A

PROJECT REPORT

ON

# "AN EVALUATIVE STUDY OF SIP AS AN INVESTMENT AVENUE"

A PROJECT SUBMITTED TO

UNIVERSITY OF MUMBAI IN PARTIAL COMPLETION OF

THE DEGREE

OF BACHELOR OF ACCOUNTING AND FINANCE

UNDER THE FACULTY OF COMMERCE

BY

SUSHAN. S SHETTY

(TYBAF)

UNDER THE GUIDA[illegible]

PROF. SAHANA RAV[illegible]

SUBMITTED TO

BUNTS SANGHA'S

S.M. SHETTY COLLEGE OF SCIENCE, COMMERCE AND

MANAGEMENT STUDIES

POWAI-400076

MARCH, 2022

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Bunts Sangha's
S.M. Shetty College of Science, Commerce &
Management Studies, Powai, Mumbai
Permanently Affiliated to University of Mumbai
NAAC Accredited 'A' Grade
ISO 21001:2018

*Certificate*

This is to certify that Mr. SUSHAN S SHETTY has worked and duly completed his Project Work for the degree of Bachelor of Accounting and Finance under the Faculty of Commerce in the subject of Accounting and Finance (Commerce) and his project is entitled, "AN EVALUATIVE STUDY OF SIP AS AN INVESTMENT AVENUE." under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree of Diploma of any University.

It is his own work and facts reported by his personal findings and investigation.

Signature of Guiding Teacher

Signature of Principal

PRINCIPAL
Bunts Sangha's S. M. Shetty College
of Science, Commerce & Management Studies
Powai, Mumbai - 400 076.
Tel. 022 - 6132 7352
Email : college@smshettyinstitute.org

Signature of External Examiner

Date of Submission 28-03-2022

10 APR 2022

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*Declaration by Learner*

I, the undersigned Mr. SUSHAN S SHETTY hereby, declare that the work embodied in this project work titled

"AN EVALUATIVE STUDY OF SIP AS AN INVESTMENT AVENUE",

forms my own contribution to the research written under the guidance of PROF.SAHANA RAVIPRASAD is a result of my own research and has not been submitted previously for any other Degree/ Diploma to this or any other University. Wherever reference has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, hereby, further declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct.

SUSHAN S SHETTY

Name and Signature of the learner

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***Name of Learner: SUSHAN S SHETTY***

***Signature:***

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# CHAPTER 1: INTRODUCTION

In the Current World's economy of a country is determined by its financial market. The pool of cash churns through these markets regularly. It can be said that the market decides a country's economy. Financial Market is a place or any platform on which the trading takes place between buyer and seller daily the products which moves through this market are mainly securities, bonds, exchanges, derivatives, etc. The Financial Market plays a very important role in managing the smooth functioning of capitalist economies by allocating resources and liquidity for businesses and entrepreneurs. The market up-gradation has made it quite easy for buying and selling of financial holdings. The main function of these markets is to give a chance to those individuals to invest their excess of funds in return for part profit as dividend or interest and additional capital for those businesses who require such capital for their functioning or expansion. Financial Market is further classified into different types:

**Money Market and Capital Market:**

The Money Market deals with Foreign Exchanges with the flow of short-term funds less than a year, and Capital Market Deals with Equity Market and Debt Market with the flow of long-term funds greater than a year. The Capital Market is further divided into Primary Market and Secondary Market. Primary Market deals with the issue of new securities and debts and Secondary Market deals with trading of existing securities which mainly influence the price of stocks and securities rise and down.

**Bond Markets:**

A place where an investor lends their money for a specific time at a predetermined interest rate. For a more basic idea, it's basically like a loan where they have to pay the whole amount borrowed along with interest. Here the company borrows the amount from the investor with a promise of returning the entire amount at the end of the term period along with interest. The risk is minimal until the company gets bankrupt and is unable to pay it off completely.

Other Investment avenues available to investors are

## Real Estate:

This type of Investment Avenue mainly falls under long-term followed by high risk and lowest liquidity backing up. Investment in real estate depends completely on the geographical factor of property with land being near to urban areas may turn into huge chunks of earning and further from urban areas lower its value. The investment options available for investors are either purchasing property and selling them at a higher price or renting the property for a set period.

## Commodity Market:

Under this market buying and selling takes place between consumer and producer where a product that moves through this market is mainly raw material or primary products. This market has mainly two types of commodities namely hard commodities and soft commodities. Here hard commodities contain metals, rubber, oil, etc. and soft commodities contain agricultural goods or livestock such as rice, wheat, sugar, legumes, meat, pork, etc.

Here traders mainly the investors trade under these commodities under future and forward contracts. Here traders hedge a commodity depending upon its need and upcoming future needs tend to purchase them in bulk and sell when the market hikes. Normally there are two types of Commodity Market called Spot Market and Derivative Market, where Spot market is also known as Physical Market or Cash Market where immediate delivery for physical commodities takes place between buyers and sellers.

Involvement of Future, Forward, and Option takes in Derivative Market. Here forward and futures are a type of contract where the spot market is taken as its underlying asset. The holder of this contract gets control over that underlying asset at some point of time in the future, based on the price agreed upon today. The physical delivery of assets takes place only after the expiration of the contract till then it keeps on rolling by traders to avoid the delivery of the asset. Futures and Forwards have almost similar differing factors being Forwards are customizable and are traded over OTC (over the counter) and Futures are systemized and are traded on proper exchanges only.

## Bank Fixed Deposits:

It is the oldest and most secure form of Investment Avenue still existing. The FD is offered by the bank to the customer where the bank takes the lump sum amount from customers over which there is a fixed rate of return annually for a fixed period. As the bank is a guarantor for the amount invested it has a promise of returning whole money along with interest calculated. The banks are backed by the Apex bank of Nation like the Reserve Bank of India in the Indian Nation. So, this type of investment has a very low chance of default. Similar to a fixed deposit another deposit is made available for those investors who are not able to invest lump sum amount can invest partially as per their convenience mainly known as a recurring deposit. Here the Systematic deposit is made on a set period and the date of maturity the whole amount is given back along with interest accumulated.

Unlike savings amounts where they have the freedom to withdraw money anytime with a certain limit on withdrawals. Fixed Deposits have no withdrawal and to withdraw money, the investor has to break the fixed deposit on which they will get their invested money along with return calculated till that date. Therefore, the percentage of return is higher compared to the savings account. The rate of return of FD is mainly determined by the REPO rate provided by the Central Bank of Nations. The negative point being the interest earned on FD is added along with one's income which is taxed accordingly.

## Public Provident Fund:

Mainly this type of investment is preferred by those investors who wish to have a high and stable return on their investment. Prime of PPF account is safekeeping the individual's principal amount. Here the investor needs to open a PPF account where the applicant has deposited money monthly and interest is compounded. Low appetite risk-takers mainly come for this investment scheme as it is mandated and regulated by the government of India with guaranteed returns and safeguard of the principal amount to protect the financial needs of Indians. As is not associated with the market the investors keep this investment in their portfolio as a backup in case of the downswing in the market and business as it is backed to provide stable returns regardless of condition prevailing in the market.

Complete withdrawal of funds is not possible as it has a 15 years lock-in period and investors have the freedom to extend this tenure by 5 more years after the end of the lock-in period. The limitations on funds are minimum being 500 and maximum being 1.5 lakh annually, where investors are given an option to either pay a lump sum amount or at installment basis. PPF account strictly allows individuals to make 12 yearly installment payments only. The only resident of Indian Nation minors with their parents or guardian operating that account is only eligible to open a PPF account and Non-resident of India is not permitted for the same. The interest rates of PPF are determined by the Central Government of India. PPF aims to provide a higher interest rate compared to various commercial banks in the country. This investment principal amount and interest earned are exempt from any tax liability being the total investment of all combined PPF falling within the limit of 1.5 lakh yearly.

**National Pension Scheme:**

This scheme was made available by the government of India in January 2004 in the beginning the services were limited to government employees only but after 2009 it has been opened to all sections. Under this scheme part of the working salary is contributed regularly in a pension account which can be withdrawn after the retirement either in the format of part of the corpus in huge amounts or to buy an annuity for regular income after retirement. The age criteria for this scheme lies between 18-60 only after being mandated with KYC. NRI can also open this account depending upon their citizenship. An investor can enroll in this scheme by contacting their banks where POP-SPs (Point of Presence Service Providers) who collect the amount are situated in every Private and Public Bank and can also be found in several Financial Institutions.

The minimum contribution under NPS is Rs.6000 every year and in case the person fails to contribute the minimum required amount then their account shall be frozen. They can unfreeze their account by continuing the contribution again along with Rs.100 penalty. There are mainly two types of accounts under this scheme Tier-I and Tier-II where Tier-I account is a mandatory account with limitations placed on withdrawal where a person can't withdraw the amount before retirement and restrictions placed on withdrawal after retirement too whereas account holders of tier-II are free to withdraw entirely.

**Real Estate:**

Under this investment physical land or property, acquisition is carried, here collection of rent helps to provide with a steady income or else by an appreciation of property value sold. Possibility of expanding holdings without paying cash by leveraged real estate. Availability of tangible assets is the factor that appeals to investors for real estate as an investment avenue with the benefit of diversification. Accountability of concrete proof of owning something is another appealing factor of Real Estate. This type of investment requires lots of research because casual entrance in this can lead to huge losses and the time taken for liquidation is very long so the expectation of immediate result and return is none. So, liquidation of this asset when the person needs urgent cash is not possible.

The investors who hold real estate for rentals have to manage the cost of repairs and other expenses related to property excluding electricity bills, it also includes dealing with tenants or any default made by them. So, this is an expensive type of Investment Avenue with the lowest liquidity.

**Gold:**

One of the most preferred types of investment in India is Gold. The strong selling point of gold investment is safety, liquidity, and returns with most risk-averse in nature. Even when the market faces turbulence the prices of gold always shoot well, sometimes it does fall but always makes a good return as the downfall doesn't last long. Gold has always been historically a precious metal with its lustre and is mainly used as an ornament. The gold can beat inflation as both the graphs have been in sync more or fewer times and the most important factor is gold shares inverse relation with the equity market I.e. When a market is down gold returns are moving up and vice versa, which makes it a good investment option to slow down the Volatility of investors' portfolios.

There are 2 ways of investing in gold loan traditionally the physical form of gold in form of coins, bullions, artifacts, jewellery, etc. was being purchased but now with the introduction of gold ETF has received a lot of popularity as these are stored in form of virtual gold in demat account with no worry of hassle and secure from theft and burglary. This ETF also contains investment in the gold mine.

