Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 4 | April 2026 -Peer-Reviewed Journal

A COMPARATIVE ANALYSIS OF SIP VS LUMP SUM MUTUAL FUND INVESTMENTS WITH SPECIAL REFERENCE TO INVESTOR BEHAVIOUR

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Article DOI: https://doi.org/10.36713/epra26943
DOI No: 10.36713/epra26943

ABSTRACT

Mutual funds have become one of the most popular investment avenues for individuals seeking professional management and diversification. Among the various investment approaches, Systematic Investment Plan (SIP) and Lump Sum investment are widely used by investors. SIP involves investing a fixed amount at regular intervals, whereas Lump Sum investment involves investing a large amount at one time.

This study aims to compare the performance of SIP and Lump Sum investment strategies based on return analysis. The research evaluates the returns generated by these investment methods over a five-year period using financial measures such as XIRR and CAGR.

The findings of the study indicate that SIP investments generate higher effective returns compared to Lump Sum investments. The results provide useful insights for investors to choose appropriate investment strategies based on return performance.

KEYWORDS: *Mutual Funds, Systematic Investment Plan, Lump Sum Investment, Return Analysis, XIRR, CAGR*

1. INTRODUCTION

Mutual funds are widely preferred investment options due to their ability to provide diversification and professional fund management. Among the different investment strategies available, Systematic Investment Plan (SIP) and Lump Sum investment are commonly adopted by investors.

SIP allows investors to invest a fixed amount at regular intervals, promoting disciplined investing. On the other hand, Lump Sum investment involves investing a large amount at a single point in time. Both methods aim to generate returns, but their performance differs based on investment timing and market conditions.

This study focuses on comparing SIP and Lump Sum investments purely based on return analysis. The study evaluates the performance of selected mutual funds over a five-year period using XIRR for SIP and CAGR for Lump Sum investments.

2. LITERATURE REVIEW

Previous studies have highlighted the importance of mutual fund investments in wealth creation. SIP and Lump Sum investment strategies are widely discussed in financial research.

Studies by Swain and Dash (2017) indicate that SIP is preferred by investors due to its disciplined investment approach. Jha (2015) found that Lump Sum investments can perform well under favorable market conditions, but SIP provides consistent returns over time.

Research by Gajera et al. (2020) shows that SIP generates better returns due to rupee cost averaging. Similarly, Kaur and Kaushik (2016) emphasized that investment decisions depend on financial knowledge and investment objectives.

Overall, previous studies suggest that SIP tends to generate more stable and consistent returns compared to Lump Sum investments.

3. PROBLEM STATEMENT

In recent years, mutual fund investments have become increasingly popular among investors. However, investors often face confusion in choosing between Systematic Investment Plan (SIP) and Lump Sum investment methods. Both approaches differ in terms of investment timing, risk exposure, and return generation. While SIP involves periodic investments and benefits from market fluctuations, Lump Sum investment requires investing a large amount at once and depends heavily on market timing.

Many investors lack proper knowledge about which investment method yields better returns under different market conditions. Therefore, there is a need to analyze and compare SIP and Lump Sum investment strategies to understand their performance and investor preference. This study aims to address this problem by evaluating the returns using XIRR for SIP and CAGR for Lump Sum investments and analyzing investor behaviour towards these investment options.

4. RESEARCH OBJECTIVES AND QUESTIONS

4.1 Research Questions

- Which investment method provides better returns: SIP or Lump Sum?
- How does the return performance differ between SIP and Lump Sum investments?
- How do market fluctuations influence investment returns?

4.2 Research Objectives

- To compare the returns generated through SIP and Lump Sum investments
- To analyse return performance using XIRR and CAGR
- To evaluate the effectiveness of SIP in generating higher returns

5. CONCEPTUAL FRAMEWORK

The conceptual framework of this study focuses on understanding the relationship between investment methods and return performance in mutual fund investments. The two investment methods considered are Systematic Investment Plan (SIP) and Lump Sum investment. SIP involves investing a fixed amount at regular intervals, while Lump Sum investment involves investing a large amount at one time. A structured questionnaire was also used to understand investor preference and awareness regarding these investment methods.

Return performance is measured using financial tools such as XIRR for SIP and CAGR for Lump Sum investments. Market conditions also influence returns, as fluctuations affect the value of investments. SIP benefits from market variations through regular investing, while Lump Sum depends on the timing of investment. Thus, the framework explains how the choice of investment method, along with investor responses collected through the questionnaire, impacts overall return performance.

6. RESEARCH METHODOLOGY

This study adopts a descriptive research design to compare the return performance of Systematic Investment Plan (SIP) and Lump Sum investments in mutual funds. Primary data was collected through a structured questionnaire from 70 respondents to understand investor preference and awareness regarding SIP and Lump Sum investment strategies.

Secondary data was collected from Association of Mutual Funds in India for the period from 2021 to 2026. The return performance of the selected mutual funds was analysed using financial tools such as XIRR for SIP and CAGR for Lump Sum investments.

7. RESULTS AND DISCUSSION

The analysis of selected mutual funds shows a clear difference between SIP and Lump Sum returns.

Fund	SIP (XIRR)	Lump Sum (CAGR)
ICICI Prudential	17%	8.6%
HDFC	16.88%	8.7%
SBI	14.76%	7.68%
Axis	10.15%	5.25%

The results indicate that SIP investments generate higher returns compared to Lump Sum investments in all selected mutual funds. This is because SIP investments are made periodically, allowing investors to benefit from market fluctuations and rupee cost averaging.

Although the final investment value remains the same, the return percentage differs because XIRR considers multiple cash flows, whereas CAGR assumes a single investment.
The findings from the questionnaire also reveal that most investors prefer SIP over Lump Sum investment, as SIP is perceived to be less risky and more suitable for disciplined investing. In contrast, Lump Sum investment is considered highly risky by many respondents because it depends on market timing and involves investing a large amount at once. Therefore, both return analysis and survey results indicate that SIP is a more favourable investment option for investors.

8. MANAGERIAL IMPLICATIONS

The findings of this study provide useful insights for financial advisors, investment managers, and mutual fund companies in designing effective investment strategies. The results indicate that SIP generates higher returns and is preferred by investors due to its lower risk perception and disciplined approach. Financial advisors can recommend SIP to investors, especially beginners, for better return outcomes and systematic investing. Mutual fund companies can promote SIP plans to attract more investors and encourage long-term participation. Overall, the study helps financial professionals make informed decisions and provide better guidance to investors in mutual fund investments.

9. LIMITATIONS AND FUTURE RESEARCH

Limitations

The study is limited to only four selected mutual funds
The analysis is restricted to a period of five years (2021–2026)
"The study is based on a convenience sample of 70 participants."
The results depend on the accuracy of secondary data sources
Investor responses may vary based on individual knowledge and perception

Future Research

- The study can be extended by including more mutual funds
- A longer time period can be considered for better analysis
- A larger sample size can be used for more accurate results
- Different categories of mutual funds (equity, debt, hybrid) can be compared • Additional financial tools can be used for deeper analysis

10. CONCLUSION

The study concludes that Systematic Investment Plan (SIP) is a more effective investment strategy compared to Lump Sum investment based on return analysis. The results show that SIP generates higher returns as measured by XIRR, while Lump Sum investments yield lower CAGR. The questionnaire findings also indicate that most investors prefer SIP due to its disciplined approach and lower risk perception. Therefore, SIP is considered a suitable investment option for investors seeking better returns and consistent investment growth.

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