A Comparative Study on One Time Investment and Systematic Investment Plans in Mutual Fund at Religare Securities, Chennai

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Abstract- **The past few years Indian mutual fund received a wide range of popularity. Earlier only Unit Trust of India enjoyed the monopoly in this industry but with the passage of time many new players entered the market, due to which the Unit Trust of India monopoly breaks down and the industry faces a severe competition. As the time passes this industry has become a buzz word in the Indian financial system. So it is very important to know the investors' perception about this industry. The present study analyses the mutual fund investments in relation to investor's behavior. Opinion and perception of the investors regarding has been analyzed relevance to various issues like mutual fund scheme, main objective behind investing in mutual fund scheme, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry.**

INTRODUCTION

A mutual fund is a trust that pools the saving of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as of it offers and opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual fund is a concept of mutual help of subscribers for portfolio investment and management of these investments by experts in the field. These funds are setup under Indian Trust act.

In India only mutual fund operating for a long time since 1964 was UTI. It is an open-ended mutual fund, whose units can be sold and repurchased at any time. The public sector bank have setup mutual fund since 1987. Following an amendment to there banking regulation Act in 1983, Mutual funds have served investors well, and their rapid growth reflects their popularity. They might continue to be us popular as ever in future. But the situation appears to be changing. The change to date has gone almost unnoticed, and the impact is as yet small. Like a snowball rolling downhill, however this change appears to be gaining both speed and strength.

Portfolio managers concentrate their efforts on achieving the best possible trade-off between risk and return. For portfolios constructed from a fixed set of assets, the risk/return profile varies with the portfolio composition. Portfolios that maximize the return, given the risk, or, conversely, minimize the risk for the given return, are called optimal. Optimal portfolios define a line in the risk/return plane called the efficient frontier.

Portfolio may also have to meet additional requirements to be considered. Different investors have different levels of risk tolerance. Selecting the adequate portfolio for a particular investor is a difficult process. The portfolio manager can hedge the risk related to a particular portfolio along the efficient frontier with partial investment in risk-free assets. The definition of the capital allocation line, and finding where the final portfolio falls on this line, if at all, is a function of:

- The risk/return profile of each asset
- The risk-free rate
- The borrowing rate
- The degree of risk aversion characterizing an investor

The Financial Toolbox includes a set of portfolio optimization functions designed to find the portfolio that best meets investor requirements.

OBJECTIVES OF THE STUDY

Primary objective:

- A comparative study on one time investment and systematic investment in mutual fund.

Secondary objectives:

- To study the nature of mutual funds and analyze their returns.
- To evaluate the performance of the portfolio using Sharpe index.
- Identifying the best investment schemes on the bases of past 1 year performance of the schemes.
- To compare the actual performance with one time investment and systematic investment plan

SCOPE OF THE STUDY

The study will understand the nature and growth of different type of investments in mutual funds. This analysis will be help to identifying best mutual fund in market. Mutual funds offer various services to investors. First of all provides the investor convenience in investing. Mutual funds are very transparent in portfolio and net asset value discloser of various schemes on a daily basis. They provide good returns and liquidity along with the service of a professional fund manager. The various advantages available to an investor to invest in a mutual fund will help overall mutual fund industry to grow in the coming years. Investors are increasingly looking to mutual funds to plan in the financial life cycle and fine tune their risk return appetite.

Helped buy the secular decline in interest rates and a basket of innovative offerings, mutual funds managed to deliver returns that were substantially higher than what was available from alternative savings avenues such as fixed deposits. This led to the large scale migration of debt oriented mutual funds. Investors have to contend with two factors while framing an investment strategy. The first is that their returns should not enter negative territory. Thus the primary target is to actually earn some positive returns. Preferably returns should also beat inflation. Bank fixed deposits are yielding between 4.72-6% depending upon the bank that one goes on. Convert this return into absolute terms over a one month and a three month period and the figure comes to 0.44% and 1.33 respectively, those who want zero risk can use this but inflation might make the returns look worthless.

The overall goal throughout the book always the same- to help you, as an investor, make good investing decisions. To accomplish this you need factual information, and a clear understanding of the alternative available to you as an investor. Also very importantly, you need an objectives view of the overall situation that examines both sides of the issue. This will help investors to select right investment method for parking their long- term money and frequent investments.

NEED FOR THE STUDY

- To find out the return of the one time and systematic investment plans.
- Through that analysis to find out the best investment plan from the comparison statement.
- To suggest the customers which plan is suitable for their investment in future.

LIMITATIONS OF THE STUDY

- The mutual fund performance data taken from past record only
- The comparison of the mutual fund investments has been done only in the respective funds and schemes.
- The information taken from fact sheets and web sites only so its may are may not be original.

