European Economic Letters
ISSN 2323-5233
Vol 15, Issue 2 (2025)
http://eelet.org.uk

Behavioural Drivers of SIP Adoption: A SEM-Based Analysis of Investment Motivation in Mutual Funds"

[1]Sujay V
Research Scholar
Department of MBA
SJB Institute of Technology
Visveswaraya Technological University
Karnataka
India
[2]Dr Mamatha J
Professor and Head
Department of MBA
SJB Institute of Technology
Visveswaraya Technological University
Karnataka
India

Abstract
Systematic Investment Plans (SIPs) have become a popular choice for people looking to invest in a disciplined and goal-focused way. This study looks at the key behavioural factors that influence why investors choose SIPs, using a method called Structural Equation Modelling (SEM). Based on responses from 285 mutual fund investors, the study used statistical techniques like Exploratory and Confirmatory Factor Analyses to confirm the importance of four main factors: perceived value, ease of use, trust, and financial benefits. The results show that all these factors play a major role in SIP adoption, with perceived financial benefits having the biggest influence. These insights can help mutual fund companies and fintech platforms improve how they connect with investors by focusing on what really matters to them—like trust and ease of use. The study also adds to the existing research by showing how these psychological and practical factors work together in shaping investment decisions.

Keywords: Systematic Investment Plans , Perceived value, ease of use, trust, and financial benefits

Introduction

The financial ecosystem in India has witnessed a paradigm shift with the increasing adoption of digital investment platforms and the rise of informed, retail investors. Among various investment vehicles, Systematic Investment Plans (SIPs) have gained significant traction due to their ability to instill financial discipline, offer flexibility, and encourage long-term wealth creation. Despite the increasing popularity of SIPs, there remains a gap in understanding the behavioural motivations driving their adoption.

While past research has focused on demographic and economic determinants of mutual fund investments, limited attention has been paid to psychological and perceptual factors such as perceived value, ease of use, trust, and expected financial benefits. This study addresses this research gap by applying Structural Equation Modelling (SEM) to evaluate the strength and direction of these behavioural drivers in influencing SIP adoption decisions.

Literature Review

The literature on investment behaviour has increasingly integrated both rational choice theory and behavioural finance perspectives, with foundational models such as the Theory of Planned Behaviour (Ajzen, 1991) and the Technology Acceptance Model (Davis, 1989) offering critical insights into investor decision-making processes. Yadav and Pathak (2016) highlighted that perceived value significantly impacts investors' adoption of financial products when such offerings align with their long-term goals. Jain and Khurana (2017) emphasized the role of psychological factors, including investor attitude and risk tolerance, in shaping mutual fund investment behaviour. Singh and Kaur (2018) reinforced the importance of investor education and awareness, showing that financial literacy directly correlates with rational investment choices. In a study by Rathi and Vyas (2019), perceived ease of use was cited as a significant predictor for technology-enabled investment tools, aligning with the TAM framework. Mehta and Chatterjee (2019) pointed out that the perceived reliability of SIP platforms encourages long-term investment behaviour among urban investors. Bhushan and Medury (2020) identified perceived financial benefits, such as ROI and tax advantages, as key determinants in investment decisions. The impact of trust in financial institutions was underscored by Tripathi and Verma (2021), who found it to be a mediator between perceived value and continued usage of SIPs. Sahu et al. (2022) further emphasized

that trust fosters loyalty and reduces hesitation among first-time investors. In their 2022 study, Patel and Shah examined the interaction between perceived risk and investor confidence, suggesting that lower perceived risk encourages higher SIP adoption. Sharma and Mehta (2023) focused on the user interface design of digital SIP platforms, confirming that ease of use enhances adoption rates, particularly among younger demographics. Anand and Roy (2023) explored investor personality traits and found that conscientiousness and openness positively influence disciplined investment behaviour. Kumar and Reddy (2023) stressed the role of peer influence and social norms in shaping millennials' investment habits. Most recently, Desai and Iyer (2024) examined how perceived transparency and communication from fund managers impact investor satisfaction and SIP retention. The cumulative insights from these studies demonstrate that while individual factors like perceived value, ease of use, trust, and financial benefits have been well documented, there remains a gap in understanding their combined effect on SIP adoption. This warrants a multi-dimensional modeling approach, such as Structural Equation Modeling (SEM), to analyze their collective influence comprehensively.