**Life Insurance:**

It is a contract between the insurer and a policy owner. Where Insurer is a firm that makes policy or draft policy and a policyholder or insured is the person who accepts the draft and pays the premium, for the premium being paid by the policyholder during their lifetime in exchange for paying the sum of money to a beneficiary person by an insurer on the death of insured. This instrument cannot be included in a portfolio but it can be termed as security in the case and mishap to support their family. Here the insured is supposed to disclose past and current health conditions along with high-risk activity carried out by him to make the contract enforceable. The types of Life insurance are based on its period where Term Life Insurance validity ranges to a certain number of years only and the most common term plan made is of 10, 20, or 30 years. It is further divided into Decreasing term, Convertible term, and Renewable term. Lastly, Permanent Life Insurance covers a person's entire life until the payment of premium is stopped or the policy is surrendered. It is also further divided into Whole Life, Universal Life, Indexed Universal, and Variable Universal.

**Equity Market or Stock Market**

Equity Market is mainly divided into two parts Primary Market and Secondary Market where primary market deals with IPO(Initial Public Offering) made by those companies who wish to enter the market has to apply with SEBI (Securities Exchange Board of India) here investor tries to take chance on allotment of a lot of shares ranging within Inr15k Once it enters the market it enters to Secondary market which deals with already existing securities and equity traded on daily basis under this the investor purchase a part of a company and can be called as part-owner of the company to the extent of equity held this is the most common and old type of market and risk is subjected to the amount of capital invested no personal funds or asset is taken while bankruptcy or dissolution of company. Here the market price of Stocks fluctuates based on Demand and Supply of Stock. The stocks purchased by investors mainly comes via a broker who purchases this stock from Exchanges like NSE and BSE (NSE- National Stock Exchange, BSE- Bombay Stock

Exchange) where this stock is made available to these exchanges by companies regulated and monitored by SEBI

The participants of markets include from a single individual to top multinationals. Companies, the purpose of the market is simple revenue creation with lots of uncertainty. The main participants of stock markets are; Financial Intermediaries, Depository Participants, Clearing Corporations, Banks, Stock Exchanges, Stock Brokers, Regulators Foreign Participants, and Domestic Participants out of all these we will focus on Domestic Participants which further divides into Domestic Retail Participants, Domestic Institutional Investors (DII), and Domestic Asset Management Companies (AMC).

**Domestic Retail Participants**

Domestic retail participants can be any person or individual who daily deals in the market.

**Domestic Institutional Investors**

Domestic Institutional Investors are an institution that particularly deals with securities of the country to which the institution belongs e.g., LIC of India.

**Domestic Asset Management Companies (AMC)**

It is a company that invests pooled from its clients into securities that match their determined financial objective e.g., Mutual funds.

Most Individual fear the market and investing in them consider as gambling or lottery and they tend to be away from such place despite having an excess amount of fund so here the mutual fund pools their money together on their behalf and invest them in huge chunks and give them a set of interest predetermined along with their initial investment,

Our main topic today for this research paper would be based on Mutual Funds and we will have the evaluative study of SIP which will come up shortly but before that let us know what is Mutual Fund, how it functions, its origin, and scheme related to Mutual Funds.

**Mutual Funds**

A Mutual Fund is a form of container which is filled with a pool of money collected through many investors to invest in securities like stocks, equity, debt, bonds, money market instruments, and other such assets. Mutual funds are managed by professional money managers who have very good knowledge about the market and wit-fully invest these fund assets and try to produce capital gains or income for the investors. Mutual Fund allocation is based on the term mentioned on its prospectus. Mutual Fund does a good job of giving access to the individual investor to a professionally managed portfolio of equities, bonds, and other securities as stated in the prospectus of the fund. The value of the mutual fund company depends on the securities and portfolio it manages. So, when an investor buys a unit or shares it means he is buying a part of portfolio value or the performance of a portfolio. Investment in the mutual fund is very different from investment in shares of stock, here unlike stock shares it does not vet any voting rights to an investor to decide upon investing policy of mutual fund comparatively as in equity where the investor is subject to the whole risk and return with voting rights for any major decision of company simply speaking a share in mutual fund means having investment in many different stocks instead of holding single securities

The price of a mutual fund is called NAV (Net Asset Value) per share where NAV is obtained by dividing the total value of securities in the portfolio by the total amount of shares outstanding. Here Outstanding refers to those shares held by all shareholders/investors, institutional investors, and company officers or insiders. These shares can be typically redeemed as needed, unlike stock price which keeps on fluctuating through its market hours, these funds' valuation changes at the end of each trading day.

Mutual Funds grasp hundreds of securities so an investor gets an important diversification at a very low price. To be specific consider an investor x amount in Reliance Shares and during certain Quarter the performance has hit worse and the investor will lose a major part of his invested amount of x compared to it an investor invests in a mutual fund which has reliance shares in its portfolio the losses would be minimal in that x amount as there are certain shares in those holdings which are performing good so the investor doesn't face the situation of breaking all eggs kept in the single basket with the mutual fund being an optimal place for investment for those who want good return with the lowest risk.

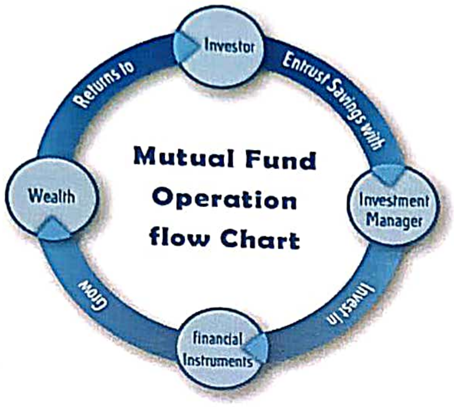
The question that creeps up how Mutual Fund Work, a mutual fund is an investment and company at the same time that of having dual nature which may seem weird at one point but let's take reliance company when an investor purchases its shares they become part owner up to the number of stocks they have purchased, Similarly a mutual fund investor purchase a part of the portfolio and not company stocks he is a part of the investment, not the company So the difference is reliance company deals with electronics and production of products mentioned according to their prospectus whereas mutual fund company is in the business of making investments and maintaining a portfolio.

The earnings earned by investors is mainly in three ways:

1. Income earned is held in the fund's portfolio; the choice is to the investor to withdraw them or reinvest them to get more shares.
2. When a fund sells securities that rose in price which means the fund has gained capital gain, most of the funds pass these additional gains to investors in a distribution which is dependent on the individual whether to reinvest or withdraw them
3. When a fund manager doesn't sell their fund despite having an increase in price the investor has the option to sell those fund shares for a profit in a market.

**<u>Governing Authorities and Parties involved in Mutual Fund</u>**

A mutual fund is a fund where the savings of common people are pooled together who share the same financial goals. The fund is invested in either shares or debt or money market securities or a combination of all. But the working of this fund is very tedious as it shifts from one hand to another in a very systematic manner. According to the diagram below Investors entrust their savings with an investment manager who then carefully analyzes and studies market conditions and invests into financial instruments with less risk rate and higher percentage rate of return. These Instruments in turn generate wealth which is then given back to an investor with added benefits.




The main forces who make this work and have the governing rights over these funds let's understand in detail.

Sponsor: A person who alone or with another organization establishes mutual funds is called a sponsor. The least contribution should be 40% of the net worth of the investment managed under the Securities and Exchange Board of India (Mutual Funds) regulation, 1996 meeting eligibility criteria prescribed by the act. In case of any loss or shortfall resulting during the operation period of the fund the sponsor is not liable to it and only the amount sponsored during formation only to that extent.

**Trust:** Constitution of Mutual Fund by the sponsor following the provision of the Indian Trusts Act, 1882. Under the registration act, 1908 trust deed is registered.

**Trustee:** A trustee is generally a company (corporate body) or a Board of Trustees (assortment of people). The principal obligation of the Trustee is to shield the interest of the unit holders and provide a guarantee that the AMC (Asset Management Company) capacities in light of a legitimate concern for the unit holder and as per the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the arrangements of the trust deed and offer a respective scheme document properly to the unit holder. Trustees have the majority of independent directors among their board who are not related to the sponsor in any way.

**Asset Management Company (AMC):** The appointment of AMC is made by the trustee who acts as manager of the company. For an AMC to become an Asset Management Company of Mutual Fund it needs the approval of SEBI (Securities Exchange Board of India) the net worth of AMC should be at least 10 crores at all times. About 50% of directors should be independent directors who are not related to the Sponsor in any manner.

**Custodian:** For holding and safeguarding the securities owned within a mutual fund company, as a responsibility given by SEBI to those Trust Company or Bank or similar financial institution registered with it. Custodians have a right to be an active mutual funds Transfer Agent.

**Registrar and Transfer Agent:** Once authorized by the trust deed, AMC can appoint agent transfer and registrar. The role played by the registrar is processing the application form, redemption requests, and dispatching account statements to unit holders. They also take care of communicating with investors and updating investor records.

**SEBI:** It plays the role of safeguarding the interest of investors. Formulations of policies and regulations of the Mutual Fund are done by SEBI. From time to time, it also notifies the changes in regulation and issues of guidelines. All Mutual Fund companies regardless of Management being from the public, private or foreign are governed by the regulation made by SEBI.

## Origin of Mutual Fund

The first-ever mutual fund was established in the Dutch Republic after the crisis of 1772, Amsterdam-based businessman Abraham Ketwich formed a trust named "Eendragt Makt Magt" (unity creates strength). The objective of this trust was to make avail the opportunity of diversification to small investors.

Mutual Funds came to the United States in the 1890s, Early US funds were closed-end funds throughout the 1920s. In 1929 Open-ended funds had a position of mere 5% of the industry valuation of $27 billion in total assets. The 1st ever open-ended fund established with redeemable shares was established on March 21, 1924, as the Massachusetts Investor Trust which is in existence still today and operated by MFS Investment Manager

Mutual Fund came into India by the formation of Unit Trust of India (UTI) in 1963, by the initiative of the Government of India and Reserve Bank of India. The history of Mutual funds in India is divided into 4 Phases

**First Phase 1964-1987,**

During these phases, the establishment of UTI took place in 1963, and during 1978 UTI was delinked from RBI and Industrial Development Bank of India (DBI) and took over as regulatory and administrative control place of RBI, the 1st scheme launched by UTI was Unit Scheme 1964. At the end of 1988the firm had 6700 crores of assets under their management

**Second Phase 1987-1993,**

1987 marked the entry of non-UTI public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation (GIC), SBI Mutual Fund was 1st ever public sector mutual fund or Non-UTI Mutual Fund established in June 1987, following the trend several such mutual funds came up subsequently like Canbank Mutual Fund (Dec, 87) Punjab National Bank Mutual Fund (Aug, 89) and many others.

**Third Phase 1993-2003,**

The new era came with the entry of Private Sector Funds giving Indian Investors a vast number of choices of fund families, during 1993 a new regulation was formed where every company was made compulsory to be registered and governed except UTI. During 1996 SEBI revised its 1993 regulation and every fund company had to operate accordingly to regulation under SEBI (Mutual Fund) Regulations 1996.

