



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

“SYSTEMATIC INVESTMENT PLAN AS A STABILITY BUILDER FOR RETAIL INVESTOR”

Sayali Rane

MBA Student

Mansi Vaghela

MBA Student

Nirali Vispute

MBA Student

Shivani Soni

MBA Student

Assi. Prof Aashka Thakkar

Parul University of Engineering & Technology,

Parul University, Vadodara, India

ABSTRACT:

Retail investors are non-professional market participants who generally invest smaller amounts than larger institution investors. Individual investors are less knowledgeable, less disciplined, less skilful, and more attached emotionally than professionals.

The investment objective of a mutual fund determines what type of securities the pooled money is invested in. SIP is just a process through which you can contribute small but regular amounts to invest in a mutual fund and build a good corpus over a period of time. There is various form of sip.

In this research, we have used questionnaire and ratio comparison because the motto of the research is to find stability builder of retail investors in Systematic Investment Plan. In primary data, data will be collected through Questionnaires. For this research the sample size is 100, in secondary type of data ratio such as Sharper, Treynor and Jensen is used. In this research we have included respondents who do Investments.

It is hoped this study will be helpful to get knowledge about sip and will be beneficial for everyone to know how important it is to invest in sip for better investment.

Key words: SIP, Retail investor, Investments, Returns.

1. INTRODUCTION

A systematic investment plan SIP is a way of investing in mutual funds. Financial markets perform the basic function of mobilizing the funds needed by corporate. Investments are assets held by an individual or an enterprise for earning income by way of dividends, interest, or for capital appreciation, or for other benefits. Investment is an attempt to carefully plan, evaluate and allocate funds to various investment outlets that offer safety of principal and expected returns over a long time of period.

Retail investors are non-professional market participants who generally invest smaller amounts than larger, institution investors.

Individual investors are through to be less knowledgeable, less disciplined, less skilful, and more prone to behavioural and emotional errors than professionals.

2. OBJECTIVES OF THE STUDY

- It helps you to invest a fixed sum of money regularly in various mutual fund schemes.
- A retail investor has a potential to create long term wealth, by investing a small sum of money through sip.
- Its better option for the retail investors as sip gets good return compared to a one-time investor.
- To encourage more retail investors to participate.

3. PROBLEM STATEMENT

- Understanding the behavior of retail investor while investing in market.
- Identifying the untapped market for the benefit of investors.
- The important issue it is dealing with is the impact of awareness about the sip among the retail investors.
- It is seen whether sip is in accordance to the need of investors and the due weightage is given to their needs and requirement.

