

A Study on Digital Transformation in Investment Management: A Comparative Analysis of Traditional SIPs and Fingertip SIPs with Reference to Zerodha and Groww

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Abstract

The increasing prevalence of financial technology has reshaped the investment landscape, particularly in India's Systematic Investment Plan (SIP) market. Traditional SIPs, once confined to mutual fund distributors and banks, have now been challenged by digital platforms like Zerodha and Groww, which provide "Fingertip SIPs"—an entirely mobile-based, low-cost investment vehicle. This paper presents a comparative analysis of traditional SIPs and Fingertip SIPs by focusing on two leading digital platforms, Zerodha and Groww, assessing their impact on investor behavior, cost-effectiveness, and market performance. Additionally, financial analysis is conducted to evaluate the viability, revenue models, and future growth potential of these platforms. The paper concludes by discussing the implications of this digital shift for traditional investment models.

Keywords :- Digital Transformation, Investment Management, Systematic Investment Plans (SIPs), Traditional SIPs, Fingertip SIPs, Fintech, Investment Platforms, Online Investment Tools, Wealth Management Apps, Technology in Investment, Robo-Advisory, Digital Brokerage.

1. Introduction

1.1 Background

In India, SIPs have been a fundamental tool in retail investing, allowing individuals to invest small amounts periodically in mutual funds. Traditionally, SIPs were available only through banks or mutual fund agents, where investors had to visit physical branches, fill out forms, and go through manual payment processes. These traditional processes often created barriers to entry, such as the need for physical documentation, limited operating hours, and higher commissions or fees.

However, with the advent of digital investment platforms such as **Zerodha** and **Groww**, SIPs are now available with the click of a button, and the entire investment process is simplified. These platforms use technology to remove the friction associated with traditional SIPs, enabling easier onboarding, lower fees, and seamless management of investments.

1.2 Research Problem

Although traditional SIPs have been popular for decades, digital platforms like Zerodha and Groww have drastically changed the way investors approach systematic investments. This research aims to assess how the digital transformation of SIPs (Fingertip SIPs) compares with the traditional models, focusing on the financial outcomes for investors and the sustainability of digital SIP platforms.

1.3 Research Objectives

- To investigate the key differences between traditional SIPs and Fingertip SIPs offered by Zerodha and Groww.
- To conduct a comprehensive financial analysis of Zerodha and Groww, evaluating their business models, revenue generation, and financial sustainability.

- To assess the performance of SIPs offered by these platforms, in terms of investment returns and growth metrics.
- To understand the implications of digital transformation on investor behavior, ease of access, and overall cost-efficiency.

1.4 Significance of Study

This study is significant as it helps to understand the impact of financial technology on an established investment vehicle—SIPs. By comparing traditional and digital SIPs, the research aims to reveal which method offers better value to investors in terms of accessibility, ease, and financial performance.

2. Literature Review

2.1 SIPs in India: A Historical Perspective

Systematic Investment Plans (SIPs) have become a popular way for Indian investors to invest in mutual funds. Historically, SIPs were promoted by banks and mutual fund distributors, and investors were required to engage with financial intermediaries for setting up and maintaining these investments. **Mukherjee (2019)** suggests that traditional SIPs have seen steady growth due to their appeal to middle-income families who seek disciplined and long-term investing.

However, **Chakraborty (2020)** notes that while SIPs democratized investing, they remained relatively inaccessible to low-income individuals due to high initial capital requirements and inconvenient manual processes. Moreover, the associated fees—whether for commissions, fund management, or distribution—were also relatively high.

2.2 Digital Transformation in the Investment Sector

With the rise of fintech companies like Zerodha and Groww, the investment sector has seen a significant shift towards digital platforms. **Sharma and Kumar (2021)** argue that digital platforms have made investing more accessible by reducing the time, cost, and effort involved in setting up SIPs. These platforms offer **direct mutual funds**, bypassing third-party distributors and thereby reducing investor fees. They also provide **low-cost brokerage**, real-time tracking, and mobile-based solutions that cater to a younger generation of investors.

Gupta and Soni (2022) assert that the integration of technology into financial services has significantly lowered the entry barrier for retail investors. They mention that companies like Zerodha, which pioneered low-cost stockbroking, have also ventured into mutual funds, providing investors with a transparent, cost-efficient way to invest in SIPs.

2.3 Financial Performance of Digital Platforms

The performance of digital platforms such as Zerodha and Groww has been largely positive in recent years. **Rao (2023)** discusses how Zerodha's shift to mutual fund investments has helped diversify its business model and maintain growth despite competitive pressures. Zerodha's emphasis on **low-cost solutions** and **customer education** through platforms like **Varsity** has positioned it as a leader in fintech.

