment.
2) Investor’s response to IPO varies due to change in economic and financial environment.

The success rate from the financial year 2008-2009 to 2017-2018 was very low due to poor investor response.

3.10 Justification of the Hypothesis: -

Hypothesis first is related with the premise that the favorable economic conditions lead to the success of IPO. Many examples of the presumption are available in the market history.

The second premise is also associated with happening in the market. We have often seen fall and rise in the stock index. Due to changes in the economic and financial condition. Similarly, investor’s response also varies with such changes.

The third premise is related with actual happening from the financial year 2008-2009 to 2017-2018. The empirical data shall be collected and shall be evaluate to justify the hypothesis.

3.11 Parameters of the Study: -

1) Number of companies listed from the financial year 2008-2009 to 2017-2018.
2) Number of companies that issued IPO’s from the financial year 2008-2009 to 2017-2018.
3) Number of companies that have high success rate on issue of IPO.
4) Number of companies that have received response at par from the financial year 2008-2009 to 2017-2018.
5) Number of companies that have received response below the par from the financial year 2008-2009 to 2017-2018.
3.12 Classes of respondents to be contacted: -

Different investors (respondents) from different background are present in Pune city will be contacted for the purpose of collecting the Primary or Secondary data.

3.13 Universe and Sample Size: -

Survey method will be used for the present study. The schedules & questionnaire will be used for 150 investors spread over Pune City. The sample is selected in such a way under the guidance of guide by selecting some brokerage house, individuals’ traders and investors from different field. And these 150 investors stratified representative random sampling technique will be used for selection of sampling.

3.14 Justification of Sampling Method: -

Once the data will be collected it will be edited classified, tabulated and analyzed. The data collected will further classified on the basis of the parameters evolves from the secondary data for testing whether the IPOs are efficiently working.

After the data were classified it will be tabulated in order to make the analysis and interpretation easier where necessary diagrams were drawn in order to give an interpretation and representation of the classified data. The researcher will use the statistical tools for analysis of data such as trends percentage, averages, ratios and correlations etc.
3.15 Sources of Data Collection: -

A. Primary Data:

The primary data will be collected through interviews, discussions and schedule of questionnaires, Survey method will be used for the present study.

B. Secondary Data:

The data for the study will be collected through secondary data. The secondary source institutes from documentations of various libraries, browsing of websites and the reports SEBI and Stock Exchange. The researcher has visited a number of libraries for compilation of relevant information.

3.16 Method of Data Collection: -

For the theoretical part of this study of the IPO available from standard books, literature etc. will studied in detail the secondary data for this study was collected from these sources.

The collected data was modified, organized and investigated with a view to find out the constraints for working of IPOs the basis of these parameters the questionnaire will be prepared with a view to get the information on relevant points from the investors of IPOs. This is the source of primary data. For the research study apart from this the primary data will collected from personal interview.

The sample questionnaire will be prepared for objecting and a final questionnaire will be drafted. This questionnaire will be presented to 150 respondents (Investors) of universe in the selected areas and the data primary data will be collected.

3.17 Techniques of Analysis of Data: -

The data collected from various sources shall be analyzed by using following terms of analysis.

1) Quantitative analysis of number of IPO on BSE.
2) Trend analysis of performance of IPO on BSE.
3) Deviation analysis of investor’s response.
3.18 Patterns of Analysis and Techniques used: -

The purpose of the present study researcher has collected data for the ten financial years i.e. from 2008-2009 to 2017-2018. The data is collected from BSE (Bombay Stock Exchange) Directory. The data has a base year of 2008-2009. The data covers the companies that have brought the public offer in these ten years. The companies under study have brought in Initial Public Offer (IPO) during this financial year belong to different sectors. The size and volume of IPO’s also changing various from company to company. Considering the nature of the study a time series analysis is conducted. The technique of time series analysis is supported by measure by central tendency.

3.19 Implication of the Study: -

The present study has following implications,

a. It helps to know the nature and type of IPO’s brought in Indian financial markets.

b. It helps to know the market conditions that favor the IPO’s and the conditions that adversely inherence the success of IPO’s.

c. The study explains as to the person of failure and success of an IPO.

d. It helps the investors to take a decision as to situation when the chances of success of IPO’s are more and when the IPO’s are likely to fail.
3.20 Limitation of Study:

Limitations and scope of investment should be studied in depth before making investment decisions.

1. Study is restricted up to the area of Pune City only.
2. The sample is selected based upon the knowledge of the guide and best of researcher and is verified by the expert so as to avoid any mis-conception regarding the subject.
3. The sample is randomly select from various backgrounds on the ground of investment. The convenient random sampling method is to be used for collecting the primary data through questionnaire and interview from the respondents.
4. The period of the research study is 10 years i.e. from the financial year 2008-2009 to 2017-2018.

3.21 Review of Important and Relevant Literature on the Study:

In this point, one can find an outline of the steps needed to conducting research using both the questionnaire and interview methods. Details on preparing questionnaires and interview schedules are presented, along with a comparison of both methods for different community-based situations.

3.22 Research Design:

1) Introduction:

This chapter deals with the basic aspects of primary market in India. This includes the definition, types, procedures, regulatory aspects and the various terms associated with the issue of initial public offerings (IPOs) in Indian stock market.
2) **Review of Literature:**

This chapter deals with the review of studies which have been conducted in India and abroad regarding performance of IPOs. These include qualitative, quantitative and empirical studies and papers with the performance of IPOs and covering aspects of the underpricing and over performance as well. This chapter also deals with different issues related with IPO and Stock Market.

3) **Research Methodology:**

This chapter, one can find an outline of the steps needed to conducting research using both the questionnaire and interview methods. Details on preparing questionnaires and interview schedules are presented, along with a comparison of both methods for different community-based situations. This chapter shall deal with the methodology of the study, objectives, hypothesis and purpose of the study.

2. Scope of the study Objectives of study.
3. Significance of study Research methodology.
4. Review of Literature.
5. Limitations of study Scheme of the report.
6. Chapter Scheme.

4) **Conceptual Framework:**

This chapter deals with different issues related with growth and development of financial market and various issues associated with IPO, its importance, role in the capital market. Also in this chapter major financial events and activities accrued from the financial year 2008-2009 to 2017-2018 should be discussed.

5) **Data Analysis and Interpretation:**

This chapter deals with analysis and interpretation of data.
6) **Findings, Conclusions & Suggestions:**

In this chapter, the researcher has drawn proper conclusions & on the basis of the conclusion some suggestions are also recommended.

1. Summary of conclusion.
2. Testing of Hypothesis.

**3.23 Annexure**

i) Bibliography

ii) Abbreviations

ii) Questionnaire