

## COMPARATIVE ANALYSIS OF INVESTMENT RETURNS FROM SIP AND SWP BY EQUITY MUTUAL FUND INVESTORS

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### Abstract

*This study examined the performance of Systematic Investment Plans (SIP) and Systematic Withdrawal Plans (SWP) in equity mutual funds. It explored how these investment strategies impacted returns, risk, liquidity, and financial goals. The research analyzed how SIP, which involves investing a fixed amount at regular intervals, helped investors benefit from rupee cost averaging and long-term compounding. In contrast, SWP, where investors withdrew a fixed amount periodically, provided liquidity but reduced the growth potential of investments. The study also reviewed past research on mutual fund performance, investor behavior, and risk-return trade-offs. Findings indicated that while SIP helped investors ride out market fluctuations and build wealth over time, SWP was more suitable for those seeking regular cash flow, such as retirees. However, SWP carried a higher risk of depleting capital during market downturns. By comparing SIP and SWP, this research provided insights to investors, fund managers, and financial intermediaries. It aimed to help investors make informed decisions based on their financial goals, risk tolerance, and investment horizon. The study contributed to understanding how different investment approaches impacted wealth creation and financial security in the mutual fund landscape.*

**Keywords:** Mutual Funds, Risk-Return Analysis, Investment Strategies, Rupee Cost Averaging, Liquidity, Wealth Creation, Financial Planning.

### Introduction

The investment landscape has evolved with a variety of investment strategies, and mutual funds have emerged as a popular investment vehicle. An equity mutual fund is a type of investment fund that primarily invests in stocks or shares of companies. It pools money from multiple investors and is managed by professional fund managers who aim to generate returns by investing in equities across different sectors and market capitalizations. Equity mutual funds are known for their potential to offer higher returns over the long term compared to other investment options, but they also come with higher risk due to market volatility. These funds are suitable for investors seeking capital appreciation and who are willing to take moderate to high risks depending on their financial goals and investment horizon.

Two popular methods of investing in mutual funds are Systematic Investment Plan (SIP) and Systematic Withdrawal Plan (SWP). SIP is a strategy where investors invest a fixed amount at regular intervals, whereas SWP is a strategy where investors withdraw a fixed amount at regular intervals from their invested amount. This comparative analysis evaluates the performance of SIP versus SWP in different small-cap mutual funds, focusing on key factors such as returns, risk, liquidity, and financial goals.

### 1. Introduction to SIP and SWP

#### Systematic Investment Plan (SIP):

SIP allows investors to invest a fixed amount of money at regular intervals (e.g., monthly or

quarterly) in a mutual fund. The investor buys units of the fund at the prevailing market price, which means more units are purchased when the market is down and fewer when the market is up. Over time, SIPs take advantage of rupee cost averaging and mitigate the effects of market volatility, making it a popular choice for long-term investors.

#### Systematic Withdrawal Plan (SWP):

SWP is the opposite of SIP. Here, an investor makes a lump sum investment in a mutual fund and then withdraws a fixed amount of money at regular intervals. The withdrawals can be structured to meet specific financial goals such as retirement income or periodic expenses. The SWP strategy provides liquidity, allowing investors to generate a steady cash flow, and it is particularly useful when the investor wants to systematically cash out from their investments.

#### Review of Literature

**Khurana (2023)** evaluated & compared the performance of selected large-cap equity funds of the Indian mutual fund market from 2018-2022. The study examined the risk and return adjustments using financial ratio analysis. The study depicted valuable insight for the investors, public, fund managers, and various shareholders of the mutual fund industry and assisted them with the prevailing best-performing mutual fund scheme where investors can make well-advised investment decisions.

**Jain (2022)** analyzed the major difference between large-cap, small-cap, and mid-cap funds to analyze the characteristics and risk analysis of selected

funds. The major aim of the study was to evaluate the performance of selected five mutual funds from 2017- 2021 using a descriptive research design through data collected from secondary sources. The study depicted that investor should invest as per their investment goals and as their willingness allows them. Investors should consider the level of risk that can be bearded and market volatility before making an investment decision. Further, the study suggested that long-term investment is beneficial to investors.

