

Awareness and Perceptions of customers about SBI Systematic Investment Plan - a study with reference to State Bank of India

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Abstract

In today's complex scenario, Mutual fund can be identified as an ideal investment which has a growing significance in India. Comparing with other financial instruments, mutual fund yields more returns based on portfolio investment. There are considered as best channels for small investors to mobilize their funds and further contribute to capital market. The main objective of the study is to understand the Awareness levels of the State Bank of India customers about SBI Systematic Investment Plans. A sample of 250 customers is collected from various Branches of State Bank of India operating in 5 divisions of erstwhile Nalgonda district of Telangana State. This study made an attempt to understand the level of awareness about Systematic Investment Plan of SBI customers which was understood to be very less. So, regarding this certain conclusions and suggestions were drawn.

Introduction

In today's complex scenario, Mutual fund can be identified as an ideal investment which has a growing significance in India. Comparing with other financial instruments, mutual fund yields more returns based on portfolio investment. There are considered as best channels for small investors to mobilize their funds and further contribute to capital market. In the current scenario of financial markets, Mutual funds industry is understanding investor's perceptions towards rewards and trying to make difference of their products in responding to the changes in the market.

Systematic Investment Plan is one of the methods to invest in mutual funds. SIP allows investors to pay a fixed amount at regular intervals, generally every month, on a predetermined day. When an investor chooses to invest smaller amounts at fixed intervals instead of opting to pay the entire premium at the beginning of the investment cycle, they are minimizing risk and help their investment stay away from market volatility. In SIP a fixed amount is debited from your savings account every month and credited to the mutual fund you've invested in.

SBI Systematic Investment Plan

SBI Systematic Investment plan is an impressive way to invest in Mutual Funds. It will let the people to save certain money on a periodic basis which also encourages for more savings and helps investors to reach various goals such as retirement, marriage, education etc. SIP is also quite equivalent to recurring deposit where the investment capital mentioned by depositors will be deducted from their registered bank account on a tentative date and the depositors need to remember NAV of the fund that they have chosen.

Benefits of Investing in a SBI SIP Mutual Fund Scheme

Investing in SBI SIP is more flexible where an individual investor can start with a small amount of Rs. 500/- for every installment. Further the number of SIP EMI is also less than 6 months and an investor can also change the tenure at later date as well. As according to rupee cost averaging, the price of individual unit and its average NAV is equal as according to the dates in SBI SIP under rupee cost averaging. Hence, investors need not worry as the market timing is hard. Yet, SBI SIP follows the ground rule, the earlier investors invest, the more his/her wealth grows. Henceforth SIP calculator is considered as a vital tool in calculating future value of investments.

Therefore, SBI (Mutual funds) has been considered as the largest mutual fund in India with 5.4 millions of base investors having a rich experience and its expertise in fund management is delivering good value to its investors.

Review of Literature

- **R. Idhayajothi and Dr. O. T. V. Latasri**, conducted a study on A Study on Performance of SBI Mutual Funds in Tiruchirapalli District of Tamilnadu. In the present dynamic global environment, exploring investment avenues are of great relevance. Investment skills developed over a period of time are considerably influenced by experience and spadework carried out to arrive at conclusions. The success of an investment activity depends on the knowledge and ability of investors to invest, the right amount, in the right type of investment, at the right time.
- **Badrivishal**, This paper explores market study and finds the fund performance and awareness of full schemes of AMC and divided option opted. The mutual fund is structured around a fairly simple concept, the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of a number of small investments into a large bucket. Yet it has been the subject of perhaps the most elaborate and prolonged regulatory effort in the history of the country.
- **Arpitha Naik Pramod S.G**, The present study explains about the investing decisions in the upcoming market and the mutual funds. We need to properly understand the investment decisions as; investing is also a part, of the company planning. Where the risk is high there, returns are also high. Thus, preferring mutual funds means just preferring particular Asset management company (AMC). Which type of the product they prefer is also very important as that also matters a lot. Thus, the investment strategy, they follow is One time plan (or) systematic investment plan.
- **C.Madhavi** The present study focuses on the performance evaluation of selected SBI Mutual Funds schemes which have been playing a vital role in the Indian economy. A Mutual fund is an organization which comes into existence through a sponsor. In India mutual funds come into existence in 1964 with the establishment of UTI through a separate Act in parliament.
- **Dr.D.Durairaj**, The main objective of this paper is to analyze the financial performance of SBI mutual funds in Tambaram, Chennai. Investing in a mutual fund can be easier than buying and selling individual stocks and bonds on our own. Investors can sell their shares when they want.
- **Dr. Ashok Kumar Rath**, Different investment avenues are available to investors. Mutual fund also offers good investment opportunities to investors. Mutual funds are a device for pooling and investing money in a wide variety and number of securities, to obtain portfolio diversification and management efficiency in other words, Mutual funds is non banking financial

intermediaries, which act as matchmakers bringing together the saving and investment opportunities.

