



## A study on investor perception about systematic investment plan (SIP) in the Nepal

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### Abstract

A popular alternative investment strategy for many investors seeking high returns with minimal risk involves the systematic investment plan (SIP), main objectives of this Study is to examine the relationship between investment perspective and expected return and to measure the effect of expected return on investment perception. The study collected primary data by using structured questionnaire techniques from 400 respondents who are focused on SIP. This study is based Causal comperative research design. For the purpose of analysis, this study used a quantitative technique for data collecting. Convenience sampling was used as the sample method for the study. Expected return is considered as a dependent variable while the systematic investment plan, socio economic variables, fund scheme, risk, expected considered as independent variables. SPSS was used to construct and evaluate their correlation and regression. It is found that the systematic investment plan, socio economic variables, fund scheme, has positive significant effect on customer expected return. However, risk has negative significant effect.

**Keywords:** Investment, mutual fund, portfolio, systematic investment plans, high returns. low risk

### Introduction

SIP is a smart financial planning tool that helps you to create a wealth by investing small sum of money every month over a period of time. SIP is a planned approach to investments and an investment technique that allows you to provide for the future by investing small amount of money in mutual fund scheme of our choice. Systematic investment plans is a plan of mutual fund, in which the investments are done by paying a fixed amount at every predetermined date. Systematic Investing in a Mutual Fund is the answer to preventing the drawbacks of equity investment and still enjoying the high returns. 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. SIP is a feature especially designed for investors who wish to invest small amounts on a regular basis to build wealth over a long term. (S. Aurora, 2020) <sup>[2]</sup>

Investments that combine investor capital and make investments on their behalf are known as mutual funds. Investment in stocks, bonds, and other securities is facilitated by this method of gathering funds from a group of investors. Units which constitute a percentage of the assets of the fund are owned by each investor. Systematic Investment Plan is a smart financial planning tool that helps you to create a wealth by investing small amount of money every month over a period of time. (Supekar, 2021) <sup>[5]</sup> Specialists in mutual fund management, these professionals build customized portfolios according to the goals of the investments. Mutual funds are investment tools that help investors to pool their money to purchase securities which are professionally managed by a portfolio manager. (Khaladkar, 2021) <sup>[1]</sup>. Securing securities make up the entire portfolio of a mutual fund. Investors favor them because of their adeptness in portfolio management. Diversification, affordability, expert management, and liquidity are all features of mutual funds. In comparison to other investment

avenues available in financial market, investing in mutual fund is found to be less risky and easy to invest (Sharma, 2023) <sup>[3]</sup> In essence, a mutual fund is a business that pools the capital of its shareholders to purchase financial securities, creating a less hazardous portfolio than an individual investor would. Put differently, a mutual fund is an organization that makes investments in a variety of securities. A mutual fund's owners or shareholders are those who purchase its shares. The funds from their investments enable the mutual fund to purchase securities like bonds and equities. One of two ways a mutual fund can profit from its securities is if they increase in value or if they pay dividends or interest to the fund. A fund's value and earnings may decline as well. The portfolio's lower risk originates from Several numerical indices have been developed in the literature and are frequently used in practice to measure the performance of mutual systematic investment plans (SIPs), which enable investors to invest in little amounts over time rather than all at once, are offered by many mutual funds. Investments are typically made weekly, monthly, or quarterly. Systematic mutual fund investing is a way to benefit from huge rewards without the (Dominic & Dominic, n.d.) drawbacks of equity investments. To assist clients in developing a disciplined investment strategy, mutual funds offer Systematic Investment Plans (SIPs) (Dominic & Dominic, n.d.). A systematic investing strategy is a smart and hassle-free approach to invest in mutual funds (SIP) funds. The well-known metrics, such as the reward to volatility ratio, show the risk and projected return of mutual funds. SIP is only applicable to open-ended mutual funds, and there are now just four of them listed on the Nepalese Stock Exchange (Aithal, 2024). The portfolio evaluation model developed incorporates. SIPs are considered to be the most effective means of investment since they allow the investor to invest in mutual funds for their future, without disturbing present lifestyle and expenditure pattern. SIP allows investors to invest a certain pre-determined amount at a basis either weekly, fortnightly or monthly as their convenience. A SIP is a planned approach towards

investments and helps investor inculcate the habit of saving and building wealth for the future (SUBUDHI, 2019) [4].

