

STUDY ON INVESTOR CHOICE OF SYSTEMATIC INVESTMENT PLAN (SIP) IN MUTUAL FUND

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Abstract

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. In the past few years, we had seen a dramatic growth of the Indian mutual fund industry with many private players bringing global expertise to the mutual fund industry. Mutual funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. This paper aims at finding out the investor choice on systematic investment plan (SIP) of mutual funds and findings will help mutual fund companies to identify the areas required for improvement and can also improve their marketing strategies. It will help the mutual funds companies to create new and innovative product according to the orientation of investors and it is hoped that the study will have some useful managerial implication in their product designing and marketing.

Keywords : Mutual fund, SIP, Investor, stock market and decision making.

Introduction

Savings form an important part of the economy of any nation. Savings can be invested in various options available. The money saved acts as the driver for the economic growth of a country. The Indian financial scene too presents multiple avenues to the investors. Saving is putting money aside so that it is readily available for any sudden financial emergency. Examples of savings vehicles are bank deposits, building society accounts and accounts with national saving agencies. These funds are often called cash investments. The saver likes a low risk in his investment and liquidity preference. The best home for savings is the account that gives the best after tax return to the investor, coupled with low risk and ready accessibility.

The return is usually purely in the form of interest, with the capital remaining at its face value.

In financial markets, “expectations” of the investors play a vital role. They influence the price of the securities, the volume traded and determines quite a lot of things in actual practice. These ‘expectations’ of the investors are influenced by their “perception” and humans generally relate perception to action. We find ample proof for the wide prevalence of such a psychological state among Mutual Fund investors in India. It is widely believed that mutual fund is a retail product designed to target small investors, salaried people and others who are intimidated by the stock market but, nevertheless, like to reap the benefits of stock market investing. At the retail level, investors are unique and are a highly heterogeneous group. Many products are offered in the mutual fund industry .This heightens the consumer confusion in his selection of the product. He is confused as to how to sift the grain from the chaff, unless the mutual fund schemes are tailored to his changing needs and unless the AMCs understand the fund selection or switching behaviour of the investors, survival of funds will be difficult in future.

The investment behaviour of the people is usually determined by their asset management, investment objective, security returns, trade-off between risk and returns. The optimum portfolio composition will in general differ among investors. It will depend both on their tastes and preferences that determine their expected utility from return and risks and on the shape and position of the efficient opportunity frontier available to them. Since the investor behaviour includes the nature of investment, amount of investment, selection of fund, selection of fund families, variables leading to select the Mutual Funds, attitude towards the investment on Mutual Funds, reason for switching from one fund to another and also the problems encountered in investing on Mutual Funds, the investors behaviour in mutual funds industry covers all these areas.

Systematic Investment Plan (SIP)

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

Review of literature

Alibakhshi, Reza and Moghadam, (2016) affirmed that an amateur investor can make similar investments to those of professionals. Other scholars have cited good versus bad luck as a key factor that individuals with university degrees can be found at either extreme: outstanding returns or devastating losses. In contrast, individuals with two university degrees are more cautious investors and take fewer risks, so they achieve more modest returns. Everything depends on the emotional and rational factors that lie behind decisions, so the traditional model based on the laws of the market ceases to be efficient.

Sharma, (2015) 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 analysed on the base of occupation than it is found that servicemen and professionals are less experienced in compare to other occupational groups.

Panda and Tripathy (2002), studied investors' choice towards mutual funds and analysed their preference and importance assigned to different attributes for which they targeted 80 respondents. Authors found that the perception of investors is that the mutual funds have cheated the common investors and were unsatisfied with mutual fund schemes except UTI. This study also revealed that the mutual fund organisations should launch awareness campaigns and aggressive integrated marketing programmes for enhancing the investment in mutual funds.

Objectives of the study

- To identify the factors that influence the investor's choice of mutual fund systematic investment plan scheme in Tamil nadu.
- To study the investment preferences of individual investors through demographic factors.
- To study the investment decision of mutual fund investors in Tamilnadu and investigate their investment objectives.

