

ANALYSIS OF INVESTMENT IN MUTUAL FUND THROUGH SYSTEMATIC INVESTMENT PLANNING-A SMART INVESTOR

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Abstract: Systematic Investment Plan (SIP) has emerged as an alternative investment plan for a large number of investors interested in high returns but less risk with investments in instalments. The purpose of the study is to find out the motivating factor to invest in systematic investment plan and the problem in this scheme. Data have been collected from secondary sources. Collected data were analysed using various statistical tools. Results of the study found that for higher return with low risk the investor motivates to invest in systematic investment plan on the other hand knowledge and operational platform is one of the main barriers that investors are facing in the scheme.

Keywords: Systematic Investment Plan, Investor, High Return, Risk, Investment.

INTRODUCTION

Markets all over the world are prone to volatility which is proved by the movements in stock markets in the past. Investors invest in stock markets with some objective in mind. In doing so, there is always a dilemma in investors' mind that ponders over the right time to invest. Many investors keep waiting for the markets to come down and a lot of times, markets move in just the opposite direction leaving such investors with no option but to keep their money idle or to invest at even higher.

CONCEPT OF SYSTEMATIC INVESTMENT PLAN (SIP)

Just like banks and Post office offers recurring deposit schemes, mutual funds offer an SIP option. Investors opting for an SIP option commit investing a pre-specified sum of money at regular intervals (generally every month) in a particular mutual fund scheme. Each periodic investment entitles investors to receive units of that mutual fund scheme, which is subject to its NAV prevailing at that time.

SIP option is available for all types of funds. This arises the need for investors to do a little homework in order to get the maximum returns out of their investment.

- **DETERMINING THE INVESTMENT SURPLUS:** Investors should estimate the amount that they can afford to invest on a periodical basis. Investors should be conservative while making this estimate as an over-estimated periodical investment amount may turn out to be a burden for investors.
- **MATCHING PERIODICITY TO FUND FLOWS:** SIPs are available in monthly and quarterly options. Investors should opt for an option that is in tandem with the periodicity of cash inflows.
- **SELECTING AN APPROPRIATE SCHEME CATEGORY:** Before investing investors should take the risk-return profile of a scheme into consideration. Investors should choose a scheme that suits their investment objective. For example: Equity funds are recommended to investors who have a high risk-taking capacity, debt funds for risk-averse investors and balanced funds for investors with moderate risk-taking capacity.
- **PERFORMING FUND MANAGER:** All fund schemes are managed by a fund manager. Investors should select a scheme which is managed by a proven and successful fund manager. However, past performances do not assure good returns in the future, but do form a basis for decision making.
- **IGNORE THE MARKET SWINGS:** In the short term, sentiments drive the movements in the market. Therefore, investors should not let a short-term correction or fall in the markets bother them. As long as the long-term prospects are intact, the investments are safe.
- **PERIODICAL REVIEW OF INVESTMENTS:** After selecting an appropriate scheme and making investment in it, investors should continuously monitor the performance of similar schemes to the one in which the investment is done. This enables investors to compare the performance of their scheme with corresponding schemes and make necessary adjustments, if required.

OBJECTIVES OF THE STUDY

- To understand the concept of investment plan in mutual fund.
- To study the benefits of SIP.
- To find out the preference of the investors for Asset Management Company.
- To know the preference of the portfolios.
- To know why one has invested or not invested in mutual fund.

RESEARCH METHODOLOGY

SECONDARY DATA:

The secondary data was collected form already published sources such as previous journals, reference books and websites.

B).TOOLS AND TECHNIQUES: Retrun, Risk, Sharpe and Treynor ratio

LITERATURE REVIEW

Debalina Roy and Koushik Ghosh(JAN 2011), “The Scenario of Investment in Systematic Investment Plan (SIP) among the Retail Customers” ,global journal of finance and economic management,volume 1,issue 1,page no 49-62.

In the present work they have studied how the investment in mutual funds through Systematic Investment Plan (SIP) can gain momentum and increase percentage of income. Investigations are also performed to find out what percentage of bank customers invest in mutual funds especially through SIP with specific reference to HDFC Bank, Shyambazar Branch, and Kolkata, India. Sample study also suggests that young investors are tending towards mutual fund investments and preferring SIPs more than the aged investors.

Y Prabhavathi and N T Krishna Kishore(2013), “Investor’s preferences towards Mutual Fund and Future Investments: A Case study of India”,international journal of scientific andresearch publications, volume 3,issue11,page no 2250-3153.