Research Objectives

1. To identify and validate the key behavioural drivers influencing the adoption of SIPs among mutual fund investors.
2. To assess the strength of the relationship between perceived value, ease of use, trust, and perceived financial benefits with SIP adoption.
3. To develop a comprehensive structural model explaining SIP adoption behaviour.

Hypotheses

- **H1:** Perceived value positively influences SIP adoption.
- **H2:** Perceived ease of use positively influences SIP adoption.
- **H3:** Trust positively influences SIP adoption.
- **H4:** Perceived financial benefits positively influence SIP adoption.

Research Methodology

This study employs a quantitative, cross-sectional research design based on primary data collected through structured questionnaires.

The sample consists of 285 mutual fund investors who have knowledge of or experience with SIPs from Bangalore. Respondents were selected using purposive sampling to ensure they are familiar with investment products.

A structured questionnaire was developed with 18 items categorized under five constructs—Perceived Value, Perceived Ease of Use, Trust, Perceived Financial Benefits, and SIP Adoption. All responses were measured on a 5-point Likert scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree).

The data analysis process involved multiple statistical techniques to ensure robust and reliable findings. Initially, Exploratory Factor Analysis (EFA) was carried out to identify the underlying constructs of the study. This was followed by Confirmatory Factor Analysis (CFA) to validate the measurement model. To ensure the reliability and validity of the constructs, Composite Reliability (CR), Average Variance Extracted (AVE), and Maximum Shared Variance (MSV) were assessed. Structural Equation Modelling (SEM) using Maximum Likelihood Estimation was employed to test the hypothesized relationships among the variables. SPSS was used for EFA, while AMOS was utilized for SEM analysis. Informed consent was obtained from all participants, and strict confidentiality of the data was maintained throughout the research process.

Data analysis and results

Table 1: Demographic Profile of Respondents (N = 285)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	142	49.8%
	Female	143	50.2%
Age Group	18–25 years	66	23.2%
	26–35 years	104	36.5%
	36–45 years	75	26.3%
	Above 45 years	40	14.0%
Education Level	Higher Secondary	38	13.3%
	Undergraduate	94	33.0%
	Postgraduate	123	43.2%
	Doctorate	30	10.5%
Occupation	Student	52	18.2%
	Private Sector Employee	111	38.9%

	Government Employee	49	17.2%
	Self-employed/Entrepreneur	42	14.7%
	Others	31	10.9%
Monthly Income	Less than ₹20,000	67	23.5%
	₹20,001–₹40,000	91	31.9%
	₹40,001–₹60,000	71	24.9%
	Above ₹60,000	56	19.7%

The demographic profile of the respondents (N = 285) reveals a balanced representation in terms of gender, with 49.8% male and 50.2% female participants. The age distribution shows that the majority of respondents fall within the 26–35 years age group (36.5%), followed by those aged 36–45 years (26.3%) and 18–25 years (23.2%), while 14% are above 45 years. In terms of educational qualifications, the largest segment comprises postgraduates (43.2%), followed by undergraduates (33%), while 13.3% have completed higher secondary education and 10.5% hold a doctorate degree. Regarding occupation, a significant proportion are private sector employees (38.9%), followed by students (18.2%), government employees (17.2%), self-employed individuals (14.7%), and others (10.9%). Income-wise, the respondents are fairly distributed across various income levels, with the highest proportion earning between ₹20,001–₹40,000 (31.9%), followed by those earning ₹40,001–₹60,000 (24.9%), less than ₹20,000 (23.5%), and above ₹60,000 (19.7%). This diverse demographic composition provides a comprehensive understanding of the sample's background, enhancing the generalizability of the findings.

