



Investment Behaviour and Perception for SIP Investment with Reference to Ahmedabad City

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Abstract

This study looks at how retail investors in Ahmedabad, Gujarat, invest and how they view Systematic Investment Plans (SIPs). SIPs have become a key tool for retail financial participation, propelled by shifting macroeconomic trends from a "savings mindset" to a "investment mindset." Primary data was gathered from 118 different respondents (students, salaried individuals, business owners, professionals, and retirees) throughout Ahmedabad using a structured questionnaire and a descriptive research design. Linear regression models and Analysis of Variance (ANOVA) were applied to evaluate the links between Investor Perception, Investment Behaviour, and eventual SIP Investment Decisions.

Deep-rooted investment behavior, which includes financial discipline, risk tolerance, and long-term orientation, is a near-absolute predictor of SIP investment decisions ($R = 0.959$, $R^2 = 0.920$, $p = 0.000$), while investor perception maintains a weak but statistically significant positive relationship with investment behavior ($R = 0.136$, $p = 0.012$). The results show that in order to accelerate the penetration of genuine retail funds, tailored structural financial literacy initiatives are more important than general awareness campaigns.

Keywords: *Mutual Funds, Investor Perception, Investment Behavior, Financial Discipline, Regression Analysis, And Systematic Investment Plans (SIPs).*

1. Introduction

1.1 Background of the Study

The Indian household financial landscape has transitioned structurally away from purely traditional, static instruments—such as public provident funds, fixed deposits, gold, and real estate—toward capital-market-linked dynamic instruments. Traditional vehicles, which have historically been favored for capital preservation, have demonstrated structural inefficiency when it comes to surpassing inflation or meeting



contemporary long-term milestones such as targeted retirement corpuses or specialized funding for higher education.

Under the stringent regulatory supervision of the Securities and Exchange Board of India (SEBI) through the SEBI (Mutual Funds) Regulations, 1996, a mutual fund functions as a financial intermediary trust that pools capital from institutional and retail participants to invest in diversified portfolios of government securities, corporate debt, and stocks. Mutual funds provide controlled diversification for regular investors without significant investable surpluses or market knowledge. According to this perspective, a Systematic Investment Plan (SIP) is a systematic dollar-cost (or rupee-cost) averaging investment process rather than an independent asset class. It enables people to invest a set amount of money into specific mutual fund portfolios on a regular basis (e.g., weekly, monthly, quarterly). This structural consistency creates automated compound interest paths, reduces market-timing concerns, and allows entry levels as low as ₹500 per month.

1.2 Historical Evolution of the Indian Mutual Fund Industry

The structural progression of the Indian Mutual Fund sector spans five distinct evolutionary phases:

- **First Phase (1963–1987):** Established via the Unit Trust of India (UTI) Act, 1963 by the Reserve Bank of India (RBI), maintaining absolute monopoly. The inaugural Unit Scheme 1964 (US-64) grew to manage approximately ₹6,700 crores in Assets Under Management (AUM) by 1988.
- **Second Phase (1987–1993):** Characterized by the introduction of public-sector mutual funds created by commercial state banks and insurance companies, starting with SBI Mutual Fund in June 1987 and continuing with Canbank, PNB, Indian Bank, BOB, LIC, and GIC, which increased industry AUM to ₹47,004 crores.
- **Third Phase (1993–2003):** The private sector was introduced, starting with Kothari Pioneer in July 1993, and the first full SEBI Mutual Fund Regulations were implemented in 1996.
- **Fourth Phase (2003–2014):** Caused by UTI's structural division into UTI Mutual Fund Ltd. and the Specified Undertaking of the Unit Trust of India (SUUTI). AUM reached ₹1,53,108 crores under 421 different schemes by late 2004, reflecting the period's significant consolidation.
- **Fifth Phase (2014–Present):** Driven by specific regulatory actions taken by SEBI to increase retail penetration in Tier-II and Tier-III regions. With the help of fintech deployment, the number of registered unique retail SIP accounts surpassed 1 crore in April 2016 and grew rapidly to 3.80 crore active accounts by the middle of 2021, systematically converting retail capital into financial assets.

