Attitude Towards SIP: An Empirical Examination

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Abstract

The purpose of this study is to examine the attitude of individuals towards systematic investment plans. The study attempted to understand how personality traits of individuals affect their attitude towards the selected investment category. The study also assessed the impact of investment strategy, investment attitude, investment priority and risk capacity affected attitude towards SIP. The findings of the study revealed that openness to experience has an impact on attitudes towards SIP. Whereas investment attitude, agreeableness, conscientiousness, extraversion, emotional stability, risk capacity, and investment priority do not have any impact on attitude towards SIP.

Keywords: *systematic investment plans, mutual funds, personality traits, risk capacity*

Introduction And Review of Literature

The realm of investment presents individuals with a diverse array of opportunities to augment their wealth and achieve their financial goals. Among these choices, mutual funds have earned a strong reputation as a potent financial tool. Mutual funds are financial institutions that aggregate the funds of numerous investors and invest them in a variety of securities. Skilled fund managers, who specialise in managing mutual funds, make investment decisions on behalf of the investors. Acting as financial intermediaries, mutual funds gather funds from investors seeking to allocate their resources in both primary and secondary securities. This financial instrument plays an essential role in facilitating investment for these individuals as it provides invaluable assistance to those who lack the expertise to invest their resources in suitable assets or in the most advantageous direction. The present study attempts to understand the attitude of individuals towards mutual funds.

Arvindh Rajasekar, Arul Ramanatha Pillai, Rajesh Elangovan, Satyanarayana Parayitam (2022) examined how big-five personality traits (extraversion, emotional stability, conscientiousness, agreeableness, and openness to experience) and investment behaviour interact, especially in India. The data was collected in southern India with a total of 934 respondents. This study offered proof that personality qualities are very important in influencing financial judgements. Most importantly, the study made clear how crucial it is to consider investors' risk tolerance and investment priorities when choosing an investment strategy. The effect of personality on financial decision-making is still being researched as investors' behaviour is always changing in response to market conditions. The study offers a straightforward model, not a groundbreaking one. However, it might be improved by including more factors to better understand investor behaviour, especially from developing nations' perspectives.

Pasupuleti Nikhilesh (2019) conducted a study to evaluate how investors see mutual funds purchased through SIP and to determine the drivers behind such purchases. This study also intends to assess investors' risk tolerance levels and estimate returns on mutual fund investments. The data was collected from 130 distinct types of investors and their diversified investment strategies in Chennai city. According to the study's findings, most of the respondents have a favourable opinion on mutual funds purchased through SIP. Most of them are highly satisfied with mutual funds because they guarantee high returns.

Shaik Mohammad Imran, K. Mohan Kumar, P. Muthyalappa (2019) attempted to understand how investors feel about mutual funds (Systematic Investment Plan). This study was conducted in Anantapur and Kurnool City. And based on the study it is found that investors are not well-informed about mutual funds. However, individuals who have made investments in mutual funds have expressed satisfaction and earned good profits. The study's conclusion demonstrates that investors lack the knowledge of mutual funds, notably the Systematic Investment Plan (SIP). Despite the numerous advantages that mutual funds provide, such as higher returns on investment (ROI), experienced management, diversification, ease of investing and monitoring, tax advantages, liquidity, and systematic withdrawal plans, investors still do not show much interest in investing in them.

Venkates. P & K. Murugan (2022) aimed to evaluate investors' perspectives on establishing a systematic investment plan and identify the advantages of this approach over alternative investment strategies. The primary goal of the study is to establish a systematic approach to

investing, while the secondary goal is to identify the advantages of systematic investment plans compared to other investment techniques. The poll conducted on investors' perceptions of the structured investment plans offered by Aditya Birla Capital revealed positive feedback. The systematic investment plan is recognized for its potential to assist individuals in building both short- and long-term wealth. The analysis further indicates that investors are familiar with the concept of systematic investment planning and have the expertise to research Aditya Birla Capital's programs and services and the majority of investors are risk-takers who express satisfaction with the online portal service provided by the company, and they actively recommend systematic investment plans to others, showcasing their favourable view towards these strategies.

