An Empirical Examination of Factors Affecting SIP Adoption in Noida Region

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Abstract - Investment, appertained to as the conception of remitted consumption, which might correspond to copping an asset, rendering a loan, keeping the saved finances in a bank account similar that it might induce profitable returns in the future. The deployment of financial resources is undertaken with the objective of achieving fresh income or an increase in value. SIP has played a significant part in the Indian fiscal market. It gives openings to small investors to invest their small quantum and to take return of the fiscal market with minimal threat. SIPs are a mode of investment. It's the stylish option for those looking to invest a fixed quantum in collective fund schemes at regular intervals. Given its nature of investing, SIP helps conduct fiscal discipline and inculcates regular saving habits. The growth in financial literacy within the general population has spurred the proliferation of investments in these fund houses. A survey was undertaken among retail investors in Noida, comprising 143 respondents. The factors influencing investors towards systematic investment plan include Liquidity, Rupee cost averaging, Professional Management and diversification.

*Key Words***:** Mutual Fund, Systematic Investment Plan, Investors inclination, Returns

1. INTRODUCTION

Investment plays a critical role in shaping the economy by channeling savings into companies and capital markets, fueling expansion, growth, and modernization.[1] While investors generally prioritize risk and liquidity when choosing mutual funds, recent research suggests several shifts in these considerations. Financial awareness now plays a lesser role in influencing investment decisions compared to factors like customer information, relationship management, and fund diversification, particularly during volatile periods like the COVID-19 pandemic[2] This highlights the importance of building trust and offering diversified portfolios to mitigate risk. Mutual funds have emerged as a favored investment choice among investors, owing to their accessibility, professional management, and diversification advantages.[3] These factors collectively render them a cost-efficient gateway for investors to venture into financial markets. The expansion of India's mutual fund industry is propelled by both global and domestic economic factors, motivating fund managers to adopt investment strategies that reflect these trends.[4] Historically, mutual funds faced slower adoption in India due to a preference for traditional investment methods. However, banks and financial institutions are actively promoting mutual funds, and their increasing popularity reflects a growing investor appetite.[4] Research highlights how investors value safety, regular cash flow, and the long-term growth potential that mutual funds offer. This growing trend further strengthens the role of mutual funds as a key avenue for wealth creation.

2. LITERATURE REVIEW

Sharma and Banerjee (2023) explored factors influencing retail investors' decisions to invest in mutual funds, specifically through Systematic Investment Plans (SIPs). After doing a survey of 291 investors, it was found that mutual funds, as retail financial products, are attractive to smaller investors, particularly salaried individuals seeking to participate in the stock market without direct involvement. The study also highlighted the rising popularity of professionally managed mutual funds among Indian investors in recent years. This growth is attributed to increased public financial awareness, leading to more individuals investing in these fund houses.

KS and George (2023 investigated the influence of demographic factors on investment choices, objectives, information sources, and investor behaviour. It examined the perceptions and behaviours of various investor groups in Bengaluru, including government employees, private employees, businesspersons, self-employed individuals, retirees, students, and homemakers. A questionnaire was circulated among these groups, and the responses were analyzed using Garret Ranking and percentage analysis. The findings revealed that age, gender, education, occupation, marital status, and annual income all significantly influence investors' awareness of investment instruments, factors affecting their decisions, and preferred investment options. Also, ensuring financial security was the primary motivation for all participants, with bank and mutual fund schemes being the most favoured investment choices.

Dominic and PA (2023) aimed to understand the factors influencing Systematic Investment Plan (SIP) adoption among salaried individuals in Ernakulam District. A well-designed questionnaire was used to gather data on respondents' demographics and their SIP investments. The data, collected from 106 salaried employees, was analyzed using descriptive statistics in SPSS. The study explored potential relationships between various factors, such as age and awareness of SIPs, educational qualifications and investment perception, income and investment attitude, and occupation and preferred investment options. However, the analysis revealed that these factors are statistically independent of each other. Interestingly, the study found varying levels of awareness among respondents regarding different aspects of SIPs. This research highlights the potential of SIPs as a valuable entry point for small investors, particularly first-time investors and salaried individuals, into the capital market.

Neeraja and Gnanasekaran (2023) The objective of this study is to reveal the determinants that shape investor decisions in selecting mutual funds. It examines a spectrum of factors, encompassing both rational elements (such as knowledge levels) and behavioural aspects (like risk tolerance), to discern their influence on investment preferences. Furthermore, the research endeavours to pinpoint obstacles hindering individuals from engaging in mutual fund investments.

