

A Study on Exchange Traded Funds in India with Special Reference to ICICI ETFs Products

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Abstract: An Exchange Traded Funds is a type of fund that spreads its ownership over a variety of assets such as shares of stocks, corporate bonds, petroleum futures, gold ingots or foreign currency. There are different type of ETFs such as Commodity ETFs, Industrial ETFs, Petroleum ETFs. It has been decade since ETFs were introduced in India. Gold ETFs were introduced in India so that ordinary households could also trade in the bullion market in small denomination. The present paper attempts to study on exchange traded funds in India. The objectives is to understand the performance of ETFs markets in India. Exchange traded funds are similar to mutual funds but ETFs is concerned with shares or stocks traded in the market.

Keywords: Exchange Traded Funds, Gold ETFs, Mutual Funds, Shares, Traded in the market.

I. INTRODUCTION

The gold is an emotional metal which is more precious for the occasions. The value of women outlook increase by gold. In India, it's a culture to gift gold to the blood relative who are very near to our relationship. The consumption of gold in India is nearly 72%. The supply of gold metal to India is more than any other country. In the recent scenario Indian people are awareness on gold that "gold is not only a beauty product it is also an investment product. The investment on gold also have more value. There are avenues of investment on gold such as- Investment on Gold Funds in mutual funds, investment on Sovereign Gold Bonds, investment on Physical gold etc. Every person need to create wealth and they need to be happy without a financial crunch.

Need for the study

Many people have more affection on gold product. Even the middle class people and low class people also struggle to buy gold, because gold creates value in their life. The consumption of gold is high, but still compare to gold instrument, the other type of investment products gives better return, but in India 70% of investors invest on Gold. From Historical view we can consider till now that people are still investing on physical gold only. Therefore in this study we consider that gold related investments will also more benefit than physical gold.

Objectives of the study

- To understand the benefits of Gold ETFs
- To enumerate the performance of Gold Funds
- To understand the problems faced by investors in Gold ETFs.

II. REVIEW OF LITERATURE

1. Author: Chintan Karnani

March 2008

Here the author discussing, in 2008 & 2009 gold prices will fall and when inflation expectations fall due to higher base effect and the chances of US economy moving away from recession rise. Gold Exchange Traded Funds [GETFs] are backed by investment in physical gold. Instead of purchasing physical gold from the market and storing it, an investor can invest in Gold ETFs and indirectly own gold. However, Gold ETFs will not replace the investment in equities. Gold ETFs offer a means of diversification for the retail investor. Investments in Gold ETFs will be dependent on returns in other financial instruments such as equities, bonds and future markets. If other investments offer better and less risky return than gold, investor could withdraw from Gold ETF and invest elsewhere.

2. Author: Manshu

April 2010

Here the author have done a more recent comparison on gold ETFs and that data can be found here. The methodology is the same as well. which is the best gold ETFs in India. The author compare the expense ratios of all existing Indian gold ETFs and see which are the ones with the lower expenses. The author have already done that research earlier on this blog, and know that Gold BeeS ETF from Benchmark Funds has the lowest expense ratio of 1%. Quantum Funds comes second with 1.25%. All

the other funds charge higher expenses. The lower the expenses the better it is because it leaves more on the table for investors.

3. Author: Hemanth Rustagi
July 2010

An Exchange Traded Fund is a hybrid investment option that combines the features of an index fund as well as stocks. Unlike index funds, ETFs are listed on the stock exchange and their prices are linked to the underlying index. ETFs can be bought and sold like any other stock on an exchange. They deposit all the stocks that comprise the index in the case of an Index ETF or gold in the case of Gold ETF with the depository and receive 'creation units' in exchange. And ETFs first introduced in the US in 1993. The most common ETFs in India track in index. These ETFs do not stick to the basic sensex and Nifty, but offer more options to investors Gold ETFs have a significant presence and are actively traded in India.