S. Srimaan Ramachandra Raja, Sohail Hirani (2019) focused on Systematic Investment Plan (SIP) as a substitute investment option for investors looking for high returns with low risk through instalment-based investments. The goal is to determine what drives people to invest in SIPs and what obstacles this plan faces. For data analysis, secondary data sources and statistical techniques were used. The findings highlighted hesitance of investors in India towards mutual funds due to perceived risk and limited understanding. Debt-oriented schemes are expected to dominate, providing yield security, liquidity, and tax benefits. The study also revealed that many investors have limited knowledge of investment strategies and financial details related to their investments, indicating a level of naivety. Furthermore, mutual fund penetration levels in India remain relatively low compared to other global economies.

Dr. S. Sankar, Seethalakshmi. P, Ms. G.Bhagyalakshmi, MD. Saiful Islam, V. Manjula (2020) aimed to understand the behaviour of individuals in systematic investment plans (SIPs) and their attitudes and perceptions towards SIPs. To achieve this objective, a survey was conducted using a structured questionnaire that included open-ended, closed-ended, and ranking questions. The research design chosen for this study was descriptive in nature. A sample size of 174 respondents was chosen for data analysis using convenience sampling. The finding of the study observed that the majority of investors were investing in mutual funds, while the minimum number of investors were investing in another type of investment like insurance. The study concluded that most respondents invest in systematic investment plans (SIPs) for liquidity purposes, and their awareness of investments is moderate. The study further reveals that factors such as good return, flexibility, liquidity, tax benefits, and investment in child education influence respondents' commitment towards SIP investment.

Jayalakshmi. S, K. P. Saraswathy Amma (2019) examined the influence of demographic factors

on investors' attitudes towards systematic investment in mutual funds. The data analysis utilised the chi-square (χ^2) test to assess the relationship between demographic variables and investor attitudes. The ranking of variables was determined through a weighted score approach, and scoring was conducted based on a specific scale. The data was collected in Kozhikode City Kerala State with a total of 160 respondents. The study findings indicate that a majority of respondents hold a positive attitude towards systematic investment plans in mutual funds. The study also reveals the key factors that encourage investors to invest in mutual funds, with easy investment facility being the most attractive feature, followed by monthly investment facility, professional management service, portfolio diversification, and risk reduction.

A. Amudha (2018) focused on investigating the preferences and awareness of investors towards SIP (Systematic Investment Plan) investments in mutual fund schemes in Erode district, Tamil Nadu. The study aimed to understand the preferences and awareness of investors in the Erode District regarding SIP investments. The researchers also examined the perceived advantages of SIP investments, including disciplined investment and protection against market volatility. The conclusion of the study highlights the importance of discipline in achieving successful investments. SIP investments encourage investors to save regularly and take steps towards their financial goals. The study emphasises that SIPs are particularly beneficial for retail investors who may not have the resources or expertise for active investments.

Luhar Hardik Tejendrakumar, Dr. Vijay Gondaliya, (2022) conducted a study on the topic "Perception level of investors towards systematic investment plan" in the Chikhli Region. The purpose of this study is to examine how investment choices are influenced by investor demographics and perceptions. A sample of 120 respondents was drawn for the purpose of the study. The study examines different investment platforms, including SIPs, Gold, Public Provident Funds, Equity Share Markets, Bonds, and more. Its goal is to provide valuable insights to investors based on their demographic profiles, helping them achieve better returns. The study found several noteworthy findings. Most investment decisions in the sample were made by males. This suggests that males have a higher involvement in investment decision making compared to females. The main objectives for savings among the respondents were child education, capital safety, high returns, retirement, and healthcare. This study reflects on the objectives of savings, perceptions, and factors considered by individuals before making investment decisions across various categories of individual investors.

Based on the review of literature, the presented study attempts to understand the attitude of

individuals towards SIP. The following were the objectives of the study:

1. To determine the impact of personality traits on attitude towards SIP.
2. To determine the impact of risk capacity, investment attitude, investment strategy and investment priority on attitude towards SIP.

