Investor Perception about Systematic Investment Plan (SIP) Plan: An Alternative Investment Strategy

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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 in instalments. The purpose of the study is to find out the motivating factor to invest in systematic investment plan and the problem in this scheme. Sample of 100 respondents who are SIP holder belonging in Gandhinagar city in Gujarat has been taken for the purpose of the study. Data have been collected from primary sources using questionnaire method. Collected data were analysed using various statistical tools. Results of the study found that for higher return with low risk the investor motivates to invest in systematic investment plan on the other hand knowledge and operational platform is one of the main barrier that investor are facing of scheme.

Keywords: *Investment, Mutual fund, Portfolio, Systematic investment plans*

1. Introduction

MF is set up in the form of a trust. The trust has sponsor, trustee, Asset Management Company (AMC) and custodian. It has to be registered with Securities exchange board of India (SEBI). MF is 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 scheme. The profit or losses are shared by the investors in proportion to their investments.

Systematic Investment Plan (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 especially

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designed for investors who wish to invest small amounts on a regular basis to build wealth over a long term.

2. 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.

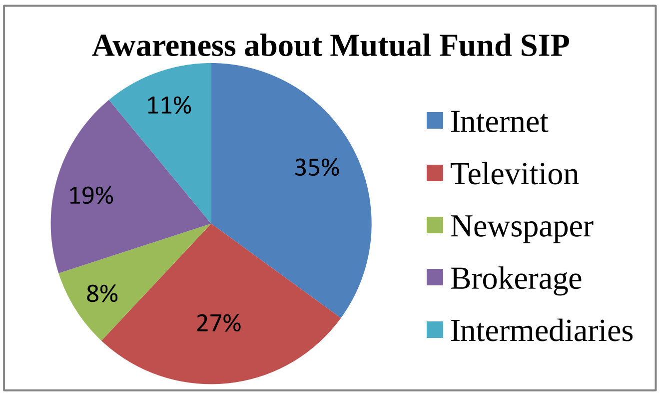
Malkiel,B.J.(1995) says in his study utilizes a unique data set including returns from all equity mutual funds existing each year. These data enable us more precisely to examine performance and the extent of survivorship bias. In the aggregate, funds have underperformed benchmark portfolios both after management expenses and even gross of expenses. Survivorship bias appears to be more important than other studies have estimated. Moreover, while considerable performance persistence existed during the 1970s, there was no consistency in fund returns during the 1980s.Louis,K.C and Lakonishok,C.C.(1999) have discussed "they provide an exploratory investigation of mutual funds' investment styles. Funds' styles tend to cluster around a broad market benchmark. When funds deviate from the benchmark they are more likely to favour growth stocks with good past performance. There is some consistency in styles, although funds with poor past performance are more likely to change styles. 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 portfolio characteristics performs better in predicting future fund returns. Carhart,M.M,. Carpenter,J.N. LynchW.A. and Musto.K.D.(2000) they have estimates of the returns to different mutual fund portfolios for 3-year, 5-year and 10-year holding period intervals. Finally explained that 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, 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. Redman, A.L. and Manakyan,H.(2001) have given information the risk-adjusted returns using Sharpe's Index, Treynor's Index, and Jensen's. The results show that for 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) they 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 there is a chance of high risk and uncertainty. As we know, higher the return, higher will be the risk. Those 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 they found that Mutual Funds markets are constantly becoming more efficient by 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. Singhal,s.& Goel,M.(July, 2011) The Empirical result reported that SIP Plans has performed better than the one time investment.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, still investor rely upon bank and post office deposits, 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 analyse risk in their investment and they were depend upon their broker and agent for this work. PAUL,T. (july 2012) have observed 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. Tahseen,A.A and Narayana,S.(2012) have discussed consumer attitudes towards financial investments have always been a challenge for the finance companies due to limited risk appetite of consumers which are largely attributed to both cognitive and affective components of attitude. Kandpa,V,& Kavidayal,P.C.(2013)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. Therefore the spread of Mutual Fund market has been limited. Vyas,R.(2013) have 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, proper consultancy should be given by mutual fund companies to the investors in understanding terms and conditions of different mutual fund schemes, such type of fund designing should be promoted that will ensure to satisfy needs of investors, mutual fund information should be published in investor friendly language and style, proper system to educate investors should be developed by mutual fund companies to analyse risk in investments made by them, etc. Juwairiya,P.P(2014) says systematic investment plan is the best option planned for small investors who wish to invest small amounts regularly to build wealth over a long period of time. Kumar,S.&Kumar,V. (2014) in their study it is 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 decides 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): says management of regional investment projects is the analysis and estimation of their efficiency. It influences the pace of development, as well as solving 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, environmental consequences of projects. Joseph,G., Telma,M.&Romeo,A. (Feb 2015): have observed that Systematic Investment Plan (SIP) will reduce risk when the market is volatile And SIP works more advantageously only on 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. PRABAKARAN,V. (Sep 2015) 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 in the recent past days. Though many investors 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 he discover the investment objectives of selected mutual fund investors and to identify the types of mutual fund schemes preference by elected mutual fund investors. The results presented that the main objective behind to invest in mutual fund is good return, safety and tax benefit. The research also suggested 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.