**Fourth Phase – Since February 2003,**

After opposing of 1963 regulations of SEBI it was bifurcated into 2 entities one entity namely Unit Trust of India manages funds-based rules framed by the Government of India and does not fall under the control of Mutual Fund Regulations and other entity namely

UTI Mutual Fund Sponsored by SBI, PNB, BOB and LIC which is registered under SEBI and follows the SEBI Mutual Fund Regulations.

**NAV (Net Asset Value)**

The total value of the company assets minus the total value of its liabilities gives Net Asset Value (NAV) which represents the net value of the company. A Nav represents the per share unit cost of the fund on a specific date or time the most commonly used context in a mutual fund or exchange-traded fund (ETF). Within mutual funds, ETFs or indexes, net asset value is normally used to understand potential investment opportunities within them. To identify potential investment opportunities within a mutual fund's net asset value is commonly used. Net asset value can also be used to identify their holdings in their portfolio. An investment account would be needed to invest in any of the mutual fund ETFs or indexes.

To be precise any business that accounts for its assets and liabilities has a Nav present in them. The net worth or net assets can be identified as the difference between the asset and liability of companies and business entities. The enemy has a relation to the fund valuation and pricing of a company which is derived by dividing the difference between assets and liabilities by several shares units held by the investors. Nav in simpler words can be understood as the per-share value of the fund which makes it easier for valuing and transacting in fund shares. The Nav and the book value of a business are often close or equal to each other. Traditionally the companies that have a high growth rate their valuation is always valued more than NAV might suggest.

The formula for Fund's Net Asset Value (NAV) = (Assets – Liabilities) / Total Number of Outstanding Shares.

The working of mutual funds takes place by collecting money from a large number of investors, the collection of funds that have taken place is being used to invest in a variety of stocks and other financial securities that go with the investment objective of the fund. Each investor gets a specified number of shares proportionate to their invested amount similar to shares of the company which they are free to sell to redeem its value for pocketing the profit. The benchmark in the stock market is the price decision-maker mechanism similarly in a mutual fund the price mechanism is based on NAV. Updating NAV leads to change in price. The change in the price of the mutual fund is based on end of the day methodology under which price is differentiated between assets and liabilities at the end of the day.

Assets of the mutual fund include a market value of the fund's investments cash and cash equivalents receivables and accrued income. The closing prices of securities held in the fund's portfolio are computed once per day. The fund has a certain amount of capital in form of cash and liquid assets that comes under cash and cash equivalents heading whereas the dividend or interest table applicable on that day includes in receivables similarly accrued income refers to money that is earned by a fund but yet to be received. The liabilities of the mutual fund include money auto lending banks pending payments and a variety of charges owed to various entities Sometimes it may also include foreign liabilities or shares issued to non-residents and sales proceeds that are pending for completion this mainly falls in the short term and long-term liabilities depending upon their payment horizon. The accrued expenses include staff salaries, utilities, operating expenses, management expenses, distribution and market expenses, transfer agent fees, custodian and audit phase, and other operational fees.

Let's see the calculation of NAV

Let’s assume a mutual fund has 1, 00, 00,000 rupees worth of total investment in different securities which is calculated based on the day's closing price for each asset. It has 7 Lac rupees of cash and cash equivalents on hand, as well as 4 Lac rupees in total receivables. The accrued income for the day is ₹75,000. This fund has 13 Lac rupees in short-term liabilities and 2 Lac rupees in long-term liabilities; the accrued expenses for the day are ₹10,000 and the fund has 5 Lac shares outstanding.

NAV = (1,00,00,000 + 7,00,000 + 4,00,000 + 75000) - (13,00,000 + 2,00,000 + 10,000) / 5,00,000

NAV=(11175000–1510000)/5,00,000

NAV=9665000/5,00,000

NAV = ₹19.33

The mutual fund shares will be traded at 19.33 rupees per share for the given day.

**List of Top 10 Mutual Fund Schemes**

| **Mutual Fund Company** |
|---|
| ICICI Prudential Focused Bluechip Equity Fund |
| Aditya Birla Sun Life Small & Midcap Fund |
| Tata Equity PE Fund |
| HDFC Monthly Income Plan - MTP |
| L&T Tax Advantage Fund |
| SBI Nifty Index Fund |
| Kotak Corporate Bond Fund |
| Canara Robeco Gilt PGS |
| DSP BlackRock balanced fund |
| Axis liquid Fund |

Let's analyze about ICICI Prudential Focused Bluechip Equity Fund

This fund belongs to the large-cap fund the fund has 95.66% of investment in Indian stocks out of which 80.61% contains large-cap stocks 6.02% of midcap stocks and 0.4% in small-cap stocks finally fund as 0.37% investment in debt and government securities. The preferable investor for this fund should be those investors who are ready to invest their money for at least three to four years and are looking for high returns. At the same time investors should also bear the possibility of moderate losses in that investment. The NAV was rupees 65.06 as of 28th January 2022.

## SIP RETURNS (NAV 65.06)

| Period of Investment (1000 SIP started) | Absolute Returns | Annualized Returns |
|---|---|---|
| 1 year | 10.88% | 20.65% |
| 2 years | 36.71% | 33.21% |
| 3 years | 42.66% | 24.43% |
| 4 years | 53.53% | 17.15% |
| 5 years | 122.37% | 15.26% |

In the above chart, the absolute returns mean the returns earned throughout the period of investment and annualized return means the returns earned on that particular year. We can see in one year the absolute return was ranging up to 10.88% and the analyzed return was 20.65%. But as the number of years started to increase the absolute returns started to increase whereas analyze returns were falling. From we can analyze at as the new units are added every year the annual margin of return tends to decrease as that shows the returns of that stock purchased in that year whereas when we see the absolute returns it combines the returns earned throughout the units that have fund holds from the beginning this way we can say such a huge difference in return percentage. We can also see the benefits of holding a mutual fund for the long term whereas if a particular mutual fund is brought at a specific time here what would be the percentage of return is shown by annual return.

The portfolio turnover ratio of this fund is 21% and the category average turnover ratio of this fund is 165.76%. The tax treatment of this fund is from the purchase date if sold after one year the long term capital gain tax will be applicable and the current tax applicable is 10% and if this unit is sold before one year from the purchase date then the current tax applicable would surge up to 15%.

## Types of Mutual Fund

**Equity Funds:** The biggest proportion of funds mainly consist of them. As the name suggests this type of fund mainly purchases stocks or equity shares. The fund in equity funds is mainly named after the type of the companies they invest in: Small Cap, Mid Cap, Large Cap, and some by their investment stratagem like aggressive growth, Income oriented, value, others, etc. It can be differentiated based on the domestic fund or foreign equities

**Fixed Income Funds:** This group of funds mainly focuses on investing in those instruments which give a fixed rate of return, an instrument such as government bonds, corporate bonds, or another debt instrument. The idea mainly of this fund portfolio is of investing in these securities which generate income which is then passed on to the shareholders of funds.

**Index Funds:** This investment strategy is in its infant state. The belief for profit in this type of investment strategy is based on the belief it is often expensive and tries to beat the market consistently. In this investment, the investor puts the money on the market index or benchmark Sensex, Nifty 50, Nifty Banks, etc. This investment requires less research from analysts and advisors. This type of fund is mainly made with intention of catering to the needs of cost-sensitive investors keeping them in mind

**Balanced Funds:** This investment strategy is in the hybrid of asset class, it contains stocks, bonds, money market instruments, or any alternative instrument. The main aim of this fund is to reduce the risk exposure through the portfolio. It is made with the intention of those investors who prefer a mix of all and low-risk rates with good returns

**Money Market Funds:** The money market consists of short-term debt with risk-free instruments mostly government treasury bills. This is a safe place for those investors who want a typical return without losing a single amount in principle fund.

**International Funds:** In this type, investors invest only in instrument assets located outside of their home country. These are very volatile in nature because of the ever-changing exchange rate it can be sometimes very risky or sometimes safer than domestic funds depending upon volatility.

**Exchange-Traded Funds:** Unlike traditional mutual funds of pooling this fund is similar to the stock exchange and the investor can buy and sell at any time throughout the trading day. ETFs can be sold short or purchased on margin; it carries lower costs than mutual funds. Here investors have the freedom to hedge or leverage their positions. These are more cost-effective and have better liquidity.

**How is the Scheme Analyzed by an Investor?**

The most important aspect of mutual fund investing is patient efforts as well as risk appetite. The benefits of investing in mutual funds offer such diversification and which should be taken into consideration while choosing a scheme. Selecting the mutual fund scheme may look easy but we have to stick with certain basic criteria. The most important aspect before investing in any mutual fund is to identify a goal that will help the investor to find the appropriate mutual fund scheme available. As the risk and reward are proportional in the mutual fund so they have to balance the desire for return only after checking the ability of toleration against risk.

**Investment Objective and Style**

Without exception, there is an objective that every mutual fund follows. This certain objective can help an investor determine whether investing in a particular scheme would help them to meet their expected objective. As for style it completely depends upon investment preference; they can choose from large-cap, midcap, small-cap or micro-cap, multi-cap, and Flexi cap funds depending upon their risk appetite.

**Investment Strategy**

One should consider the investment strategy of the fund as an investor. Most investors ignore this aspect but it is the most important factor for determining the success of their investment portfolio. The investment strategy determines the approach the fund manager has taken while taking investment decisions or while picking stocks for the scheme. The conflict of interest may arise only if the investment strategy of the fund house and their preference doesn't match.

## Fund Performance

The fund performance can be checked by looking at the fund manager's performance versus its previous record on its benchmark which indicates whether they had a good track record as a stock picker. Investors should also check and review the portfolio to confirm how much diversification has been introduced in the fund which gives a pretty good image of a fund manager's ability as a stock picker and money manager.

## Experience as the Fund manager

The experience of the fund manager plays a vital role in generating a good return so for investing in any mutual fund scheme it is necessary to check the past record of the fund manager and see the impact of fund managers and expertise and tenure on its fund performance.

## Expense Ratio

Before investing in any fund, we should always check for the expense ratio. The expense ratio indicates the cost of investing in an equity fund here higher expenses ratio means it will directly impact the fund's performance. The expenses of the fund include brokerage fees and other costs that are incurred while managing the fund and they are charged from investors by the fund house.

## Ratio and Performance analysis

Under this one needs to confirm the risk and performance of a fund by comparing its average returns. If a fund has a risk of a greater extent than the returns earned from it may seem not that much as lots of amounts may be lost due to high risk so analysis of risk and returns is necessary while selecting any fund. The Sharpe ratio, Treynor Ratio, and Standard Deviation help to measure a fund's risk and its exposure.

