



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON INVESTOR'S IMPACT AND AWARENESS OF SIP GROWTH AT COIMBATORE CITY.

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ABSTRACT

This study explores the level of awareness and understanding of Systematic Investment Plans (SIPs) among investors in Coimbatore and examines the impact of SIP investments on financial planning. The study also analyzes the relationship between investors' awareness and the growth of SIPs while identifying the challenges faced by potential investors in understanding the benefits and risks associated with SIPs. Statistical tools such as the test Chi-square are used to determine the association between demographic factors and SIP awareness. One-way ANOVA is applied to analyze differences in satisfaction levels across various demographic groups, and Factor Analysis helps identify key factors influencing SIP adoption. The findings offer valuable insights for financial institutions and policymakers to develop targeted awareness programs and enhance financial literacy, thereby promoting disciplined investment practices in Coimbatore.

Keywords:

Systematic Investment Plan (SIP), Investor Awareness, Financial Planning, Chi- square Test, One-way ANOVA, Factor Analysis, Investment Challenges, Coimbatore City.

INTRODUCTION

Investment is the process of allocating funds into various financial or real assets with the expectation of generating returns over time. It plays a crucial role in wealth creation, capital formation, and economic growth, enabling individuals and institutions to meet financial goals and secure future stability. Investment involves sacrificing present consumption to accumulate wealth for future needs. Investments can be broadly categorized into financial and real assets. Financial investments include instruments like stocks, bonds, mutual funds, fixed deposits, and systematic investment plans (SIPs), which provide income through interest, dividends, or capital appreciation. On the other hand, real assets comprise tangible properties such as real estate, gold, and commodities that derive value from their intrinsic qualities. The primary objective of any investment is to maximize returns while minimizing risk. Investors, whether individuals or institutions, consider factors such as risk tolerance, time horizon, and liquidity needs before making investment decisions. Risk and return are inherently correlated, with higher returns often associated with higher risks. Conservative investors typically prefer low-risk instruments such as fixed deposits and government bonds, while aggressive investors may opt for equities or derivatives to achieve higher returns.

STATEMENT OF THE PROBLEM

The increasing popularity of Systematic Investment Plans (SIPs) in India has significantly transformed the investment landscape, providing individuals with a disciplined and convenient method to invest in mutual funds. Despite the growing acceptance of SIPs as an investment avenue, awareness and understanding of their benefits, such as rupee cost averaging, the power of compounding, and long-term wealth creation, remain limited among potential investors, especially in Tier-II cities like Coimbatore. Many investors lack adequate knowledge of how SIPs work, the risks involved, and the tax benefits offered through Equity Linked Savings Schemes (ELSS), leading to a suboptimal adoption rate. Furthermore, while SIPs offer flexibility, professional management, and diversification, factors such as fear of market fluctuations, lack of trust in financial institutions, and misconceptions about high investment requirements deter many individuals from investing. The growth of SIPs in Coimbatore has been influenced by factors such as income levels, financial literacy, risk perception, and investor behavior. However, there is a lack of empirical research assessing the awareness levels and understanding of SIPs, along with the impact of these factors on the growth of SIP investments in the region. Understanding investor preferences, perceptions, and challenges in adopting SIPs is essential to identify gaps in financial literacy and address barriers to wider adoption. This study aims to analyze the level of awareness and assess the impact of SIPs on financial planning and wealth creation among individuals in Coimbatore city. The findings will help financial institutions and policymakers design targeted awareness programs and investment solutions that cater to the specific needs of investors, ultimately fostering greater participation and long-term financial

security.

OBJECTIVES OF THE STUDY

- To know the Impact of SIP investments on financial planning.
- To investigate the challenges faced by potential investors in understanding the benefits of SIP.

