A Study on Investors Preference and Satisfaction towards Investment in Systematic Investment Plan (Sip) of Mutual Fund Scheme in Erode District of Tamilnadu

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ABSTRACT: **Systematic Investment Plan' (SIP) is an investment vehicle offered by mutual funds to investors, allowing them to invest small amounts periodically instead of lump sums. The frequency of investment is usually weekly, monthly or quarterly. In SIP (Systematic Investment Plans), a fixed amount of money is debited by the investors in bank accounts periodically and invested in a specified mutual fund. The investor is allocated a number of units according to the current Net asset value. Every time a sum is invested, more units are added to the investors account. The strategy claims to free the investors from speculating in volatile markets by Dollar cost averaging. As the investor is getting more units when the price is low and fewer units when the price is high, in the long run, the average cost per unit is supposed to be lower. SIP claims to encourage disciplined investment. SIP's are flexible, the investors may stop investing a plan anytime or may choose to increase or decrease the investment amount. SIP is usually recommended to retail investors who do not have the resources to pursue active investment. SIP investment is a good choice for those investors who do not possess enough understanding of financial markets. The benefits of SIP is it reduces the average cost of units purchased, as well as consistent investment, ensures that no opportunity is missed arising out of the market. Hence the researcher has been made an attempt to investor's preference and awareness towards sip investments in mutual fund scheme in Erode District of Tamilnadu.**

IndexTerms - **Systematic Investment Plan, MF- Mutual Funds.**

INTRODUCTION

SIP works on the principle of regular investments. It is like the recurring deposit where investor put in a small amount every month. It allows investor to invest in a MF by making smaller periodic investments (monthly or quarterly) in place of a heavy one-time investment i.e. SIP allows investor to pay 10 periodic investments of Rs 500 each in place of a one-time investment of Rs 5,000 in an MF. Thus, investors can invest in an MF without altering other financial liabilities. It is imperative to understand the concept of rupee cost averaging and the power of compounding to better appreciate the working of SIPs. SIP works best for long-term investment periods and helps the long-term investor reap good returns over a period of time. Long-term investors tend to profit from the appreciation markets tend to show in the long-term. Since, Mutual Fund investments are diversified; it not only reduces risk but also helps in optimizing returns.

OVERVIEW OF LITERATURE

There have been various researches in the field of mutual fund but this study is relating to investor's preference and satisfaction towards investments in SIP. Hence the empirical studies relating to mutual fund investments in SIP which proved to be very useful to the researcher in getting insight in to the main objective of the study and finalising the methodology of present study. Here a brief account of important studies pertaining to the SIP investment is presented.

Ramamurthy and Reddy S (2005)conducted a study to analyze recent trends in the MF industry and draw a conclusion that the main benefits for small investors'' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Shanmugaraj R K (2005), A study of investment patterns and customer perception towards mutual funds in Chennai city. Income through bank saving, post office saving, chit funds, share market, mutual funds, insurance. The study has concluded that „Tax Benefits" are the motto of the salaried and retired people and „Higher Returns" are the motto of the business people. 10% of the income is the amount invested. Many do not perceive mutual funds as a diversification of risk or consistency of returns when mutual funds provide such benefits. This needs to be given a closer look. The feeling that mutual funds have a high degree of risk associated with it should be eradicated. The popularity of mutual funds' investments would be enhanced if all these factors are taken into account.

John Graham and Alok Kumar (2006) in their study "Do dividend clienteles exist? Evidence on dividend preferences of retail investors" evaluates portfolio holdings of retail investors of older and low income category, this study suggests that these investors prefer dividend paying stocks, the study also highlights the trading behaviour of retail investors and indicates that the investor trades around dividend events are consistent with clientele behaviour. Further, it also points out that old and low income investor exhibits abnormal buying behaviour following dividend announcements.

Kousalya P R and Gurusamy P (2012) observed in their study on „Women Investors‟ Perception towards Investments‟ that there is no significant relationship between age of the women investors and level of awareness on investment. They have also concluded that the educational level of women investors does not influence the level of awareness.

Binod Kumar Singh (2012) in his study observed that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds. Moreover, as far as the demographic factors are concerned, gender, income and level of education have significantly influence the investors‟ attitude towards mutual funds.

