Report on

“The Acceptance of concept of Index Fund in the Indian market”

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the Project Report titled "The Acceptance of concept of Index Fund in the Indian market" is a bonafide work carried out by Ms. Madhuri Goel of MBA 2012-14 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of Masters of Business Administration.

Signature of Guide

Signature of Head (DSM)

Place: Delhi

Date: 6th May, 2014

DECLARATION

I, Madhuri Goel, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that the Dissertation Project Report on "The Acceptance of concept of Index Fund in the Indian market" submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me. The information and data given in the report is authentic to the best of my knowledge. This Report is not being submitted to any other University for award of any other Degree.

Madhuri Goel

Place: Delhi
Date: 6th May 2014

ACKNOWLEGEMENT

On the very outset of this report, I would like to extend my sincere and heartfelt obligation towards all the personages who have helped me in this endeavor. Without their active guidance, help, corporation, and encouragement, I would not have made headway in the project.

I am extremely thankful and pay my gratitude to Mr Abhinav Chaudhary, Asst. Prof. DSM-DTU for the guidance to accomplish this assignment.

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EXECUTIVE SUMMARY

The conducted survey is a part of the MBA Course curriculum at Delhi School of Management, Delhi Technological University. The objective of this study is to assess the user's acceptance and perception towards the concept of 'Index Funding'.

Index funds are a relatively small part of the overall mutual fund industry in India, and this is markedly different from the west, where index funds do quite well, and in fact the biggest fund in the US is an index fund (SPY) that tracks the popular S&P 500 index.

One of the reasons could be lack of awareness and hence the popularity since the actively managed funds have performed better than index funds in the past and people expect that to continue in the future as well.
Another could be the difference in the returns obtained from an actively managed fund and a passively managed index fund.

So, this study will help analyze and evaluate the real reasons for these questions.

Keywords: Index Funds, Mutual Funds, Stock Market Terminology, Passively managed funds

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INTRODUCTION

An equity index fund is a type of mutual fund that tracks the performance of a particular stock index. Some of the indexes commonly followed include the Standard & Poor's 500 Index, the FTSE 100 Index, the Hang Seng Index, and the Dow Jones Industrial Average. Typically, equity index funds invest in stocks. Stocks are considered equity because they represent an investor's ownership interest in a corporation.

An equity index fund is a hybrid fund. It is a combination of an equity fund and an index fund. An equity index fund is considered a type of equity fund because it is a mutual fund that invests primarily in stocks. Also called stock funds, equity funds are some of the most widespread types of mutual funds available in the financial industry. While they are often considered riskier than other types of mutual funds, equity funds can allow investors to realize high returns on their initial investments.

Equity index funds are just one kind of equity fund. Equity funds can be managed either actively or passively. Actively-managed funds generally seek to surpass indexes by selecting specific investment stocks. They are typically guided by a fund manager who chooses which individual stocks the fund will invest in. The fund manager also usually determines when and if a fund's holdings will be traded.

When an equity fund is passively managed, it is usually an equity index fund. The fund manager does not play an active role in managing an equity index fund. Instead, the fund generally purchases stocks based on the specific market index that the fund follows. Equity index funds typically incur fewer management fees and less trading expenses than actively managed funds. In addition, equity index funds generally realize fewer short-term capital gains than actively-managed funds.

Equity index funds are also considered a type of index fund. In general, index funds are collective speculation schemes that invest in companies that have holdings in stock or bond indexes. An equity index fund follows the performance of a specific stock index while a bond index fund tracks the performance of a specific bond index.

There can be a number of potential benefits to investing in an equity index fund. Equity index funds are often less expensive to invest in than other kinds of mutual funds because they have automated portfolio decisions and a lower number of transactions. Equity index funds can also provide potential investors with the ability to reduce investment risk through portfolio diversification. Before investing in a specific equity index fund, prospective investors should evaluate the fund’s investment goals, risks and costs.

"Indexing" is a passive form of fund management that has been successful in outperforming most actively managed mutual funds. While the most popular index funds track the S&P 500, a number of other indexes, including the Russell 2000 (small companies), the DJ Wilshire 5000 (total stock market), the MSCI EAFE (foreign stocks in Europe, Australasia, Far East) and the Barclays Capital Aggregate Bond Index (total bond market) are widely used for index funds.

Investing in an index fund is a form of passive investing. The primary advantage to such a strategy is the lower management expense ratio on an index fund. Also, a majority of mutual funds fail to beat broad indexes, such as the S&P 500.

LITERATURE REVIEW

2.1 Index Investing: What Is An Index?

An index is a statistical measure of the changes in a portfolio of stocks representing a portion of the overall market.

It would be too difficult to track every single security trading in the country. To get around this, we take a smaller sample of the market that is representative of the whole. Thus, just as pollsters use political surveys to gauge the sentiment of the population, investors use indexes to track the performance of the stock market. Ideally, a change in the price of an index represents an exactly proportional change in the stocks included in the index.

Mr. Charles Dow created the first and, consequently, most widely known index back in May of 1896. At that time, the Dow index contained 12 of the largest public companies in the U.S. Today, the Dow Jones Industrial Average (DJIA) contains 30 of the largest and most influential companies in the U.S.

Before the digital age, calculating the price of a stock market index had to be kept as simple as possible. The original DJIA was calculated by adding up the prices of the 12 companies and then dividing that number by 12. These calculations made the index truly nothing more than an average, but it served its purpose.

Most indexes weigh companies based on market capitalization. If a company's market cap is $1,000,000 and the value of all stocks in the index is $100,000,000, then the company would be worth 1% of the index. These types of systems are made possible by

computers - most are calculated to the minute, so they are very accurate reflections of the market.

It's important to note that an index is nothing more than a list of stocks; anybody can create one. This was especially true during the dotcom bull market, when practically every publication created an index representing a section of new economy stocks. What sets the big indexes apart from the small ones is the reputation of the company that puts out the index. For example, the DJIA is owned by Dow Jones & Company, the same people who publish The Wall Street Journal.

Indexes are great tools for telling us what direction the market is taking and what trends are prevailing. So, how do we buy into these investment vehicles? Imagine the costs associated with buying the 6,500+ stocks that make up the Wilshire Total Market Index. Commission fees alone would run into the tens of thousands!

Index funds are simply mutual funds that based on an index and mirror its performance.