The advent of Mutual Funds changed the way the world invested their money. The start of Mutual Funds gave an opportunity to the common man to hope of high returns from their investments when compared to other traditional sources of investment .The main focus of the study is to understand the attitude, awareness and preferences of mutual fund investors.

SBI MAGNUM EQUITY FUND PERFORMANCE:

Date	SBI Return	Average	Difference	D*D
30-Jun-19				
30-Jul-19	0.79	0.34	0.45	0.20
30-Aug-19	-3.14	0.34	-3.48	12.13
30-Sep-19	0.14	0.34	-0.20	0.04
30-Oct-19	1.53	0.34	1.19	1.41
30-Nov-19	-0.18	0.34	-0.52	0.27
30-Dec-19	-0.93	0.34	-1.27	1.61
29-Jan-20	-5.27	0.34	-5.61	31.49
29-Feb-20	-6.51	0.34	-6.85	46.88
31-Mar-20	12.20	0.34	11.86	140.65
29-Apr-20	1.63	0.34	1.29	1.65
30-May-20	3.45	0.34	3.11	9.70
	3.70			246.03

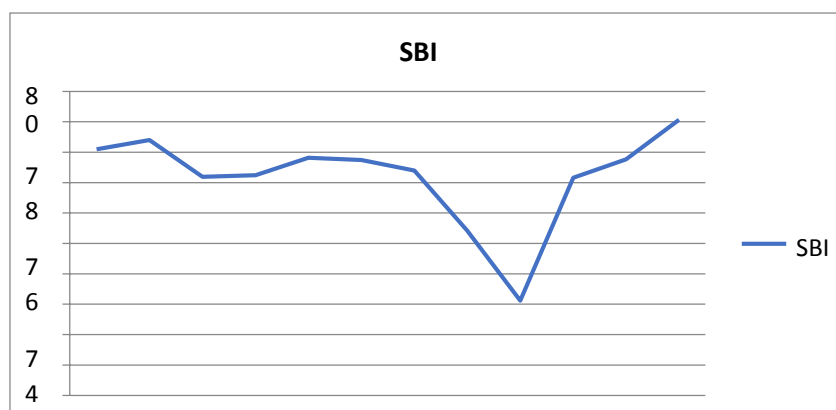
Average return= -0.34

Risk= $\sqrt{\sum D^2/(n-1)}$ = 4.73

Annualized standard deviation=18.38 Sharpe ratio=-0.05

Beta= 1.01

Treynor ratio= 0.25



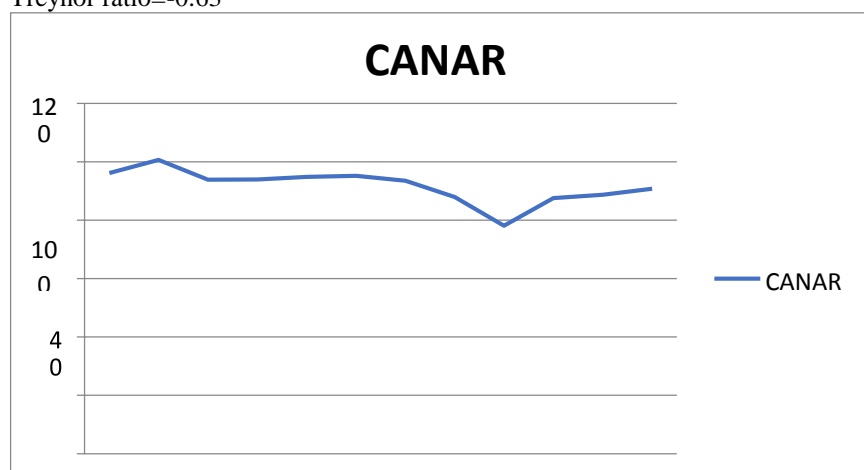
INTERPRETATION

The above graph SBI MAGNUM EQUITY FUND shows one year NAV trend started in the month of 01 June 2019 and it gives the lot fluctuations in till 31 May 2020

CANARA ROBECO EQUITY DIVERSIFIED FUND:

Date	Canara Return	Average	Difference	D*D
30-Jun-19				
30-Jul-19	4.64	-0.35	4.99	24.86
30-Aug-19	-6.78	-0.35	-6.43	41.40
30-Sep-19	0.18	-0.35	0.53	0.28
30-Oct-19	0.86	-0.35	1.21	1.47
30-Nov-19	0.38	-0.35	0.73	0.53
30-Dec-19	-1.73	-0.35	-1.38	1.91
29-Jan-20	-5.92	-0.35	-5.57	31.06
29-Feb-20	-11.22	-0.35	-10.87	118.10
31-Mar-20	12.18	-0.35	12.51	176.52
29-Apr-20	1.34	-0.35	1.69	2.84
30-May-20	2.21	-0.35	2.56	6.54
	-3.90			385.51

