A Study on Investor Perception About Systematic Investment plan (SIP) in the city of Mumbai.

By: Dr.Rajinder S.Aurora*

Abstract

Systematic investment plan (SIP) has emerged at alternative investment plan for large number of investors interested in high returns but less risk with investments made gradually in Mutual Funds & Stocks. The study aims is to find out the factors that motivate investors to invest in systematic investment plan and the problem they face in this scheme. A sample of 100 respondents who invest through SIP belonging to the commercial Capital of India - Mumbai in Maharashtra has been taken for the purpose of the study. The data has been collected from primary sources using a questionnaire evolved for this study. The collected data has been analyzed using various statistical tools. Results of the study found that for higher return with low risk the investors are motivated to invest in systematic investment plan. The study also concluded that knowledge and operational platform is one of the main barrier that investor are facing of scheme.

INTRODUCTION

Mutual funds are set up in the form of a trust. The trust has sponsor, trustee, Asset Management Company (AMC) and custodian. Every Mutual Fund has to be registered with Securities Exchange Board of India (SEBI). They are stringently regulated under the SEBI (MF) Regulation, 1996. Mutual Fund is a tool for small investors and for people who cannot invest directly in equity shares and debt instruments. Small investors can take benefits of stock market growth by investing in equity and debt instruments through MF. Though it is a convenient way of investment for the people who do not have knowledge, time or inclination to invest directly in stocks, it does not guarantee return or value of the original investment. The appreciation of investment depends on the performance of fund and stock market. MFs are Financial Intermediaries that pool the financial resources of investors and invest in diversified portfolio of assets. It is a mechanism for pooling resources by issuing units to the investors and investing funds in securities. It is a vehicle for collective investment, where the unit holders become part owners of the investment done under a

* Faculty of Finance, ICFAI Business School, Mumbai.*

scheme. The profit or losses are shared by the investors in proportion to their investments.

Meaning of Systematic Investment Plan (SIP):

SIP is a smart financial planning tool that helps you to create a wealth by investing small sum of money every month over a period of time. SIP is a planned approach to investments and an investment technique that allows you to provide for the future by investing small amount of money in mutual fund scheme of our choice. Systematic investment plans is a plan of mutual fund, in which the investments are done by paying a fixed amount at every predetermined date. Systematic Investing in a Mutual Fund is the answer to preventing the drawbacks of equity investment and still enjoying the high returns. Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. SIP is a feature especiallydesigned for investors who wish to invest small amounts on a regular basis to build wealth over a long term.

REVIEW OF LITERATURE

A large number of studies on the growth and financial performance of Mutual Fund have been carried out during the past, in the developed and developing countries. Brief reviews of the following research works reveal the wealth of contributions towards the performance evaluation of Mutual Fund systematic investment plan.

01. Malkiel, B.J. (1995) states in his study that utilized a unique data set including returns from all equity mutual funds existing on a yearly basis. The data enables us more precisely examine the performance and the extent of survivorship bias that exists in the mutual fund industry. In the aggregate, funds have underperformed benchmark portfolios both after one consider management expenses and even gross expenses. Survivorship bias appears to be more important compared to what other studies have estimated. Moreover, it is concluded that considerable performance persistence existed during the 1970s. Similarly there was no consistency in fund returns during the 1980s.

Louis,K.C and Lakonishok,C.C.(1999) have provided in their study "an exploratory investigation of mutual funds" investment styles. It was found that the Funds' styles tend to cluster around a broad market benchmark. When funds deviate from the benchmark they are more likely to favour growth stocks having good past performance parameters. Further, it was said that there is some consistency in styles, although funds with poor past performance often are more likely to change styles. The purpose of this change is to try and improve their performance. Some evidence suggests that growth funds have better style-adjusted performance than value funds. The results are not sensitive to style identification procedure, but an approach based on fund on the portfolio characteristics in order to perform better in predicting future fund returns.

Carhart, M.M,. Carpenter, J.N. Lynch W.A. and Musto. K.D. (2000) The authors have estimated the of the returns of different mutual fund portfolios for 3-year, 5-year and 10-year holding period intervals. In the paper they finally explained how the relation between performance and fund characteristics can be affected by the use of a

survivor-only sample and show that the magnitudes of the biases in the slope coefficients are large for fund size, expenses and turnover and load fees in our sample. Because survivorship issues are relevant for many data sets used in finance, the analysis in this paper has potential applications in areas of financial economics beyond just mutual fund research. 04. Redman, A.L. and Manakyan,H.(2001) have given information on the risk-adjusted returns using Sharpe's Index, Treynor Index, and Jensen's Index. The results show that from 1985 through 1994 the portfolios of international mutual funds outperformed the U. S. market and the portfolio of U. S. mutual funds under Sharpe's and Treynor's indices. During 1985-1989, the international fund portfolio outperformed both the U. S. market and the domestic fund portfolio, while the portfolio of Pacific Rim funds outperformed both benchmark portfolios. Returns declined below the stock market and domestic mutual funds during 1990-1994.

