A STUDY ON PUBLIC AWARENESS ON MONEY MARKET INSTRUMENTS IN THE TRINCOMALEE DISTRICT

LIBRARY
04 SEP 2011
Eastern University, Sri Lanka.

SHAHIRA BANU ABDUL RASEED

FCM1152
Project Report
Library - EUSL

DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRILANKA

2010

ABSTRACT

Sustainable financial system and fair distribution of resources and opportunities are prerequisites for quality of economic development. Increased investment and commensurate increase in savings to finance that investment have been identified as basic requirements for economic growth. As resources and skills are unequally distributed among different segments of the society, an effective system is required to mobilize resource from surplus units to deficit units. This service is provided by money market and capital market in an economy. Since 1980 Money Brokers (MBs) have been operating in Sri Lanka as key players in the Interbank call money market and Treasury bill market, using the money market to meet financial needs and it can also be seen among urban areas. Rural areas tend to look for informal sources of financing at their early stages of business, possibly due to difficulties in meeting the requirements of formal financial institutions, lack of awareness and sense of uncertainty about the investment opportunity in money market instruments. Therefore, this survey intends to examine the public awareness on money market instrument in Trincomalee District, by employing four established instruments of Money Market namely: (a) Treasury bill (b) Commercial paper (c) Certificate of deposit (d) Banker' acceptance.

The main objective of this survey is to find out to what extend the Trincomalee people are aware on the Money Market Instruments. This study is based on the information collected from 200 samples of selected eight D.S Divisions in Trincomalee District. Here the proportionate stratified random sampling method used to select sample size, out of the 200 sample size 190 persons have responded. Method of data analysis specifically considered univariate analysis based on the 5 point Likert scale measures by using statistical package of SPSS 11.0. According to the survey found the research areas respondents have reached moderate level of awareness on four Money market instruments, but the respondents revealed moderate level of awareness on Treasury bill and Certificate of deposit, while low level of awareness on Commercial paper and Bankers acceptance. The survey concludes that the Money Market industry in Trincomalee District more needs to develop and request to take high consideration a well-designed awareness campaign about Money Market Instruments to get the maximum benefits to all of the public in the future.

TABLE OF CONTENTS

CONTENT **PAGE NO**

ACKNOWLEDGEMENT i

ABSTRACT ii

ABBREVIATIONS iii

TABLE OF CONTENTS iv

LIST OF TABLES vii

LIST OF FIGURES ix

CHAPTER 01: INTRODUCTION 1

1.1. Background of the study 1

1.2. Problem Statement 4

1.3. Research Questions 5

1.4. Objectives of the study 5

1.5. Scope of the study 6

1.6. Significance of the study 6

1.7. Assumptions of the study 7

1.8. Summary 7

CHAPTER 02: LITERATURE REVIEW 8

2.1. Introduction 8

2.2. The Money Market 9

2.2.1. Definitions of the money market 10

2.2.2. Functions of money markets 10

2.2.3. Participation of the money market 11

2.3. The structure of money markets 11

2.3.1. The Inter Bank Call Money Market 12

2.3.2. The Treasury Bills Market 14

2.3.3. Commercial paper market 18

2.3.4. The certificates of deposit market 18

2.3.5. Repurchasing market 19
3.4. What is Money Market Instrument (MMI) 20
3.4.1. Depth and Width of the Money Market Instruments 20
3.4.2. The Volume of Money Market Instruments (MMI) 21
2.5. Existing researches in related to the money market instrument 30
2.6. Summary 31

CHAPTER 03: CONCEPTUALIZATION AND OPERATIONALIZATION....32

3.1. Introduction 32
3.2. Conceptualization 32
3.2.2. Definition of variables 33
3.2.3. Definition of indicators 36
3.3. Operationalization 45
3.4. Summary 49

CHAPTER 04: METHODOLOGY 50

4.1. Introduction 50
4.2. Study Setting and Study Design 50
4.3. Sample size and Frame work 51
4.4. Method of Data Collection 52
4.5.Data presentation and analysis 55
4.6. Method of Data Evaluation 56
4.6.1. The decisions rule for research variables 57
4.7. Summary 59

CHAPTER 05: DATA PRESENTATION AND ANALYSIS 60

5.1 Introduction 60
5.2. Reliability Analysis 60
5.3. Data presents of public Personal profile 61
5.3. Data presentation about awareness level on Indicators of MMI 69
5.3.1. Measurement Tools of Treasury bill (T-Bill) 69
5.3.2. Measurement Tools of Commercial Paper (CP) 75
5.3.3. Indicators of Certificates of deposit (CD) 81
5.3.3.Measurement Tools of Banker's Acceptance (BA) 84

5.4. Analysis of public awareness level on each instruments in the money market 88
5.5. Overall analysis of the level of public awareness on MMI 92
5.6. Data Analysis of public personal profile with awareness level on MMI 94
5.7. Summary 102

CHAPTER 06: DISCUSSIONS OF FINDINGS 103

6.1. Introduction 103
6.2. Discussion on public personal profile with awareness level on MMI 103
6.3. Discussion of public awareness level on each money market instruments... 107
6.4. Overall public awareness on money market instruments 117
6.5. Summary 118

CHAPTER 07: CONCLUSIONS AND RECOMMENDATIONS 119

7.1. Introduction 119
7.2. Conclusions 119
7.3. Recommendations for improve public awareness level on MMI 122
7.4. General recommendations to improve awareness level on MMI 127
7.5. Recommendations for the further research 133
7.5. Limitations of the study 132
7.6. Summary 133

REFERENCES

APPENDICES

Appendix I - Money Brokers, Primary Dealers, Licensed Commercial Bank and Registered Finance Companies in Sri Lanka

Appendix II - The questionnaires for the general public: English

Appendix III- The questionnaires for the general public: Tamil

Appendix IV- Output for the statistical reports