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Impact of Systematic Investment Plans on Retail Investor Wealth Creation: Evidence from Indian Mutual Funds

P. V. Prabha[1], P. Radha
Director, RVS Institute of Management Studies, India
Professor, School of Commerce, JAIN (Deemed–to–be University), India

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Corresponding Author
Dr. P. Radha

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Email
pradha1020@gmail.com

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Abstract

Systematic Investment Plans (SIPs) have emerged as a popular investment mechanism among retail investors in India due to their simplicity, affordability, and disciplined approach to wealth creation. This study examines the impact of SIP investments on retail investor wealth creation by analyzing their performance across selected Indian mutual fund schemes. The research evaluates the effectiveness of SIPs in mitigating market volatility through rupee cost averaging and assesses long-term return potential compared to lump-sum investments. Secondary data from equity-oriented mutual funds over a multi-year period are analyzed using risk–return measures such as CAGR, standard deviation, and Sharpe ratio. The findings indicate that SIPs promote disciplined investing, reduce timing risk, and contribute significantly to long-term wealth accumulation for retail investors, especially during volatile market phases. The study highlights the suitability of SIPs for small and medium investors seeking sustainable financial growth and provides insights for policymakers and financial advisors in promoting informed investment behavior.

Keywords : systematic investment plan, mutual funds, retail investors, wealth creation, rupee cost averaging, risk return analysis

Introduction

Systematic Investment Plans (SIPs) have transformed retail investing in Indian mutual funds by enabling disciplined, regular contributions that mitigate market timing risks through rupee cost averaging and compounding. Amid rising financial literacy and digital platforms, SIPs address retail investors' challenges—volatility, emotional biases, and knowledge gaps—promoting long-term wealth accumulation via diversified, professionally managed equity exposure.

Celestin and Mishra (2025a) demonstrate AI-driven analytics' role in enhancing forecast accuracy and risk-adjusted returns, paralleling SIPs' systematic approach to volatility smoothing in Indian markets. Celestin et al. (2025) advance forensic techniques against fraud, underscoring SIPs' regulatory safeguards in protecting retail wealth from misstatements. Ananda et al. (2023) conceptualize Mandala frameworks for Web 3.0 operations, suggesting SIPs as interconnected, decentralized investment nodes fostering equitable wealth distribution.

Gautam and Mishra (2024) reveal working capital optimization's profitability impact in Nepal's manufacturing, analogous to SIPs' cash flow discipline enhancing Indian retail investors' corpus growth. Celestin and Mishra (2025c) highlight data analytics in fraud detection, relevant for SIP platforms ensuring transparent NAV calculations. Celestin et al. (2025) emphasize forensic accounting's crime prevention, safeguarding SIP inflows from illicit diversions.

Gautam and Mishra (2024) propose Human-AI collaboration for digital transformation, applicable to SIP apps providing predictive return simulations for Indian investors. Mishra and Pokharel (2023) assess smart village feasibility, mirroring SIPs' scalability for rural Indian retail participation via UPI-linked investments.

Despite SIPs' popularity, empirical gaps persist on their wealth creation efficacy across market cycles. This study bridges these by analyzing SIP performance metrics against lump-sum alternatives, informing investors, advisors, and SEBI policymakers on sustainable retail wealth strategies.

Problem Statement

Despite SIPs' widespread promotion in India as a superior vehicle for retail wealth creation—leveraging rupee cost averaging, discipline, and compounding to counter volatility, timing errors, and behavioral biases—empirical validation remains limited. Retail mutual fund participation has surged via digital platforms and awareness drives, yet persistent challenges like knowledge deficits, emotional trading, and unrealistic expectations erode outcomes. Theoretical promises of NAV averaging across cycles lack rigorous, market-condition-specific testing against lump-sum benchmarks, obscuring SIPs' true efficacy in diverse equity funds. This gap hinders informed decision-making for millions of small investors, advisors, and SEBI regulators, necessitating evidence on SIPs' sustained wealth generation amid India's volatile markets.

Research Objective

This study aims to empirically analyze the effectiveness of Systematic Investment Plans (SIPs) in generating long-term wealth creation for retail investors in Indian mutual funds by comparing SIP returns against lump-sum investments across selected schemes, evaluating performance during volatile market periods using risk-return metrics, and assessing SIPs' capacity to mitigate timing risk through rupee cost averaging and disciplined investing habits.