4. Author: Ritesh Jain
July 2010

Gold throughout history, has been considered rare and precious. Some five to ten years back, it was difficult to invest directly in gold. Either, an investor had to buy gold bullions or trade gold futures. ETFs are essentially mutual funds listed on the stock exchange. In other words, gold ETF is just like any other mutual fund scheme, the only difference being that instead of investing in equity shares. The process for applying for a Gold ETF at the time of New Fund Offer [NFO] is similar to that of any other usual mutual fund scheme. Here, Gold ETFs have become one of the most popular gold investments. They can change the way gold is bought and sold in India & it makes perfect sense to capitalize on it as soon as possible to build up a huge corpus in the long run.

Scope of the study

The study consist the research work of primary data in South Bangalore City of particular area. The scope of the study relates to the investors on Gold ETFs and physical gold which they shared their opinion with the researcher.

III. RESEARCH METHODOLOGY

The methodology is the plan and organized structure and the tactics of the investigation process that sets out to obtain answer to the study. The methodology followed for collection of information is as follows

Sources of Data

For the purpose of this study data from two sources such as data of primary and secondary have been gathered or collected.

Primary Data

Here primary data has been collected through a structured questionnaire. The selection of respondents is based on simple random sampling. The survey was conducted questionnaire is set you with a view to understand the respondents opinion on Systematic Investment Plan.

Secondary Data

These are the sources containing data which has been collected and complicated for another purpose. The secondary sources, consisting of the readily available resources and already compiled the strength able information. Secondary data for the present research have been collected from several sources. The major sources of secondary data are given below.

Websites, Broachers of Private Companies etc

Field Work

As stated earlier in the scope the sample size selected to study is 20 respondents a sample to study in Indian Context. Research has personally interviewed all the respondents chosen for survey and gathered primary data for the purpose of analysis and interpretation.

Limitation of the study

Here the study is restricted to the location of South Bangalore city. Due to the time constraint the survey sampling size are 20 respondents. The study limits to the survey of performance of Gold ETFs in Indian market.

ICICI Mutual Fund ETFs products

a) ICICI Prudential Gold iWIN ETF

World over, Gold is a subject of economic interest and is viewed as an avenue for investments. But in India, it has a deeper significance as it appeals to a number of emotions, from a form of adornment to a status symbol. Through the years gold's appeal in India has evolved from an object of pure aesthetic value to a commodity which offers itself as an avenue for investment and wealth creation. ICICI Prudential Gold iWIN ETF, an open-ended exchange traded fund, aims to provide investment returns that, before expenses, closely track the performance of domestic prices of Gold derived from the LBMA AM fixing prices.

Key Features

Type	Open-ended Exchange Traded Fund
Underlying	Physical Gold
ISIN	INF109KB1WF4
NSE Symbol & BSE Scrip ID	GOLDIWIN
BSE Scrip Code	533244
Pricing	Aprox. 0.1 gram of gold
Application size - Directly with AMC	10,000 units & in mutiple thereof
Application size through NSE & BSE	1 Unit & in multiple thereof
Entry Load	NIL
Exit Load	Nil

b) ICICI PRUDENTIAL MIDCAP SELECT IWIN ETF

There are two approaches to reaching your goal: exploring and testing new ground or sticking to the established, long trodden path. The former employs actively investigating and assessing your every move while the later stays within the boundaries of the established. In the same way, there are two approaches to managing an investor's portfolio. One is active management, which involves choosing sectors and stocks that represent the views of the fund managers, as best suited to meet the portfolio objectives. The other is passive management, which simply means, buying into a market index.

ICICI Prudential Midcap Select iWIN ETF, an open-ended Index Exchange Traded Fund offers a passive choice to investors, who prefer that their portfolio closely maps S&P BSE Midcap Select Index. It is an ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features