Bollen,P.B.& Busse,J.A.(2004) the authors in their paper have given the information that investor cash flows can distort inference in mutual fund performance. The impact of cash flow on performance can be controlled for using conditional methods, as in Edelen (1999).

Sindhu,K.P.&Kumar,S.R(2008) have discussed that "the stock market provides higher returns than any of the investment options available in the financial market. A prudent investor can earn a lot from the stock market operations. But with a chance of high risk and uncertainty given the volatility in the stock markets. As we know, higher the return, higher will be the risk. Investors with lack of knowledge and expertise may lose their money while investing in financial assets, especially in securities. This is where mutual funds come into picture. Mutual Fund is the most suitable investment for a common man as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost. A mutual fund is an investment company or a trust that pools the resources of a large number of its' shareholders and invest on behalf of them in diversified portfolios to attain the objectives of the investors which in return achieve income or growth or both. Thus mutual funds become a major investment vehicle for mobilization of savings particularly from small and household sectors for the investment in security market. At present the importance of mutual funds in India has been increasing in the capital market by expanding the investors' base. Nowadays, there are different types of investment plans are available for mutual fund investors. At the same time, investment in mutual fund is to be considered as a long term investment. Hence, it is important to know their investment horizon. The present paper tries to understand the investment horizon by analyzing their periodical investment plans and investment duration"

Sharma, P. (2010) In this paper the author found that Mutual Funds markets are constantly becoming more efficient as they are providing more promising solutions to the investors. Mutual funds industry is responding at a good pace and understanding the investor's perception, still they are continuously following this race in their attempt to differentiate their products responding to sudden changes in the economy.

08. Singhal,S.& Goel,M.(July, 2011) The Empirical result of this research reported that SIP Plans have generally performed better than the one time investments made in mutual funds. Shelly Singhal (2011) have stated that

Systematic Investment Plans (SIP) is among the most successful financial innovations grown at a fairly rapid pace in emerging markets and India is no exception to it.

Dr. Ravi Visa,(2012) says that mutual funds were not that much known to investors who still rely mostly upon bank and post office deposits, especially in India. Most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors did not analyze risks in their investment and they were dependent upon their broker and agent for this work.

Tahseen, A.A and Narayana, S. (2012) The authors have discussed consumer attitudes towards financial investments.They view that this has always been a challenge for the finance companies due to limited risk appetite of consumers. This they feel was largely attributed to both cognitive and affective components of attitude that impact their investment behaviour.

Paul, L.T. (July 2012) The author has observed that Mutual funds have evolved over the years, in keeping with the changes in the economic and financial systems, as well as the legal environment of the country. New products have launched according to the requirements and changes in the investors" perceptions and expectations. Understanding the investors" expectations and meeting those expectations are the key area of interest of marketing experts.

Amarnath,B., Dr.Reddy, R.S. & Krishna, K.T (2012) have observed that if there is broad agreement that appropriately regulated Mutual Fund activity can play a large part in

financial development in all its dimensions, these barriers can surely be addressed in a collaborative way between the three stakeholders – the investors, the fund managers and the regulators.

Kandpa, V, & Kavidayal, P.C. (2013) The authors have given the information for restriction of mutual fund investment in top cities or Urban areas is the lack of awareness level in the rural and semi-urban areas. The absence of product diversification and confusion in the market has been enlarged by the lack of marketing initiatives for Mutual Funds. The role of mutual fund agents or distributors is to educate the investor community. This is done rather slowly and on a limited scale. Hence, the spread of Mutual Fund market has been limited and restricted.

Vyas,R.(2013) has mentioned in his study that mutual fund companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to investor and proper consultancy should be given by mutual fund companies to the investors in understanding terms and conditions of different mutual fund schemes. He feels such type of fund designing should be promoted and it will ensure that the needs of investors are fulfilled. Mutual fund information should be published in investor friendly language and style, and a proper system to educate investors should be developed by mutual fund companies to analyze risk in investments made by them, etc. This will help them win over the confidence of the investors & attract them to Mutual Fund investment.

