

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

An Analysis on Investment in Mutual Fund through Systematic Investment Planning a Smart Investors Preference

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Abstract: *Experience is the best teacher.” This saying is very well applicable in everyone’s life. Therefore as a student of management it must apply to me also. Then the question arises that from where we can get this experience. Obviously we must undergo study on Mutual fund. To serve this purpose I have done analysis on Mutual fund through the various sources available and as an outcome I have prepared this In today’s corporate and competitive world, I find that Mutual fund has good growth and potential. Study of Mutual fund has given me the opportunity to work and get experience in a highly competitive and enhancing sector. The success story of good market share of different Mutual fund depends upon the returns of the Mutual fund.*

Keywords: *Investment, portfolio, scheme, Mutual fund sector.*

I. INTRODUCTION

SIP is a method of investing a fixed sum, regularly, in a mutual fund. It is very similar to regular saving schemes like a recurring deposit. An SIP allows you to buy units on a given date each month, so that you can implement an investment / saving plan for yourself. Once you have decided on the amount you want to invest every month and the mutual fund scheme in which you want to invest, you can either give post-dated cheques or ECS instruction, and the investment will be made regularly. In few years Mutual Fund has emerged as a tool for ensuring one’s financial well-being. Mutual Funds have not only contributed to the India growth story but have also helped families tap into the success of Indian Industry. The main reason the number of retail mutual fund investors remains small is that nine in ten people with incomes in India do not know that mutual funds exist. But once people are aware of mutual fund investment opportunities, the number who decides to invest in mutual funds will increase to as many as one in five people. The trick for converting a person with no knowledge of mutual funds to a new Mutual Fund customer is to understand which of the potential investors are more likely to buy mutual funds and to use the right arguments in the sales process that customers will accept as important and relevant to their decision.

II. NEED FOR THE STUDY

This study conduct systematic investment planning in mutual funds and It helps to reduce risk through the collection of fund from different securities and invest in different stocks. The benefit of diversification to the investor because it can make investment in different securities diversifying the investment. Moreover It helps to maximize the return of the portfolio because mutual fund is managed by professional and expert team and opportunity about to reinvest the return. The investor feels safety because mutual funds operation and management are closely observed by stock exchange center.

III. OBJECTIVE OF THE STUDY

The present paper is based basically on secondary data. This paper attempts to analyze the growth of mutual fund industry.

- To understand the concept of investment plan in mutual fund.
- To study the benefits of SIP.
- To find out the preference of the investors for Asset Management Company.
- To know why one has invested or not invested in mutual fund.
- To find out what should be done to boost the mutual fund industry.

IV. SCOPE OF THE STUDY

The study will be basically focusing on Systematic Investment Plan which is a popular method of investing in mutual funds, the conceptual framework and S.I.P offered by different companies.

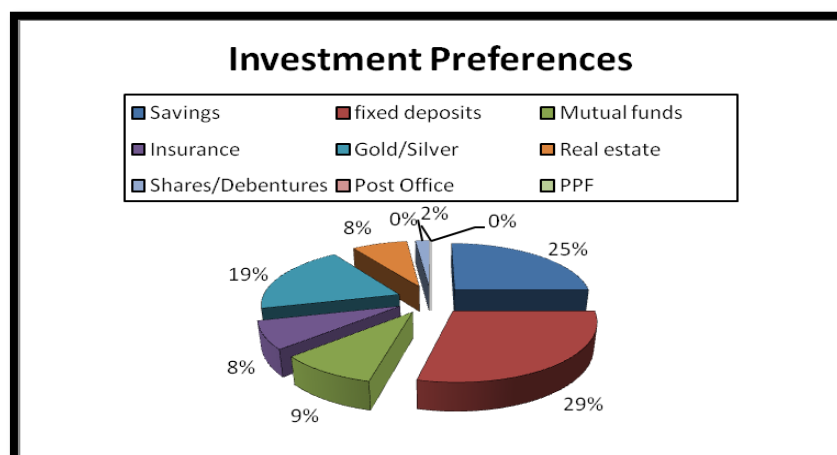
V. RESEARCH METHODOLOGY

The present study is descriptive in nature. This study done through primary research and secondary sources but the maximum information co0llected from secondary data will be collected through websites and from various books, magazines and journals, website of AMFI, website of SEBI, government publications and websites.

