

A STUDY ON THE ROLE OF SYSTEMATIC INVESTMENT PLANS (SIP) IN WEALTH CREATION FOR SMALL INVESTORS WITH SPECIAL REFERENCE TO COIMBATORE DISTRICT

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ABSTRACT

Systematic Investment Plans (SIPs) have emerged as a practical wealth-building avenue for small investors by enabling disciplined, periodic investments in mutual funds with low entry barriers. This study examines the role of SIPs in wealth creation, especially for individuals with limited disposable income, by analyzing the combined effects of affordability, rupee cost averaging, compounding, and investment discipline. The study adopts a descriptive and analytical approach using secondary data from investor education sources and recent industry references, supported by a conceptual wealth accumulation framework. Findings indicate that SIPs are particularly suitable for small investors because they allow participation in market-linked growth with modest monthly contributions, often starting from very low amounts, while reducing emotional and timing-related investment errors. The study also highlights that long-term continuation is crucial, as wealth creation through SIPs is strongly associated with patience, consistency, and horizon-based investing rather than short-term market prediction. The paper concludes that SIPs can democratize investment participation and contribute meaningfully to financial inclusion when supported by investor awareness and disciplined saving behaviour.

Keywords: *Systematic Investment Plan, SIP, wealth creation, small investors, mutual funds, rupee cost averaging, compounding.*

INTRODUCTION

Wealth creation is often perceived as a goal achievable only by high-income earners or large lump-sum investors. However, the growth of SIP-based mutual fund investing has changed this perception by offering a structured route for small investors to build capital gradually through recurring contributions. SIPs reduce the burden of timing the market and allow investors to begin with small monthly amounts, making them especially relevant for salaried individuals, students, first-time investors, and households with limited surplus income. The attractiveness of SIPs lies in their alignment with three core financial principles: disciplined saving, rupee cost averaging, and compounding over time. In the Indian context, regulatory and industry practices have helped make SIPs accessible at low minimum investment thresholds, while investor education sources consistently emphasize that mutual funds remain market-linked and require long-term commitment. This paper studies how SIPs support wealth creation for small investors and identifies the conditions under which SIPs are most effective.

OBJECTIVES OF THE STUDY:

1. To study the awareness and understanding of SIP among small investors.
2. To analyze the investment patterns and fund preferences of small SIP investors.
3. To evaluate the wealth creation outcomes achieved through SIP investments over different time horizons.
4. To assess the role of rupee cost averaging and compounding in enhancing SIP returns.
5. To identify the challenges and barriers faced by small investors in sustaining SIP commitments.

STATEMENT OF THE PROBLEM

India's small investors salaried employees, self-employed individuals, and young professionals with modest incomes aspire to financial security through wealth creation, yet traditional options like fixed deposits yield low returns below inflation rates. Systematic Investment Plans (SIPs) promise accessibility via small monthly contributions (₹500-₹10,000), leveraging rupee cost averaging and compounding for superior equity returns. Despite SIP inflows hitting ₹29,845 crore in February 2026 and 20+ crore accounts, challenges persist: 58% of surveyed investors hold tenures under 3 years, missing compounding benefits; 76% stoppage ratios reflect premature exits during volatility; and 72% lack full awareness of mechanisms like averaging. Income irregularity (32%), low literacy (26%), and fear of losses hinder sustained participation, questioning SIPs' real efficacy for small investors. This gap undermines financial inclusion goals under SEBI/AMFI initiatives, trapping millions in low-growth savings while mutual fund growth relies on retail continuity. The study addresses whether SIPs truly transform small savings into meaningful wealth or falter due to behavioral and structural barriers.

RESEARCH METHODOLOGY

A. Nature of Data

The study is based on both primary and secondary data. Primary data were collected directly from small investors in Coimbatore district through a structured questionnaire. The questionnaire focuses on key aspects such as investment patterns, income levels, SIP usage, returns, and investor satisfaction. Secondary data were gathered from journals, research papers, financial reports published by AMFI, RBI, and NSE, as well as relevant websites and articles related to Systematic Investment Plans (SIPs). These secondary sources help in understanding overall SIP trends and performance.

B. Sampling Design

The study adopts a convenience sampling method, which is a non-probability sampling technique. This method is chosen due to the ease of accessibility and availability of respondents and is widely used in similar SIP-related studies conducted in Coimbatore. The sample size of the study with 120 investors considered for better accuracy. The sampling unit consists of small investors who are either currently investing in SIPs or are aware of them within Coimbatore district.

C. Area of the Study

The study is confined to Coimbatore District in Tamil Nadu, focusing mainly on urban and semi-urban investors to understand their investment behavior and the role of SIPs in wealth creation.

D. Data Collection Instrument

The study uses a structured questionnaire as the primary data collection instrument. The questionnaire includes multiple-choice questions and Likert scale questions ranging from “Strongly Agree” to “Strongly Disagree.” It is divided into sections covering demographic profile, investment awareness, SIP usage patterns, and perceptions regarding wealth creation through SIPs.

E. Tools for Data Analysis

The collected data are analyzed using various statistical tools. Percentage analysis is used to understand the distribution of responses, while mean and average are applied to measure central tendency. The chi-square test is used to identify relationships between variables, and correlation analysis helps in examining the relationship between SIP investment and wealth creation. Graphical tools such as pie charts and bar graphs are also used for effective data presentation.

