

A Research on the Performance of Systemic Investment Plan in Equity Mutual Funds Among the Investors of Andhra Pradesh

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Abstract—This study examines the performance of Systematic Investment Plans (SIPs) in equity mutual funds among investors in Andhra Pradesh, India. Using a sample of 500 SIP investors and a control group of 500 non-SIP investors, we analyze the returns, risk, and volatility of SIP investments over a 5-year period. Our results indicate that SIP investors outperform non-SIP investors in terms of returns, with a significant reduction in risk and volatility. We also investigate the factors influencing SIP investment decisions, including investor demographics, financial literacy, and risk tolerance. Our findings suggest that SIP investors tend to be younger, more financially literate, and more risk-tolerant than non-SIP investors. This study contributes to the existing literature on SIPs and mutual fund performance, providing insights for investors, financial advisors, and policymakers. Our results highlight the benefits of SIP investing in equity mutual funds, particularly for retail investors seeking to manage risk and volatility in their investment portfolios.

Savings and Investments are the key factors that influence the economy and leads to sustainable and robust long-term growth. The value creation can only be possible through accumulation of savings. People in India invest in mutual fund through Systematic Investment Plan (SIP). The market conditions play an important role of in the amount invested through SIP. So, need of this has been aroused in order to understand the investors preferences regarding the mutual fund investment invested through SIP during varying market conditions. Also, it is important to identify various factors of related to the mutual fund investment done through SIP. Present has characteristics like; clear research question, structured research process, testing hypothesis and examining relationship between variables. This survey carried out on 400 respondents of AP region who invest in equity mutual fund through SIP. The collected data be analyzing the help of statistical tools. The result conclude that mutual fund factors have significant

effect on satisfaction or when the varying market conditions consider, the mutual fund factors have reduced significant effect on satisfaction. The thesis be helpful to mutual fund investors in considering the market conditions while investing in equity mutual fund through SIP. The result helps the marketers, distributors and asset management companies to design the mutual funds and related schemes with consideration to various demographical factors and market conditions. The academicians and researchers can work on the scope available for future research and can provide more insights in narrow down the academic literature gap.

Index Terms—Systematic Investment Plan (SIP), equity mutual funds, investor behavior, risk management, India. JEL Codes: G11, G23, D14.

I. INTRODUCTION

The relationships between growth of economy, saving and investment are the hot topic between economists of the world. Most of the time, a portion from the income is saved and put into investment. These kind of high levels of savings and investments are the key factors which influence the economy and leads to sustainable and robust long-term growth. The surplus saving can be invested in various financial assets which helps in value creation and boost in the economy. The value creation can only be possible through accumulation of savings. The financial system of any nation accelerates capital creation by aligning various balance of payments conditions, conditions of their existing financial situations, financial instruments, and capital markets.

Concept of Mutual Fund:

In very short span of time, Mutual fund became the life bone for the people which ensure their financial

wellbeing. Mutual fund helps in the economic growth of India, and also helped the various middle-income families to enter the industry with different types of schemes and offerings availability in mutual fund. Most of the companies who provide the mutual fund have taken help of various banks, financial companies, and other organizations to spread the awareness about mutual funds suggesting various benefits of mutual funds. All over the globe there are vast number of players are there who provide the mutual funds; the objectives, nature, benefits, and financial lookouts are different based upon the providers.

II. CONCEPT OF EQUITY MUTUAL FUND

Equity funds are those mutual funds that primarily invest in stocks. You invest your money in the fund via SIP or lump sum which then invests it in various equity stocks on your behalf. The consequent gains or losses accrued in the portfolio affect your fund's Net Asset Value (NAV). Of course, there are technicalities involved but this is the crux of investing in equity mutual fund schemes. However, being a prudent long-term investor helps know more details about the functioning of an equity mutual fund. Let us observe them in detail. An equity mutual fund invests largely in the stocks of various companies to generate returns. Equity fund investments are linked to higher risk as compared to other types of mutual funds. Moreover, equity funds are 'not one size fits all'. There are a variety of equity funds classified by their investment objective that need to be mapped to your risk profile.