The thinking behind index funds has some academic substance to it. For years, many academics have been saying that it is impossible to consistently beat the market without raising your risk level - a theory known as Efficient Market Hypothesis (EMH). So in 1975, John Bogle took the stance that "if you can't beat 'em, join 'em" and created the first low-cost mutual fund that mirrored the S&P 500 index.

But, wait a minute. Isn't the whole purpose of mutual funds to coax us lowly investors into enlisting the help of professionals who can achieve superior returns? That's the idea the mutual fund industry has been trying to sell us for many years. The truth is that a majority of mutual funds fail to outperform the S&P 500.

The exact stats vary depending on the year, but on average, anywhere from 50%-80% of funds get beat by the market. The main reason for this is the costs that mutual funds charge. A fund's return is the total return of the portfolio minus the fees an investor pays for management and fund expenses. If a fund charges 2%, then you have to outperform the market by that amount just to be even.

Here's where index funds enter the picture. Their main advantage is lower management fees than you would get from a regular mutual fund. An average non-index fund has an expense ratio of around 1.5%, whereas many index funds have an expense ratio of around 0.2%!

The reason the costs are lower is because an index fund is not actively managed. Fund managers only need to maintain the appropriate weightings to match the index performance - a technique known as passive management.

The deceptive thing about the "passive" label is that most indexes are actively selected. Take the S&P 500, for example: when the index changes, it's almost like getting the S&P Index Committee's advice for free.

Investing in an index fund doesn't guarantee that you'll never lose money. You will go down in a bear market and up in a bull market. Historically, the return of the S&P 500 has been around 10-11%, which is pretty good. The key here is to hold on for the long term. If you get nervous during a downturn and sell, you'll probably miss the recovery.

2.2 Origins

In 1973, Burton Malkiel wrote A Random Walk Down Wall Street, which presented academic findings for the lay public. It was becoming well known in the lay financial press that most mutual funds were not beating the market indices. Malkiel wrote

“What we need is a no-load, minimum management-fee mutual fund that simply buys the hundreds of stocks making up the broad stock-market averages and does no trading from security to security in an attempt to catch the winners. Whenever below-average performance on the part of any mutual fund is noticed, fund spokesmen are quick to point out "You can't buy the averages." It's time the public could...there is no greater service [the New York Stock Exchange] could provide than to sponsor such a fund and run it on a nonprofit basis.... Such a fund is much needed, and if the New York Stock Exchange (which incidentally has considered such a fund) is unwilling to do it, I hope some other institution will.”

John Bogle graduated from Princeton University in 1951, where his senior thesis was titled: "Mutual Funds can make no claims to superiority over the Market Averages." Bogle wrote that his inspiration for starting an index fund came from three sources, all of which confirmed his 1951 research: Paul Samuelson's 1974 paper, "Challenge to Judgment", Charles Ellis' 1975 study, "The Loser's Game", and Al Ehrbar's 1975 Fortune magazine article on indexing. Bogle founded The Vanguard Group in 1974; it is now the largest mutual fund company in the United States as of 2009.

Bogle started the First Index Investment Trust on December 31, 1975. At the time, it was heavily derided by competitors as being "un-American" and the fund itself was seen as "Bogle's folly". Fidelity Investments Chairman Edward Johnson was quoted as saying that he "[couldn't] believe that a great mass of investors are going to be satisfied with receiving just average returns".

Bogle's fund was later renamed the Vanguard 500 Index Fund, which tracks the Standard and Poor's 500 Index. It started with comparatively meager assets of $11 million but crossed the $100 billion milestone in November 1999; this astonishing increase was funded by the market's increasing willingness to invest in such a product. Bogle predicted in January 1992 that it would very likely surpass the Magellan Fund before 2001, which it did in 2000.

John McQuown and David G. Booth at Wells Fargo and Rex Sinquefield at American National Bank in Chicago both established the first Standard and Poor's Composite Index Funds in 1973. Both of these funds were established for institutional clients; individual investors were excluded. Wells Fargo started with $5 million from their own pension fund, while Illinois Bell put in $5 million of their pension funds at American National Bank.

In 1971, Jeremy Grantham and Dean LeBaron at Batterymarch Financial Management "described the idea at a Harvard Business School seminar in 1971, but found no takers until 1973. Two years later, in December 1974, the firm finally attracted its first index client."

In 1981, David Booth and Rex Sinquefield started Dimensional Fund Advisors (DFA), and McQuown joined its Board of Directors many years later. DFA further developed indexed based investment strategies.

Frederick L.A. Grauer at Wells Fargo harnessed McQuown and Booth's indexing theories such that Wells Fargo's pension funds managed over $69 billion in 1989 and over $565 billion in 1998. Wells Fargo sold its indexing operation to Barclay's Bank of London, and it now operates as Barclays Global Investors; it is one of the world's largest money managers.

2.3 Economic Theory

Economist Eugene Fama said, "I take the market efficiency hypothesis to be the simple statement that security prices fully reflect all available information."

A precondition for this strong version of the hypothesis is that information and trading costs, the costs of getting prices to reflect information, are always 0 (Grossman and Stiglitz (1980))."

A weaker and economically more sensible version of the efficiency hypothesis says that prices reflect information to the point where the marginal benefits of acting on information (the profits to be made) do not exceed marginal costs (Jensen (1978)).

Economists cite the efficient-market hypothesis (EMH) as the fundamental premise that justifies the creation of the index funds. The hypothesis implies that fund managers and stock analysts are constantly looking for securities that may out-perform the market; and that this competition is so effective that any new information about the fortune of a company will rapidly be incorporated into stock prices.
It is postulated therefore that it is very difficult to tell ahead of time which stocks will out-perform the market. By creating an index fund that mirrors the whole market the inefficiencies of stock selection are avoided.

In particular the EMH says that economic profits cannot be wrung from stock picking. This is not to say that a stock picker cannot achieve a superior return, just that the excess return will on average not exceed the costs of winning it (including salaries, information costs, and trading costs).

The conclusion is that most investors would be better off buying a cheap index fund. Note that return refers to the ex-ante expectation; ex-post realisation of payoffs may

make some stock-pickers appear successful. In addition there have been many criticisms of the EMH.

3.4 Indexing Methods

1. Traditional indexing

Indexing is traditionally known as the practice of owning a representative collection of securities, in the same ratios as the target index. Modification of security holdings happens only when companies periodically enter or leave the target index.

