

An Examination of Investor Perceptions Toward Mutual Fund Products Offered Via Bank-Managed Systematic Investment Plans (SIPs)

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ABSTRACT

Financial markets are constantly being enhanced, offering more compelling solutions to investors. Consequently, it is imperative to comprehend and assess investors' perceptions and expectations. This Paper will reveal highly valuable insights that can support the decision-making processes of investing in SIPs. The principal aim of this investigation was to ascertain how customers react to the availability of SIPs offered by banks. This understanding will facilitate the development of targeted strategies for promoting mutual fund products in tier-II cities across India, leveraging banks' branch networks.

This research explores how investors view mutual fund products accessible through banks. The study collected data from 108 esteemed investors utilizing a convenient sampling approach. The research employed several analytical methods: (a) factor analysis, (b) multiple regression, and (c) correlation, all carried out using the statistical package for social science. The reliability of the sample was assessed using Cronbach's Alpha Reliability Test (0.718).

Summary of Findings were extracted from the study, which holds relevance and applicability in the current marketing landscape of mutual fund products through banks.

Keywords: Systematic investment plan, retail investors, investment decisions, long-term financial goals.

INTRODUCTION

SIP operates as a trust that consolidates the savings of numerous investors who share a common financial objective. Consequently, for the general public, it serves as a highly appropriate investment avenue. It provides the opportunity to invest in a diversified, professionally managed portfolio of securities at a comparatively modest cost. The exploration of SIP must now encompass a distinct perspective, focusing on the anticipations of investors and uncovering the latent variables responsible for their discontent.

SIP has entered a realm of captivating, innovative offerings. These products are meticulously tailored to meet the specific requirements of investors. The intensified competition and the engagement of private entities in the mutual fund landscape have compelled skilled managers to infuse innovation into these investment vehicles. As a result, the scope of the mutual funds industry has evolved from offering a limited array of options such as equity, debt, or balanced funds, to encompass liquid funds, money market funds, sector-specific funds, index funds, and gilt-edged funds. In addition to this, recent developments have seen the introduction of specialized funds like children's plans, education plans, insurance-linked plans, and exchange-traded funds.

This shift has prompted Indian investors to increasingly divert their attention from traditional financial avenues towards SIPs. The expanding diversity within mutual funds has brought forth numerous novel aspects, leading to exceptional growth within the Indian financial market, supported by the nation's burgeoning economy. However, there remains a need for SIPs to continue innovating to better align with investors' expectations. The active engagement of SIPs in economic progress is evident through their significant presence in global capital and money markets.

While the Financial Market sector is rapidly adapting to the ever-changing perspectives of investors regarding returns, it continues to strive to distinguish its products in response to sudden economic shifts. These innovative efforts encompass both the creation and dissemination of solutions aimed at mitigating information disparities.

REVIEW OF LITERATURE

The study of the perception of individual investors towards SIP is not new in the literature. Various studies have suggested that investors generally have a positive perception of SIP as an investment option. Various studies conducted previously have found that investors consider SIP as a suitable option for long-term wealth creation, and the investors perceive SIP as a better investment option than lump sum investments. The studies have highlighted the importance of understanding the perception of individual investors towards SIP to improve investor education and awareness. Some of the important studies have been presented in Table 1 below: Review of Literature

Sr. No	Source	Research Approach	Sample size	Participants	Outcomes of the Study
1	Venkatesh et.al (2022).	Quantitative Approach	114	Public and Private employees	The analysis shows that investors are knowledgeable about systematic investment planning, skilled in researching programs and services.
2	Gondaliya & Tejendra Kumar (2022)	Quantitative Approach	120	Investors of the region	High-income, educated, and independent individuals tend to prioritize risk-free financial products, indicating a conservative investment approach.
3	Trivedi et.al (2017)	Analytical & Descriptive	200	Mixed population of the area	Enhancing financial literacy among females and youths can drive significant success in the mutual fund industry, which currently struggles to attract more investors.
4	Nguyen et.al (2022)	Quantitative Approach	21 Economies	Respondents from different countries	A rise in the intensity and unpredictability of both domestic Economic Policy Uncertainty (EPU) and World Uncertainty Index (WUI) has a notable positive impact on net portfolio investment, indicating a significant outflow of investments from the country.
5	Matei et.al. (2023)	Quantitative Approach	250	Service class and Businessman	Behavioural biases exhibited by investors can have a significant impact on international investment decisions and the formation of investment portfolios. Home bias, which refers to a preference for

