

## “The Comparative study on Systematic Investment Plan and One Time Investment Plan in Mutual Fund”

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### Abstract

In few years Mutual Fund has emerged as a tool for ensuring ones financial well being. Mutual funds have not only contributed to the India's growth story but have also helped families tap into the success of Indian Mutual fund Industry. As information and awareness is increasing day by day and more people are harvesting the benefits of investing in mutual funds. Globally, there are thousands of firms offering various of mutual funds scheme with different investment objectives. Today, mutual funds collectively manage almost as much as or more money as compared to banks.

The research paper's main objective is to compare both Systematic investment plan and One time investment and helps the investors to make best choice. It attempt to give a very simple investment strategy for the investors who are not experts in the field but want to make money from the market without much hassle in their path. In this paper, analysis is done by using compounded annual growth rate (CAGR) for lump sum investment plan and extended internal rate of return(XIRR) for Systematic investment plan. The conclusion drawn from this research paper is that one time investment plan is better as compared to systematic investment plan for those investors who has lump sum amount to invest.

### Introduction

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities such as stocks, bonds, money market instruments, and other assets. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. A Mutual Fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. The net asset value, or NAV, is the current market value of a fund's holdings, usually expressed as a per-share amount. Net asset value (NAV) is determined by the total value of the securities in the portfolio, divided by the number of the fund's outstanding shares. This price fluctuates based on the value of the securities held by the portfolio at the end of each business day. A Mutual Fund is a trust that pools the savings of a number of investors who share common financial goal. The money collected & invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and its unit holders in proportion to the number of units owned by them (pro rata) shares the capital appreciation realized by the scheme.

### Systematic investment plan

The Systematic Investment Plan (SIP) is a smart financial planning tool that helps you to create a wealth by investing small sum of money every month, quarter and yearly basis over a period of time in mutual fund scheme of our choice and it inculcate the habit of saving. Systematic investment plan may be either quantity based or amount based. In SIP the investor get a benefit of power of compounding that underlines the essence of making money work if only invested at an early age. In rupee cost averaging one need not worry about where share prices or interest are headed as investment of a regular sum is

done at regular intervals; with fewer units being bought in a declining market and more units in a rising market.

### One time investment

Lump sum investment refers to Investing a considerable amount in a Mutual Fund scheme. In lump sum investing, the money is deposited as a one-time down payment. Individuals who are having a large amount can deposit a significant proportion in Mutual Fund. Lump sum investments are generally made for longer terms which improves the chances of earning higher capital gains. Usually lump sum investments are ventured by big players and investors, in stocks especially those linked to assets that are likely to acknowledge in the long term, making the investment beneficial except in cases of high volatility.

### Literature review

Dimple Batra and Gunjan Batra(2012) ,In thier research paper the author has compared SIP with lump sum investment using data envelopment analysis (DEA) . From the study we get to know that the investors prefer to go for Fixed deposits in bank because of their less risky nature, some of the investors treat mutual funds risky but which is not supported by calculations as shown in mutual funds in research paper. It always give good returns if investment is for long time period. The firm should try to highlight the benefits of SIP such as rupee cost averaging, power of compounding etc. **(Batra, 2012)**

Dr.Rashmi Somani and Dr. Sanjay Sharma(2017). In thier paper they have analyzed the systematic investment plan & lump sum investment plan for portfolio management process. For the present study IRR, Sharpe Ratio and Average cost per share are mainly considered under both plans for measurement of performance evaluation. The researcher have compared the result with the respective benchmark index. The result obtained shows that the investment in Systematic Investment Plan is better than Lump Sum Investment Plan. In this paper the researcher has concluded that for a well-planned and disciplined investor who invest in stock market on regular basis, must look into the opportunities of SIP compared to LSIP. **(Sharma, 2017)**

T.G Monoharan Gowri V Nai (2018),In his paper the author examines the performance of Systematic Investment Plan (SIP) and Lump-Sum Investment Plan (LIP)in selected Equity Shares and Mutual Funds.The analysis revealed that four among five Mutual Funds give higher return through SIP. With reference to equity investment, three among the five Equity Stocks give higher return through SIP. This study shows that Systematic Investment Plan is the better investment option compared to Lump Sum Plan. **(Nai, 2018)**