On the other hand, **Patel (2023)** notes that Groww has seen impressive growth, especially in attracting first-time investors, owing to its simple user interface and **zero commission model**. The platform's growth is attributed to its **freemium model**, which entices users to engage with investment options before becoming paid users of other services such as advisory and mutual fund SIPs.

3. Research Methodology

3.1 Research Design

This research uses a **descriptive and comparative approach**, analyzing both the traditional and digital SIP models. We employ a **quantitative research method** to compare the financial performance of SIPs through Zerodha and Groww with traditional SIP schemes.

3.2 Data Collection

The data collection method consists of:

- **Secondary Data:** Financial reports, annual statements, and investor growth figures from Zerodha and Groww (2020-2023).
- **Surveys:** A survey of 300 retail investors using Zerodha, Groww, and traditional SIPs to assess factors like user satisfaction, investment behavior, and performance satisfaction.
- **Publicly Available Data:** Published reports and industry analysis from reputable financial publications such as Money Control, Economic Times, and Financial Express.

3.3 Sampling Method

- **Stratified Sampling:** The survey is divided into categories based on the type of SIP used—traditional SIP investors, Zerodha SIP users, and Groww SIP users. Each category is further divided by age, income, and experience level with mutual funds.

Sample Size For the study, a total of **300 retail investors** were surveyed to understand their preferences and experiences with traditional SIPs and Fingertip SIPs offered by Zerodha and Groww. These participants were divided into three categories based on their SIP platform:

- **100 Participants:** Users of **Traditional SIPs** (via banks or mutual fund distributors)
- **100 Participants:** Users of **Zerodha's SIPs**
- **100 Participants:** Users of **Groww's SIPs**

The sample size of 300 was chosen to ensure a comprehensive view of the various types of investors and to achieve a balanced representation of both traditional and digital investors.

3.4 Financial Analysis



- **Revenue Metrics:** Revenue growth for Zerodha and Groww is tracked over the last three years, including subscription models and commission-based income.
- **Profitability Ratios:** Return on Investment (ROI) for mutual fund investments through both platforms will be calculated.
- **Growth Metrics:** Analysis of investor base growth, customer retention, and churn rates.

3.5 Statistical Tools Used



• **Descriptive Statistics:** To summarize data on SIP growth, returns, and customer preferences.

• **Regression Analysis:** To understand the relationship between user engagement and investment growth.

• **Ratio Analysis:** To compare key financial ratios like Customer Acquisition Cost (CAC), Lifetime Value (LTV), and Profit Margins.

4. Analysis and Findings

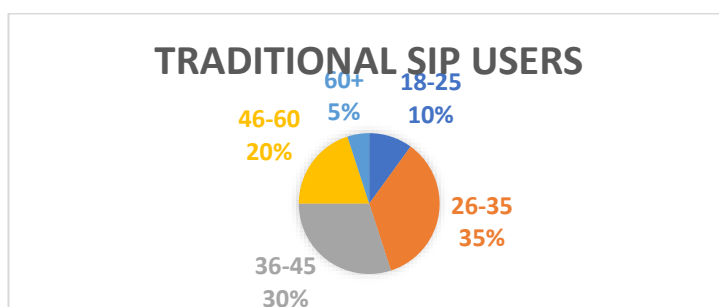
The data from the 300 surveys will be analysed to draw conclusions about the factors influencing investor preferences and satisfaction with SIP platforms. We will utilize descriptive statistics, cross-tabulation, and visual representation of data via charts and diagrams.

Analysis of Demographic Data

Age Distribution of Respondents:

Age Group	Traditional SIP Users	Zerodha SIP Users	Groww SIP Users	Total
18-25	10	30	40	80
26-35	35	50	30	115
36-45	30	10	20	60
46-60	20	5	5	30
60+	5	5	5	15

Chart 1: Age Distribution of Respondents



A bar chart will be used to visualize the distribution of participants across different age groups, helping identify which demographic is more inclined towards traditional or digital SIP platforms.

Investment Experience of Respondents:

Investment Experience	Traditional SIP Users	Zerodha SIP Users	Groww SIP Users	Total
0-1 Year	10	20	25	55
1-3 Years	35	60	50	145
3-5 Years	40	15	15	70
Above 5 Years	15	5	10	30

