



“EVALUATING SIP- SYSTEMATIC INVESTMENT PLAN AWARENESS AND LUMP SUM INVESTMENT AMONG THE RURAL AND URBAN POPULATION”

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ABSTRACT

This research paper investigates the awareness and adoption of Systematic Investment Plans (SIPs) and lump sum investments among rural and urban populations. The study uses a mixed-methods approach, combining quantitative data from surveys and qualitative insights from interviews to analyze the factors influencing investment decisions. The findings reveal significant differences in awareness and adoption between rural and urban areas, highlighting the impact of financial literacy, access to financial services, and socio-economic factors. The paper concludes by proposing strategies to enhance financial inclusion and promote better investment practices across both populations.

Key Words – Investment Plans, Financial literacy, Investment Decisions, Rural and Urban, SIP, Lumpsum, Financial services

Introduction

The financial landscape in India has evolved significantly, with mutual funds becoming an increasingly popular investment vehicle. Investors now have access to various investment options, including Systematic Investment Plans (SIPs) and lump sum investments. SIPs allow investors to invest regularly in mutual funds, benefiting from rupee cost averaging and reducing the risk associated with market volatility. Lump sum investments involve a one-time investment, offering the potential for higher returns but also carrying greater risk.

Understanding the awareness and adoption of these investment methods is crucial for promoting financial inclusion and economic growth. However, significant disparities exist between urban and rural populations in terms of financial literacy and access to investment opportunities. This study aims to evaluate the awareness and adoption of SIPs and lump sum investments among these two groups, identify the factors influencing their investment decisions, and propose strategies to bridge the gap.

Objectives

1. **Investment Awareness:**
 - Assess understanding of SIPs/Lump Sum in rural/urban areas.
 - Examine how literacy, information access, and proximity to institutions affect awareness.
 - Identify key information sources.
2. **Investment Decisions:**
 - Compare how age, income, and education influence choices.
 - Understand SIP/Lump Sum preferences based on risk/goals.
 - Explore how traditional savings impact rural decisions.
3. **Financial Literacy/Access:**
 - Analyze financial literacy program effectiveness.
 - Explore digital/government roles in improving access.
4. **Rural Area Challenges:**
 - Identify barriers to SIP/Lump Sum adoption.
5. **Recommendations:**
 - Suggest strategies to improve financial literacy/access.
 - Propose policy interventions for better rural financial services.

Literature Review

1. Peter Harrold (1995) stated that the persistent inequality between women and men constrains society to lower levels of productivity and economic growth. The author argued that there is evidence for taking corrective action. This report draws on case studies and other evidence

to show how public policy can and should support services and infrastructure where the social returns are the highest and the use by women the greatest. It reviews progress made to date on gender issues and explores why inequalities persist. The report also stimulates ideas for creative solutions by pointing out innovative and less-than-obvious strategies that have proved successful.

2. Chi-Yo Huang and Joseph Z Shyu (2007) found that since the year 2000, silicon intellectual property (SIP), which can minimize the gap in 'design productivity' that exists with systems-on-chip (SOC), has become one of the most important factors in the development of integrated circuit (IC) products in the SOC era. The authors also found that although SIP is very important for IC industry development, complicated business, technical, as well as legal issues inside SIP transactions have hindered successful transactions and the integration of SIPs into SOCs. Thus, web-based SIP e-Commerce mechanisms, called SIP Malls, have emerged, aiming to resolve complex SIP issues.
3. Dr. Shantanu Mehta and Charmi Shah (2012) opined that mutual funds have opened new vistas to millions of small investors by virtually taking investment to their doorstep[cite: 650]. The authors also found that in India, a small investor generally goes for such kind of information, which does not provide hedge against inflation and often have negative real returns. Mutual funds have come, as a much-needed help to these investors. Thus, the success of MFs is essentially the result of the combined efforts of competent fund managers and alert investors.
4. R Waghmare and Virendra Tataka (2013) described a Mutual Fund as an investment tool that allows small investors access to a well-diversified portfolio of equities, bonds, and other securities. The authors further explained that each shareholder participates in the gain or loss of the fund, units are issued and can be redeemed as needed as per the rules of the mutual fund scheme, and a Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them.
5. Sudhakar Khairnar and Aadhaar Verma (2014) used a questionnaire survey to collect qualitative and quantitative evidence from fund managers on the nature and determinants of their geographical presence throughout the country. The authors concluded that distribution channels seem to play a major role in fund penetration and facilitating these rather than trying to boost demand through financial literacy may be a more effective way of achieving better fund penetration. The Indian mutual fund industry is one of the fastest growing and most competitive segments of the financial sector.