Juwairiya, P.P (2014) is of the opinion that systematic investment plan represents the best investment option for small investors

who wish to invest small amounts regularly to build wealth over a long period of time in a low risk environment.

Kumar, S. & Kumar, V. (2014) in their study mention that "Mutual fund is a kind of investment that uses money from many investors to invest in stocks, bonds or other types of investment and the fund manager uses his expertise to decide how to invest the money. Goswami, A.G .(2014) have observed mutual fund investment is a diversified portfolio of securities, which can include equity securities (such as common and preferred shares), debt securities (such as bonds and debentures) and other financial instruments issued by corporation and government, according to the stated investment objectives of fund. The benefit to investor in buying shares of mutual fund comes primarily from diversification, professional money management and capital gain and dividend reinvestment at relatively low cost.

Azzheurova,K.E. & Bessonova,E.A. (2015) They say management of regional investment projects is the analysis and estimation of their efficiency. It influences the pace of development, as well as solves regional socio-economic problems. The paper substantiates the necessity to complement the evaluation algorithm of regional investment projects with functional units of analysis of social, innovative and environmental consequences of projects. This will ensure that projects do not get delayed due to shortage of funds.

Joseph, G., Telma, M. & Romeo, A. (Feb 2015) Here the authors have observed that Systematic Investment Plan (SIP) reduces of the market especially when the market is volatile. SIP also works to the advantage during bearish market whereas lump sum gives high returns in bullish market . From this study it can be concluded that in order to get better results from SIP, invest for a minimum period of 5 years is necessary.

Prabhakaran, V. (Sep 2015) The author says stock market is one of the economic indicators of growth of country's economic development. The bullish trend of stock market attracts many equity investors into the market and provides much needed fillip to finance projects. Though many investors prefer to trade on their own, they require the experts help as investment tips to trade. The investors risk taking ability is one of the important think that must have to know by the fund manager to allocate the investors fund accordingly.

Sharma,R.(2015) In his study the author discovers the investment objectives of selected mutual fund investors and makes an attempt identify the types of mutual fund schemes preferred by selected mutual fund investors. The results presented by the author indicate that the main objective behind to invest in mutual fund is good return, safety and tax benefit. The research also suggests that the growth schemes and balanced schemes are most preferred in comparison to other schemes. Male and female respondents do not significantly different across investment experience. Graduate respondent are less experienced as compare to other academic qualified respondents. If investment experience is analyzed on the base of occupation than it is found that servicemen and professionals are less experienced in compare to other occupational groups.

Sharma, S. (2015) have mentioned about the ELSS of mutual fund Equity Linked Savings Scheme (ELSS) is a type of mutual fund, which invests the corpus in equity and the equity related products. These schemes offer tax

rebates to the investors under specific provisions of the Indian Income Tax ELSS is open-ended; hence can be subscribed to and exited from at any point of time.

OBJECTIVES AND HYPOTHESIS

The main objectives of the study include various factors that affect the investment in systematic investment plan. The other objectives included in this study are:

(a) The purpose of the investment mutual funds through SIP

(b) The amount an investor should invest in SIP

(c) Ascertaining if investors are aware about investing in Mutual fund through SIP and

(d) The sector preferences of investors for SIP.

Following hypothesis have been evolved for the purpose of study.

Ho: The Annual income of the investor (respondent) and SIP plan of the respondent are independent.

H1: The Annual income of the investor (respondent) and SIP plan of the respondent are not independent.

H2: The occupation of the investor (respondent) and SIP plan are independent.

H2: The occupation of the investor (respondent) and SIP plan are not independent

H3: The SIP plan of the investor (respondent) and their expectation about the return are independent.

H3: SIP plan of the investor (respondent) and their expectation about the return are not independent.

H4: The amount of SIP and the investor (respondent) expectation about the return are independent.

H4: The amount of SIP and the investor (respondent) expectation about the return are not independent.

RESEARCH METHODOLOGY:

Samples of 200 respondents are selected of those who are involved with mutual fund SIP in Mumbai. The scope of the study has been limited to Mumbai. The objectives and relevant questions for the schedule framed are accordingly. For the purpose of data collection, the schedule is used each schedule consist of 11 questions. The data collected was processed using IBM SPSS-20 and Ms-Excel, various statistical tool are used to analyze the data like Bivariate and univariate test to evaluate the hypothesis.