Type	Open-ended Index Exchange Traded Fund
Underlying	S&P BSE Midcap Select Index
ISIN	INF109KB1XT3
NSE Symbol & BSE Scrip ID	MIDCAPIWIN
BSE Scrip Code	539980
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	50,000 units & in multiple thereof
Application size through NSE & BSE	1 unit & in multiple thereof
Entry Load	Not Applicable
Exit Load	NIL

c) ICICI Prudential Nifty100 iWIN ETF

An open-ended Index Exchange Traded Fund offers a passive choice to investors, who prefer that their portfolio closely maps Nifty100 Index. It is an ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features	
Type	Open-ended Index Exchange Traded Fund
Underlying	NIFTY 100 Index
ISIN	INF109KA1962
NSE Symbol & BSE Scrip ID	NIF100IWIN
BSE Scrip Code	537008
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	50,000 units & in mutiple thereof
Application size through NSE & BSE	1 Unit & in multiple thereof
Entry Load	Not Applicable
Exit Load	Nil

d) ICICI Prudential NIFTY iWIN ETF

There are two approaches to reaching your goal: exploring and testing new ground or sticking to the established, long trodden path. The former employs actively investigating and assessing your every move while the later stays within the boundaries of the established. In the same way, there are two approaches to managing an investor's portfolio. One is active management, which involves choosing sectors and stocks that represent the views of the fund managers, as best suited to meet the portfolio objectives. The other is passive management, which simply means, buying into a market index.

ICICI Prudential Nifty iWIN ETF, an open-ended Index Exchange Traded Fund offers a passive choice to investors, who prefer that their portfolio closely maps the market index, the Nifty 50 Index. It is an

ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering a greater degree of flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features	
Type	Open-ended Index Exchange Traded Fund
Underlying	Nifty 50 Index
ISIN	INF109K012R6
NSE Symbol & BSE Scrip ID	NIFTYIWIN
BSE Scrip Code	537007
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	50,000 units & in mutiple thereof
Application size through NSE & BSE	1 Unit & in multiple thereof
Entry Load	NIL
Exit Load	NIL

e) ICICI Prudential Nifty Low Vol 30 iWIN ETF

There are two approaches to reaching your goal: exploring and testing new ground or sticking to the established, long trodden path. The former employs actively investigating and assessing your every move while the later stays within the boundaries of the established. In the same way, there are two approaches to managing an investor's portfolio. One is active management, which involves choosing sectors and stocks that represent the views of the fund managers, as best suited to meet the portfolio objectives. The other is passive management, which simply means, buying into a market index.

ICICI Prudential Nifty Low Vol 30 iWIN ETF, an open-ended Index Exchange Traded Fund offers a passive choice to investors, who prefer that their portfolio closely maps Nifty 100 Low Volatility 30 Index. It is an ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features	
Type	Open-ended Index Exchange Traded Fund
Underlying	Nifty 100 Low Volatility 30 Index
ISIN	INF109KB10T8
NSE Symbol & BSE Scrip ID	LOWVOLIWIN
BSE Scrip Code	540612
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	30,000 units & in multiple thereof
Application size through NSE & BSE	1 unit & in multiple thereof
Entry Load	Not Applicable
Exit Load	NIL

f) ICICI Prudential NV20 iWIN ETF

There are two approaches to reaching your goal: exploring and testing new ground or sticking to the established, long trodden path. The former employs actively investigating and assessing your every move while the latter stays within the boundaries of the established.

In the same way, there are two approaches to managing an investor's portfolio. One is active management, which involves choosing sectors and stocks that represent the views of the fund managers, as best suited to meet the portfolio objectives. The other is passive management, which simply means, buying into a market index.

ICICI Prudential NV20 iWIN ETF, an open-ended Index Exchange Traded Fund offers a passive choice to investors, who prefer that their portfolio closely maps Nifty50 Value 20 Index. It is an ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features	
Type	Open-ended Index Exchange Traded Fund
Underlying	Nifty50 Value 20 Index
ISIN	INF109KB1WY5
NSE Symbol & BSE Scrip ID	NV20IWIN
BSE Scrip Code	539945
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	25,000 units & in mutiple thereof

Application size through NSE & BSE	1 unit & in multiple thereof
Entry Load	Not Applicable
Exit Load	NIL

g) ICICI Prudential Sensex iWIN ETF

There are two approaches to reaching your goal: exploring and testing new ground or sticking to the established, long trodden path. The former employs actively investigating and assessing your every move while the later stays within the boundaries of the established. In the same way, there are two approaches to managing an investor's portfolio. One is active management, which involves choosing sectors and stocks that represent the views of the fund managers, as best suited to meet the portfolio objectives. The other is passive management, which simply means, buying into a market index.