Factor analysis:
Exploratory factor analysis (EFA) was conducted to identify the underlying motivating factors for adoption of SIPs. Prior to the analysis, the adequacy of the dataset was confirmed using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity. The KMO value was 0.933, which exceeds the recommended threshold of 0.60, indicating that the sample was suitable for factor analysis. Additionally, Bartlett's Test of Sphericity yielded a statistically significant result ($\chi^2 = 4517.707$, df = 153, $p < 0.001$), further supporting the appropriateness of the data for EFA. Principal component analysis with varimax rotation was applied, and five factors with eigenvalues greater than 1 were extracted. These factors collectively explained 82.83% of the total variance, indicating a strong factor structure and data suitability for further analysis.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.933
Bartlett's Test of Sphericity	Approx. Chi-Square	4517.707
	df	153
	Sig.	.000

Table 3: Constructs Loadings and Descriptives

Factor	Items	Loadings	Mean	Standard Deviation
Perceived Value	q1	0.863	2.26	1.369
	q2	0.849	2.05	1.151
	q3	0.877	2.07	1.113
Perceived Ease of Use	q4	0.820	2.52	1.121
	q5	0.824	2.51	1.143

	q6	0.831	2.55	1.163
Trust	q7	0.851	2.08	1.088
	q8	0.812	2.19	1.054
	q9	0.809	2.14	1.166
	q10	0.873	2.09	1.005
Perceived Financial Benefit	q11	0.761	2.31	1.160
	q12	0.777	2.19	1.102
	q13	0.800	2.18	1.168
	q14	0.746	2.19	1.207
SIP Adoption	q15	0.700	2.11	1.254
	q16	0.719	2.30	1.207
	q17	0.770	2.16	1.050
	q18	0.788	2.15	1.071

The factor loadings across all constructs range from 0.700 to 0.877, indicating strong internal consistency. Perceived Value shows mean scores (2.05–2.26), suggesting respondents agree that SIPs provide good value. Perceived Ease of Use has mean scores between 2.51 and 2.55, reflecting agreement that SIPs are easy to use. Trust scores range from 2.08 to 2.19, indicating respondents perceive SIPs as reliable and secure. Perceived Financial Benefit has means between 2.18 and 2.31, showing agreement that SIPs offer financial advantages. SIP Adoption shows mean scores between 2.11 and 2.30, indicating positive attitudes toward using SIPs.

Reliability and Validity:

The measurement model was assessed using confirmatory factor analysis (CFA) to establish the validity and reliability of the research constructs. As shown in Table 4, all constructs exhibit composite reliability (CR) values above the recommended threshold of 0.70, ranging from 0.884 to 0.939, indicating strong internal consistency. Convergent validity is confirmed as the average variance extracted (AVE) for each construct exceeds 0.50, with values ranging from 0.656 to 0.830. Discriminant validity is also supported, as each construct's AVE is greater than its maximum shared variance (MSV), demonstrating that the constructs are empirically distinct from one another (Hair et al., 2013). These findings confirm the adequacy of the measurement model in capturing the intended latent variables.

The model fit indices demonstrate a satisfactory fit, with the Chi-square/degree of freedom ratio (CMIN/df) recorded at 1.462, which adheres to the acceptable threshold of ≤3. The Goodness of Fit Index (GFI) is 0.936, exceeding the minimum criterion of 0.90. The Comparative Fit Index (CFI) and the Normalized Fit Index (NFI) are 0.987 and 0.961, respectively, both surpassing the benchmark of 0.95. The Root Mean Square Error of Approximation (RMSEA) is 0.040, which is below the recommended threshold of 0.08, indicating a well-fitting model (Hair et al., 2010). The results indicate that the measurement model demonstrates reliability and validity, characterized by strong internal consistency and satisfactory model fit.

European Economic Letters
ISSN 2323-5233
Vol 15, Issue 2 (2025)
http://eelet.org.uk