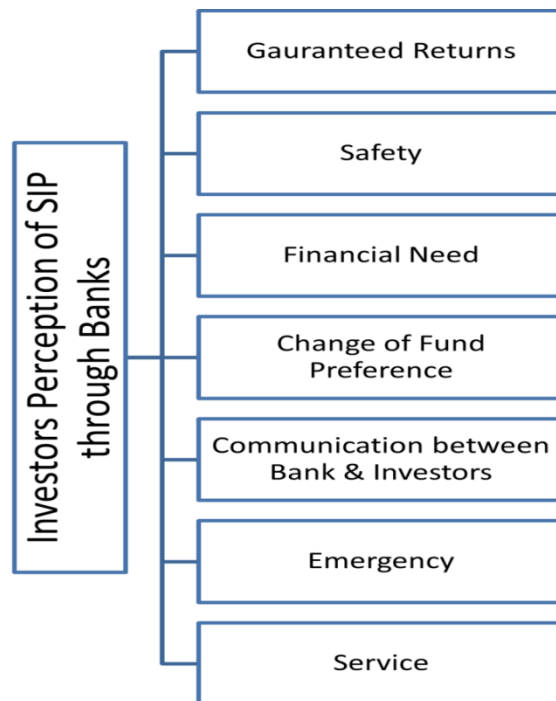
					domestic investments, and cultural differences, which affect risk perception and investment preferences, are two well-researched biases that hold substantial influence. These biases play a crucial role in shaping the choices made by investors in the international investment arena
6	Salunkhe et.al (2023)	Quantitative Approach	175	Private sector employees	Risk, returns, liquidity, and tax benefits are influential factors that significantly shape an investor's decision-making process and guide their investment choices.
7	Ray et.al (2022)	Quantitative Approach	100	Students	Young investors often prefer investing in mutual funds through the SIP as a favored investment option.
8	Venkataramani & Kayal (2023)	Quantitative Approach	250	Mutual fund investors	SIP is considered a suitable investment strategy for long-term investments, including stocks.
9	Lopez et.al (2020)	Quantitative Approach	17,773 US shareclass funds		Funds that follow Growth and Small Cap strategies exhibit higher dispersions in performance compared to comparable Value and Large Cap funds.
10	Mittal, D. (2021)	Quantitative Approach	281	Mutual fund investors	Mutual funds are an ideal investment option for individuals due to their potential for high returns, low risks, portfolio diversification, and tax benefits, making them accessible and beneficial for common investors.
11	B., V. (2020)	Quantitative Approach	2 companies	SBI and Birla sun life mutual fund	There exists a notable correlation between different performance evaluation methods.

Objectives of the Study:

To investigate the elements impacting investors' viewpoints regarding SIP offerings via banks

To analyze clients' perspectives on guaranteed returns associated with mutual funds, as well as the familiarity of bank staff with mutual fund products.

Research Model:



Hypothesis:

H1: A correlation exists among the factors that shape investors' perception of SIP offered via banks.

H2: A noteworthy linear correlation can be observed between SIP offerings and the guidance provided by bank employees concerning investments.

Research Methodology:

This study aims to assess how investors perceive mutual funds provided by banks. To achieve this, a structured questionnaire was meticulously designed based on the dimensions of the proposed research model. The data collection process involved conducting interviews using the prepared questionnaire, which was refined with input from researchers, experts, and academics to enhance its clarity and relevance. Supplementary information was sourced from reputable journals, magazines, and online platforms to support the research.

A descriptive research approach was adopted for the study, employing a convenient (purposive) sampling strategy. A total of 108 participants were selected, all of whom had invested in mutual funds through Systematic Investment Plans (SIPs) offered by banks. To ensure the relevance of responses, the questionnaire was distributed exclusively to investors with prior experience in mutual fund investments. Participants rated their perceptions on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

To ensure data reliability, a reliability test was conducted to identify and mitigate any random errors that could compromise the consistency of the results. The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS), employing several analytical techniques. This included factor analysis to identify underlying patterns, multiple regression analysis to examine relationships between variables, and reliability statistics to assess the consistency of the responses.