Question 1 The investor Profile for the study:The study has been conducted using the following Investors Profile:

| Classification of Investors	Males	Females
Government Employee	37	26
Private Employee	52	20
Professional	49	16
TOTAL	138	62
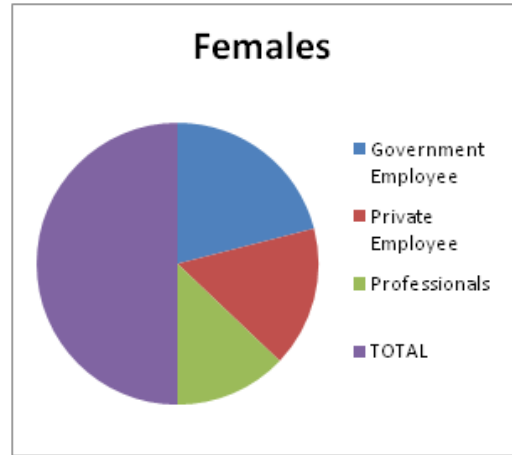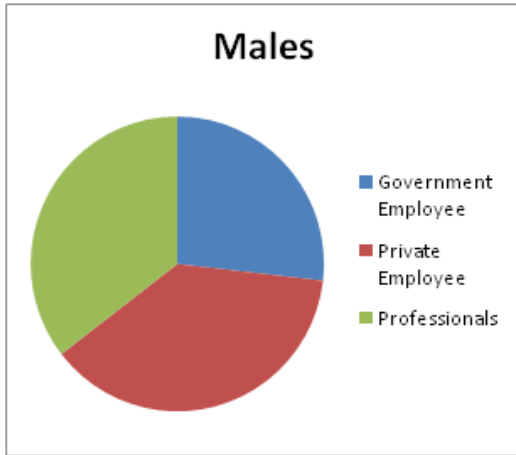
Question 2 Graph & Data Table 1: Classification of the investors as per Mode of Spreading Awareness: Investor comes to know about SIP through various sources of information that are used by Mutual like through the internet, intermediaries, newspaper, television, magazines, Brokerage Firm emails and AMC's and Emails. From the above illustration we can see that various channels are used by Mutual Funds to promote their SIP's for various schemes promoted by them..The table below gives the percentages of different channels used by Asset Management Companies to spread awareness amongst investors. The percentages have been calculated using 200 investors who were told to fill a questionnaire

Mode of Spreading Awareness		
Channels used	Number of	Percentage
Internet	70	35%
Newspapers	25	12.5%
Television	6	3%
Magazines	20	10%
Brokerage Firms Emails	45	22.5%
AMC Email	34	17%
TOTAL	200	100%
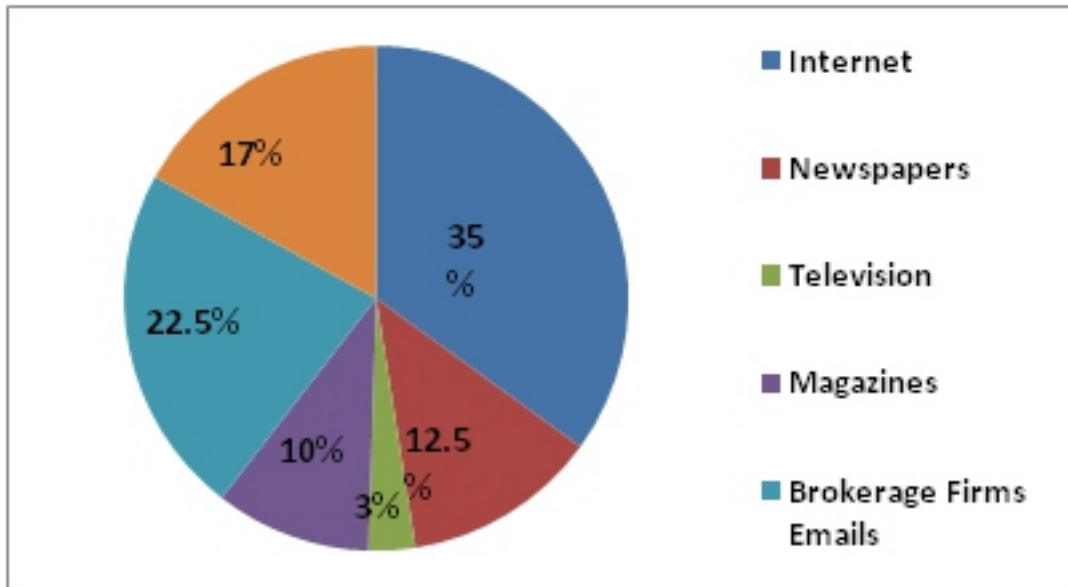
Question 3 Classification of the investors as per Mode of Spreading Awareness: Investor comes to know about SIP through various sources of information that are used by Mutual like through the internet, intermediaries, newspaper, television, magazines, Brokerage Firm emails and AMC's and Emails. From the above illustration we can see that various channels are used by Mutual Funds to promote their SIP's for various schemes promoted by them..The table below gives the percentages of different channels used by Asset Management Companies to spread awareness amongst investors. The percentages have been calculated using 200 investors who were told to fill a questionnaire.

