ISSN: 2454-9940

INTERNATIONAL JOURNAL OF APPLIED SCIENCE ENGINEERING AND MANAGEMENT

E-Mail :
editor.ijasem@gmail.com
editor@ijasem.org

www.ijasem.org

INTERNATIONAL JOURNAL OF APPLIED SCIENCE ENGINEERING AND MANAGEMENT

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

A Study on Investors' Perceptions of Exchange-Traded Funds

KESAV GIRI MBA,VANAJA MCOM, MPHIL , ANJANA MCOM, MBA

ABSTRACT

The stock market was first established in the 1600s, but as technology advanced, it became increasingly intricate. Since its start, it has prompted businesses and investors to get involved. Exchange-traded funds [ETFs] are one such niche in the stock market's ocean. ETFs are a collection of securities that are traded, including bonds, currencies, commodities, shares (equity), and so forth. It is an assortment of numerous investment options that are always up for grabs. These are easily traded, low-risk assets that offer several advantages over other investing options. Investors might also profit from having a quick understanding of market speculation.

This study provides an overview of the market structure, price movements, and speculations surrounding the many securities traded on the ETF platform. The research investigates how ETFs function as a superior source of investments, which supports the theories. The study also describes the sample's experience with risk and return from investing in different assets. This study will also include a critical analysis of the parallels and differences between investing in mutual funds and exchange-traded funds (ETFs).

Keywords: investment rate of return, Cryptocurrency, Nifty, shares, commodities, mutual funds, securities, and exchange-traded funds.

INTRODUCTION:

Investors who buy and sell financial instruments including shares, bonds, derivatives, and mutual funds are combined to form the stock market. The stock market provides a venue for meetings, exchanges, and transactions between buyers and sellers of financial products. Primary and secondary markets are two categories for stock markets. The stock market is used to trade securities that are issued by different firms, national and international governments, and so on. The National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) are India's two principal stock exchanges. Securities and Board Exchange of India, or SEBI, oversees and regulates the stock market.An example of an investment security that can be exchanged on a stock exchange is an exchange-traded fund, or ETF. It is a collection of securities with a variety of underlying assets to offer diversification. The expenses linked to ETFs that are most frequently seen are premiums, bid/ask spreads, operating expense ratios, and transaction commissions. An ETF may be concentrated on a specific industry or area, or it may be focused on holding securities from a variety of businesses or sectors. They offer a great deal of freedom to an investor. An ETF's price changes during the course of the day due to market trading. The actual ownership of the securities is not involved with ETFs.

*1. Assistant Professor in Commerce, HOD, Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India.
*2, HOD, Department of Management, Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India.
*3. HOD, Department of commerce, Siva Sivani Degree College, NH-44 Kompally, Secunderabad-500100, Telangana, India

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

Online trading and investment in securities is made possible by trading applications. It has reduced the amount of time needed to trade stocks without a broker's help. These trading apps are easy to use and beneficial for novice investors. They provide investors with up-to-date information on stock prices, market news, research reports, and other things. Because all you need to start trading is an internet connection and a trading account, it has lowered the barrier to entry. The trading process has been transformed by trading apps. The simplicity with which investors can purchase and sell ETFs at any time of day is what makes them unique. Their assortment of bonds, equities, and commodities can aid in portfolio diversification for investors.

Additionally, this diversification helps in risk management. In general, ETFs have cheaper broker commissions. Additionally, they offer transparency because their holdings are made public every day. ETFs can be bought in entire shares and do not have a minimum initial investment requirement. They are both utilized to aid in diversifying an investor's portfolio since they both offer diversification.

Definition of ETF

An exchange-traded fund (ETF) is a grouping of investments, like stocks or bonds, according to the grow. ETFs offer lower costs than other fund kinds and allow you to invest in a multitude of securities at once. Additionally, ETFs are simpler to trade.

