

FACTORS INFLUENCING PERCEPTION OF INVESTORS TOWARDS (SIP) SCHEMES OF MUTUAL FUNDS: AN ANALYTICAL STUDY OF RETAIL INVESTORS

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ABSTRACT

Investing is a crucial component of financial planning, and for retail investors, the choice of investment vehicles is vast and often complex. In recent past, systematic Investment schemes are becoming popular among small investors. This paper focuses on the factors influencing retail investors' inclination towards (SIPs) in mutual funds. SIPs, characterized by consistent and incremental investments, have gained significant traction among global retail investors. This empirical study investigates the multitude of determinants that influence their decision-making, focusing on both extrinsic and intrinsic motivations, demographic attributes, trust in financial institutions, and the evolving role of technology. The paper also incorporates insights from behavioral finance, especially concerning loss aversion and the commitment mechanism. Present paper is attempted to evaluate the perception towards SIP schemes, introduced by MFs Companies in India.

Keywords: *Mutual Funds, SIP, Retail Investors, Financial Institutions, Decision-Making.*

Introduction

The financial world, with its array of investment vehicles, provides a platform for investors to multiply their wealth and secure their financial future. Among these vehicles, best choice of investor are MFs, democratizing investment opportunities for both seasoned and novice investors alike. One particular method that has seen significant traction in the area of Mutual Funds is the Systematic Investment Plan. This modus operandi, characterized by its disciplined, regular, and incremental investments, is gaining attention from retail investors globally. Despite its rising popularity, there remains a critical question: What influences an investor's inclination towards SIPs in mutual funds? This investigation provides an empirical analysis of retail investors to unearth the multitude of factors that sway their decision-making process concerning SIPs. People have several industries to invest in, but they earn less owing to lack of awareness about opportunities and diversification. Mutual funds diversify and pool money. Some individuals have trouble making one-time investments, thus mutual fund SIPs assist. Small and ordinary investors cannot invest lump-sum money in the stock market, but mutual firms provide systematic investment strategies. This helps small investors accumulate money in modest payments and reduce market risk. Every human being has their different mindset to invest and save their money. saving and investing is not only their goal, but significant growth in saving and investment is the basic goal of every person. Growth in investment without higher risk is the ultimate objective of planned investor, Mutual fund systematic plan helps them to attain such objectives. Mutual fund companies provide customized schemes to small investors and update them with potential risk and return associated with the income. There schemes by the mutual funds help investors to fulfill their dream or goals of growth in their money. When it comes to saving and investing their money, every single human being has a unique way of thinking. Not only is it their objective to save and invest, but it is also the fundamental objective of every individual to achieve considerable increase in their savings and investments. One of

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the ultimate goals of planned investors is to achieve growth in their investments without taking on additional risk. Mutual fund systematic plan assists these investors in achieving their goals successfully. Companies that look after all the avenues that mutual funds provide individualized investment plans to small participants and keep updating them about the possible risks and returns connected with the income they get. These plans offered by mutual funds assist investors in realizing their dreams or achieving their aims of increasing the value of their money. In order to invest in the stock market, one must have a certain level of financial literacy, even if they have specialized expertise. However, some financial literacy is necessary for mutual funds is more extensive. Small investors have access to solutions that allow them to track swings in the stock market, which requires particular attention and effort. Mutual funds supply these solutions. In the present research, an effort is made to comprehend and shed some light on these problematic concerns and Factors affecting inclination of Investors towards Mutual Funds - Systematic Investment Plans (SIP).

Review of Literature

New investment schemes offered by financial intermediaries that pool investors' money to purchase various financial securities. They can be classified into open-ended, closed-end, and unit investment trusts, with main categories including stock or equity funds, bonds or fixed-income funds, money market funds, and hybrid funds (Kumar, 2014). A mutual fund is a scientifically managed fund that focuses on collection of funds, growth of funds and most importantly investors fund safety. Mutual funds are trusts that pool the savings of investors and invest in capital market instruments. The income generated and divided among its unit holders (Shah, 2018). The area of behavioral finance provides insights into the intricate nature of investment choices. Investors generally gain through their expected gains and probable losses. Peer influence largely have its impact on investors choices, especially among retail investor communities (Sarkar et al., 2020). The impact of FIs and advisors on investment choices is paramount. According to Ritzer-Angerer (2019) trust in financial institutions plays an indispensable role to find investment choices. As mutual funds and SIPs are often facilitated by financial intermediaries, the perceived credibility and trustworthiness of these institutions can significantly influence an investor's decision. Various studies have underscored this trust, indicating that institutions with a history of transparency, consistent communication, and ethical practices have a higher likelihood of attracting and retaining retail investors for SIPs. The broader economic environment and regulatory landscape can also be determinants in shaping investors' choices (Covi, 2016). During periods of economic uncertainty or market downturns, the allure of SIPs might increase given their potential to mitigate short-term market volatilities. Moreover, regulatory changes promoting transparency, investor protection, and financial literacy can bolster the appeal SIPs. Research has consistently shown that a conducive regulatory environment, which prioritizes investor interests, can propel the growth of mutual fund investments, including SIPs. With the advent of fintech and the proliferation of digital platforms, technology play important factor in investment decisions (Setiawan et al., 2020). Investor rely more on mutual funds rather than other avenues available for saving and investment. Knowledge about market is provided by advisors and Asset management companies (Mehta, S., & Shah, C., 2012). Mutual funds help in overcoming the pitfalls that are faced by investor in other avenues. Study reveals that mutual funds are best suitable to common man (Agrawal, G., & Jain, M. 2013). The ease of online transactions, digital financial advisors, and robo-advisory platforms have revolutionized the way retail investors interact with various investment options, including SIPs. Technology has not only democratized access to information but also simplified the investment process, making SIPs more accessible and appealing to a broader audience, especially the tech-savvy younger generation. The global context provides valuable insights into how various economic environments respond to such investment strategies. Emerging markets, where there is potential for significant economic growth but also increased volatility, SIPs offer a balanced investment avenue. Their systematic nature allows investors to potentially leverage the growth while averaging out the inherent risks. It is clear from the expansion of mutual fund schemes that they are a magnet for small-scale investors. Investors' views on market risk and return are shifted by the innovative mutual fund schemes (Singal, V. S., & Manrai, R. 2018). MFs programs provide many opportunities to accumulate and increase wealth. Investors choose for mutual funds (MFs) as a means to diversify their investment portfolios and achieve their objectives, even without extensive understanding of market fluctuations (Acharya, K. K., & Das, K. K., 2017). The risk exposure varies across different mutual fund schemes, providing investors with a sense of security, as well as potential tax advantages (Zanvar, P., & Bhola, S. S., 2016). As the financial landscape continues to evolve, understanding these myriad factors becomes pivotal for both academia and the financial industry to better cater to the needs and preferences of retail investors.

