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A COMPARATIVE ANALYSIS OF ONE TIME INVESTMENT PLAN & SYSTEMATIC INVESTMENT PLAN IN MUTUAL FUND

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Abstract
Nowadays, financial markets are persistently becoming more efficient by providing more optimistic solutions to the investors helping them to spread their savings through different means of investment. Probably, most of individual's money is in a bank savings account and the biggest investment may be their home. Apart from that, investing is probably something that they do not have the time or knowledge to get involved in. This is why investing through mutual funds has become such a popular way of investing. A mutual fund is a pool of money from numerous investors who wish to save or make money. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on their own. The scope of the study is to help the investors to choose better investment plan matching to their purpose of investing. The main purpose of the study to compare the mutual funds performance under One Time Investment Plan (Lump sum or OTI) and Systematic Investment Plan.

Key Words: Mutual Funds And Its Concept And Performance, Sip, Lump Sum, Nav.

Introduction
Recent days, financial markets are persistently becoming more efficient by providing more optimistic solutions to the investors helping them to spread their savings through different means of investment.
An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will be sold at a higher price for a profit.

There are many different kinds of investments where an individual or an organization can invest in like stocks, bonds, derivatives, gold, real estate etc…. and One among them is Mutual Funds chosen for this study.

Meaning of Mutual Funds
A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.
In other words, a mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities.

Modes of investing / Methods for investing in Mutual Funds:
There are two options for investors to invest in mutual funds. They are:
1. One Time Investment Plan (OTP) (Lump sum)
2. Systematic Investment Plan (SIP)

One Time Investment Plan (Lump sum) – If having an investor having big sum in bank account or on hand and are looking to invest in mutual funds at one go, then it is considered as Lump sum mode. Because investing all money at one point, it may include market risk.

Features of OTP;
1. The returns on OTP in terms of percentage is calculated using Compound Annual Growth Rate (CAGR).
2. Helps to invest all investible surplus at one go – Even if the investor have large corpus or minimum amount of Rs. 5000 to invest, they can invest all their money in a mutual fund through single transaction.
3. It attracts market risk – Investors can invest in lump sum if he/she having an appetite for higher risks since the chances are high that they may see negative in their investments sometimes. Investing in lump sum having longer time horizon is better, if so, have short time horizon then should invest in less risky options like liquid funds.
4. If the long term trend of the economy is positive then only the lump sum investment can be rewarded.
5. It includes high risk and anticipates high returns.

Systematic Investment Plan (SIP) – SIP investing in mutual fund schemes by debiting a fixed amount from the bank account every month or quarter. It helps to invest money gradually.

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Features of SIP

1. Using excel, SIP returns percentage is calculated by using Extended Internal Rate of Return (XIRR)
2. SIP is a disciplined mode of investment because it spreads investments over a certain time period. Investor can invest a fixed sum of money on a regular basis in mutual fund scheme.
3. SIP can be started even with the lower investment amount from Rs. 500 per month.
4. It helps in creating wealth in the long run with the power of compounding.
5. SIPs are smart financial planning tool.
6. There is a Rupee Cost Averaging benefit in SIPs. As the investments are made regular basis, investors get opportunity to invest at various market levels. So in the long run, the cost of buying is averaged out and Average Cost per unit may work out to be lesser than the Average Price per unit.

NAV of a scheme

It stands for Net Asset Value. In simple words, NAV can be defined as the market value per unit of the securities held by the scheme. It is calculated by the AMC at the end of every business day. It is the price basically at which units of a mutual fund are bought or sold.

How is NAV calculated / determined

NAV is determined after taking into account the closing market prices of the securities in its portfolios, at the end of every market day. Considering the changes in market value of securities every day, NAV of a scheme also varies on day to day basis.

It is calculated by subtracting all the liabilities of the fund (includes fees, expenses such as staff salaries, operational cost etc) from the value of all units of a mutual fund portfolio (net worth of all assets) then divided by the total number of units held.

Statement of the problem

Many investors raise a very common question before investing in mutual funds that weather to invest in mutual fund schemes as One Time Investment Plan which is commonly known as OTP or Systematic Investment Plan (SIP),. This study compares both the investment plans, its returns, performance and tries to give a solution to the investors' common question.

Primary Objective of the study

To compare the two investment plans, namely, lump sum and SIP and its performance for the better investment decision.