REVIEW OF LITERATURE

A mutual fund is a trust that pools the saving of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as of it offers and opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual fund is a

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Discover the origin of mutual fund investing
When three Boston securities executives pooled their money together in 1924 to create the first mutual fund, they had no idea how popular mutual funds would become. The idea of pooling money together for investing purposes starts in Europe in the mid-1800s. The first pooled fund in the U.S. was created in 1893 for the faculty and staff of Harvard University. On March 21 st, 1924 the first official mutual fund was born. It was called the Massachusetts investors Trust.
After one year, the Massachusetts investors Trust grew from $50,000 in asset in 1924 to $392,000 in assets (with around 200 shareholders). In contrast there are over 10, 000 mutual funds in the U.S today totaling around $7 trillion (with approximately 83 million individual investors) according to the investment company institute. The stock market crash of 1924 slow the growth of mutual fund. In response to the stock market crash, Congress passed the securities Act of 1933 and the Securities Exchange Act of 1934.These laws require that a fund be registered with the SEC and provides prospective investors with a prospectus. The SEC (U.S. Securities and Exchange Commission) helped create the investment company Act 1940 which provide the guidelines that all fund must company with today.
With renew confidence in the stock market, mutual funds began to blossom. By the end of the 1960s there were around 270 funds with $48 billion in assets in 1976, john. c.bogle opened the first retail index fund called the first Index Investment Trust. It is now called the vanguard 500 Index fund and in November of 2000 it became the largest mutual fund ever with $100 billion in asset.
One of the largest contributors of mutual fund was Individual Retirement Account (IRA) provision made in 1981,allowing individuals(including those already in corporate pension plans) to contribute $2,000 a year. Mutual funds are now popular bin employer-sponsored defined contribution retirement plans (401k), IRAs Roth IRAs. Mutual funds are very popular today, known for ease-of-use, liquidity, and unique diversification capabilities.

HISTORY OF THE INDIAN MUTUAL FUND INDUSTRY:
The mutual fund industry in India started in 1963 with the information of unit trust of India, at the initiative of the government of India and reserve Bank. The history of mutual funds in India can be broadly divided in to four distinct phases.

First phase-1964-1987:
Unit trust of India (UTI) was established on 1963 by an act parliament. It was set up by the reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1987 UTI was de-linked from the RBI and the industrial development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was unit scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management.

Second phases-1987-1993(entry of public sector funds):
1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual fund was the first non-UTI mutual fund established in June 1987 followed by bank mutual fund (Nov 89), Bank of India (June 1990), Bank while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs.47,004 cores.

Third phase-1993-2003(Entry of private sector funds):

With the entry of private sector funds in 1993,a anew era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families.Also,1993 was the year in which the first mutual Fund regulations came in to being, under which all mutual funds, except UTI were to be registered and government. The erstwhile Kotahri pioneer (now merged with franklin Templeton) was the first sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulation were substituted by a more comprehensive and revised Mutual fund Regulation in 1996.The industry now function under the SEBI (Mutual Fund) Regulation 1996.

The Number of mutual houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of january2003, there were 33 mutual funds with total assets of RS.1,21,805 crores. The unit Trust of India with Rs.44,541 crores of assets under management was way ahead of other mutual funds.

Fourth phase-since February 2003:

In February 2003, following the repeal of the unit trust of India Act 1963 UTI was bifurcated into two separate entities. One is the specified undertaking of the UTI with under management of rs.29,835 crore as at the end of January 2003,representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified undertaking of UTI, functioning under an administrator and under the rules framed by Government of India and does not come under preview of the mutual fund Regulatons. The second is the UTI Mutual Fund Ltd, sponsored by SBI,PNB,BOB and LIC.It is registered with SEBI and functions under the mutual Fund Regulations with bifurcation of the erstwhile UTI which had in march 2000 more than RS.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, Conforming to he SEBI Mutual fund Regulation, and with recent merges taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of September 2004,there were 20 funds, which manage assets of RS.153108 crores under 421 schemes. The Graph indicates the growth of assets over the years.

RESEARCH METHODOLOGY

Research methodology is the process of systematically carrying out the project. The research methodology adopted in this study includes the followings:

The research was Explorative in nature. Explorative research includes formulating a problem for more precise investigation of developing the working hypothesis from an operational point of view. The major purpose for using this research is to discover the ideas and insights.

RESEARCH DESIGN:

Research Design was adopted by the research or for the purpose of collecting and analysis of data in manner that aimed to combine relevant data along with economic infrastructure and time in mind. It was conceptual structure within which research conducted, collected, measured and analyzed.