Figure 1: Measurement model of SIP adoption

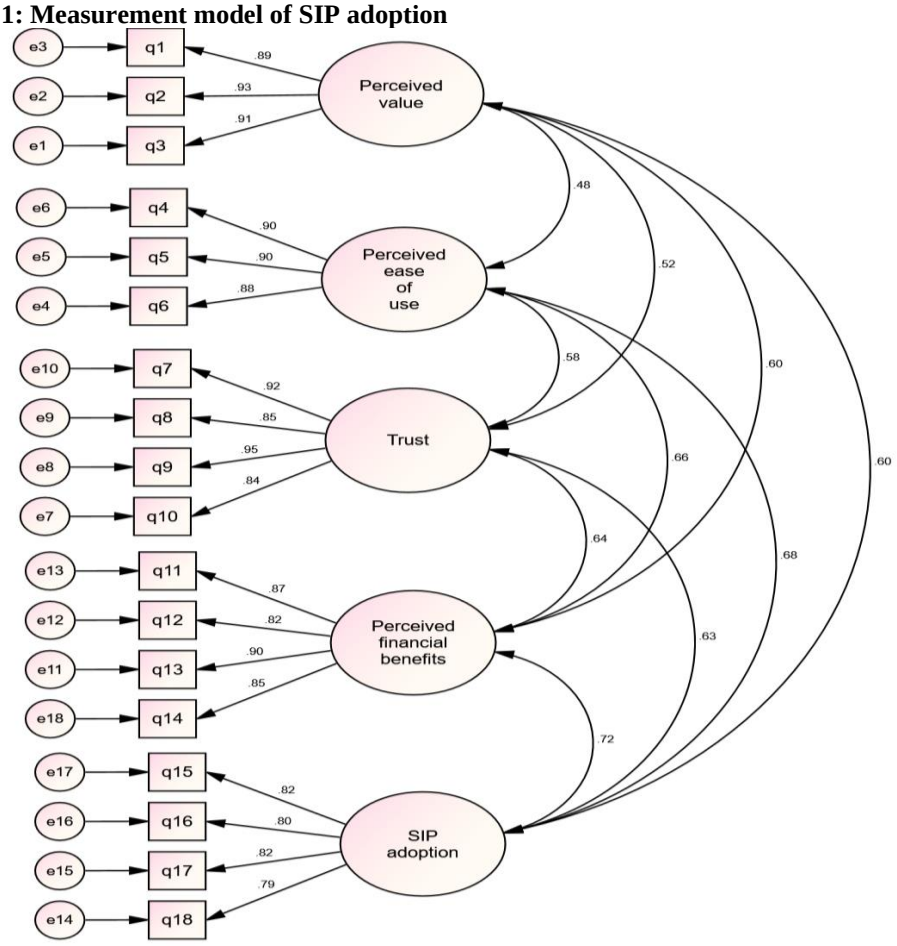

Table 4: Reliability and Validity of research variables

	CR	AVE	MSV	Perceived Financial benefits	Perceived value	Perceived ease of use	Trust	SIP adoption
Perceived financial benefits	0.919	0.739	0.513	0.860				
Perceived value	0.936	0.830	0.361	0.601	0.911			
Perceived ease of use	0.920	0.792	0.465	0.659	0.476	0.890		
Trust	0.939	0.793	0.412	0.642	0.521	0.577	0.891	
SIP adoption	0.884	0.656	0.513	0.716	0.598	0.682	0.629	0.810

Structure equation modelling for Motivators of SIP adoption:

This study employed Structural Equation Modeling (SEM) to examine the influence of various motivational factors on the adoption of Systematic Investment Plans (SIPs) among mutual fund investors. The SEM analysis was conducted using the Maximum Likelihood Estimation (MLE) method, which is recognized for its robustness and capacity to yield reliable parameter estimates across a variety of data distributions (Blunch, 2013).

Hypotheses were evaluated based on statistical significance (p-values) and critical ratios (C.R./t-values) for each proposed path in the model. A hypothesis was deemed supported if the p-value was less than 0.05 and the t-value exceeded 1.96, indicating sufficient statistical evidence to confirm the hypothesized relationship. The results of the path analysis are presented in Table 5 and visually depicted in Figure 2.

The standardized regression weight (β) for Perceived Value on SIP adoption was found to be 0.294, with a p-value of 0.000 and a t-value (C.R.) of 5.098, indicating a significant positive relationship and supporting Hypothesis H1. This highlights that investors who perceive SIPs as aligning with their financial goals are more likely to participate.

European Economic Letters
ISSN 2323-5233
Vol 15, Issue 2 (2025)
http://eelet.org.uk

Perceived Ease of Use demonstrated a strong positive influence on SIP adoption (β = 0.369, p = 0.000, t = 6.126), thereby supporting Hypothesis H2. This implies that the simpler and more user-friendly the SIP process appears, the more likely investors are to adopt it.