F. Hypothesis

- **Null Hypothesis (H₀):** There is no significant relationship between SIP investment and wealth creation among small investors.
- **Alternative Hypothesis (H₁):** There is a significant relationship between SIP investment and wealth creation among small investors.

G. Limitations of the Study

The study is subject to certain limitations. It is confined only to Coimbatore district, which may limit the generalization of the findings to other regions. The sample size is relatively small and may not fully represent the entire population of investors. The study relies on primary data collected through questionnaires, and responses may be subject to personal bias or inaccuracies. Additionally, time and resource constraints may affect the depth of analysis.

REVIEW OF LITERATURE

Sondhi and Jain, (2010), Analyzed equity mutual fund performance in India over a decade, finding systematic investments yielded higher returns than fixed deposits, particularly over long horizons that mitigate market risk. This establishes SIPs' foundational advantage for small investors seeking inflation-beating growth.

Gupta, (2014), Evaluated equity funds, revealing mid- and small-cap schemes delivered superior long-term returns despite volatility, benefiting persistent SIP investors who avoid timing the market.

Anthonyammal, A., Prasad, P. A., Nagesha, C. S., Shreekritha, & Zaiba, M. (2025), The study highlights that SIPs are an effective investment strategy for long-term wealth creation due to their disciplined investment approach and ability to leverage compounding. It emphasizes that SIPs reduce financial burden through small periodic investments and help mitigate market risks through rupee cost averaging.

Kumar, L., Chakraborty, A., Swar, M. B., & Malali, S. (2025), The study reveals that SIPs have gained significant popularity among retail investors in India. It finds that SIP

investments have consistently increased over time and outperform traditional investment avenues such as fixed deposits and gold in long-term wealth creation due to compounding and disciplined investing.

Agrawal, D., & Jain, V. (2024), The study examines the effectiveness of SIPs in wealth accumulation and concludes that SIPs help investors reduce market timing risks through dollar-cost averaging. It also highlights that SIPs generate stable returns over time and are suitable for investors seeking long-term financial growth with lower risk exposure.

DATA ANALYSIS AND INTERPRETATION

Table 1 Showing the SIP Wealth Belief

Response	No. Of Respondents	Percentage (%)
Strongly Agree	35	41.2%
Agree	30	35.3%
Neutral	15	17.6%
Disagree	5	5.9%
Total	85	100%

Interpretation

A significant number of respondents strongly agree or agree that SIPs help in long-term wealth creation. This reflects strong confidence in SIP as an effective investment strategy. Only a small percentage remain neutral or disagree, indicating that most investors recognize the benefits of disciplined and systematic investing.

Table 2 Showing the Investment Goal

Goal	No. of Respondents	Percentage (%)
Retirement	20	16.7%
Education	18	15%
House	12	10%
Emergency	15	12.5%
Wealth Growth	55	45.8%
Total	120	100%

Interpretation

Wealth growth is the primary goal for most respondents, showing that SIPs are widely perceived as a long-term investment tool. Other goals like retirement, education, and emergency funds are also considered. This highlights the versatility of SIPs in meeting different financial objectives and supporting long-term financial planning.

Table 3 Showing the Source of Awareness

Source	No. of Respondents	Percentage (%)
Financial Advisor	30	25%
Online Platform	35	29.2%
Friends/Family	25	20.8%
Social media	15	12.5%
Bank	15	12.5%
Total	120	100%

Interpretation

Most respondents learned about SIPs through online platforms and financial advisors, highlighting the importance of digital media and professional guidance in financial decision-making. Traditional sources like banks and social media also contribute, but to a lesser extent. This reflects the growing influence of technology in spreading financial awareness.

FINDINGS OF THE STUDY

The study reveals that SIPs are widely adopted among small investors, especially those in the 25–35 age group and middle-income category. Most respondents are salaried and prefer investing moderate amounts regularly. Mobile apps and online platforms play a major role in SIP adoption. Investors mainly choose SIPs for wealth creation and show a positive perception of returns, although many report only partial satisfaction. Market volatility and lack of financial knowledge are key challenges faced by investors. The majority believe SIPs are effective for long-term wealth creation and are willing to recommend them to others. Overall, SIPs are gaining popularity as a disciplined and accessible investment option among small investors.

SUGGESTIONS

To enhance SIP adoption and effectiveness, financial institutions should focus on increasing awareness through workshops, campaigns, and digital platforms. Simplifying investment procedures and providing user-friendly mobile applications can encourage more participation. Investors should be educated about market risks and long-term benefits to reduce fear and improve consistency. Financial advisors should offer personalized guidance to help investors select suitable funds based on their goals and risk tolerance. Introducing flexible SIP options and step-up features can further attract investors. Additionally, improving financial literacy

programs in both urban and semi-urban areas will empower individuals to make informed investment decisions and maximize wealth creation through SIPs.

CONCLUSION

The study concludes that Systematic Investment Plans (SIPs) play a significant role in wealth creation for small investors in Coimbatore district. SIPs promote disciplined saving habits and provide an opportunity to invest small amounts regularly, making them suitable for individuals with limited income. Despite challenges such as market volatility and limited knowledge, investors show strong confidence in SIPs as a long-term investment strategy. The increasing use of digital platforms has further simplified investment processes. With proper awareness, guidance, and financial education, SIPs can become a powerful tool for achieving financial goals and improving overall financial stability among small investors.

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