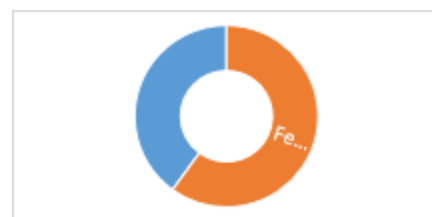
ICICI Prudential Sensex iWIN Fund, an open-ended exchange listed index linked growth scheme offers a passive choice to investors, who prefer that their portfolio closely maps the market index, the BSE SENSEX. It is an ETF (Exchange traded fund), which means investors can buy and sell at any time during the market hours, through their brokers, just like any other equity share thereby offering a greater degree of flexibility for monitoring price and reducing the time gap between investment decision and trade execution.

Key Features	
Type	Open-ended Index Exchange Traded Fund
Underlying	S&P BSE Sensex Index
ISIN	INF346A01034
NSE Symbol & BSE Scrip ID	SENSEXIWIN
BSE Scrip Code	555555
Pricing	Aprox. 1/100th of underlying Index
Application size - Directly with AMC	10,000 units & in mutiple thereof
Application size through NSE & BSE	1 Unit & in multiple thereof
Entry Load	NIL
Exit Load	NIL

Table & Graph No : 1

Classification of Respondents on the basis of Gender

Sl.No	Particulars	No of Respondents	Percentage (%)
01	Male	08	40%
02	Female	12	60%
	TOTAL	20	100%



Source: Filed Survey

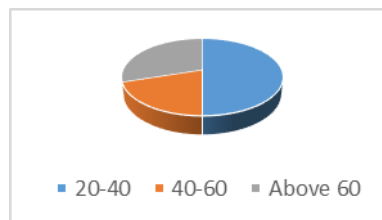
Analysis & Interpretation

The table and graph shows that nearly 08 respondents are male and 12 are female. So here female have more interest on gold investments

Table & Graph No:2

Classification of Respondents on the basis age

Sl.No	Particulars	No of Respondents	Percentage (%)
01	20-40	10	50%
02	40-60	04	20%
03	Above 60	06	30%
	TOTAL	20	100%



Source: Field Survey

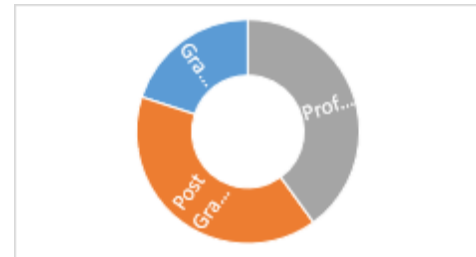
Analysis & Interpretation

The table and graph shows that 10 respondents are in the age between 20 to 40 age group, 04 respondents are in the age between 40 to 60 age group and remaining 6 respondents are in the age above 60 age. Here the more respondents are comes under the age of 20 -40. Because they can plan for their daughters marriage to keep some investment on gold related securities for their future benefits and also youngsters go for beauty conscious.

Table & Graph No:3

Classification of Respondents on the basis of Qualification

Sl.No	Particulars	No of Respondents	Percentage (%)
02	Graduate	04	20%
03	Post Graduate	08	40%
04	Professional	08	40%
	TOTAL	20	100%



Source: Field Survey

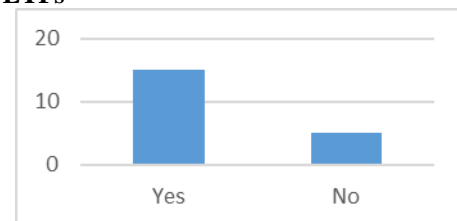
Analysis & Interpretation

Here the table and graph shows that 04 respondents are graduates, 08 respondents are post graduates and remaining 8 respondents are professionals. Post Graduates and professional are high than graduates Because here the education is also one of the main factor to understand the concepts.