2. Literature Review

The behavioral and operational dynamics of systematic retail investing are grounded in classical and behavioral economic frameworks:



- **Portfolio and Risk Pricing Foundations:** Markowitz (1952) introduced Modern Portfolio Theory (MPT), establishing diversification as the primary mathematical mechanism to minimize unsystematic risk. This idea is put into practice by SIP frameworks, which automatically vary entry timing during market cycles. In order to contextualize the relationship between systematic risk (β) and predicted asset returns, Sharpe (1964) developed the Capital Asset Pricing Model (CAPM), which closely resembles the way mutual fund managers build risk-adjusted portfolios.
- **Behavioral Economics and Cognitive Biases:** Prospect Theory, developed by Kahneman and Tversky in 1979, shows that retail people have asymmetric loss aversion, experiencing the pain of financial losses almost twice as strongly as the joy of comparable profits. This was further developed by Shefrin and Statman (1985) as the "disposition effect"—the propensity to retain losing positions for too long while liquidating winning assets too soon. Venkataramani and Kayal (2021) showed that automated systematic periodic investing actively combats these emotional biases within SIP frameworks, preventing impulsive liquidations during market corrections.
- **Sociodemographic and Literacy Determinants:** Lusardi and Mitchell (2014) found that rates of capital market engagement and long-term retirement planning are directly impacted by advanced financial literacy. The mapping of demographic distributions by Aggarwal (2024) and Esakkiammal (2024) confirmed that although middle-class, salaried demographics favor the regular cash-flow alignment of monthly SIPs, their ongoing retention is largely dependent on their structural knowledge of market volatility and underlying risk perceptions.

3. Research Approaches

Model of Study:

- Investment Perception | | ▼ SIP Investment (Dependent Variable) ▲ | | Investment Behaviour

3.1 Research Goals and Design

The behavioral factors influencing retail mutual fund members are measured, assessed, and detailed in this study using a descriptive research design. The main goals of operations are:

1. To assess and examine retail individuals' structural investment behavior with regard to SIP products.
2. To investigate and chart how investor perception affects methodical financial decision-making.

- **3.2 Sampling and Data Collection**

Primary quantitative data was collected utilizing a highly structured, close-ended questionnaire administered via digital and physical channels directly across Ahmedabad. The sample space comprises $N = 118$ verified active or prospective retail participants. To ensure cross-sectional representation, the sampling framework intentionally integrated varying socioeconomic demographics:



- Students (early-stage wealth targets, low capital baseline).
- Salaried Employees (stable cash inflows, high preference for systematic deductions).
- Business Persons & Professionals (irregular cash flows, high risk-appetite metrics).

3.3 Hypotheses Formulation

To evaluate the empirical dependencies, two core structural frameworks were tested:

Hypothesis 1:

- **Null Hypothesis (H_0):** There is no statistically significant relationship between investor perception and SIP investment behaviour.
- **Alternative Hypothesis (H_1):** There is a statistically significant relationship between investor perception and SIP investment behaviour.

Hypothesis 2:

- **Null Hypothesis (H_0):** There is no statistically significant relationship between investment behaviour and SIP investment decisions among investors.
- **Alternative Hypothesis (H_1):** There is a statistically significant relationship between investment behaviour and SIP investment decisions among investors.

4. Data Analysis and Interpretation

The data was evaluated using Ordinary Least Squares (OLS) linear regression analysis. Hypotheses were verified through Analysis of Variance (ANOVA) tests evaluated at a strict significance threshold of $\alpha = 0.05$.

4.1 Quantitative Evaluation of Hypothesis 1

Table 1: Model Summary (Perception vs. Behaviour)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	$\sqrt{0.136^{\{a\}}}$	0.019	0.010	0.84730	0.019	2.200	1	116	0.012

Table 2: ANOVA Results

Model	Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.579	1	1.579	2.200	$\sqrt{0.012^{\{b\}}}$
	Residual	83.279	116	0.718		
	Total	84.859	117			



Table 3: Regression Coefficients

Model	Component	Unstandardized B	Std. Error	Standardized β	t	Sig.
1	(Constant)	3.033	0.392		7.736	0.000
	Perception Score	0.309	0.209	0.136	1.483	0.012

Statistical Interpretation (Hypothesis 1)

The OLS model tracking the impact of Investor Perception on Investment Behaviour reveals a weak positive correlation coefficient ($R = 0.136$). The coefficient of determination ($R^2 = 0.019$) indicates that generalized investor perception accounts for only 1.9% of the structural variance observed in actual SIP investment behavior.