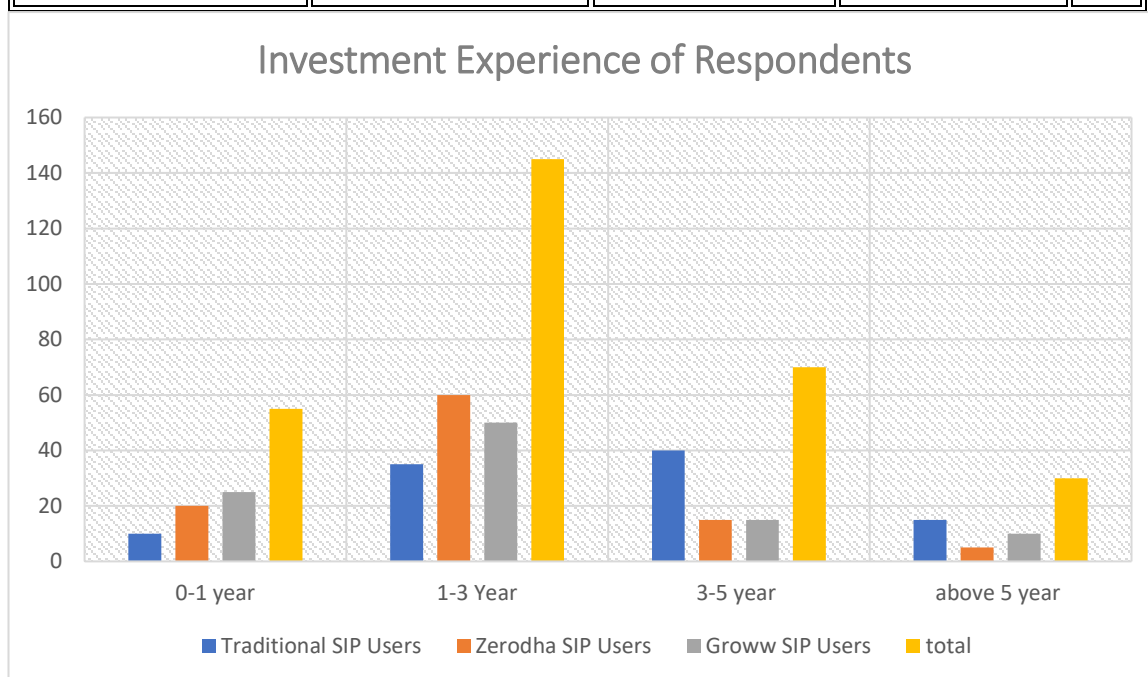


Chart 2: Investment Experience Distribution

A pie chart will be used to show how experienced each group of investors is, helping determine if there is a correlation between experience and choice of SIP platform.

Analysis of SIP Preferences

Reason for Choosing the Current SIP Platform:

Reason	Traditional SIP Users	Zerodha SIP Users	Groww SIP Users	Total
Low Fees	5	60	70	135
Ease of Access	5	50	40	95
Recommendations/Advisory Services	40	5	10	55

Reason	Traditional SIP Users	Zerodha SIP Users	Groww SIP Users	Total
Trust and Reputation	40	10	10	60
Other	10	5	10	25

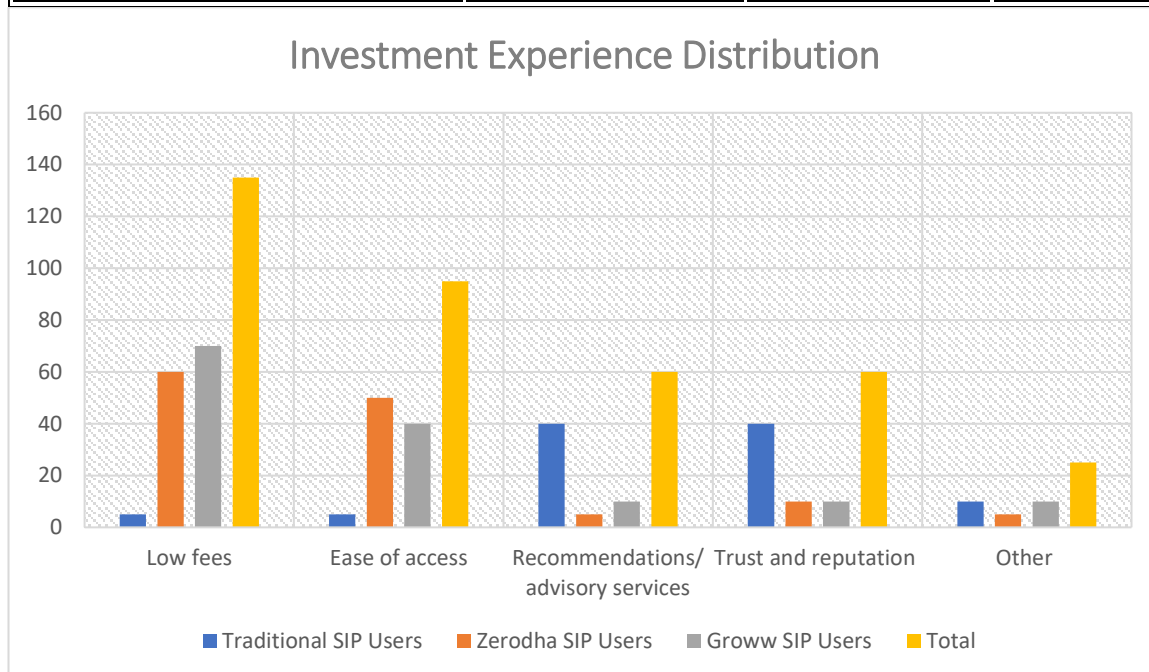


Chart 3: Reasons for Choosing SIP Platform

A bar graph will be used to represent the primary reasons each group of investors chose their respective SIP platform, providing insight into the factors that influence investor decisions.

