Retail Investors Perception Towards Systematic Investment Plan

(Sip - A Systematic Way To Invest In Mutual Funds)

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Abstract : Mutual funds is now the most preferred investment avenue for investors to invest their savings. It is an very popular option for a wide variety of people who are interested in investment of their mobilised savings into profitable fields of mutual funds. Mutual fund is a trust that pools the saving of a number of investors who share common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. Mutual funds help small and medium size investors to participate today's complex and modern financial scenario. Mutual funds play a vital role in the mobilization of resources and their efficient allocation.

IndexTerms **- Investment, Perception, Mutual fund and Retail Investor**

I. INTRODUCTION

Mutual funds are financial intermediaries that pool the financial resources of investors and invest those resources in portfolios of assets. Mutual funds are basically institutional arrangement for pooling of funds from small investors and invest them in the best financial instruments. Mutual fund is a trust that pools the saving of a number of investors who share common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these instruments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual funds help small and medium size investors to participate today's complex and modern financial scenario. Mutual funds play a vital role in the mobilization of resources and their efficient allocation. These funds play a significant role in financial intermediation, development of capital markets and growth of the financial sector as a whole. Changes in economic scenario, falling interest rates of bank deposits, volatile nature of the capital market emphasis the increasing importance of mutual funds. Today mutual funds collectively manage money almost as much as or more than banks.

A. CONCEPT OF MUTUAL FUND

A mutual fund is a fund managed by an asset management company with the financial objectives of generating growth. These asset management companies collect money from investors and invest in different stocks, bonds and other financial instruments in a diversified manner. Before investing they perform a thorough research and detailed analysis of market trends of stock and bond prices. That helps fund managers to invest properly and in the right direction. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The investor who invest their money in the mutual fund or any asset management company (AMC), receive an equity position in that particular mutual fund. When the investors sell the units of the mutual fund after a certain period of time, they receive the returns according to the prevalent market conditions. The investment companies profit by allocating people's money in different stocks and bonds according to their analysis of the market trend.

B.SYSTEMATIC INVESTMENT PLAN (SIP)

SIP is an investment vehicle offered by mutual funds to investors, allowing them to invest small amounts periodically instead of lump sums. The frequency of investment is usually weekly, monthly or quarterly. A good EMI is an investment not an instalment. Just like one choose EMI for today's expenses, SIP can be chosen to fulfil tomorrow's dreams.

C. DEFINITION OF SYSTEMATIC INVESTMENT PLAN (SIP)

Systematic Investment Plan is an investment strategy wherein an investor needs to invest the same amount of money in a particular mutual fund at every stipulated time period.

- The Economic Times

Systematic investment plan is a smart process that helps in creating wealth by investing small sum of money every month, and over the years it can really add up and give handsome returns.

- Umakant badgu

D. TYPES OF SIP

Systematic investment plans (SIP's) are of four types:

A. Top-up SIP :

This SIP type allows you to increase your investment amount periodically. This also means that you can make the most of your SIP investment by contributing to well performing mutual fund schemes at certain intervals. You can increase your investment amount when your income increases.

B. Flexible SIP :

This SIP type allows you to increase as well as decrease your investment amount as per the cash flow you have. This way you can skip one or more payments when you face cash crunch due to any reason. Likewise you can make a bigger contribution to your SIP account when you receive a bonus or an additional income.

C. **Perpetual SIP** :

SIP investments are, generally, are a fixed period of 1 year,3 year or 5 years. A SIP is referred to as perpetual SIP if you do not mention the end date in the mandate date. This SIP types allows you to redeem your funds whenever required or, particularly when you have achieved your financial goals. However it is advisable to set an end date for your SIP contribution so as to build a disciplined, goal based investment.

D. Trigger SIP :

This SIP type is ideal for investors with limited knowledge of the financial market. You are allowed to set NAV, index level, SIP start date or event, etc. Since this SIP type encourages speculation, it is not desirable or much recommended.