The present study makes an attempt to fill these gaps and study the investor's preference and satisfaction towards investment in systematic investment plan in mutual fund scheme in Erode District of Tamilnadu.

STATEMENT OF THE PROBLEM

There are lots of investment opportunities are available to the investor, out of which they have to find their best alternatives. SIP gives chance to small investors to participate in the capital market. The main purpose of this research is to expand on precious research explore investor's preference and level of satisfaction towards investment in Systematic Investment Plan of Mutual Fund scheme in Erode District of Tamilnadu. The study related to the preference and satisfaction of investor's and to explore the relationship between demographic profile and investment related profile of the respondents.

OBJECTIVES OF THE STUDY

➢ To analyze the impact of investor's age, gender, income and social influence of the investors investment.
➢ To evaluate the preference and awareness of the investors.
➢ To find out the opinion about return on investment of the investors.
➢ To find out the level of satisfaction of the investors.

HYPOTHESIS

➢ There is no significant relationship between Age and level of satisfaction of the investors.
➢ There is no significant relationship between Gender and level of satisfaction of the investors.

RESEARCH METHODOLOGY

SAMPLING DESIGN

Sample is the process of representative subset of a total population for obtaining data for study of the whole population. The subset is known as sample.

SAMPLE SIZE

Field survey techniques was employed to collect primary data from the 200 selected sample respondents in Erode District of TN.

SAMPLING TECHNIQUE

The sampling design used in the study was non-probability sampling. Convenience sampling techniques are used for collecting the data.

NATURE OF DATA

The present study used both primary as well as secondary data.

➢ **PRIMARY DATA:**

The first hand information, which is being collected by the researcher, is called primary data. In this study, the primary data was collected through structured questionnaire.

> **SECONDARY DATA:**

Besides the primary data, the secondary data was also collected for the study through websites, journals, magazines and newspapers.

TOOLS FOR DATA COLLECTION

Questionnaire was the main and important tool for collection of the data. Hence, effort has taken to construct the questionnaire in a systematic way as to include adequate and relevant questions to ensure the research objectives.

DATA ANALYSIS

The data collected from the primary source were arranged sequentially and tabulated in a systematic order in the master table.

TOOLS FOR DATA ANALYSIS

Data collected through questionnaire were presented in a master table. From the master table, sub-table was prepared. For analysis and interpretation of the data simple statistical tools like chi-square test and percentage analysis were used.

> **PERCENTAGE ANALYSIS**

Percentage Analysis refers to a special kind of ratio percentage is used in making comparison between two or more series of data.

Percentage reduced everything to a common base their allow meaningful comparisons to be made.

$$Percentage = \frac{No.\,of\ Respondents}{Total\ No.\,of\ Respondents} \times 100$$

> **CHI-SQUARE TEST**

The chi-square is a measure of actual divergence of the observed and expected frequencies and as such if there is no difference between observed and expected frequencies the value of chi-square is zero. Chi-square tests enable the researcher to find out whether the divergence between expected and actual frequencies is significance or not the following formula can be used for calculating chi-square value.

$X^2 = \sum \frac{(O-E)^2}{E}$ Where,   O = Observed frequency,   E = Expected frequency

> **WEIGHTED SCORE ANALYSIS**

The average rank analysis is performed to identify the priority of the different category of purpose of the investments of the investors. The average rank is calculated and the final rank is fixed based on the criteria lesser the average rank more is the priority on the various aspect relation personal factors.

$$Weighted\ Average = \frac{Total}{No.of\ items\ \times No.of\ Respondent}$$

Symbolically it represents as, $\overline{xw} = \dfrac{\sum wx}{\sum w}$ Where, $\sum wx$ = Total Score, $\sum w$ = Total Weighted score.

ANALYSIS AND INTERPRETATION

The analysis of data collected from primary sources presented in the form of tables and interpretation is given in description as required. Analysis refers to the course of finding out answers to the question that had arisen to the study. Interpretation finds out the relationship among the available data and the variables.