Secondary Objectives of the study

1. To study and compare the performance of different schemes of mutual funds.
2. To know the returns of mutual fund schemes under OTP.
3. To know the returns of mutual fund schemes under SIP.

Scope of the study

The researcher will study and identify the performance of mutual fund schemes under one time investment plan and systematic investment plan. Calculations are done quarterly, half yearly, and yearly depending on the schemes to determine performance and compare the return.

Review of Literature

Batra. D.& Batra.G. (2012)

In this research paper, the author has mentioned that many of the people do not invest in mutual funds due to lack of awareness although they have money to invest. The main purpose of investment for many investors is mostly to save tax. So they prefer PPF as their investment option since they do not have knowledge of Mutual funds offering ELSS.
They also stated that, the investors also prefer to go for Fixed deposits because of less risk compare to mutual funds. But mutual funds always give good returns if investing for longer period of time.

The researcher mentioned that SIP mode of investing would be better because of its rupee cost averaging, power of compounding etc.

Vyas. R. (2012)

In this research paper, the study mainly focused on number of factors that highlights investors' perception. This study found that mutual funds were not that much known to investors, still they rely upon bank and post office deposits, most of the investors invested in mutual funds for not more than 3 years and because the fund were not giving desired results they used to quit. As per the paper, equity option and SIP mode of investment were on top priority for investors'.

Zenti. R. (2013)
In this paper, the simulations shows that SIPs are overall much less risky than Lump sum investments (LSIs), but on the upside potential they are often dominated by LSIs. To householders without a significant wealth SIPs are often the only investment solution available. This paper also states that SIPs enable many people to be disciplined in their investments.

Roy. D. & Ghosh. K. (2011)
During this project work, the researcher found that Systematic Investment Plan (SIP) was the best way to build up capital over a period of time for those who don't have a lump sum to invest. And also suggests that the risks in investment by SIPs are expected to be lower than that for lumps sum investment. The researcher also found that more than aged investors, young investors are tending towards mutual funds by preferring SIPs.

Methodology
Sample – For this study, the researcher has taken 5 investment schemes of different investors.

Sources of data collection
Secondary sources – The researcher has used secondary data to the study. In this study, the investors investments data is collected in ANMOL Share Broking Pvt Ltd company records and NAVs as on period are collected through www.moneycontrol.com.

Research methodology: Descriptive research is undertaken.

Data Analysis:
For data analysis, the researcher had considered the sample of 15 investors who are invested in different schemes of mutual funds. Hence, below are the basic details or information of those schemes.

Schemes of Mutual Funds selected for the Study
1. ICICI Prudential Top 100 Fund ,2. DSP BR Balanced Fund ,3. Franklin Prima Plus Fund, 4.Motilal Oswal Most Focused Long Term Fund, 5. Reliance Tax Saver Fund.
Statistical tools – Tabulation form, Graphical representation.

Limitation of the study
1. Lack of availability of confidential data
2. There is a time constraint since the research duration is only for 3 months
3. Because of the time constraint, the sample size taken is also small

Data Analysis And Interpretation
1 (a) Table showing the One Time Investment (OTP) performance of ICICI Prudential Top 100 Fund (Growth)

Period	Amount Invested	NAV as on period	No. of Units	Value as on Period
20-03-2015	100000	242.04	413.15	100000
22-06-2015	-	236.26	-	97612
21-09-2015	-	224.61	-	92799
20-12-2015	-	229.06	-	94637
21-03-2016	-	222.06	-	91745
20-06-2016	-	239.81	-	99079
20-09-2016	-	269.86	-	111494
20-12-2016	-	257.16	-	106247
15-03-2017	-	288.56	-	119220