SCOPE OF THE STUDY

This study focuses on assessing the awareness levels, perception, and adoption of Systematic Investment Plans (SIPs) among investors in Coimbatore. It examines the demographic factors influencing investment decisions and evaluates how SIP awareness impacts financial planning and wealth creation. The study also analyzes the challenges faced by potential investors and identifies factors that motivate or hinder SIP adoption. Furthermore, the research provides insights into the effectiveness of financial literacy programs and suggests measures to improve awareness and increase SIP penetration in the region.

SIGNIFICANCE OF THE STUDY

This study aims to understand the level of financial literacy and awareness regarding systematic investment plans (SIPs) among individuals. It highlights how awareness influences investment decisions, wealth creation, and long-term financial stability. The study provides insights into the factors that drive or hinder SIP adoption, enabling financial institutions and policymakers to design targeted awareness programs. It also helps asset management companies identify investor preferences and address concerns effectively. By identifying financial literacy gaps, the study enhances investor confidence and promotes disciplined investment habits. Ultimately, the findings will aid in increasing SIP penetration and fostering a more financially informed society in Coimbatore.

RESEARCH METHODOLOGY

The research methodology refers to the systematic framework that is used to collect, analyze, and interpret the data and draw meaningful conclusions to address the research problem. It's important because it aids in ensuring that research is valid, reliable, and robust.

RESEARCH DESIGN

The research adopts a descriptive research design and which aims to describe and analyze the impact of awareness of SIP growth in Coimbatore City. It aims to describe the relationship between investor awareness, perception, education, financial literacy, and adoption of SIPs in Coimbatore City.

METHOD OF DATA COLLECTION

The researcher used a survey method for data collection. This study gathered the desired data through both primary and secondary sources. Primary data were collected through a structured questionnaire from the retail investors living in Coimbatore City and invested in Mutual Fund schemes. The secondary was collected from different investment periodicals, magazines, various newspapers, RBI reports, AMFI reports, SEBI annual reports; securities market reviews, studies of existing literature of different authors in the related field, etc.

SAMPLING METHOD

This study uses, a Stratified Random Sampling method, employed to ensure a balanced representation of respondents based on their awareness of SIP growth in Coimbatore City. The total sample consisted of 157 respondents, of which 137 (87.26%) were aware and 20 (12.74%) were not aware of SIP growth. The population was divided into two strata: aware and not aware investors and respondents were randomly selected from each group to maintain proportional representation.

TOOLS TO BE USED IN THIS STUDY

- Percentage analysis
- Chi-Square Test
- Factor Analysis

LIMITATIONS OF THE STUDY

- The study is limited to Coimbatore city and may not represent the behavior and awareness levels in other cities or regions.
- This study may focus primarily on awareness and its impact on SIP growth, potentially ignoring other influencing factors like income, risk tolerance, or cultural attitude towards investments.
- This study is primarily focused only on Systematic Investment Plan (SIP), a scheme offered by mutual fund, and it may not cover other schemes in mutual funds, and also the stock market.

LITERATURE REVIEW

i) **Dr. D Divya, and Sharani R K, (2024)** “Exploring Systematic Investment Plans (Sips) Offered By ICICI In Coimbatore” has been conducted to examine the field of Investment Plans (SIPs) offered by the reputed financial institution ICICI, specifically in the Coimbatore context. SIPs have become a popular investment method, allowing individuals to invest in mutual funds over time, potentially reducing market volatility and promoting wealth creation over long periods. This study aims to provide a detailed analysis of the SIP offerings of ICICI, Coimbatore, covering various dimensions such as

efficiency, flexibility, effectiveness, and customer satisfaction. Additionally, the study aims to gain insight into marketers' preferences, perceptions, and expectations regarding SIPs and help gain a deeper understanding of the dynamics of the retail industry in the region.