3. Objectives and Hypothesis

The main objectives of the study include various factors that affect the investment in systematic investment plan. The other objectives include the study of (a) purpose of the investment in SIP (b) amount of investment in SIP (c) awareness of investors about the Mutual fund SIP and (d) sector preferences for SIP. Following hypothesis were framed for the purpose of study.

Ho: Annual income of the respondent and SIP plan of the respondent are independent.
H1: Annual income of the respondent and SIP plan of the respondent are not independent.
H_O: Occupation of the respondent and SIP plan are independent.
$H_{1:}$ Occupation of the respondent and SIP plan are not independent
H_O: Occupation of the respondent and SIP amount are independent.
H_1: Occupation of the respondent and SIP amount are not independent.
H_O: SIP plan of the respondent and their expectation about the return are independent
H_1: SIP plan of the respondent and their expectation about the return are not independent
H_O: Amount of SIP and their expectation about the return are independent.
H_1: Amount of SIP and their expectation about the return are not independent.



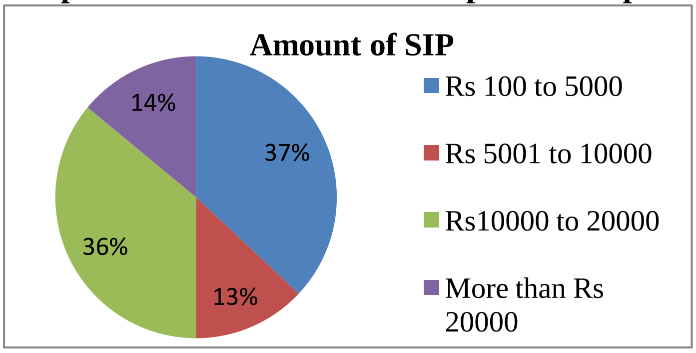
Graph: 1. Awareness about Mutual Fund SI 1

4. Research methodology

Samples of 100 respondents are selected of those who are involved with mutual fund SIP in Gandhinagar (Gujarat). The scope of the study has been limited to Gandhinagar .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 26 questions. The data collected are then further processed using IBM SPSS-20 and Ms-Excel, various statistical tool are used to analyse the data like Bivariate, univariate and hypotheses test.

Investor comes to know about the systematic investment plan in mutual fund through the various way like through the intermediaries, internet, television, newspaper, and brokerage. From the above illustration it is clearly seen that 1st of all people use internet to be aware about the mutual fund so that internet becomes very effective. From the 100 respondent35% investor has been using internet for any kinds of information about the mutual fund where as 27% people use Television, 19% through the brokerage, 11% through the intermediaries, and remaining only 8% people use news paper.

