

Mutual Fund SIPs: Investor - Centric Approach

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Abstract

The Mutual fund industry exhibited tremendous growth over the past decade and its key role in financial markets all over the world is remarkable. The Indian mutual fund industry remains as a small player in the capital market, when compared to other countries. High precision level in the design and marketing of mutual funds has led to the growth and development of the Indian mutual fund industry. Systematic Investment Plans or SIPs have emerged as an attractive investment tool for those who opt for regular investment in mutual funds. SIPs are best alternatives for the common man to invest in equity funds to create wealth over a long period. As it is gaining momentum, the mutual fund industry has made more SIPs in its fund in 2017-18 which is 53 percent more than the total amount added in the previous year. The paper explores into the perception of investors towards investment in mutual funds through systematic investment plans. The data pertaining to the study were collected through pre-structured questionnaires. Descriptive statistics followed by appropriate hypothesis testing were used for analyzing the data.

Keywords: Mutual funds; Behavioural finance; Equity funds; Systematic Investment Plans (SIPs) and Investor perception.

Background

Mutual funds play a dominant role in the development of financial markets all around the world. Despite its growth in the global economy, its contribution to the Indian economy still remains far behind. Lack of awareness on mutual fund investment has been regarded as the major reason for non-investment by people in the mutual funds (Kaur & Kaushik, 2015). Mutual funds are comparatively safer option for investors to invest in stocks than making direct investment. Professional expertise is being rendered by various agencies, by which, even those who are unaware of financial market can participate in the same.

Decision making regarding investment is obviously a complex task which requires careful analysis of different investment avenues.

The financial services are highly diversified as it offers a wide range of investment opportunities to the general public. Mutual funds play a key role in pushing up the market price of securities. They facilitate promotion of a healthy capital market in the country and enhance liquidity in the money market.

Systematic investment plans have been emerged as an innovative investment tool, which enables common people to invest in mutual funds by investing a small amount regularly. Investors can enjoy tax benefit while investing through SIPs. Equity funds and investing through systematic investment plans were more preferred by investors (Vyas, 2012). This paper is intended to explore the perception of mutual fund investors in Kerala towards systematic investment plans.

Review of Existing Literature

Prabhavathi & Krishna Kishore (2013) studied the awareness, attitude and preferences of mutual fund investors. They inferred that most of their respondents preferred investing through systematic investment plans and their major source of information were banks and financial advisors. Professional fund management and better returns seemed to be the reasons for making investment

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by the investors. Net Asset Values and past performance of the funds were the major factors considered by the investors for making investments in mutual funds.

Kaur, Batra, & Anjum (2013) attempted to study the perception of investors towards mutual fund investors rather than direct investment in stock market. Factor analysis was used to analyse the data. They found that investors considered mutual funds as a flexible mode of investment and investing in stock market as a risky option.

Aydemir & Aren (2017) examined the individual factors affecting the risky financial behaviour of investors. Structural equation modelling was used to analyse the data. Emotional intelligence and locus of control exhibited a positive impact on financial risk taking, whereas, risk aversion had a negative impact. Even though no direct effect has been found between financial literacy and risky financial behaviour, it played an important role in interacting with locus of control.

Sharma (2012) investigated the major reasons responsible for the lesser recognition of mutual funds by investors in India. They used principal component analysis for factor reduction. They inferred that full disclosure and regular updates should be provided by mutual fund companies in order to protect the patronage of Indian investors.

Rationale

Mutual funds play a significant role in bolstering the Indian capital market. Even though Keralites exhibit high savings behaviour, mutual funds seem to be an unattractive option for them to invest. SIPs offer opportunities for the common man to invest in mutual funds as it enables investing in small sums regularly. The investors are unaware of the convenient and secured nature of mutual

funds. Analysing investors' behaviour would help the asset management companies to know the preferences of investors, thus enabling them to make better decisions regarding management of funds.

Empirical Strategy

As the study is investor centric in nature, a pre-structured questionnaire was used for collecting the data. The population for the study constitutes mutual fund investors in Kerala. 100 samples were selected for the study using convenient sampling method.

Kruskal Wallis H test has been used to check whether any association exists between the demographic variables and factors related to investors' perception towards systematic investment plans.

Results and Discussion

Non-parametric test can be used to check whether any association exists between the demographic variables and factors related to investors' perception towards systematic investment plans, since the variables failed to qualify the test of normality. Kruskal Wallis H test has been used to identify whether there exists any association.

Kruskal Wallis H test results indicate that strong association exists between gender and economy, confidence, diversification, higher return and risk attitude as the p-values of the factors are less than 0.01. Since the p-values are less than .05, the demographic variables such as age, locality, education level and percentage of savings exhibit strong association with investors' awareness, economy, confidence, diversification, higher return, investment horizon, risk attitude and investment control.

Table 1: Demographic variables v/s Factors related to Investor Perception

Demographic variables	Awareness	Economy	Confidence	Diversification	Higher Return	Investment Horizon	Risk attitude	Investment control
Gender	1.053	15.991**	9.13**	15.35**	12.94**	3.09	9.48**	3.09
Age	19.422**	35.38**	77.43**	97.27**	69.94**	79.82**	88.08**	79.82**
Locality	10.492**	13.01**	19.85**	35.30**	26.31**	26.19**	33.46**	26.19**
Education level	36.410**	27.77**	40.96**	69.53**	43.09**	43.07**	78.24**	43.07**
Savings	12.197*	40.74**	55.21**	55.77**	65.14**	66.83**	42.79**	66.83**

* Significant at 5 % level

** Significant at 1 % level

Conclusion and Implications

Systematic investment plans have gained momentum in the present economic scenario, as it facilitates even the common men to make mutual fund investment. The perception of investors towards systematic investment plans differ in varied degrees. Investors' awareness, economy, level of confidence, diversification of funds, return, investment horizon, risk taking attitude and investment control exhibited strong influence on the demographic variables. As Keralites tend to invest their major corpus in other sources, proper awareness should be given to them regarding systematic investment plans. People residing in rural areas have made only small portion of their investment in mutual funds. Mutual fund companies have to spread their investor awareness programs to include the rural sections of the society. The mutual fund companies ought to take into consideration these factors related to systematic investment plans in Kerala.

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