



A Comparative Investment Analysis between Direct Investment in Mutual Fund and Systematic Investment Plan (SIP) in Mutual Fund

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Abstract

Lump Sum Investment (LSI) and Systematic Investment Plan (SIP) directly in mutual fund schemes are very important issues in recent investment criteria for the long term investment plan. The LSI creates huge pressure on the investor but this pressure is released in the SIP investment. LSI and SIP investment directly (without help of any distributor or agent) in mutual fund schemes reduces the expenses ratio and it helps to increase the capital appreciation of the investor for the long term investment plan. In this study, LSI and SIP directly in mutual fund schemes are analyzed to find the better investment method in mutual fund for the long term period. In this paper, simple annualized returns are considered to compare the returns on mutual funds for the investment of LSI and SIP directly in mutual fund during ten years investment plan.

Keywords: *Lump Sum Investment (LSI), Systematic Investment Plan (SIP), Capital Market, Debit, Agent.*

I. INTRODUCTION

Mutual fund investment is one of the simplest ways to invest the funds in the capital market of India. Long term investment is another way to minimize the risk of the investment in the capital market which is regulated by the Security Exchange Board of India (SEBI). Lump sum Investment or systematic investment plan in mutual funds is made by the choice of the investor. This one time lump sum investment and systematic investment plan are made in mutual fund in India directly i.e. without involving through any agent or distributor. Investor invests once in lump sum investment but investors invest regularly in SIP investment through standing instruction to debit the systematic amount to the bank account. Even this SIP installment amount is considered as little as Rs. five hundred only per month in India. In this study, a comparative investment analysis between lump sum Investment in Mutual fund and Systematic Investment Plan (SIP) in Mutual fund directly is made to find the comparative returns on mutual funds. In this paper, five equity mutual fund schemes which have LSI and SIP are selected to analyze for ten years investment period in large cap fund. Under large cap mutual fund, investment of mutual fund is made in largest 100 stocks with highest market capitalization listed in Indian capital markets, these is suitable for the investors who want to invest their money for long term to get higher returns. Five mutual fund schemes in Indian capital market are chosen to compare the returns in LSI & SIP for this study.

II. OBJECTIVES OF THE STUDY

The following objectives for the study of the topic are given below:

1. To find the average return on direct investment in mutual fund and systematic investment plan in mutual fund
2. To compare the return between direct investment in mutual fund and systematic investment plan in mutual fund

III. METHODOLOGY

This paper is explanatory in nature to study the secondary data; these are collected from different mutual fund websites. The study is made for ten years for five different mutual fund schemes. These are selected randomly to study the above two objectives. In this paper, simple percentage is used to calculate the return of LSI directly in mutual fund and SIP directly in mutual fund. Other information is given as below:

Five equity mutual fund schemes - LSI & SIP – Growth	<ul style="list-style-type: none"> ▪ HDFC Top 100 Fund - Direct Plan – Growth ▪ Aditya Birla Sun Life Frontline Equity Fund - Direct Plan – Growth ▪ Nippon India Large Cap Fund - Direct Plan – Growth ▪ ICICI Prudential Blue chip Fund - Direct Plan – Growth ▪ Mirae Asset Large Cap Fund - Direct Plan – Growth
Period of the Study	<p>Ten Years</p> <ul style="list-style-type: none"> • 1st Year • 2nd Year • 3rd year • 5th Year • 10th Year

IV. RESULT AND DISCUSSION

In this section, the two objectives are justified with the analysis of secondary data collected in flowing way:

Objective-I: To find the average return on direct investment in mutual fund and systematic investment plan in mutual fund

Under this division, the returns of five mutual fund schemes which have one time investment (OTI) of Rs. 10000 (Rupees Ten Thousand only) i.e. LSI and SIP investment are analyzed in following Table-1

Table-1: Returns of Five Mutual Funds

Name of Mutual fund	HDFC Top 100 Fund - Direct Plan – Growth		Aditya Birla Sun Life Frontline Equity Fund - Direct Plan - Growth		Nippon India Large Cap Fund - Direct Plan - Growth		ICICI Prudential Bluechip Fund - Direct Plan - Growth		Mirae Asset Large Cap Fund - Direct Plan - Growth	
	OTI	SIP	OTI	SIP	OTI	SIP	OTI	SIP	OTI	SIP
Year										
1 year	18.15	16.90	15.28	13.81	24.12	22.14	15.89	14.08	12.38	10.61
2 year	13.28	13.34	11.06	9.42	17.46	17.07	12.80	10.98	9.59	7.35
3 year	26.08	18.39	24.42	14.98	29.69	22.18	24.60	16.36	23.15	13.06
5 year	13.07	16.07	11.93	14.89	14.33	18.54	13.26	15.11	13.14	14.38
10 year	14.41	13.74	14.90	13.35	16.74	15.63	15.54	14.46	17.36	14.97
Average	17.00	15.69	15.52	13.29	20.47	19.11	16.42	14.20	15.12	12.07

(Source: moneycontrol.com/mutual-funds/nav/mirae-asset-large-cap-fund-direct-plan-growth)

Findings:

In the Tabe-1, the returns in one time lump sum investment is more than return of the SIP investment and average returns in one time lump sum investment is also more than average return in the SIP investment. It is happened for the time period of investment, this is more in one time investment as the whole amount is invested in initial month for ten years and the time period of the SIP investment during the study period is not the same as the investment was made regularly in certain interval (monthly, quarterly etc.) during the ten years.

Objective-II: To compare the return between direct investment in mutual fund and systematic investment plan in mutual fund

In this part, a comparative analysis of annualized returns is made between LSI in mutual fund and SIP in same mutual fund schemes. This is shown in Table-2:

Table-2: Comparative Return between Direct Investment in Mutual Fund and SIP in Mutual Fund

Name of Mutual fund	HDFC Top 100 Fund - Direct Plan – Growth	Aditya Birla Sun Life Frontline Equity Fund - Direct Plan - Growth	Nippon India Large Cap Fund - Direct Plan - Growth	ICICI Prudential Bluechip Fund - Direct Plan - Growth	Mirae Asset Large Cap Fund - Direct Plan - Growth
Year	OTI minus SIP	OTI minus SIP	OTI minus SIP	OTI minus SIP	OTI minus SIP
1 year	1.25	1.47	1.98	1.81	1.77
2 year	-0.06	1.64	0.39	1.82	2.24
3 year	7.69	9.44	7.51	8.24	10.09
5 year	-3.00	-2.96	-4.21	-1.85	-1.24
10 year	0.67	1.55	1.11	1.08	2.39
Average	1.31	2.23	1.36	2.22	3.05

(Source: Computed by the Author on the Basis of Table-1)

Findings:

In the above Table-2, the average of differences on returns between LSI in mutual fund and systematic investment plan (SIP) in mutual fund is positive. It justifies that return on LSI in mutual fund is more than the return on SIP in mutual fund. This is occurred for the whole investment amount is invested in initial investment month but in case of SIP investment, whole investment amount is invested part by part regularly during the investment period.

V. CONCLUSION

In this study, the OTI i.e. LSI in initial period is beneficial for the investor and this method takes the more time period to grow the investment during the study period whereas total investment amount in SIP investment gets the less time period to grow the investment amount. The positive average return between returns on LSI in mutual fund and returns on SIP in mutual fund supports the benefits to the investment of the investor for one time lump sum investment during the study period.

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