Concept

An exchange-traded product, or ETF, is a type of investment vehicle that is exchanged on stock exchanges. Mutual funds and exchange-traded funds (ETFs) are comparable in many aspects; however, mutual funds are bought and sold from the issuer depending on the price at the end of the day, whereas ETFs are traded from other owners on stock exchanges throughout the day. Although there are occasionally exceptions, an arbitrage mechanism is usually used by an ETF to maintain trading near to net asset value [5]. Gold bars and other commodities, including equities, bonds, currencies, and futures contracts, are held by an exchange-traded fund (ETF). Most exchange-traded funds (ETFs) are index funds, meaning they hold the same assets in the same ratios as a benchmark or a specific stock market index.

How to Open a Demat Account?

Due to the need of new retail investors to outperform alternative investment options in terms of returns and long-term wealth growth, equities investing has become popular in India. The Securities and Exchange Board of India, which is in charge of the country's securities market, has put in a lot of effort over the years to transition investing from a physical to an electronic process. These days, all it takes is a few keystrokes on a laptop or mobile device to purchase and sell shares. However, inexperienced investors find it difficult to go to the investment stage since they are unfamiliar with the investing procedure. One of the most common issues does not know how to register a Demat account online. A demat account is a commonly used term that is required for investing in equity shares.

Steps for Opening a Demat Account

- Step 1: Fill out the details and submit the Demat Account Opening Form. Fill out the online form for opening a free demat account with IIFL Securities. Fill in mandatory details like your mobile number and email address in the online form.
- Step 2: Submit supporting documents for opening a Demat account. Share your PAN Card and bank account information. Enter your accurate PAN number and bank details through which you wish to transact.
- Step 3: Complete the E-KYC process and receive the demat account number. Get your KYC details verified online. The verification of your KYC details is done online.

Things to Remember while Opening a Demat Account

The majority of the learning consists of understanding how to open a Demat account online and the procedures involved. When opening a Demat account, there are a few things that should keep in mind.

Connect your Demat account to your trading account: Since the Demat account is useless without the trading account, it is recommended that you link the two. As an alternative, you might choose a depository participant like India Info Line, which provides trading and demat accounts in one convenient location.

Be mindful of all the fees associated with opening a

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

Demat account. Review the charges statement, which includes both opening and AMC fees, before submitting your Demat account opening form. Knowing the costs up front guarantees that you are receiving the greatest offer with no additional fees.

Enter this data accurately: Before submitting your Demat account opening form, don't forget to double-check the information to make sure there are no errors or blanks. Your application may be rejected if you make mistakes.

Submit a nomination: Nominees are essential for Demat accounts since they will facilitate share transmission in the future.

Types of Commodity ETFs

Equity Funds: Equity-based commodity exchange-traded funds (ETFs) own stock in companies that manufacture, distribute, and store commodities. Investing in an equity-based commodity exchange-traded fund (ETF) can offer investors exposure to multiple companies or industry sectors at a lower cost and faster pace than buying the underlying companies outright. This may also be a less costly and dangerous way to expose oneself to commodities because it does not carry the same hazards as physical and futures commodity exchange-traded funds. Moreover, the funds usually have lower cost ratios. The drawback of stock investing is that it exposes investors to the corporate structure itself, creating a second barrier between them and the item they want to buy.

Exchange-traded note (ETN): The second type of commodity ETF is an exchange-traded note (ETN), which is a debt instrument issued by a bank. It is a type of senior unsecured debt with a maturity date that is guaranteed by the issuer. Exchange-traded funds (ETNs) employ diverse tactics, like buying stocks, bonds, and options, to mimic the performance of an underlying asset. Better tax treatment is one of the advantages of ETNs; upon selling the ETN, investors just pay regular capital gains; additionally, there is no tracking error between the ETN and the asset it tracks. The largest risk is related to the credit status of the entity issuing the ETNs.

Physically Backed Funds: Known as physically backed exchange-traded funds, these third type of ETFs are presently limited to precious metals and hold actual physical commodities. One advantage of an actual physical ETF is that it truly owns and has the commodity. Both monitoring risk and counterparty risk are eliminated as a result. There is tracking risk when an ETF you own doesn't provide returns that match those of the asset it is supposed to track. Counterparty risk is the possibility that the seller won't truly supply the good as promised. Costs related to the delivery, holding, storage, and insurance of physical commodities can accumulate. This is an issue with ETFs that are physically backed. Commodity futures are widely bought by investors to avoid these expenses.