ii) **Preeti Arora (2023)**, in her study “A Study of Investor Awareness Toward Mutual Fund in Haryana,” examines the level of awareness and key factors influencing mutual fund investment decisions among investors in Haryana. The study is based on primary data collected from 300 respondents across different demographics using a simple random sampling method and a self-structured questionnaire for interviews. The findings reveal that Asset Management Companies (AMCs) have the highest awareness levels among investors, followed by New Fund Offers (NFOs) and Systematic Investment Plans (SIPs). However, Systematic Withdrawal Plans (SWPs) have the

lowest awareness levels among mutual fund investment options. In terms of the perceived benefits of mutual funds, cost- effectiveness ranks as the most important factor, followed by tax benefits and convenience, while transparency is considered the least important factor. The study highlights the need for greater investor education and awareness initiatives, particularly regarding lesser-known investment options like SWPs, to enhance financial decision-making and encourage more informed participation in mutual fund investments.

DATA ANALYSIS AND INTERPRETATION

Demographic Factors

S.No	GENDER	Respondents	Percentage %
1	Male	70	51
2	Female	67	49
	Total	137	100
	AGE		
1	Below 25 years	95	69.34
2	26-35	16	11.68
3	36-45	16	11.68
4	Above 45	10	7.3
	Total	137	100
	OCCUPATION		
1	Salaried	47	34.31
2	Self-employed	22	16.06
3	Student	61	44.53
4	Home maker	7	5.11
	Total	137	100
	EDUCATIONAL QUALIFICATION		
1	High school	26	18.98
2	Graduate	60	43.8

3	Post Graduate	36	26.28
4	Others	15	10.95
5	Total	137	100
	MARITAL STATUS		
1	Married	37	27.01
2	Unmarried	100	72.99
	TOTAL	137	100
	TYPE OF FAMILY		
1	Nuclear	96	70.09
2	Joint	41	29.93
	TOTAL	137	100
	INVESTMENT EXPERIENCE		
1	No prior experience	57	41.61
2	Less than 2 years	37	27.01
3	2-5 years	15	10.95
4	More than 5 years	28	20.44
	TOTAL	137	100

Source: (Primary data)

INTERPRETATION

The data for this investigation pertains to Investor's impact and awareness of SIP growth at Coimbatore City. Among the respondents, 51 percent respondents are male and 49 percent respondents are female. In term of age below 25 years are 69.34 percent, followed by 26-35 age group are 11.68 percent, followed by 36-45 years are 11.68 percent and above 45 years of age are

7.3 percent. The Occupation is categorized into four groups: High school (18.98) percent of the respondents, (43.8) respondents are Graduated, followed by (26.28) Percent respondents are Post Graduates and (10.95) percent respondents are fall into other qualification. Regarding marital status

27.01 percent are married and 72.99 respondents are unmarried. Among the respondents 70.09 percent of the respondents are from Nuclear family and 29.93 percent respondents are from Joint family. The Investment experience is consists of four groups which includes: (41.61) percent of the respondents are not having any prior experience in investing in SIP, (27.01) percent have less than 2 years of experience, 2-3 years (10.95) and more than 5 years (20.44).

ONE-WAY ANOVA**Investment experience and financial planning****Null Hypothesis (H₀):**

There is no significant association between investment experience and financial planning.

Alternative Hypothesis (H₁):

There is a significant association between investment experience and financial planning.

factors		Sum of Squares	df	Mean Square	F	Sig.
Helped to achieve financial goals	Between Groups	53.493	3	17.83	10.00	.000
	Within Groups	239.01	134	1.78		
	Total	292.50	137			
Improved budgeting skills	Between Groups	14.393	3	4.80	3.48	.018
	Within Groups	184.69	134	1.38		
	Total	199.08	137			
Enhanced longterm	Between Groups	27.573	3	9.19	6.79	.000
	Within Groups	181.39	134	1.35		
	Total	208.96	137			
Develop financial discipline	Between Groups	11.263	3	3.75	2.25	.086
	Within Groups	223.68	134	1.67		
	Total	234.93	137			
Encourage to diversify the portfolio	Between Groups	16.113	3	5.37	2.66	.051
	Within Groups	270.21	134	2.02		
	Total	286.32	137			

(Source: Primary data)

Significant Association Found:

- **Achieving financial goals** ($p = 0.000$) – Strong association between investment experience and goal achievement.
- **Improving budgeting skills** ($p = 0.018$) – Significant positive relationship with budgeting abilities.
- **Enhancing long-term planning** ($p = 0.000$) – Strong evidence that investment experience enhances long-term financial planning.

