

STUDY ON INVESTOR BEHAVIOUR IN SYSTEMATIC INVESTMENT PLAN OF MUTUAL FUND

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Abstract

The mutual fund sectors are one of the fastest growing sectors in Indian Economy and have awesome potential for sustained future growth. Mutual funds make saving and investing simple, accessible and affordable. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience and ease of recordkeeping, as well as strict government regulation and full disclosure. Financial markets are becoming more extensive with wide-ranging financial products trying innovations in designing mutual funds portfolio but these changes need unification in correspondence with investor's expectations. Thus, it has become imperative to study mutual funds from a different angle, which is to focus on investor's perception and expectations. This research paper focused attention on number of factors that highlights investors' perception about systematic investment plan of mutual funds. It was found that SIP of 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 three years and they used to quit from the fund which were not giving desired results. 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. This study analyses the impact of different demographic variables on the behaviour of investors towards SIP of mutual funds.

Key words: Mutual fund, Stock market, Investors, Perception and investor behaviour.

Introduction

Investors are the backbone of capital market. A developing economy, like India, needs a growing amount of savings to flow to corporate enterprises. The level of equity market participation of the retail investors has been increasing over the past few years. Investment is the flow of capital which is used for productive purposes. There is a great

emphasis on investment for being the primary instrument of economic growth and development for a country. There are a large number of investment instruments available today. Some of them are marketable and liquid while others are non-marketable and illiquid. There are instruments which are highly risky while others are almost riskless.

Mutual fund is a pool of money collected from investors and is invested according to certain investment options. A mutual fund is a trust that pools the saving of a no. of investors who share a common financial goal. A mutual fund is created when investors put their money together. It is, therefore, a pool of investor's fund. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the no. of units owned by them. The most important characteristics of a fund are that the contributors and the beneficiaries of the fund are the same class of people namely the investors.

Systematic Investment Plan (SIP)

Systematic Investment Plan, commonly referred to as an SIP, allows you to invest regularly a fixed sum in your favourite mutual fund schemes. In SIP a fixed amount is deducted from your savings account every month and directed towards the mutual fund you choose to invest in.

A systematic investment plan (SIP) is a plan where investors make regular, equal payments into a mutual fund, trading account, or retirement account such as a 401(k). SIPs allow investors to save regularly with a smaller amount of money while benefiting from the long-term advantages of dollar-cost averaging (DCA). By using a DCA strategy, an investor buys an investment using periodic equal transfers of funds to build wealth or a portfolio over time slowly.

Investors' of mutual funds are known as unit holders. The profits or losses are shared by the investors' in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

Statement of Problem

Today the mutual fund market is one of the most turbulent markets due to over competition and change. Hence, there is a growing concern and need to understand the investor behaviour to invest in mutual fund SIP schemes and to cast light on what attributes influence investor choices between other schemes, (Karjaluoto, et.al., 2005).

Mutual funds have their drawbacks and may not be for everyone. No investment is risk free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own.

Review of literature

Scope of the Study

This study would determine to understanding systematic investment plan of the mutual fund and investor behaviour and their dynamic attitude before making decision regarding the SIP features and the implication of the investor purchase intention on investment.

The concept of mutual fund was rising in developed countries with their governments emphasizing strict laws and regulations on the mutual fund. However, in the emerging countries such as India, the concept was at a very juvenile stage very less research is done on awareness of mutual fund SIP scheme concept. This research is undertaken to analyse the effect of SIP features to attract purchase intention of the investors.

Objectives of the study

- To Study on investor behaviour towards SIP scheme of Mutual Fund in Tamil Nadu
- To know the influence of demographic factors on investment behaviour
- To find out how investor awareness of SIP scheme affects investment behaviour.

Data Source

The source of data would be primary and secondary, primary data will be collected through questionnaire the secondary data will be collected from related research works, published books, journals and reports of Securities and Exchange Board of India (SEBI),

Association of Mutual Fund of India (AMFI), Reserve Bank of India (RBI) and other authorized sources of data.

Tools of Data Analysis

The data and information collected will be classified, tabulated and processed and its findings presented in a systematic manner. Statistical tools as Chi-square test, Frequency tally, mean and median are used.

Analysis

In this chapter analysis the investor behaviour in systematic investment plan of mutual funds in Tamil nadu.

Table 1 Investors Behaviour towards investment in SIP of Mutual fund.