VI. ANALYSIS OF INVESTMENT IN MUTUAL FUND THROUGH SYSTEMATIC INVESTMENT PLANNING**1. What type of investment you prefer the most?**

Savings- 26%	Fixed deposits-29%	Mutual funds-10%
Insurance-8%	Gold/ Silver-20%	Real estate-8%
Shares/ Debentures-2%	Post Office-0%	PPF-0%

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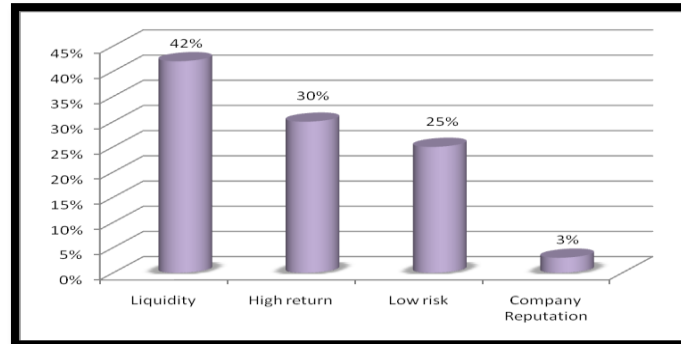


INTERPRETATION: The analysis shows that majority of the respondents still prefer to invest in fixed deposits i.e 30% as they feel it is a safe investment for them and they are still not willing to take any risk of investing in equities. 26% of respondents invest in savings account and this comprises a majority of salaried people, Investors who prefer gold/silver purchases are 20% which is mostly middle-aged people and women, Sadly even now only 10% of the respondents invest in mutual funds which comprises of young people who are ready to take risks mostly in the age group of 25 to 35. The other investment preferences are insurance 8%, real estate 8% , shares/debentures 2% and PPF 0% .

2. While investing your money, which factor you prefer the most?

Liquidity	42%
High return	30%
Low risk	25%
Company Reputation	3%

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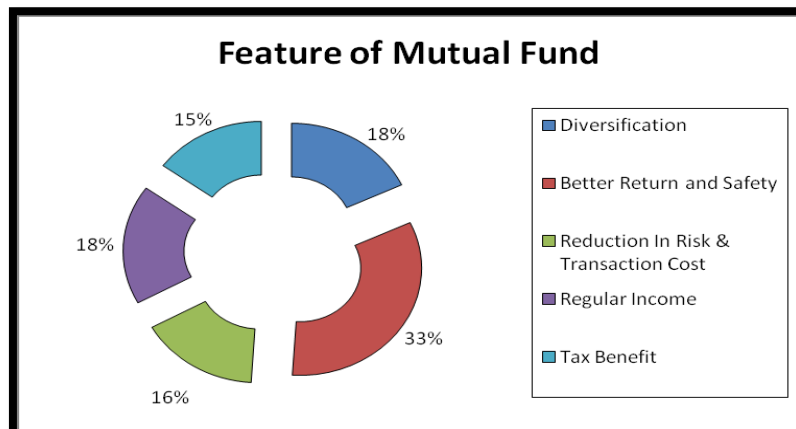
FACTOR PREFERENCE

INTERPRETATION: The factors preferred the most are liquidity i.e 42% as people want to be prepared for any crisis which may evolve during their life. Hence they prefer investing such that they can withdraw the funds whenever the situation arises. The remaining 30% of the respondents would like to get high returns on their investments. Around 25% of the respondents are not willing to take any risk in their investments, they prefer safe investments. The remaining 3% of the respondents go for reputed companies as their preference.

3. Which feature of Mutual Fund allure you most?

Diversification	Better return and safety	Reduction in risk and transaction cost	Regular Income	Tax Benefit
18%	33%	16%	18%	15%