2. Synthetic indexing

Synthetic indexing is a modern technique of using a combination of equity index futures contracts and investments in low risk bonds to replicate the performance of a similar overall investment in the equities making up the index. Although maintaining the future position has a slightly higher cost structure than traditional passive sampling, synthetic indexing can result in more favorable tax treatment, particularly for international investors who are subject to U.S. dividend withholding taxes. The bond portion can hold higher yielding instruments, with a trade-off of corresponding higher risk, a technique referred to as enhanced indexing.

3. Enhanced indexing

Enhanced indexing is a catch-all term referring to improvements to index fund management that emphasize performance, possibly using active management. Enhanced index funds employ a variety of enhancement techniques, including customized indexes (instead of relying on commercial indexes), trading strategies, exclusion rules, and timing strategies. The cost advantage of indexing could be reduced or eliminated by employing active management. Enhanced indexing

strategies help in offsetting the proportion of tracking error that would come from expenses and transaction costs. These enhancement strategies can be:

- Lower cost, issue selection, yield curve positioning,
- Sector and quality positioning and call exposure positioning.

3.5 Advantages of Index Funding

1. Low costs

Because the composition of a target index is a known quantity, it costs less to run an index fund. No highly paid stock pickers or analysts are needed.

Typically, expense ratios of an index fund range from 0.15% for U.S. Large Company Indexes to 0.97% for Emerging Market Indexes. The expense ratio of the average large cap actively managed mutual fund as of 2005 is 1.36%.

If a mutual fund produces 10% return before expenses, taking account of the expense ratio difference would result in an after expense return of 9.85% for the large cap index fund versus 8.64% for the actively managed large cap fund.

2. Simplicity

The investment objectives of index funds are easy to understand. Once an investor knows the target index of an index fund, what securities the index fund will hold can be determined directly. Managing one's index fund holdings may be as easy as rebalancing every six months or every year.

3. Lower turnovers

Turnover refers to the selling and buying of securities by the fund manager. Selling securities in some jurisdictions may result in capital gains tax charges, which are sometimes passed on to fund investors.

Even in the absence of taxes, turnover has both explicit and implicit costs, which directly reduce returns on a dollar-for-dollar basis. Because index funds are passive investments, the turnovers are lower than actively managed funds.

According to a study conducted by John Bogle over a sixteen-year period, investors get to keep only 47% of the cumulative return of the average actively managed mutual fund, but they keep 87% in a market index fund. This means $10,000 invested in the index fund grew to $90,000 vs. $49,000 in the average actively managed stock mutual fund. That is a 40% gain from the reduction of silent partners.

4. No style drift

Style drift occurs when actively managed mutual funds go outside of their described style (i.e. mid-cap value, large cap income, etc.) to increase returns. Such drift hurts portfolios that are built with diversification as a high priority.

Drifting into other styles could reduce the overall portfolio's diversity and subsequently increase risk. With an index fund, this drift is not possible and accurate diversification of a portfolio is increased.

Disadvantages of Index Funding

1. Losses to algorithmic trading

Most retirement savings, such as private pension funds or 401(k) and individual retirement accounts in the US, are invested in index funds which must

periodically "rebalance" or adjust their portfolio to match the new prices and market capitalization of the underlying securities in the stock or other index that they track.

This allows algorithmic traders (80% of the trades of whom involve the top 20% most popular securities) to anticipate and trade ahead of stock price movements caused by mutual fund rebalancing, making a profit on advance knowledge of the large institutional block orders. These results in profits transferred from investors to algorithmic traders, estimated to be at least 21 to 28 basis points annually for S&P 500 index funds, and at least 38 to 77 basis points per year for Russell 2000 funds. In effect, the index, and consequently all funds tracking the index, are announcing ahead of time the trades that they are planning to make, allowing value to be siphoned by arbitrageurs, in a practice known as "index front running".

John Montgomery of Bridgeway Capital Management says that the resulting "poor investor returns" from trading ahead of mutual funds is "the elephant in the room" that "shockingly, people are not talking about."

Related "time zone arbitrage" against mutual funds and their underlying securities traded on overseas markets is likely "damaging to financial integration between the United States, Asia and Europe."

2. Possible tracking error from index

Since index funds aim to match market returns, both under- and over-performance compared to the market is considered a "tracking error". For example, an inefficient index fund may generate a positive tracking error in a falling market by holding too much cash, which holds its value compared to the market.

According to The Vanguard Group, a well run S&P 500 index fund should have a tracking error of 5 basis points or less, but a Morningstar survey found an average of 38 basis points across all index funds.

Index Fund Vs. Diversified Equity Fund – Allocation Decision

- A Diversified equity fund, for example,

  - Could have given a lowest return of minus 2.8% in 3 years' time or a maximum of 14.9% in the same period with an FMC (fund management charge) of 1.25%.
  - The risk is high as the stocks involved are not necessarily large cap and also fund managers' decisions or bias is involved. Since a fund manager is actively involved, it is categorized as an ***actively managed fund***
  - A diversified equity fund has higher risk of a very low return and a probability of much higher upside return

- An Index fund, on the other hand, since it simply mirrors the index;

  - The risk is lower as the investment is in mostly large cap stocks and fund managers decisions are not involved.
  - Minimum returns it can give would still be higher than the worst performed diversified equity fund.
  - However, the best returns might not be as good as the best performing diversified equity fund

RESEARCH OBJECTIVES

This research paper has following main objective:

- To introduce the concept of 'Index Funding' to the respondents and assess their views and opinion on this concept.

- To find and understand the main reasons for the reluctance of investing in the Equity Index fund.

- To assess the acceptance level of the concept of Index funds after making respondents aware of the concept.

RESEARCH HYPOTHESIS

This research paper has following main hypothesis

- **H0:** Majority of the investment decisions are taken by the investor himself
- **H1:** The less popularity of Index funds in India is due to the lack of awareness of the concept.

RESEARCH METHODOLOGY

This is an empirical study based on the primary data collected through scientifically developed questionnaire. The questionnaire has been personally administered on the sample size of 200, chosen on the basis of the fulfillment of certain criteria.

The criterion for the selected respondents is as follows:

- The respondent is not related to any of the following fields:
  - Market Research agency
  - Advertising agency
  - Insurance Company / Insurance Agent/ Insurance Consultants
  - Bank / Financial organization / Financial Institution
  - Mutual Fund Company

  (To prevent any kind of biasness)

- The respondent should not be aged less than 25 years of age and more than 50 years.