Methodology

Both primary, as well as secondary data, were used for the study. Primary data was collected to satisfy and achieve the objectives of the research and to test the hypotheses set by the researcher. Secondary data was used to conduct the review of literature, identify the problem, and formulate the hypotheses. The research instrument used for the study is a structured questionnaire. A structured questionnaire is a data collection tool which consists of a series of close-ended and open-ended questions. The questionnaire is then circulated among willing respondents. The questionnaire used for the study was developed by the researcher with the help of review of literature and discussion with the organisational and institutional guides. The questionnaire comprised of four sections:

- Demographic details of the respondents,
- Items measuring attitude towards SIP,
- Investment behaviour and experience,
- Items measuring Personal traits, risk capacity, investment strategy, and investment priority.

The questionnaire consisted of 37 items measured on a 5-point Likert scale where 1 = strongly disagree and 5= strongly agree. The table below presents the constructs used in the study and the items used to measure them. Responses were collected from 87 respondents. The section below shows the analysis of the responses obtained.

Table 1: mean score of constructs (Appendix 1 details the sources for the constructs)

Constructs	Statements	Mean score	Composite mean
Attitude towards SIP	SIP is a reliable investment option	3.70	3.68
	SIP is suitable for long-term financial planning.	3.75	
	SIP allows for Discipline and regular investing.	3.82	
	SIP is a low-risk investment strategy.	3.47	
Agreeableness	I see myself as someone who is: Helpful and unselfishly	3.68	3.70
	Considerate and Kind to everyone.	3.77	
	Generally trusting.	3,68	
Conscientiousness	Does a thorough work.	3.66	3.72
	Perseveres until the task is finished.	3.83	
	Makes plans and follows through with them.	3.68	
Openness to experience	Open to new ideas.	3.95	3.96
	Curious about different things.	4.03	
	Has an active imagination.	3.91	
Extraversion	Is talkative.	3.44	3.55
	Is full of energy and enthusiasm.	3.68	
Emotional stability	Handles stress well.	3.57	3.58
	Is emotionally stable.	3.56	
	Remains calm in a tense situation.	3.62	

Investment attitude	I trust in managing my investments effectively.	3.57	3.54
	I am confident in tried and tested investment practices rather than trying new ideas.	3.53	
	I accept that with the right information and effort, individuals can get very rich through dynamic portfolio scoring.	3.59	
	I believe that it is essential to set clear money-related goals.	3.71	
	I usually audit the performance of my investments with showcase benchmarks.	3.37	
Risk capacity	I pull back my investment funds in money market stores for emergencies.	3.27	3.00
	I take a loan for a promising long-term investment opportunity.	3.02	
	I take a loan for a promising short-term investment opportunity.	2.88	
	I indulge in panic selling	3.65	
	I Assess the tax implication of the investment.	3.28	
Investment strategy	I review my overall investment goals.	3.49	3.19
	I get investment information from financial advisors.	3.30	
	I buy/sell investments over online trading.	2.92	
	I use investment analysis/management software.	3.05	
Investment priority	I invest my pension amount to satisfy my retirement objective: To ensure a comfortable retirement.	3.35	3.54
	To achieve high growth in investment.	3.53	
	To protect income in case of death/disability.	3.56	
	To ensure the transfer of assets to dependents smoothly.	3.63	
	To invest in an endowment plan (assured returns + risk cover).	3.57	

Analysis

Analysis of demographic variables indicated an equal number of male and female respondents. In terms of age, most of the respondents (49.4%) belonged to the age group between 30-40 years of age. With reference to occupation, most of the respondents (46%) were job holders in the private sector.

Table 1 above represents the mean score of the constructs which reveals the composite mean score for attitude toward SIP is 3.68 indicating that respondents have a moderately positive attitude toward SIP. The composite mean score for agreeableness is 3.70 indicating that respondents have a moderately positive towards SIP. The composite mean score for attitude toward SIP is 3.72 which indicates that respondents have a moderately positive attitude towards SIP.

The composite mean score for openness to experience is 3.96 which indicates that respondents have a positive attitude towards SIP. The composite mean score for extraversion is 3.55 which indicates that respondents have a moderately positive attitude toward SIP. The composite mean score for emotional stability is 3.58 which indicates that respondents have a moderately positive attitude toward SIP. The composite mean score for investment attitude is 3.54 which indicates that respondents have a moderately positive attitude toward SIP. The composite mean score for risk capacity, which indicates that respondents have a neutral attitude toward SIP. The composite mean score investment strategy is 3.19 which indicates that respondents have a neutral attitude towards SIP. The composite mean score for investment priority is 3.54 which indicates that respondents have a moderately positive attitude toward SIP.