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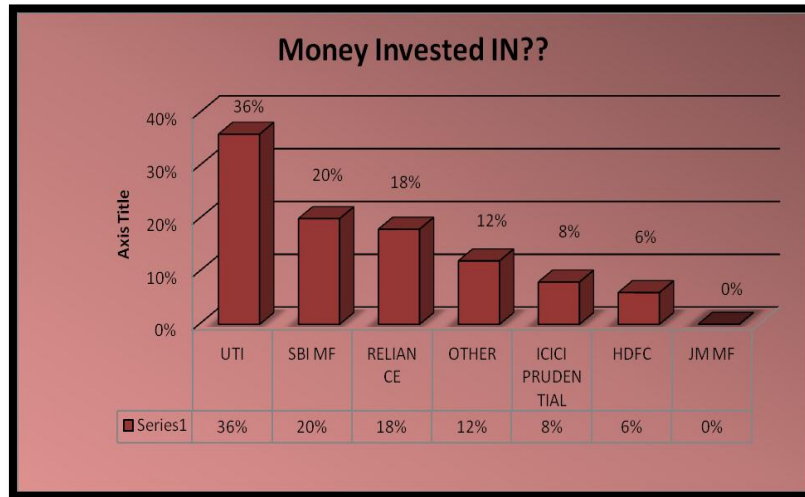
FEATURE OF MUTUAL FUND

INTERPRETATION: Majority of the respondents i.e. 33% look for better return and safety in a mutual fund. 18% invest in mutual fund for regular income and because of the diversified investment in different stocks by the asset management company. 16% due to reduction in risk and transaction cost and lastly, 15% invest in mutual funds because of the tax exemptions and benefits which come with it.

4. In which Mutual Fund have you invested?

UTI	SBI MF	Reliance	Other	ICICI Prudential	HDFC	JM MF
36%	20%	18%	12%	8%	6%	0%

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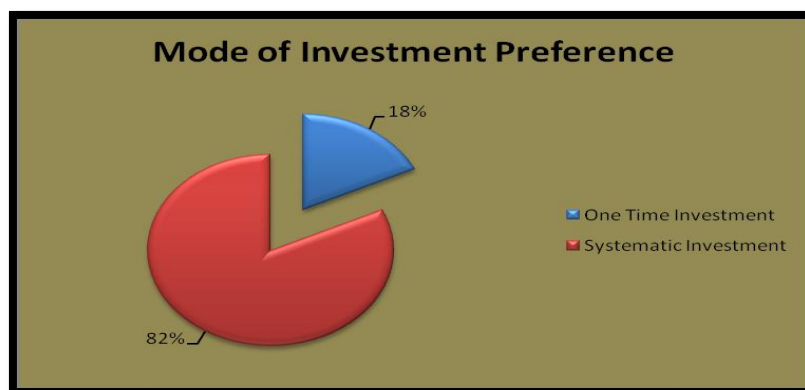
MONEY INVESTED IN

INTERPRETATION: In investing in mutual fund people mostly preferred 36% in UTI. Most of the respondents go for online purchase of the fund because that saves a lot of their time and they can conveniently do it on weekends when they are not working. The other investments made were 20% in SBI MF, 18% in RELIANCE, 12% in OTHER, 8% ICICI PRUDENTIAL, 6% in HDFC and 0% in JM MUTUAL FUND.

5. When you invest in Mutual Funds which mode of investment will you prefer?

One Time Investment	18%
Systematic Investment	82%

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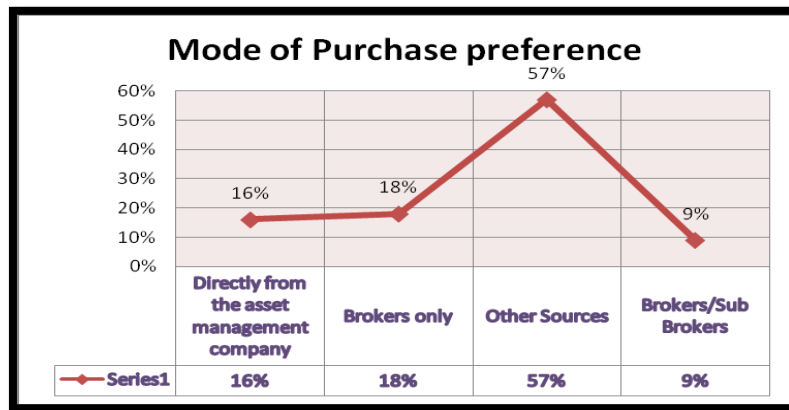
MODE OF INVESTMENT PREFERENCE

INTERPRETATION: The analysis shows that 82 % of investors prefer to opt for the systematic investment plan and 18 % invest in one time investment plan. Most of the respondents feel that since they are salaried people they do not have to worry much about setting aside just a small portion of their monthly salary for investing in mutual fund. so for them systematic investment is a safe bet rather than the one-time investment wherein they have to invest a lump sum amount and then they have to worry about liquidity too for their expenditure.