The questionnaire was designed in such a way that it could find the answers to the following questions subsequently.

1. Overall annual investment of the respondents
2. The main decision-taker regarding investment (Self or agent or both)
3. Factors instrumental in deciding which funds to invest in.
4. Importance of Fund Manager Charges (FMC) as a deciding factor.
5. Frequency of checking the fund performance
6. Opinion on the concept of Index Fund and reasons for Liking/Disliking
7. Percentage of investment that respondent intends to invest in the Index Fund

Questionnaire

Q1.

Could you please tell whether you work in any of the following types of Organizations or consultants or business?

1. Market Research agency
2. Advertising agency
3. Insurance Company / Insurance Agent/ Insurance Consultants
4. Bank / Financial organization / Financial Institution
5. Mutual Fund Company
6. None of the above

Q2.

RECORD EXACT AGE OF SELECTED RESPONDENT.
IF AGE <25 or > 50 YEARS THEN CLOSE

Q3.

RECORD GENDER

1. Male
2. Female

Q4.

Could you please tell me the total amount of your overall annual investments in all investment products combined?

1. Less than 1,00,000
2. 1,00,001 - 2,00,000
3. 2,00,001 - 3,00,000
4. 3,00,001 - 5,00,000
5. 5,00,001 - 7,00,000

6. 7,00,001 - 10,00,000
7. 10,00,001 - 15,00,000
8. 15,00,001 - 20,00,000
9. 20,00,001 - 25,00,000
10. 25,00,001 - 35,00,000
11. More than 35,00,000

Q5.

Could you please tell, who decided which funds to invest in and in what proportion?

1. Self
2. Agent
3. Both

Q6.

Can you please let us know which factors are important while deciding which fund to invest in?

1. Returns
2. FMC
3. Brand
4. Past Performance
5. Fund manager
6. Recommendation from agent / financial advisor
7. Others

Q7.

Talking about FMC (Fund management charges), could you please rate FMC as a deciding factor for choosing the product on an importance scale of 1 to 5?

("1" stands for very important and "5" stands for not at all important.)

1. Very important
2. Quite important
3. Important
4. Not important
5. Not at all important

Q8.

Could you please tell me what is the frequency of checking the fund performance?

1. Everyday
2. Once a Week
3. Once in 2 weeks
4. Once a month
5. Once every quarter
6. Once a year
7. Never

Q9.

Could you please tell me what is your overall opinion about the concept?

Q10.

Rate your liking for this concept. Please rate on a scale of 1 – 5, where 5 means "Liked it very much and 1 means "Did not like at all"

Q11.

On a scale of 1 to 5, please tell what you think about the concept's credibility?
('1' means not at all credible and '5' means extremely credible)

Q12.

Talking specifically about the concept, could you please tell me what all did you like about the concept?

Q13 Could you please tell what did you dislike about the concept?

Q14.

I would like to know your intention to invest in this fund. Kindly indicate your intention by looking at this card. Please rate on the scale of 1 -5 (where 5 means definitely buy and 1 means will definitely not buy)

Q15.

What will the approximate % of total investment that you will invest in this fund if it is available right now?

Q16.

Now I would like to know about your preference between the diversified equity and index funds in terms of overall appeal?

1. Diversified Equity fund
2. Index fund

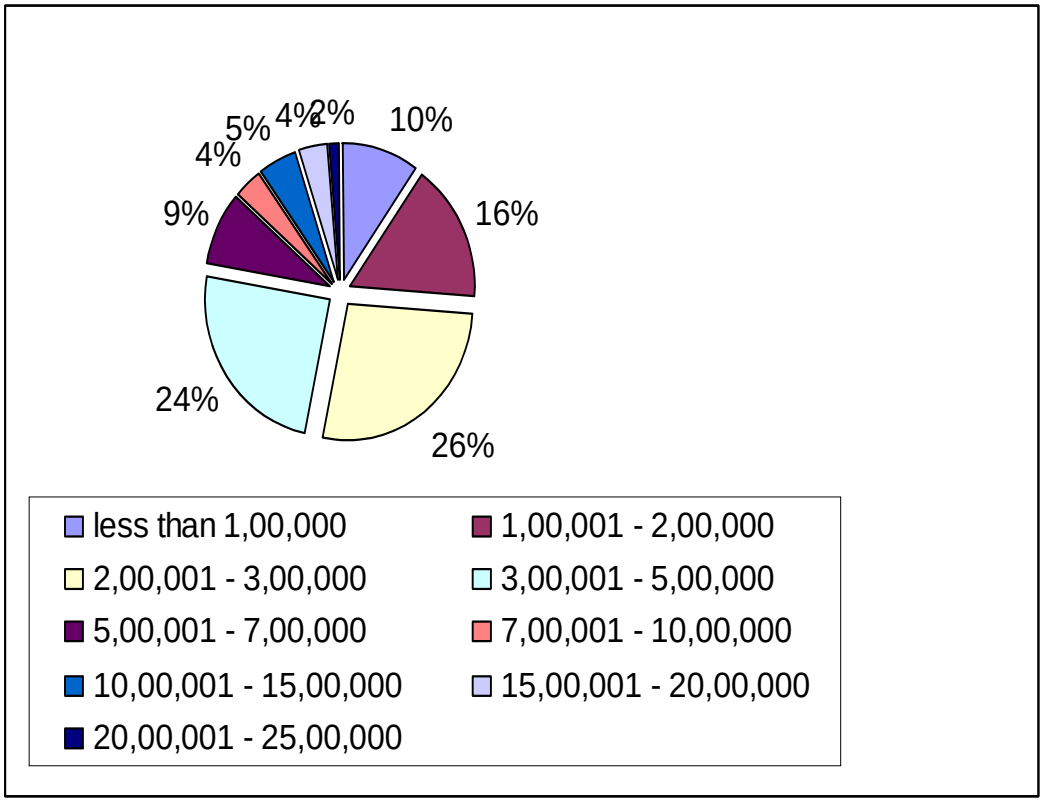
Q17.

Could you please tell me the reasons for choosing the above option?