Question 4 Graph & Data Table 2: Classification of the investors as per their SIP investment amount: The graph shows that the amount of SIP of the investment invested by the investors. The investor can invest in systematic investment plan for any number of amounts starting from Rs. 500 or more depending upon ones financial capability & willingness,and there is no maximum limitation. It is found that small retail investors constitute a large number of investors and around 47.5% make an investment of Rs.500- Rs5000. The High Net worth Individuals (HNI) constitute the smallest number of investors, at least in our country who make an SIP of Rs.20000 or more,the number here is limited to 15 only or 7.5%. The investor can chose their right amount for investing in SIP as per their willingness. The analysis of the data gave the following results.

Classification of the investors as per their SIP investment amount		
Amount of SIP	Percentage	Number of Investors
500 -5000	47.5	95
5,000-10,000	16	32
10,000-20,000	29	58
More than 20,000	7.5	15
TOTAL	100	200
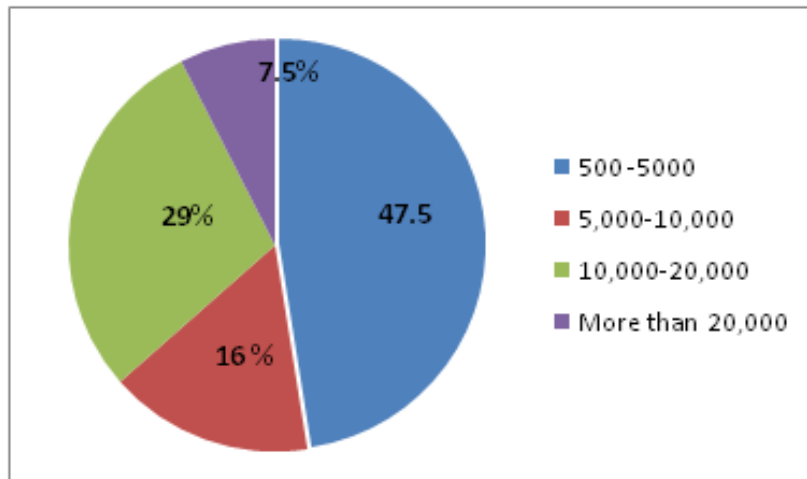
Question 5 Table and Data 3. : Expectation of return from SIP investment People invest in mutual fund for a good return with lower risk.. The investor thought that mutual fund only can give the optimum satisfaction of their investment. So that to get their expected return maximum investor's expectation on return is 10% to 30% for the fulfillment of their investment objective. Those expecting upto 10% returns are expecting a return higher than the Bank rate of return , but still the number is just 10 students. When the return is more than 30% most investors expect that return. While every investor wants return it is the greed that influences the decision pertaining to the return expected. so even investors who invest low amounts want higher return. There is no harm in expecting a higher returnit but the fact is their expectations do not become a reality.

| Expectation of Return from SIP investment		
Expected Returns	Percentage	Number of Students
Below 10%	5%	10
from 10% to 20%	36.5	73
from 21% -30%	20.5	41
More than 30%	38	76
TOTAL	100	200
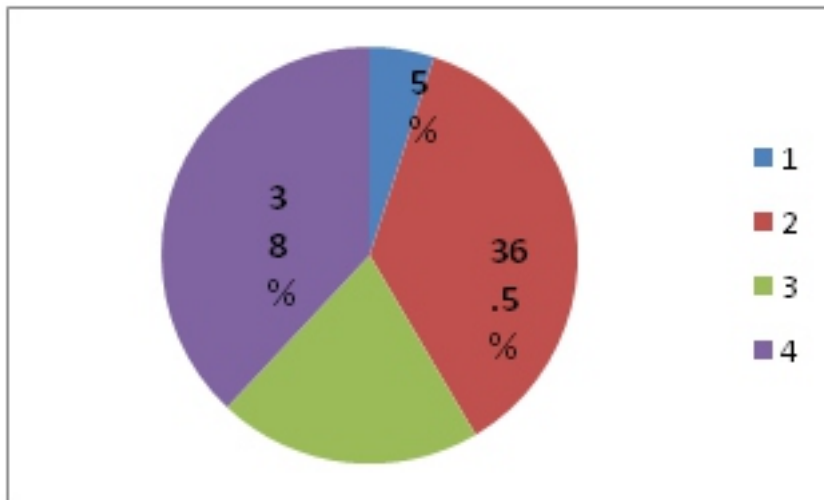
Question 6 Graph and Data Table 4:. Classification of the investor as per SIP Planbased on type of Schemes preferred:

Maximum investor invests in mutual fund SIP in equity plan to get healthy return from their investment. The general feeling is they can earn good returns from Equity Schemes. Debt Schemes are preferred by investors who are on the verge of retirement or those who want a fixed income and do not want to take risk. Hybrid on the other Hand is preferred by investors who want to balance their risk. From the above scenario we can say equity investment plan is more preferable than the debt plan. As because equity investment plan is giving the higher return than the debt plan investor are motivated to equity plan though the debt investment plan is giving safety return to the investors.

| Classification of the investor as per SIP Plan		
Type of Account	Percentage	Number of Students
Equity Fund	95	47.50%
Debt	65	32.50%
Hybrid	40	20%
TOTAL	200	100
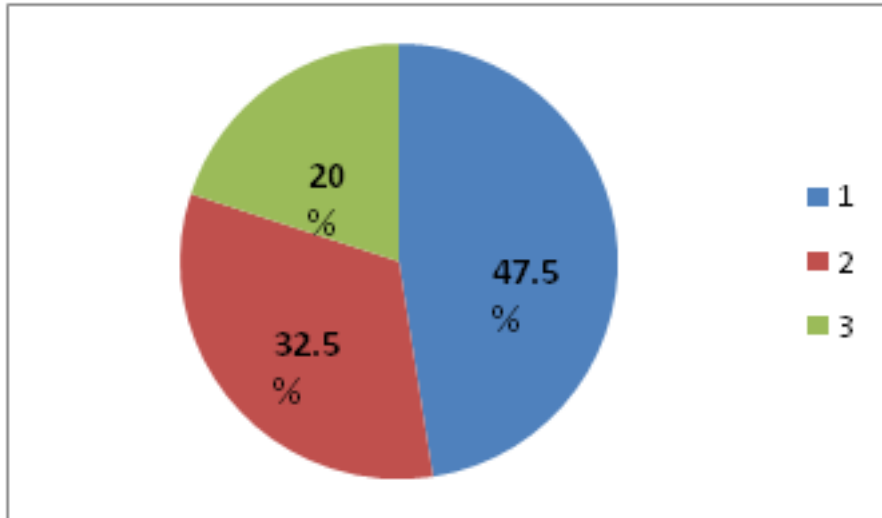
Question 7 Graph and Data Table: 5. Relationship between Annual income of the investor And Sip plan: If the income level of the investor is increasing than preference is generally given to investments in Equity plan and vice versa. To check the relationship between annual incomes and SIP type chi-square test is conducted. The results of the test indicates that there is not significant relationship between gender and SIP preference as indicated by chi square =3.99, P=0.262 >0.05.

Question 8 Group & DataTable: 3. Relationship between Occupation of the respondent and SIP plan: All kinds of occupational investor want to invest in equity plan, among all kinds of investors government employee is giving the highest preference in Equity plan. A chi-square test of independence was performed to examine the relationship between occupation of the respondent and SIP type. The results of the test indicates that there is not significant relationship between gender and SIP preference as indicated by chi square

=1.397, P =0.626>0.05. This has been projected in the figure given below reflecting both Debt & Equity Plan.