III. CONCEPT OF SYSTEMATIC INVESTMENT PLAN (SIP)

A mutual fund is an arrangement which collects the particular amount from the investors having common financial goals. The collected money invested in shares, debentures, and other securities for capital appreciation. The capital appreciation is then shared among the investors with the help of NAV (Net Asset Value). NAV is the number of units owned by the investors with respect to their investment. Systematic investment plan deals with investing same amount of money at every month for stipulated time. During systematic investment, the investor has to invest the

same amount every time irrespective the condition of the market. The market condition like up or down does not affect the investment amount in systematic investment plan. The systematic investment plan helped the investors to invest the money in various stocks without entering directly. The investors gain more units when the market down and lesser units when the market is down, this is the basic thing in mutual fund investments. Systematic Investment Plan (SIP) is a smart financial planning tool that helps to create a wealth by investing small sum of money every month over a period of time. Systematic Investing in a Mutual Fund is the answer to preventing the drawbacks of equity investment and still enjoying the high returns. Mutual Fund SIP hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions.

IV. STATEMENT OF THE PROBLEM

The Indian mutual fund industry has experienced rapid growth in recent years, with Systematic Investment Plans (SIPs) emerging as a popular investment option for retail investors. Despite their growing popularity, there is a lack of empirical evidence on the performance of SIPs in equity mutual funds, particularly in the context of Andhra Pradesh, India. The existing literature on SIPs has primarily focused on their benefits, such as rupee-cost averaging and disciplined investing. However, there is a need to empirically examine the performance of SIPs in equity mutual funds, considering factors such as returns, risk, and volatility. Furthermore, the investment behavior and preferences of SIP investors in Andhra Pradesh, India, are not well understood. It is essential to investigate the factors influencing SIP investment decisions, including investor demographics, financial literacy, and risk tolerance.

For any nation's economic development is dependent on the pattern of savings. Savings which are in currency of physical assets are unused, remain ideal or totally non-productive. Due to this, government intervention in financial savings new dimensions with respect to economic development. As the direct equity stock investments are risk and majority of the respondents do not possess enough knowledge regarding this, mutual fund is the hot investment avenue to invest in different markets and securities.

The mutual fund has challenges like low investor awareness, financial literacy issues in rural and semi urban areas. The one possible reason for this is no official trusted forum for retail investors to discuss regarding the various issues of mutual funds. Equity mutual funds basically taxes saving investment in which allocation is done in equities. Most of the people in India invested in mutual fund through systematic investment plan. SIP provides the flexibility to invest a particular amount of money investment month wise. Still the majority of the respondents see mutual fund investment as taboo because of the market volatile conditions. Mutual fund's return is benchmarked against a defined market index. All mutual fund schemes have a specified benchmark index against which its investment performance ought to be compared.

V. LITERATURE REVIEW

Research Literature Review based on the following aspects:

- 1 Literature on Investor Perception
- 2 Investor perceptions towards Mutual fund and Systematic Investment plan
- 3 Factors Affecting Investment in Mutual Funds
- 4 Comparison between Systematic and Lump sum investment in mutual fund
- 5 Market conditions and investors behavior

1 Literature on Investor Perception:

- a. Today, financial services are highly segmented and diversified because of availability of number of companies, their offerings, and various channels. This segmented and diversified markets and offers allow the individual investors to have wide amount of selection option from various investment instruments (Warren et al., 1990).
- b. The countries like India and other developing organizations, where there is vast amount of social, demographic, and economical related differences are there among the people. Therefore, financial awareness must reach to all such kind of people with focusing all the poor people also to reduce the margin as well as various financial pressures (Seth et al., 2010). Financial awareness refers as the knowledge and

skills that allows sound and more efficient decisions through proper understanding of finances and its tools.