**Sharma (2021)** carried out a comparative analysis of the performance evaluation of selected debt, equity, and hybrid mutual fund schemes, to study the risk and return components among selected funds. The study was followed by a descriptive research design, with a sample size of 15 companies for each category of debt, equity, and hybrid schemes. The findings of the study showed that investors who are ready to tolerate risk may consider investing in equity and hybrid mutual fund portfolios as equity and hybrid schemes have demonstrated resilience in highly volatile markets. However, investors who are not willing to take risks can choose to invest in debt mutual fund portfolios. Furthermore, the study suggested that investors with conservative investment goals can go for debt mutual fund portfolios.

**Nagajyothi (2018)** evaluated and compared the long-term performance evaluation through SIP of equity-based mutual funds to identify the ways to minimize the risk in the long run. The present study found that the process of investment helps investors with setting of long- term objectives to achieve financial independence. The study further suggested that for small investors SIP can be an ideal investment avenue for whom do not have the resources to adopt active investment and those who are not willing to take risk.

#### **Research Problem Definition**

Mutual funds are the most preferred option for most investors wanting to invest in Stock markets. The returns from mutual funds vary depending on the type of fund and duration of investment. In Order to increase returns, most investors have been using Systematic Withdrawal plan (SWP) route instead of Systematic Investment plan (SIP) route. However, there are many factors impacting returns from mutual funds. Most important being timing, which is critical in case of SWP. This research compares the performance of SWP against SIP for mutual fund investors in order to help investors choose a better route amongst the two.

#### **Objectives of the Study**

1. To compare reasons behind investors preference for mutual funds.
2. To Analyze factors behind investors' choice of SIP/SWP route for investing in mutual funds.
3. To compare returns of investors using SIP route and SWP route.

#### **Scope of the Study**

This research will benefit key players in the mutual fund industry by providing insights into investor preferences. Intermediaries can refine their strategies and offer better recommendations, enhancing client trust. Investors will gain a clearer understanding of different investment routes, helping them make informed choices based on their financial goals and risk appetite. Asset management companies (AMCs) will better understand investor behavior, allowing them to develop targeted products and improve communication. By bridging the gap between investor expectations and industry practices, this study aims to create a more transparent, efficient, and investor-friendly mutual fund ecosystem.

#### **Research Methodology**

##### **1. Research**

For this research descriptive research design was used.

##### **2. Data Sources**

###### **a. Primary Data**

Primary data was collected through Questionnaire method.

###### **b. Secondary Data**

Secondary data was collected from various research papers and textbooks.

##### **3. Tools of Data Collection**

To analyze the data statistical tools like average, mean, median, mode, etc. was used.

##### **4. Sampling Design**

###### **a. Universe**

Universe for this research was residents of Amravati city.

**b. Sample Population** Residents of Amravati city who invest into different financial instruments was the sampling population for this research.

###### **c. Sampling unit**

Sampling unit for this research was mutual fund investors of Amravati city.

###### **d. Sample Size**

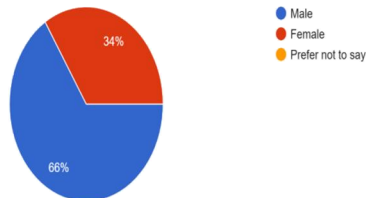
Sample size was 50 respondents

##### **5. Sampling Technique**

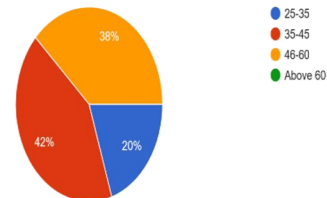
Simple random sampling was used for this research.