6. From where do you purchase mutual funds?

Directly from the AMC	Brokers only	Other Sources	Brokers/ Sub brokers
16%	18%	57%	9%

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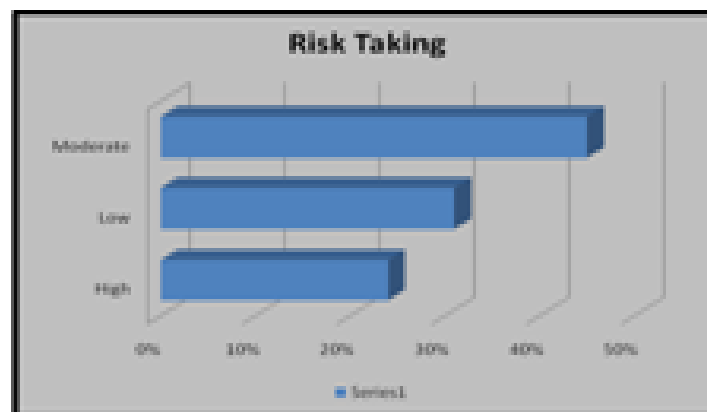
MODE OF PURCHASE PREFERENCE

INTERPRETATION: There are many modes through which a mutual fund can be purchased, like the AMC, the Brokers, the Sub brokers, etc. Investors mostly purchase 57% from other sources. 18 % brokers only, 16 % directly from the asset management company and 9% from brokers / sub- brokers.

7. How much Risk are you willing to take?

Moderate	Low	High
45%	31%	24%

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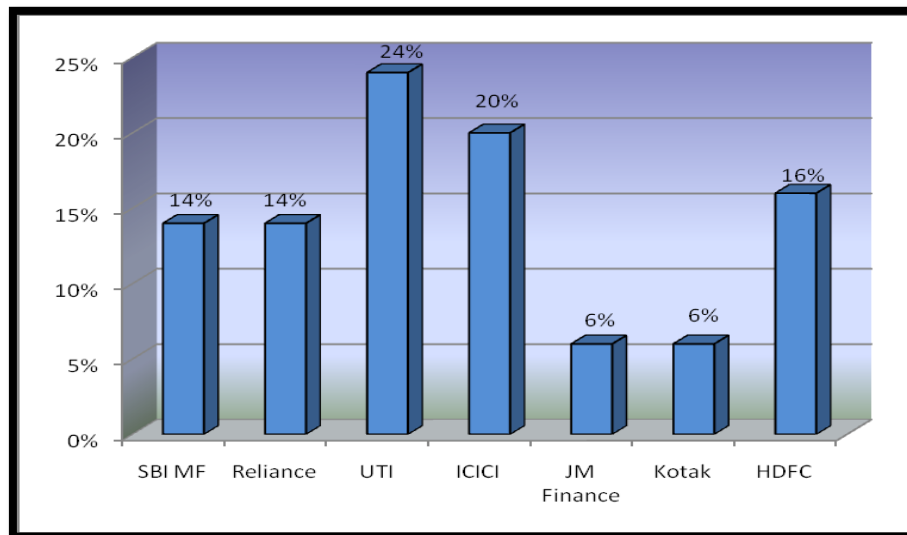


INTERPRETATION: “The higher the Risk, the more the Profits”. The people need to take the risk to enjoy the benefits. Some investors were willing to take lower risk and this was the reason they gave for investing in the MF. Most of the people would like moderate level of risk in their investments.