Note: Value as on Period = No. of units as on 20-03-2015 x NAV as on period

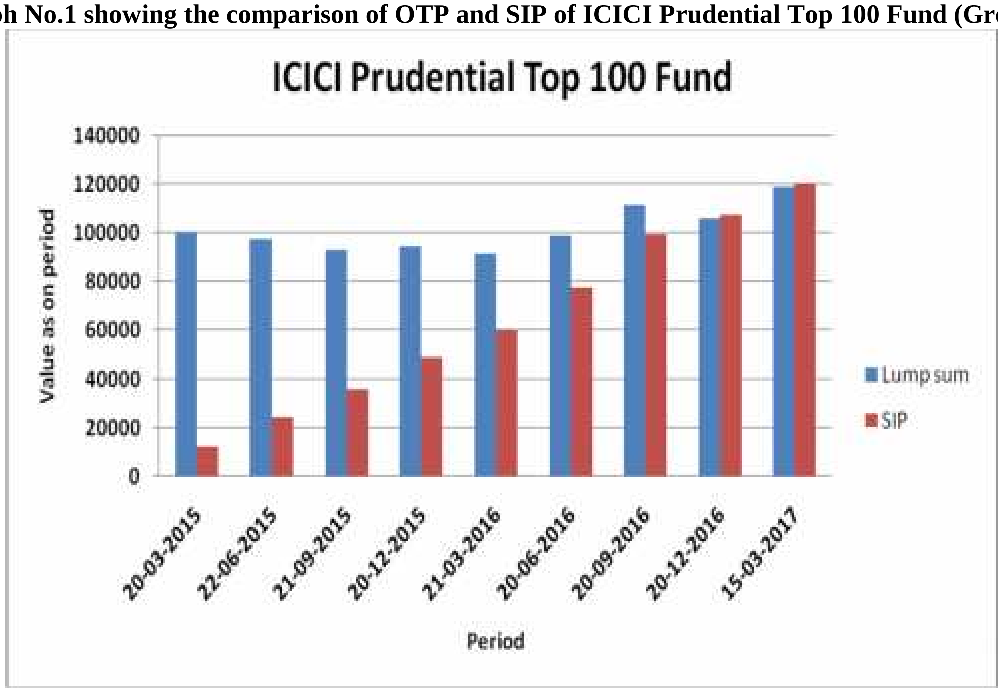
1 (b) Table showing the SIP performance of ICICI Prudential Top 100 Fund (Growth)

Period	Amount Invested	NAV as on period	No.of units	Cumulative Units	Value as on Period
20-03-2015	12500	242.04	51.64	51.64	12500
22-06-2015	12500	236.26	52.91	104.55	24701
21-09-2015	12500	224.61	55.65	160.20	35983
20-12-2015	12500	229.06	54.57	214.78	49196
21-03-2016	12500	222.06	56.29	271.07	60193
20-06-2016	12500	239.81	52.12	323.19	77504
20-09-2016	12500	269.86	46.32	369.51	99716
20-12-2016	12500	257.16	48.61	418.12	107523
15-03-2017	-	288.56	0.00	418.12	120652

Note: Value as on period = Cumulative Units x NAV as on period

Analysis
The SIP is invested quarterly in a year. By observing the values in the above two tables, we can find that there is no much of difference between the value as on period of both the plans. But no. of units is changing each period in SIP but stays same as first day for Lump sum.

Graph No.1 showing the comparison of OTP and SIP of ICICI Prudential Top 100 Fund (Growth)



Interpretation
The above graph is showing the value of lump sum and SIP investment as on period. From the above graph, it can be analyzed that the value of lump sum amount is just fluctuating in and around the investment amount. There is no much of growth or increase in lump sum, but in SIP there is a gradually growth which yields good amount at the end.
It can be assumed that one time investment plan (lump sum) has fetch more value at the end but while considering the absolute returns percentage SIP fetch 20.65% return where as lump sum fetch 19.22%.
*Note : Returns in % = (value as on 15-03-2017 – total amount invested)/total amount invested.

2 (a) Table showing the Lump sum performance of Motilal Oswal Most Focused Long Term Fund (Growth)

Period	Amount Invested	NAV as on period	No. of Units	Value as on Period
1/4/2015	12000	10.84	1107.01	12000
1/7/2015	-	11.07	-	12255
1/10/2015	-	11.16	-	12354
1/1/2016	-	11.4	-	12620
1/4/2016	-	10.58	-	11712
1/7/2016	-	11.72	-	12974
3/10/2016	-	13.4	-	14834
2/1/2017	-	12.7	-	14059
15/3/2017	-	14.26	-	15786

Note: Value as on Period = No. of units as on 1-4-2015 x NAV as on period

2 (b) Table showing the SIP performance of Motilal Oswal Most Focused Long Term Fund (Growth)

Period	Amount Invested	NAV as on period	No.of units	Cumulative Units	Value as on Period
1/4/2015	1500	10.84	138.38	138.38	1500
1/7/2015	1500	11.07	135.50	273.88	3032
1/10/2015	1500	11.16	134.41	408.29	4556
1/1/2016	1500	11.4	131.58	539.87	6154
1/4/2016	1500	10.58	141.78	681.64	7212
1/7/2016	1500	11.72	127.99	809.63	9489
3/10/2016	1500	13.4	111.94	921.57	12349
2/1/2017	1500	12.7	118.11	1039.68	13204
15/3/2017	-	14.26	0.00	1039.68	14826

