

Understanding the Popularity and Efficacy of SIPs as a Preferred Investment Option in the Indian Market

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Abstract

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Introduction: - Systematic Investment Plan (SIP) emerged as preferred investment option among retail investors in India. Offering a disciplined approach to wealth creation. SIPs are often selected for their convenience and long-term returns. Various financial and psychological factors impact investors decision making. Understanding these factors can provide insight into the growing popularity and efficacy of SIPs in Indian market.

Objective of the study: - Analyze factors contributing growing preference of SIPs among the retail investors in India and asses the satisfaction level with SIP investment.

Methodology: - the study is based on primary data collected through a structured questionnaire among SIP investors to assess satisfaction level and influencing factors. The responses were analyzed by statistical methods using ANOVA test to identify patterns and significant relations.

Result: - the findings suggests that SIPs is significantly influenced by income level, Age and other financial factors. The study also highlights SIPs are preferred for their systematic nature, affordability and potential for wealth creation.

Keyword: - Systematic Investment Plan (SIP), Retail Investors, Financial awareness, Investment satisfaction.

INTRODUCTION

1.1 Description:

A Mutual fund is a pool of money from multiple investors and invests in diversified portfolio like stocks, bonds, money market etc. It is managed by a professional fund manager who makes investment

decisions to maximize returns while minimizing risk. Investors contribute money in mutual funds. The fund manager invests this pooled money in different financial instruments and returns earned on investment are shared among the investors based on the number of units they hold. In exchange for its service mutual fund charges modest fees. In India,

Mutual fund is structured as trusts under the Indian Trust Act of 1882, governed by SEBI Regulation of 1996. The expenses and fees related to mutual fund scheme are regulated and subject to SEBI's specified limits.

1.2 Background of the study:

Systematic Investment Planning (SIP) is one of the most popular investment strategy in India particularly among the retail investors. SIP offers a disciplined approach to investment by investing fixed amounts in regular intervals, it helps to mitigate risk of market volatility. As per Association of Mutual Fund in India (AMFI) in February 2025 total number of SIP accounts in India has reached record high reflecting high growth in this investment mode.

Despite the increase investors still get influenced by behavioral bias like Herd Mentality, Loss Aversion etc. impact their investment and returns. Traditional finance theories assume investors act logically by using available information, while behavioral finance suggests emotion and cognitive bias plays a crucial role. This study gives reason behind the popularity of SIPs while analyzing their efficacy as an investment option. By analyzing investor awareness, investor behavior etc. The study gives deeper understanding of how SIP helps in wealth creation and long-term gains. SIPs leverage the compounding effect which enables investors to create wealth in long term. As reinvested returns make additional earnings even small investment can grow significantly. Many investors fail to recognize the importance of holding investment for long term often withdrawing due to market volatility or behavioral bias. This study highlights the effectiveness of SIPs steady capital appreciation and fostering financial discipline.

1.3 Significance of the study:

This study is highly significant for various stakeholders like retail investors, financial advisors, mutual fund managers etc. for retail investors, understanding the benefit and limitation of SIP can

lead to informed and strategic decisions ultimately contributing to improved financial stability. Financial advisors and mutual managers can use this insight from this study to tailor investment strategies to align with the investors financial goals.

It can aid policymakers in designing better regulatory framework and investor awareness programs for financial inclusion. Ultimately study aim to support the development of a robust and informed investment culture in India.

Review of Literature

According to, (Singh, 2020), Indian capital market has seen significant growth because of attractive mutual fund scheme. Participants may benefit from high-risk venture, because of vast investment opportunities. Sales has increased dramatically. The study used empirical criteria like Beta, Standard Deviation, Treynor's ratio, and the Sharpe ratio which further examines the systematic execution of numerous different mutual funds strategies.

(Esakkiammal, 2024) talked about the investor's perception and behaviour towards the SIP. The study has been carried out among diverse group of investors to examine factors like risk tolerance, return on investment, and impact of SIP on demographic variables.

(Aggarwal, 2024) in his study discussed Systematic Investment Plan as investing approach for risk averse investors. Objective of study was to find out the issues and motivating factors of Systematic Investment Plan (SIP). The result of the study shows SIP as best long-term investment plan.