Table & Graph No:4

Classification of Respondents on the basis of Investment made in ETFs

Sl.No	Particulars	No of Respondents	Percentage(%)
01	Yes	15	75%
02	No	05	25%
	TOTAL	20	100%



Source: Field Survey

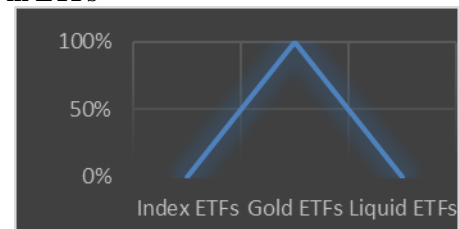
Analysis & Interpretation

Here the table and graph shows that 15 respondents are made investment in Exchange Traded Funds and remaining 5 respondents not have idea on gold investments in ICICI.

Table & Graph No:5

Classification of Respondents on the basis of Most Investment Product in ETFs

Sl.No	Particulars	No of Respondents	Percentage(%)
01	Index ETFs	00	000%
02	Gold ETFs	20	100%
03	Liquid ETFs	00	000%
	TOTAL	20	100%



Source: Field Survey

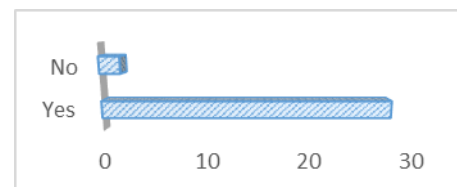
Analysis & Interpretation

The table and graph shows that 20 respondents are invested in Gold ETFs because Indian people are very crazy on Gold. Therefore, there is a high priority on Gold ETFs.

Table & Graph No:6

Classification of Respondents on the basis of Deal in Gold ETFs

Sl No	Particulars	No of Respondents	Percentage(%)
01	Yes	20	100%
02	No	00	00%
	TOTAL	20	100



Source: Field Survey

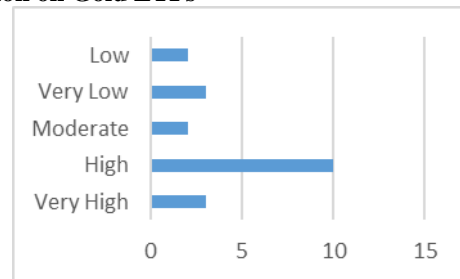
Analysis & Interpretation

The table and graph shows that 20 respondents are deal with Gold ETFs .Therefore, Gold ETFs are highly demandable product in Exchange Traded Funds market.

Table & Graph No:7

Classification of Respondents on the basis of Liquidity Perception on Gold ETFs

Sl No	Particulars	No of Respondents	Percentage(%)
01	Very High	03	15%
02	High	10	50%
03	Moderate	02	10%
04	Very Low	03	15%
05	Low	02	10%
	TOTAL	20	100



Source: Field Survey

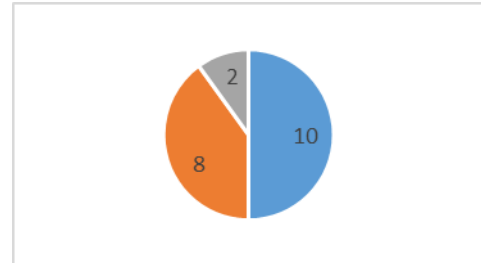
Analysis & Interpretation

The table and graph shows that for 3 respondents perceive that liquidity on Gold ETFs is very high, 10 respondents have high liquidity perception, 02 respondents feel moderate liquidity on Gold ETFs and remaining 05 respondents perceive that low and very low liquidity. Because there is no Lock in period for Gold Funds or Gold ETFs. So there is a high liquidity

Table & Graph No:8

Classification of Respondents on the basis of safe investment of Gold ETFs

Sl No	Particulars	No of Respondents	Percentage(%)
01	Very High	10	50%
02	Moderate	08	40%
03	Low	02	10%
	TOTAL	20	100