- **Tirupati Shaik Mahaboob Basha** “Mutual fund is a common pool of money in which investor place their contribution that is to be invested in accordance with the stated objective. The fund belongs to all the investors depending on the proportion of his contribution to the fund.”
- **Kalyan Nalla Bala, Subramanyam. P,** The target of this paper is to evaluate the performance of State Bank of India blue chip fund comparing with a benchmark for the period of 2014-2016. The manuscript highlights to identify risk and returns involved in the blue-chip fund. The most important objective of all mutual funds is to provide better returns to investors by minimizing risk associated with the capital market investment. **Dr. Chandrakala V and Dr. S.Oviya,** 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. Why investing through mutual funds has become such a popular way of investing.
- **Anich Uddin,** The purpose here to know the motivation factor that drives and this systematic investment plan and the problem here is higher return with low risk then this adds something that is the motivation to the investor. For this we need to have great knowledge. Thus, systematic investment plan helps us a lot to gain good returns.

Objectives of the Study

The main objective of the study is to understand the Awareness levels of the State Bank of India customers about SBI Systematic Investment Plans.

- To study the concept of Systematic Investment Plan.
- To study the awareness levels of customers about SBI Systematic Investment Plan.
- To Analyse the perceptions of the customers about Systematic Investment Plan.

Scope of the Study

- The scope of the study is limited to various Branches of

State Bank of India operating in 5 divisions of erstwhile Nalgonda district of Telangana State i.e. Nalgonda, Suryapet, Miryalaguda, Kodad and Devarakonda. The results of the study generate information, which can be used by financial institutions / State Bank of India to increase awareness towards

Methodology

- In pursuit of above mentioned objectives the following methodology is adopted.

Sources of Data

- Both the Primary and Secondary Sources are used for collecting the Data for the Study.

Primary Data

Structured questionnaire is used in the study to collect the Primary Data. The Primary Data is collected through administering a questionnaire to 250 Customer Respondents of State Bank of India for understanding their awareness levels about Systematic Investment Plans. The Sample size of the customer respondents is 250 selected as per Krejcie Morgan Model.

Secondary Data

The Secondary data have been collected from the State Bank of India reports, Journals, Empirical Research Papers, internet information and other related published materials.

Questionnaire Design

The Questionnaire is consisting into two parts- Part I & Part-II. In Part-I six Questions with regard to the demographic profile of the customers, Part-II consists of 10 questions with regard to the awareness levels of the customers about various SBI Systematic Investment Plans. Table 2 represents the brief explanation of the Questionnaire.

Hypotheses

The following hypotheses have been taken for testing Customers awareness levels towards SBI systematic investment plan mode of investment in mutual fund.

- There is no significant difference between age and Customers awareness levels towards SBI systematic investment plan.

- There is no significant difference between gender and Customers awareness levels towards SBI systematic investment plan.
- There is no significant difference between education and Customers awareness levels towards SBI systematic investment plan.
- There is no significant difference between occupation and Customers awareness levels towards SBI systematic investment plan.
- There is no significant difference between income and Customers awareness levels towards SBI systematic investment plan.

Data Analysis

Data is analysed by using appropriate statistical tools like percentages, averages and ratios. The Perceptions of the Respondent Bank Customers are analysed through applying Chi-Square Test. These tests are used to test the significant relationships between Demographic factors and awareness levels of the SBI customers about SBI SIP.

The Primary Data collected from the different respondents from various branches of SBI and analysed through applying Chi-Square Test are applied to test the relationship between Gender, Age, Educational Qualifications, Experience, Designation and Awareness levels of SBI SIP.

Profile of the Customers Respondents

Table 1 gives the brief profile of the customer respondents.