To determine these relations, null and alternative hypotheses were formulated based on the review of literature which is presented below:

H1: *there exists a significant relationship between agreeableness and attitudes towards SIP.*
H2: *there exist a significant relationship between conscientiousness and attitudes towards SIP.*
H3: *there exists a significant relationship between openness to experience and attitude toward SIP.*
H4: *there exist a significant relationship between extraversion and attitudes towards SIP.*
H5: *there exists a significant relationship between emotional stability and attitude towards SIP.*
H6: *there exist a significant relationship between investment attitude and attitude towards SIP.*

H7: *there exists a significant relationship between risk capacity and attitude towards SIP.*

H8: *there exists a significant relationship between investment strategy and attitude towards SIP.*

H9: *there exists a significant relationship between investment priority and attitudes towards SIP.*

To determine these relationships bivariate correlation and multiple regression were used. The constructs agreeableness, conscientiousness, openness to experience, extraversion, emotional stability, investment attitude, risk capacity, investment strategy, and investment priority were taken as independent variables, and attitude towards SIP was considered the independent variable. The table below presents the result of the correlation analysis.

Table 2: Correlation results

Independent variables	Attitude toward Systematic Investment Plan (SIP)	
	Pearson correlation values	Significance Level
AGREEABLENESS	.255	.017
CONSCIENTIOUSNESS	.445**	.000
OPENNESS TO EXPERIENCE	.433	.000
EXTRAVERSION	.221	.040
EMOTIONAL STABILITY	.227	.034
INVESTMENT ATTITUDE	.376	.000
RISK CAPACITY	.173	.108
INVESTMENT STRATEGY	.207	.054
INVESTMENT PRIORITY	.362	.001

From the table, it can be observed that the correlation coefficient between agreeableness and attitude towards SIP is r = 0.255, p = 0.017 which indicates a weak positive but statistically significant relationship. The correlation coefficient between conscientiousness and attitude toward SIP is r = 0.445, p = 0.000 which indicates a moderate positive but statistically significant relationship. The correlation coefficient between openness to experience and attitude toward SIP is r = 0.433 p = 0.000 which indicates a moderate positive but statistically significant relationship. The correlation coefficient between extraversion and attitude towards SIP is r = 0.221, p = 0.040 which indicates a weak positive but statistically significant relationship. The correlation coefficient between emotional stability and attitude towards SIP is r = 0.227, p = 0.034 which indicates a weak positive but statistically significant relationship.

The correlation coefficient between investment attitude and attitude towards SIP is r = 0.376, p = 0.000 which indicates a weak positive but statistically significant relationship. The correlation

coefficient between investment priority and attitude towards SIP is r = 0.362, p = 0.001 which indicates a weak positive but statistically significant relationship.

Since all the correlation coefficients were significant, a multiple regression analysis was conducted to determine the impact of the independent variables on the dependent variable. The table below indicates the results of multiple regression analysis. From the table, it can be observed that the value of R square is 0.288. The R square value represents the amount of variance in the dependent variable that is accounted for by the independent variables. The R square is the value in the case (0.288) which means that the independent variables account for approximately 28 percent of the variability in the dependent variable. The adjusted R square is an adjustment of the R square that penalises the addition of extraneous predictors of the model. The adjusted R square value is 0.225 indicating that 22 percent of the variability of the dependent variable is explained by the independent variables. The F ratio in the ANOVA table tests whether the overall model fits the data. From the table, it can be observed that F = 4.560, p = 0.000 which indicates that the regression model fits the data well.

The unstandardized coefficients indicate the variability of the dependent variable concerning the independent variable. From the coefficients table, we can observe that the significance values against the t-test are less than 0.05 for only openness to experience. This implies that openness to experience has an impact on attitudes towards SIP. Whereas investment attitude, agreeableness, conscientiousness, extraversion, emotional stability, risk capacity, and investment priority do not have any impact on attitude towards SIP.