Commodity Exchange-Traded Funds (ETFs) with a futures component are the most popular type. These exchange-traded funds (ETFs) put together a portfolio of the base commodity futures, forwards, and swap contracts. One advantage of an ETF based on futures is that the core commodity does not need to be paid for holding or storing. Nevertheless, the futures transactions themselves carry additional risks. When it comes to futures-based investments, most commodity ETFs use a "front-month" roll strategy, holding just the futures with the earliest expiration dates. The ETF is required to replace the futures with the second-month (following-month) futures prior to their expiration. This method has the advantage of precisely reflecting the spot price, or current price, of the commodity. The "rolling risk" that the ETF is exposed to is a disadvantage.

Benefits and drawbacks of ETFs:

Benefits:

Diversification:

ETFs give you an efficient way to diversify your portfolio, without having to select individual stocks or bonds. They cover most major asset classes and sectors, offering you a broad selection.International ETFs, regional ETFs, and ETFs for specific industries and market niches provide access to sectors where it may be more difficult to buy and sell individual stocks and bonds.

Low cost:

With Schwab, online listed ETF trade commissions are $0 per trade.1 Operating expense ratios (OERs) for ETFs tend to be low: typically lower than they are for actively managed mutual funds.The asset-weighted average OER for Schwab ETFs™ is just 0.07%2.

Trading flexibility:

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

ETFs are very versatile, letting you easily move money between specific asset classes, like stocks, bonds, or commodities. They trade like stocks, meaning you can trade them anytime during market hours.

Transparency:

Most ETFs disclose their holdings on a daily basis Active semi-transparent ETFs reveal full portfolio holdings to investors monthly or quarterly with a lag.ETFs typically hold the same securities as the specific index or benchmark they track, although some may hold a representative sample of the index securities.

Tax efficiency:

Due to typically lower turnover and the in-kind creation/redemption process, ETFs typically pass through fewer capital gains toinvestors. As with any investment, it's important to understand the underlying strategy of anyETF you're considering to ensure it aligns with your goals. Below are some key points to remember:

Commissions:

Typically, you'll pay a commission when you buy or sell an ETF, just like any exchange-traded security. Over time, those commissions can reallyadd up and become cost prohibitive. Not all brokers charge you a commission when you trade an ETF online. Always check before you trade.

Premiums and discounts:

ETFs are bought and sold at market prices, not at net asset value (NAV) like mutual funds. As a result, investors may pay more for an ETF than the value of its underlying stocks or bonds (a premium). Conversely, investors may sell an ETF for less than the value of its holdings (a discount).

General liquidity:

An ETF's liquidity is based on the number of market makers (firms that stand ready to buy or sell throughout the trading day) interested in buying or selling that ETF at a given point in time. Higher liquidity can shrink bid/ask spreads, since the more interested market makers there are, the closer the highest and lowest offered prices to sell are likelyto be. Similarly, ETFs with lower liquidity tend to have larger bid/ask spreads.

Market volatility:

Pay attention to market trends, as market volatility can lead to the widening of ETF bid/ask spreads. Volatility may also affect premiums or discounts to net asset values, resulting in higher costs for the investor. Some ETFs are complicated Certain ETFs may be more complex based on their strategies or holdings. Before investing in any ETF, you should carefully evaluate their feature

Drawbacks:

Trading fees:

Although ETFs generally have lower costs compared to some otherinvestments, such as mutual funds, they're not free. ETFs are traded on an exchange like a stock, so investors may have to pay a real or virtual broker to facilitate the trade. These fees typically range from $8 to $30, and they're paid every time the investor buys or sells shares in a fund. These fees can quickly add up and reduce investment ETF performance, especially if an investor buys small amounts of shares on a continuous basis. Some ETFs come with no trading commissions, but it depends on the ETF sponsor and the brokerage or platform used to trade the fund.

Operating expenses:

Although most ETFs are passively managed, fund managers still incur expenses as part of normal business operations. These costs are reflectedin the fund's expense ratio, which measures the percentage of an individual's investment that will be paid to the fund each year. As of 2020, ETF expense ratioswere usually less than 0.5%.