## Entry & Exit Load

Entry and exit loads are the cost factor that impacts investors directly; the fees charged by the fund house from an investor when they start investing in the fund are termed as entry load whereas the fees charged by the fund house upon withdrawing from the fund call as exit load. The entry and exit load are a fraction of NAV that investors receive which in turn leaves a gap in their investment value. As a smart investor in a mutual fund, they should look out for those investment schemes with zero or minimal entry and exit load. The entry load is at the beginning of every mutual fund scheme but exit load can be avoided if the fund is held for a long term which is a good way to reap good returns.

**Impact of Demonetization on Mutual Funds**

The declaration by the Indian government on November 8, 2016, of changing the legal tender of the country by eliminating the 500 Rs and 1000 Rs notes. This step was meant to be taken to eliminate the fake currency and clean up the black money which had many expected and unexpected impacts on the overall economy. The impact of demonetization on mutual funds resulted from the growth of various categories of mutual funds

**Large-cap funds**

The portfolio of this fund invests in a diversified basket of equities of a company whose market capitalization is at least equal to or more than Market capitalized stocks of the BSE 100 index. The expected impact was negative in the short term and positive for the long term. The top mutual fund in this category was the SBI blue-chip fund where this fund has given 20% of return.

**Multi-cap equity fund**

The portfolio of this fund consists of fifty to 90% in large-cap stock, 10-40% in mid-cap stock, and up to 10% in small-cap stocks. The expected impact was. Negative in short term and positive in the long term. The top mutual fund in this category was SBI Magnum Multi-cap. The fund was successful in generating a 39% return in the past three years.

**Small-cap and micro-cap funds.**

The portfolio of this fund invests in equity companies. Which is not part of the top hundred stocks by market capitalization or a company that has at least rupees 100 crores as capitalization. The expected impact. This fund was negative in the short term and positive in the long term. The top one in this category was. Mirae Asset emerging bluechip fund. The fund has generated around 41% return in the past three years.

**Long-term debt fund.**

The portfolio of this fund consists of debt instruments in money market instruments. The expected impact was positive in the short term and less positive in the long term. The top mutual fund in this category was the ICICI Prudential Long Term Plan which yielded 13 to 14% returns in the last three years and in the past 20 days it has given up to 20% of returns.

**Short term debt funds**

This portfolio invests in debt and money market instruments with low levels of interest rate risk. The expected impact was positive in the short term and less positive in the long term. The winner in this category was the Birla Sun Life treasury optimizer plan. The fund has performed consistently in the past 3 to 5 years giving 8 - 10 percent whereas the average maturity for the above five years was around 7.6%.

**Advancement of technology in the field of Mutual Funds**

Over the course of five years of mutual fund history, the entire industry has made a great impact in getting digitized and adopting technological advancement, it has gone paperless quite faster than other investment avenues. From the past 2008 market until the latest 2020 market fall, the mutual fund has done a commendable job in this aspect and has grown to make it convenient for the investors.

Mr. Rajesh Krishnamoorthy, MD of iFAST Financial India (India's leading platforms for distributors) mentioned mutual funds has gone ahead and done a lot better than other industries which provide financial services.

**Towards paperless experience**

The days of a mutual fund when it was all about paperwork with a hectic workload and had to go through a lot of paperwork to get started with investment or to execute that. Before advancement, even one investment had to go through long paperwork which would have been time-consuming. Now technology has become an inseparable aspect of each and every mutual fund operation whether it be transaction processing fund management, customer service distribution checking of the portfolio, etc.

**Ease of transaction**

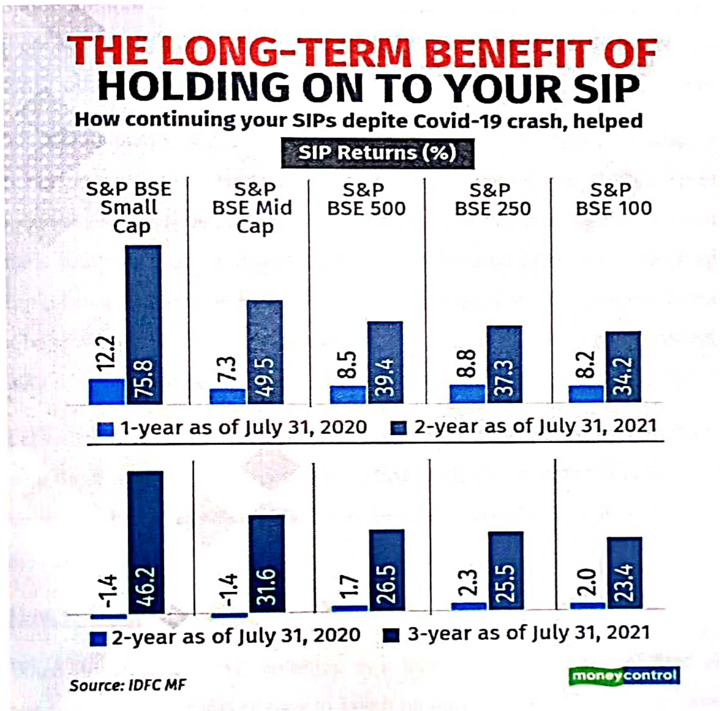
In the past five years, there has been overall ease for the first-time investor once they start with a mutual fund which has seen a significant uptrend. The process of KYC discouraged a lot of investors with the introduction of the E-KYC process. The non-KYC compliant investors have crossed the first hurdle of KYC registration using their Aadhar card number with simple OTP-based verification and subsequent document upload process.

In 2014 Sebi made the way for future growth by permitting mutual fund units to be transacted or redeemed via Stock Exchange using this platform mutual fund advisors have been able to easily, sell or switch mutual fund units on behalf of their clients. The removal of physical layer mutual funds had completely pulverized the entirely new business model of distributing mutual funds remotely without meeting for a face-to-face meeting with clients.

**Pre and Post Covid Reforms in Mutual Funds**

The post COVID situation of mutual fund was such that most of the investor was of those group who invested in mutual funds for its tax-saving benefits the group included high salaried personnel and businessmen. The mutual fund company tried to back customers from the middle-income group but only a few of them took that investment option as the most prevalent investment Avenue available till then worse bank fixed deposit. The reforms of introducing sip made certain few more groups get attracted towards the mutual fund. The situation worsened when the stock market crash of March 2020 following the outbreak of COVID-19 cases appeared in India was under the strict lockdown the investors started withdrawing the investments from stock market from mutual funds from sip and every other financial investment which they have done which in turn caused a huge crash and the losses were enormous some withdrew for the real need as to meet the daily ends for the family in fear of not securing an income during this lockdown and certain group withdraw as they saw a sharp drop resulting in fear and they exit their investment and ran away. The market was down for approximately 2 to three months and it was trying to get back again the mutual funds had hit the worst as many of the mutual fund investors withdraw their policy. The average return during that. Was negative it took one year for the market to stabilize and to recover the losses caused during that period.

The post-COVID many segments of people understood the importance of investment as most of the people lost their job so there was no source of income and people who had kept their investment securely were earning a certain amount of money from that this, in turn, motivated many people to join the investment avenues and mutual fund become a popular option again among the gentle people with its low-cost efficiency and easy investment option with average return and low-risk rate it turned out that that the large-cap index has delivered about 34.2% As of July 31, 2021, the one-year sip returns until July 31, 2021, was around 8.2%. Besides the sharp correction, the small-cap mutual fund had a staggering 75.8% on two-year returns whereas one year return was around 12.2% until July 31, 2020.



The above chart shows the benefit of long-term holding in SIP the data showing the date July 31, 2020, and July 31 2021 the situation and how beneficial it was and how much return is provided.

The investor has the option of investing their amount in mutual funds by lump sum or SIP (Systematic Investment Plan)

**Lump-Sum Investment in Mutual Fund**

after knowing about mutual fund NAV it's necessary to know how can we invest in this mutual fund the major decision wasted on investors is after learning about mutual fund whether to go with disinvestment of any or not and once investors selected to go with a mutual fund in this month it's necessary to understand how to invest in this mutual fund there are mainly two ways by which can introduce their funding mutual fund by paying a fool corpus amount which is commonly known as a lump-sum payment or in SIP Payment.

What lump sum in a mutual fund usually means is in a single transaction a huge bulk of the money is being invested in any of the mutual fund schemes. Unlike Spreading amounts in small parts, it's like a huge dose of money injected directly into the mutual fund. The main reason behind the lump sum investor is because of company stock appreciation for capital creation done by expert investors. It is a good avenue for those investors who have a huge amount of money to invest and can take an inconsiderable amount of risk along with it.

Let's assume that a certain investor got a surplus of 75,000 and he doesn't know what to do with those amounts so he goes for mutual funds and invests the corpus as he decided to take a risk here, he preferred to invest the whole amount in the fund rather than doing it in multiples of 6250.

**How to invest in a lump sum**

When investors consider investing in a lump sum in any mutual fund either they can approach their financial advisor to invest on their behalf or do it via an asset management company directly. The prerequisite of investing in any mutual fund is to create a mutual fund account and fulfill the KYC criteria and submit essential documents for it.

Now the second factor which is a major factor while considering investing in the mutual fund for a lump sum is to wait for the suitable market situation if the investor invests when the market is at its top then in further future if the market experiences fall then the portfolio devaluation may happen so instead of waiting and investing in most suitable market condition will cause the valuation of the portfolio being on the lower side which in turn will turn to be profitable when the market experiences a rise and in that case the market situation will be high during that time. An investor can invest their corpus amount in a debt fund or liquid fund or any traditional investment avenue preferable which can yield them good return in this overvalued market. Another route for the lump sum investor is via STP systematic transfer plan, where an investor can invest lump sum money in a liquid for equity fund and they can keep on transferring a fixed amount later on to their investments which gives a similar taste of SIP but the benefits investors get out of Lump sum invested initially wish to earn a good return from that lump sum.

**Features For lump sum investment.**

There are some distinct features of investing in a mutual fund in a lump sum following are below

**Minimum Investment**

The lump-sum investment has certain limitations on its investment criteria, unlike Sep which is the lowest of 500 investments, here lump sum has a minimum of ₹10000 investment and further they can do it in a multiple of 1000, in case investors wish to increase their corpus amount.

**Time horizon**

Here the investor has two options either to hold the corpus amount for a longer duration or see the benefit in a shorter duration of one year to get a return and exit position. The preferable advice given to investment advisors has to hold for a minimum of three years. And if the investor goal for investment is short then they should invest in a debt fund or liquid fund.

AS our study will focus on SIP, we will understand what is SIP? Types of SIPS, how the SIP is calculated? The benefits of SIP, the disadvantages of SIP, and how to invest in SIP?