Occupation of the respondent	SIP Plan	
	Equity	Debt
Businessman	70.0%	30.0%
Govt. employee	82.6%	17.4%
Private employee	70.5%	29.5%
Professionals	76.9%	23.1%
Total	75.0%	25.0%
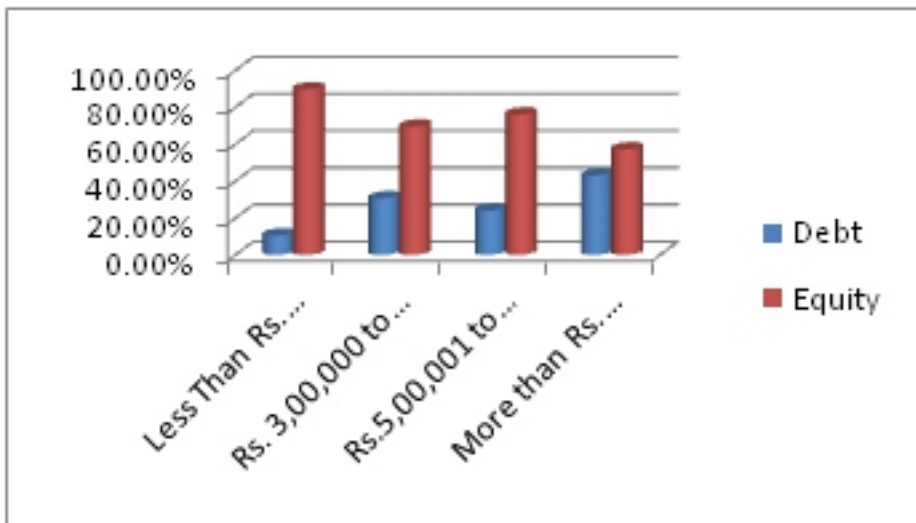
Question 9 Group &Data Table: 5. Relationship between occupation of the respondent and amount of SIP amount: All the investor wants to invest for less number of amounts in mutual fund; only professional investors invest more in SIP. A chi-square test of independence was performed to examine the relation between occupation of the respondent and SIP amount of the respondent. The results of the test indicates that there is not significant relationship between occupation and the SIP amount of the respondent as indicated by chi square =14.1, P =0.127>0.05.

Occupation	SIP Amount			
	Rs 100 to 5000	Rs 5001 to 10000	Rs10000 to 20000	More than Rs 20000
Business man	40.0%	0.0%	40.0%	20.0%
Govt. employee	47.8%	13.0%	30.4%	8.7%
Private employee	34.1%	22.7%	34.1%	9.1%
Professional	23.1%	0.0%	46.2%	30.8%
Total	37.0%	13.0%	36.0%	14.0%
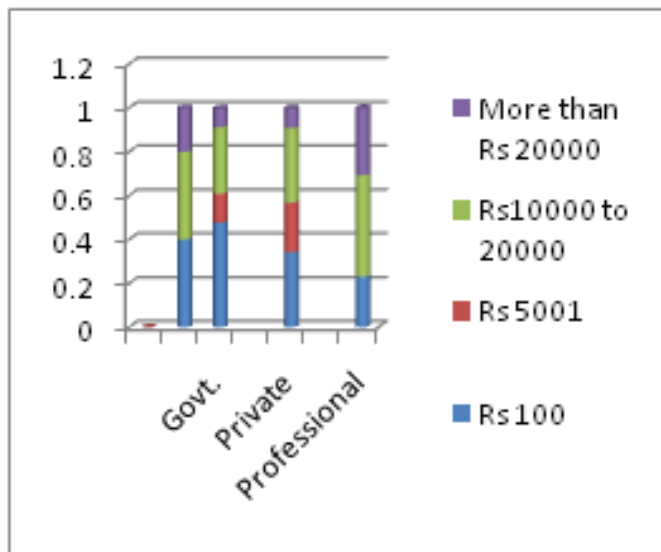
Question 10 Table: 7. Relationship between Expected Return of the respondent and amount of SIP: Those investor's SIP amount is more whose expectation regarding return on investment is more. A chi-square test of independence was performed to examine the relation between SIP amounts of the respondent those who are expecting about return. The results of the test indicates that there is significant relationship between occupation and the SIP amount of the respondent as indicated by chi square =19.64, P =0.020<0.05.

SIP Amount	Expected return			
	Bellow 10%	10% to 20%	21% to 25 %	More than 25%
Rs 100 to 5000	13.5%	40.5%	32.4%	13.5%
Rs 5001 to 10000	0.0%	61.5%	0.0%	38.5%
Rs10000 to 20000	0.0%	44.4%	33.3%	22.2%
More than Rs 20000	0.0%	42.9%	50.0%	7.1%
Total	13.5.0%	45.0%	31.0%	19.0%
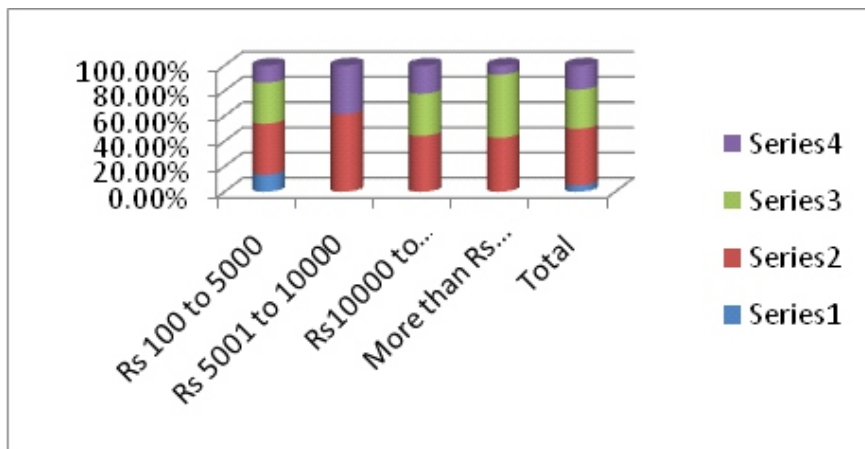
Question 11 Table: 8. Relationship between SIP plan of the respondent and Expected Return: A chi-square test of independence was performed to examine the relation between SIP plan and expected return. The results of the test indicates that there is no significant relationship between SIP plan and expected return of the investor as indicated by chi square=2.975, P=0.396>0.05