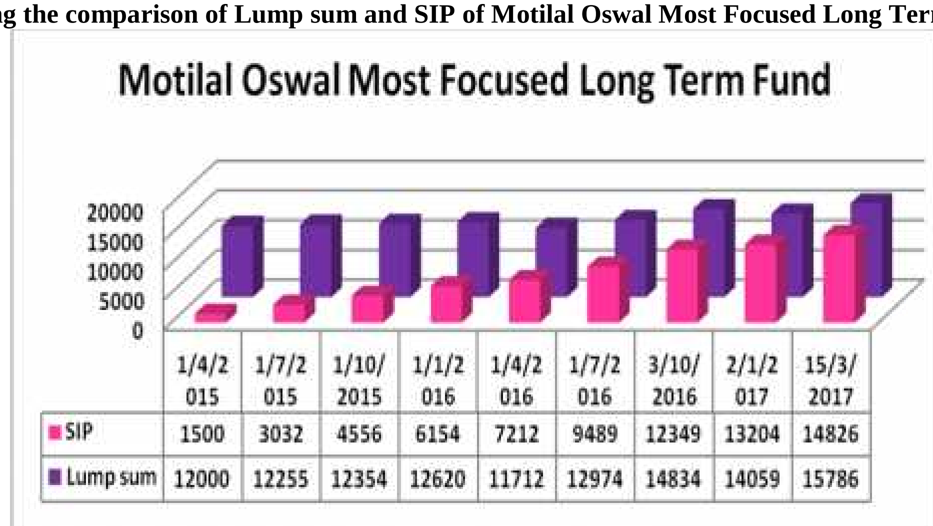
Note: Value as on period = Cumulative Units x NAV as on period

Analysis

In quarterly way the SIP investments have been done. It has a standard development till the last date. In case of lump sum, the value is expanded more than investment amount.

Through these tables, it can be understood that to invest in any mutual fund scheme there is no need of large amount itself, they can start lump sum or even SIP from very small amount.

2 Graph showing the comparison of Lump sum and SIP of Motilal Oswal Most Focused Long Term Fund (Growth)



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Interpretation

By considering the above graph (no. 4.11), The value of investment of both the plans, growth is happening gradually, amount is expanding yet not to the extent of expectation. Might be it is because of the type of the scheme. The scheme is for long term and determined valued is just for 2 years so the growth is moderate. In future dates after few more years, the investment may give some expanded growth and returns.

3 (a) Table showing the SIP performance of Reliance Tax Saver Fund (Growth)

Period	Amount Invested	NAV as on period	No.of units	Cumulative Units	Value as on Period
2/1/2012	25000	16.88	1481.04	1481.04	25000
1/1/2013	25000	24.79	1008.47	2489.51	61715
1/1/2014	25000	25.57	977.71	3467.22	88657
2/1/2015	25000	47.04	531.46	3998.68	188098
1/1/2016	25000	44.85	557.41	4556.10	204341
2/1/2017	25000	47.53	525.98	5082.08	241551
15/3/2017	-	53.09	0.00	5082.08	269808

Note: Value as on period = Cumulative Units x NAV as on period

3 (b) Table showing the Lump sum performance of Reliance Tax Saver Fund (Growth)