Average return=-0.35 Standard deviation=5.92
Annualized standard deviation=20.51 Sharpe ratio= -0.07
Beta=0.69
Treyner ratio=-0.63



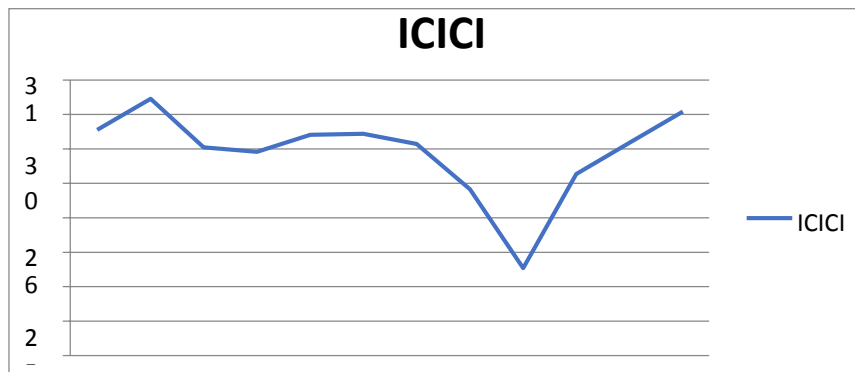
INTERPRETATION

The above graph CANARA EQUITY FUND shows one year NAV trend started in the month of 01 June 2019 and it gives the lot fluctuations in till 31 May 2020

ICICI PRUDENTIAL FOCUSED BLUE CHIP EQUITY FUND

Date	ICICI Return	Average	Difference	D*D
30-Jun-19				
30-Jul-19	3.04	0.28	2.76	7.64
30-Aug-19	-4.63	0.28	-4.91	24.10
30-Sep-19	-0.45	0.28	-0.73	0.53
30-Oct-19	1.73	0.28	1.45	2.10
30-Nov-19	0.10	0.28	-0.18	0.03
30-Dec-19	-1.02	0.28	-1.30	1.69
29-Jan-20	-4.49	0.28	-4.77	22.79
29-Feb-20	-8.23	0.28	-8.51	72.34
31-Mar-20	10.68	0.28	10.40	108.26
29-Apr-20	3.22	0.28	2.94	8.63
30-May-20	3.08	0.28	2.80	7.86
	3.05			255.98

Average return=0.28 Standard deviation=4.28
Annualized standard deviation=18.71 Sharpe ratio=-0.04
Beta= 0.88 Treynor ratio=0.22



INTERPRETATION

The above graph ICICI BLUE CHIP EQUITY FUND shows one year NAV trend started in the month of 01 June 2019 and it gives the lot fluctuations in till 01 May 2020

RISK, RETURN AND PERFORMANCE ANALYSIS OF ALL THREE SELECTED EQUITY FUNDS

		NIFTY	SBI	Canara	ICICI
Total Returns		-3.60%	1.71%	-11.80%	-0.24%
Out Performance			-5.31%	8.21%	-3.36%
Std(Daily)		1.06%	1.03%	1.27%	1.03%
Std(annualized)		12.70%	12.30%	17.20%	12.30%
Risk Free Return	8.50%				
beta			0.5	0.6	0.51
Std of O/p Daily			0.24%	0.19%	0.17%
Std of O/p Annualized			18.40%	22.86%	14.63%
Sharpe Ratio			1.66462	-9.2939	-0.23
Treynor Ratio			-0.1357	-0.1967	-0.0046

FINDINGS

1. RANK 1: SBI MAGNUM FUND: Has given the Maximum Positive returns for the period.
2. RANK 2: ICICI BLUE CHIP FUND (ICICI fund has given the negative returns with - 0.24% for the given period.
3. RANK 3: CANARA FUND has given maximum negative returns

SUGGESTIONS

The returns generated by the equity funds are negative where in the returns generated by Debt funds are only 6% to 8%. So I can

suggest the investor to invest to DEBT mutual funds they are safe and secure.

CONCLUSION

Though the risk is higher for investing in Equity Mutual Funds, they can only provide excellent returns when compare to debt market mutual Funds. The investors who are willing to take higher risk for higher returns can choose Equity funds, where as risk averse investors would prefer to choose debt market funds.

- In case of Bull Market, Equity Funds offer great returns.
- In case of bad phase of the economy, Debt funds offer stable returns with capital protection.

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