Dr.S.Oviya and Dr.Chandrakala V(2017),In this paper they covered the comparison between One time investment and Systematic investment plan. From the study I learnt that lump sum may fetch more return but SIPs are more beneficiary for most of the investors who doesn't have lump sum amount to invest. Systematic Investment Plan is a discipline mode investment and a smart financial planning tool for wealth creation in long run with the power of compounding. Market volatility affects more on lump sum than on SIP. Investing in balanced funds reduces the risk of decrease in the value of lump sum investment. **(Dr.S.Oviya, 2017)**

Shamant kumar(2018), In their paper understand that Systematic Investment planning is the most popular tool of investing the savings made every month. This scheme will help the people to meet regular expenditure and in the long term it will be the huge return on investment where one can expect more than the bank rates.On the other hand the mutual funds are subjected to the market risks and may deviate at any time .Investor should consider the trend in the market

and decide the investment, it is advisable to go for investing in portfolio to reduce the risk and maintain the returns consistency (kumar, 2018)

Jaison David ,Geetanjali Purswani and Anju Jojo(2019) ,In this paper we understand that In India, if an individual invests in Equity Linked Mutual Funds scheme, they get a deduction upto Rs 1,50,000 under section 80c of the Income Tax Act, 1961.The investor has to make a choice if he/she wants to invest this money as SIP or Lump sum. He/she also has a third option of planning the investment with the help of Value Averaging. The results of the study show SIP is the best option followed by Value Averaging and finally comes Lump-sum method of investment with lowest possible returns. (Jaison David, 2019)

Dr.Hemendra Gupta(2015),The author tries to evaluate whether there is any significant difference in volatility and return while investing monthly thus taking benefit of rupee cost averaging rather than investing lump sum. Looking at the results it can be concluded that Investing Systematically through SIP or doing monthly regular investment has not shown a substantial difference in return and neither in reducing risk however it is to definitely a very good way of investing as it induce people to save small amount regularly from their monthly earnings.(Gupta, 2015)

Dr. Akanksha Kpaoor(2019), The purpose of the study is to find out the motivating factor to invest in systematic investment plan and the problem in this scheme. Results of the study found that for higher return with low risk the investor motivates to invest in systematic investment plan on the other hand knowledge and operational platform is one of the main barrier that investor are facing of scheme Systematic investment plan give the benefits of rupee cost averaging that is ,it helps you to make money over the long term. Since you get more units when the NAV drops and fewer when it rises, the cost averages out over time. (kapoor, 1 jan 2019)

**Objectives of the study**

- 1.To study and understand about Systematic Investment Plan and One Time Investment Plan.
- 2.To calculate the returns generated by selected schemes on different time periods on the basis of Systematic Investment Plan and One Time Investment Plan.
- 3.To compare the returns generated by both investment plan and to identify the better mode of investment.

**Research Methodology**

**Scope of Study**

This research paper has helped to gain a knowledge about mutual fund schemes and performance of both investment plan .In this study 10 Mutual Fund Scheme for the last five years i.e 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2019 have taken to compare returns between the both investment plans that are Systematic investment plan and One time investment. To find out the best investment plan from the comparison statement through analysis.

**Research design** - Descriptive study

**Data collection** - The information has been collected from secondary data such as fact sheets, books and magazines of the company and official website of the company.

**Statistical tools**

- Compounded Annual Growth Rate (CAGR) is calculated to know the lump sum investment returns – **(Ending value/Beginning value)^(1/n)-1)**
- Extended Internal Rate of Return (XIRR) is calculated to know the returns generated from Systematic Investment Plan (SIP) – **XIRR (Values, Dates, Guess)**