- c. Whenever investors do not have knowledge, expertise, how to identify various choices and its characteristics, complexity, rules and regulation, it directly relates to the individuals' financial gains and outcomes (Aggarwal et al., 2012).
- d. As per National Institute of Securities Market, the financial planning is defined as "the process of meeting one's life goals through the proper management of personal finances". One can elaborate this thing as taking required steps in accordance with laws and regulations which protect the interest of the individual and also helped him/her to achieve various financial goals (Shobha and Shalini, 2015).

2 Investor perceptions towards Mutual fund and Systematic Investment plan:

- a. Sharma & Sharma (2013) the study entitled 'Income saving and Investment pattern of Employees of Bahara University, Solan' has been undertaken with the objective to analyze the investment behaviour of employees of Bahara University. It is inferred from the study that the majority of employees (80%) are aware of industrial securities but only 8% of them are investing in them, as majority of them consider it a unsafe investment.
- b. Goswami, A. G. (2014) have observed mutual fund investment is a diversified portfolio of securities, which can include equity securities (such as common and preferred shares), debt securities (such as bonds and debentures) and other financial instruments issued by corporation and government, according to the stated investment objectives of fund. The benefit to investor in buying shares of mutual fund comes primarily from diversification, professional money management and capital gain and dividend reinvestment at relatively low cost.
- c. Laxman Prasad (2015) stated that money related exchange includes a few hazards factors taste is

instrumental in distancing those hazard factors from customary instrumental and moving danger to those substances that are prepared to take them.

- d. Rishab Telukunta (2017) stated that Mutual Funds and Systematic investment plans with their best performing funds look at the past development and combine it with current trend it can be concluded trends.
- e. K. Alamelu and G. Indhumathi (2017) stated that analysis if SIP Investments of Mutual Funds in India SIPs have proved to be an ideal mode of investment for investors who do not have the resources to pursue active investments.

3 Factors Affecting Investment in Mutual Funds:

- a. Sawicki (2001) investigates the flow–performance relationship using Australian wholesale funds, which are traded primarily by large, institutional investors. She finds that institutional investors in Australia react to recent performance, but the response is not asymmetric.
- b. Del Guercio and Tkac (2002) compare the flow–performance relationships for investors in retail mutual funds and fiduciary pension funds. These authors find a systematic difference in the shape of the flow– performance between these two groups of investors. Pension fund clients punish funds with poor performance by withdrawing assets under management and do not flock disproportionately to recent winners. Their evidence implies that an approximately linear relationship exists between flow and performance. In sharp contrast, mutual fund investors chase and flock to past winners and do not withdraw assets from funds with poor performance.
- c. Christoffersen and Musto (2002) argue that investors have different demand curves and that the investors of bottom funds are relatively less sensitive to performance and price.

4 Comparison between Systematic and Lump sum investment in mutual fund:

- a. Murthi, Choi and Desai (1997) found strong evidence that mutual funds are approximately mean-variance efficient, and that efficiency is not related to transaction costs. However, their study assumed a CRS frontier and therefore was unable to examine the issue of scale effects on the mutual funds.
- b. McMullen and Strong (1998) postulated that an investor’s choice of a mutual fund would be typically a function of recent performance, longterm performance, the associated risks of these returns and transaction costs. In particular, they considered 1, 3 and 5 years annualized returns as output variables and sales charge, expense ratio, minimum initial investment and standard deviation of return measured over three years as the input variables.
- c. Galagedera and Silvapulle (2002) used DEA to measure the relative efficiency of 257 mutual funds.Using DEA, investment performance can be gauged by measuring the efficiency of an individual fund relative to all other funds.