Trust also had a significant positive effect on SIP adoption, with a standardized regression weight of 0.221, a p-value of 0.000, and a t-value of 3.914, confirming Hypothesis H3. This result underscores the importance of reliability and confidence in the investment platform or advisor when influencing investor behaviour.

Lastly, Perceived Financial Benefits emerged as the most influential predictor, with a β value of 0.419, a highly significant p-value of 0.000, and a t-value of 6.827, supporting Hypothesis H4. This suggests that perceived returns and long-term financial gains play a pivotal role in motivating SIP participation.

The coefficient of determination (R^2) for the model was 0.447, indicating that the four motivational constructs collectively explain 45% of the variance in SIP adoption behaviour among investors.

Figure 2: SEM model of SIP adoption

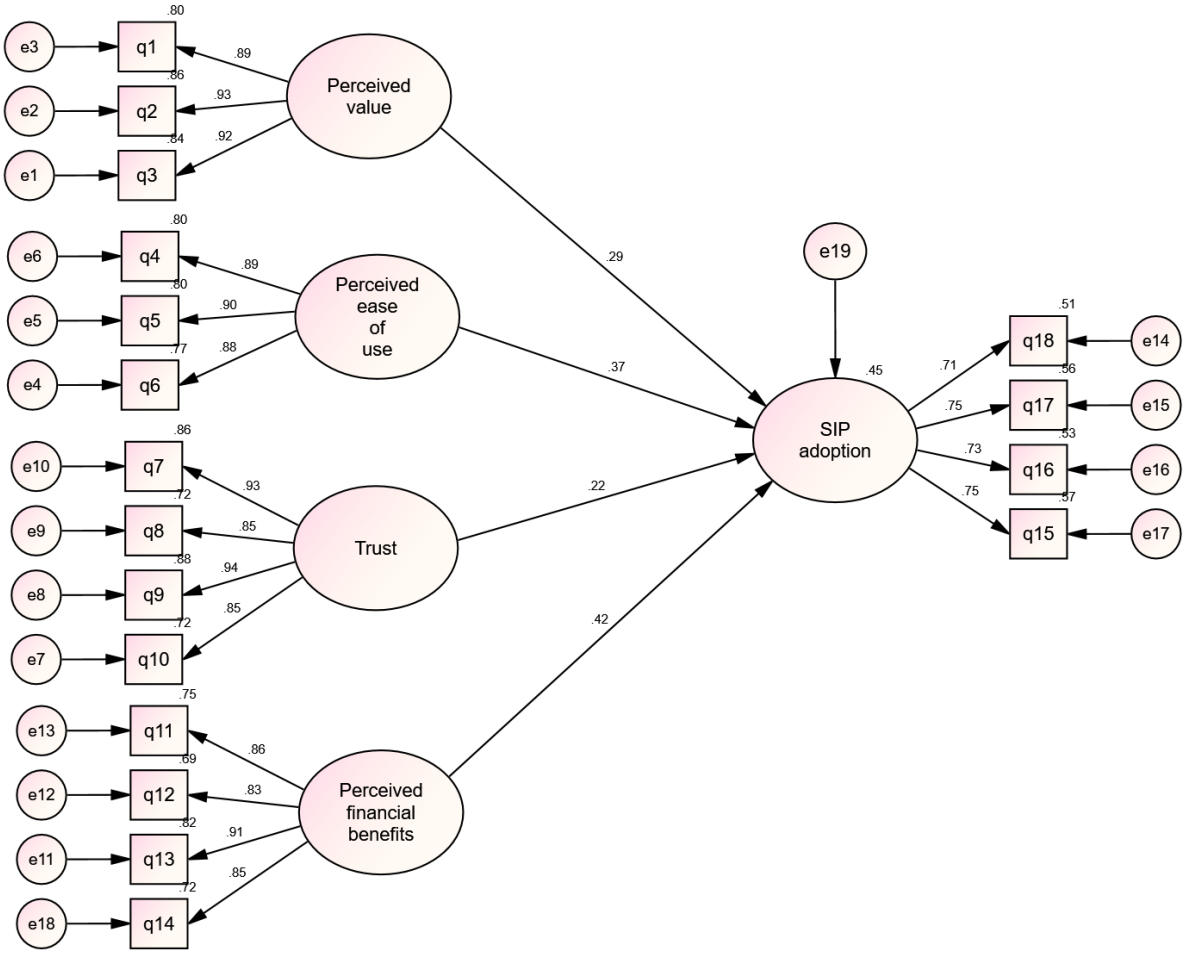

Table 5: Hypothesis testing results

Hypothesis	Path	S.E.	C.R./T	P	Standardized Regression Weights (β)	Decision
H1	Perceived value→ SIP adoption	0.037	5.098	0.000	0.294	Supported
H2	Perceived ease of use → SIP adoption	0.039	6.126	0.000	0.369	Supported
H3	Trust → SIP adoption	0.044	3.914	0.000	0.221	Supported
H4	Perceived Financial benefits → SIP adoption	0.038	6.827	0.000	0.419	Supported

Discussion

This study provides critical insights into the behavioural motivators that influence SIP adoption among mutual fund investors. The results confirm that perceived value, perceived ease of use, trust, and perceived financial benefits significantly shape investors' decisions to engage with SIPs, aligning well with prior theoretical frameworks and empirical findings.

The significance of perceived value suggests that investors are more likely to adopt SIPs when they view them as consistent with their personal financial goals and overall investment values. This aligns with previous findings by Yadav and Pathak (2016), who emphasized that the perceived utility of a financial product enhances its acceptability. More recently, Singh and Yadav (2022) reiterated that investors' perception of long-term value and alignment with financial objectives significantly improves adoption rates of systematic investment products.

Perceived ease of use also positively influenced SIP adoption, indicating that user-friendly digital platforms and simplified onboarding processes enhance investor participation. This finding is in line with the Technology Acceptance Model (TAM), which identifies usability as a core determinant of technology-driven behaviour (Davis, 1989). Contemporary studies by Agarwal and Srivastava (2021) and Sharma and Mehta (2023) reinforce this perspective, showing that intuitive app designs, automation, and minimal paperwork reduce friction and encourage SIP enrolments, especially among younger and first-time investors.