**Systematic Investment Plan (SIP)**

SIP (Systematic Investment Plan) is a type of investment method offered by Mutual Funds where the individual investor can invest a fixed amount of money in Mutual Funds at regular intervals like once a month or once a quarter depending upon preference. As per new regulations, the initial amount for investment can be set to as low as INR 500 a month. The SIP function is very similar to recurring deposits in a bank where investors have the option to FD with monthly installments and once it hits maturity they can withdraw the whole with interest earned.

This type of Investment has gained a lot of attention from Indian Mutual Fund Investors as it helps individuals to invest in a disciplined manner without caring about market volatility, fluctuations, and timings of the market. Under this type of investment, the early bird gets lots of benefits compared to latecomers, which simply means the investor needs to start investing early to maximize his gains.

**Types of SIPs**

**Regular SIP:**

Regular SIP is the most common and simplest form of investment stratagem, under this investment investor sets a fixed amount of money at regular intervals. The SIP frequency can range from monthly, once in two months, quarterly, or half-yearly, furthermore, there are daily and weekly interval SIPs as well. However, one major drawback which makes it not highly recommended is the amount of investment cannot be changed during the tenure of the investment, E.g. If the amount 500 has been set at the start of SIP form 6 years during these 6 years the amount to pay will be constant I.e., 500.

**Top-up SIP:**

Top-up SIP or Set up SIP allows the investor to change the amount of investment periodically, many assets management provides this service to the investor as it helps them to get recurring investment and helps them create their fund size greater with the power of compounding. So mainly many investors look for those funds management companies providing this facility. Under step up the investor has the option to step up their investment in multiples of INR 500 E.g., If a person has been investing 10000 in a mutual fund and if he opts for the step-up SIP scheme by 1000 then next month 11000 will be deducted and so on

**Flexible SIP:**

Under this type of SIP, the investor is given the flexibility to alter their investment amount; it is also known as Flexi SIP or Flex SIP. Here one can intimate the fund house about change in investment amount but he has to do so a week before deduction for its applicability. This can be used based on the financial condition of the investor or market condition. When the market is bearish, they can invest more amount, and when it is bullish they can reduce the investment amount

**Perpetual SIP:**

While filling for SIP the investor needs to mention the period of SIP if nothing is mentioned then the SIP becomes Perpetual SIP. Under circumstances of when the investor's tenure of SIP is about to end and if he wishes to continue further without withdrawing then it will keep on continuing until the investor wishes to not carry it any further.

**Trigger SIP:**

This is mainly used by a sound investor who knows well about it. Under this type of SIP, it is very important to know when to take buy and sell positions, here investors set their purchase date and redeem date for the event of any favorable conditions like a good market event, or an index level, NAV of the fund, capital appreciation or depreciation. So, this type of investment needs a knack of all in and out and very good experience with such dealing.

**SIP with Insurance:**

Here few asset management companies offer insurance against the holdings for the funds of longer holding. The initial cover is ten times the first SIP and it keeps on increasing with time. This feature is only available for Equity Mutual Funds and this is a form of add on and doesn't impact anyway on SIP

**Multi SIP:**

It allows the investor to start the investment in various scheme funds provided by the fund house via a single instrument which helps investors to diversify their portfolio. Furthermore, it reduces the number of paperwork as under single form and payment instruction they can get started.

**Calculation of SIP**

The calculation of SIP return can be done with the help of the SIP calculator. It is an online tool that helps to calculate the return investors would gain on SIP investments. It can also help with deciding the initial value of an investment for the sum of the amount predetermined under set tenure. It provides a roadmap to achieve their financial goals.

SIP calculator generally has three input boxes

1. Monthly Invest amount
2. Investment Period
3. Expected Annual Returns

For an investor to know their returns on investment they have to enter the monthly investment amount that they wish to enter, then set an investment period and based on their preference select the expected rate of returns which calculator will automatically give out their desired amount of return or earnings at the end of tenure. Here Monthly investment amount has the minimum amount limit set to 500 and maximum any amount of their preference. In the Investment period, it is generally suggested to keep more than 5 years for good returns and lastly, the rate of interest maximum set is 15 percent as most of the fund companies have their return range between 10 to 15 percent only and this value is provided by fund companies based on their past performances.

Assuming an investor wishes to invest 15000 per month for 12 years and the expected rate of return is 10 percent so they need to input these values accordingly in the above-mentioned boxes and the calculator gives the investor the total accumulation of funds.

Under this case investor's invested amount results in 21, 60,000 and accumulated funds amount to 41, 81,123 almost resulting in investor double returns

**Benefits of SIP**

**Rupee cost averaging:**

Under this scenario the investor doesn't have to wait for the market to have the favorable condition before investing the fund they can apply for it anytime they wish to as fund manager ensures of purchasing more units when the market is low and fewer units when the market is high this is known as rupee cost averaging, this helps investors to generate a reasonable without worrying about market conditions.

**Power of compounding:**

Compounding can be termed as interest earned on the total amount of investment plus preceding investment received e.g. If the investor has invested 10000 at the rate of 10% interest, then his earnings would be 11000 as 1000 is 10 percent of 10000 now next year the interest will amount to 1100 which amounts the total amount to 12100 as here 1100 is derived on the sum of capital 10000 and preceding interest 1000. So, this is the power of compounding, and imagine they invest 5000 with 12% interest for 15 years investor get a sum of 25 lakhs if he adds more 5 years, he gets an accumulation of 50 lakhs and more 5 years and he gets an accumulation of 95 lakhs. This is the power of compounding the longer investor invest the better could be his returns

**Simple to Invest:**

Investing in mutual funds has become very easy with advancement in technology and all the document verification takes very little time once an investor starts the SIP, he needs to decide the initial amount of investment and set for auto-debit instruction at the bank account. It transfers the investment amount directly from the bank and they are easy to read as a manager provides all necessary details regarding the fund clearly and concisely.

**Ideal tool for financial planning:**

This type of investment can be set by those investors who have a long-term goal and they can set upon their initial value for investment and wait for it to grow till the desired amount surfaces up which can be withdrawn anytime wished by the investor.

**Disadvantages of SIP:**

Does not suit people with unpredictable cash flows

It is advisable that funds should be selected by those individuals or investors only those who can pay the fixed amount every month without fail and if the investor belongs to an unpredictable cash flow the paying of SIP can be quite messy the monthly payment of SIP might not be able to be paid by the investor. This may result in the penalty or other expenses over the fixed amount which in turn is going to turn into a burden.

**Stopping the payment in between is a terrible hassle**

The fund company has the freedom to deduct directly from the bank account assigned to it for the sip amounts. In case there is a situation that the investor is unable to pay aside from the following month due to some unavoidable reason he couldn't skip that provision as a bank account will be deducted on that date if there is a balance in the bank. Failing to make payment may lead to cancellation of SIP and restarting can be a very huge formality to fulfill hence investors are supposed to inform the fund house about it two weeks advance.

**Dates and periods are fixed in nature-**

In case an investor wants to change the date or time for SIP deduction it is not possible at that time as the mentioned date the amount will be deducted directly from the bank if there is a balance so if they want to change the date then they are obliged to do it two weeks prior the deduction. The period of investment cannot be changed so selecting a perfect time. Is it the responsibility of an investor?

## Mutual fund SIP- An ideal wealth creation tool

Investors' personal finance choices have drastically changed the sudden change of the global economy post-Covid many people have realized the importance of investing their excess wealth And the mutual fund SIP is the most popular instrument. The habit of discipline for investing is installed to invest through SIP. A fascinating feature is that the lowest of 500 rupees per month can be started initially for a small investment and later on it can be increased as the investor's income grows. Of 500 rupees per month lowest amount, the investment can be done by young investors who can enjoy the discipline of investing via mutual fund SIP.

## Benefits of initiating SIP at an early age.

Starting early investment provides the investor with a longer time to invest before reaching the age of retirement. It helps to achieve their financial goal by making them invest in smaller amounts and with the wonderful effect of compounding the amount collected at the end of the investment is huge. Another benefit reaped by the investor is that they get habitual to disciplined investing at an early age which makes the habit grow stronger as they age up. As young investors, they can start Saving more by investing early as the expenses during that time are very limited but once they cross the age of 30s, they have the shoulder of responsibilities, and investing at that time may prove difficult.

Investing early in Mutual Fund SIP helps Investor achieve their goal even with small amounts

Amazing ₹14.82 crores at the age of 60 is possible if investors start investing rupees 10,000 monthly in a SIP equity fund at the age of 25. At an early age, investors can reap more benefits out of mutual funds SIP. Let's assume there are two types of investor A and investor B, here investor A starts investing at the age of 25 With rupees 10,000 monthly in SIP equity fund at the age of 60 he amasses a total corpus of 14.82 crores, In the case of investor B he starts investment at the age of 35 with rupees 10,000 monthly in a SIP equity fund with raise in the contribution by 10% annually at the age of 60, he gets the corpus of 3.70 crores. In the first case, we can observe that the original investment was up to 3.25 crores in return and generated ₹11.57 crores, the return on capital was up to 356%. We can observe that the original investment amount reached up to rupees 1.18 crore but their returns amounted to 2.52 crores, the capital was up to 213% only. here is the clear evidence of how investing early can be proved beneficial as the power of compounding is a great tool for wealth generation but the most important is to start as early as possible

# CHAPTER 2: RESEARCH METHODOLOGY

## OBJECTIVES

1. To Study SIP as an investment avenue in India.
2. To Analyse preference and awareness of investors in SIP.
3. To have a comparative analysis of SIP with other Mutual Funds investing options.
4. To Analyse the overall performance of SIP as an investment alternative.
5. To offer suggestions to the industry based on study of SIP as an investment.

## SCOPE OF STUDY

1. The types of schemes available under SIP.
2. SIP and it's increasing popularity.
3. The views of people on mutual funds after the introduction of SIP.
4. Risks under SIP.
5. How long does the SIP take to give a good return?
6. Mutual Funds schemes and its benefits.
7. Comparison between 2 top Indian Mutual Fund Companies and their comparison.

## LIMITATIONS

1. The sample size collection cannot be collected aggregately due to vast population size.
2. Cannot approach sample data through normal means and had to collect sample data for study via online forms due to covid regulations,
3. Cannot collect data with certain group people due to not being taken by physical interaction who are lacking technological connectivity.
4. Data collection of single type of Mutual fund scheme is not possible due to vast number of preferences on investment and their risk suitability, so categorization on individual basis is difficult
5. The graph can be vague due to a limited number of responses and it may differ slightly from previous research done.
6. There have been many changes since post covid and similarly subject perception towards Mutual funds compared to pre covid and this might cause a huge shift of behavior change related to investment in mutual funds if cross checked with previous statistics before covid era.
7. The data is based on India Mutual Funds and it will vary with other country mutual fund records and this research suitability extends to boundaries of Indian nation only if used for reference.