8. Which AMC (Asset Management Company) do you prefer the most?

SBI MF	Reliance	UTI	ICICI	JM Finance	Kotak	HDFC
14%	14%	24%	20%	6%	6%	16%

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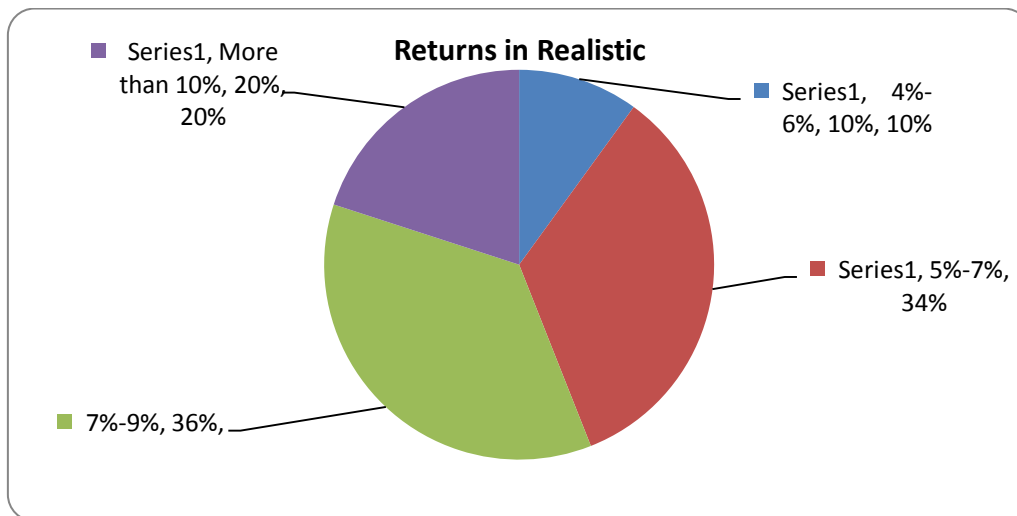
AMC PREFERENCE

INTERPRETATION: The Asset Management Company preferred by the investors are 24% in UTI, 20% in ICICI, 16% in HDFC, 14% in RELIANCE and SBIMF, and 6% in JM Finance and KOTAK

9. Over the long term what do you think is a realistic overall return on your investment in mutual funds?

4%-6%	5%-7%	7%-9%	More than 10%
10%	34%	36%	20%

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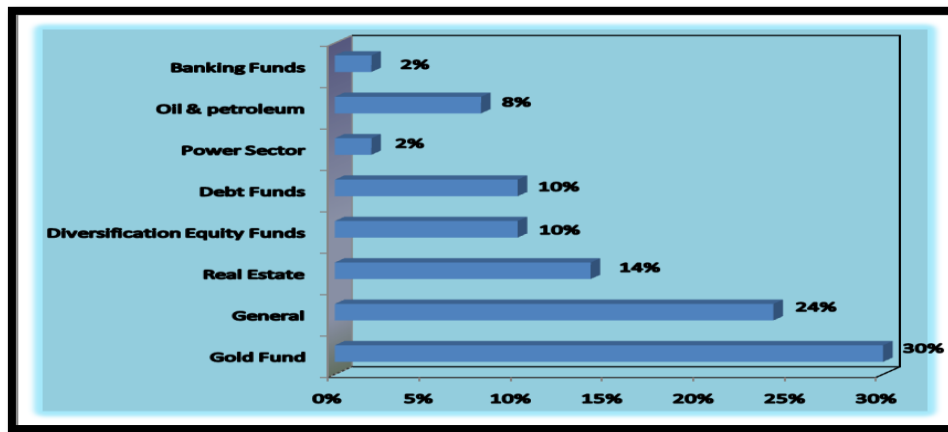


INTERPRETATION: Investors prefer 36% in 7% - 9%, 34% in 5%-7%, 20% in more than 10% and 10% in 4%-6%.

10. Which sector are you investing in Mutual Funds sectors?

Banking funds-2%	Power sector-2%	Equity funds-10%	General-24%
Oil and petroleum-8%	Debt funds-10%	Real Estate-14%	Gold funds-30%

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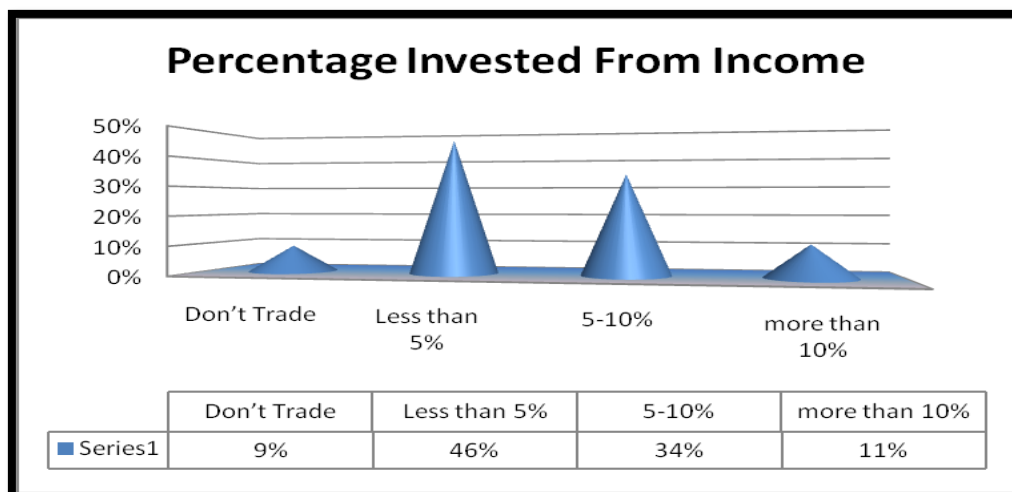
INVESTMENT SECTORS