Table 1: Demographic Profile of the Customer Respondents

S.No.	Demographic Variable	Frequency	Percentage
1	Gender : Male	144	57.6
	Female	106	42.4
	Total	250	100
2	Age: <= 25	46	18.4
	26 – 35	107	42.8
	36 – 45	59	23.6
	Above 45	38	15.2
	Total	250	100
3	Education: SSC	35	14
	Intermediate	41	16.4
	Graduation	119	47.6
	Post-Graduation	46	18.4
	Others	9	3.6
	Total	250	100
4	Occupation: Farmer	14	5.6
	Private Employee	109	43.6
	Business	43	17.2
	House wife	21	8.4
	Govt., Employee	63	25.2
	Total	250	100
5	Residential Area: Urban	184	73.6
	Rural	66	26.4
	Total	250	100.00
6	Monthly Income: Up to Rs.15,000	35	14
	Rs.15,001-25,000	21	8.4
	Rs.25,001-35,000	51	20.4
	Rs. 35,001-45,000	78	31.2
	Above Rs.45,000	65	26
	Total	250	100

Source: Primary Data

- Out of 250 customer respondents 144 i.e. 57.6 per cent are men and 106 i.e. 42.4 per cent are women. It can be observed from the table that men are more in number than women.
- 18.4 per cent of the customers are below the age of 25 years, 23.6 percent of them are in the age group of 36-45, 42.8 percent of the customers are in the age group of 26-35 years and 15.2 of them are above 45 years.
- 18.4 per cent of the customer respondents are Post graduates, 47.6 per cent of them are graduates, 16.4 percent intermediate, 14 percent are SSC and 3.6 percent are have education is others.
- 73.6 per cent of the customer respondent are rural, 26.4 per cent of them are urban area.
- 25.2 per cent of them are Government Employees, 43.6 per cent of them are private employees, 17.2 per cent of them are business persons, 8.4 per cent of them are House wives and 5.6 per cent of them are farmers.
- 31.2 per cent customer's monthly income is in between Rs.35,000 -45,000, About 26 percent of the customer respondents are earning more than Rs. 45, 000 per month, 20.4 per cent had monthly income is between Rs. 25,000 – 35,000 and only 14 percent customers monthly income is less than Rs.15,000.

Awareness levels about SBI Systematic Investment Plans

The following tables show the descriptive statistics of the awareness levels of the State Bank of India customers about SBI Systematic Investment Plans. The following are the details.

Table 2: Knowledge of investment plans in mutual funds

	Number	Percentage
Strongly Disagree	73	29.2
Disagree	79	31.6
Neutral	31	12.4
Agree	25	10
Strongly Agree	42	16.8
Total	250	100

Out of 250 Customer respondents 183 opined that they don't have Knowledge about the SBI Systematic

Investment Plans and only 67 respondents have Knowledge SBI Systematic Investment Plans.

Table 3: I have planned my investment plans in mutual funds.

	Number	Percentage
Strongly Disagree	89	35.6
Disagree	68	27.2
Neutral	10	4
Agree	15	6
Strongly Agree	68	27.2
Total	250	100

183 customer respondents i.e. about 73.2% said that they did not have investment plans in Mutual funds and 77 customer respondents said that they had investment in Mutual funds.

Table 4: I am confident about meeting my future financial needs.

	Number	Percentage
Strongly Disagree	79	31.6
Disagree	70	28
Neutral	43	17.2
Agree	32	12.8
Strongly Agree	26	10.4
Total	250	100

About 59.6% of the customer respondents are not confident about meeting their future financial needs/post retirement financial requirements and only 23.2% of the customer respondents are confident about meeting their future financial needs/post retirement financial requirements.

Table 5: I wish to invest in SIP to be financially independent in post retirement/ Old age.

	Number	Percentage
Strongly Disagree	27	10.8
Disagree	28	11.2
Neutral	67	26.8
Agree	75	30
Strongly Agree	53	21.2
Total	250	100

51.2% of the respondents expressed that they wish to invest in SBI Systematic Investment Plans to be financially independent in post-retirement phase and only 22% of the respondents are not interested to invest in SBI Systematic Investment Plans.

Table 6: I have desire to invest in mutual funds for the future of my children.