## SIGNIFICANCE

1. The study is important to a group of investors who are yet to invest in any sort of Investment Avenue.
2. The study will help new investors to understand the functioning of SIP in Mutual funds in simple language.
3. This study will be helpful for asset Management Company to understand the investor awareness and which target of the group should they approach with related schemes.
4. This study can be a new door towards various investment options available in the market.

## SAMPLE SIZE

The primary data was collected through Google form which contains 12 questions for evaluative study of SIP, the researcher has approached 100 people and a total of 100 people have responded. The questions were related to Percentage of savings, Percentage of investments, Investment Avenue preferred, Knowledge about Mutual Fund and SIP.

## DATA COLLECTION

Researchers have referred to certain sites, news articles, magazines, books, for the collection of secondary data was collected through google forms.

**Data analysis:**

1. Idea about investment avenue available
2. Idea about mutual fund schemes and types
3. Idea about SIP and its present situation
4. Risk involved with SIP
5. Suitability of SIP to certain age group
6. Public opinion on mutual fund
7. Comparison top two mutual fund companies their NAV their SIP scheme and returns
8. Pre and Post Covid effects
9. Advancement in technology of Mutual Funds
10. Effects of Demonetisation on Mutual Funds

**Tool of Analysis**

Pie charts and Bar graphs

# CHAPTER 3: LITERATURE REVIEW

**Jash Kriplani, "Investor who continued their SIPs after Covid-19 crash are now winners" Money Control Business News Article, Aug 27, 2021**

Journalist Jash Kriplani based on a report by IDF mutual funds is trying to show what would have been the returns for those investors who would have stayed despite the COVID-19 crash. The article emphasizes much on how the investor fear led to a sharp drop in the value of equity investment and they exited all their units. It was seen that though mutual fund investors who had pertained their investment had secured up to 34.2% of returns on July 31 2021 whereas one year sip ranged up to 8.2%.

Sharp market recovery over the last year helped the sip returns to benefit from its rupee cost averaging which was beneficial to increase their mutual fund units later whose valuation raised along with the market. The journalist has shown various charts in the article which shows good returns earned if the investors have held their units instead of selling them.

**Jash kriplani, "Nippon India mutual fund files for artificial intelligence fund" Money control business news article, January 21, 2022**

According to journalist Jash kriplani Nippon India mutual fund and IMF has filed for an artificial intelligence fund with capital market regulator Securities and Exchange board of India Sebi. The confirmation is pending via SEBI once the approval is done the investors will have another option to raise the number of funds based on futuristic technologies. Similar to this, the mutual fund also filed for a DSP future transportation fund which will invest in a combination of international ETFs to monitor the stock performance of companies related to the electric vehicle industry.

Mirae mutual fund and Sachin bansal backed Navy mutual fund have both earlier filed for electric vehicle driving technology funds. Mutual fund has filed for a semiconductor fund. This journalist has made the point that many of the mutual funds are approaching electric and artificial intelligence funds as a future investment option.

-Anand Ladah CFA, CA, CFP, LL. B, YouTube Channel: Invest Aaj for Kal, 11 April 2021, Said in their video whether SIP good or bad, with the steady growth in market the investor of SIP has made a good earning and these are being advertised by asset management companies and many investors are grieving for lost opportunity which is being shown and new SIPs are made. Let's analyze which investor should avoid SIP as an investment mode and which one should use as investment mode. The SIP investor needs to have patience as quality. The other quality needed in SIP investors is consistency. We will analyze SIP with Bamboo being the world's largest grass and it takes approx. 5 years and 3months to grow and it grows almost up to 90 ft. If a person plants this grass and nurtures it daily for up to 1 year which should have been 90 ft in 5 year 3 months. So, under normal calculation it should reach the height of 15-20 ft as we have to reach 90 ft. But in reality, the height of bamboo trees is 0. Under those 5 years the tree is expanding its roots firmly. As a result, we see growth in 3 months only and sip it also similar like this and approximate time needed for SIP is above 5 years. Here bamboo tree height shows the return or growth whereas roots are going to be units. So, for investors who have patience and have the ability to wait a long time for wealth creation, this is better for them as an investment avenue.

**The Index Revolution: Why Investor Should Join It Now, Elis Charles, D. Hoboken, New Jersey: Wiley, 2016**. In this research paper the researcher explained about index fund it's deduced by him that anyone can create index fund, most of them are developed by small groups of firms. He has also mentioned how the manager check growth and value stocks, Comparison with large cap, mid cap, small cap and micro-cap with transparency in selecting these stocks for indexes, some approach includes subjective approach. The research shows that under this instead line based approach here band-based approach is used for boundaries of closing and opening of funds. Similar few pointers have been mentioned by researcher

**The fund industry: how their money is managed: Pozen, Robert C., Hamacher, Theresa, (author), Hoboken, New Jersey: John Wiley & Sons, 2015** mentioned in their book in detail about mutual funds it advantages disadvantages about its history its growth, the regulators who manages them how to buy and sell those funds tax slab and how to lessen the tax burden via mutual funds. Ethics of funds, alternatives for mutual funds prospectus issued details and types of prospectuses given. They have thoroughly mentioned all the expenses incurred for managing funds; it also mentions debate related to mutual funds. It mentions stock research done for fund management and detailed explanation of equity fund, bond funds, money market funds and trading based fund management.

As they get direct access to a professional portfolio. Mutual got extensive government regulations which in turn help them to obtain maximum level of protection. Only disadvantage being huge amount charges for these services and little opportunity to change the fund according to their interest. The fund usually provides three types of prospectuses, The Summary Prospectus, The Statutory Prospectus and Statement of additional information.

Summary Prospectus provides overview of funds objective, its bane and its cost of owning that fund.

Statutory Prospectus has a whole summary prospectus along with it includes information about investment stratagem and risks, the calculation of fund, Sales charges and limits on purchase and sale of funds.

Statement of additional Information contains any other information other than above mentioned should that should be known to investors.

**Mutual Funds Fifty Years of Research and Findings: Anderson Seth, Ahmed Parvez, New York, NY: Springer, 2005.** Following research paper hold the overview performance of mutual fund in USA from year 1940 to 2002 compiling data its raise and regulations modification, explaining historical background, European Background, American Background Mutual fund during crash, Management guidelines, Investment policy guidelines, tax policies under which taxation on dividend and interest and income capital gains, types of funds, overview of performance and limitations, in detail explained about risks associated with it.

**Grinblatt, M., S. Titman and R. Wermers, 1995, "Momentum Investment Strategies, Portfolio Performance, and Herding: A Study of Mutual Fund Behavior," American Economic Review, 85, 1088-1105.**

The usage of momentum investing strategy as well as the herding behavior which is basically buying and selling the same stock at the same time is explained as a process of mutual fund investment by the author. The analysis of quarterly holding of 155 mutual funds over the period of 1975 to 1984 was conducted to examine the trading patterns of fund managers. The examination of impact of behavior like funds purchase stock based on past return was done to check the performance of the fund. The behavior of contrast momentum investors who buy past winners and sell past losers is very different from traditional investors who hold past losers and sell past winners.

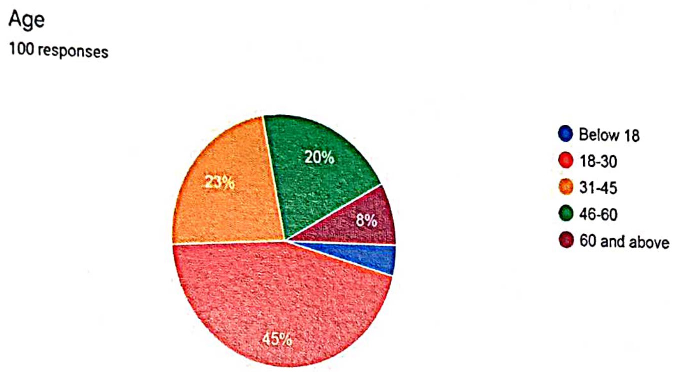
When considering the herding behavior, the author found out that the font exhibited more herding in buying the past winner than in buying the past losers; however the average measure for all funds was relatively small. The conclusion was good that mutual fund tend to buy stock based on past returns and they heard in excess of what one would expect from chance only.

**Tncinka, C., 1995, "Equity Style Classifications: Comment," The Journal of Portfolio Management, Spring, 44-46.**

The three primary approaches used in equity style investment are (1) portfolio-based approach in which the examination of portfolio and security selection procedures takes place is mentioned by author, (2) The factor model approach in which the use of statistical models which reads the excess returns earned for systematic risk, and (3) The effective mix Butch which checks the relation between portfolio returns and index strategy returns. Further he approaches two points related to effective mix model, (1) The historical returns are unstable in case of statistical models, and (2) a difficulty of change in manager style due to change in return. He further summarizes the two main reasons to question related to empirical returns of the effective mix: (1) The production of unstable model parameters is caused due to historical return and (2) Portfolio based approaches potentially yield more information. Effective mix style is a method which has an advantage in its simplicity and fulfilling its objectivity and it may be used by managers in the form of communication to the sponsor.

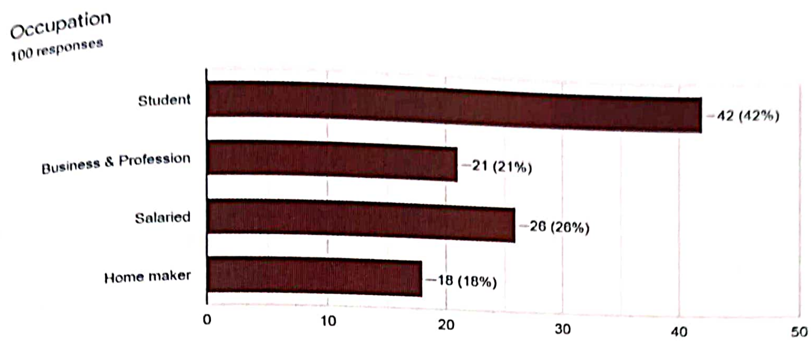
# CHAPTER 4: DATA ANALYSIS, INTERPRETATION AND PRESENTATION

**FIGURE 4.1: Age-wise distribution of respondents**



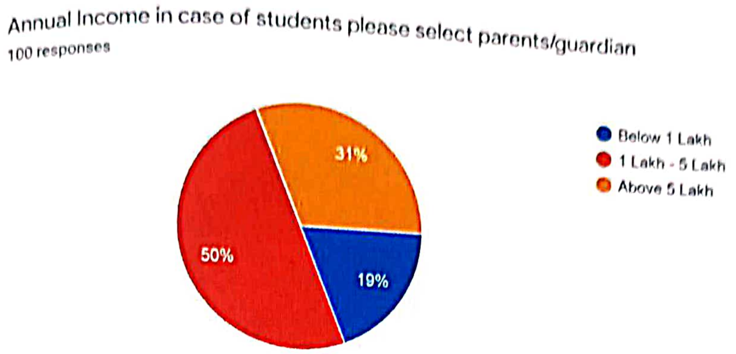

Following Figure 4.1The age of respondents who are inclined towards investment with proper access to technical support fall in range from 18 – 30 (i.e., 45%), 31-45 (I.e., 23%). Investors belonging to these categories are the most active age group in investment. The age group of 46-60 (I.e., 20%), have average access to it. Lastly 60 and above (I.e., 20%) and below 18 (I.e., 4%) are lowest among all because these both categories have mostly no source of income that's why investors belonging to these criteria are very few.