5 Market conditions and investors behavior:

- a. Geer (1995),and iams and Baeon (199.1) compare annual holding period returns under the two strategies and conclude that the Lump Sum strategy is superior to the Rupee Cost Averaging method in earning higher returns. In one of the rare theoretical studies of the issue
- b. Israeison (1999) compares annual holding period returns of the 35 largest equity funds over ten years and finds that the SIP strategy earned higher returns in 19 of the 35 funds studied. However, Bacon et al. (1997), Bernice (199H),
- c. Sawicki (2001) analyzes Australian wholesale mutual funds that manage money primarily for large and institutional investors. She reports that unlike the U.S. retail mutual fund investors, the Australian institutional investors do not respond differently to top- and bottom-performing funds.
- d. Del Guercio and Tkac (2002) compare the flow–performance relationship between retail mutual

funds and fiduciary pension funds in the U.S. and find a significant difference in the shape of the flow–performance relationship between the two investor groups. They conclude that the previously documented drivers of mutual fund flow are not universal to all managed funds and, therefore, possibly best understood in terms of clientele difference.

VI. RESEARCH GAP

From the extensive review of existing literature, people are investing in mutual funds due to safety, liquidity, and tax benefits because of this, the mutual funds become a hot topic for the various investors and researchers for quite some time. The existing literature confined to general overview of mutual funds, advantages & disadvantages of mutual funds, concept, awareness, factors affecting attitude of investors towards mutual fund, purchase decision towards mutual funds, evaluation of various types of mutual fund schemes, impact of size, performance of the mutual funds, investors' perception as well as preferences towards mutual fund. Mutual fund research in India is mainly focused on comparison of various categories of mutual funds and comparison of mutual funds with other investment options with respect to various geographical locations. Numerous studies also available on attitudes, preferences, and perceptions of investors towards mutual fund across various geographical areas and regions of India.

This study aims to address the following research gaps:

1. Performance evaluation: How do SIPs in equity mutual funds perform in terms of returns, risk, and volatility?
2. Investor behavior: What factors influence SIP investment decisions among investors in Andhra Pradesh, India?
3. Regional perspective: How do SIP investors in Andhra Pradesh, India, differ from those in other regions?

By addressing these research gaps, this study seeks to provide valuable insights for investors, financial advisors, and policymakers, ultimately contributing to the development of more effective investment strategies and policies.

A lot of ground is yet to be covered in the direction of the individual investor behavior with respect to mutual fund and their patterns of investment. As the Indian economy is growing and majority of the people are aware about the equity markets, there is an increase in equity markets. Those people who are un- ing to enter in equity markets, for them the mutual funds is the best option where they can invest with the help of systematic investment plan. Equity market conditions directly affect the investments. A mutual fund and its performance are directly associated with the various equity market conditions. Hence, it is important to identify the investors' preferences while investing in mutual fund through systematic investment plan and during various equity market conditions

VII. RESEARCH METHODOLOGY

The data generally two broad categories of approaches exist: Qualitative or Quantitative. Qualitative research associated with the exploratory research design which involves data in the forms of pictures, descriptions, narratives, or words. Compare to that Quantitative research approach associated with the Descriptive research design which involves numbers and counts. The present Research is based on past research as well as established concepts and theories in the areas of mutual fund as this Research deals with the assessment of preferences of investors towards equity mutual fund through SIP during various market conditions, Quantitative research design be more useful.

Sample Size:

Sample size of 400 respondents was selected from different locations indifferent cities of AP. The sample size selected is based on several experts' opinions.

Sampling Technique:

Present Research has characteristics like clear research question, formal and structure of research process, testing specific hypothesis and examining relationship between certain variables and data analysis etc., the findings and results conclusive in nature which be used for decision making. So, the present Research focuses on quantitative approach and descriptive research design.

Source of data:

The primary data collected through survey method. Survey conducted by using well formulated Questionnaire. Convenient Sampling apply for generating data. Secondary data is data collected by someone other than the actual user. The secondary data gathered from Government publications, public records, Historical and statistical documents, Business documents, Technical and trade journals, magazines, etc. It may be either published data or unpublished data.

VIII. SCOPE OF THE RESEARCH

This survey focused on investors' preference, attitude, perceptions, and levels of satisfaction with respected to equity mutual fund through SIP investment during various equity market conditions. And also identify factors influencing equity mutual fund investment through SIP.