4. RESEARCH METHODOLOGY

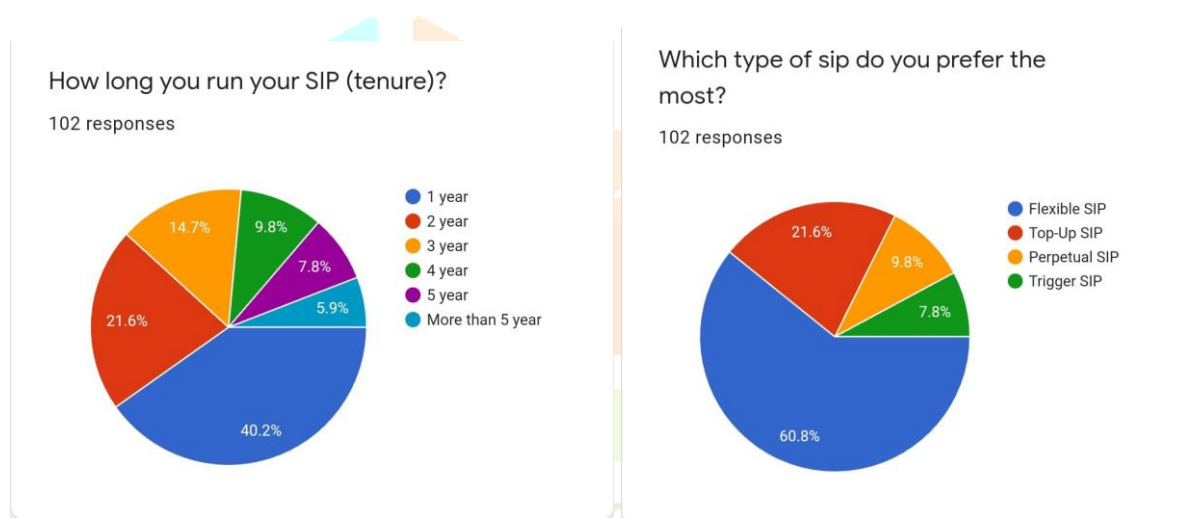
- **Source of data:** In primary data, data will be collected through Questionnaires and focus interview. And Secondary data will be collected through journals, articles, and research reports of Securities and Exchange Board of India, Association of Mutual Fund of India (AMFI). To gain data regarding sip from online portals like Money control, zerodha and grow application etc.
- **Research Design:** In this research, we will apply qualitative research design because the motto of the research is to find stability builder of retail investors in Systematic Investment Plan.
- **Data Collection Method:** For this research, we will use Primary data.
- **Method for data collection:**
 - **Population-** In this research, we have assumed total population.
 - **Sample-** For this research the sample size is 100, which includes respondents who Invest mainly in stock market, sip and mutual funds.
- **Data Collection Instrument:** In instruments, we will use Questionnaires for primary data.
- **Statistical tools for analysis:** standard deviation, Sharpe ratio, Treynor and Jensen's etc.

5. LITERATURE REVIEW

- **Mr. RG and Dr. Sachithanatham (2020)**, to identify the factors that influence the investor's choice of mutual fund systematic investment scheme in Tamilnadu. Which preference of individual investors through demographic factors and investment decision of mutual fund investor in Tamilnadu.
- **Rasha and khan (2019)**, on study in this paper a mobile friendly application we developed which is a modern approach to simplify the process of investing in a mutual fund through SIP via an asset management or hedge fund company. The proposal work, consisting of PA (progressive Web App) and Admin panel, makes it incredibly convenient for both the investors and fund manager.
- **Nagajyothi and Srinivas (2018)**, to evaluate and compare the long-term performances of selected equity-based mutual funds through SIP and identify the investment in equity-based mutual fund SIPs that can gain momentum and increase the percentage of income. However, this schemes risk is low as compared to small- and mid-cap, equity sector fund schemes.

- **Ms Samikshya Mishra, in 2018** had worked on Performance Evaluation of Selected Schemes of Mutual Funds in India: An Empirical Study. The balanced schemes had been analysed on the basis of different parameters such as average return, standard deviation, Sharpe ratio, Treynor ratio and Jensen ratio. She has applied t-test. Hypotheses have been tested for all the mutual funds.
- **Manoharan, T. G., & Nair, G. V. in 2018** worked on topic named Equity Funds or Mutual Funds? Through the Lens of SIP and LIP, In this they have focused on the alternate investment options available for the investors for investing. They have shown that majority of the funds and shares gives better returns when investing through Systematic Investment Plan.

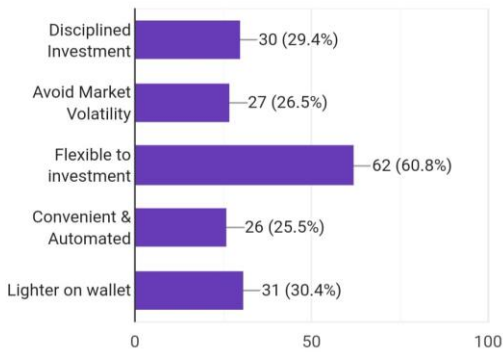
6. ANALYSIS OF DATA BY QUESTIONNAIR



From the above chart we can find that the majority of the people run their sip for 1year tenure and 60.8% believe in flexible type of sip the most.