II BENEFITS OF INVESTMENT IN SIP

i) RUPEE COST AVERAGING

Rupee Cost Averaging is an investment technique applied to regular fixed instalments in a mutual fund scheme. As the amount is fixed and regular, more units are bought when the market price of shares is low and lesser units are bought when the price is high. Through this mechanism, the investment risk is spread across market movements.

ii) POWER OF COMPOUNDING

Compound interest arises when interest is added to the principal, so that from that moment on, the interest that has been added also earns interest. The addition of interest to principal is called compounding. Though the 'term' interest is used generally, the idea applies equally to all forms of returns, not just those that are called interest. The biggest benefit that an investor can enjoy through compounding is that is its propensity to accrue enormous value over little time. Simply put, the earnings from investment that are not spent but reinvested over a period of time can generate greater returns. With compounding, your investment transform into an effective income generating assets.

iii) CONVENIENT INVESTMENT OPTION

SIP, the systematic investment plan is for every one of us. Many of us have surplus money but remain confused on where to invest. Invest so that to get good returns. Now a day's bank and post office fixed deposit (FD) and recurring deposit (RD) have become unattractive. Stock market gives a high return but it's not everyone's cup of tea. This is because of the high risk involved in the market. So, **Systematic Investment Plan** is the best option to invest and grow your wealth. Now let us understand what is systematic investment plan is and how can you systematically plan your investment. The systematic investment plan is a hassle-free technique and smart way of investing money in instruments whose value fluctuates. It helps us make a disciplined approach towards investing. And infuses regular saving habits in us. SIP is convenient and a flexible technique best to make a long-term gain on our investments. This helps us to build our wealth for a lifetime period.

iv) LOW MINIMUM INVESTMENT AMOUNT

SIPs can be started even with Rs 500 per month. The frequency of investment is usually weekly, monthly or quarterly. In other words, if you do a onetime investment, the minimum amount that you have to invest is around Rs 5,000. If you invest via an SIP, the amount drops. Each fund has their own minimum amount. Some may keep it at least Rs 500 per month, others may keep it as Rs 1,000. This makes it affordable for the small investors to invest in mutual funds and earn returns from the investment.

II. INVESTMENT THROUGH SIP- BEST WAY TO INVEST

The following are the reasons why an investor should choose SIP for making investment:

- The concept of SIP focuses around the philosophy of "Save First, Spend Next". With SIP, you can invest small amounts at fixed intervals (weekly, monthly or quarterly) instead of doing a one-time investment.
- The basic principle of Compound interest implies that small amounts invested over a long period of time would result in a larger return compared to a one-time investment.
- You can start investing in mutual funds through an SIP with amount as low as Rs 500 and still not feel a burden on your budget planning. Generally, over a period of time you can increase your monthly instalments by a factor of 15%.
- The equity market is volatile in nature and when you do an SIP investment, you would be buying more number of units during a slump and less number of units in a blooming market and as a result you would decrease the cost per unit.
- Become a disciplined investor - An SIP investment would make you more disciplined in matters of managing your finances. With the option of automated payments, it means you don't have to remember every month.
- Act as an emergency fund -With One-click withdrawal SIP can act as an emergency fund for possible contingencies (like medical crisis or job loss) puts your mind at ease.

III. HOW TO INVEST IN SIP

- **Set investment goals :**
  Every mutual fund has specific goal and purpose. The investor needs to choose one that suits his requirement. They have to inform their financial goals and income details for the depository participant like a mutual fund company to handpick the plans for them.
- **Choose :**
  They investor has to make an informed decision based on their individual needs and choose a systematic investment plan mutual fund they want to invest in.
- **KYC :**
  KYC is an acronym for "Know Your Customer", a term commonly used for Customer Identification Process. SEBI has prescribed certain requirements relating to KYC norms for Financial Institutions and Financial Intermediaries including mutual funds to 'know' their clients. Majority of mutual fund investments mandate KYC documentation and a net banking account. Even E-KYC option is available nowadays through which all the documents are uploaded online for the comfort of the investor to view his investment fluctuations in home or office. There is usually no need to sign cheques and fill out forms.