TABLE -1

PROFILE OF THE RESPONDENTS

S.NO	FACTORS	CATEGORY	NO.OF.RESPONDENTS	PERCENTAGE
1	Age	Below 30 years	48	24
		30 – 40 years	64	32
		40-50 years	60	30
		Above 50 years	28	14
		Total	200	100
2	Gender	Male	108	54
		Female	92	46
		Total	200	200
3	Monthly Income	Below - 20,000	25	12.5
		20,000 – 30,000	51	25.5
		30,000 – 40,000	63	32.5
		Above 40,000	61	30.5
		Total	200	100
4	Occupation	Employee	60	30
		Professional	37	18.5
		Business	63	31.5
		Others	40	20
		Total	200	100
5	Residential Status	Rural	46	23
		Urban	92	46
		Semi-Urban	62	31
		Total	200	100

Source: Primary Data

From table it is observed that 32 % of the respondents belong to the age group of 30-40 years, 30% of the respondents belonging to the category of 40-50 years and 24% of the respondents come under the age group of below 30 years. 54% are male and 46% are female. The table also reveals that that 25% of the respondents are under income level of below Rs.20,000, 63% of the respondents belong to the income level of Rs.30,000-Rs.40,000, 61% of the respondents earned income above Rs.40,000. 30%of the respondents are employee level. 46% of the respondents are residing in urban area.

TABLE -2

INVESTMENT PROFILE OF THE RESPONDENTS

S.NO	FACTORS	CATEGORY	NO.OF.RESPONDENTS	PERCENTAGE
1	Source of awareness	Advertisement	62	31
		Friends and relatives	42	21
		Internet	51	25.5
		others	45	22.5
		Total	200	100
2	Scheme	Equity Fund	50	25
		Balance Fund	49	24.5

	preference	ELSS	43	21.5
		Debt Fund	38	19
		MMF	20	10
		Total	200	100
3.	Monthly Investments	Rs.1000 p.m	48	24
		Rs.2000 p.m	74	37
		Rs.5000 p.m	58	29
		Rs.10000 p.m	20	10
		Total	200	100
4	Mode of payment	Electronic service	76	38
		Post dated Cheque	48	25.5
		Standing Instructions	44	22
		Cash Payment	32	16
		Total	200	100
5	Opinion about return	High Return	38	19
		Moderate Return	104	52
		Low Return	58	29
		Total	200	100
6	Level of satisfaction	Highly Satisfied	56	28
		Satisfied	100	25.5
		Dissatisfied	44	22
		Total	200	100

Source: Primary Data

From above table it reveals that 31 % of the respondents are getting awareness through advertisement, 21% of the respondents getting awareness through friends and relatives. 25% of the respondents are preferred Equity fund scheme.24.5% of the respondents are preferred balanced fund scheme.38% of the respondents are preferred Debt Fund Scheme.37%of the respondents are preferred to invest Rs.2000p.m. 24%of the respondents are preferred to invest Rs.1000p.m. 29%of the respondents are preferred to invest Rs.5000p.m. 52% the respondents are having the opinion of moderate return. 38% of the respondents are preferred electronic service for their payments and 16% of the respondents are preferred cash payment for their payments. 28% of the respondents are highly satisfied about their investment in SIP.22%of the respondents are dissatisfied about their investment in SIP.

CHI- SQUARE TEST

To find the relationship between age and level of satisfaction the chi- square test has been applied.

TABLE- 3

AGES AND LEVEL OF SATISFACTION OF INVESTORS

Age/Level	Highly Satisfied	Satisfied	Dissatisfied	Total	Chi-square Value	Table Value	Sig
Below 30 years	12(25%)	26(54%)	10 (21%)	48	6.765	12.6	Not Sig
30 – 40 years	20(31%)	30(47%)	14(22%)	64			
40-50 years	14 (23%)	28(47%)	18(30%)	60			
Above 50 years	10(36%)	16(57%)	02(7%)	28			
Total	56	100	44	200			

At 5% level of significance for 6 degree of freedom the table value is 12.6. Since the calculated value (6.765) is less than the table value, so the null hypothesis is accepted. Hence there is no significant relationship between age and level of satisfaction of investors.