## Data Analysis Interpretation

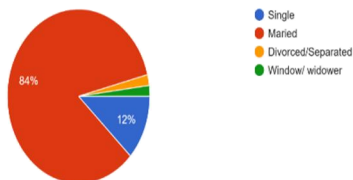
2 Gender  
50 responses



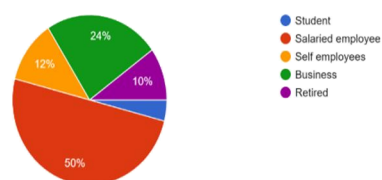
3 Age  
50 responses



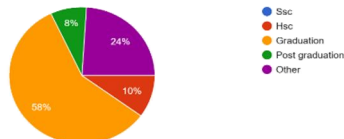
4 Marital status  
50 responses



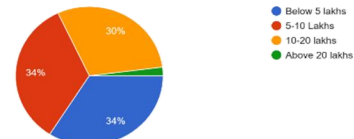
5 Occupation  
50 responses



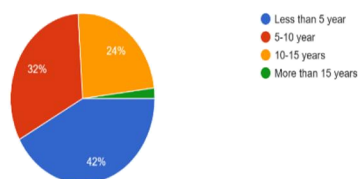
6 educational qualification  
50 responses



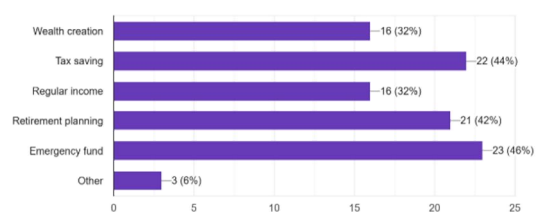
7. Annual income  
50 responses



8 investment Experience  
50 responses

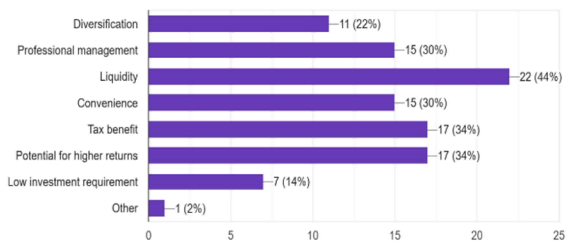


9 What Is Your Main Purpose of Investing In Mutual Fund .  
50 responses



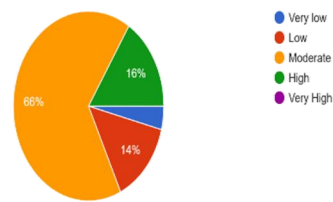
10 What is the primary reason you choose to invest in mutual fund?

50 responses



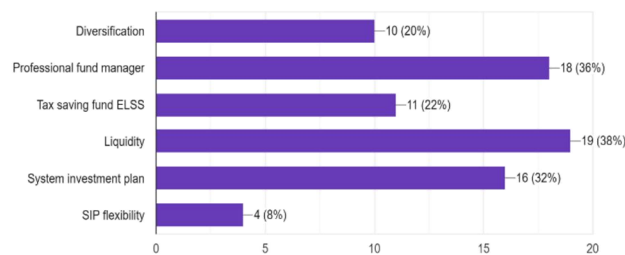
11 How do you perceive the risk level of Mutual Funds compared to other investment options.

50 responses



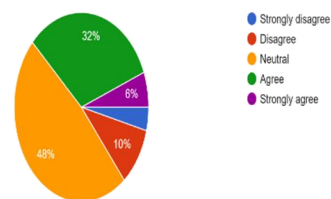
12 Which key benefits of mutual funds influence your investment decision the most?

50 responses



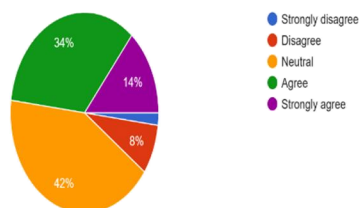
13 Mutual fund are a better investment option compared to traditional instrument like fixed deposits.

50 responses



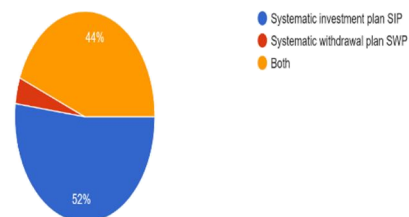
14 Investing in mutual funds help in achieving long term financial goals.

50 responses



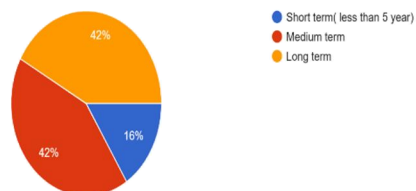
15 Which investment Route do you prefer?