**Data Analysis**

**1. Kotak Emerging Equity Scheme-Direct plan –Growth**

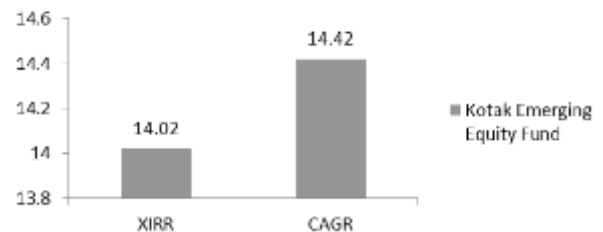
**SIP**

Particulars	Rs	NAV as on 29-3-2019
Total units bought	2041.97	
Total value of fund	85285.09	
Total amount invested	60000	41.766
XIRR	14.02	

**Lump sum investment plan**

Particulars	Rs	NAV as on 29-3-2019
One time investment	60000	
Total units bought	4255.01	
Total value of fund	177715.05	41.766
CAGR	14.42	

**Kotak Emerging Equity Fund**



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 14.42% and CAGR is 14.42% . On Comparing both the options, One time investment is better in terms of CAGR.

**2.Kotak Standard Multicap Fund –Growth option**

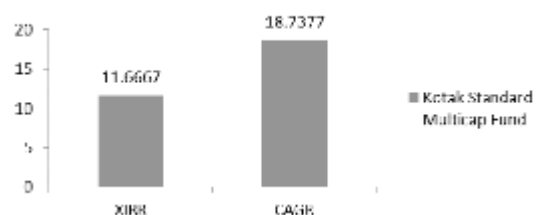
**SIP**

Particulars	Rs	NAV as on 29-3-2019
Total units bought	2370.25	
Total value of fund	84092.06	35.478
Total amount invested	60000	
XIRR	11.66	

**Lump sum investment plan**

Particulars	Rs	NAV as on 31-3-2019
One time investment	60000	
Total units bought	3991.48	
Total value of fund	141609.89	35.478
CAGR	18.73	

**Kotak Standard Multicap Fund**





**Interpretation** - From the above calculation of the year 2014-19, XIRR is 11.6667% and CAGR is 18.7377%. On Comparing both the options, One time investment is better in terms of CAGR.

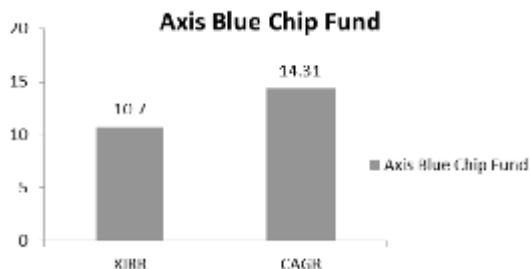
### 3.Axis Blue chip fund –Growth option

#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	2891.49	
Total value of fund	81800.25	
Total amount invested	60000	28.29
XIRR	10.7	

#### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	4140.78	
Total value of fund	117142.85	28.29
CAGR	14.31	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 10.7% and CAGR is 14.31%. On Comparing both the options, One time investment is better in terms of CAGR.

### 4. Axis 25 Focused Fund-Direct plan

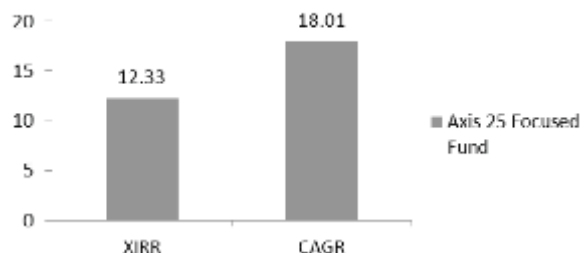
#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	2931.28	
Total value of fund	85681.31	
Total amount invested	60000	29.23
XIRR	12.33	

#### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	4698.512	
Total value of fund	137337.50	29.23
CAGR	18.01	

### Axis 25 Focused Fund



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 12.33% and CAGR is 18.01%. On Comparing both the options, One time investment is better in terms of XIRR.

