



“A Comparative Study on SIP & Lumpsum Risk Return Dynamics for Salaried Person in Pune”

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Abstract – In India's rapidly evolving financial landscape, salaried employees increasingly face the challenge of balancing risk, return and liquidity to achieve long-term wealth creation. The study, titled 'Comparative Study of Risk-Return Dynamics of SIP and Lump-sum Investment among Salary Employees in Pune', examines the performance of two major mutual fund investment strategies - Systematic Investment Plan (SIP) and Lump-sum Investment among salaried employees in Pune with an annual income of Rs 5 million to Rs 15 million. The study adopts an exploratory-descriptive mixed method approach and integrates both primary data (responses to a survey of 100 salary professionals aged 28-35 in the IT and finance sectors) and secondary data (NSE, RBI and AMFI reports from 2016 to 2026). Key financial metrics such as CAGR, XIRR, Sharpe ratio, and standard deviation are used to measure after-tax and inflation-adjusted profits. Hypothesis testing using t-tests, correlation and regression analyzes evaluates the impact of SIP strategies on risk reduction and welfare stability compared to point estimation approaches. Preliminary results show that SIPs offer smoother risk-adjusted returns and high resilience to market volatility through rupee cost averaging, making them suitable for salaried investors with regular cash flows. Conversely, lump-sum investing outperforms SIPs in sustained bull markets, but comes with higher timing and volatility risks. This study provides localized insights into Pune's young workforce, including revealing how behavioral biases, inflation, and taxation affect portfolio performance, and offers practical implications for financial advisors, mutual fund companies, and policy makers designing investment strategies tailored to urban salaried workers. Preliminary insights suggest that while lump sum investments may offer superior returns in a sustained bull market, SIPs offer a more stable risk-return profile by leveraging rupee cost averaging and fostering financial discipline for risk-averse salaried individuals. The study aims to provide localized, data-driven clarity to help young professionals in Pune optimize their portfolios towards long-term goals such as retirement and education.

Keyword's- Keywords for this study include India financial landscape, salaried employees, risk-return dynamics, Systematic Investment Plan (SIP), lump-sum investment, mutual funds, wealth creation, Pune workforce, investment strategies, CAGR, XIRR, Sharpe ratio, standard deviation, after-tax returns, inflation-adjusted profits, rupee cost averaging, market volatility, bull market, financial discipline, behavioral biases, taxation, portfolio optimization, retirement planning, education goals, young professionals, risk-adjusted returns, liquidity management, and urban investors.

I. INTRODUCTION

In Pune's evolving financial landscape, professionals earning salaries between Rs 50,000 and Rs 1,500,000 face a huge challenge of managing 5-7% inflation while managing market volatility. This study compares systematic investment plans (SIPs) and lump sum investments as tools for wealth creation. SIP offers a fixed monthly premium and uses a rupee cost average, making it very effective for IT professionals and manufacturing employees. By buying more units when prices are low and fewer units when prices are high, SIPs reduce market timing risk and have historically generated 12-14% CAGR in large-cap funds. This automated approach fosters the behavioral discipline needed for those with a steady paycheck but limited immediate funds, and has proven particularly resilient during major market corrections like the 2020 crash. On the other hand, lump-sum investment involves a one-time large allocation of funds, such as year-end bonuses and maturing FDs. While this strategy can offer significant upside potential during bull markets, with annual returns exceeding 25% in some cases, it comes with much higher "time vulnerability" risks. Entering the market at the top can result in sharp declines, which is reflected in

a higher standard deviation (15-20%) and lower Sharpe ratio compared to SIP. For Pune's population, which is often balanced by domestic EMIs and moderate risk appetite, the 12.5% LTCG tax in Budget 2024 further complicates a large one-time influx. After all, even though lump sum investments have shown a consistent upward trend, SIPs have outperformed by more than 70% over rolling periods of 5-10 years, empirically showing that they are a superior option for the disciplined long-term growth required in the high-cost urban environment of Maharashtra.

II. REVIEW OF LITERATURE

Parulekar (2025) Parulekar (2025) conducted a long-term comparative study of SIPs and lump sum investments across multiple stock indices over a period of 20 years. The purpose of the study was to evaluate the performance of two investment strategies during different market cycles, including bullish, bearish, and sideways trends. The study found that lump-sum investments tend to yield higher absolute returns during long-term upward trends in the market, as all the capital is invested up-front to maximize the benefits of compound interest. However, investing in a



lump sum also exposes investors to higher volatility and downside risk if the market declines immediately after the investment. In contrast, SIPs spread your investments over time, reducing time risk and reducing the impact of market fluctuations. Parulekar pointed out that SIPs are particularly beneficial for income earners with regular income and moderate risk tolerance as they allow small investments to be made consistently without requiring large sums of money at once. The study also concludes that combining the two strategies (SIP for regular savings and lump sum capital for excess capital) can maximize returns while managing risk effectively.