However, the ANOVA model reports an F-statistic of 2.200 with a calculated p-value of 0.012. Because $p = 0.012 < \alpha = 0.05$, the model is statistically significant. The unstandardized regression coefficient ($B = 0.309$, $\beta = 0.136$) confirms that incremental improvements in positive perception generate positive behavioral movements.

Decision: The Null Hypothesis (H_0) is rejected, and the Alternative Hypothesis (H_1) is confidently accepted. There is a statistically verified, significant relationship where investor perception influences SIP investment behavior.

4.2 Quantitative Evaluation of Hypothesis 2

Table 4: Model Summary (Behaviour vs. Decision Making)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	$\sqrt{(0.959^{\{a\}})}$	0.920	0.919	0.26379	0.920	1334.853	1	116	0.000

Table 5: ANOVA Results

Model	Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	92.883	1	92.883	1334.853	$\sqrt{(0.000^{\{b\}})}$
	Residual	8.072	116	0.070		
	Total	100.955	117			



Table 6: Regression Coefficients

Model	Component	Unstandardized B	Std. Error	Standardized β	t	Sig.
1	(Constant)	-0.121	0.106		-1.139	0.257
	Behaviour Score	1.046	0.029	0.959	36.536	0.000

Statistical Interpretation (Hypothesis 2)

The regression analysis measuring the direct effect of Investment Behaviour scores on final SIP Investment Decisions reveals an exceptionally strong linear relationship ($R = 0.959$). The calculated coefficient of determination ($R^2 = 0.920$) states that **92.0% of the variance observed in ultimate retail SIP investment decisions is directly explained by the investor's core behavioral attributes** (including risk resilience, consistency, and automated habits).

The ANOVA framework confirms absolute model validity with a high F-statistic ($F = 1334.853$, $p = 0.000 < 0.01$). The unstandardized slope coefficient ($B = 1.046$) specifies that a 1-unit enhancement in systematic behavioral indices correlates to an approximate 1.046 unit surge in execution decisions. The highly elevated t-ratio ($t = 36.536$, $p = 0.000$) establishes behavior as an absolute master predictor variable.

Decision: The Null Hypothesis (H_0) is definitively rejected, and the Alternative Hypothesis (H_1) is accepted. Final SIP investment decisions are positively impacted by underlying investment behavior in a clear, strong, and statistically significant way.

5. Results, Conclusions, and Practical Suggestions

5.1 Empirical Conclusions

- Channel Sourcing & Demographic Trends:** Retail awareness of SIP options across Ahmedabad is heavily driven by integrated commercial banks, local financial consultancies, and digital fintech interfaces. Younger age groups (21–35) present an elevated inclination toward equity-oriented SIP allocations focused on long-term wealth creation.
- Structural Drivers:** Lower financial entry hurdles (affordability), cash flow convenience, structural rupee-cost averaging, and automatic compound returns are the main factors influencing the choice for SIP channels.
- The Perception-Behavior Dichotomy:** While generalized market perception is generally positive and recognizes SIPs as safer alternatives to volatile direct stock exposures, its direct explanatory link to long-term behavioral consistency is minimal ($R^2 = 1.9\%$). Instead, deep behavioral parameters—such as financial discipline and continuous risk processing—directly control execution mechanics ($R^2 = 92\%$).



5.2 Summaries

Building a favorable market view of mutual funds is important, but it is insufficient on its own, as this study experimentally confirms. Deeply ingrained, disciplined investment habit plays a major role in actual conversion and retention rates. Retail investors in Ahmedabad's entrepreneurial scene understand the structural advantages of SIPs as a dependable way to protect themselves from market volatility. Stakeholders must go from simple informational advertising to frameworks that actively promote disciplined investment behavior in order to create a robust retail investing environment.

5.3 Suggestions for strategy

- For Fintech engineers and asset management companies (AMCs), create user experience features in mobile investing apps that incentivize ongoing loyalty. In order to reduce panic liquidations during market downturns, marketing should highlight the protective effects of rupee-cost averaging rather than just past gains.
- **For Commercial Banks and Wealth Advisors:** Create personalized frameworks for matching portfolios depending on business cash flows. While business owners with erratic income streams should be paired with flexible or top-up SIP arrangements, salaried profiles should be directed toward automated monthly equity SIPs.
- **For Regulatory Frameworks & Corporates:** Promote disciplined wealth development as a key element of employee wellness initiatives by expanding systemic behavioral financial literacy programs in nearby colleges and corporate workplaces.

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