This comprehensive methodology provides a robust foundation for evaluating investor perceptions and offers insights into factors influencing their attitudes toward mutual funds offered by banks. The findings of this study are expected to contribute to a deeper understanding of investor behavior and support the development of strategies to enhance customer engagement in the mutual fund sector.

Reliability of Data:

Table:1

Cronbach's Alpha	No.
0.725	20

An assessment was conducted to evaluate the data's reliability, aiming to determine if the presence of random errors leading to inconsistencies and reduced reliability was within an acceptable range. This assessment involved performing a reliability test. The results presented in Table 1 demonstrate that Coefficient alpha (Cronbach's Alpha) values were computed, with the lowest value recorded at 0.725. This outcome indicates that the data exhibits a desirable level of internal consistency and reliability.

Factor Analysis:

KMO and Bartlett's Test

Table:2

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.667
Bartlett's Test of Sphericity Approx. Chi-Square	1069.600
Df	191
Sig.	0.000

Factor analysis was employed to assess the individual statements concerning investors' viewpoints regarding mutual funds from banks, encompassing a set of 20 distinct statements. The gathered samples' reliability was evaluated to ascertain the internal consistency of item groupings. Refer to Table 2 for details.

The observed significance level (0.000) is below the assumed threshold (0.05), signifying the validity of factor analysis. The Kaiser-Meyer-Olkin (KMO) coefficient (0.667) exceeds the recommended threshold of 0.5, indicating the effectiveness of data reduction through factor analysis. Bartlett's test of sphericity, evaluating variable correlations, yields a chi-square statistic of 1069.600. A higher test statistic supports null hypothesis rejection, suggesting suitability for factor analysis.

Table 3: Extraction Method (Principal Component Analysis) Total Variance Explained

Component	Initial Eigen Values			Extraction sums of Squared Loadings			Extraction sums of Squared Loadings		
	Total	% Variance	Cumulative %	Total	% Variance	Cumulative %	Total	% Variance	Cumulative %
1	3.654	18.311	18.311	3.654	18.311	18.311	2.652	13.257	13.257
2	3.096	15.382	33.693	3.096	15.382	33.693	2.194	10.964	24.221

3	1.799	9.417	43.11	1.799	9.417	43.11	2.096	10.478	34.699
4	1.809	9.121	52.231	1.809	9.121	52.231	2.045	10222	10256.7
5	1.676	8.716	60.947	1.676	8.716	60.947	1.861	9.303	10266
6	1.432	7.152	68.099	1.432	7.152	68.099	1.734	8.666	10274.67
7	1.223	6.254	74.353	1.223	6.254	74.353	1.649	8.241	10282.91
8	1.031	5.221	79.574	1.031	5.221	79.574	1.584	7.914	10290.82
9	0.789	3.688	83.262						
10	0.716	3.657	86.919						
11	0.509	2.546	89.465						
12	0.431	2.166	91.631						
13	0.482	2.131	93.762						
14	0.366	1.757	95.519						
15	0.282	1.467	96.986						
16	0.254	1.251	98.237						
17	0.159	0.729	98.966						
18	0.122	0.691	99.657						
19	0.081	0.441	100.098						
20	0.076	0.373	100.471						

Table 4: Rotated Component Matrix

	Component							
	1	2	3	4	5	6	7	8
A personal connection and a sense of trust are present.	-0.149	0.348	-0.52	0.323	0.198	-0.079	0.306	0.055
Convenience in terms of location is available when purchasing mutual funds from a bank.	0.214	-0.021	0.619	-0.122	0.031	0.325	0.298	0.312
Effective communication is present with the Bank	0.112	0.841	0.055	-0.031	-0.104	-0.005	-0.189	0.031
Favorable financial terms are in place when dealing with the Bank	0.254	0.009	-0.077	-0.171	0.581	0.589	0.097	0.111