INTERPRETATION: Investors mostly prefer the following sector 30% in GOLD FUND , 24% in GENERAL , 14 % in REAL ESTATE , 10 % in DIVERCIFICATION IN EQUITY FUNDS and DEBT FUNDS , 2 % in POWER SECTOR, 8% in OIL AND PETROLEUM and 2% in BANKING FUNDS.

11. How much percentage of your income you trade in Mutual Funds?

Don't trade	Less than 5%	5-10%	More than 10%
9%	46%	34%	11%

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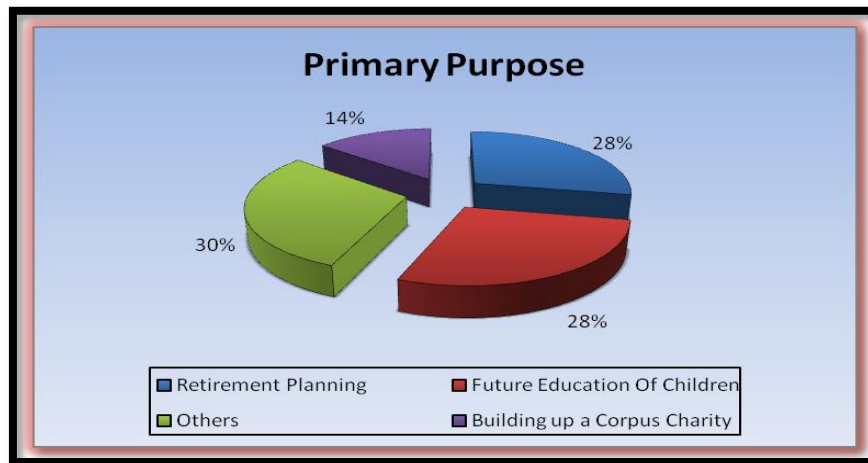
PERCENTAGE INVESTED FROM INCOME

INTERPRETATION: From the survey it was found that from their income the percentage that they invest in mutual funds is 46 % invest Less than 5% , 34 % invest 5%-10% , 11% invest more than 10% and 9% of the respondents don't trade at all. Thus it was found that most of the people prefer making safe investment and so they prefer investing in mutual fund rather than equities. The 9% who did not trade were of the opinion that it was not a safe option to invest in the market instead they prefer investing in banks in the form of fixed deposits or post office savings. People even now are skeptical to take any risks.

12. What is your primary investment purpose in Mutual fund?

Retirement Planning	Future education of children	Building up a corpus charity	Others
28%	28%	14%	30%

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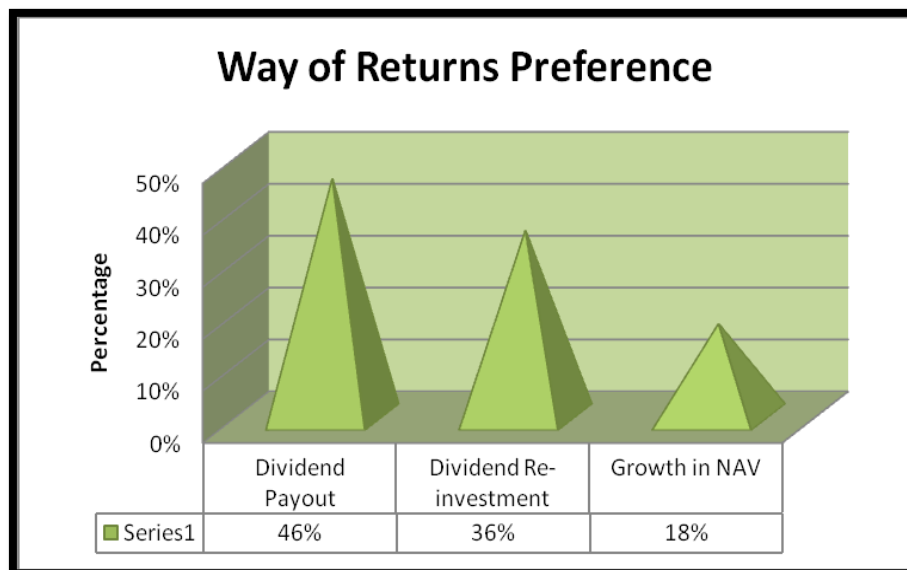
PRIMARY INVESTMENT PURPOSE