Problem Statement

Despite the growing popularity of mutual funds and the availability of investment options like SIPs and lump sum schemes, there remains a significant gap in awareness and participation between rural and urban populations in India. Rural investors often lack awareness and hesitate to invest in these products, preferring traditional, low-yield savings mechanisms. This disparity results in unequal wealth creation and limits economic opportunities for rural populations. The core problem is the low penetration of investment awareness in rural areas, driven by limited access to financial institutions, insufficient distribution channels, and inadequate financial education programs. Addressing this gap is crucial for promoting financial inclusion and ensuring equitable economic growth.

Hypotheses

• H1: Urban vs. Rural Awareness

- H0: No significant difference in SIP/Lump Sum awareness between rural and urban populations.
- H1: Significant difference in SIP/Lump Sum awareness between rural and urban populations.

• H2: Financial Literacy and Access

- H0: Financial literacy, information access, and proximity to institutions do not affect SIP/Lump Sum awareness.
- H1: Financial literacy, information access, and proximity to institutions affect SIP/Lump Sum awareness.

• H3: Demographic Influence

- H0: Age, income, education, and occupation do not influence SIP/Lump Sum investment decisions.
- H1: Age, income, education, and occupation influence SIP/Lump Sum investment decisions.

Research Design

The study employs an exploratory research design to investigate the awareness and adoption of SIPs and lump sum investments. This approach allows for a comprehensive examination of the research problem and the identification of key factors influencing investment behavior.

Sources of Data:

Primary Data Collection through Structured Questionnaire Survey

This research study heavily relies on primary data to gain direct insights into the awareness and adoption of Systematic Investment Plans (SIPs) and lump sum investments among the target population. The primary data was collected using a structured questionnaire survey, a systematic method designed to gather specific information from respondents in a consistent and standardized manner.

Data Collection Method:

"Primary data was collected through a structured questionnaire survey. The questionnaire, created using Google Forms, consisted of two sections: six questions on demographic information and eleven questions assessing investment awareness and opinions. The latter section included Likert scale, multiple-choice, and open-ended question types. The survey was distributed both online via WhatsApp and through man-to-man surveys using QR codes that linked to the Google Form. This combined approach aimed to maximize reach and gather both quantitative and qualitative data efficiently."

Sampling Method:

Random sampling method is using for collecting the sample.

Sampling Frame:

Questionnaires Method

Population

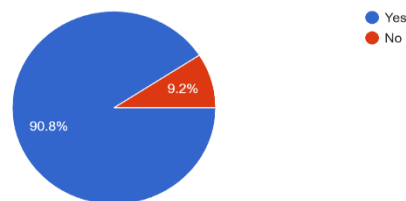
The target population for this study consisted of individuals from several cities in Gujarat, India. Data was collected from a total of 262 respondents residing in Surat, Vadodara, Gandhinagar, and Ahmedabad. The sample included a mix of participants to capture the diversity of the population. While precise cross-tabulations are limited, the sample encompassed individuals with varying demographic characteristics, including:

- **Location:** Both rural and urban representation from the selected cities.
- **Gender:** Male and female participants.
- **Age Groups:** A range of age groups to understand how investment awareness and behavior vary across life stages.
- **Occupation:** Individuals from diverse occupational backgrounds, reflecting the employment structure of the region.
- **Income Structure:** Participants with varying income levels, allowing for analysis of the relationship between income and investment patterns.