Investor behaviour factors	Mean	Std. Deviation
I take decision on saving after getting	3.87	1.202
I consult my family members before taking investment	4.00	1.296
I make my investment decision on my own	3.83	1.190
I prefer investment where there is no loss in	3.95	1.335
I review my investment decision frequently	3.76	1.355
I feel I am making good investment decision	3.85	1.452
I prefer investment opportunities with potentially large	3.78	1.275

Source: Primary data computed.

Table 1 explains the investor behaviour towards systematic investment plan (SIP) in mutual fund. Here, investor behaviour is analyzed with seven factors in the five point likert scale. Further, mean and standard deviation values are calculated for each factor. The mean values are ranged from 3.76 to 4.00. The calculated standard deviation values lies between 1.19 and 1.45.

From the mean value, it is inferred that respondents are highly rated that they will consult with family members before taking investment (4.00) followed by, investors prefer for investment where there is no loss (3.95), investor take decision on investment safe return (3.87), investor feel good for making good investment decision (3.85), investor feel that they will make investment decision on own (3.83), investor prefer investment opportunities with potentially large (3.78) and investor need to review their investment decision frequently

(3.76). From the standard deviation values, it is noted that the respondent's perception towards investor behaviour is not varied as much.

It is noted that the respondents are highly rated that they will consult with family members before taking investment of systematic investment plan (SIP) and consider with safe return without loss.

Table 2 Relationship with all variable with investor behaviour

Variables	Investor Behaviour	
	r-value	P-value
Attitude of investors factor	0.815	0.001*
Financial Needs factor	0.758	0.001*
Investment Objectives	0.441	0.001*
Take Risk factor	0.502	0.001*
Investors Opinion	0.594	0.001*
Performance factor	0.714	0.001*
Financial advisors	0.657	0.001*
Awareness of SIP factor	0.487	0.001*
Investor decision making	0.460	0.001*

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

H0: Investor variables are not having relationship with investor behaviour towards Systematic investment plan (SIP) of mutual fund.

Pearson correlation test was applied to verify the above stated hypothesis. The result is displayed in the table 2. The calculated r-values are between 0.815 and 0.441. The P-values are found to be 0.001, which are significant at one percent level. Hence, the stated hypothesis is rejected. It is inferred that investor variables are having the relationship with investor behaviour towards SIP of mutual fund. From the r-values, it is noted that the investors are felt that attitude(0.815) which is having more and positive relationship with investor behaviour followed by Financial Needs (0.758), Performance of mutual funds (0.714), Financial advisors role(0.657), Investors Opinion (0.594), take risk factor(0.502), Awareness of SIP (0.487), Investor decision making (0.460) and Investment Objectives (0.441). Here, attitude is important factors are having strong relationship with investor behaviour towards SIP

mutual fund. However, investment objective is having the weak relationship with investor behaviour towards SIP of mutual fund.

Findings

- It is noted that the respondents are highly rated that they will consult with family members before taking investment of systematic investment plan (SIP) and consider with safe return without loss.
- The attitude is important factors are having strong relationship with investor behaviour towards SIP mutual fund. However, investment objective is having the weak relationship with investor behaviour towards SIP of mutual fund.

Recommendations

There are some suggestions for better investing for investors that they should keep their investment for long time keeping in mind the level of risk involve and saving pattern, they should take help of private financial advisors to have investment portfolio so as to reduce risk in investment, they should not invest in high volatile funds, they should collect all possible information before investment, periodical review should be done for investment and risk analysis should be done regularly and properly, maintain proper records for each transaction. A careful and reasonable diversification of investment in mutual fund should also be there on investor's part to balance the risk involved in investment.

One of the strong suggestions is that to invest a reasonable part of investment in to liquid security so that to meet any contingency.

Conclusion

Mutual funds are among the most preferred investment instruments. For middle income individuals, investing in mutual funds yields higher interest and comes with good principal amount at the end of the maturity period of the mutual fund investment. It is important to gain good understanding of SIP of mutual fund investments, companies in the field and mutual fund experts, as customers are easily misguided by the advertisements and offers promoted by various financial institutions.

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 mutual fund SIP 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. It is required from government and regulatory bodies point of view that more laws should be there to secure the funds of investors to be exploited, more tax rebate should be given on mutual fund investment, proper and effective grievance system, right of investor education and more control on asset management companies should be there.

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