INTERPRETATION: The primary investment purpose of investors in mutual fund is like that they invest 30% in others, 28 % in Retirement Planning and Future Education Of Children and 14% in Building up a Corpus Charity.

13. How would you like to receive the returns every year?

Dividend Payout	Dividend Reinvestment	Growth in NAV
46%	36%	18%

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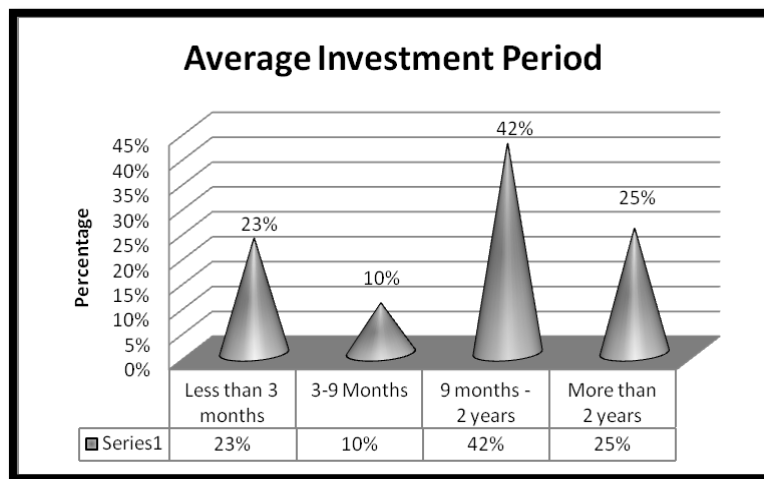
WAY OF RETURNS PREFERENCE

INTERPRETATION: Investors expected way of returns preference is 46% as Dividend Payout , 36 % as Dividend Reinvestment , and 18% as Growth in NAV. Majority of respondents wanted encashment of their dividend so that they can invest it in other activities and so they refrained from re-investing it. However there are a good percentage of investors who would not want to withdraw the dividend but invest it again in the same mutual fund.

14. What is your Average investment period?

Less than 3 months	3-9 Months	9 months- 2 years	More than 2 years
23%	10%	42%	25%

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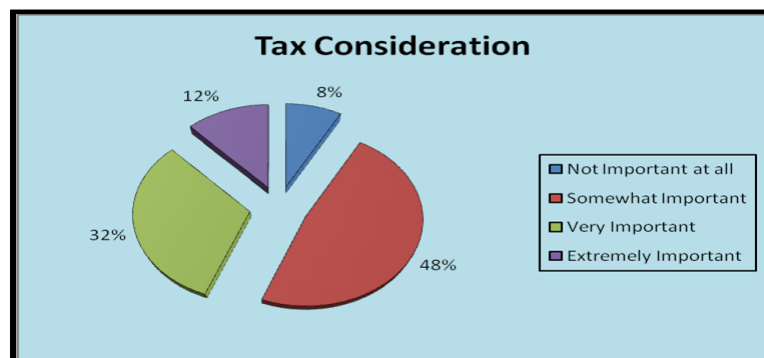
AVERAGE INVESTMENT PERIOD

INTERPRETATION: The investment period is very important to increase the profits. The timing must be right enough to benefit from fluctuations. The smart investor decides it in advance for how much time he would be keeping his money in the market and when he should leave squaring-up. Many people consider the investment for 9 months – 2 years as a right option. Still some want to be invested for over 2 years. The least responded to the 3-9 months period.