Low trading volume:

When an ETF is actively managed, the higher number of trades within the fund may make the price more predictable. High trading volumecan also make the ETF more liquid, which can be beneficial. However, most ETF trading volume is low, so the bid-ask spread may be wider, meaning investors might not get the price they expected. Investors can check an ETF's average trading volume before purchasing the fund to see whether it will meet their needs.

Tracking errors:

Although an ETF manager will try to keep their fund's investment performance aligned with the index it tracks, that may be easier said than done. An ETF can stray from its intended benchmarks for several reasons. For instance, if the fund manager needs to swap out assets in the fund or make other changes, the ETF may not exactly reflect the

INTERNATIONAL JOURNAL OF APPLIED SCIENCE ENGINEERING AND MANAGEMENT
ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

holdings of the index. As a result, the performanceof the ETF may deviate from the performance of the index.

Potentially less diversification:

Many ETFs offer diversification because they contain hundreds or even thousands of securities within and across asset classes. But some ETFs are narrowly focused, concentrating on a particular sector of the market or a subset of an asset class. For instance, some funds focus on large-cap orsmall-cap stocks, a particular country, a specific industry, or a particular commodity.

Hidden risks:

With so many ETFs to choose from, the mix of assets in a single fund can be vast or complex—and some may contain risky securities that might notbe so obvious upfront. Additionally, ETFs can be affected by volatility just like anyinvestment. That's why investors will need to research what the ETF is tracking and understand the underlying risks.

Lower dividend yield:

Some ETFs pay dividends, but investors may receive higherreturns on specific securities, such as stocks with large dividends. That's partly because ETFs track a broader market and therefore have lower yields on average. If an investor can take on the additional risk of owning certain stocks, they may receive higher dividends.

Issues of control- ETF investing come with less control because investors don't select the individual assets in the fund. Instead, an expert does the work. However, individuals looking to avoid a particular company, sector, industry, or type of assetmay prefer another investing strategy with a more hands-on approach.

ETFs vs Mutual Funds

Mutual Funds	Exchange Traded Fund (ETF)
Mutual Funds are traded at the closing netasset value.	Exchange Traded Funds are traded duringthe course of a trading day and its value varies during this time.
Mutual Funds have varying operatingexpenses.	ETF has lower operating expenses.
Most Mutual Funds have a minimum expense specified.	There is no minimum investment specified for Exchange Traded Funds.
Mutual Funds have more tax liabilities thanETFs.	ETFs offer tax benefits to the investors due to the manner of its creation and redemption.
Mutual Fund shares can only be purchased directly from the funds at the NAV price that is fixed during the trading day.	ETF can be bought and sold anytime on the stock exchange, at the prevailing market price.
Generally, compared to ETFs, the transaction costs are zero when mutual fundshares are bought or sold.	There is an additional cost involved while trading ETFs, which is called the "bid-askspread".
Mutual Funds have lower liquidity compared to Exchange Traded Funds.	ETF has higher liquidity since it is not connected to its daily trading volume. ETF liquidity is related to the liquidity of the stocks included in the index.
Some mutual funds levy a penalty on selling the share early. Usually, the time limit imposed on selling a share is 90 daysfrom the date of purchase.	ETF do not have a time limit on selling an asset. The investor can buy or sell at any point of the trading day at the price available during the time. Therefore, there is no minimum holding period specified forthe same.