	Number	Percentage
Strongly Disagree	28	11.2
Disagree	35	14
Neutral	36	14.4
Agree	84	33.6
Strongly Agree	67	26.8
Total	250	100

Out of 250 respondents, about 60.4% of them said that they are interested to invest in Mutual Funds and 25.2% of them said that they are not interested to invest in Mutual Funds and 14.4% of them are neutral.

Table 7: I know about SBI Systematic investment plans

	Number	Percentage
Strongly Disagree	151	60.4
Disagree	16	6.4
Neutral	23	9.2
Agree	22	8.8
Strongly Agree	38	15.2
Total	250	100

Majority of the respondents i.e. 167 (66.8%) expressed that they have no idea about SBI Systematic Investment Plans and only 60 (24%) respondents are having idea about SBI Systematic Investment Plans.

Table 8: Promotional strategies of Banks for creating awareness about SBI Systematic investment plans are very good.

	Number	Percentage
Strongly Disagree	87	34.8
Disagree	68	27.2
Neutral	37	14.8
Agree	28	11.2
Strongly Agree	30	12
Total	250	100

Most of the respondents (i.e. 155) had said that Promotional strategies of Financial Institutions/ State Bank of India for creating awareness about SBI Systematic Investment Plans are very poor and 23% of the respondents have said Promotional strategies of Financial Institutions/ State Bank of India for creating awareness are very good.

Table 9: Investment Rate Preferred to Grow

	Number	Percentage
Steadily	51	20.4
At an average rate	69	27.6
Fast	130	52
Total	250	100

Table-9 shows that, 130 of respondents preferred SBI SIP expecting investment rate to grow fast. Whereas, 69 expected to grow at an average rate and 51 expected to grow steadily.

Table 10: Factors Considered Before Investing in Mutual Fund or ULIPS

	Number	Percentage
Safety of principal	26	10.4
Low risk	20	8
Higher returns	121	48.4
Maturity period	64	25.6
Terms and conditions	19	7.6
Total	250	100

In Table-10 data shows that 121 respondents invested in mutual funds due to high returns, whereas 64 respondents considered for maturity period. In the remaining, 26 respondents considered due to safety principal and 20 due to low risk and 19 due to various terms and conditions.

Table 11: How do you know about SBI SIP

	Number	Percentage
Bank employees	24	9.6
Agents, Media	125	50
Friends and relative	41	16.4
Websites	60	24
Total	250	100

Table-11 shows that majority of respondents who constitute 125 came to know about SBI SIP through agents and media, whereas, 60 of them through websites and 41 of them through friends and relatives followed by the bank employees.

Reliability Test: Cronbach's Alpha

As according to commonly accepted rule of thumb, alpha value is 0.07 for the questionnaire based on survey studies. In case, alpha value is more than 0.07, data is considered as

“reliable”, Reliability is base on the higher value of the data. The below considered data, alpha value is 0.966 which is greater than 0.07 which is considered to reliable.

Table 12: Reliability Test: Cronbach's Alpha

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha based on the standardized items	N of items
.967	.973	10

1. Categories of Age and Awareness levels of SBI SIP

Hypotheses: “The following Null Hypothesis and Alternate Hypothesis are framed to analyze Awareness levels of SBI SIP and Age of the Respondents.

Null Hypothesis: There is no significant difference between age and Customers awareness levels towards SBI systematic investment plan.

Chi-Square Test is applied to test these Hypotheses

The following are the result of the Chi-Square Test is applied to test.

Table 13: Relationship between Awareness levels of SBI SIP and Age

Chi-Square Test			
	Value	df	P Value
Pearson Chi-Square	11.688 ^a	9	.231
Likelihood Ratio	10.843	9	.287
Linear-by-Linear Association	0.171	1	.679
N of Valid Cases	250		

Source: Primary Data

The p-value (Asymp.Sig) value is 0.231 which is greater than 0.05. Hence accept the Null hypothesis. Chi-square test shows that there is no significant relationship between Awareness levels of SBI SIP and Age of the respondents.

2. Hypotheses: The following Null Hypothesis and Alternate Hypothesis are framed to analyze Awareness levels of SBI SIP and Gender of the customers Respondents.

Null Hypothesis: There is no significant difference between gender and Customers awareness levels towards SBI systematic investment plan.

Chi-Square Test is applied to test these Hypotheses

The following are the result of the Chi-Square Test is applied to test.