SIP PLAN	Expected return			
	Bellow 10%	10% to 20%	21%to 25 %	More than 25%
Equity	6.8%	45.9%	31.1%	16.2%
Debt	0.0%	42.3%	30.8%	26.9%
Total	5.0%	45.0%	31.0%	19.0%
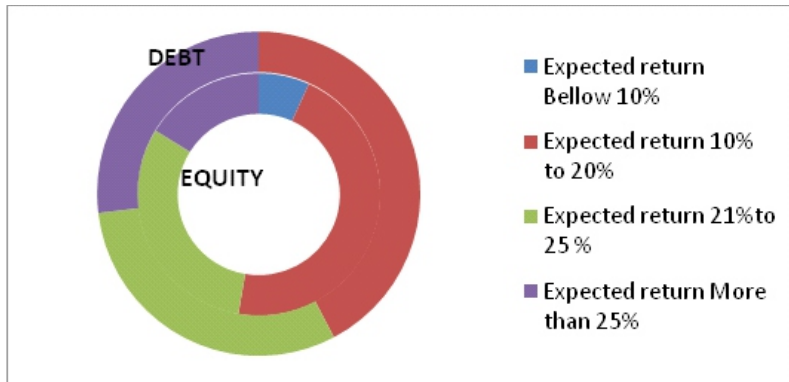
FINDINGS:

People use internet to be aware about the mutual fund schemes and its fundamentals so that internet become very effective tool of securing required information. It has been found that out of the 100 respondent 42% investor has been using internet for any kinds of information about the mutual fund where as 9% people use Television, 24% through the broker, 16% through the intermediaries, and remaining only 9% people use other sources such as emails, social media and franchisees,. The investor always wants to get higher return at a minimum risk. Most of all Investors (i.e. 86%) perception is direct equity investment is more risky than the mutual fund investment and this has been readily accepted by the remaining respondent. The investors who lack deep knowledge about the risky asset and how to operate, but these investors also use the opportunity to invest in systematic investment plan. Basically most of all investor in mutual fund, make their investment with a specific objective such as retirement plan, marriage, child education, buy car or property, etc. One can say that Systematic investment plan represents a fully hassle free investment. Small amount is allowed to be invested in systematic investment plan and it is the big opportunity

for small and medium income group category's investor. 66% investors feel motivated to invest in mutual fund SIP because Mutual funds SIP gives to the investor a good number long term return and also allows cost averaging process. Choosing the right plan varies on the basis of the gender & investment objectives of the investors. A fact noticed during this research was that female investors are more likely to invest equity plan as compare to debt plan though the proportion of the number of female investor are less as compare to male investor. It is found that for debt investment the female investor invest more than female and in the equity investment male are more than the female simple because of more awareness of the capital market and a higher risk appetite. The selection of debt or equity plan depends on the client's age. If the client is young they prefer debt plan but as their experience on investing increases year by year they start to prefer the equity plan. It is seen that investor are more interested to invest at minimum amount. Increasing the sip amount reduces the number of investor and it is also seen that male are more interested then female.

LIMITATIONS OF THE STUDY:

01. The study is confined to the city of Mumbai

alone

02. The study does not study the behaviour of investors in the small towns and villages where broking houses say the investor in small towns constitute a much larger number.

03. The Study also does not study the scheme wise investment pattern.

CONCLUSION

On the basis of this study, I can conclude that Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This helps to hedge the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. SIP is a feature especially designed for investors who wish to invest small amounts on a regular basis to build wealth over a long period of time. It inculcates the habit of regular savings and does not define the time period of investment and helps the investors to avoid speculation in the markets. The study would be helpful for the small investors by entering into market by using the Systematic investment plan. Like every investment avenue, SIP also suffers from various disadvantages but it still seems to be one of the best investment option available to a long term investor especially the First-time investors, Salaried people etc.

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