IV. RISKS INVOLVED IN SIP INVESTMENTS:

- **Price risk**
  Sometimes your investment in a SIP can go down and you can end up with a value lower than what you invested depending on how the market behaves. The risk in SIP is however related to holding period and usually, the longer the holding period, the lower the risk. With higher holding period the probability of making profit increases.
- **Credit risk**
  When the bond of a particular entity or company undergoes a downgrade by a credit rating agency, its price falls. If the price falls, this impacts the overall value of the portfolio. This is called credit risk.
- **Liquidity risk**
  Usually with mutual funds, liquidity is not an issue, however, there have been periods, when there was an issue in selling securities (like bonds) and that certain mutual funds had to limit withdrawals from some schemes. The equity market is fairly liquid. However, if the sale quantity exceeds the numbers of buyers by a large amount, then this will result in an issue, hence making subsequent payouts a problem and hence liquidity risk.
- **Fund Management Risk**
  Another risk in SIP is that the chosen scheme may not deliver upto expectations, and performance may be much lower than expected. The Fund Manager may under-deliver on performance, and this will lead to low returns on the SIP investments.

V. RETAIL INVESTOR

A retail investor is an individual who purchases securities for his or her own personal account rather than for an organization. Retail investors typically trade in much smaller amounts than institutional investors such as mutual funds, pensions, or university endowments. A retail investor is a non-professional investor who buys and sells securities through brokerage firms. Retail investors are usually driven by personal goals, such as planning for retirement, saving up for their children's education, or financing a large purchase.

VI. IMPORTANCE OF THE STUDY

- The main purpose of doing this analytical study is to find the investors perception about SIP investment in mutual funds.
- It is an attempt to create awareness among investors about SIP, which is a mere tool that helps one to invest regularly in a mutual fund scheme.
- The study emphasises whether the investors perceive SIP as a tool which can be used to invest in mutual fund schemes to create wealth over a long period to achieve your long- term financial goals.

VII. STATEMENT OF RESEARCH PROBLEM

The research is undertaken to analyze the current scenario of investment in mutual funds among investors, especially in systematic investment plan (SIP). Even though the mutual fund industry has evolved a major transition from its inception, still investors are not fully aware of investment strategies of mutual funds. They still perceive it to be a risky investment option and mostly don't prefer it more in comparison to other investment alternatives. Unlike most investors' perception of mutual funds, it provides a variety of investment scheme according to the investors needs. One such investment scheme of mutual fund is systematic investment plan (SIP). It is generally eminent as DIY investment i.e., do it yourself in which the investor with the help of a depository participant like a financial services company can construct their portfolios as per their investment objectives.

VIII. OBJECTIVES OF THE STUDY

- To analyze investors opinion and perception about investment in mutual funds especially systematic investment in mutual funds.
- To study investors preferences and priorities in case of their investment decision.
- To identify investors' purpose of investment and the factors this influences their investment behaviour.

IX. SCOPE OF THE STUDY

Systematic investment in mutual funds has grown enormously over the years. Investment in mutual funds provides people with the investment facility to diversify their investment in common stocks , preferred stocks , bonds and other financial securities. At the same time they can enjoy the advantage of liquidity. With mutual funds , investors get easy access to their invested funds on requirement . One of the financial innovations which really help the small investors to earn wealth through systematic investment in mutual funds. This study emphasises on investors conception towards investment in SIP, which is a form of mutual fund indeed and to analyze their level of awareness about the investment options available in mutual fund industry.