There is a presence of expert knowledge	0.151	0.389	- 0.098	0.666	- 0.126	- 0.267	0.375	0.287
Related financial services are available	- 0.399	0.246	0.175	0.165	0.051	0.313	- 0.675	-0.076
There is a presence of shifting fund preferences	- 0.087	0.058	0.187	0.276	0.043	0.176	0.785	-0.254
There is an assurance of returns	0.011	- 0.101	0.098	0.087	- 0.098	0.023	- 0.121	0.909
There is the inclusion of a brand name when purchasing a mutual fund	0.125	0.766	- 0.074	0.287	0.165	- 0.011	0.157	-0.211
There is the capability to fulfill emergency needs	0.111	- 0.036	0.265	0.854	0.091	0.194	0.033	-0.054
There is liquidity associated with purchasing a mutual fund	- 0.176	0.564	- 0.412	- 0.151	0.243	0.146	0.231	0.387
There is a guarantee of fund safety	0.189	0.049	0.897	0.258	0.099	- 0.016	0.039	-0.012
There is a guarantee of performance	0.086	0.154	- 0.213	0.514	0.324	- 0.204	- 0.165	0.488
There is a presence of high service quality	0.265	- 0.031	0.097	0.069	- 0.117	0.879	- 0.056	-0.034
The bank employees provide comprehensive information.	- 0.565	0.475	0.454	0.045	0.215	- 0.189	0.026	-0.056
The bank provides competitive mutual fund options.	0.897	- 0.079	0.213	- 0.013	0.145	0.287	0.009	0.087
The bank fulfills all financial requirements.	0.156	0.008	0.066	- 0.034	0.799	- 0.074	0.138	-0.056
The bank employees provide guidance on SIP options.	0.712	0.196	0.267	0.045	0.071	0.267	- 0.032	-0.315
The bank employee will not pressure me into making a purchase.	- 0.075	0.084	0.021	0.407	0.765	0.021	- 0.276	-0.049
The bank employees possess adequate expertise.	0.817	0.187	0.009	0.257	0.121	- 0.048	0.104	0.108

Facilitating the interpretation of factors involves recognizing statements with significant loadings within the same factor. The interpretation of a factor can be framed around statements that exhibit high loadings on it. The composition of factors impacting investors' decisions to invest in SIP from banks involves a set of 20 distinct variables. Among these 20 variables, eight individual variables exert a stronger influence on investors. The eigenvalues demonstrate variance explained by each factor, while principal component analysis aids in

determining optimal factors for maximal data variance (refer to Tables 3 and 4). The eight individual variables are:

A personal connection and a sense of trust are present.
Convenience in terms of location is available when purchasing mutual funds from a bank.
Effective communication is present with the Bank
Favorable financial terms are in place when dealing with the Bank
There is a presence of expert knowledge
Related financial services are available
There is a presence of shifting fund preferences
There is an assurance of returns

Multiple Regression:

Table 5: Model Summary

Model	R	R-Square	Adj R Square	std. Error
1	0.791	0.619	0.565	0.213

Table 6: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.918	15	0.512	10.325	0.000
	Residual	4.312	93	0.051		
	Total	11.230	108			

The model summary in Table 5 indicates an R-square of 0.619 for this model. This signifies that 61.9% of the variability in the overall satisfaction of SIP provided by banks (dependent variable) can be elucidated by the 14 individual statements (independent variables). Additionally, Table 5 presents an adjusted R-square of 0.565.

When an additional independent variable is introduced to a multiple regression model, the R-square will generally increase, even if by a small margin. Consequently, isolating the exact variable becomes challenging. The adjusted R-square, as the name implies, adjusts the R-square based on the count of predictor variables in the model. This adjustment facilitates the straightforward comparison of explanatory power across models with differing numbers of predictor variables. It also aids in determining the suitable number of variables to incorporate in the regression model (refer to Table 6).

The ANOVA table, presented in Table 6, illustrates the F ratio within the regression model, serving as an indicator of the overall statistical significance. A higher F ratio implies a stronger relationship between the independent variable and the variance in the dependent variable. In this case, the calculated F ratio is 10.325, with a corresponding statistical significance of 0.000 (denoted as 'Sig').