**FIGURE 4.2: Occupation wise distribution of respondents.**



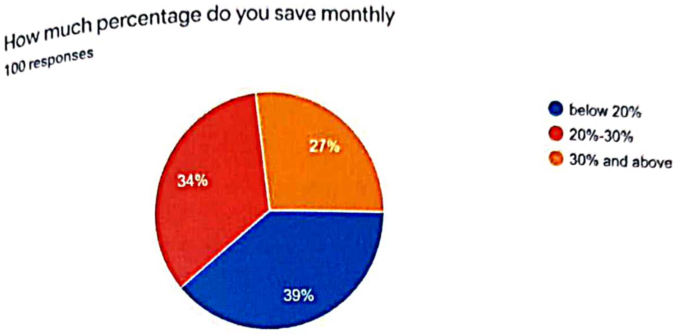

In this survey we can see that the respondents mostly belong to group students, second being salaried, third occupied by business and profession and lastly home maker. Out of 100, 42 being students, 26 being salaried, 21 being business and profession and lastly 18 being homemaker. So it is possible to say that the students are in huge numbers to invest in the future with the proper knowledge. Those people who don't know how to invest seek financial advisors nowadays so it makes it easy to invest irrespective of which occupation they belong to.

**FIGURE 4.3: Income wise distribution of respondents.**



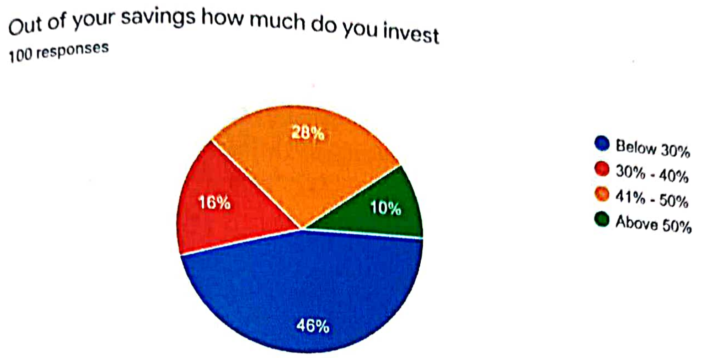

In the above pie chart it is showing the annual income of my respondent with most income lying between 1 lakh to 5 lakh having 50% of total. 31%is held by people with income of above 5 lakh and least being respondents below 1 lakh holding 19% of the whole. We can say that there is high possibility that people earning more than 5,00,000 will invest in amount as they save more than majority people who earn below 5,00,000 and there is 50/50 chance possibility of people who earn between 1,00,000 to 5,00,000 and least possibility who earn below 1lakh as their priority is to meet the basic needs of themselves or family.

## Figure 4.4: Saving wise distribution of respondents.



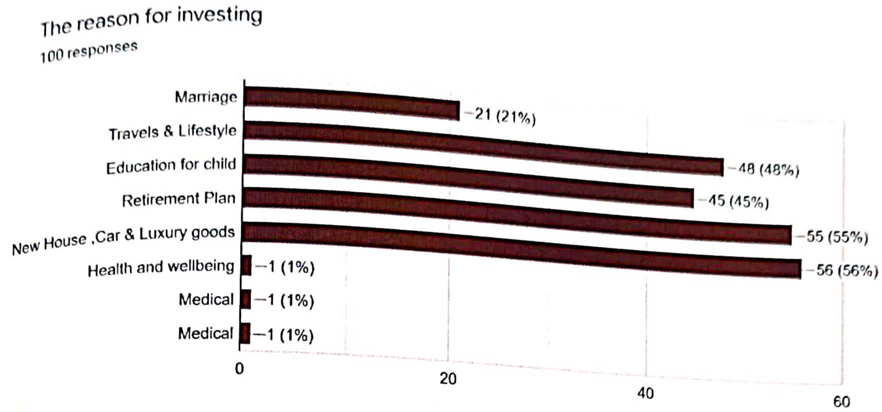

The following graph shows the percentage of savings made of which below 20% is the most at 39% that means very few people save the income. Reasons may vary for this. It might be a lack of knowledge about the importance of saving or their income is low or they spend on unnecessary stuff etc. Of , 20%-30% being at 34% this category being in mid states that the number of people is gradually increasing as they are aware on the need for saving and investing and will do more in future if the situation is in favor and lastly 30% and above being the least of all at 27% of the respondents are already aware and maybe they are also quite stable financially because more savings means more future and financial security.

**Figure 4.5: Investment from saving wise distribution of respondents.**



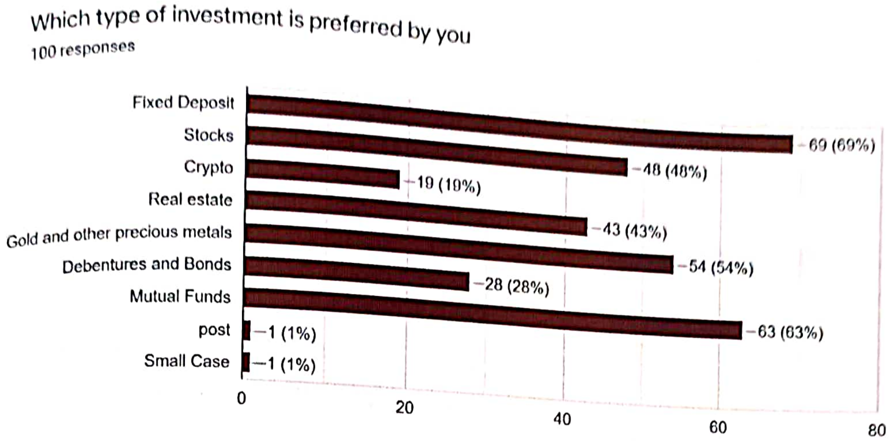

The above survey represents percentage of investment made out of savings 46% being below 30% this shows that majority of retails investors have lower investment interest, 41 to 50% holding 28% this of graph group consist of mainly those investors who invest for good return and tax benefit, 30% and 40% being 16% and finally above 50% being only 10% out of 100. Which consist of those people who prefer investment over savings. From above data we can observe how much lesser preference is being given to investment.

**FIGURE 4.6: Investment reason wise distribution of respondents.**



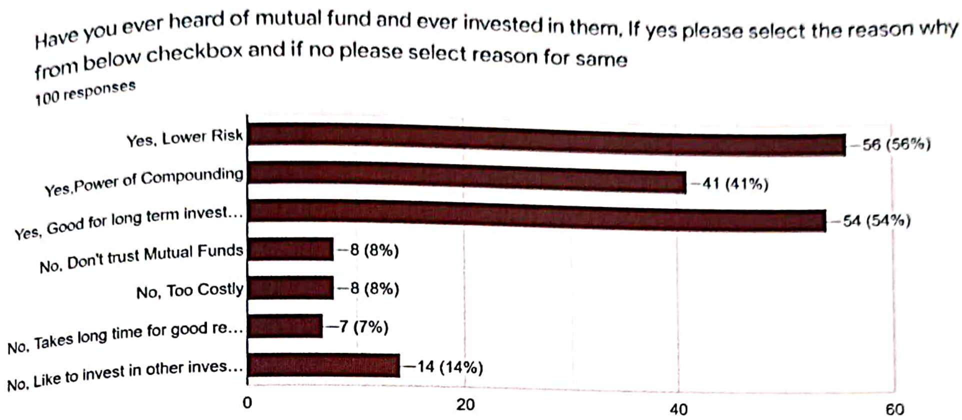

The above graph shows the preference for which they plan to invest where new house, Car & Luxury goods being up to 56 %, Retirement plan having 55%, Travel & Lifestyle being 48%, Education for the child at 45%, Marriage lying at 21% and lastly medical, Health and wellbeing at 3%. Here we can observe that the main reason for investing was for improvement in the field of luxury, lifestyle, and travels. Then the importance was given to support during retirement to earn income, education for their own prodigy was also considered in investment with greater percentage of acceptance, whereas health and wellbeing was preferred the lowest of all.

**FIGURE 4.7: Preferable type of investment distribution of respondents.**




The above graph represents investment preference with fixed deposit at 69%, Mutual Fund being at 63%, gold and other precious metals being up to 54%, Stocks at 48%, Real Estate being at 43%, Crypto at 19% Post and small case being 1% each. We can observe that the fixed deposit has been a winner as investment preference overall as a traditional investment avenue. Mutual funds are coming into competition with fixed deposits with little push. It may someday overtake the fixed deposit. The other popular investment Ave are stocks real estate and gold and other precious metals where gold has triumphed over stocks and real estate historically gold has been the always safest investment avenue in the minds of Indians. Crypto is the newest type of investment Ave and with zero knowledge about it most investors have been discouraged to invest in them.

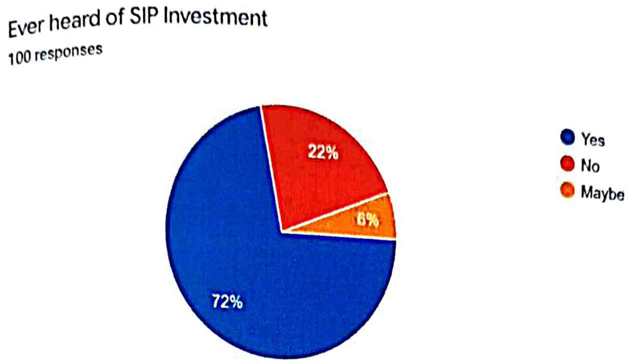
**FIGURE 4.8: Distribution of respondents on their choice for mutual funds.**




In the above graph the majority of the poll is inclined towards yes where lower risk is a factor which has the 56% acceptance, 54% for good in long term investment, and 41% for power of compounding. The No respondent poll is inclined to like to invest in other investment avenues at 14%, not trusting Mutual fund and too costly both share 8% and finally takes a long time for good return at 7%.