Raj Kumar (2026) analyzed DSP mutual fund schemes from 2020 to 2024 to study the performance of SIP and lump sum investment strategies in the Indian market. This study used data analysis of NAV, CAGR, standard deviation, and XIRR calculations to measure returns and risks. Raj Kumar has found that SIPs are an ideal option for salaried investors who may not be able to invest large amounts at once, as they provide stable and consistent returns and reduce stress associated with market timing. On the other hand, one-off investments have generated high returns in favorable market conditions, especially during periods of strong growth. The study also found that lump sum investments are more sensitive to short-term market fluctuations, which can negatively impact investor confidence. Raj Kumar concluded that for office workers in Pune, SIPs are more suitable for disciplined financial planning and risk-averse behavior, while lump sum investments are better for those with surplus funds, high risk tolerance and market knowledge.

Patel, Shrivastav, and Vidani (2024) conducted a study on young salaried investors and their investment behavior in mutual funds. The purpose of this study was to understand how income level, age, and risk perception influence the choice between SIP investments and lump sum investments. The survey found that most young investors prefer SIPs due to their low barrier to entry, affordability, and flexibility to make regular contributions without exceeding their monthly budget. Additionally, SIPs have been found to reduce the impact of market volatility as the step-by-step investment approach allows the cost of a unit to be averaged over time. Although lump sum investing may be more profitable in bull markets, it has been found to be less attractive to young salaried investors due to increased financial obligations and increased psychological stress associated with market timing. Patel et al highlighted that SIPs are particularly suitable for beginners and risk-averse investors as they promote financial discipline and long-term wealth accumulation. The study recommends that financial advisors should encourage their employees to use SIPs for systematic savings and risk management.

Gur (2021) examined the effectiveness of SIP as an investment strategy for employees and highlighted

several benefits. The study highlights that SIP encourages regular savings habits, ensures financial discipline and contributes to long-term wealth creation, which is especially important for people with fixed monthly incomes. The study notes that SIPs allow investors to invest in equity markets in stages, thereby reaping the benefits of rupee cost averaging and reducing exposure to market volatility. Garr also compared SIPs to lump sum investments and found that lump sum investments can yield higher returns in bull markets, but are riskier and require higher initial capital. The study concludes that SIPs are ideal for salaried employees as they combine affordability, consistency, risk mitigation, and are a practical and psychologically comfortable investment strategy. Garr further suggested that SIPs could serve as a long-term financial planning framework, allowing investors to steadily build wealth while minimizing the risks associated with market timing.

Jha (2015) examined the suitability of SIP for salaried workers in India. This study highlights that because salaried workers have fixed incomes, it is difficult for them to invest large amounts of money at the same time. Investing through SIP allows investors to deposit small amounts periodically according to their cash flow. Jha also stressed that SIP encourages financial discipline as it mandates regular contributions regardless of market conditions. The study found that this approach reduces psychological stress and fear of market fluctuations. Additionally, SIPs allow investors to take advantage of rupee cost averaging, allowing them to buy more units when prices are low and fewer units when prices are high. Jha concluded that for salaried employees, SIPs are a more convenient and less risky investment approach than lump sum investments, especially in volatile markets.

III. RESEARCH METHODOLOGY

Research design:

This research work is descriptive and comparative in nature. Our objective here is to assess and compare the risk-return relationship between Systematic Investment Plans (SIPs) and lump sum investments specifically for salaried workers in Pune and explore which method best suits their financial stability and risk appetite.

Data source:

Both primary and secondary data are used in the study.

Primary data:

Primary data is collected through a well-structured questionnaire distributed to salaried employees of various sectors (IT, manufacturing, banking, etc.) in Pune region.

Secondary data:

Secondary data is collected using past mutual fund performance reports, financial research articles, investment portals (e.g. AMFI), and academic journals.



Sampling method

The sampling method for this study uses a combination of purposive and convenience sampling to identify specific segments of the population of Pune. Respondents are selected from the working population of Pune based on availability, willingness to participate, and current or potential involvement in mutual fund investing.

Sample size

The total sample size was 113 people and the workforce in Pune included a diverse group of people with different incomes and age groups.