Analysis of the study

This chapter analysis of investor choices of systematic investment plan of mutual fund.

Table 1 customer opinion towards investor choice

Investor choice factor	Mean	Std. Deviation
I made wise decision for investing in mutual funds	3.25	1.621
I invested more benefited SIP	3.21	1.492
I examine different plan of the mutual funds	3.50	1.138
I pick up the plan from the mutual funds after long time	3.97	1.434
I have selected the SIP based on the plan futures and schemes	3.84	1.379
I invested nominal amount	3.64	1.251
I have invest in SIP after consult with mutual funds experts	3.62	1.384
I have invest repeatedly in SIP	3.41	1.419
I recommend to others to invest mutual fund through SIP	3.35	1.702

Source: Primary data computed.

Table 1 depicts the customer importance towards investor choice while selecting mutual fund systematic investment plan. Investor choice is analysed with nine statements. The calculated mean values are 3.21 to 3.97. The standard deviation values are between 1.13 and 1.70. From the mean values, it is observed that customers are stated that they pick up the plan from the mutual funds after long time (3.97) followed by have selected the systematic investment plan based on the plan futures and schemes (3.84), customer invested nominal amount (3.64), customer have invest in systematic investment plan after consult with mutual funds experts (3.62), customer examine different plan of the mutual funds (3.50), they have invest repeatedly in SIP (3.41), customer recommend to others to invest mutual fund through SIP(

3.35), customer made wise decision for investing in mutual funds (3.25) and customer invested more benefited SIP(3.21) . The standard deviation values are ranged from 1.17 and 1.70, which shows that customer are having similar level of importance towards investor choice of mutual fund SIP. It is observed that customer are having more importance towards they pick up the plan from the mutual funds after long time and have selected the systematic investment plan based on the plan futures and schemes and also customer invested nominal amount.

Table 2 Customer choice of the SIP futures and schemes

Model Summary	Predictors	Unstandardized Coefficients		Standardized Coefficients	t-value	P-value
		B	Std. Error	Beta		
R=0.971 R²=0.942 Adj R²=0.835 F=8.765 P=0.004	(Constant)	-1.121	0.946	--	-1.184	0.275
	Nature of Fund	-4.339	1.563	-3.105	-2.777	0.027
	Investment Behaviour	-2.713	1.135	-1.969	-2.390	0.048
	Performance	2.862	0.685	1.869	4.175	0.004
	Company Service	-2.725	1.782	-1.478	-1.529	0.170
	Fund Manager	-0.721	0.919	-0.469	-0.785	0.458
	personal factor	3.745	2.803	2.005	1.336	0.223
	Risk Tolerance	0.916	0.742	0.542	1.234	0.257
	Investor Service and Communication related factor	-0.669	0.731	-0.636	-0.914	0.391
	Role of advisor	-3.358	0.890	-2.024	-3.772	0.007
	Advertisement	1.136	3.893	0.640	0.292	0.779
	Economic Factor	3.663	1.343	2.814	2.729	0.029
	Social	4.882	1.562	2.881	3.125	0.017
	Cultural Psychological	-1.487	1.880	-1.028	-0.791	0.455

Source: Primary data computed. *Significant at One percent level **Significant at five percent level

Ho: plan future do not influence the investor choice of mutual fund systematic investment plan

