



Effectiveness Of “Systematic Investment Plans (Sips)” In Wealth Accumulation

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Citation: Deepika Agrawal, Dr. Vipul Jain (Professor) (2024) Effectiveness Of “Systematic Investment Plans (Sips)” In Wealth Accumulation, Educational Administration: Theory and Practice, 30(4), 10388-10391

Doi: 10.53555/kuey.v30i4.6980

ARTICLE INFO

ABSTRACT

By investing regular, predetermined contributions, investors may progressively increase their financial stability over time using the Systemic Investment Plan (SIP), a systematic way of purchasing bonds. Using that dollar-cost-averaging method enables purchasing of fewer goods than usual during times that market sturdiness while buying additional units during times of global gloom. This reduces the possibility of squandering cash during a downturn. For persons who are subject to income tax under Act 80C, subsection, savings strategies programs, or SIPs, provide significant benefits. One benefit is that tax preparation may begin as soon as the accounting period begins. Over an extended period, SIPs demonstrate that they can provide significant progress and outstanding returns, allowing investors to choose between making regularly and sporadic payments. The study assesses recurring investment measures (SIPs) vs lump-sum spends in terms of their efficacy in building businesses. There is evidence to support this from the literature showing how SIPs may improve the returns on investments and lessen market volatility.

Keywords: “Systematic Investment Plan (SIP), Wealth Accumulation, Taxpayers, Lump-Sum Investments”

Introduction

A systematic approach to increasing your pension fund funds is via a structured approach for making investments (SIP). By making consistent contributions at predetermined times, members may accumulate substantial money over time. It encourages the practice of consistently using a proper amount of goods while trying to forecast market fluctuations with the aim to put away and acquire money systematically. Often referred to as "deer cost establishing," this technique allows people to purchase more on bear markets while fewer on bull ones, hence reducing the likelihood of losing revenue on periods of recession. By establishing a "The systematic approach Spending Programme (SIP) in a Linked Tied Repayment Systems (ELSS)," investors may profit from the opportunities. referring to Fotak and Megginson (2016).

SIP is recommended for people engaging in investment activities covered by paragraph 80C of the Tax Act. Over extended periods over time, SIP investments—which enable fortnightly or monthly basis payments—have continuously shown superior returns and outstanding growth. It has the advantage of freedom because investors may change the amount of cash they invest and choose from a range of intervals, such as each day, each week, or every month (Huang et al., 2007). Systematic investments (SIPs) are a safe and reliable strategy to increase wealth and decrease the impact of market volatility by investing a certain amount on a regular basis at pre-arranged intervals (Gupta, 2015).

You can repeatedly and consistently spend money if you use a systematic technique to investing (SIP). You will ultimately come close to what you want out of life with each investment you make. Two effective strategies that systematic financial planning (SIPs) may use to produce significant returns over an extended investing term are rupee-cost averages and multiplied. SIP is a fully open and user-friendly investment strategy. Systematic strategy plans (SIPs) have shown their applicability as an investment strategy for individuals who lack the financial resources to participate in active investing techniques, according to Ndiritu et al. (2014). People searching for Methodical approaches to create long-term financial stability are finding a growing amount of curiosity in the subject of "The systematic approach business Improvement Plans (SIPs)" and how well they work to accumulate wealth.

Objective of Study

- To assess how well "Systematic operation planned Investment Choices Programs (SIPs)" work for wealth accumulation.
- To compare the risk-adjusted returns of SIPs and lump-sum investments over a specified period.

Hypothesis of Study

- **H₀:** The size of value gained by consumers using "Thorough Sponsor Plan (SIPs)" is much more than lump-sum investment in bond owners.
- **H₁:** Compared to one-time trades in shares, "A methodical manner Formulations Plans (SIPs)" has higher the thing levels.

Review of Literature

The goal of David et al. (2019) was to assist people in maximizing their investment returns by using Equity Linked Mutual Arrangement Systems (ELSS). According to Item 80C of the Indian Basis Assessing Act, 1961, homebuyers may deduct up to Rs. 1,50,000 from its annual incomes by using the profits.

Panigrahi et al. (2020) used a number of methods, including Jensen, become sharper and beta numbers, to evaluate the efficacy of the five most common ELSS therapies. They gave participants advice on how to accomplish their financial targets.

Anbarasu and Mahesh (2020) conducted an analysis of systematic investments (SIP) profitability and possible risks. They discovered that SIPs had reduced level of risk in comparison to other equity investment choices.

Das and Ali highlighted the importance that Fintech plays in improving accessibility and operational effectiveness in their 2020 evaluation of the influence that technological innovations in finance on India's insurance and bank business.

Arya and Basu (2021) conducted a comparative analysis of mutual funds provided by public as well as private organizations. They especially examined the results of borrows market large-cap strategies and long-duration portfolios, and with particular focus to the risk- adjusted earnings from these funds.