### 5.ICICI prudential blue chip fund-Direct plan-Growth

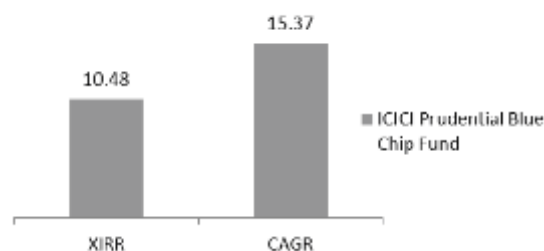
#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	1822.29	
Total value of fund	81292.75	44.61
Total amount invested	60000	
XIRR	10.48	

#### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	2749.77	44.61
Total value of fund	122667.27	
CAGR	15.37	

### ICICI Prudential Blue Chip Fund



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 10.48% and CAGR is 15.37%. On Comparing both the options, Systematic investment plan is better in terms of CAGR.

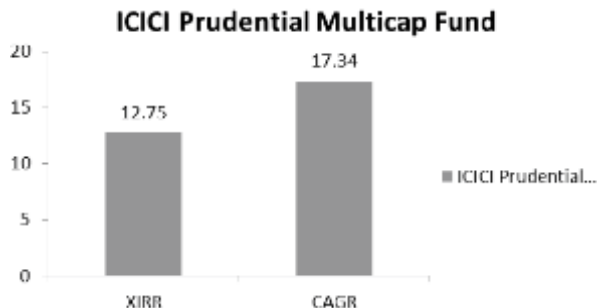
### 6.ICICI Prudential Multicap Fund-Regular Plan-Growth

#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	264.77	
Total value of fund	82595.12	311.95
Total amount invested	60000	
XIRR	12.75	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	427.77	311.95
Total value of fund	133445.03	
CAGR	17.34	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 12.75% and CAGR is 17.34%. On Comparing both the options, One time investment is better in terms of CAGR.

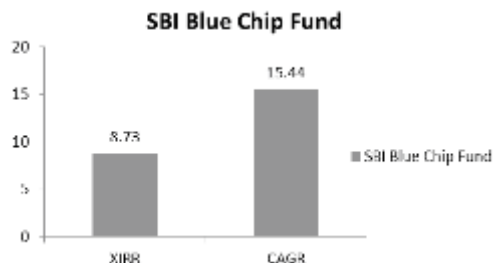
**7.SBI Blue Chip Fund Regular plan -Growth**

**SIP**

Particulars	Rs	Nav as on 31-3-2019
Total units bought	1972.52	
Total value of fund	77322.78	39.2
Total amount invested	60000	
XIRR	8.73	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	3138.07	39.2
Total value of fund	123012.55	
CAGR	15.44	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 8.73% and CAGR is 15.44%.On Comparing both the options, Systematic investment plan is better in terms of CAGR.

**8.SBI Focus Equity Fund Regular plan – Growth option**

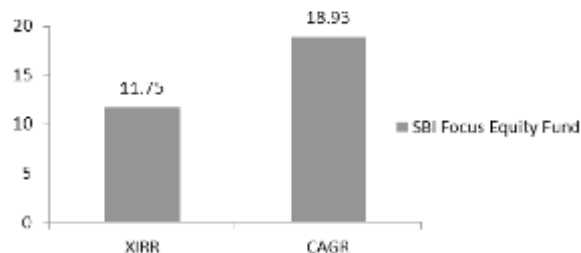
**SIP**

Particulars	Rs	Nav as on 31-3-2019
Total units bought	599.98	
Total value of fund	84315.84	140.53
Total amount invested	60000	
XIRR	11.75	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	1016.26	140.53
Total value of fund	142815.04	
CAGR	18.93	

**SBI Focus Equity Fund**



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 11.75% and CAGR is 18.93%.On Comparing both the options, Systematic investment plan is better in terms of CAGR.

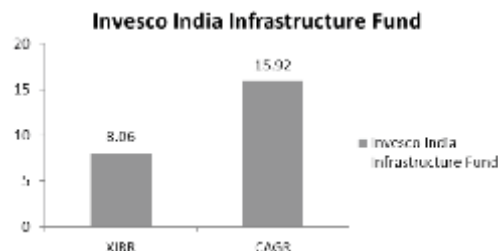
**9.Invesco India Infrastructure Fund Growth option**

**SIP**

Particulars	Rs	Nav as on 31-3-2019
Total units bought	4266.35	
Total value of fund	73509.27	17.23
Total amount invested	60000	
XIRR	8.06	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	7290.40	17.23
Total value of fund	125613.60	
CAGR	15.92	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 8.06% and CAGR is 15.92%. On Comparing both the options, One time investment is better in terms of CAGR.