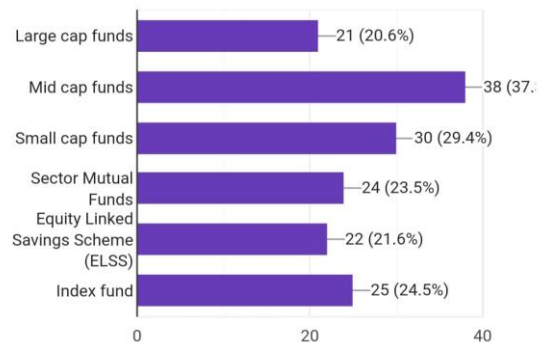
Why you find Sip more beneficial than any other investment?

102 responses



Which types of equity funds do you pick in SIP?

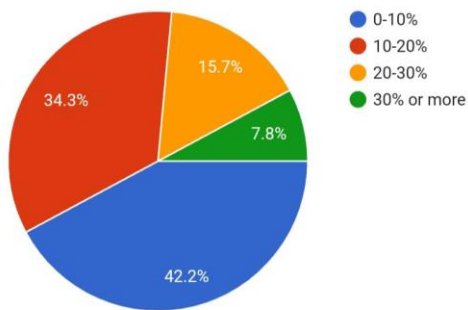
102 responses

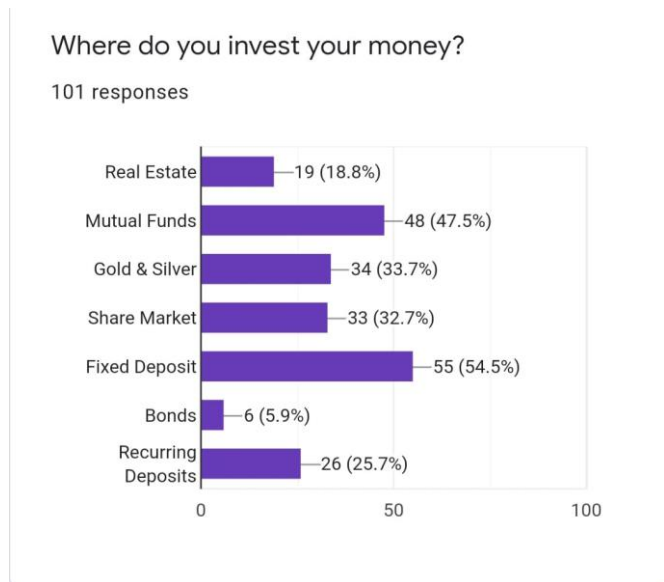


The analysis shows that the investors investing in in equity funds picks up mid cap funds and they invest in sip because they find it more flexible investment.

Approximately how much of you save from you income (per annum)?

102 responses





The above chart gives us the idea that the retail investor usually saves 0-10% of his income and the other graph shows the information which mode of investment do they prefer more.

7. COMPARISON BASED ON RATIOS

- **Calculation based on Sharpe ratio** - it defines the risk on the basis of standard deviation which is the measure of total risk.

Portfolio	Expected return	beta	volatility
A equity based	12%	5%	9%
B fixed income based	18%	11%	14%

The standard deviation for the following is 12% and risk free rate of interest is 5%

$$\text{Sharpe ratio} = R_p - R_f \div \sigma_p$$

$$\text{Portfolio A's sharpe ratio} = 12\% - 5\% / 9\% = 0.78$$

$$\text{Portfolio B's sharpe ratio} = 18\% - 5\% / 14\% = 0.93$$

$$\text{Portfolio C's sharpe ratio} = 13\% - 5\% / 12\% = 0.67$$

The client should choose portfolio B as it giving highest sharpe ratio i.e 0.93

- **Calculation based on Jensen's ratio** = it is based on systematic risk. Higher the Jensen's ratio that means the performance is better.