X. REVIEW OF LITERATURE

- **Dr.Aruna.k** ,Assistant professor , department of commerce, Auxilium college, Katpadi and **M.Senthamil selvi**, Auxilium college Katpadi,(2017) in their research article have summarized that 'Choosing wise investment from various avenues is the crucial problem to an investor. Mutual Fund is one of the investment options available to the small investors. Systematic investment plans is a plan of mutual fund, in which the investments are done by paying a fixed amount at every predetermined date. This protects the investor from market volatility and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. SIP is a best option planned for small investors who wish to invest small amounts regularly to build wealth over a long period of time'.
- **Anich Uddin** (2016) in his paper has analysed that "higher return with low risk is the factor which motivates the investor to invest in SIP. On the other hand knowledge and operational platform is one of the main barrier that investor are facing of schemes.
- **D.M.Jha** in his research article (2015) had analyzed that "There is a lot of confusion among common people, who are intended to invest their surplus fund in stock market through mutual fund, whether they should opt for systematic investment plan or lump sum investment, if they have both the provisions. It has been told, while investing in stock market either directly or indirectly, that we should not try to time the market rather we should try our time in the market. An effort has been made to compare the SIP with Lump sum investment".
- **Arathy B**, **Aswathy A** , **Anju Sai P** ,**Pravitha N R** (2015) have explained that mutual fund provide a platform for a common people to participate in Indian capital market with professional fund management irrespective of the size of the investment. They have studied that mutual fund investment is less risky than directly investing in stocks and is a safer option for risk averse investors .They study aims to find the factors affecting investment decision on mutual funds and its preference over retail investors and also attempts to find out the factors which prevent the investors from investing in mutual funds.

A. RESEARCH METHODOLOGY

Research methodology is the specific procedure or techniques used to identify, select, process and analyze information about a topic. In a research study, the research methodology section allows the reader to critically evaluate a study's overall validity and reliability. It is the systematic, theoretical analysis of the methods applied to a field of study. It comprises of the theoretical analysis of the body of methods and principles associated with a branch of knowledge. The process used to collect information and data for the purpose of making decisions and concluding.

B.METHOD OF RESEARCH:

Descriptive method of research has been used in this research study. There are three main types of descriptive methods: observational methods, case-study methods and survey methods. Here the survey method of descriptive research has been undertaken.

C. SAMPLING METHOD:

A sampling method is a procedure for selecting sample members from a population. In this study the population size is unknown, so non-probability sampling has been applied to the research.

NON-PROBABILITY SAMPLING:

Non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. There are three types of non-probability sampling, namely convenience sampling, consecutive sampling and quota sampling. In this study convenience sampling has been applied and sample size was determined as 80 as convenience sampling method was selected for research analysis.

SOURCES OF DATA:

- Primary data – Primary data is a data collected through questionnaire. It is a fresh data and original one. It was collected through the structured questionnaire.
- Secondary data – Secondary data is a data collected from various books, journals, websites, and so on.

TESTING OF HYPOTHESIS: 1
(GENDER * PERCEPTION)

Ho: There is no significant relationship between gender and perception of the investors.
H1: There is significant relationship between gender and perception level of the investors.

			Perception			Total
			Low	Moderate	High	
Gender	Male	Count	18	17	13	48
		Expected Count	18.6	16.2	13.2	48.0
		% within Gender	37.5%	35.4%	27.1%	100.0%
		% within Perception	58.1%	63.0%	59.1%	60.0%
		% of Total	22.5%	21.3%	16.3%	60.0%
	Female	Count	13	10	9	32
		Expected Count	12.4	10.8	8.8	32.0
		% within Gender	40.6%	31.3%	28.1%	100.0%
		% within Perception	41.9%	37.0%	40.9%	40.0%
		% of Total	16.3%	12.5%	11.3%	40.0%
Total		Count	31	27	22	80
		Expected Count	31.0	27.0	22.0	80.0
		% within Gender	38.8%	33.8%	27.5%	100.0%
		% within Perception	100.0%	100.0%	100.0%	100.0%
		% of Total	38.8%	33.8%	27.5%	100.0%

Chi-square test

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.155[a]	2	.926
Likelihood Ratio	.155	2	.925
Linear-by-Linear Association	.013	1	.910
N of Valid Cases	80		

Interpretation:
Since, calculated P-value (0.926) is greater than the significant value (0.05) accept the null hypothesis at 5% level of significance. So there is no significant relationship between gender and perception level of investors.