Table 7: Coefficients

	Unstandardized coefficients		Standardized coefficients		
	B	Standard Error	Beta	T	Sig.
(Constant)	1.541	0.287		5.334	0.000
A personal connection and a sense of trust are present.	0.007	0.048	0.014	0.139	0.897
Effective communication is present with the Bank	0.106	0.038	0.249	3.098	0.003
There is a presence of expert knowledge	0.041	0.025	0.141	1.177	0.265
Related financial services are available	0.025	0.039	0.086	1.011	0.317
There is a presence of shifting fund preferences	0.045	0.028	0.125	1.453	0.149
There is an assurance of returns	0.116	0.027	0.345	4.716	0.000
There is the capability to fulfill emergency needs	-0.004	0.030	-0.016	-0.154	0.869
There is liquidity associated with purchasing a mutual fund	-0.013	0.045	-0.038	-0.361	0.765
There is a guarantee of fund safety	0.071	0.032	0.198	2.013	0.042
There is a presence of high service quality	0.054	0.031	0.167	1.765	0.081
The bank provides competitive mutual fund options.	-0.072	0.042	-0.194	-1.714	0.087
The bank fulfills all financial requirements.	0.088	0.038	0.251	2.987	0.002
The bank employees provide guidance on SIP options.	0.061	0.041	0.197	1.654	0.093
The bank employees possess adequate expertise.	0.071	0.033	0.268	2.176	0.001

To ascertain whether any of the independent variables hold significance as predictors of the overall satisfaction with mutual funds from banks, the coefficient table's information is examined. Among the 14 independent statements, only four demonstrate statistical significance. The standardized coefficient beta column reveals the following: There is an assurance of returns ' from the bank exhibits a significant beta coefficient of 0.34 ($p = 0.000$); The bank employees possess adequate expertise' shows a significant beta coefficient of 0.268 ($p = 0.001$); The bank fulfills all financial requirements' displays a significant beta coefficient of 0.251 ($p = 0.002$); and Effective communication is present with Bank While buying Mutual Funds from the Bank' presents a significant beta coefficient of 0.249 ($p = 0.003$).

Practical Implications:

The research can guide banks in refining their strategies to offer mutual fund products, particularly Systematic Investment Plans (SIPs). Insights into investor perceptions can help banks tailor their product offerings, marketing, and customer service to better align with investor preferences and needs.

The finding that employee knowledge significantly influences investor interest suggests the importance of training bank employees in mutual fund products. Banks can invest in training programs to equip their staff with the necessary expertise, leading to improved customer interactions and enhanced investor confidence.

The suggestion of customized training and workshops for employee-investor interactions indicates a practical avenue for banks to foster more meaningful conversations. These sessions can facilitate clear communication, address investor concerns, and foster trust, ultimately aiding in investor decision-making.

By understanding the factors that impact investor perception, banks can contribute to investor education initiatives. Banks can offer informative resources, seminars, and webinars that explain the nuances of SIPs and mutual fund investments, empowering investors to make informed choices.

Implications on the Society:

The study's insights can contribute to wider financial inclusion by promoting mutual fund investments, especially SIPs, as accessible options through banks. This can encourage individuals from various socio-economic backgrounds to participate in wealth-building opportunities.

As banks align their offerings with investor preferences, individuals may feel more confident in exploring mutual fund investments. This can lead to more individuals participating in the financial markets and potentially experiencing the benefits of long-term investment.

As more individuals invest in SIPs and mutual funds through banks, a larger pool of funds becomes available for productive investment. This can contribute to economic growth by financing businesses and projects that drive innovation, job creation, and overall economic development.

The research can stimulate discussions on financial literacy and the importance of making informed investment choices. This can lead to broader conversations about personal finance management, investment planning, and the long-term benefits of disciplined investment strategies.

CONCLUSION

Promising avenues lie ahead for Indian banks to engage in cross-selling mutual fund products through SIP. These opportunities stem from the robust utilization of mutual fund products by customers, the limited reach of banks into mutual fund schemes, and customers' receptiveness to procuring these offerings through banks.

The present study reveals that several factors, such as competitive products, effective communication, safety, fulfillment of emergency needs, addressing financial requirements, delivering quality services, adapting to changing fund preferences, and achieving satisfactory returns on investment, substantially influence investors' perspectives on mutual fund products through banks. Investors hold expectations for favorable returns, alongside the prerequisite for bank employees to possess proficient knowledge in mutual fund products.

The research strongly emphasizes that the knowledge held by employees significantly kindles investors' interest in mutual fund investments. This underscores the pivotal role of employee guidance and recommendations. It is recommended that tailored training sessions and workshops be instituted to facilitate meaningful interactions and implications between employees and investors.

These findings extend guidance to both public and private banks, urging them to fortify their marketing strategies for mutual fund products.

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