DATA TYPE AND SOURCES:

The researcher has used *secondary data* for evaluation of portfolio return

SECONDARY DATA:

The sources for secondary data are taken one year NAVs from (2016-2017) and fact sheets, Books and websites. This data helped researcher to know about best investment plan portfolio performance.

ANALYTICAL TOOLS:

Sharpe measures:

The tools used for analysis are,

$$\text{SHARPE INDEX} = \frac{R_p - R_f}{\sigma}$$

R_p = Portfolio Return

R_f = Risk free Return

σ = Risk

$$\sigma = \quad SD = \frac{\sqrt{N\sum R_2{}^2 \sum -(R_1)^2}}{N^2}$$

DATA ANALYSIS AND INTERPRETATION

CALCULATION OF RETURN UNDER THE ONE TIME INVESTMENT AND SYSTEMATIC INVESTMENT PLAN

IF AMOUNT Rs. 12000 INVESTED FOR ONE YEAR

TABLE 3.1.1
UNDER ONE TIME INVESTMENT PLAN
BIRLA BALANCED FUND-INDEX

PERIOD	NAVS	no of UNITS
Apr-16	28.38	422.833
May-16	27.69	422.833
Jun-16	27.85	422.833
July-16	28.22	422.833
Aug-16	27.99	422.833
Sep-16	26.01	422.833
Oct-16	26.44	422.833
Nov-16	27.88	422.833
Dec-16	29.24	422.833
Jan-17	29.02	422.833
Feb-17	29.99	422.833
Mar-17	31.27	422.833
TOTAL		422.833

Total Return = Rs.13221.99
Total return= 10.18%
Rf = 8%
SD = 1.36%
Sharpe Index:

$$S_1 = \frac{R_p - R_f}{\sigma_p}$$

= 10.18-8/1.36
= 1.60

UNDER SYSTEMATIC INVESTMENT PLAN
BIRLA BALANCED FUND-INDEX

period	NAVs	no of UNITS
Apr-16	28.38	35.23608
May-16	27.69	36.11412
Jun-16	27.85	35.90664
July-16	28.22	35.43586
Aug-16	27.99	35.72705
Sep-16	26.01	38.44675
Oct-16	26.44	37.82148
Nov-16	27.88	35.86801
Dec-16	29.24	34.19973
Jan-17	29.02	34.45899
Feb-17	29.99	33.34445
Mar-17	31.27	31.97953
		424.5387

Total Return = Rs.13275
Total return: 10.63%
Rf = 8%
SD = 1.36%

Sharpe Index:

$$S_1 = \frac{R_p - R_f}{\sigma_p}$$

= 10.63-8/1.36
= 1.9

FINDINGS

- Systematic investment plan gives (10.63%) high return compare to one time investment plan(10.2%).
- The comparison of the two plans the systematic investment plan gives (21.9%) high return compare to one time investment plan (16.60%).
- Systematic investment plan gives (10.79%) high return compare to one time investment plan (8.65%)
- The comparison of the two plans the one time investment plan gives (10.63%) high return compare to Systematic investment plan (10.09%).
- The one time investment plan gives (11.422%) high return compare to Systematic investment plan (8.16%).
- The systematic investment plan gives (10.9%) high return compare to one time investment plan (10.9%).
- The systematic investment plan gives (18.44%) high return compare to one time investment plan (18.44%).
- The one time investment plan gives (10.01%) high return compare to Systematic investment plan (8.55%).
- The systematic investment plan gives (8.45%) high return compare to one time investment plan (8.28%).

SUGGESTIONS

The Portfolio performance of the systematic investment plan is much better than the one time investment plan performance. The following general suggestion may be of help to the investors.

- From the study most of the funds getting high return which is invested in the systematic investment plan
- If the market movement is continue going to be high, it is gives good return for lump sum

investors because they are having more no of shares. The same time systematic investors will get low profit reason for that is they will get minimum no of shares in every month.

- ❖ The one time investment gives low return only reason is that the no of shares they investing in is lower compare to systematic investment plan.
- ❖ I suggest that the customers should choose systematic investment plan is good for the good return.

CONCLUSION

Choosing best Investment plan is the important work for every investor. Such a evaluation of different mutual funs which is invested in both the plans. The portfolio performance is much better for the systematic investment plan performance when it is compared with one time investment plan performance. The return level is also good during monthly periods. The returns during the different period is also considerable the same. Hence some general suggestions of considering certain criteria like liquidity, growth, income etc in selection of portfolio will help in maintaining as well as increasing the portfolio performance.

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