(Kumar & Kumara, 2021) has study on "Evolution of effectiveness in Systematic Investment Plan". The study's goal was to investigate how investment in Systematic Investment Plan (SIP) can increase income and risk in investing in SIP. The result shows SIP as safer mode of investment.

As per (Amudha, 2018) Systematic Investment Plan is investment vehicle for retail investors. Objective of the study was to determine the satisfaction level of investors investing in SIP. Result of the study showed that discipline is key and investor have to commit self to save regularly to invest through SIP.

(Dr.Rajinder S.Aurora, 2020) objective of his study was determine the aspects that encourage investors to invest in Systematic Investment Plan (SIP). The study has been carried out among 200 respondents who invest through SIP. Results of the study shows that investor feel motivated to invest in mutual fund SIP because of SIP gives high return with low risk. Another study by (Jayeshbhai & Tollwala, 2022) done descriptive research mentions that investors main reason to invest in Systematic Investment Plan (SIP) is to get high return with safety and easy to invest option.

As per (Bothra & Panchal, 2023) SIP is an organized or systematic way to invest money. The study mentions about the reduction in the financial strain of investors by making it convenient and flexible. It infuses the habit of saving and is best investment option for long term investors.

(Jakhar et al., 2020) study aims to know the investors

perception towards mutual fund SIP in Jaipur. The research conducted found the result that there is very low awareness about SIP in Jaipur but those who invested in mutual fund had earned profit. Another study by (Mandal & Kumar, 2023) mentioned that most investors investing into SIP's have a disciplined approach towards investing, highlighting the significance of regular contributions.

(Roy & Ghosh, 2011) study emphasizes on the fact that many investors start their investment process without determining the investment objectives and proper planning. The research also establishes a relationship between young investors and their approach towards preferring Systematic Investment Plans (SIP) over aged investors. Further (Poddar & Dmello, 2023) research highlighted that the highly influential variables are returns followed by the risk, fund house, and expense ratio and the investors should be aware of ELSS system which not only leads to tax savings but also produces returns.

The study by (Dr. K. Rajamani, 2023) mentions a simple investment strategy for the investors and also cultivates a comparison between lumpsum investment and SIP where analysis is done using Compounded Annual Growth Rate (CAGR) for lumpsum investment and extended internal rate of

❖ Hindu Philosophical Principles Aligning Ethical Marketing:
 ❖ Principles Aligning Ethical Marketing

Sr. No.	Hindu Philosophical Principles	The firm's ethical marketing moves
1	Dharma	Righteous duty
2	Ahimsa	Consumer well-being
3	Swadharma	CSR activities- as duty
4	Karma	Building positivity to get a good reaction
5	Detachment	Balance profit
6	Vasudhaiva Kutumbakam	Global ethical practices
7	Dhyana	Self-Regulation in Marketing
8	Satya	Transparency

return (XIRR) for SIP investment. Another study by (DM Jha, 2015) says that higher income investors tend to invest in equity market and service holders prefer fixed deposit, bonds etc but in study's analysis found out that Systematic Investment Plan is low risk investment option. Is better and profitable option for retail investors.

The study by (Komal & Sharma, 2023) mentions performance evaluation of Systematic Investment Plan (SIP) in selected set of 30 mutual funds. Results found out that rise and fall in the performance of selected set of 30 mutual funds, result of the study can be resource for the retail investor.

Research Methodology

3.1 Research Design

The study aims to examine the popularity and efficacy of SIP as preferred option in the Indian Market. The research focuses on factors influencing investor behavior, satisfaction level, and the impact of demographic variables like Age and Income on Investment decisions.

3.2 Objective of the study

a) Primary Objective: -

Primary objective of the study is to analyze factors contributing growing preference of SIPs among the retail investors in India and assess the satisfaction level with SIP investment.

b) Secondary Objective: -

Secondary objective of the study is to look into the role of demographics like Age and Income in SIP investment decision.

3.3 Data Collection

The research is based entirely on primary data ensuring direct analysis of investor perspective.

a) Primary Data: - A structured questionnaire was used to collect data from SIP investors about their investment satisfaction level and investment behavior. The questionnaire included qualitative and

quantitative questions for deeper understanding of investor thought towards SIP.