**History of systematic Investment in Nepal**

SIP stands for Systematic Investment Plan, and there is currently four active SIP in Nepal, of which three are equity and one is a debt fund.SIP allows investors to make regular investments (monthly, quarterly, semi-annually, or annually) with a minimum of Rs 1000 in Nepal in a mutual fund scheme instead of a lump sum investment. Nepal currently has 7 active Open Ended Mutual Funds, of which NIBL Sahabagita Fund was the first sip in Nepal which currently has a total of 62,436 investors (“What Is a Systematic Investment Plan? How Does It Work?,” 2013) as of 9th February 2023, four open-ended mutual fund in Nepal provide systematic investment plan options. SIP registration in Nepal can be done through an online application form.

**Objective of this research**

To understand investors’ perceptions about systematic investment plans in Nepal Specific objectives

To study various factors that affect the investment in systematic investment plan.

Limitations of this research.

Since online media was used to collect the data, the accuracy may vary.

No prior training to the respondents.

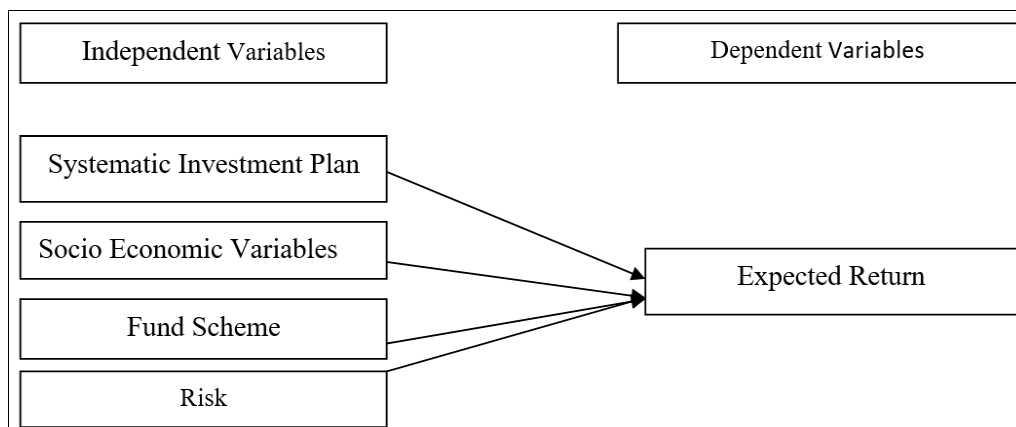
Respondents may not have the proper idea of systemic investment plan.

**Literature review**

The study sheds light on the many kinds of risks included in a mutual fund scheme. It is concerned with how liquidity, financial literacy, and demographics relate to investing decisions. Low risk investments and fund liquidity were found to have an effect on investor perceptions of mutual fund investing (Dominic & Dominic, n.d.) In this section researcher has try to study the previous study on the current study. (Mr. Renjith RG and Dr. V. Sachithananthan, 2020) has done study on "Study on investor choice of Systematic investment plan [SIP] in mutual fund". The study's goal is to discover the elements that impact an investor's decision to invest in a mutual fund systematic investment plan scheme in Tamil Nadu, to research individual investors' investment preferences using demographic data, and to analyze mutual

fund investors' investment objectives. The researcher employs primary data. The survey discovered that customers place a higher value on picking up a mutual fund plan after a lengthy period of time and selecting a systematic investment plan based on plan futures and schemes, as well as investing a small amount. It should be emphasized that the type of the fund, social factor, social element, economic element, performance element, advertisement element, and risk tolerance element are all elements that influence a customer's decision to invest in a mutual fund systematic investment plan in the future. a study on "Performance evaluation of systematic investment plan schemes of HDFC mutual fund". The study's goal is to investigate the various characteristics of select HDFC mutual funds and to conduct a performance analysis of HDFC Mutual Fund's pick equity mutual funds. The researcher employs secondary data. The study discovered that, while mutual funds are riskier, if investors do their homework, they may get greater returns and so SIP in mutual funds can become one of the greatest investing options for even middle-class individuals. has done research on “A study on investors awareness and preference towards mutual funds as an investment option”. The study's goals were to determine investors' awareness of mutual funds as an investment choice, determine investors' preference for mutual funds as an investment choice, and investigate the factors that influence mutual fund preference. The majority of investors are able to save between 20% and 35% of their overall income. The SIP mode is the most popular among respondents. has done research on " Investor Perception about Systematic Investment Plan (SIP) Plan: An Alternative Investment Strategy". (Dominic & Dominic, n.d.) The study's goal is to look at a variety of elements that influence investment in a systematic investment strategy. The examination of the purpose of the SIP investment is one of the other aims., to find out the mind fullness of knowledge people have toward systematic investment plan. The investors risk taking ability is one of the important think that must have to know by the fund manager to allocate the investors fund accordingly. Sharma, R. (2015) In his study he discover the investment objectives of selected mutual fund investors and to identify the types of mutual fund schemes preference by elected mutual fund investors. The results presented that the main objective behind to invest in mutual fund is good return, safety and tax benefit. (UDDIN, 2016)