INTERNATIONAL JOURNAL OF APPLIED SCIENCE ENGINEERING AND MANAGEMENT

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

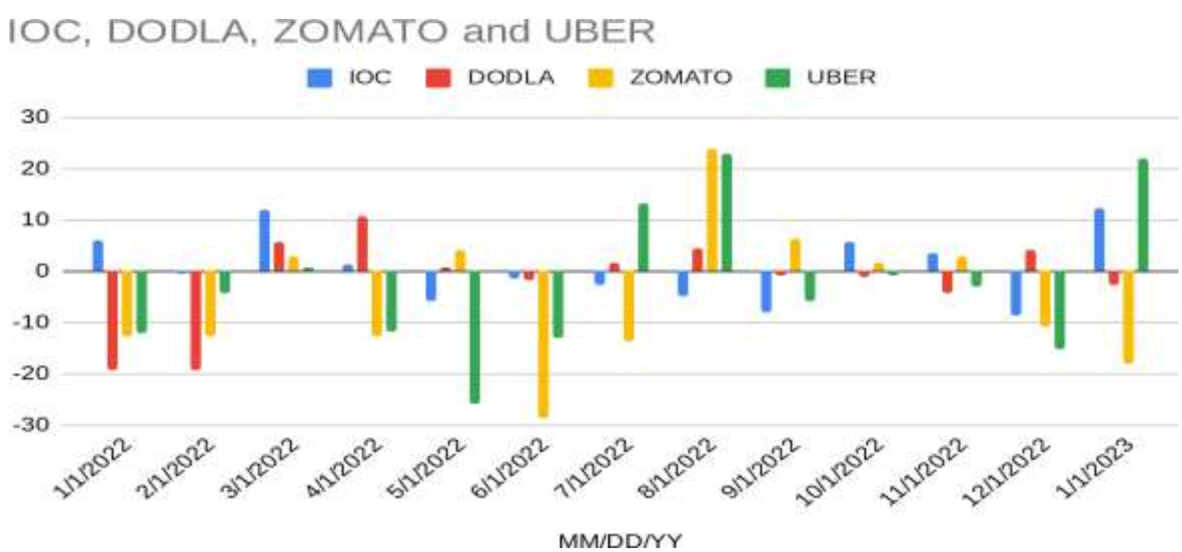
Mutual Funds are index-tracking but are actively managed by professionals. Assetsare picked in such a way that it beats the index and achieves higher performance.	Exchange Traded Funds track an index, i.e.,it tries to match the price movements and returns indicated in an index.

OBJECTIVES:

1. The Study explains the risk and return analysis on the basis of average rateof return of securities such as shares, gold, and crypto currencies.
2. This research briefs the readers with a scope to understand the risk caused inthe share value of various utility and other service providing businesses.
3. To study the returns of utility providers and other service providers throughhistorical data.
4. To compare and analyze the risk and return in various securities such as shares, gold, crypto currency based on historical data.

1. Interpretation on returns of utility providers and other serviceproviders through historical data.

Interpretation



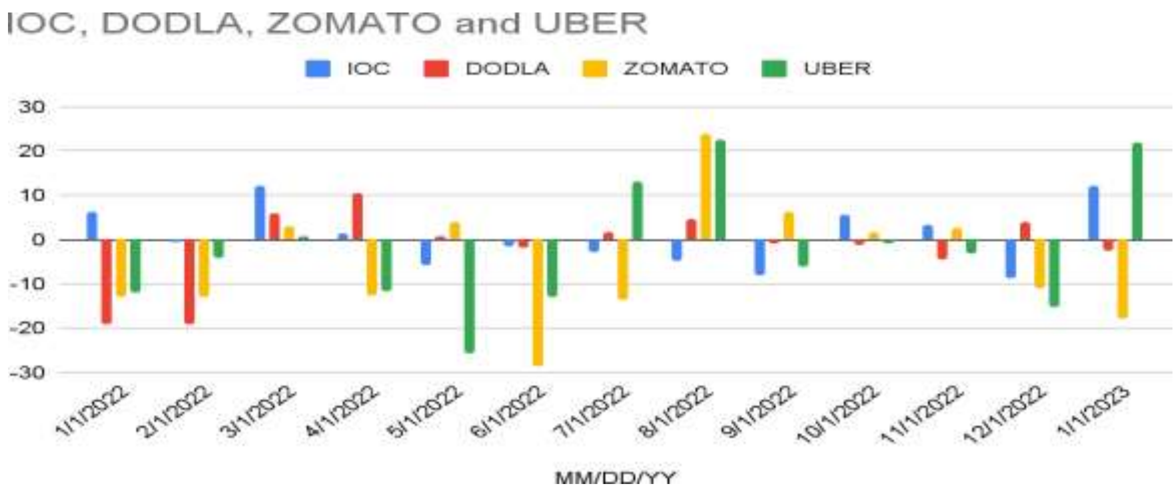
The data above covers the opening and close rate of the share value of **IOC** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly fluctuating with negative and positive figures. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is positive,i.e - **0.71**