Source: Field Survey

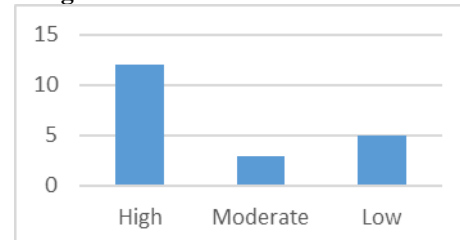
Analysis & Interpretation

The table and graph shows that Gold ETFs is a safe investment for 10 respondents and for 8 respondents it is moderate and remaining 02 respondents are not feel that Gold ETFs is a safe investment. Here Gold ETFs securities are better than Physical gold. So it is safe than other physical asset.

Table & Graph No:9

Classification of Respondents on the basis of risk reduction regarding Gold ETFs

Sl No	Particulars	No of Respondents	Percentage(%)
01	High	12	60%
02	Moderate	03	15%
03	Low	05	25%
	TOTAL	20	100



Source: Field Survey

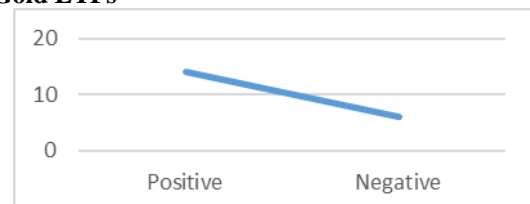
Analysis & Interpretation

The table and graph shows that there is a high risk reduction of Gold ETFs by 12 respondents and 3 respondents have moderate risk and remaining 05 respondents have low risk reduction. The Gold ETFs is high risk and high return because Gold ETFs trade in stock exchange.

Table & Graph No:10

Classification of Respondents on the basis of Suggestion on Gold ETFs

Sl No	Particulars	No of Respondents	Percentage (%)
01	Positive	14	70%
02	Negative	06	30%
	TOTAL	20	100



Source: Field Survey

Analysis & Interpretation

The table & graph shows that 14 respondents have a negative opinion regarding Gold ETFs and remaining 06 respondents have a positive opinion, because in the present scenario Gold ETFs is not performing in the market especially in 2017-18.

IV. FINDINGS

- Majority 60% of respondents are female in this research survey.
- Nearly 20% of respondents comes in between the 40-60 age group.
- Majority 40% are post graduates and professionals in the research survey.
- Nearly 75% of respondents are invested in ETFs products including gold ETFs.
- Majority 100% of respondents invested in Gold ETFs rather than other ETFs products.
- Nearly 10% of respondents shared that liquidity in Gold ETFs is very low.
- Nearly 10% of respondents are predicted that gold ETFs is not a safe investment.
- Nearly 70% of respondents have positive opinion on Gold ETFs.

Suggestions

- I suggest to the male respondents to start investment on Gold funds or gold etfs products which it creates wealth for future.
- Majority are graduates and youngsters, this gold products are benefit to 40 to 60 age group to make good wealth for their daughter marriage.
- I suggest to all the respondents that if any investor invest in gold etfs or gold funds products, commit with long term then only those funds will give more returns rather than short term period.
- I suggest to the ICICI Company that give awareness to investors that how Gold ETFs are safer than physical gold and who are all board people will the take the secure for gold etfs.
- Majority investors have positive opinion on gold. But still as an Asset Management Company should give good opinion on gold etfs or gold related products by taking any existing investor portfolio.

V. CONCLUSION

As per the research study. I conclude that ETFs market is undemandable in India. Exchange Traded Funds are more demand in many countries such UK, US, Europe etc. But in India, people are heard about the word ETFs but nearly 75% people doesn't have better knowledge on ETFs market. In the study ICICI Mutual Fund company proved that they are providing good services on ETFs products. Majority 65% of total investors are invested on Gold funds in mutual funds which they are indirectly allocate the funds in to Gold ETFs product. Finally I conclude that Gold ETFs are deals good in India. Because people need gold therefore they started their investment on Gold ETFs and gold bonds etc to create wealth and when they require amount they took to buy physical gold.

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