TESTING OF HYPOTHESIS: 2
AGE*PERCEPTION

Ho : There is no significant relationship between age and perception of investors
H1 : There is significant relationship between age and perception of investors

			Perception			Total
			Low	Moderate	High	
Age	20-30	Count	18	14	9	41
		Expected Count	15.9	13.8	11.3	41.0
		% within Age	43.9%	34.1%	22.0%	100.0%
		% within Perception	58.1%	51.9%	40.9%	51.2%
		% of Total	22.5%	17.5%	11.3%	51.2%
	30-40	Count	7	6	7	20
		Expected Count	7.8	6.8	5.5	20.0
		% within Age	35.0%	30.0%	35.0%	100.0%
		% within Perception	22.6%	22.2%	31.8%	25.0%
		% of Total	8.8%	7.5%	8.8%	25.0%
	40-50	Count	5	5	3	13
		Expected Count	5.0	4.4	3.6	13.0
		% within Age	38.5%	38.5%	23.1%	100.0%
		% within Perception	16.1%	18.5%	13.6%	16.3%
		% of Total	6.3%	6.3%	3.8%	16.3%
	50-60	Count	1	2	3	6
		Expected Count	2.3	2.0	1.7	6.0
		% within Age	16.7%	33.3%	50.0%	100.0%
		% within Perception	3.2%	7.4%	13.6%	7.5%
		% of Total	1.3%	2.5%	3.8%	7.5%
Total		Count	31	27	22	80

	Expected Count	31.0	27.0	22.0	80.0
	% within Age	38.8%	33.8%	27.5%	100.0%
	% within Perception	100.0%	100.0%	100.0%	100.0%
	% of Total	38.8%	33.8%	27.5%	100.0%

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.345[a]	6	.764
Likelihood Ratio	3.332	6	.766
Linear-by-Linear Association	1.720	1	.190
N of Valid Cases	80		

Interpretation:
Since, calculated P-value (0.764) is greater than the significant value (0.05) accept the null hypothesis at 5% level of significance. So there is no significant relationship between age and perception level of investors.

XI. FINDINGS:

- It is found that majority of respondents prefer fixed deposit as the most preferred investment alternative over any other investment options, as they are not still aware of the mutual fund schemes amidst all the advertisements given.
- It is observed that the majority of the respondents make investment to have financial security during retirement.
- Investment decisions of the respondents are influenced to a great extent by their family.
- According to this study 76.25% (of 80 respondents) i.e., the majority of investors have not invested in mutual funds because they have only partial knowledge of mutual funds.
- Respondents are not aware of the various schemes of mutual funds, so there is lack of proper investor education.
- There is no significant relationship between demographic factors and perception level of investors.
- Mutual fund is an abundant source of wealth creation, but due to lack of proper investor education it is not utilized in a optimum way.

XII. SUGGESTIONS:

- 'Slow and steady wins the race'-this is often forgotten by the investors especially those dealing with mutual funds or SIP in specific. The investors invest a huge amount at on go and end up burning their hands when market takes a dip. Investors need to have only a simple investment strategy - "disciplined , patient systematic investment with a focus on quality".
- Investors have to accept the fact that stock markets are inherently volatile. SIPs help the investors make this volatility work for them. So enough advertisements on SIPs should be conveyed to the potential customers.
- All the financial institutions dealing with mutual funds should emphasize more on investor awareness and education.
- Mutual funds is a popular investment option which gives comparatively higher return on investment, it is managed by experts and also provides built-in diversification. It also eases investment and monitoring of the fund invested. Despite all these, people lack knowledge of mutual funds or they have only partial knowledge and hesitate to make mutual fund investment. It is high time that more emphasis should be laid on creating awareness of mutual fund among investors in a better and effective way. So that the Indian investors also maximize their wealth through systematic investment in mutual funds.

XIII. **CONCLUSION**:

People don't want to take risks but want to enjoy high rate of returns. Many investors start the investment process without determining the investment objectives and proper planning. People working in private organisations prefer investments in fixed deposits, gold and real estate as their priority in investment over mutual funds and shares. SIP is the best way to build up capital over a period of time for those who don't have a lump sum to invest as our present analysis suggests that the risk in investment by SIP is expected to be lower than that for lump sum investment.

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