15. How important are tax consideration in your investment strategy?

Not important	Somewhat important	Very Important	Extremely Important
8%	48%	32%	12%

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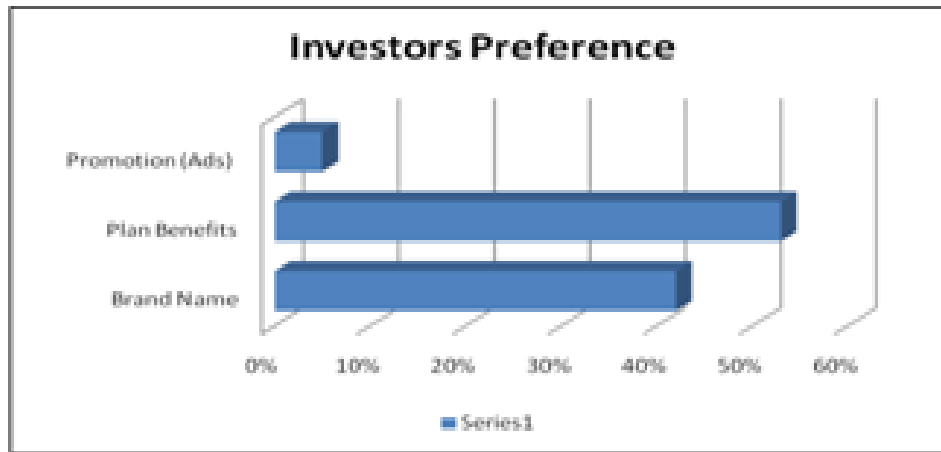
TAX CONSIDERATION

INTERPRETATION: Investors think in following way: 48% says tax considerations are somewhat important, 32% says very important, 12% says extremely important and 8 % says not important at all.

16. According to you which things attracts you more for investment in Mutual Funds?

Promotion (Ads)	5%
Plan Benefits	53%
Brand Name	42%

Table No 5.16



VII. SUMMARY AND FINDINGS

- SIP is very helpful in a volatile market. The SIP resolves a dilemma often facing investors due to ups and downs in the market price.
- Investing through SIP in a mutual fund indubitably is the key solution in order to avoid or prevent the loopholes of equity investment and yet, continually enjoy the high returns of investment.
- However, An SIP could fail to deliver on its proposition of lowering the average purchase cost, if equity markets rise in a secular manner.
- Majority of the investors look for better return and safety in a mutual fund.
- Most of the respondents feel that since they are salaried people they do not have to worry much about setting aside just a small portion of their monthly salary for investing in mutual fund so for them systematic investment is a safe bet.
- It was found that most of the people prefer making safe investment and so they prefer investing in mutual fund rather than equities.
- The investment period is very important to increase the profits. The timing must be right enough to benefit from fluctuations.
- Government should see that Mutual Fund companies follow corporate governance regulations. All mutual fund investors want transparency.

VIII. SUMMARY OF SUGGESTION

- There is no such thing as an ideal mutual fund portfolio that can suit need and risk appetite of each and every individual.
- The factors that come into play include age of the investor , risk appetite , time at hand to let investment grow, need for money- immediate or later – and more importantly , the purpose of making such an investment. Broadly – we have ‘Aggressive’, ‘moderate’ and ‘Conservative’ portfolios where each of them incorporates a different genre of mutual fund schemes to suit varying needs.
- An individual should work towards building a stable portfolio which includes large cap funds to provide your portfolio required stability, funds with proven track record and maybe some aggressive funds to spice up your portfolio. Therefore it is advisable for the investors to understand their risk profile and invest accordingly.

- It is suggested that the investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and Reputation of mutual fund in selection of mutual funds.

IX. CONCLUSION

A Questionnaire was given to respondents. People save in Mutual Funds for different purposes i.e. children education, house construction, retirement planning and tax planning, investing in gold/silver, shares and debenture, fixed deposit, banking fund and real estate. it is the need of hour in India to popularize the pension funds which have greater potential in the years to come. During the period of analysis, it was found that the majority of the investors invest their money through the SIP plan scheme as they found it less burdensome and easy to keep aside a few amount from their monthly salary. This indicates that more efforts have to be made by the Mutual Funds to create awareness among the investors regarding the earnings potential of other schemes. The influencing factors for selection of Mutual Fund scheme in India are High Returns, Net Asset Value, Market Trends, Tax Policy, and Reputation of Mutual Fund in their order of priority. Most of investors prefer to invest their money in open ended schemes of Mutual Funds.

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