Data Analysis:

AWARENESS ABOUT THE INVESTMENT PLANS AND OPINIONS OF INVESTING:

Are you aware of different investments options available in the market ?
262 responses



Analysis:

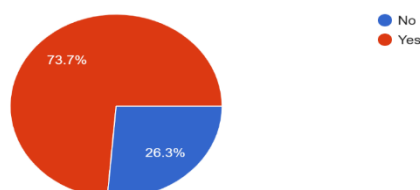
The pie chart from the document shows the following about the awareness of various investment options in the market:

- A significant majority of respondents, 90.8%, are aware of investment options.
- A relatively small portion, 9.2%, indicated a lack of awareness.

This illustrates that financial awareness is high among the surveyed group, but a minority still needs to be reached.

Analysis:

Do you currently invest your money
262 responses

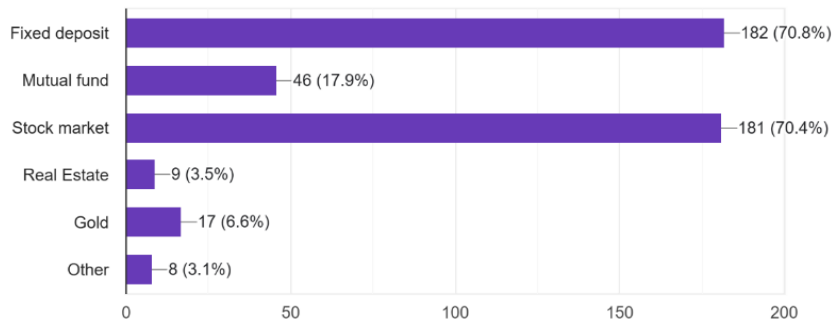


- A significant majority (73.7%) of respondents reported that they are currently investing their money, indicating a strong tendency towards investment participation in the surveyed group.
- However, a notable portion (26.3%) of respondents is not currently investing.
- The high percentage of investors suggests financial engagement, while the non-investors may be influenced by factors like lack of resources, knowledge, confidence, risk aversion, or short-term financial goals.

Analysis:

If yes, where do you invest ?

257 responses

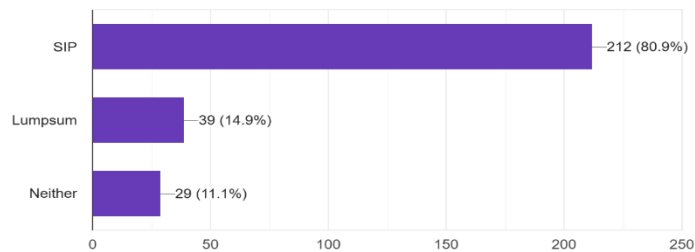


- A survey of 257 respondents reveals a preference for traditional investment avenues. Fixed deposits (182 respondents), the stock market (181 respondents), and gold (181 respondents) are the most popular choices, indicating a strong inclination towards these established investment methods. In contrast, mutual funds (46 respondents) and real estate (46 respondents) show considerably lower participation. This disparity in investment choices may be attributed to various factors influencing investor behavior." perceived complexity, higher capital requirements (in the case of real estate), or risk aversion.

Analysis:

Which of the following are you more familiar with

262 responses

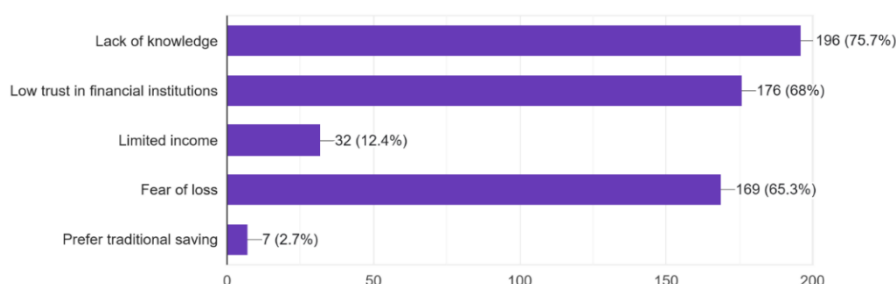


"A survey was conducted with 262 respondents to explore their familiarity with SIP (Systematic Investment Plan) and Lump Sum investments. The analysis of the results reveals a notable trend: 212 respondents indicated a higher degree of familiarity with SIP. However, the available data does not explicitly quantify the number of respondents who expressed greater familiarity with Lump Sum investments or those who reported being unfamiliar with either investment option. Consequently, while the survey clearly demonstrates a strong level of awareness regarding SIPs within the sample population, a complete and balanced comparison of familiarity across all three categories (SIP, Lump Sum, and 'Neither') is hindered by the absence of specific figures for Lump Sum and 'Neither' responses."

Analysis:

What stops you from investing in SIP and Lumpsum

259 responses

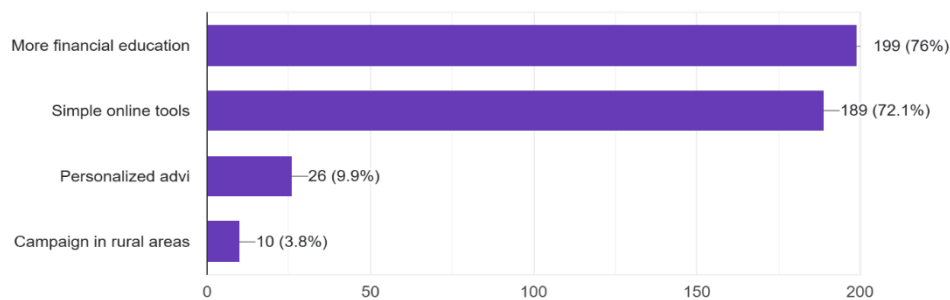


"The primary reasons individuals avoid investing in SIPs and Lump Sum investments are a lack of knowledge (75.7%), low trust in financial institutions (68%), and fear of loss (65.3%). These findings underscore a critical need for enhanced financial education, measures to build investor trust, and clear communication about risk management in investments. While limited income also presents a barrier for some (12.4%), and a preference for traditional saving methods is the least common deterrent (2.7%), the high percentages indicate that multiple factors often contribute to an individual's reluctance to invest."

Analysis

What would help you understand investment better?

262 responses



"The survey results indicate a strong demand for increased financial literacy, with 'More Financial Education' being the most significant factor (76%). This reinforces earlier findings on the barrier of 'Lack of Knowledge' and highlights the need for educational initiatives. The desire for 'Simple Online Tools' is also prominent (72.1%), suggesting a preference for accessible and user-friendly investment platforms. In contrast, 'Personalized Advice' received limited support (9.9%), potentially reflecting a preference for independent learning or skepticism towards advisors. Similarly, 'Campaigns in Rural Areas' garnered low interest (3.8%), which warrants further investigation to understand preferred outreach strategies. Overall, respondents favor a combination of educational resources and accessible technology to enhance their investment understanding."

Findings:

- The 18-25 age group dominates the survey, with males, postgraduates, urban residents, and students being significantly overrepresented.
- There's high awareness of investment options and SIPs, but low awareness of Lump Sum investments.
- Most respondents are actively investing, primarily in fixed deposits, the stock market, and gold.
- Lack of knowledge, trust, and fear of loss are key deterrents to investing.
- Financial education and simple online tools are highly desired for improving investment understanding.

Conclusion:

The study indicates a strong awareness of general investment options and SIPs, suggesting openness to modern strategies. However, knowledge gaps persist, particularly around Lump Sum investments. Demographic skews, notably the dominance of young, urban, educated males with low incomes, influence investment behavior. Traditional investments are favored, and the internet is a key information source. Ultimately, financial literacy and accessibility are crucial factors.

Suggestions:

- The study emphasizes the need for tailored financial education and accessible investment tools.
- It suggests addressing knowledge gaps and trust barriers to foster a more inclusive and informed investment environment.

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