1. It gives better returns
2. It provides lower risk on investment
3. It provides tax benefits
4. Others

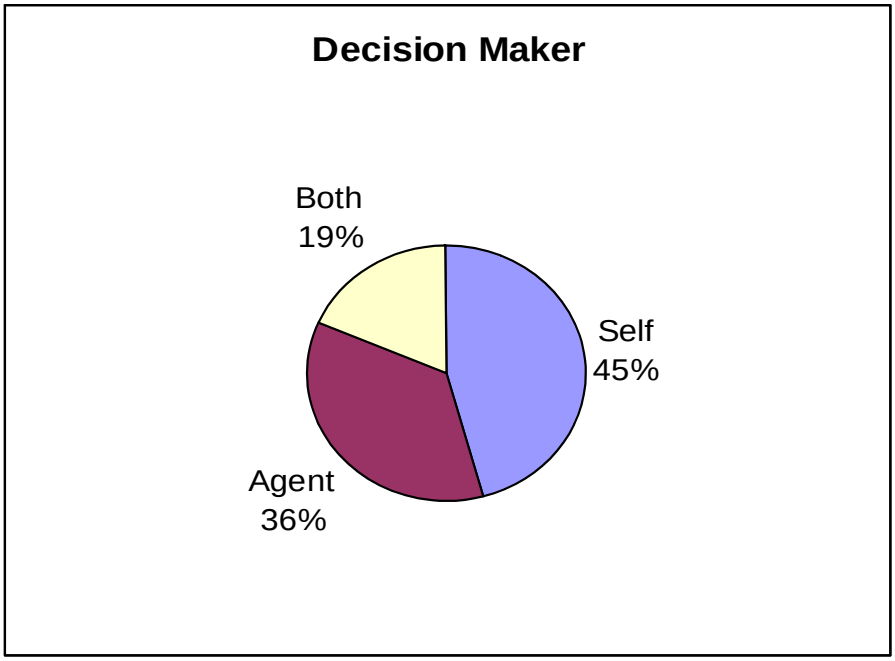
Analysis and Data Interpretation

1. Overall annual investments in all the investment products combined



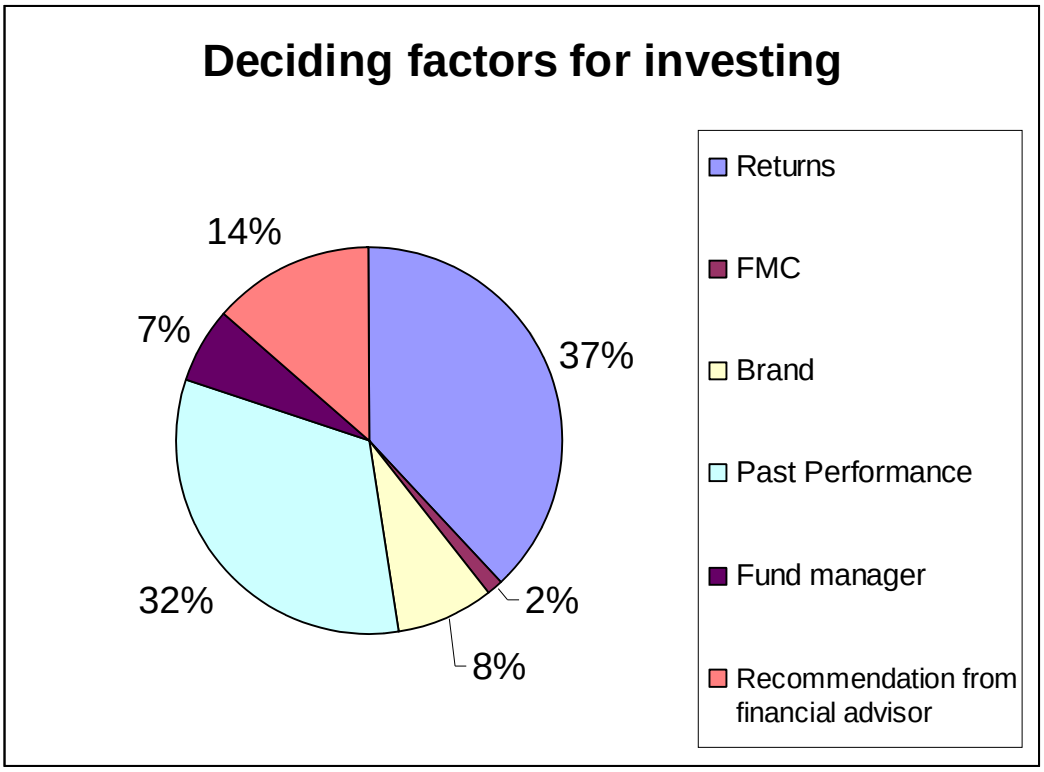
"Majority of respondents annually invest in the range of Rs. 2 to 5 lacs."

2. The main decision-taker regarding investment (Self or agent or both)



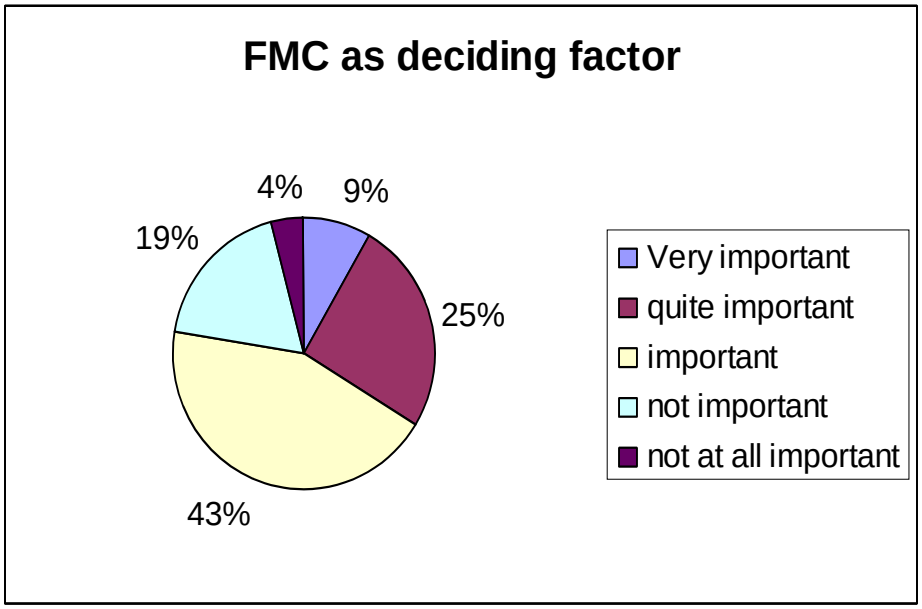
"The results show that in majority of the decisions regarding the investments, the respondents were involved directly or indirectly, with about 45% of them taking decisions on their own while 19% taking decisions along with their agents."