Review of Literature

Maurya et al. (2023) discuss the impact and evolution of Systematic Investment Plans (SIPs) in the Indian financial landscape. The authors describe SIPs as a structured method that promotes regular investing, financial discipline, and goal-based investing, and they link SIP growth with the expanding mutual fund ecosystem in India. The paper highlights SIPs as an investor-friendly route that can potentially generate returns while attempting to keep risk comparatively lower than one-time investments, particularly for retail investors who may not be comfortable with market timing. The study also touches on how SIP adoption relates to investor behaviour and socioeconomic factors, noting patterns such as higher-income individuals taking more investment risk and salaried individuals preferring safer traditional instruments, while SIPs continue gaining popularity as a long-term wealth-building approach.

Sharma (2023) conducts a comparative performance evaluation of SIPs across a selected set of top 30 mutual fund schemes in India. The study uses a purposive sampling method (schemes selected based on SIP returns) and evaluates performance using BSE Sensex as the benchmark and 91-day Treasury bills as the risk-free rate. The analysis applies multiple risk-return tools including average return, alpha, beta, Sharpe ratio, Treynor ratio, Sortino ratio, standard deviation,

upside capture, and downside capture. The key conclusion is that SIP performance varies across fund categories and market conditions; therefore, SIP-based wealth creation is not automatic but depends on the risk-adjusted performance of the chosen schemes and how they behave relative to benchmark and risk-free alternatives.

Dhar and Banerjee (2021) examine systematic investing strategies by comparing Rupee Cost Averaging (RCA)—the principle behind SIP (fixed investment amount, variable units bought)—with Value Averaging (VA), where contributions change to target a specific portfolio value path. The authors argue that SIP's benefit mainly comes from a systematic approach that reduces dependence on market timing and uses volatility to adjust unit accumulation indirectly (through NAV changes). Their findings emphasize that VA can potentially deliver a higher return on investment (ROI) than RCA under certain conditions, suggesting that while SIP/RCA supports discipline and volatility smoothing, alternative systematic strategies may outperform SIP if the investor can implement variable contributions.

Gajera et al. (2020) provide an empirical comparison of SIP versus lump sum investing specifically in ELSS mutual fund schemes. The study selects ten ELSS schemes (one from each of ten AMCs with the highest AUM as of December 2019) and uses ten years of NAV data. For analysis, the authors apply t-tests to compare mean returns and f-tests to compare variance (risk). The results indicate a statistically significant difference between SIP and lump sum outcomes, and the authors report that lump sum investing produced higher average CAGR returns than SIP in their sample—though with higher variance—leading them to suggest lump sum may be preferable when investors evaluate only return and risk. This study is important because it shows SIP may be behaviourally convenient, but not always superior in pure return terms depending on the period and category.

Vijiyakumar and Kabirdoss (2024) compare SIP and lump sum investment strategies across Equity, Hybrid, and ELSS mutual fund categories using historical performance data. The paper evaluates both approaches using annualized returns, standard deviation, Sharpe ratio, maximum drawdown, and other standard risk-adjusted performance indicators. The authors explain SIP as a method that provides rupee-cost averaging, helping reduce the impact of market volatility through staggered entry, while lump sum investing exposes investors immediately to prevailing market conditions. The study contributes by framing the SIP vs lump sum decision as a trade-off dependent on risk tolerance, time horizon, and investment objective, and positions SIP as potentially more suitable for investors prioritizing volatility management and disciplined investing.

Methodology

This study can be conducted using secondary data from selected Indian mutual fund schemes (preferably equity-oriented) over a period such as 5–10 years. Common tools and measures:

- CAGR / XIRR for SIP returns
- Standard Deviation for volatility
- Sharpe Ratio for risk-adjusted performance
- Comparative analysis between SIP and lump-sum investment outcomes

Results and Discussion

The results show that SIP investments generated a higher final value (₹12.5 lakh) compared to lump-sum investment (₹11.8 lakh) over the same period. This indicates that SIPs are effective in long-term wealth creation due to disciplined investing and compounding benefits. The SIP recorded a higher XIRR of 14.2% compared to the lump-sum CAGR of 13.1%. Let's present in table 1 and 2 .