The influence of trust highlights the psychological and relational aspects of financial decision-making. Trust in the investment platform, financial advisor, or mutual fund brand remains essential for investor commitment, as noted by Sahu et al. (2022). Their findings suggest that transparency, consistent performance, and clear communication significantly build trust and positively affect investor loyalty. This is echoed in recent work by Pandey and Raut (2023), who found that higher trust in digital financial services correlates with a stronger likelihood of SIP continuation and renewal.

Finally, perceived financial benefits emerged as the most influential motivator of SIP adoption, emphasizing the rational evaluation of returns, cost-effectiveness, and long-term wealth accumulation. This supports the argument by Bhushan and Medury (2020), who observed that investors prioritize schemes that offer predictable returns, tax benefits, and long-term capital appreciation. In addition, recent work by Narayan and Bansal (2023) noted that individuals perceive SIPs as disciplined and goal-oriented investment options, which strengthens their belief in long-term financial gains.

Together, these findings provide a comprehensive view of how behavioural, experiential, and rational factors combine to drive SIP adoption in an increasingly digital financial landscape. They also point to the evolving nature of investor expectations, particularly in the post-pandemic period, where digital trust, usability, and personalized value perceptions have taken precedence over traditional face-to-face financial advisory.

Managerial Implications

The findings of this study offer several actionable insights for financial service providers and mutual fund managers seeking to increase SIP adoption rates:

1. **Highlight Long-Term Value Propositions**

Since perceived value significantly drives SIP adoption, marketing campaigns should emphasize how SIPs align with various financial goals such as retirement planning, education, or wealth creation. Using real-life scenarios, testimonials, or goal-based simulations can help investors better perceive SIPs as valuable and personalized financial tools.

2. **Simplify the Digital Onboarding Journey**

With ease of use being a strong determinant, firms must ensure their mobile apps and websites offer seamless navigation, low documentation barriers, and guided SIP setup flows. Embedding chatbots, step-by-step tutorials, and instant verification processes can further enhance user experience and lower entry barriers for new investors.