**Conceptual frame**



**Fig 1:** Research Framework

- **Systematic Investment Plan:** is an investment strategy employed by mutual funds, where investors commit to investing a fixed amount of money at regular intervals, typically monthly.
- **Socio-Economic Variables:** Understanding these socio-economic variables helps segment the investor population and provides insights into their preferences and behaviors regarding SIPs.
- **Fund Scheme:** It refers to a specific mutual fund or investment option available to investors, which varies based on its investment objectives, risk levels, and asset allocation strategies.
- **Risk:** Understanding how investors assess and manage risk within the framework of SIPs is essential for analyzing their overall satisfaction and the effectiveness of their investment strategies.
- **Expected return:** It is a critical factor for investors as it helps in setting realistic financial goals and planning for future financial needs.

**Research Hypothesis**

The research hypothesis of this article is

**H1:** There is a positive relationship between systematic investment plan and the expected return

**H2:** There is a positive relationship between socio economic variables and the expected return

**H3:** There is a positive relationship between fund scheme and the expected returns

**H4:** There is a positive relationship between risk and the expected returns

**Research Methodology**

In order to achieve the above objectives information was collected from the primary sources. The study sample is composed of 400 investors. The primary data was collected by means of questionnaires. Data analysis was done using statistical software such as ANOVA with SPSS. The study's descriptive design aims to pinpoint different aspects of the goals of the investigation.

The study also includes ethical considerations, such as obtaining informed consent from participants, ensuring confidentiality and anonymity of the participants, and following ethical guidelines for research involving human subjects.

The evaluations and sources of the survey questionnaire are shown in Table 1. A 5-point Likert scale is utilized in the survey with the goal that reliability in the research is utilized and mirrors the true judgment of the respondents.

**Data Presentation and Analysis**

**Table 1:** Analysis of Demographic Profile of the Respondents

	Demographic profile	Frequency	Percent
Gender	Male	123	20.5
	Female	46.2	46.2
Age	15-25	14	2.3
	26-35	281	46.8
	36 and above	92	15.3
Occupation	Student	87	14.5
	Employee	19	3.2
	Business man	156	26.0
	Others	31	5.2
Education	Primary Level	21	3.5
	Secondary Level	170	28.3
	Masters	170	28.3
	Post Graduate	39	6.5

There was a sum of 400 respondents in this review of which 20.5% are male and 46.2% females and remaining others. Here, 14.5% are students, 3.2% are employee, 26.0 are business man, and 5.2% are others. A greater part of the respondents that is, 2.3% are in the age scope of 15-25,

46.2% from age of 26-35, 15.3%. are 36 and above. Most of the respondent's education level 3.5% are from primary level. 28.3% are from secondary level, 28.3% from masters, 6.5% from graduation.

**Reliability Test of Instrument**

**Table 2:** Reliability Test

Variables	Cronbach's Alpha Value
SIP Plan	0.729
Socio Economic Variables	0.778
Fund Scheme	0.821
Risk	0.773
Expected return	0.818

The reliability test was conducted using cronbach’s Alpha and the Overall Cronbach’s Alpha is 0.7, which indicates the items used to measure the construct is reliable.

**Reliability Test of Instrument**

**Table 3:** Reliability, mean and standard deviation

	N	Mean	Std. Deviation	Cronbach’s Alpha
Systematic Investment Plan	400	2.2656	0.54981	0.745
Socio Economic Variables	400	2.7875	0.54146	0.825
Fund Scheme	400	1.6445	0.57529	0.84
Risk	400	2.1328	0.48175	0.735
Expected Return	400	2.2734	0.67659	0.739

**Table 4:** Descriptive Statistics of dependent and independent variable

	SIP Plan	Socio Economic Variables	Fund Scheme	Expected Return
Mean	3.635	3.794	3.85	3.4425
Std. Deviation	0.4455	0.68742	0.38778	0.41032
Minimum	1.4	1	1	1
Maximum	4	5	4	3.75

**Multiple Regression Analysis**

**Table 6:** Reliability and Discriminant

Model	(Constant)	SIP	Socioeconomic	Fund scheme	Risk	R2	F	sig
Coefficient	0.466	0.223	0.139	0.404	-0.14	0.42	70.79	.000b
Sig	0	0	0.006	0	0			
VIF		1.534	1.698	1.418	1.05			

Note. \* Results are significant at 5 percent level of significance, \*\* Results are significant at 1 percent level of significance. Figure in the parentheses indicate level of significance and variance inflation factor respectively.