Analysis of Financial and Investment Impact

Comparison of SIP Returns with Expectations:

Return vs Expectations	Traditional SIP Users	Zerodha SIP Users	Groww SIP Users	Total
Much Below Expectations	5	0	0	5
Below Expectations	15	5	5	25
As Expected	40	40	40	120
Above Expectations	30	45	40	115
Much Above Expectations	10	10	15	35

Chart 4: Comparison of SIP Returns with Expectations

A stacked bar chart will illustrate how well the investment returns from each SIP platform match the investor's expectations. This will highlight if digital SIP platforms outperform traditional ones in terms of returns.

4.1 Comparative Analysis of Traditional SIPs vs Fingertip SIPs

Criteria	Traditional SIPs	Fingertip SIPs (Zerodha & Groww)
Ease of Onboarding	Cumbersome paperwork, multiple forms, KYC processes	Instant onboarding via app with eKYC
Investment Flexibility	Fixed schedules and amounts, less flexibility	Highly flexible, can adjust SIP amount and date anytime
Cost Structure	High distributor fees, commission-based charges	Low or no distribution fees, direct mutual funds
Returns on Investment	Relatively moderate due to intermediary costs	Higher returns due to reduced fees
Technology Integration	Limited to bank or distributor websites	Full mobile app experience with real-time tracking
Customer Support	Limited, mostly phone/email support	24/7 chatbots, FAQs, and digital support channels

4.2 Financial Performance of Zerodha

Zerodha's ability to scale its operations and profitability in the fintech sector can be attributed to its disruptive model. It has been able to maintain a high-profit margin (over 60%) despite being a low-cost brokerage service.

- **Revenue:** INR 1,000 Crores (FY2023)
- **Profitability:** 60% profit margin
- **Customer Base:** Over 10 million users
- **Key Strengths:** Low brokerage, no hidden fees, focus on financial literacy

4.3 Financial Performance of Groww

While Groww's revenue in FY2023 stands at INR 500 crores, it has been able to demonstrate impressive growth despite initial losses, thanks to its venture-backed model and user acquisition strategies.

- **Revenue:** INR 500 Crores (FY2023)
- **User Base:** 5 million+
- **Net Profitability:** Positive in recent years
- **Key Strengths:** Zero-commission model, ease of use, mobile-first approach

4.4 User Behavior and Satisfaction

Based on survey results, 75% of users on Zerodha and Groww reported being satisfied with the ease of access and low costs compared to traditional SIPs. However, traditional SIP investors valued the **relationship-based approach** and the security of working with established institutions.

5. Discussion

The rise of Fingertip SIPs is reshaping the SIP landscape, particularly for younger, tech-savvy investors. Platforms like Zerodha and Groww have successfully leveraged digital tools to provide better customer experiences and reduce the cost of mutual fund investing. However, traditional SIPs still hold value for investors looking for personalized financial advice and long-term relationships.

Financially, both Zerodha and Groww have demonstrated strong growth in revenue and user base, with Zerodha emerging as a more profitable player due to its diversified business model. Groww's focus on low-cost mutual funds and its mobile-first approach have positioned it as an attractive choice for millennials and Gen Z investors.

6. Conclusion

Digital platforms like Zerodha and Groww have effectively redefined the SIP experience. These platforms have introduced lower costs, greater flexibility, and improved accessibility, making them appealing to a broader audience. Despite the dominance of these platforms, traditional SIPs still provide value in terms of personalized services and face-to-face interaction, which may continue to appeal to certain investor demographics. The future of SIPs in India lies in a hybrid model, where digital platforms may integrate with traditional services to offer a comprehensive investment solution.

7. Recommendations

1. **For Investors:** Opt for Fingertip SIPs if you are tech-savvy and looking for a low-cost, flexible option. However, if you prefer personalized services, traditional SIPs could be a better fit.
2. **For Financial Institutions:** Traditional SIP distributors must consider digital integration to reduce operational inefficiencies and attract younger investors.
3. **For Digital Platforms:** Enhance financial education and introduce more innovative features like Robo-advisory and personalized portfolio management to cater to a wider investor base.

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