

## Chapter 4

# **OBJECTIVES OF THE STUDY**

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### INDEX

Sr No	Topic	Page No
4	<b>OBJECTIVES OF THE STUDY</b>	
4.1	To study in depth the composition of selected Indian Index Mutual Funds	104
4.2	To find out and to evaluate profitability & volatility risk of various Index Mutual Funds.	104
4.3	To study the operating expenses of selected Index Funds	105
4.4	To analyse the 'Tracking errors' of selected Index Funds	105
4.5	To study & analyse investors' response to Index Funds with reference to Pune City.	106
4.6	To study & analyse Mutual Fund Advisors response towards various Index Funds with reference to Pune City.	106

On the basis of the literature reviewed and on the basis of the requirement of the research in the field of index mutual funds, the present study has focused mainly on following objectives.

#### **4.1 To study in depth the composition of selected Indian Index Mutual Funds**

This objective focuses on the basic understanding of the concepts, structure, regulation and working pattern of Indian Index Mutual Funds. The objective also focuses on understanding how the base is selected by different Index Mutual Funds for their investment and how index mutual fund manages to track the stocks in selected index.

This objective is important from the researcher's point of view because conceptual awareness, overall understanding and knowledge of various concepts in effect is required for a subject of this nature. The researcher intends to study different Index Mutual Funds along with their respective compositions.

Another important point in keeping this objective is that though apparently all index mutual funds are categorized under single Category of "INDEX FUNDS", they differ in their basic working and investment style. Hence studying the composition of different index funds is essential

#### **4.2. To find out and to evaluate profitability & volatility risk of various Index Mutual Funds.**

The researcher intend to keep the second objective of the study as evaluation profitability of various index mutual funds and comparing the volatility risk of them. Infact all the index funds having same benchmark,

should theoretically give the same returns. However, because of several factors the performances of different schemes differ from each other. The reasons behind the same may be different but ultimately it affects the performance of the fund. The researcher intends to focus on all the factors which affect the performance of the selected Index Mutual Funds Schemes and thereby evaluate the performance of the selected schemes.

#### **4.3. To study the operating expenses of selected Index Funds**

One of the important factors for evaluation of Index Mutual Funds is their Operating Expenses. A mutual fund scheme having lesser operating expenses is considered to be efficient than the scheme having higher operating expenses hence SEBI has specific guidelines for the mutual fund schemes regarding the operating expenses. It is important to study the operating expenses of the mutual fund schemes for evaluation of their performance. The researcher intends to analyse the operating expenses of the selected Index Mutual Funds for the selected number of years.

#### **4.4. To analyse the 'Tracking errors' of selected Index Funds**

Another factor affecting the Index Funds' performance is Tracking Error of the Scheme. Tracking Error is the difference in the benchmark returns and the specific Fund Scheme's returns because of the error committed by the Fund Manager in tracking the benchmarks Stocks minutely. Tracking error is measured as the standard deviation of difference between index returns and fund returns. The researcher intends to analyse tracking errors of the selected Index funds including Index Funds having higher tracking errors and some Index Funds which managed to keep the tracking error at minimum.

#### **4.5. To study & analyse investors' response to Index Funds with reference to Pune City.**

This is also an important objective of the study. From the researcher's point of view it emphasizes on analyzing the mutual fund investors response to Index Mutual Funds. The researcher intends to undertake a survey of the mutual fund investors and collect the information from them through a well designed questionnaire to find out the degree of awareness amongst the investors regarding Index Mutual Fund investments and various factors considered by the investors while selecting the Mutual Funds for their investments.

#### **4.6. To study & analyse Mutual Fund Advisors response towards various Index Funds with reference to Pune City.**

Mutual Fund Advisors are the important linkage between the mutual fund companies and the mutual fund investors. The researcher intends to undertake a survey of Pune based mutual fund advisors and collect the information from them also through a well designed questionnaire to study their response towards Index Funds.

**The following aspects of the study also will support the above mentioned objectives of the Study.**

1. To find out image of the index mutual funds in the mind of investors.
2. To find out various factors considered by the mutual fund investors while investing in mutual funds.

3. To assess the influence of the mutual fund advisors on mutual fund investors in selection of the scheme
4. To offer appropriate suggestions and recommendations based on the observations of the Study