Portfolio	return	beta
A equity based	8%	0.7
B fixed income based	6%	1.2

Given the market return of 10% and risk free rate of 4%

$$\text{Jensen's ratio} = R_p - \{R_f + B_p(R_m - R_f)\}$$

$$\text{Portfolio A's sharpe ratio} = 0.08 - \{0.04 + 0.7(0.1 - 0.04)\} = 0.002$$

$$\text{Portfolio B's sharpe ratio} = 0.06 - \{0.04 + 1.2(0.1 - 0.04)\} = 0.112$$

Hence Portfolio A has performed better than B.

- **Calculation based on treynor ratio** – this ratio is concerned with the risk and return performance of portfolio. It is based on past performance.

Portfolio	Beta	Returns
A equity based	1.25	7%
B fixed income based	0.7	5%

Risk free rate given as 3%

$$\text{Treynor's ratio} = R_p - R_f / B_p$$

$$\text{Portfolio A's treynor's ratio} = 7\% - 3\% / 1.25 = 0.032$$

$$\text{Portfolio B's treynor's ratio} = 5\% - 3\% / 0.7 = 0.028$$

As we can see that the treynor ratio of equity based portfolio is higher than fixed income based hence it is more suitable to invest in it.

As an analyst while investing it is important not to rely on a single ratio for your investment decisions. Other matrix also should be considered

8. DIFFERENCE BETWEEN SIP AND LUMP SUM

Parameters	SIP	Lump-sum Mutual Funds
Investment way	Regular	One time
Flexibility	High	Low
Cost	Less due to rupee cost averaging	High as the investment is done in a single transaction
Volatility	Less impact	More impact

9. FINDINGS

During this research work the following have been found:

- People fear taking risks but want high rate of returns.
- Young investors are tending towards mutual fund investments and preferring Systematic Investment Plans more than the aged investors
- Many investors start the investment process without considering the investment objectives and planning.
- Service holders generally prefer investments in fixed deposits, bonds, post offices whereas the group of businessmen or self-employed individuals is more inclined towards equity market.
- Systematic Investment Plan (SIP) is the best way for those who don't have a lump sum to invest. Systematic Investment Plan is expected to be lower than that for lump sum investment.
- Different mutual funds schemes have different risk.

10. CONCLUSION

After going through the questionnaire and analysis here we can conclude that mostly retail investors prefer sip because it is a flexible mode of investment and they have heard about sip mostly from their friends and family and investors believes in investing for 1 to 2 year. To choose portfolios one must compare it with different ratios and not rely only on one analysis. Retail investor who has less knowledge and want to diversify income by investing can always go through sip. This research will definitely encourage the retail investor to invest in SIP.

11. REFERENCE

- https://en.m.wikipedia.org/wiki/Systematic_Investment_Plan
- <https://groww.in/mutual-funds>
- Manoharan, T. G., & Nair, G. V. (2018). Equity Funds or Mutual Funds? Through the Lens of SIP and LIP. *International Journal of Pure and Applied Mathematics*, 118(20), 4177-4185.
- Roy, D., & Ghosh, K. (2011). The Scenario of investment in systematic Investment Plan (SIP) among the Retail Customers. *Global Journal of Finance and Economic Management*, 1(1), 49-62
-] Arathy, B., Nair, A. A., Anju Sai, P., & Pravitha, N. R. (2015). A Study on factors affecting investment on mutual funds and its preference of retail investors. *International Journal of Scientific and Research Publications*, 5(8), 1-4.
- Manoharan, T. G., & Nair, G. V. (2018). Equity Funds or Mutual Funds? Through the Lens of SIP and LIP. *International Journal of Pure and Applied Mathematics*, 118(20), 4177-4185.
- Raffaele Zenti, R. (2013). Are Lump Sum Investments Riskier than Systematic Investment Plans? Some Empirical Evidence. *Some Empirical Evidence* (October 17, 2013).
- Balamurugan, M. S., & Soundararajan, K. **STUDY ON INVESTOR BEHAVIOUR IN SYSTEMATIC INVESTMENT PLAN OF MUTUAL FUND.**