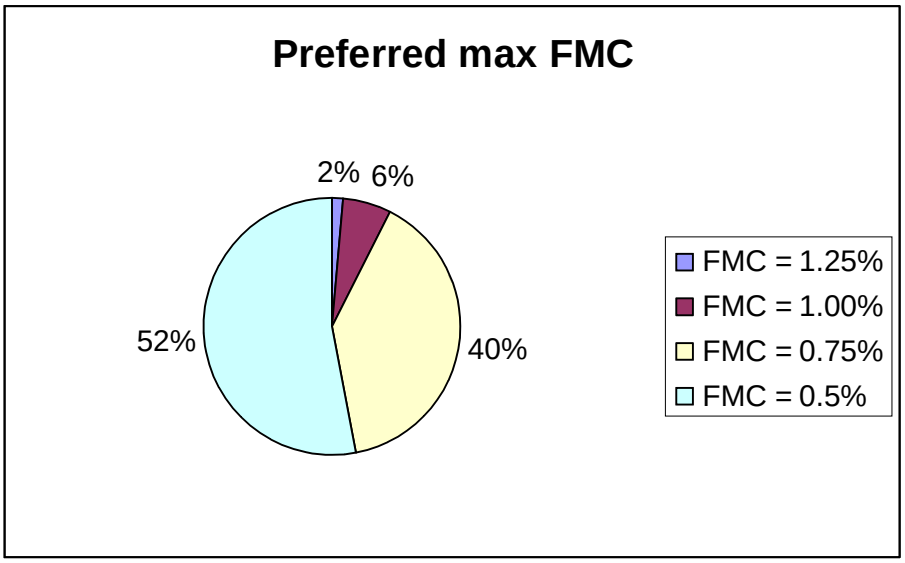
3. Factors instrumental in deciding which funds to invest in.



"The results show that the main deciding factor instrumental in taking investment decisions is the 'Returns being generated' closely followed by the 'Past Performance' of the fund."

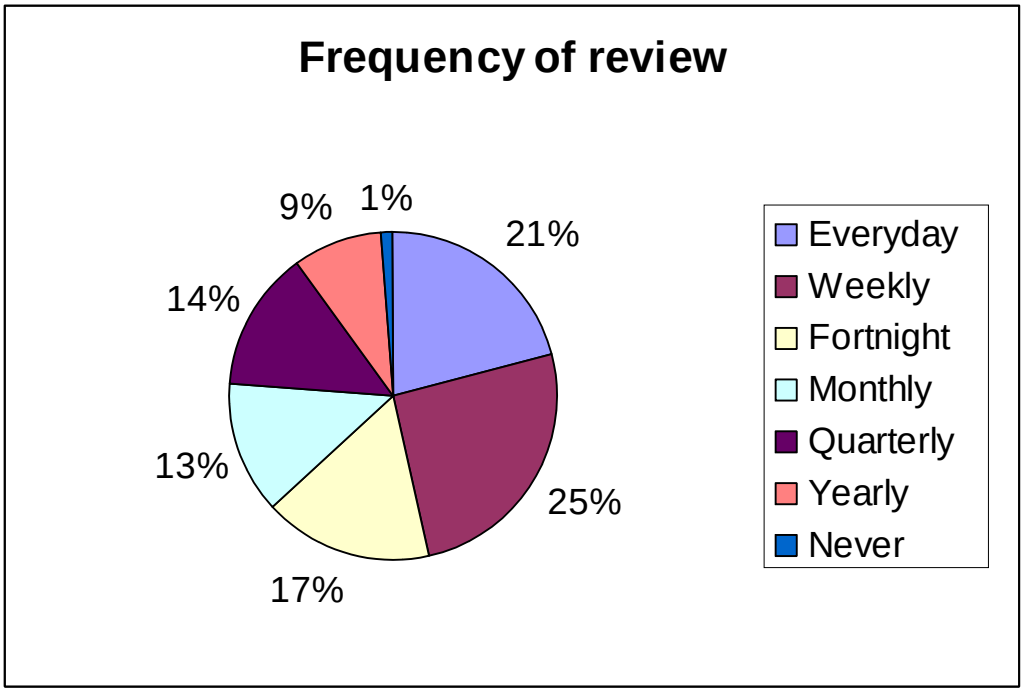
4. Fund Manger Charges as a deciding factor





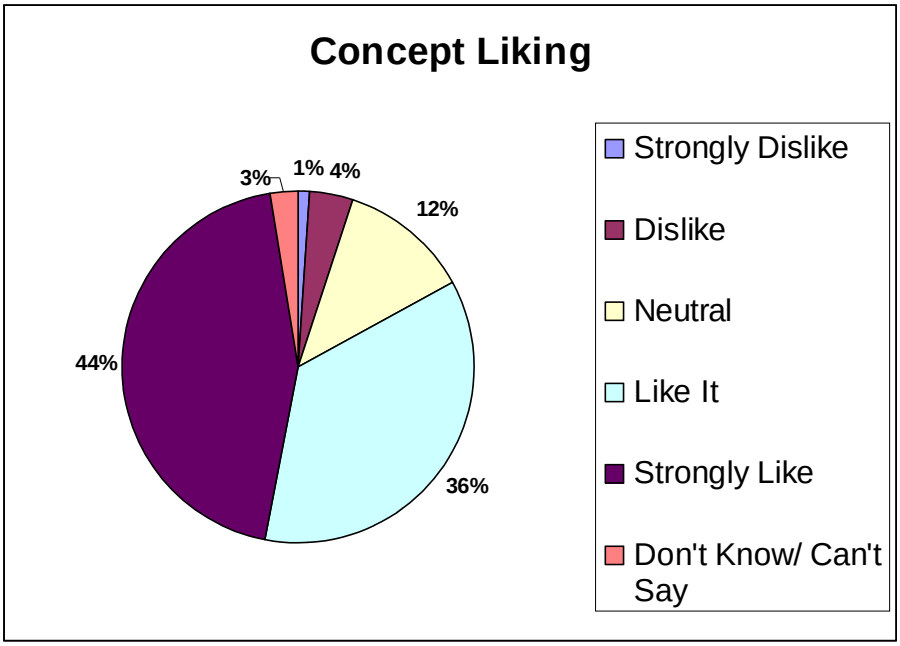
"The results show that the Fund Manager Charges is an important deciding factor while considering an investment. And lower charges are preferable."