Tejendrakumar and Gondaliya(2022) explored how demographic factors and investors' perceptions impact their investment decisions. The demographic profile and perceptions of investors are crucial determinants in selecting investment options. This research contributes to a deeper understanding of various investment platforms such as Systematic Investment Plans, Gold, Public Provident Fund, Equity Share Market, Bonds, among others, offering valuable insights for investors to optimize returns based on their demographic characteristics. However, findings reveal a lack of awareness among investors regarding Systematic Investment Plans. Utilizing One Sample Test conducted through SPSS, this study demonstrates that investors' age, gender, qualifications, and occupation significantly influence their investment choices. Overall, the results indicate investors' preference for safer, low-risk investment platforms, indicating a reluctance to take on higher levels of risk.

Kumari (2020) examined the influence of psychological and demographic factors on investors' investment intentions. The aim was to evaluate and confirm the applicability of an extended Theory of Planned Behaviour (TPB) in understanding investor intentions, incorporating five additional constructs. Employing a quantitative and cross-sectional descriptive research design, data were gathered via a questionnaire from a sample of 405 investors in Delhi/NCR. Through Exploratory Factor Analysis, factors were identified and then validated using Confirmatory Factor Analysis (CFA). The model was subsequently tested using structural equation modelling (AMOS-SEM). This study validates and extends the TPB framework uniquely by integrating constructs such as Tendency towards saving, Tendency towards investment, Financial knowledge & interest, Risk tolerance, Financial self-efficacy, Attitude, Subjective Norms, and Perceived Behavioural Control.

Singal and Manrai (2018) investigated the factors influencing investment decisions in mutual funds and the role of behavioural factors on investors. This project also seeks to identify factors hindering individuals from investing in mutual funds. The outcomes of this research can assist mutual fund companies in pinpointing areas for improvement and enhancing their marketing strategies. By understanding investor preferences, these findings can aid mutual fund companies in developing innovative products tailored to investors' needs and preferences.

Nagajyothi and Srinivas (2018) assessed and contrasted the long-term performance of chosen equity-based mutual funds via SIPs, aiming to pinpoint investment opportunities that could bolster income percentages. Nonetheless, this scheme presents lower risk compared to small- and mid-cap equity sector fund schemes

Dhar and Salema (2017) identified the factors influencing the buying behaviour of individual investors regarding mutual funds in Dhaka city. The study utilized a sample of 103 respondents selected through random sampling. Primary data were collected between October 2017 and December 2017 via a structured questionnaire employing a 5-point Likert scale. The methodology employed exploratory factor analysis, encompassing principal component analysis, KMO measure of sampling adequacy, Bartlett's test of sphericity, and varimax rotation method to extract factors. The results revealed two significant underlying factors influencing investors' decisions when investing in mutual funds: intrinsic features of the fund and income features of the fund.

Arathy and Nair (2015) investigated how Mutual Funds serve as a platform for ordinary investors to engage in the Indian capital market with expert fund management, regardless of the invested amount. Their objective was to uncover the factors influencing investment decisions on mutual funds and the reasons behind its preference among retail investors. Additionally, the project aimed to identify barriers preventing people from investing in mutual funds. The findings of this study aid mutual fund companies in identifying areas for improvement and enhancing their marketing strategies. Furthermore, it enables these companies to innovate and develop new products tailored to investors' preferences and orientations.

3. OBJECTIVE

To explore the factors influencing investor decision towards investing in systematic investment plans (SIP).

4. RESEARCH METHODOLGY

For the purpose of study a sample size of 143 retail investors residing in Noida were collected as sample population. Primary data was gathered through standardized questionnaires distributed using a random sampling method. To analyze the data and identify key factors, "Exploratory factor analysis" was employed.

5. DATA ANALYSIS

5.1. Demographic profile of respondents

Table 1 - Descriptive statistics of demographic profile of investors

Gender		
Parameters	Frequency	Percent
Male	73	51%
Female	70	49%

Age Group		
Parameters	Frequency	Percent
18-25 Years	19	13.30%
26-40 Years	84	58.70%

| 41-55 Years | 35 | 24.50% |
| Above 55 Years | 5 | 3.50% |

Education Qualification		
Parameters	Frequency	Percent
Graduate	47	32.90%
Post graduate	66	46.20%
Professional	30	21%

Occupation		
Parameters	Frequency	Percent
Self Employed	18	12.60%
Private Employee	116	81.10%
Government Employee	5	3.50%
Retired	4	2.80%

Marital Status		
Parameters	Frequency	Percent
Married	96	67.10%
Unmarried	46	32.20%
Divorced	1	0.70%

Monthly Income		
Parameters	Frequency	Percent
Up to Rs.30,000	16	11.20%
Rs.31,001 – Rs.60,000	20	14%
Rs.61,001 – Rs.90,000	41	28.70%
Above Rs.90,001	66	46.20%

Source : Primary Data

The above table shows the demographics of the survey participants. The sample consisted of slightly more males (51%) than females (49%). In terms of age, the largest group (58.7%) fell between 26 and 40 years old, followed by 41-55 year olds (24.5%), 18-25 year olds (13.3%), and those above 55 years old (3.5%).