Table 3: Regression results

R square = 0.288
Adjusted R square = 0.225
Standard Error = 0.50851

ANOVA Table

F	Sig
4.560	.000

Coefficients Table

MODEL	Unstandardized coefficients		Standardised coefficient	t	Sig
	B	Std. error	Beta		
(Constant)	1.506	.526		2.864	.005
AGREEABLENESS	-.029	.140	-.028	-.206	.837
CONSCIENTIOUSNESS	.164	.111	.212	1.471	.145
OPENNESS TO EXPERIENCE	.250	.115	.310	2.183	.032
EXTRAVERSION	-.073	.117	-.086	-.628	.532
EMOTIONAL STABILITY	-.078	.125	-.081	-.620	.537
INVESTMENT ATTITUDE	.242	.178	.181	1.358	.178
INVESTMENT PRIORITY	.103	.128	.099	.803	.424

Discussion and Conclusion

The results of the study reveal that relatively few people are investing in Systematic Investment Plans (SIPs). Even if the respondents who took part in the study had a favourable opinion of SIPs, yet there isn't much evidence that SIPs are being used as an investment vehicle.

The survey finds that participants have an overall favourable opinion of SIPs and are aware of the advantages of this investing strategy, including disciplined saving, rupee-cost averaging, and the building of long-term wealth. However, the investment attitude of respondents is at best moderate. Investment priority and investment strategy were also not significantly high indicating a general lack of understanding of investments and how investments in mutual funds work. Coupled with this, the risk capacity of the respondents was found to be neutral indicating the general tendency of the respondents to avoid risk. This suggests that to promote SIPs as a sound investment option, an awareness program on SIP must be conducted to provide individuals with knowledge about the advantages and mechanics of SIPs, this will empower them to make well-informed investment choices that align with their financial objectives. Although the survey does not specifically point out the reasons for the poor adoption of SIPs, there are several possible entry barriers that might exist, such as a lack of understanding of SIPs, misconceptions about the risks and returns, or a preference for traditional investment strategies. To develop successful solutions to stimulate SIP investment, more research into these barriers is necessary. The research suggests that financial planners and advisors should actively endorse SIPs as a vital part of a comprehensive financial strategy. Integrating SIPs into investment programs can help clients

pursue their long-term financial goals while effectively managing risks.

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Appendix 1

Table Study constructs and items used for the study.

Construct	Statements	References
Attitude towards SIP	SIP is a reliable investment option	Self-developed
	SIP is suitable for long-term financial planning.	
	SIP allows for Discipline and regular investing.	
	SIP is a low-risk investment strategy.	
Agreeableness	I see myself as someone who is: Helpful and unselfishly	John and Srivastava (1999)
	Considerate and Kind to everyone.	
	Generally trusting.	
Conscientiousness	Does thorough work.	John and Srivastava (1999)
	Persevere until the task is finished.	
	Makes plans and follows through with them.	
Openness to experience	Open to new ideas.	John and Srivastava (1999)
	Curious about different things.	
	Has an active imagination.	
Extraversion	Is talkative.	John and Srivastava (1999)
	Is full of energy and enthusiasm.	
Emotional Stability	Handles stress well.	John and Srivastava (1999)
	Is emotionally stable.	
	Remains calm in a tense situation.	
Investment attitude	I trust in managing my investments effectively.	Lai (2019) and A.

	I am confident in tried and tested investment practices rather than trying new ideas.	Rajasekar et al
	I accept that with the right information and effort, individuals can get very rich through dynamic portfolio scoring.	
	I believe that it is essential to set clear money-related goals.	
	I usually audit the performance of my investments with showcase benchmarks.	
Risk capacity	I pull back my investment funds in money market stores for emergencies.	m Filbeck et al. (2009)
	I take a loan for a promising long-term investment opportunity.	
	I take a loan for a promising short-term investment opportunity.	
	I indulge in panic selling	
	I Assess the tax implication of the investment.	
Investment strategy	I review my overall investment goals.	Mayfeld et al. (2008)
	I get investment information from financial advisors.	
	I buy/sell investments over online trading.	
	I use investment analysis/management software.	
Investment priority	I invest my pension amount to satisfy my retirement objective: To ensure a comfortable retirement.	A. Rajasekar et al (2022)
	To achieve high growth in investment.	
	To protect income in case of death/disability.	
	To ensure the transfer of assets to dependents smoothly.	
	To invest in an endowment plan (assured returns + risk cover).	