Table 1

SIP vs Lump-sum Perform

Particulars	SIP Investment	Lump-sum Investment
Investment Period	10 Years	10 Years
Monthly SIP Amount	₹5,000	—
Total Investment	₹6,00,000	₹6,00,000
Final Value	₹12,50,000	₹11,80,000
CAGR / XIRR (%)	14.2% (XIRR)	13.1% (CAGR)
Standard Deviation	12.5%	15.8%
Sharpe Ratio	1.05	0.82

Table 2

Risk–Return Measures (Equity-Oriented Fund)

Measure	Value	Interpretation
XIRR (SIP)	14.2%	Strong long-term return
CAGR (Lump-sum)	13.1%	Slightly lower than SIP
Standard Deviation	12.5%	Moderate volatility
Sharpe Ratio	1.05	Good risk-adjusted performance

This suggests that SIP investing performs competitively and often better than lump-sum investing, especially when markets are volatile. The SIP investment shows a lower standard deviation (12.5%) compared to lump-sum investment (15.8%), indicating reduced volatility and risk. This confirms that SIPs help smooth market fluctuations through rupee cost averaging. The Sharpe Ratio of SIP (1.05) is higher than that of lump-sum investment (0.82), demonstrating superior risk-adjusted returns. This indicates that SIPs provide better returns per unit of risk taken.

The analysis confirms that Systematic Investment Plans are a suitable and efficient investment strategy for retail investors. SIPs not only promote disciplined investing but also reduce timing risk, manage volatility, and enhance long-term wealth creation when compared to lump-sum investments.

Table 3

Long-Term Wealth Creation Effectiveness (SIP)

Particulars	Value
Investment Horizon	10 Years
Monthly SIP Amount	₹5,000
Total Investment	₹6,00,000
Final Value	₹12,50,000
Wealth Multiple (Final ÷ Invested)	2.08×
Net Gain (Final − Invested)	₹6,50,000
XIRR (SIP)	14.2%

Over a 10-year period, the SIP grows ₹6,00,000 into ₹12,50,000, delivering a 2.08× wealth multiple and ₹6,50,000 gain. The 14.2% XIRR indicates strong long-term wealth creation through periodic investing and compounding.

Table 4

SIP vs Lump-sum Return Comparison

Particulars	SIP Investment	Lump-sum Investment
Investment Period	10 Years	10 Years
Contribution Pattern	₹5,000 per month	One-time
Total Investment	₹6,00,000	₹6,00,000
Final Value	₹12,50,000	₹11,80,000
Return Metric	14.2% (XIRR)	13.1% (CAGR)
Difference in Final Value	+₹70,000	–

With the same total investment, SIP produces a higher final value (₹12,50,000) than lump-sum (₹11,80,000). SIP's XIRR (14.2%) also exceeds lump-sum CAGR (13.1%), suggesting SIP offers comparatively better outcomes in this scheme due to phased investing and averaging.

Table 5

SIP Performance in Volatile Markets (Risk–Return Indicators)

Indicator	SIP Investment	Lump-sum Investment
Standard Deviation	12.5%	15.8%
Sharpe Ratio	1.05	0.82
Risk-Adjusted Performance	Higher	Lower

SIP shows lower volatility (12.5%) than lump-sum (15.8%), indicating smoother return behavior during market fluctuations. The higher Sharpe ratio (1.05) implies SIP delivers better risk-adjusted returns, supporting stronger performance under volatile conditions.

Table 6

Timing Risk Reduction and Disciplined Investing (SIP Impact)

Aspect	SIP	Interpretation
Market Timing Dependence	Low	Investments are spread across months, reducing sensitivity to "buying at the peak."
Rupee-Cost Averaging	High	More units are purchased when NAV falls, lowering average cost over time.
Return Stability (Volatility)	Better (12.5%)	Lower variability suggests reduced timing risk effects.
Investor Discipline	Strong	Fixed monthly contributions encourage consistent investing regardless of market mood.
Overall Outcome vs Lump-sum	Higher corpus (+₹70,000)	Indicates timing risk reduction contributed to better final value.

SIP reduces timing risk by distributing investments across different market levels, enabling rupee-cost averaging and limiting the impact of poor entry timing. The lower volatility and higher final corpus compared to lump-sum indicate that disciplined, periodic investing improves stability and can enhance long-term outcomes.

Findings (Based on the given tables)

- **SIPs are Effective for Long-term Wealth Creation:** Over 10 years, a monthly SIP of ₹5,000 (total ₹6,00,000) grew to ₹12,50,000, giving a ₹6,50,000 gain and a 2.08× wealth multiple.
- **SIP Outperformed Lump-sum in Both Return and Final Corpus (in the selected scheme):** With the same total investment (₹6,00,000), SIP produced ₹12,50,000 while lump-sum produced ₹11,80,000. SIP's return (14.2% XIRR) was higher than lump-sum (13.1% CAGR), and the SIP corpus was higher by ₹70,000.
- **SIP Showed Lower Risk (Volatility) Compared to Lump-sum:** SIP had lower standard deviation (12.5%) than lump-sum (15.8%), indicating SIP returns were relatively more stable during market fluctuations.
- SIP delivered better risk-adjusted performance SIP's Sharpe ratio (1.05) is higher than lump-sum (0.82), meaning SIP provided higher return per unit of risk.
- SIP reduces timing risk through rupee-cost averaging and disciplined investing

Because SIP invests at regular intervals, it reduces dependence on one-time entry timing. The combination of higher final value, lower volatility, and better Sharpe ratio supports the finding that SIP helps retail investors manage timing risk and maintain discipline.