When it comes to educational qualifications, postgraduate investors formed the largest group (46.2%), followed by graduates (32.9%) and professionals (21%). Regarding occupation, private employees dominated the sample (81.1%), followed by the self-employed (12.6%), government employees (3.5%), and retirees (2.8%).

Marital status analysis revealed that 67.1% of the respondents were married, 32.2% were unmarried, and only 0.7% were divorced. Finally, income levels were distributed as follows: up to Rs. 30,000 (11.2%), Rs. 31,001 - Rs. 60,000 (14%), Rs. 61,001 - Rs. 90,000 (28.7%), and above Rs. 90,001 (46.2%).

5.2. Factor Analysis

For the purpose of achieving the objective, Exploratory factor analysis is used for analyzing the impact of different factors towards investing in a Systematic Investment Plan

KMO and Bartlett Test

Table 2 - Table KMO and Bartlett's Test

| KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.769
Bartlett's Test of Sphericity	Approx. Chi-Square	876.292
	df	105
	Sig.	0.000

Source : Primary Data

The above table showed the value of KMO i.e. 0.769 which is the acceptable limit of factor analysis. The Bartlett's Test of Sphericity indicates the correlation among the statements that are used for factor analysis. The null hypothesis is that correlation matrix is the identity matrix.

Table 3 - Total Variance Explained

Total Variance Explained						
Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.635	37.569	37.569	3.421	22.804	22.804
2	1.572	10.477	48.046	2.493	16.618	39.421
3	1.292	8.616	56.663	1.888	12.589	52.011
4	1.139	7.595	64.258	1.837	12.247	64.258
5	0.951	6.339	70.597			
6	0.882	5.878	76.474			
7	0.673	4.485	80.959			
8	0.614	4.093	85.053			
9	0.507	3.383	88.435			
10	0.433	2.885	91.32			
11	0.424	2.829	94.15			
12	0.273	1.823	95.973			
13	0.256	1.703	97.676			
14	0.207	1.382	99.059			
15	0.141	0.941	100			

Source : Primary Data

The next output is total variance explained by the factors explored through factor analysis. All four factors make contributions in explaining a total 64.258% of variance. The variance explained by Long term growth is 22.804%, Financial goals is 16.618%, Returns is 12.589% and Risk is 12.247%.
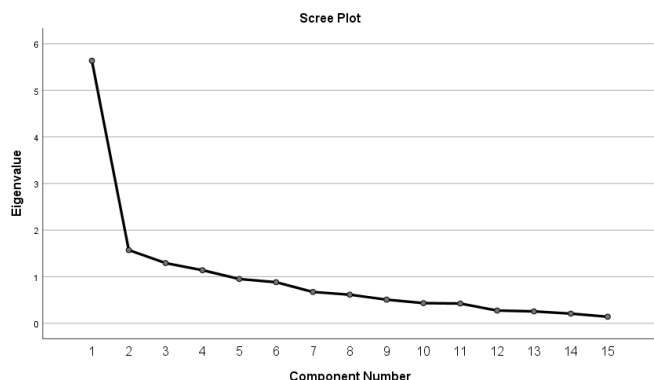
Graph-1 : Scree Plot