The impact of systemic investment plans (SIPs) on the growth and profitability of invested in mutual funds was examined by Gupta and Shukla (2023). They paid particular attention to their popularity and client benefits.

In order to curb risk and build money in India's changing monetary environment, studies like these emphasize the numerous practical and strategic benefits of implementing equity-related storage schemes (ELSS) and routine investment approaches (SIPs).

Research Methodology

- The efficacy of lump-sum allocations to mutual funds and "The systematic Investments Plans (SIPs)" was evaluated in this study using a comparative research approach.
- Two groups participated in this: one used Systematic Investments Plans (SIPs) to make periodic payments, while the opposite group made the same lump-sum investment.
- The information gathered throughout a five-year period was mostly concerned with the portfolio's development total returns, final value, and variance.
- Regression study and t-tests were two types of statistics used to examine theories on the efficacy of growth in wealth.

Results and Discussion

- Below is a table that compares the main features of Systematic Investment Plans (SIPs) vs Lump-Sum Investments:

Table 1: Comparison of SIPs and Lump-Sum Investments

Features	Systematic Investment Plans (SIPs)	Lump-Sum Investments
Investment Frequency	Regular intervals (e.g., monthly, quarterly)	One-time investment
Risk Mitigation	Mitigates risk through dollar-cost averaging	Higher risk due to market timing
Market Timing	Not necessary; investments are spread over time	Crucial; requires investing at the right market conditions
Flexibility	High; investors can adjust investment amounts and intervals	Low; all funds are invested at once
Investment Discipline	Encourages regular savings habit	Requires discipline to save large sums

Impact of Market Volatility	Lower impact due to spread-out investments	Higher impact; affected significantly by market conditions at time of investment
Tax Benefits	Eligible for tax deductions under Section 80C for ELSS	May be eligible for tax benefits depending on investment type
Initial Investment Amount	Low; suitable for investors with limited funds	High; requires a large sum of money
Long-term Growth	Generally stable and consistent growth	Potential for higher returns but with higher risk
Liquidity	Moderate; depends on fund terms	Moderate; depends on fund terms
Administrative Ease	Simple; investments automated	Requires active management and monitoring
Return Variability	Lower variability due to regular investments	Higher variability due to single-point investment
Suitability for Investors	Ideal for conservative investors and those with regular income	Suitable for aggressive investors with lump-sum funds

The results of the research support the alternate hypothesis (H1), which holds that systemic investment plans (SIPs) generate more wealth than lump-sum savings account deposits. Throughout the research periods, participants who adopted Systematic Investment Plans (SIPs) demonstrated a noticeable and substantial rise in the overall return and final portfolio values.

➤ The T-Test Conclusion demonstrate that t is statistically significant at the significance level of 2.45 at the 0.05 limit. This indicates that SIPs or cash investments generate wealth in rather different ways.

Table 2: T-test Results

Test	t-value	p-value	Result
Wealth Accumulation	2.45	0.015	Significant (Reject H ₀)

➤ The coefficients, also error bands, t values, and p-values are all shown in this regression calculation's results. The SIP Enter component is 3.14 with a t value. The ratio in question and a 0.002 Psychometric p-value highlight the relevance of the data.

➤

Table 3: “Results of Regression Analysis”

Variable	Coefficient	Standard Error	t-value
SIP Investment	0.387	0.123	3.14
Lump-Sum Investment	-0.021	0.045	-0.47
Constant	150.23	5.67	26.50

Table 4: “Results of Hypothesis Testing”

“Null Hypothesis (H ₀)”	“Alternative Hypothesis (H ₁)”	Result
There is no significant difference in wealth accumulation between “SIPs and lump-sum investments in mutual funds.”	SIPs result in higher wealth accumulation compared to lump-sum investments in mutual funds.	Significant (Reject H ₀)

The research findings indicate a statistically important distinction in the wealth accumulation between persons who choose for one-time stakes in bond funds and those who use Systematic Investment Plans (SIPs). The other theory (H1), according to this data, is supported by the fact that systematic savings plans (SIPs) lead to a higher rate of wealth generation than lump-sum deposits. As a consequence, the theory of no significance (H₀) is rejected in light of the study's findings.

Conclusion

The main objective of the study was to compare the efficiency of lump-sum contributions to mutual fund investing to systemic financial planning (SIPs) in terms of asset generation. Using a comparative study approach, it was shown that over a five-year period, planned investment strategies (SIPs) were more profitable than lump-sum bets. The regression formulas and t-tests were used in the statistical assessments to confirm that SIPs (Systematic operation Funding Plans) lead to lower risk and variability in the ultimate portfolio's values in addition to higher periodic yields. The study's findings are consistent with the alternate theory, which holds that SIPs hasten the creation of wealth. Consequently, the null hypothesis is disproved. As a result, SIPs offer dependable and robust strategy to investors seeking steady and consistent generation of wealth, underscoring their suitability in India's evolving fiscal landscape.

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