



## **Investor Perception and Systematic Investment Plan (SIP): A Comprehensive Study**

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### **ABSTRACT**

Systematic Investment Plans (SIPs) have emerged as one of the most popular investment options for retail investors in mutual funds. This study focuses on analysing investor perception towards SIPs and understanding the factors influencing their investment decisions. The research aims to examine investor awareness, risk tolerance, and the reasons behind choosing SIP as a preferred investment method. The study was conducted among investors in Coimbatore city using both primary and secondary data. Primary data was collected through structured questionnaires from 168 respondents, while secondary data was gathered from journals, books, and online sources. Analytical tools such as percentage analysis, weighted average analysis, and Garrett ranking technique were used to interpret the data. The findings reveal that investors prefer SIP due to its convenience, disciplined investment approach, affordability, and potential for long-term wealth creation. However, the study also highlights certain limitations such as lack of awareness and risk perception among some investors. The research concludes that SIPs play a significant role in encouraging systematic savings and investment among individuals. Increasing investor awareness and financial literacy can further enhance participation in SIP investments.

### **KEYWORDS**

*Systematic Investment Plan (SIP), Mutual Funds, Investor Perception, Investment Behaviour, Risk and Return, Retail Investors, Financial Planning.*



## 1. INTRODUCTION

Investment plays a vital role in financial planning and wealth creation. In today's dynamic economic environment, individuals are increasingly looking for investment opportunities that can provide better returns while managing risks effectively. Among the various investment options available, **mutual funds** have gained significant popularity among retail investors due to their professional management, diversification, and flexibility. One of the most preferred methods of investing in mutual funds is the **Systematic Investment Plan (SIP)**.

A Systematic Investment Plan is a disciplined investment strategy that allows investors to invest a fixed amount of money at regular intervals, usually monthly, into mutual fund schemes. SIP enables individuals to start investing with small amounts and gradually build wealth over time. It also helps investors benefit from **rupee cost averaging** and the **power of compounding**, which can potentially generate higher returns in the long run. Because of these advantages, SIP has become an attractive investment option for salaried individuals, young investors, and small savers who want to invest regularly without the burden of investing a large sum at once.

Over the past decade, the mutual fund industry in India has witnessed significant growth due to increasing financial awareness, improved accessibility through digital platforms, and promotional initiatives by financial institutions. Despite these developments, many investors still lack adequate knowledge about SIP investments and continue to rely on traditional investment options such as bank deposits, gold, or real estate. As a result, understanding investor perception towards SIP investments has become an important area of research.

Investor perception refers to the way individuals understand, interpret, and evaluate investment opportunities based on their knowledge, experience, and financial goals. Factors such as income level, risk tolerance, financial literacy, investment objectives, and market awareness influence investors' decisions to invest in SIPs. Therefore, analysing these factors



can help financial institutions, asset management companies, and policymakers develop strategies to promote systematic investment among individuals.

This study focuses on analysing the **perception of investors towards Systematic Investment Plans and identifying the factors that influence their investment decisions.**

The research aims to examine the level of awareness among investors, their risk tolerance, and the benefits they associate with SIP investments. The study also explores the reasons why investors prefer SIP over other investment methods and the challenges they face while investing in mutual funds.

The findings of this research will help mutual fund companies and financial advisors better understand investor behaviour and design suitable investment products and strategies to attract more investors. Moreover, the study will contribute to improving financial literacy and encouraging disciplined investment habits among individuals.

Overall, the research highlights the growing importance of Systematic Investment Plans as a reliable and convenient investment option that supports long-term financial security and wealth creation for investors.

## **2. PROBLEM STATEMENT**

Investment in mutual funds through Systematic Investment Plans has gained popularity among investors due to its disciplined and convenient investment approach. However, many investors still hesitate to invest in SIPs because of lack of awareness, perceived risk, and preference for traditional investment options such as bank deposits or postal savings.

Although SIP offers benefits like diversification, professional management, and long-term wealth creation, investors' perceptions and attitudes towards SIPs vary significantly. Therefore, it is necessary to analyse investor perception, understand the motivating factors behind SIP investment, and evaluate the level of risk tolerance among investors.

## **3. RESEARCH OBJECTIVES AND RESEARCH QUESTIONS**

### **3.1 Objectives**



1. To study the investors' perception towards Systematic Investment Plans.
2. To identify the factors influencing investment in mutual funds through SIP.
3. To evaluate the risk tolerance level of investors.
4. To analyse the awareness level of investors about SIP investments.
5. To examine the benefits and challenges faced by investors while investing in SIP.