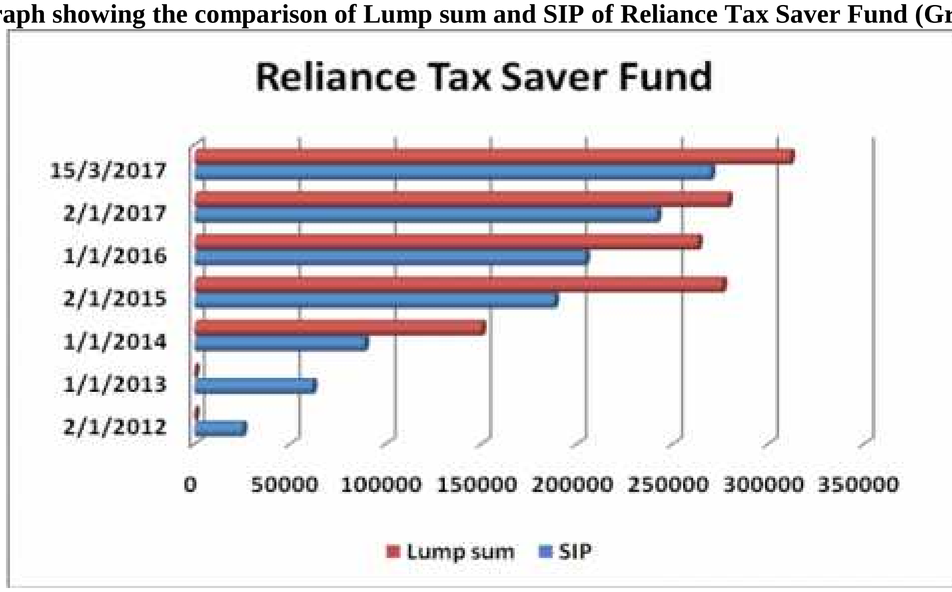
Period	Amount Invested	NAV as on period	No. of Units	Value as on Period
1/1/2014	150000	25.57	5866.25	150000
1/1/2015	-	47.04	-	275948
1/1/2016	-	44.85	-	263101
1/1/2017	-	47.53	-	278823
15/3/2017	-	53.09	-	311439

Note: Value as on Period = No. of units as on 1-1-2014 x NAV as on period

Analysis :

This scheme has a tax advantage. Irrespective of investment plans (SIP or Lump sum), any investment in this scheme gets a tax advantage up to Rs. 1,50,000 under section 80C. The return or growth would be less but attracts large people to invest in lump sum more than SIP.

3 Graph showing the comparison of Lump sum and SIP of Reliance Tax Saver Fund (Growth)



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Interpretation
In this graph, it shows that the Lump sum even though invested after SIP started, it earns more value to the investment than SIP. Even SIP is fetching enough value as expected but then too less than Lump sum. SIP or Lump sum whichever the investment plan is but the investor will sure get tax advantage up to Rs. 1,50,000 under section 80C. Might be because of this advantage lump sum investors get attracted more than SIPs in this type of scheme.

Findings
1. 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.
2. Through the study, researcher also found that, 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.
3. 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.
4. 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.
5. 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.
6. There are some schemes named ELSS, investing in those funds fetches little less amount of returns compare to other schemes yet they attract lump sum investors more than SIP because of its Tax Advantage feature.
7. Investing in debt funds makes the investors to face or bare less risk compare to equities funds. They mainly help in capital appreciation.

Conclusion
1. In these more efficient financial markets, mutual funds are also one of the optimistic solutions to invest. It helps in earning some amount of returns on idle savings. Mutual funds pools money from small investors and invest in securities, debts, bonds, all mix of these.
2. There are many different schemes in mutual fund. Each scheme has its own benefit, depending on investor’s objectives and risk tolerance they can select the mutual fund scheme. It helps in diversification of risk.
3. The study mainly covered the comparison between One time investment and Systematic investment plan. At the end, the researcher concludes 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.
4. At the most, irrespective of investment plans and schemes, investing and waiting for long term would be better than for short term period.
5. 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.

“ When WEALTH CREATION is your cup of tea, Take a SIP ”

Suggestions
1. While comparing OTP to SIP, the returns fetched and capital appreciation of investment, both are more in lump sum plan compare to SIP. In SIP sure there will be a good growth but gradually.
2. Selecting which investment plan can be depended on the investors’ goals or objective why they are investing.
3. The investor who has a lump sum amount in their hand can invest in any scheme under mutual fund. If there is no amount instead if they have some regular income which comes in intervals they can choose SIP and invest in mutual funds.
4. The SIP can be started by very minimum amount of Rs. 500 which is a big positive point or advantage to less earning or less income people. Irrespective of their income they can start investing in mutual funds.
5. Instead of holding the small regular incomes to make lump sum and then invest they can be invested with small amount itself so that they can fetch some percent of returns on that small amount. However, keeping the amount idle fetches nothing instead investing helps in capital appreciation of that amount.
6. Investors ready to take up the risk can invest in different schemes under equities funds, who can tolerate less risk can go with debt funds or balanced funds. One type of scheme named ELSS is benefited to some people by its tax advantage feature. It provides tax exemption under section 80C up to Rs. 1,50,0000.

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