Table 4 - Table Rotated Component Matrix

S. No.	Statements	Factor Loading
Long Term Growth		
1	Investors evaluate factors such as fund manager expertise, fund house reputation, asset allocation strategy, expense ratios, and the fund's investment philosophy while choosing a suitable SIP.	0.754
2	Investors prefer those SIPs which provide flexibility based on their changing financial needs like ability to modify investment amounts, pause or stop the plan temporarily, or withdraw funds without penalties.	0.683
3	In bullish markets, investors may be more inclined to invest in SIPs, while in bearish markets, they might adopt a cautious approach or increase their SIP investments to take advantage of lower valuations.	0.717
4	Longer investment horizons generally favour SIPs as they allow for rupee-cost averaging, which can mitigate the impact of short-term market volatility.	0.716
5	Investors can benefit from the power of compounding through SIPs. Long-term wealth can be created through regular investments and the possibility of capital growth.	0.556
6	By investing in several asset classes or mutual funds, investors diversify their portfolio. This diversification lowers total risk and aids in creating a well-balanced investment portfolio	0.601
Financial Goal		
7	Investor's choice for choosing between a short term and long-term SIP relies on the state of the market.	0.747
8	Investors are comfortable in investment through SIPs even if market fluctuates	0.807
9	As an investor how satisfied are you with the overall performance and returns of your SIP investments	0.769
10	As per investors SIPs can be aligned with wealth accumulation, retirement planning, or education funding, offering a disciplined approach to investing regularly and accumulating wealth over time.	0.527
Return		
11	Investors believe that return might be affected by maturity time, as market conditions determine the maturity period, which provide a return on the premium invested.	0.806
12	Investors can designate their bank or investment platform as a standing order to regularly deduct a specific sum from their account and put it in the mutual fund scheme of their choice.	0.541
13	When choosing a fund, investors take into account the reputation, track record, and performance of the mutual fund companies that offer SIPs.	0.569
Risk		
14	There is a risk associated with SIP's, risk is a component of it, and return is dependent on risk.	0.792
15	Investors make investment through SIP in order to be eligible for rebates, which reduce the tax burden.	0.610

Source : Primary Data

Factors and associated variables

The first factor of the study is Long term growth, the variables included under this factors are Investors evaluate factors such as fund manager expertise, fund house reputation, asset allocation strategy, expense ratios, and the fund's investment philosophy are taken into while choosing a suitable SIP, Investors prefer those SIPs which provide flexibility based on their changing financial needs like ability to modify investment amounts, pause or stop the plan temporarily, or withdraw funds without penalties, In bullish markets, investors may be more inclined to invest in SIPs, while in bearish markets, they might adopt a cautious approach or increase their SIP investments to take advantage of lower valuations, Longer investment horizons generally favour SIPs as they allow for rupee-cost averaging, which can mitigate the impact of short-term market volatility, Investors can benefit from the power of compounding through SIPs. Long-term wealth can be created through regular investments and the possibility of capital growth. By investing in several asset classes or mutual funds, investors diversify their portfolio. This diversification lowers total risk and aids in creating a well-balanced investment portfolio.

Financial goals are the second factor of the study. It includes, Investors make investment through SIP in order to be eligible for rebates, which reduce the tax burden, Investor's choice for choosing between a short term and long-term SIP relies on the state of the market, Investors are comfortable in investment through SIPs even if market fluctuates, As an investor how satisfied are you with the overall performance and returns of your SIP investments and As per investors SIPs can be aligned with wealth accumulation, retirement planning, or education funding, offering a disciplined approach to investing regularly and accumulating wealth over time.

Returns are the third factor of study. The variable it includes, Investors believe that return might be affected by maturity time, as market conditions determine the maturity period, which provide a return on the premium invested, Investors can designate their bank or investment platform as a standing order to regularly deduct a specific sum from their account and put it in the mutual fund scheme of their choices and When choosing a fund, investors take into account the reputation, track record, and performance of the mutual fund companies that offer SIPs.

Last factor is Risk includes there is a risk associated with SIP's, risk is a component of it, and return is dependent on risk.

5.3. Reliability Statistics

To check the internal reliability of data Cronbach alpha is used. Results showed that the reliability of 15 statements of factors influencing retail investors towards investing in systematic investment plans is 0.877.

Table 5 – Cronbach Alpha

Cronbach's Alpha	N of Items
0.877	15

6. CONCLUSIONS

SIP offers an accessible entry point for ordinary investors to participate in the Indian capital market. Regardless of their investment amount, individuals benefit from professional fund management, making mutual funds generally considered less risky than direct stock investments. This appeals to risk-averse individuals. Interestingly, the study revealed a preference for public sector mutual funds over private sector ones.

The competitive landscape incentivizes mutual fund providers to continuously introduce diverse schemes catering to specific investor needs and preferences. However, despite awareness of mutual funds, the study found hesitation towards investing in them, with many favouring traditional fixed deposits. To address this, the study recommends educational outreach to inform investors about the benefits of various mutual fund options and broader investment possibilities. Additionally, the research identified several demographic factors influencing mutual fund preferences, suggesting a significant link between these factors and investment choices.

Therefore, effective communication and tailored offerings hold the key to making mutual funds a more preferred financial avenue. The study highlights the diverse needs of potential investors, who, while inclined toward mutual funds, seek innovation and improved service quality within the existing framework. Key factors influencing investor preference for mutual funds include professional management, diversification, ease of investment, and liquidity.

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