Objectives

- To know the factors which stimulate the inclination of Investors towards (SIPs) schemes.
- To know the impact of different factors on retail investor's investment plans.

Methodology

Study survey was conducted among 200 retail investors to find the factors which stimulate the inclination of Investors towards (SIPs) schemes and to identify the impact of different factors on retail investor's investment plans. "Random sampling method" and "Factor Analysis" were used to collect and analyze the data.

Data Analysis

In the total population of study survey males are 61.5% and females are 38.5%. 28.0% belong to below 40 years, 41.5% comes under the age 40-45 years and rest 30.5% are above 45 years of age. 27.0 % are having monthly income of below 5 Lac, 39.5% are earning 5-10 Lac and rest 33.5% are having the monthly income of above 10 lacs.

Table 1: General Details of Respondents

Variables	Respondents	Percentage
Male	123	61.5
Female	77	38.5
Total	200	100
Age (years)		
Below 40	56	28.0
40-45	83	41.5
Above 45	61	30.5
Total	200	100
Monthly Income		
Below 5 Lac	54	27.0
5-10 Lac	79	39.5
Above 10 Lac	67	33.5
Total	200	100

Table 2: Factors that affects the inclination of Investors perception to SIPs

S. No.	"Statements"	Mean Value	t value	Sig.
1.	Periodic and consistent nature of SIPs affect investor's decisions based on short-term market fluctuations	3.21	3.022	0.001
2.	Past gain and loss of mutual funds plays a role in investor decision-making process	3.14	2.028	0.022
3.	Investors influenced by apparent gains rather than potential losses	3.19	2.795	0.003
4.	Peer influence plays central role in influencing decisions of retail investors	3.15	2.162	0.016
5.	Advice and recommendations of financial professionals is utmost significant for retail investment decisions	3.20	2.930	0.002
6.	Demographic factors play crucial roles in influencing investment decisions	3.17	2.449	0.008
7.	Perceived credibility and trustworthiness of financial intermediaries influence investor's decision	3.18	2.618	0.005
8.	Broader economic environment and regulatory landscape shapes investors' choices	3.16	2.337	0.010
9.	Ease of online transactions, digital financial advisors, and robo-advisory platforms inclines investors	3.19	2.742	0.003
10.	Retail investors prefer to avoid losses as compare to acquiring equivalent gains	3.14	2.056	0.021

Table 2 is showing different factors that affects the inclination of Investors towards schemes of funds. The respondent says that Periodic and consistent nature of SIPs affect investor's decisions on short-term market fluctuations with mean value 3.21, Advice and recommendations of financial professionals is important for retail investment decisions with mean value 3.20, Investors rely decisions on perceived gains rather than potential losses with mean value 3.19 and Ease of online transactions, digital financial advisors, and robo-advisory platforms inclines investors with mean value 3.19. The respondent shares that Perceived credibility and trustworthiness of financial institutions influence investor's decision with mean value 3.18, Demographic factors play crucial roles in influencing investment decisions with mean value 3.17 and extended environment of financial situation and regulatory landscape shapes investors' choices with mean value 3.16. The respondent also says that Peer influence generally influence decisions of retail investors with mean value 3.15, Past performance of MFs plays a role in investor decision-making process and Retail investors prefer to avoid losses as compare to acquiring equivalent gains with mean value 3.14. All statements pertaining to inclination of investing people towards MFs exhibit statistical significance, with p-values below 0.05 following the application of a t-test.

Conclusion

The rising popularity of SIPs among retail investors is major factors ranging from individual demographics to broader market dynamics. This analysis has underscored the pivotal role of personal motivations, trust in financial intermediaries, technological advancements, and behavioral inclinations in deciding the investment decisions of retail investors. Notably, SIPs attract lot of investors, especially those seeking a disciplined investment avenue and those looking to hedge against market volatility. As the financial world evolving swiftly, staying attuned to these determinants vital financial institutions aiming to tailor their offerings effectively. Prospective investors can harness this knowledge to make systematic analyzed choices, aligning their investment strategies with their individual goals and the prevailing financial environment. The

periodic and consistent nature of SIPs, Advice and recommendations of financial professionals, perceived gains, Ease of online transactions, digital financial advisors, and robo-advisory platforms, Perceived credibility and trustworthiness of financial institutions, Demographic factors, Broader economic environment and regulatory landscape, Peer influence, previous experience of up or downs of mutual funds, Retail investors prefer to avoid losses and generally try to take benefit of up slides in terms of income.

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