Table 14: Relationship between Awareness levels of SBI SIP with Gender

Chi-Square Test			
	Value	df	P Value
Pearson Chi-Square	29.388 ^a	2	0.000
Likelihood Ratio	30.251	2	0.000
Linear-by-Linear Association	0.000	1	.991
N of Valid Cases	250		

Source: Primary Data

The p-value (Asymp.Sig) value is 0.000 which is less than 0.05. Hence Reject the Null hypothesis. Chi-square test shows that there is a significant relationship between Awareness levels of SBI SIP and Gender of the respondents.

3. Hypotheses: The following Null Hypothesis and Alternate Hypothesis are framed to analyze Awareness levels of SBI SIP and Education of the customer Respondents.

Null Hypothesis: There is no significant difference between education and Customers awareness levels towards SBI systematic investment plan.

Chi-Square Test is applied to test these Hypotheses

The following are the result of the Chi-Square Test is applied to test.

Table 15: Relationship between Awareness levels of SBI SIP and Education

Chi-Square Test			
	Value	df	P Value
Pearson Chi-Square	44.602 ^a	9	.000
Likelihood Ratio	44.482	9	.000
Linear-by-Linear Association	14.229	1	.000
N of Valid Cases	250		

Source: Primary Data

The p-value (Asymp.Sig) value is 0.000 which is less than 0.05. Hence Reject the Null hypothesis. Chi-square test shows that there is a significant relationship between Awareness levels of SBI SIP and Education.

4. Hypotheses: The following Null Hypothesis and Alternate Hypothesis are framed to analyze Awareness levels of SBI SIP and Occupation of the Respondents.

Null Hypothesis: There is no significant difference between occupation and Customers awareness levels towards SBI systematic investment plan.

Chi-Square Test is applied to test these Hypotheses

The following are the result of the Chi-Square Test is applied to test.

Table 16: Relationship between Awareness levels of SBI SIP and Occupation

Chi-Square Test			
	Value	df	P Value
Pearson Chi-Square	52.963 ^a	8	.000
Likelihood Ratio	57.968	8	.000
Linear-by-Linear Association	2.254	1	.000
N of Valid Cases	250		

Source: Primary Data

The p-value (Asymp.Sig) value is 0.000 which is less than 0.05. Hence Reject the Null hypothesis. Chi-square test shows that there is a significant relationship between Awareness levels of SBI SIP and Occupation.

5. Hypotheses: The following Null Hypothesis and Alternate Hypothesis are framed to analyze Awareness levels of SBI SIP and **Income** of the customer Respondents.

Null Hypothesis: There is no significant difference between income and Customers awareness levels towards SBI systematic investment plan.

Chi-Square Test is applied to test these Hypotheses

The following are the result of the Chi-Square Test is applied to test.

Table 17: Relationship between Awareness levels of SBI SIP and Income

Chi-Square Test			
	Value	df	P Value
Pearson Chi-Square	8.927 ^a	9	.000
Likelihood Ratio	8.029	9	.000
Linear-by-Linear Association	0.000	1	.000
N of Valid Cases	250		

Source: Primary Data.

The p-value (Asymp.Sig) value is 0.000 which is less than 0.05. Hence Reject the Null hypothesis. Chi-square test shows that there is a significant relationship between Awareness levels of SBI SIP and Income”.

Results analysis and Discussions

Considering the objectives of this study, analysis was made to find how various factors such as Age, Gender, Education, Income and Occupation has influence on the awareness levels of customer of SBI about Systematic Investment Plan. Using Chi-square analysis it was found that all age groups as well as different occupation groups have same level of awareness about Systematic Investment Plan. But considering the factors such as Gender, education and Income a significant difference was found among the customers about their awareness about SBI Systematic Investment Plan.

Conclusion

From the above test results it is evident that the awareness levels of the State Bank of India customers about the various mutual funds schemes is very low. They are also not aware about the SBI Systematic Investment Plans. Therefore there is an urgent need on the part of the Public Sector Commercial Banks to implement the requisite changes in creating awareness about SBI Systematic Investment Plans, features and benefits. The Banks need to drastically improve their service delivery for the other products/ services also. It is further suggested to SBI and also other banks to start a new section explaining their products and developing awareness to every customer who visits their bank. This section can also communicate to their regular customers regarding the updates and motivating them towards various products. This generally creates awareness in the market.

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