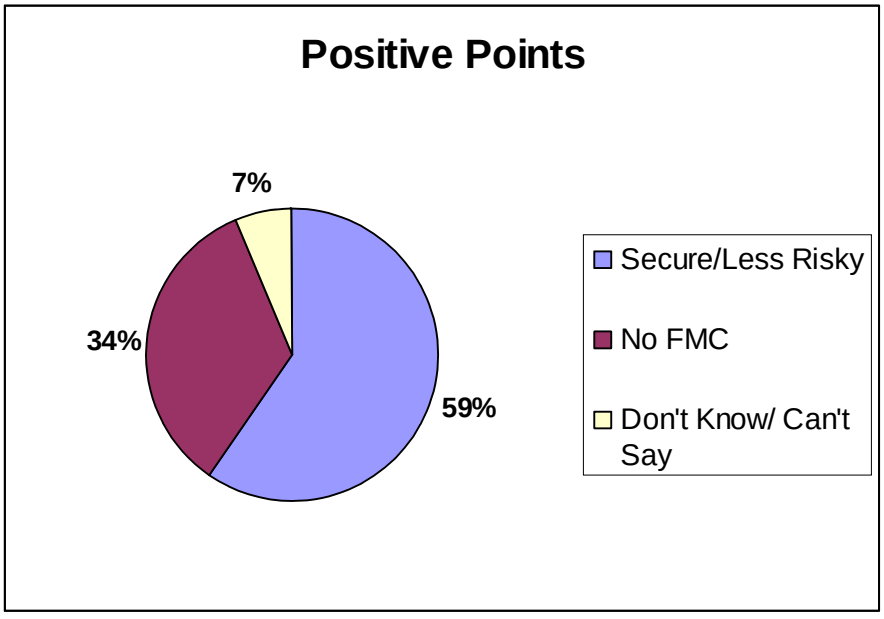
5. Frequency of checking the fund performance



"The results show that majority of the respondents checked the fund performance quite frequently with about 25% of them doing on the weekly basis and 21% daily."

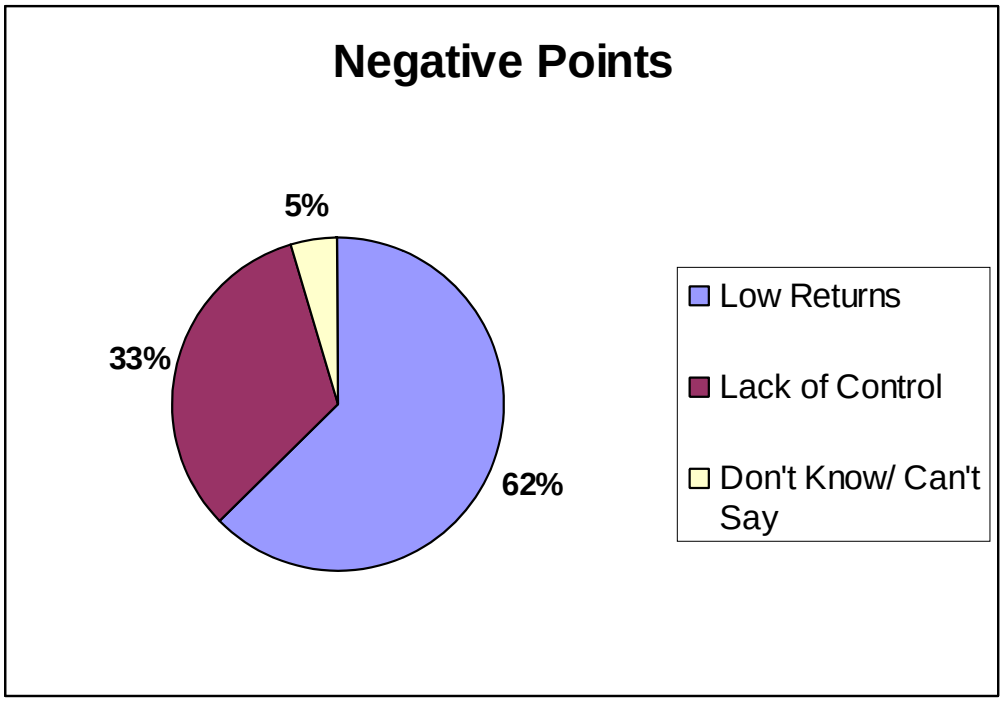
6. The level of acceptance and reasons for liking of the concept of Index Fund





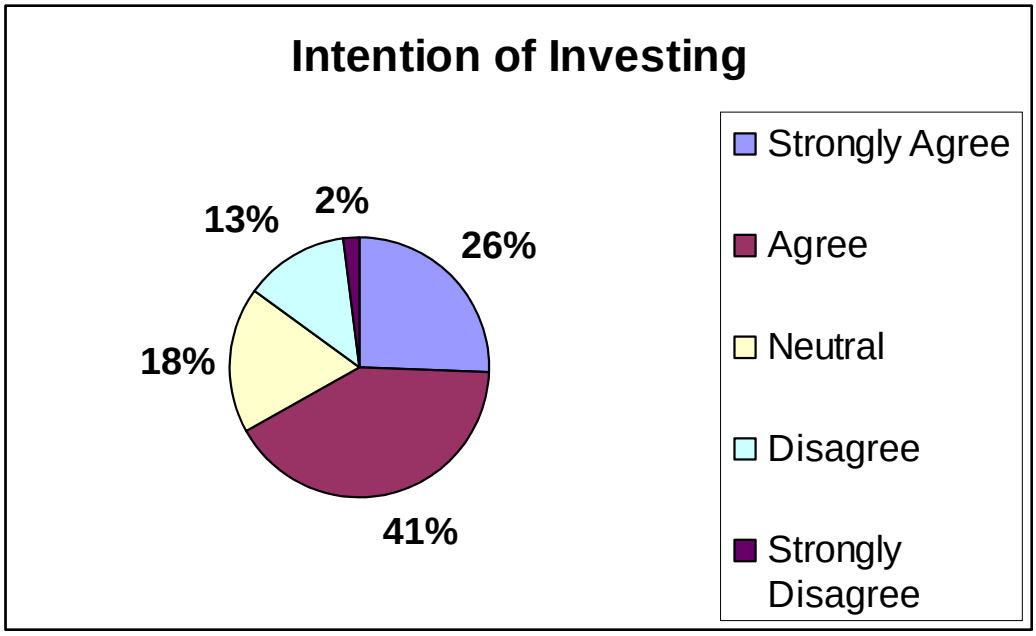
"Results show that more than half of the respondents (59%) liked the concept because of the less risk involved and considering it safer, while 34% of them find the concept attractive because of the absence of FM charges."