No Significant Association Found:

- **Developing financial discipline** ($p = 0.086$) – No significant link between investment experience and developing financial discipline.
- **Encouraging diversification** ($p = 0.051$) – The result is close to significance but does not provide enough evidence to establish a relationship.

INTERPRETATION

The One-Way ANOVA was conducted to examine whether investment experience has a significant impact on various aspects of financial planning. The key findings are summarized below:

Investment experience significantly influences certain aspects of financial planning, such as achieving financial goals, improving budgeting skills, and enhancing long-term planning. However, it does not show a significant impact on developing financial discipline or encouraging diversification.

CHI-SQUARE TEST

Null Hypothesis (H₀): There is no significant relationship between the level of monthly SIP investment and the challenges faced in understanding SIP benefits.

Alternative Hypothesis (H₀): There is a significant relationship between the level of monthly SIP investment and the challenges faced in understanding SIP benefits.

- The level of significance is 0.05

CROSS TABULATION

Investment Experience × challenges faced in understanding SIP

			Challenges understanding SIP		Total
			YES	NO	
Investment experience	BELOW 1000	Count	29	42	71
		Row %	40.8%	59.2%	100.0%
		Column %	43.3%	60.0%	51.8%
	1001-10000	Total %	21.2%	30.7%	51.8%
		Count	18	15	33
		Row %	54.5%	45.5%	100.0%
		Column %	26.9%	21.4%	24.1%
		Total %	13.1%	10.9%	24.1%

10001-20000	Count	8	8	16
	Row %	50.0%	50.0%	100.0%
	Column %	11.9%	11.4%	11.7%
	Total %	5.8%	5.8%	11.7%
ABOVE 20000	Count	1	5	17
	Row %	70.6%	29.4%	100.0%
	Column %	17.9%	7.1%	12.4%
	Total %	8.8%	3.6%	12.4%
Total	Count	6	7	137
	Row %	48.9%	51.1%	100.0%
	Column %	100.0%	100.0%	100.0%
	Total %	48.9%	51.1%	100.0%

(Source: Primary data)

CHI-SQUARE TESTS

	Value	df	Asymptotic Sig. (2-tailed)
Pearson Chi-Square	5.47	3	.140
Likelihood Ratio	5.57	3	.134
Linear-by-Linear Association	4.61	1	.032
N of Valid Cases	137		

INTERPRETATION

As per the above table, p-value = 0.140, which is greater than 0.05. The level of monthly SIP investment does not affect the challenges faced in understanding SIP benefits. Hence, we reject the alternative hypothesis and accept the null hypothesis.

FACTOR ANALYSIS

Challenges in understanding SIP

1. Kaiser-Meyer-Olkin (KMO) & Bartlett's Test of Sphericity

- **KMO Value = 0.821** → Indicates that the data is suitable for factor analysis (values above 0.8 are considered good).
- **Bartlett's Test ($\chi^2 = 692.208$, $p < .001$)** → The significant p-value confirms that the variables are

correlated enough for factor analysis.

2. Factor Extraction & Interpretation

- **Two factors were retained** based on eigenvalues and total variance explained.
- **Total Variance Explained:**
 - Factor 1: **43.0%**
 - Factor 2: **23.2%**
 - **Cumulative Variance Explained = 66.2%** (which is acceptable, meaning these factors explain most of the variance in the data).

