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## 3.0 RESEARCH METHODOLOGY

### 3.1 DATA COLLECTION

This research paper focuses on KLSE stock performance (Index), major economics indicator and Housing price index. The study period spans from 1989 to 1998. The information and data were obtained from the following two major sources:

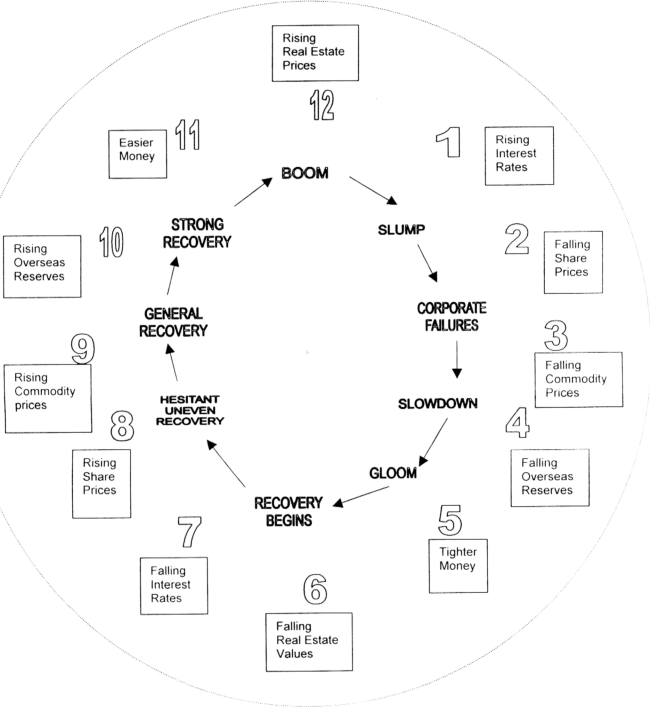
- Internal and proprietary data (Financial report, sales report, management report and business plan).
- Common external sources of secondary data (books, periodicals, government source, trade association sources, media and commercial sources).

Published government materials on property market, property, financial magazine and newspaper were source and reviewed for the study of the impact of interest rate and stock market performance and economic growth during Asia financial crisis.

### 3.2 THE RESEARCH MODEL

The model that is to be tested is presented below. The model represents the relationships that are suggested in this study, i.e. the relationship of interest rates, stock market performance and property prices. (See chart 1.0)

CHART 1.0 ECONOMIC CLOCK



This economic clock was compiled by The Evening Standard of London from a study of trade cycles over a period of 150 years. It shows how different asset classes fall and rise as the economy moves through booms and busts<sup>27</sup>.

<sup>27</sup> Lim Lay Ying (1998), OPICT, p76.

### 3.3 HYPOTHESIS

For the purposes of this paper, the following hypothesis will be tested, in line with the objectives of the paper.

Hypotheses 1: There is a relationship and correlation between interest rates and property prices.

The monetary transmission mechanism by which interest rates policy affects property market (prices) can be illustrated as follows:-

Change in Bank Lending → Change in Money Supply → Change in Interest Rate → Change in Expenditure → Change in Property Market (Prices)

Hypotheses 2: There is a relationship and correlation between the performance of the KLSE and property prices.

The stock market transmission mechanism by which share market performance affects property market (prices) can be illustrated as follows:-

Change in Stock Market → Change in Wealth → Change in Disposable Income → Change in Expenditure → Change in Property Market (Prices)