### **3.2 Research Questions**

1. What are the major factors influencing investors to choose SIP?
2. What is the level of awareness among investors regarding SIP investments?
3. How does risk perception influence SIP investment decisions?
4. Do demographic factors such as age, income, and occupation affect SIP investment behaviour?

## **4. LITERATURE REVIEW**

Several studies have been conducted to analyse investor perception towards mutual funds and SIP investments.

Senthil and Maruthamuthu (2010) studied investors' perception towards mutual fund investments and found that investor awareness and financial knowledge significantly influence investment decisions.

Debalina Roy and Koushik Ghosh (2011) examined the scenario of SIP investments among retail customers and concluded that younger investors show more interest in SIP investments compared to older investors.

Dimple Batra (2012) compared SIP and lump-sum investments and found that lack of awareness is a major reason for investors not choosing SIP as an investment option.

Punita and Iram Khan (2012) analysed investor perception of SIP and concluded that SIP attracts small investors because it allows regular investment with smaller amounts.



Prabhavathi and Krishna Kishore (2013) highlighted that mutual funds have created new investment opportunities for common investors by offering higher returns compared to traditional investments.

Later studies also indicated that risk perception, return expectations, financial literacy, and market awareness play significant roles in shaping investor behaviour towards SIP investments.

## 5. PROPOSED CONCEPTUAL FRAMEWORK

The conceptual framework of the study explains the relationship between factors influencing investor perception and SIP investment decisions.

### ➤ Independent Variables

- Investor awareness
- Risk tolerance
- Income level
- Investment objective
- Market knowledge

### ➤ Dependent Variable

- Investor decision to invest in SIP

### ➤ Moderating Factors

- Age
- Occupation
- Financial literacy
- Market conditions

The framework assumes that investor awareness, financial literacy, and risk tolerance directly influence the decision to invest in Systematic Investment Plans.



## 6. RESEARCH METHODOLOGY

### ➤ Research Design

The study adopts a **descriptive research design** to analyse investor perception towards SIP.

### ➤ Data Collection

Both **primary and secondary data** were used in the study.

- **Primary Data:** Collected through structured questionnaires from investors.
- **Secondary Data:** Collected from journals, books, websites, and financial reports.

### ➤ Sample Size

A total of **168 respondents** were selected for the study.

### ➤ Sampling Technique

Convenience sampling method under non-probability sampling was used.

### ➤ Area of Study

The research was conducted among SIP investors in **Coimbatore city**.

### ➤ Tools for Data Analysis

- Percentage Analysis
- Weighted Average Analysis
- Garrett Ranking Technique

## 7. RESULTS AND DISCUSSION

The analysis of the collected data revealed several key findings regarding investor perception towards SIP investments.



1. A majority of respondents prefer SIP investments due to their convenience and systematic approach to investing.
2. Young investors and salaried individuals show greater interest in SIP investments.
3. Investors consider risk and return as the most important factors while selecting SIP schemes.
4. Many respondents believe SIP helps in developing a disciplined savings habit.
5. Lack of financial awareness remains a major barrier for potential investors.

Overall, the results indicate that SIP has gained popularity as a reliable and flexible investment option among retail investors.

## **8. MANAGERIAL AND FINANCIAL IMPLICATIONS**

### **8.1 Managerial Implications**

- Mutual fund companies should conduct awareness programs to educate investors about SIP benefits.
- Financial advisors should guide investors in selecting suitable SIP schemes based on their financial goals.
- Asset management companies should simplify investment procedures to attract more investors.

### **8.2 Financial Implications**

- SIP encourages disciplined savings and long-term wealth creation.
- Investors can reduce market risk through rupee cost averaging.
- SIP investments provide opportunities for portfolio diversification.

## **9. LIMITATIONS AND FUTURE RESEARCH**

### **9.1 Limitations**

1. The study is limited to investors in Coimbatore city.
2. The sample size is restricted to 168 respondents.
3. The results depend on the accuracy of responses given by the participants.
4. Only a limited number of variables influencing investor perception were considered.



## 9.2 Future Research

- Future studies can include larger samples across multiple cities.
- Comparative analysis between SIP and other investment options can be conducted.
- Research can explore the role of digital platforms in promoting SIP investments.

## 10. CONCLUSION

The study concludes that Systematic Investment Plans have become an effective investment tool for retail investors seeking long-term wealth creation. SIPs provide advantages such as disciplined investment, affordability, diversification, and professional management. The findings indicate that investor awareness, financial literacy, and risk perception significantly influence SIP investment decisions.

Although SIP investments are gaining popularity, there is still a need to improve investor education and financial awareness. Financial institutions and mutual fund companies should focus on educating investors about the benefits and risks associated with SIP investments. With proper awareness and guidance, SIP can become a powerful financial planning tool for investors.

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