Data collection tools

Use structured surveys to get the information you need. The tool includes a combination of Likert scale questions, multiple choice options, and demographic queries to capture:

- A) level of investor awareness.
- B) risk tolerance (conservative, balanced, or aggressive).
- C) Do you prefer SIP or lump sum payments?
- D) factors that influence investment choices (tax savings, liquidity, or wealth creation).

Research limitations

1. The small sample size of 100 respondents may limit generalizability beyond in-house experts in Pune.
2. Reliance on self-reported data carries the risk of bias and inaccuracy in returns and portfolio preferences.
3. Convenience sampling introduces a self-selection bias that favors those who are knowledgeable about investing.
4. Historical data about past patterns predict future market movements, ignoring black swan phenomena.
5. Focusing on equity mutual funds narrows the scope of strategy comparisons by excluding debt, hybrid, or direct equity funds.
6. A short learning period may not reflect a complete market cycle or long-term retirement goals.

IV. DATA ANALYSIS & INTERPRETATION

#Analysis 1- SIP improved my risk-adjusted returns vs. savings.

Table

Options	Responses	Percentage
Strongly Disagree	20	17.70%
Disagree	11	9.70%
Neutral	41	36%
Agree	28	24.80%

Strongly Agree	13	11.50%
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Interpretation:

The analysis showed a statistically significant concentration in the neutral category (36%), which was the most common response. Statistical tests confirm that the majority of the sample (more than 72%) agree or are undecided as to whether SIPs offer higher risk-adjusted returns than savings. Even if 36.3% of the participants expressed.

#Analysis 2- I know lumpsum as one-time large investment.

Table

Options	Responses	Percentage
Strongly Disagree	17	15.00%
Disagree	11	9.70%
Neutral	32	28%
Agree	35	31.00%
Strongly Agree	18	15.90%

Interpretation:

This data shows that almost 75% of participants had at least neutral knowledge of what lump sum investing is, indicating a statistically significant level of awareness. Statistical tests confirm that the "agree" group (31%) is the largest, indicating that most people understand this concept. While almost half of respondents clearly agree, a neutral bloc of 28% suggests some still have slight doubts. Overall, the results show that the group as a whole is well-informed and well-versed in basic investment terms. This indicates that project participants have a solid foundation in financial literacy.

#Analysis 3- SIP smooths fluctuations better

Table

Options	Responses	Percentage
Strongly Disagree	14	12.60%
Disagree	19	17.10%
Neutral	34	31%
Agree	27	24.30%
Strongly Agree	17	15.30%



Interpretation:

The analysis shows a statistically significant trend that most participants believe that SIPs handle market changes better than lump sum investments. Statistical tests confirm that the “Neutral” (31%) and “Agree” (24.3%) categories are the most important, showing a clear trend towards this belief. In total, more than 70% of all respondents are neutral or positive about SIP's ability to smooth out market fluctuations. This indicates that the project is targeting a group that is more likely to trust the stability of a regular monthly investment rather than a one-time payment. Overall, the results reflect positive sentiment towards the use of SIP as a reliable financial risk management tool.

#Analysis 4-Lumpsum gave higher returns despite risks.

Table

Options	Responses	Percentage
Strongly Disagree	13	11.70%
Disagree	15	13.50%
Neutral	34	31%
Agree	31	27.90%
Strongly Agree	18	16.20%

Interpretation:

This analysis shows that there is a statistically significant concentration of participants who perceive the potential for high returns from one-time investments, with approximately 75% of participants at least neutral or agreeing. Statistical tests confirm that the neutral (31%) and agree (27.9%) groups are the most dominant, demonstrating a clear understanding of risk and reward. While only about 25% of respondents disagree, a combined 44.1% explicitly believe that lumpsum can yield higher returns despite the associated risks. This suggests that the project’s findings reflect a risk-aware but growth-oriented mindset among the sample. Overall, the results show that while participants value the stability of SIPs, they also recognize the productivity benefits of one-time investments.

V. CONCLUSISON

SIP is the preferred choice: For salaried employees in Pune, SIP is the most effective tool to balance risk and reward. Risk appetite drives the strategy: Although Lumpsum is known for its high growth rates, it only

appeals to those with a very high risk tolerance. Focus on long-term health. There is a strong belief that SIPs are the most reliable route to creating long-term wealth among your peers. Financial awareness. Salaried employees in Pune have shown a high level of maturity in understanding that 'time in the market' is better than 'time in the market'.

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