Table6 depicts the result of regression analysis. The dependent variable is expected return and Independent Variables are SIP plan, socio-economic variables, fund scheme. The result presented in this table shows that sig. value of F statistics (F=70.793), (Sig=0.000) which implies that model is significant at 1 percent level of significance. Likewise, the value R2 is 0.418, it means the independent variables SIP plan, socio-economic variables, fund scheme explain 41.8% of variation in the dependent variable which is expected returns and other

In the above table, we can see, the investors perception towards SIP plan, the average was 3.63 with a standard deviation of 0.445. For socio economic variables, the average was 3.7940 with a standard deviation of 0.68742. With respect to fund scheme, the average was 3.85 with a standard deviation of 0.38778. For Expected return, the average was 3.4425, with a standard deviation of 0.41032.

**Table 5:** Correlation Analysis

	SIP Plan	Socio Economic Variables	Fund Scheme	Risk	Expected Return
SIP Plan	1	.549**	.443**	.106	.483**
Socio Economic Variables		1	.503**	.518**	.442**
Fund Scheme			1	.517	.571**
Risk				1	-.122*
ExpectedReturn					1
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Table 5 shows the result of correlation among the dependent and independent variables. Socio economic (r = 0.549), fund scheme (r = 0.586) and expected return (r = 4.83) exhibit moderate positive correlation associations emphasizing the value of fund scheme and socio economic variables in SIP. While risk (r = 0.106) demonstrates a weaker positive correlation, it remains a factor in investment plan.

**Table 7:** Summary of Hypothesis Test

Statement	Hypothesis	P-value	Remarks
There is significant relationship between SIP and expected return.	H1	0.000	Accept
There is significant relationship between socio- economic and expected return.	H2	0.000	Accept
There is significant relationship between fund scheme and expected return.	H3	0.000	Accept
There is significant relationship between risk and expected return.	H4	0.000	Accept
There is significant relationship between tangibility and expected return.	H5	0.000	Accept
There is significant effect of SIP on expected return.	H6	0.000	Accept
There is significant effect of socio economic on expected return.	H7	0.000	Accept
There is significant effect of fund scheme and expected return.	H8	0.006	Accept
There is significant effect of risk on expected return.	H9	0.000	Accept

**Detection of Multicollineraty**

The variance inflation factor of all independent variables VIF<sub>SIP</sub> =10534, VIF<sub>SOCIOECO</sub> = 1.698, VIF<sub>FUNDSHEME</sub>

=1.418, VIF<sub>RISK</sub> = 1.050 is less than 10 therefore the model is free from the problem of multi collinearity.

### Normality Test

For the purpose of testing normality of residuals KS and SW test has been performed and the result of analysis has been reported which shows that the sig value of KS and SW test is more 0.05. So, the residuals are normally distributed.

### Conclusion

The research shows that investing in the systemic plans can give gradual and positive results. While there are a lot of instability in the Nepalese economy, people seem to be more deviated towards than saving rather than investing the systemic plans.

In conclusion, this study aimed to measure the perception of systematic investment plan and examine the relationship between expected return and investors perception. The research was conducted with 400 randomly selected respondents in both descriptive and inferential research statistical tool for the analysis of the data. It is found that SIP, socio-economic variables, fund scheme and risk has positive significant effect on expected return. The findings highlight the importance of investing to enhance the expected return by analyzing various factors. Future research may explore additional factors that contribute to investment strategies for improving expected return and minimal risk to enhance overall customer perception towards systematic investment. But there is increasing number of people who are interested in the investments and this can help to create the positive environment in the areas of the systemic investments.

### Recommendation

Make a Systematic Investing Plan because it saves time and money, businesses should encourage clients to invest online rather than in person. Since the profits on equity schemes are significantly larger, many individuals who are willing to take a risk early on should give them some thought. Because mutual funds can provide investors a higher rate of return and more liquidity than bank deposits, mutual fund companies ought to make a point of disclosing the details of the returns they provide. Mutual fund businesses ought to initiate investor education initiatives or offer training on the various advantages of investing in mutual funds. In the past, mutual funds have shown to be the greatest option for protecting against inflation and building wealth. Investors ought to spread the word about facts concerning mutual funds.

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