3.4 Limitation of the study

1) External factors like market volatility, inflation, and interest rate can also impact SIP satisfaction.

2) Sample size of only 125 respondents

3.5 Variables of the study

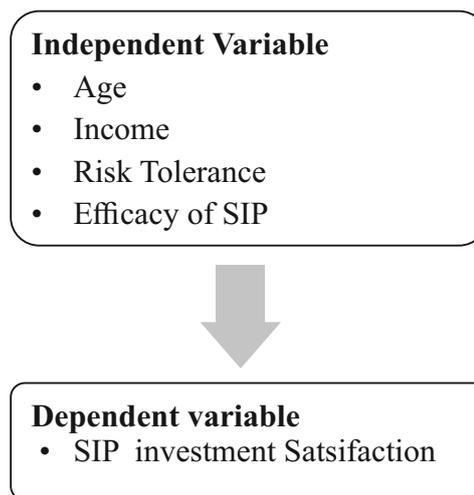


Figure 3.1 Independent and Dependent Variable

3.6 Hypothesis of study

1) Age vs SIP Investment Satisfaction

H0 – there is no significant association between investor Age and SIP investment satisfaction.

H1 – there is significant association between investor Age and SIP investment satisfaction.

2) Income vs SIP investment Satisfaction

H0 – there is no significant relation between Income level and level of satisfaction with SIP investment.

H1 - there is a significant relation between Income level and level of satisfaction with SIP investment.

3.7 Sample Design

The study was conducted on a sample size of 125 respondents where the data was collected via a

structured questionnaire. The sample size of 125 respondents were taken into study to ensure sufficient statistical meaning and to detect or create differences between the age groups. The ANOVA test examined and helped in analyzing the 125 respondents by identifying patterns indicating strong evidence against random choices. The sample taken included various age brackets divided into various categories like early career (25-35), mid-career (36-45) and

senior professionals (46-55) to reflect the diverse demographics and efficacy of SIP as an investment option in the Indian market.

3.8. Sampling Method

The respondents were taken based on a random sampling method, targeting individuals who are aware of SIP. The focus behind the study was to examine the efficacy of SIP investments.

Data Interpretation

Anova: Single Factor

SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Age Group	3	6	2	1
Satisfaction Level	3	292	97.33333	1125.333

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	13632.67	1	13632.67	24.20716	0.007929	7.708647
Within Groups	2252.667	4	563.1667			
Total	15885.33	5				

ANOVA Table no 4.1 Age group and Satisfaction Level

The result of ANOVA test conducted to examine the relation between the Age and satisfaction level of SIP investment. The P-value is 0.007929, which is less than standard 0.05 which means we reject the Null hypothesis (H0). This means there is a significant association between investors age and SIP investment satisfaction. The F-value 24.20716 is higher than F crit 7.708647 that shows difference in satisfaction across age group are not due to random chance. The findings show that satisfaction with SIP investment varies across different age groups, possibly due to difference in financial goals, risk tolerance, or behavioral bias. The findings align with behavioral finance theories, such as loss aversion and risk tolerance where younger investors have higher

risk appetite than older investors affecting their SIP investment satisfaction.

The result of ANOVA test conducted to examine whether income level impact SIP investment satisfaction. The P-value 0.013086 is less than alpha 0.05 which means there is a significant relationship between income level and SIP investment satisfaction thus rejecting the Null hypothesis (H0) that income level has no impact on SIP investment satisfaction. This means income does not play a role in determining how satisfied investor are with their SIP investment. Higher income group have different risk tolerance and expectation from their SIP investment then lower income group. Lower income

SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Income Level	4	10	2.5	1.666667
Satsifaction Level	4	292	73	1636.667

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	9940.5	1	9940.5	12.13489	0.013086	5.987378
Within Groups	4915	6	819.1667			
Total	14855.5	7				

Table no 4.2 Income Level and Satsifaction Level

group might be more risk averse.