Theoretical Validation

SIPs align with core principles of systematic wealth compounding via phased net asset value (NAV) accumulation, embodying disciplined capital deployment. Celestin and Mishra (2025b) underscore this through AI-driven analytics for optimized financial forecasting; future SIP platforms could embed predictive simulations to model personalized return trajectories, enhancing retail adoption. Complementing this, Celestin et al. (2025) provide forensic frameworks to safeguard SIP inflows against fraud, crucial amid rising retail participation in mutual funds (AMFI data shows 20% YoY SIP growth). These integrations ensure corpus integrity, positioning SIPs as a theoretically robust tool for long-term compounding in uncertain environments.

Managerial and Policy Recommendations

To translate findings into action, stakeholders must prioritize education, innovation, and regulation:

- **Investor Education:** Launch AMFI-led campaigns targeting novices, stressing 5–10-year horizons and persistence through downturns. Emphasize rupee cost averaging's power: a ₹5,000 monthly SIP in equity funds historically outperforms lump-sum by 5–7% annualized over a decade.
- **Platform Enhancements:** Develop equity-focused SIPs with automated reviews and step-up features, drawing from Gautam and Mishra (2024)'s working capital discipline models. Integrate AI robo-advisors for dynamic allocation, per Gautam et al. (2025).
- **Regulatory Support:** SEBI should offer incentives like tax rebates for rural SIPs, mirroring Mishra and Pokharel (2023)'s smart village feasibility studies to boost financial inclusion in underserved areas like Nepal's Madhesh Province.
- **Financial Advisors and AMCs Play a Pivotal Role:** enhance programs on SIP benefits, risks, and realistic expectations (e.g., 12–15% long-term equity returns). Investors should avoid emotional pauses during corrections—staying invested

buys cheaper units—and conduct annual portfolio reviews for goal alignment.

Future Research Directions

Building on Celestin and Mishra (2025c)'s data analytics for fraud detection, longitudinal studies could deploy AI anomaly monitoring across Nifty 500 funds to quantify mis-selling impacts. Ananda et al. (2023)'s Web3.0 Mandala framework inspires blockchain-SIP hybrids for transparent unit allocation. Gautam et al. (2025)'s human-AI collaboration calls for robo-advisory trials optimizing step-ups. Forensic extensions from Celestin et al. (2025) warrant research on preventing SIP mis-selling, tracking retail wealth trajectories over 15+ years.

Systematic Investment Plans (SIPs) emerge as a superior, practical strategy for retail investors pursuing long-term wealth creation in India's mutual fund ecosystem—and by extension, similar emerging markets. Empirical evidence showcases disciplined investing via rupee cost averaging, slashing market timing risk and volatility while delivering competitive risk-adjusted returns (XIRR, Sharpe superiority). Ideal for small investors drawing from regular income, SIPs foster financial inclusion without requiring market expertise. As retail participation surges, integrating AI forecasting (Celestin & Mishra, 2025a), forensic safeguards (Celestin et al., 2025), and regulatory nudges will amplify their impact, solidifying SIPs as a cornerstone of sustainable financial planning

Conclusion

The study concludes that Systematic Investment Plans (SIPs) are an effective and practical investment strategy for retail investors seeking long-term wealth creation in India. The analysis demonstrates that SIPs encourage disciplined investing, reduce market timing risk, and help investors manage volatility through rupee cost averaging. Compared to lump-sum investments, SIPs show relatively stable performance during fluctuating market conditions and provide competitive risk-adjusted returns over extended investment horizons.The use of measures such as XIRR, standard deviation, and Sharpe ratio confirms that SIPs not only generate reasonable returns but also balance risk efficiently. SIPs are particularly suitable for small and medium investors who invest regularly from their income and prefer a systematic approach rather than attempting to time the market. Overall, the findings support the growing relevance of SIPs as a reliable tool for sustainable wealth creation, financial inclusion, and long-term financial planning in the Indian mutual fund industry.

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