Linear regression analysis is carried out to examine the above stated hypothesis. Here, mutual fund factors namely nature of fund, investment behaviour, performance, company service, fund manager, personal factor, risk tolerance, investor service and communication related factor, role of advisor, advertisement, economic factor, social factor and cultural psychological factors have been taken as influencing variables. Plan future due to investor choice factor has been taken as a dependent variable. Further, linear regression analysis has been carried out. The result is displayed in the table 4.28. From the regression model

summary result, the calculated adjusted R^2 value is found to be 0.942. Corresponding F-value is 8.765, which is significant at one percent level (0.001). It shows that regression model is fit. From this information, it is inferred that independent variables such as mutual fund factor namely nature of fund, investment behaviour, performance, company service, fund manager, personal factor, risk tolerance, investor service and communication related factor, role of advisor, advertisement, economic factor, social factor and cultural psychological factors are influencing to investor's choice of equity mutual fund systematic investment plan. Where, adjusted R^2 value indicates that independent variables significantly influenced plan future benefit for investor's choice factors of equity mutual fund systematic investment plan at 97.1 percent level. Further the regression coefficient value indicates the strength of relationship between the independent variables and dependent variable. This is expressed by the following equation:

Plan future to investor's choice of equity mutual fund systematic investment plan =
 Constant (-1.121) + Social factor (4.882) + Personal factor (3.745) + Economic factor (3.663)
 + Performance factor (2.862) + Advertisement factor (1.136) + Risk tolerance (0.916) –
 Nature of fund (4.339) – Role of advisor (3.358) – Company service (2.725) – Investment
 behaviour (2.713) – Cultural psychological (1.487) – Investor Service and Communication
 related factor (0.669).

From the regression equation, it is inferred that the social factor, personal factor, economic factor, performance factor, advertisement factor and risk tolerance factors are positively influenced the SIP plan future is customer to invest of equity mutual fund systematic investment plan. But, nature of fund, role of advisor, company service, investment behaviour, cultural psychological factor, investor service and communication related factors are negatively influenced that plan future is customer to invest in equity mutual fund systematic investment plan. Further in the regression equation, the unstandardized beta coefficient explains the relative importance of each independent variable on the dependent variable. From the beta value, it is inferred that to have one unit increase or decrease in the plan future to investor choice of mutual fund systematic investment plan. To have one unit increase in the plan future of the investor choice of mutual fund systematic investment plan, social factor in mutual fund SIP scheme is positively determined at 4.882 levels, while other factors remains constant. Similarly to have one unit increase of investor choice of SIP future, the economic factor is determined at (3.663) levels, the performance factor is determined at (2.862) levels, advertisement factor is determined at (1.136) levels and risk tolerance factor is determined at (0.916) levels . But, the mutual fund other factors like nature of fund, role of

advisor, company service, investment behaviour, cultural psychological factor and investor service and communication related factors are having negative impact on plan future to investor choice of mutual fund SIP scheme. Here, to have one unit decrease of SIP plan future to investor choice of mutual fund SIP plan the company service factor determining at (2.75) levels, the investment behaviour factor is determining at (2.713) levels, cultural psychological factor is determining at (1.487) levels, investor service and communication related factor is determined at (0.669) levels.

It is noted that the nature of fund, social factor, social factor, economic factor, performance factor, advertisement factor and risk tolerance factors are which influence the SIP plan future is customer to make the decision to invest in the mutual fund systematic investment plan.

Findings of the study

- It is observed that customer are having more importance towards they pick up the plan from the mutual funds after long time and have selected the systematic investment plan based on the plan futures and schemes and also customer invested nominal amount.
- It is noted that the nature of fund, social factor, social factor, economic factor, performance factor, advertisement factor and risk tolerance factors are which influence the SIP plan future is customer to make the decision to invest in the mutual fund systematic investment plan.

Conclusions

This study concludes that the investor's choices of systematic investment plan of mutual fund market. The important decision variables influencing the investment on mutual funds are liquidity factors, risks involved and current market conditions. The important reasons for choices of systematic investment for consistency in performance, past performance and fund manager's efficiency. The important problems identified by the investors are performance, fund management, company, service and market. The profile of the investors plays its own role in the investors' behaviour. Since the scope of mutual fund market is high growth in Tamilnadu, the company realizes the needs of the different class investors and designs the product according to their needs. The service quality of the mutual fund company is the only way to wider their market base.

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