3. Factor Loadings & Interpretation

Factor Name	Key variables	Interpretation	Variance
Factor 1: Trust & Liquidity Concerns	<ul style="list-style-type: none"> - Lack of trust in mutual funds (0.886) - Preference for traditional investments (0.812) - No immediate liquidity or flexibility (0.788) - Lack of personalized advice (0.739) 	Investors hesitate due to trust issues, liquidity concerns, and preference for traditional investments (e.g., fixed deposits, gold, real estate).	43.0%
Factor 2: Financial Constraints & Market Risks	<ul style="list-style-type: none"> - Lack of disposable income (1.113) - Fear of market fluctuations (0.670) - Uncertainty about 	Investors are discouraged by financial constraints, fear of market fluctuations, and lack of understanding of SIP	23.2%

	tenure or commitment (0.664) - Lack of clarity on SIP benefits (0.586)	benefits.	
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4. Factor Correlation Matrix

- **Factor 1 and Factor 2 have a correlation of 0.587**, meaning there is a moderate relationship between trust/liquidity concerns and financial constraints/market fears.
- This suggests that individuals who lack trust in mutual funds may also be more concerned about financial stability and market risks.

FINDINGS OF THE STUDY

PERCENTAGE ANALYSIS FINDINGS

- The majority of the respondents are male (70%).
- The majority (69.34) of the respondents of the age group below 25 years.
- The majority (44.53%) of the respondents fall under the 'Student' category.
- The majority (43.8%) of the respondents are graduates.
- The majority (72.99%) of the respondents are unmarried.
- The majority (70.9%) of the respondents are belongs to nuclear families.
- The highest investment experience of the investor includes (41.6%).

ONE-WAY ANOVA FINDINGS:

Significant Association Found:

- **Achieving financial goals** ($p = 0.000$) – Strong association between investment experience and goal achievement.
- **Improving budgeting skills** ($p = 0.018$) – Significant positive relationship with budgeting abilities.
- **Enhancing long-term planning** ($p = 0.000$) – Strong evidence that investment experience enhances long-term financial planning.

No Significant Association Found:

- **Developing financial discipline** ($p = 0.086$) – No significant link between investment experience and developing financial discipline.
- **Encouraging diversification** ($p = 0.051$) – The result is close to significance but does not provide enough evidence to establish a relationship.

CHI-SQUARE TEST FINDINGS

Since the p -value = 0.140, which is greater than 0.05, the level of monthly SIP investment does not affect the challenges faced in understanding SIP benefits. Hence, we accept this as a **null hypothesis**. Thus there is no significant relationship between the level of monthly SIP investment and the challenges faced in understanding SIP benefits.

FACTOR ANALYSIS FINDINGS

Challenges in understanding SIP

The analysis identifies **two key barriers** to SIP adoption:

- **Trust & Liquidity Concerns** – Investors are hesitant due to lack of trust, preference for traditional investments, and liquidity issues.
- **Financial Constraints & Market Risks** – Fear of market fluctuations, financial instability, and lack of understanding act as deterrents.

These two factors explain 66.2% of the variance, making them the primary reasons affecting SIP adoption.

SUGGESTION

1. Financial Literacy Programs:

- Conduct awareness campaigns and workshops to educate potential investors on SIP benefits, risk management, and long-term wealth creation.
- Collaborate with colleges, workplaces, and community centers to improve financial knowledge.

2. Simplification of Investment Process:

- Mutual fund companies should simplify SIP-related information using easy-to-understand language.
- Digital platforms and mobile apps with SIP calculators and explainer videos can enhance investor confidence.

CONCLUSION

The study reveals that while SIPs are gaining popularity as a preferred investment avenue, there is still a lack of comprehensive awareness among many potential investors. The study highlights that demographic factors such as age, income, and education play a significant role in influencing SIP adoption. It was observed that individuals with higher financial literacy are more likely to invest in SIPs and appreciate their long-term benefits. However, misconceptions about risks, returns, and liquidity hinder wider adoption. The findings emphasize the need for targeted awareness programs to bridge the knowledge gap and promote informed decision-making. Enhancing financial education can significantly increase SIP adoption and contribute to the growth of a disciplined investment culture in Coimbatore.