50 responses



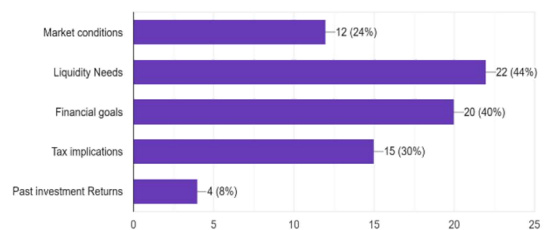
16 . What is your typical investment horizon in SIP and SWP Route.

50 responses



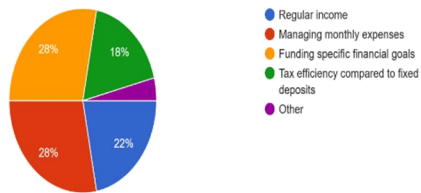
17 What factors influence your decision the most in choosing between SIP & SWP?

50 responses



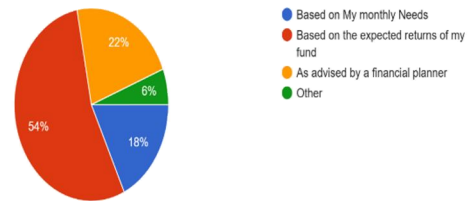
18 what is your Main reason for SWP

50 responses



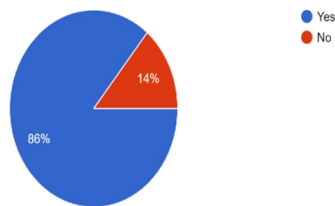
19 How do you decide your withdrawal amount from SIP and SWP?

50 responses



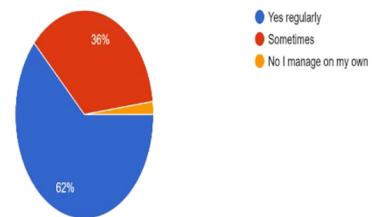
20 are you aware of how taxation affect the SWP withdrawals

50 responses



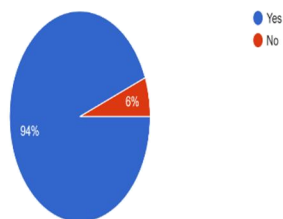
21 Do you consult a financial advisor for tax efficiency investment and redemption strategies?

50 responses



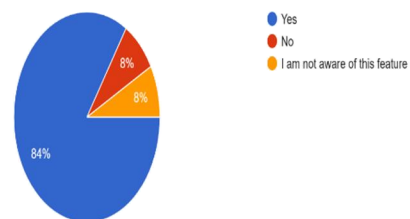
22 Do you consider tax implications when planning your SIP &amp; SWP withdrawals .

50 responses



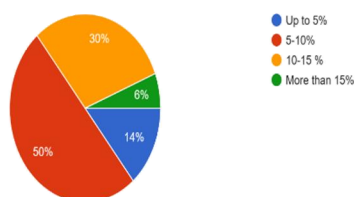
23 Do you use the "step -up SIP feature to automatically increase your SIP amount periodically?

50 responses



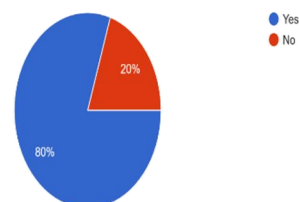
24 What is your expected annual return from your investment

50 responses

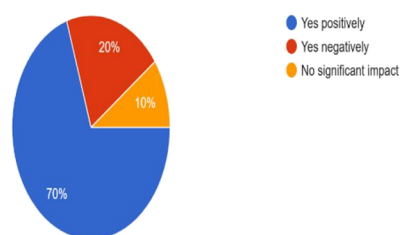


25 Have you achieved your expected returns in the past investment

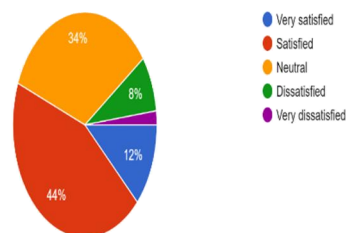
50 responses



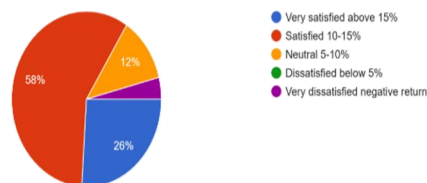
26 Have Market fluctuations significantly impacted your returns  
50 responses