Graph: 2. Classification of the respondent as per their SIP investment category group



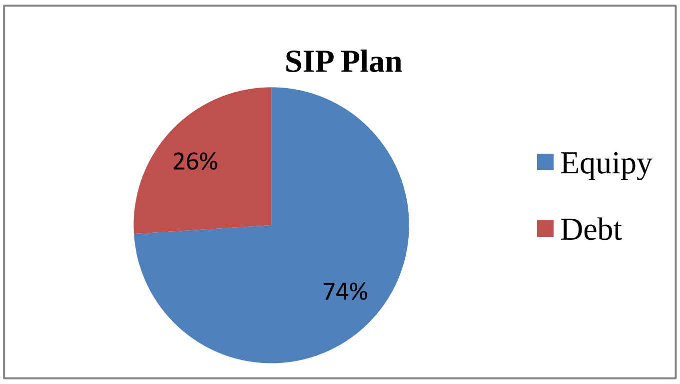
The graph shows that the amount of SIP of the investment invested by the investors. The investor can invest in systematic investment plan for any number of amount starting from Rs **100** and there is no maximum limitation. The investor can chose their right amount for investing in SIP as per their willingness. From the **100** respondent **37%** investors SIP amount is under the group **INR 100 to 5000** and than **36%** investors SIP amount is under the category **INR10000 to 20000**,**14 %** investors SIP amount is more than **INR 20000** and there is only **13%** investor those SIP amount is under the category **INR 5000 to 10000.**

Table: 1. Expectation of return from SIP investment

Expected Return	Percentages
Bellow 10%	5.0
10% to 20%	45.0
21% to 25 %	31.0
More than 25%	19.0
Total	100.0

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 25% for the fulfilment of their investment objective.

Graph: 3. Classification of the investor as per SIP Plan



Maximum investor invests in mutual fund SIP in equity plan to get healthy return from their investment. Debt and equity ratio of investment is 26:74.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 .

Table: 2. Relationship between Annual income of the investor And Sip plan

Annual income	SIP Plan	
	Equity	Debt
Less than Rs 300000	89.5%	10.5%
Rs 300000 to 500000	69.4%	30.6%
Rs500001 to 1000000	76.0%	24.0%
More than 1000000	57.1%	42.9%
Total	74.0%	26.0%

If the income level of the investor is increasing than preference to invest in equity plan are decreasing. 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.

Table: 3. Relationship between Occupation of the respondent and SIP plan

Occupation of the respondent	SIP Plan	
	Equity	Debt
Business man	70.0%	30.0%
Govt employee	82.6%	17.4%
Private employee	70.5%	29.5%
Professional	76.9%	23.1%
Total	74.0%	26.0%

All kinds of occupational investor are 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 =0.706>0.05.

Table: 4. Relationship between occupation of the respondent and amount of SIP amount

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%

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 =0.119>0.05.

Table: 5. Relationship between Expected Return of the respondent and amount of SIP

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	5.0%	45.0%	31.0%	19.0%

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.

Table: 6. Relationship between SIP plan of the respondent and Expected Return:

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%

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.

6. Findings

People use internet to be aware about the mutual fund so that internet become very effective. Out of the 100 respondent 35% investor has been using internet for any kinds of information about the mutual fund where as 27% people use Television, 19% through the broker, 11% through the intermediaries, and remaining only 8% people use news paper. The investor always wants to get higher return at a minimum risk. Most of all Investors (i.e 85%) perception is direct equity investment is more risky than the mutual fund investment and remaining respondent accepted. Those investors has no depth knowledge about the risky asset and how to operate, these investor also can get the opportunity to invest in systematic investment plan. Basically most of all investor in mutual fund made their investment with a specific objective such as retirement plan, marriage, child education, buy car or property etc .Systematic investment plan is fully hassle free investment. Small number of amount is allowed to invest in systematic investment plan and it is the big opportunity for small and medium income group category's investor. 66% investor motivated to invest in mutual fund SIP because Mutual funds SIP gives to the investor a good number long term return and its Cost averaging process. Choosing the right plan varies on gender, female 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 mail investor invest more than female and in the equity investment male are more than the female . The selection of debt or equity plan depends on the clients age. If the client is young they prefer debt plan but as their experience on investing increases year by year they start to prefer on 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.

7. 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 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 especially designed for investors who wish to invest small amounts on a regular basis to build wealth over a long term. It inculcates the habit of regular savings and does not encourage timing and speculation in the markets. The study would be helpful for the small investors by entering into capital 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 First-time investors, Salaried people etc.

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