The pie chart represents survey result of 75 respondents out of 125 respondents which invest in the mutual fund through SIP and their primary reason for choosing SIPs. The largest portion of the respondent selected Tax saving as a reason for

investing in SIP, this suggests tax benefit under the section 80C income tax act plays a crucial role in investment decision. The second most common reason is wealth creation, SIP is popular for giving high returns in in long term. With 30.7% of respondent aiming to generate long term financial growth through SIPs. A smaller but notable portion

What is your primary reason for choosing SIPs?

75 responses

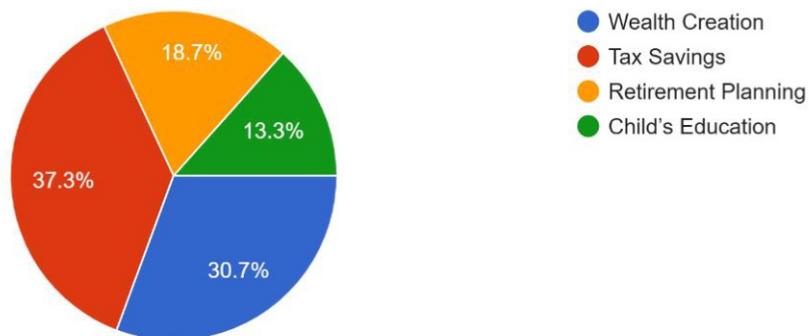


Figure 4.1 Primary reason for choosing SIP

prioritize retirement planning, indicating SIP as tool for securing financial stability post-retirement. The least selected option is child education. while important, this indicate that fewer people specifically target SIP for education expenses compared to other

financial goals.

The pie chart represents survey result of 75 respondents out of 125 respondents which invest in the mutual fund through SIP and how did they first

learn about SIP. The largest portion of the respondent 41.3% is indicating that investors largely learned about SIP from a financial advisor, which suggest professional guidance plays a crucial role in

investment awareness. A significant number (24%) of investor learned about SIP through their social circle which shows the importance of personal recommendation in financial decision making. About

How did you first learn about SIPs?

75 responses

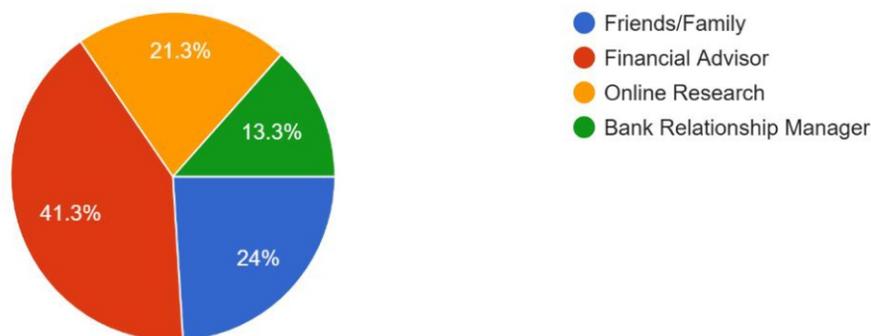


Figure 4.2 How did investors first learned about SIP

21.3% investors learned about SIP through online research, that highlights the role of digital platforms in spreading financial literacy. The smallest portion of respondent 13.3% learned about SIP through there bank relationships manger suggesting bank have relatively lower impact in introducing customers to SIP compared to other sources.

Conclusion

In conclusion, respondents were surveyed regarding their perspectives on SIP. Individuals invest in mutual fund through SIPs for various purposes, including saving for future goals and diversifying their investments across savings, mutual fund fixed deposits, gold/silver, shares, and debentures. These investments are instrumental in planning for their future aspirations and realizing their dreams.

The study provides valuable insight about popularity and efficacy of Systematic Investment Plan (SIP) among retail investors in India. The findings from the survey conducted by a structured questionnaire reveals that income level and financial awareness significantly influence investors satisfaction with SIP. Research indicates that investors satisfaction is

not uniform across all demographics segments factors like financial awareness and risk tolerance play a crucial role in shaping perception. Investors limited knowledge cannot understand benefit of long-term SIP leading to dissatisfaction.

The statistical analysis includes ANOVA analysis confirms that higher income group tend to show more satisfaction due to their risk tolerance and ability to invest higher amounts. The study shows SIP is preferred for its disciplined investment approach, affordability and long-term wealth creation potential.

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