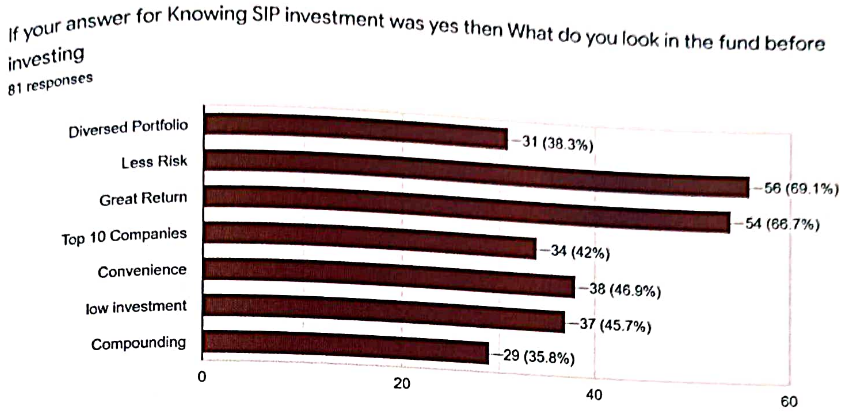
Here we can see that the preferable option for choosing a mutual fund as an investment was the lower risk and a good instrument for long term the power of compounding was another factor. There was some dissatisfaction still with mutual funds related to trust with Fund Company, high cost, the time taken for good return is considerably longer than its counterpart equity market which discourages a lot of investors to invest in mutual funds.

**FIGURE 4.9: Concept of SIP investment distribution by respondents**



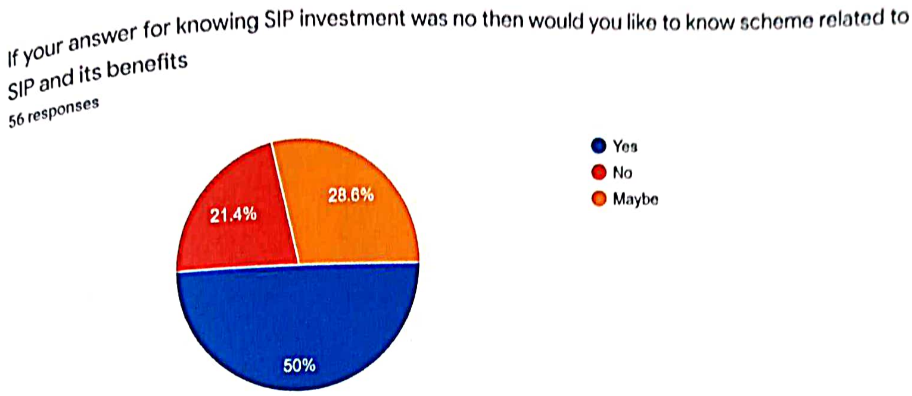

Most of the respondents have answered yes for knowing SIP which is at 72%, no is at 22% and maybe lies in 6%. The introduction of sip has been a success as a lot of respondents have been aware that its popularity has increased since the outbreak of pandemic.

**FIGURE 4.10: Distribution of respondents on their choice of SIP investment**



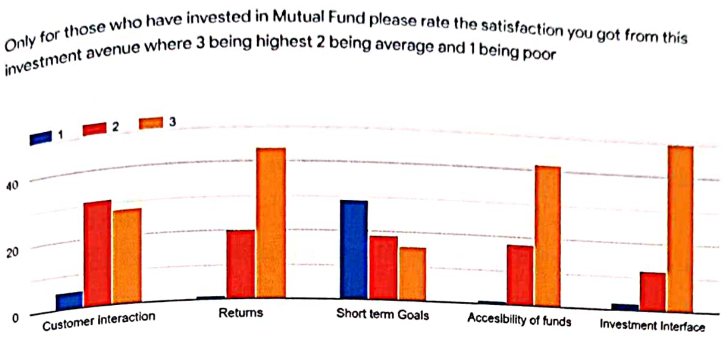

The above graph represents what does investor look in fund before investing where less risk has the most poll at 69.1%, Great Return at 66.7%, convenience being at 46.9%, Low investment lying at 45.7%, Top 10 companies at 42%, Diverse portfolio being at 38.3%, and compounding at 35.8%. The investor who invests in SIP mainly looks for lesser risks and great returns; they also check for the companies whose capitalization value range is in the top ten among its category. Convenience and low investment are yet another factor which has been the major push for or making sips invest as a convincing investment option and compounding factor is the plus point. A diverse portfolio helps in tax saving benefits with good returns even if the situation of market is not in favor

## FIGURE 4.11: Distribution based on gaining knowledge of SIP investment




The graph shows knowing SIP investment was not then would they like to know a scheme related to SIP and its benefits where 50% is in support yes, 28.6% prefer maybe and no at 21.4%. The known mutual fund investor is interested to know about SIP as an investment option who are discouraged earlier to invest in mutual fund due to lump sum investment method with 50% above showing interest in SIP investment

**Figure 4.12: Distribution based ratings related to service provided by Mutual Funds**




Above graph represents rating provided by respondents based on their satisfaction received after availing mutual fund service where customer interaction is rated average, returns are rated for highest, short-term goals falls under lowest rating, accessibility of funds and investment interface is at highest rating.

From here we can see that the mutual fund has successfully made a good debut with customer interaction being at average due to advancements in technology and lesser human touch, the investors are happy with the returns of the mutual fund, the accessibility of the fund is another yet positive point which has been graded highest by many respondents. And with a simple investment interference with hassle free account opening made a mutual fund as the easiest investment option.

# CHAPTER 5: CONCLUSION AND SUGGESTIONS

## CONCLUSION

In the current economic scenario where the market condition is unstable the mutual fund has proven to be a most efficient Investment Avenue for those investors who are yet to be introduced to any form of Investment Avenue, Fixed Deposit is still prevailing based on the data collection but the mutual fund is competing well against it and in several years, it may overtake fixed deposit as an investment avenue the most attractive point related to mutual fund are the less risk, great returns, diversified portfolio, good asset management companies, and various such factors, and with the advancement in technology the mutual fund investment has become even more easier compared to earlier paperwork filled mutual fund processes which discouraged a lot of investors. It is correctly said that investment is not a game but a lifeline and this is backed completely by the mutual fund with its lubricating offer, schemes, investment options, lesser risks, etc.

SIP as an investment avenue has gained a lot of popularity in India territory with successfully making a habit of investment for every individual who wishes to invest but lacks the knowledge of the market. The SIP is a tool introduced by a Mutual fund focused specifically with a group of low income also with its scheme starting from INR 500 per month with nominal interest rate added with compounding factor and fund managed by professionals giving a taste of diversification in asset allocation. The risk under a mutual fund is very minimal if compared with its counterpart investment avenue. The investor who is about to invest in SIP should check beforehand all documents and schemes related to it and must know the types of SIPS available and select the most appropriate one according to their need only. The introduction of SIP has helped a lot to those groups of income earners who can't afford lump sum investments mainly focused on students, salaried, homemakers, small enterprises, etc. Now in SIP, the most important factor is time compared to money as investors who start early gain maximum benefit compared to late comers despite investing more money, similarly more they hold more they gain.

## SUGGESTIONS:

1. The mutual fund companies should conduct a workshop session with those participants who are yet to invest and are confused about investing.
2. The companies should mention the reasons for keeping long term investment and its benefits.
3. Asset Management companies should follow the policy of transparency while dealing with future investors and existing investors.
4. Explaining the Advantages of Mutual Funds is as important as mentioning the risk associated with these funds.
5. Any updates with uncertainty upcoming that can be avoided should be informed to investors and take risk after that only, as to improve the trust in them.
6. Clear terms of what will be the risk, how much and to what extent it may lead to should be explained.
7. Before starting the investment, it is necessary to consult with their financial advisor.
8. Before going for SIP investment, it is necessary to check whether the type of SIP which they selected falls under flexible SIP in nature which can change according to their availability of finance backed by a willingness to pay for it.
9. Check for schemes with good returns in the lowest risk factor available.
10. Enable Auto Debit of the amount in case of SIP as investors don't have to keep doing those tedious work of approving funds.
11. Investors should inform about the change prior to 1 week before deduction for any changes in the fund.

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## APPENDIX

Questionnaire

# SIP as an Investment Avenue

I, Sushan Shetty, from S.M Shetty College TYBAF, am collecting this data for my research paper all the data collected here will solely be used as research data only and thereafter this data will not be used for any personal work, Thanks & Regards

Age *

- ◯ Below 18
- ◯ 18-30
- ◯ 31-45
- ◯ 46-60
- ◯ 60 and above

Occupation *

- ☐ Student
- ☐ Business & Profession
- ☐ Salaried
- ☐ Home maker

Annual Income in case of students please select parents/guardian *

- ◯ Below 1 Lakh
- ◯ 1 Lakh - 5 Lakh
- ◯ Above 5 Lakh

How much percentage do you save monthly *

- ◯ below 20%
- ◯ 20%-30%
- ◯ 30% and above

Out of your savings how much do you invest *

- ◯ Below 30%
- ◯ 30% - 40%
- ◯ 41% - 50%
- ◯ Above 50%

The reason for investing *

- ☐ Marriage
- ☐ Travels & Lifestyle
- ☐ Education for child
- ☐ Retirement Plan
- ☐ New House ,Car & Luxury goods
- ☐ Other:

Which type of investment is preferred by you *

- [ ] Fixed Deposit
- [ ] Stocks
- [ ] Crypto
- [ ] Real estate
- [ ] Gold and other precious metals
- [ ] Debentures and Bonds
- [ ] Mutual Funds
- [ ] Other:

Have you ever heard of mutual fund and ever invested in them. If yes please select the reason why from below checkbox and if no please select reason for same *

- [ ] Yes, Lower Risk
- [ ] Yes,Power of Compounding
- [ ] Yes, Good for long term investment
- [ ] No, Don't trust Mutual Funds
- [ ] No, Too Costly
- [ ] No, Takes long time for good returns
- [ ] No, Like to invest in other investment avenue

Ever heard of SIP Investment *

- ○ Yes
- ○ No
- ○ Maybe

If your answer for Knowing SIP investment was yes then What do you look in the fund before investing

- [ ] Diversed Portfolio
- [ ] Less Risk
- [ ] Great Return
- [ ] Top 10 Companies
- [ ] Convenience
- [ ] low investment
- [ ] Compounding

If your answer for knowing SIP investment was no then would you like to know scheme related to SIP and its benefits

- ○ Yes
- ○ No
- ○ Maybe

Only for those who have invested in Mutual Fund please rate the satisfaction you got from this investment avenue where 3 being highest 2 being average and 1 being poor

| | 1 | 2 | 3 |
|---|---|---|---|
| Customer Interaction | ○ | ○ | ○ |
| Returns | ○ | ○ | ○ |
| Short term Goals | ○ | ○ | ○ |
| Accesibility of funds | ○ | ○ | ○ |
| Investment Interface | ○ | ○ | ○ |