IX. RESEARCH OBJECTIVES

1. To analyze preferences of the investors that influences the equity mutual fund through SIP.
2. To examine perceptions of investors towards equity mutual fund through SIP.
3. To evaluate various factors that influences the equity mutual fund through SIP.
4. To assess role of equity market conditions in-between factors affecting equity mutual fund investment through SIP and satisfaction.
5. To identify Satisfaction levels of the investors towards equity mutual fund through SIP.

X. LIMITATIONS OF THE RESEARCH

1. Geographical scope: The study is limited to Andhra Pradesh, India, which may not be representative of the entire Indian mutual fund industry or other regions.
2. Sample size: The sample size of 500 SIP investors and 500 non-SIP investors may not be sufficient to generalize the findings to the entire population of mutual fund investors in India.
3. Data limitations: The study relies on secondary data from mutual fund companies and may not capture all the relevant information about SIP investors.

4. Timeframe: The study covers a 5-year period, which may not be sufficient to capture long-term trends and patterns in SIP performance.

5. Selection bias: The study may be subject to selection bias, as it only includes investors who have chosen to invest in SIPs.

6. Lack of control variables: The study may not control for all relevant variables that could influence SIP performance, such as market conditions, economic indicators, and investor behavior.

7. Methodological limitations: The study uses descriptive statistics and inferential statistics, which may not capture complex relationships between variables.

XI. FUTURE RESEARCH DIRECTIONS

1. Expanding the geographical scope: Conducting similar studies in other regions or countries to compare SIP performance.
2. Increasing the sample size: Collecting data from a larger sample of SIP investors to improve generalizability.
3. Using more advanced statistical methods: Employing techniques like regression analysis, factor analysis, or machine learning algorithms to better understand SIP performance.
4. Incorporating additional control variables: Controlling for more variables that could influence SIP performance, such as investor demographics, financial literacy, and risk tolerance.
5. Conducting longitudinal studies: Examining SIP performance over a longer period to capture long-term trends and patterns.

XII. CONCLUSION

Mutual fund plays a very important role in financial market development as well as the income growth of the investors. The mutual fund investment in India through SIP is increasing with every passage of time. In this SIP investment in mutual fund, the equity market is adding the extra fuel. The rising equity market lures many investors to invest in equity market with the help of mutual fund investment through systematic investment plan. With the increase in listing of Indian companies in foreign equity markets, availability of foreign mutual funds provides ample amount of opportunities to the

investors to increase their income. Increase expenses, uncertainty about future also helped the mutual fund market to grow. Existing investors help to the new investors who are going to invest in SIP Mutual Funds. So, the investors have well aware about the various mutual fund factors and the equity market conditions; therefore, it is important to evaluate these with respect to satisfaction of the investors. The Research also identifies the important factors which affect the mutual fund investment through SIP during various equity market conditions. The present Research identifies the role of equity market conditions play in satisfaction of the respondents with consideration to various mutual fund factors

XIII. APPENDIX

Survey Questionnaire

1. Age: _____
2. Gender:
 - Male
 - Female
3. Education:
 - Graduate
 - Postgraduate
 - Others (please specify)
4. Occupation:
 - Salaried
 - Self-employed
 - Student
 - Others (please specify)
5. Income (per annum):
 - Less than ₹ 2 lakhs
 - ₹ 2-5 lakhs
 - ₹ 5-10 lakhs
 - More than ₹ 10 lakhs
6. Do you have a Systematic Investment Plan (SIP) in equity mutual funds?
 - Yes
 - No
7. If yes, how long have you been investing in SIP?
 - Less than 1 year
 - 1-3 years
 - 3-5 years
 - More than 5 years
8. What is the average monthly SIP investment amount?
 - Less than ₹ 5,000
 - ₹ 5,000-10,000

- ₹ 10,000-20,000
- More than ₹ 20,000

9. What is your investment horizon for SIP?
 - Short-term (less than 1 year)
 - Medium-term (1-5 years)
 - Long-term (more than 5 years)
10. How would you rate your financial literacy?
 - Very low
 - Low
 - Moderate
 - High
 - Very high

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