7. Main reasons for disliking the concept



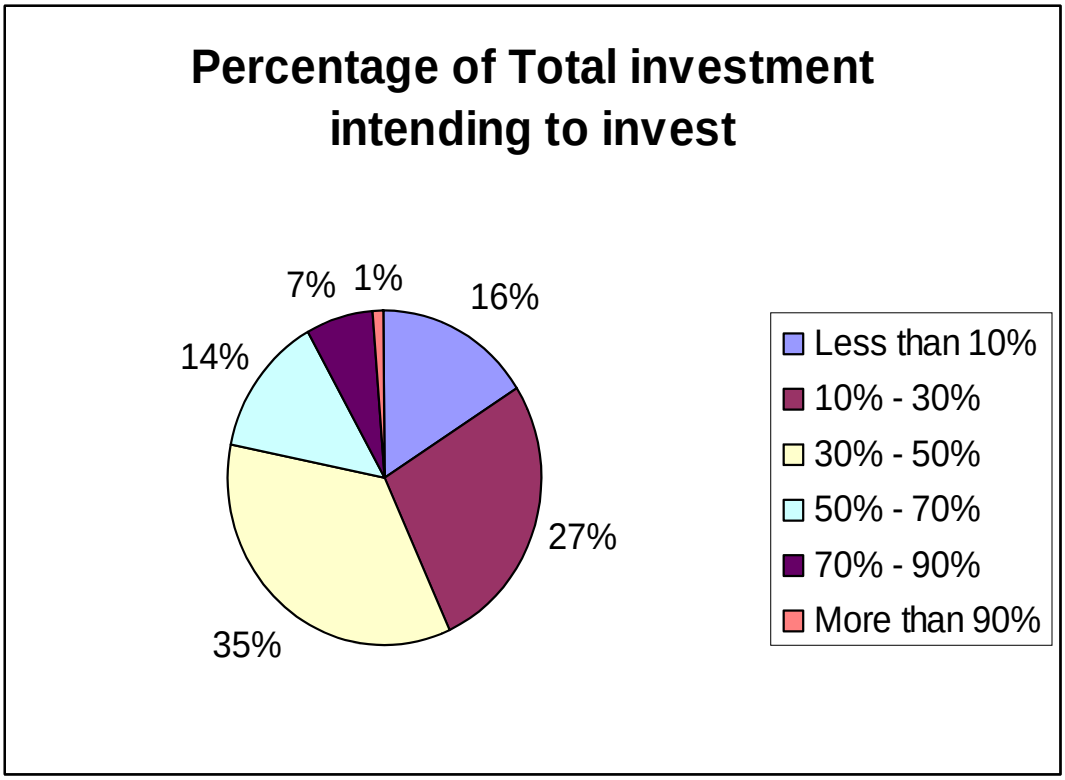
"More than half (62%) disliked the concept because of the lower returns while 33% disliked it due to the lack of control."

8. Intention of investing in the Index Fund

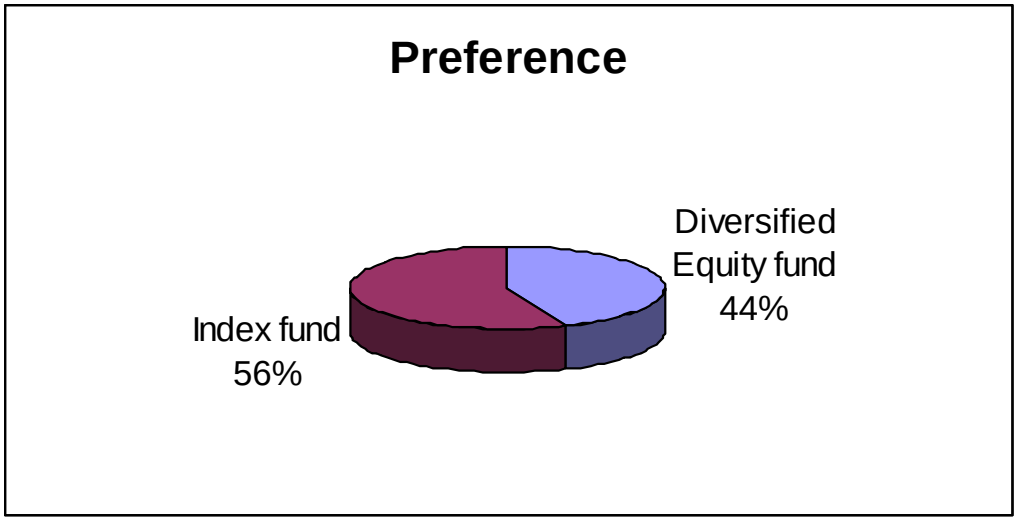


"Majority of respondents agreed to invest in the Index funds with about 41% agreeing to it and 26% strongly agreeing."

9. Percentage of total annual investment that respondent intends to invest in the Index Funds



10. Preference between the diversified equity and index funds in terms of overall appeal



"More than half (56%) of respondents preferred Index funds to the diversified equity funds in terms of overall appeal."

CONCLUSION

The first hypothesis states that “Majority of the investment decisions are taken by the investor himself”.

The results show that in majority of the decisions regarding the investments, the respondents were involved directly or indirectly, with about 45% of them taking decisions on their own while 19% taking decisions along with their agents.

Hence, the first hypothesis is **accepted**.

The second hypothesis states that “The less popularity of Index funds in India is due to the lack of awareness of the concept.”

The results show that after the introduction of the concept to the respondents, More than half (56%) preferred Index funds to the diversified equity funds in terms of overall appeal.

Hence, the second hypothesis is **accepted.**

Also, results show that more than half of the respondents (59%) liked the concept because of the less risk involved and considering it safer, while 34% of them find the concept attractive because of the absence of FM charges.

And more than half (62%) disliked the concept because of the lower returns while 33% disliked it due to the lack of control.

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