TABLE-4

GENDER AND LEVEL OF SATISFACTION OF INVESTORS

Gender/Level	Highly Satisfied	Satisfied	Dissatisfied	Total	Chi-square Value	Tale Value	Sig
Male	30(28%)	52(48%)	26 (24%)	108	0.476	5.991	Not Sig
Female	26(28%)	48 (52%)	18(20%)	92			
Total	**56**	**100**	**44**	**200**			

At 5% level of significance for 2 degree of freedom the table value is 5.991. Since the calculated value (0.476) is less than the table value, so the null hypothesis is accepted. Hence there is no significant relationship between gender and level of satisfaction of investors.

TABLE-5

MONTHLY INCOME AND LEVEL OF SATISFACTION OF INVESTORS

Monthly Income/Level	Highly Satisfied	Satisfied	Dissatisfied	Total	Chi-square Value	Tale Value	Sig
Below - 20,000	08(32%)	13(52%)	04(16%)	25	4.172	12.592	Not Sig
20,000 – 30,000	17(33%)	20(39%)	14(28%)	51			
30,000 – 40,000	17(27%)	32(51%)	14(22%)	63			
Above 40,000	14(23%)	35(57%)	12(20%)	61			
Total	**56**	**100**	**44**	**200**			

At 5% level of significance for 6 degree of freedom the table value is 12.592. Since the calculated value (4.172) is less than the table value, so the null hypothesis is accepted. Hence there is no significant relationship between monthly income and level of satisfaction of investors.

WEIGHTED AVERAGE RANKING SCORE ANALYSIS

A comprehensive interview schedule is given to 200 sample investor in order to know their priority according to the factors that influence the purpose of investments. These sample investors are made to rank the reasons such as Reasonable profits, Tax Savings, Participation in capital Market, Pension Scheme and Diversified Investments. The ranks are assigned according to the problems. The ranks 1, 2, 3, 4 and 5 are assigned as per the weight of 5,4,3,2 and 1 respectively.

TABLE- 5

FACTORS THAT INFLUENCING THE PURPOSE OF INVESTMENTS IN SIP OF MF WEIGHTED AVERAGE SCORE RANKING METHOD

Factors	Weighted Average Score	Rank
Reasonable profits	524	IV
Tax Savings	700	I
Participation in capital Market	656	II
Pension Scheme	622	III

Diversified Investments	517	V

The above table highlights the factors that influence the purpose of investments in SIP. It could be observed that "Tax Savings" is ranked first by the respondents with a weighted score of 700 points and the second rank was given to a "Participation in capital Market" with a weighted score of 656 points, it is followed by "Pension Scheme" is ranked third with a weighted score of 622 points and the fourth rank is occupied "Reasonable profits" with a weighted score of 524 and "Diversified Investments" is ranked fifth with a weighted score of 517 points. From the above analysis it is found that "Tax Savings" is the most influence factor among the investors to prefer SIP of MF investments.

FINDINGS OF THE STUDY

➢ The majority (54%) of the respondents are Male.
➢ The majority (32%) of the respondents belong to the age group of 30-40 years.
➢ The majority (32.5%) of the respondents are under Monthly income level of between Rs.30, 000-40,000.
➢ The majority (25.5%) of the respondents have got awareness through Internet.
➢ The majority (24.5%) of the respondents have preferred balanced fund scheme.
➢ There is no significant relationship between age and level of satisfaction of investors.
➢ There is no significant relationship between gender and level of satisfaction of investors.
➢ From the above analysis it is identified that "Tax Saving Purpose" is the most influenced factor among the investors to prefer Systematic Investment Plan (SIP) of Mutual Fund.

SUGGESTIONS

Some of the Suggestions drawn from the findings of the study are:

➢ Financial institutions want to introduce more schemes to the investors to attract SIP investments.
➢ To create awareness among rural investor's the financial institutions need to conduct awareness campaign in rural areas.

CONCLUTION

Discipline is the key to successful investments. When the investors investment through SIP, investors commit their self to save regularly. Every investment is a step towards attaining their financial objectives. While it is advisable to continue SIP investments with a long-term perspective, there is no compulsion. Investors can discontinue the plan at any time. One can also increase or decrease the amount being invested. Due to rupee-cost averaging and the power of compounding. SIPs have the potential to deliver attractive returns over a long investment horizon. SIP is a hassle-free mode of investment. Investor can issue a standing instruction to their bank to facilitate auto-debits from their bank account. SIPs have proved to be an ideal mode of investment for retail investors who do not have the resources to pursue active investments.

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