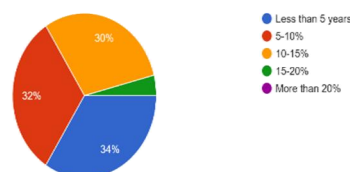
27 overall how satisfied are you with your mutual fund returns  
50 responses



29 How satisfied are you with your mutual fund gross returns  
50 responses



28 what percentage of gross return before expenses did your mutual funds generate in the past year  
50 responses



## Finding

This research highlights key insights into mutual fund investors' preferences and behaviors. Most investors prioritize financial security, with emergency funds and tax-saving benefits being top motivators. While many view mutual funds as low-risk, there is still uncertainty about their advantages over traditional investments. A significant gap in tax awareness exists, which could impact long-term financial planning. Despite expecting moderate returns, many investors fall short of their goals, likely due to market fluctuations and investment choices. Overall, the study emphasizes the need for better financial education to help investors make informed decisions, maximize returns, and confidently navigate the mutual fund landscape.

## Conclusion

The survey data provides valuable insights into the demographics, financial background, and investment behavior of respondents. A majority (66%) are male, with 42% falling within the 35-60 age group, indicating a mature investor base. Additionally, 84% of respondents are married, which could suggest a younger demographic or a population with a higher marriage rate. In terms of education, 58% hold graduate degrees, reflecting a well-educated group, while occupational distribution shows that 50% are salaried employees, followed by students (24%), self-employed (12%), Students (10%), and business owners (24%). Financially, 34% earn between ₹5-10 lakhs

annually, suggesting a stable middle-income group, and 42% have 10-15 years of investment experience, indicating a fairly seasoned investor base. Investment motivations reveal that emergency funds (46%) and tax saving (44%) are the primary reasons for investing in mutual funds, followed closely by retirement planning (42%), while wealth creation and regular income are chosen by 32% each. Risk perception highlights that 66% of respondents view mutual funds as low-risk investments, yet 48% remain neutral about whether mutual funds are a better option than traditional fixed deposits, suggesting a mix of confidence and uncertainty in mutual fund investments.

In terms of investment strategy, 52% prefer a combination of Systematic Investment Plans (SIP) and Systematic Withdrawal Plans (SWP), indicating a balanced approach between wealth accumulation and structured withdrawals, while 44% prioritize liquidity as a key factor when making investment decisions. However, despite their investment activities, tax awareness appears to be significantly low, with 94% not considering tax implications in their SIP and SWP withdrawals, which could affect long-term financial planning. Regarding return expectations, 50% of respondents anticipate moderate returns of 10-15% annually, yet a striking 80% reported not achieving their expected returns, suggesting either market volatility, poor investment choices, or a lack of financial literacy. Market fluctuations, however,

had little impact on 70% of respondents, possibly due to a well-diversified investment strategy or a preference for stable assets, while 62% found their absolute returns to be higher than expected. Satisfaction levels indicate that 70% of investors are satisfied with their mutual fund returns, with 56% also being highly satisfied with the tax efficiency of their investments. However, expense ratios present an area of concern, as while 48% of investors pay a reasonable brokerage fee of 1-2%, a significant 36% pay more than 3%, highlighting the presence of higher costs that could reduce net returns.

Overall, the survey underscores a strong preference for financial security, moderate investment returns, and a focus on liquidity over long-term commitments. However, it also highlights the need for greater financial education, particularly in understanding taxation and expense ratios, which could impact overall returns. While most investors remain confident in mutual funds and view them as a tool for achieving long-term financial goals, there is still a considerable level of uncertainty regarding

their benefits over traditional instruments like fixed deposits. Addressing these gaps in financial literacy and investment awareness could help investors make more informed decisions and optimize their investment strategies for better financial outcomes.

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