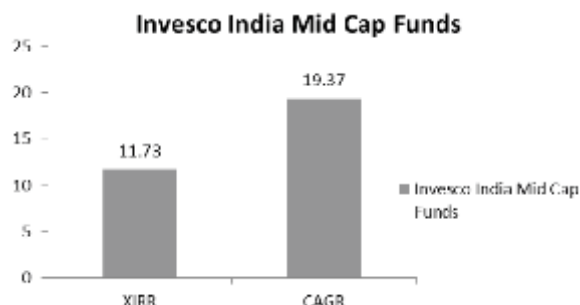
#### 10. Invesco India Mid Cap Funds-Growth option

##### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	1632.42	
Total value of fund	80543.60	49.34
Total amount invested	60000	
XIRR	11.73	

##### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	2946.95	49.34
Total value of fund	145402.75	
CAGR	19.37	



**Interpretation** -From the above calculation of the year 2014-19, XIRR is 11.73% and CAGR is 19.37%. On Comparing both the options, One time investment is better in terms of CAGR.

#### Findings

Mutual Fund Schemes	Systematic investment plan	Lump sum investment plan
Kotak Emerging Equity Scheme-Direct Plan - Growth option	14.02	14.42
Kotak Standard Multicap Funds-Growth Option	11.66	18.73
Axis Blue Chip Fund Growth	10.70	14.31
Axis Focused 25 Fund - Direct Plan	12.33	18.01
ICICI Prudential Blue Chip Fund- Direct Plan -Growth	10.48	15.37
ICICI prudential Multicap Fund-Regular plan-Growth	12.75	17.34
SBI Blue Chip Fund Regular Plan –Growth	8.73	15.44
SBI Focused Equity Fund Regular Plan –Growth	11.75	18.93
Invesco India Infrastructure Fund Growth option	8.06	15.92
Invesco India Mid Cap Funds-Growth option	11.73	19.37

- From the analysis we found that all 10 mutual fund schemes provide better returns from one time investment .
- In Lump sum (One Time Investment), the unit that is purchased on NAV stays same as it was on investing day. But the value of the investment would be changing depending on Net Asset Value (NAV). Where as in Systematic Investment Plan (SIP), the no. of units also gets changed along with NAV since it is invested in intervals.
- When the NAV is less then the no. of units would be more and when the NAV is more then the no. of units decreases.
- In SIP there will be a very gradual compulsory growth in the value, whereas in lump sum the value may have growth or also decline depending on market conditions. Market volatility affects more on lump sum than on SIP.
- The value of the investment of both SIP and OTP also depends upon the type of Scheme in mutual fund invested. Like equity funds fetches more returns, long term have better growth than for short term schemes etc.
- Investing in balanced funds reduces the risk of decrease in the value of lump sum investment since in this scheme they invest in combination of equities and debt.

#### Suggestions

- It is advisable for the investors to adopt one time investment if they expect the market to significantly move in an upward in future.
- It is advisable for the investors to adopt SIP investment if they expect the market to significantly move in an downward in future.
- An appropriate measures should be initiated to increase the awareness about the mutual funds to the investors and the firm should offer the mutual fund according to the need or purpose of the investor.
- The firms should try to highlight the benefits of SIP such as rupee cost averaging, power of compounding, etc
- It is suggested that for safer double digit return from the market it is important to spend time in market and irrespective whether one does through SIP or through Lump sum investment.

#### Conclusion

- Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions.
- If we have long horizon for investment, say for 10-15 years, growth in lump sum investment is always more than SIP.
- SIP is best suited for those who do not have lump sum amount but expect regular surplus in future.
- If the market movement is continue going to be high, it is gives good return for lump sum investors because they are having more number of shares. The same time systematic investors will get low profit reason for that is they will get minimum number of shares in every month.
- The one time investment gives low return only reason is that the number of shares they investing in is lower compare to systematic investment plan.

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