1. The data above covers the opening and close rate of the share value of **DODLA DAIRY** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The Rate of return has been constantly fluctuating with negativeand positive figures, but much of negative returns. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period is negative, i.e - **(0.22).**
2. The data above covers the opening and close rate of the share value of **ZOMATO** on a periodical basis of a month from 2/1/2022 to 1/1/2023. The rate of return has been constantly fluctuating with negative and positive figures, the return had a sudden hike in the month august to 23.824, but fell down to a negative number by the end of the selected period. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is negative, i.e - **(4.57)**
3. The data above covers the opening and close rate of the share value of **UBER** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly fluctuating with negative and positive figures;the return had a sudden hike

INTERNATIONAL JOURNAL OF APPLIED SCIENCE ENGINEERING AND MANAGEMENT
ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

in the month august to 22.748, after having rapid fall to (25.736) in May. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is negative, i.e - **(2.55)**

Interpretation on risk and return in various securities such asshares, gold, crypto currency based on historical data.



Interpretation:

- The data above covers the opening and close rate of the share value of **IOC** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The Rate of return has been constantly fluctuating with negative and positive figures. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is positive,i.e - **0.71**
- The data above covers the opening and close rate of the share value of **UBER** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly fluctuating with negative and positive figures,the return had a sudden hike in the month august to 22.748, after having rapid fall to (25.736) in May. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is negative, i.e - **(2.55)**
- The data above covers the opening and close rate of the security value of **UTI GOLD** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly fluctuating with negative and positive figures. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is positive, i.e - **1.19**
- The data above covers the opening and close rate of the security value of **ICICI GOLD** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The Rate of return has been constantly fluctuating with negative and positive figures. The rate of return of every month is mentioned in the table above. The average rate of return throughout the chosen time period however is positive, i.e - **1.34**
- The data above covers the opening and close rate of the security value of **BITCOIN** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly negative. The rate of return of every monthis mentioned in the table above. The average rate of return throughout the Chosen time period is also negative, i.e - **(3.49)**
- The data above covers the opening and close rate of the security value of **TETHER** on a periodical basis of a month from 1/1/2022 to 1/1/2023. The rate of return has been constantly negative. The rate of return of every monthis mentioned in the table above. The average rate of return throughout the chosen time period is also negative, i.e - **(0.0005).**

FINDINGS:

ISSN2454-9940
www.ijsem.org
Vol 10, Issuse . 4 Oct 2019

- Comparing the historical data of utility providers and other service providers it is clear that utility providers have a stagnant growth on the market with respect to their share value
- It is also found that investing in security gold provides a better return than While Crypto currency had compelling negative returns, shares having moderately positive returns, and gold being completely stagnant.

SUGGESTIONS:

- It is suggested for the readers to invest more in utility providers if interested in investing into share's securities.
- Selection of particular industries in understanding investor's perception must have been a much wider approach.
- Investment in crypt currency is highly risky, hence the readers are suggesting investing in shares and gold security.

CONCLUSIONS:

An ETF is a very well-liked tool that attracts investors of all ages to share their capital and purchase assets. Most customers are unaware of the differences between mutual funds and exchange-traded funds (ETFs). The ETF functions as a more profitable but riskier platform. Any stock brokerage application can be used to purchase them, but a Demat account is required. The majority of consumers are open to investing in ETFs with up to 20% of their income. It is able to draw the conclusion from this study that ETFs are seen as transparent and adaptable.

REFERENCES:

- https://finance.yahoo.com/
- https://www.schwab.com/etfs/benefits
- https://youtu.be/HFSn0c1aLhY
- https://www.nerdwallet.com/article/investing/what-is-the-stock-market
- https://www.investopedia.com/terms/s/stock market.asp
- https://groww.in/p/exchange-traded-funds
- https://www.investopedia.com/terms/e/etf.asp
- https://www.fidelity.com/learning-center/investment-products/etf/what-are-etf s
- https://www.schwab.com/etfs/benefits
- https://www.amfiindia.com/investor-corner/knowledge-center/etf.html#accordion2
- https://www.smallcase.com/blog/growth-and-scope-of-etfs-in-india/
- https://www.thebeststockbroker.com/best-trading-app-in-india/