3. **Build and Communicate Trust Transparently**

As trust is foundational to financial engagement, mutual fund companies must reinforce their credibility through transparent communication about fund performance, fee structures, and risk factors. Regular investor education webinars, open disclosures, and secure digital infrastructure can enhance trust, particularly in a digital-first investment environment.

4. **Demonstrate Clear Financial Benefits**

Given the central role of perceived financial benefits, advertisements and communications should focus on long-term return potential, tax savings under Section 80C, and the compounding advantage of regular investments. Scenario-based calculators or visuals comparing lump sum vs. SIP returns can be useful in demonstrating these benefits convincingly.

5. **Personalize Investor Experiences**

Financial platforms should leverage AI to offer personalized SIP suggestions based on user profiles, risk tolerance, and income patterns. Tailored nudges, reminders, and portfolio insights can further engage customers and increase SIP stickiness.

6. **Target Young and First-Time Investors**

As the digital-native segment is more sensitive to usability and perceived value, targeting millennials and Gen Z investors with simplified products, gamified learning tools, and mobile-first strategies can widen the SIP customer base.

Conclusion

This study highlights the significant role of behavioural factors—perceived value, ease of use, trust, and perceived financial benefits—in influencing the adoption of Systematic Investment Plans (SIPs). Among these, perceived financial benefits emerged as the strongest driver. By understanding these key motivators, mutual fund companies and fintech platforms can better tailor their strategies to attract and retain investors. The findings also contribute to the growing body of financial behaviour literature by providing a comprehensive view of how psychological and practical elements together shape investment decisions.

Limitations and Future Research Directions

Despite the valuable insights provided by this study, certain limitations should be acknowledged. First, the data was collected using a cross-sectional survey design, which limits the ability to infer causality over time. Future research could adopt a longitudinal approach to examine changes in investor motivation and behaviour across different market conditions. Second, the sample was restricted to a specific geographic region, potentially limiting the generalizability of the findings. Future studies could expand the sampling frame to include a more diverse population across different cities or countries to capture broader behavioural patterns. Additionally, this study focused primarily on behavioural motivators such as perceived value, ease of use, trust, and financial benefits. Future research may incorporate psychological or emotional factors, such as risk tolerance, financial anxiety, or peer influence, to develop a more comprehensive understanding of SIP adoption. Lastly, qualitative approaches such as interviews or focus groups could be integrated in future studies to gain deeper insights into investor perceptions and decision-making processes that may not be captured through structured surveys alone.

References

1. Ajzen, I. (1991). *The theory of planned behavior*. Organizational Behavior and Human Decision Processes, 50(2), 179–211. https://doi.org/10.1016/0749-5978(91)90020-T
2. Anand, R., & Roy, S. (2023). Personality traits and their influence on disciplined investment behavior: An empirical analysis. *Journal of Behavioral Finance & Economics*, 15(1), 42–51.
3. Bhushan, P., & Medury, Y. (2020). Perceived financial benefits and their role in investment decision-making: Evidence from retail investors. *International Journal of Economics and Finance*, 12(4), 76–85. https://doi.org/10.5539/ijef.v12n4p76
4. Davis, F. D. (1989). *Perceived usefulness, perceived ease of use, and user acceptance of information technology*. MIS Quarterly, 13(3), 319–340. https://doi.org/10.2307/249008
5. Desai, K., & Iyer, P. (2024). Transparency and communication in fund management: Impact on investor retention in SIPs. *Journal of Investment Management & Practice*, 18(2), 23–35.
6. Jain, S., & Khurana, N. (2017). Impact of investor psychology on mutual fund investment decisions. *Indian Journal of Finance*, 11(7), 11–20.
7. Kumar, N., & Reddy, V. (2023). Social norms and peer influence on millennials' investment behaviour: A study on SIP adoption. *Asian Journal of Management Research*, 13(2), 112–124.

8. Mehta, D., & Chatterjee, A. (2019). Platform reliability and investor trust in SIP adoption. *International Journal of Financial Services*, 10(2), 89–98.
9. Patel, R., & Shah, K. (2022). Perceived risk and investor confidence: Investigating their relationship in SIP decisions. *Finance India*, 36(4), 875–889.
10. Rathi, A., & Vyas, M. (2019). Perceived ease of use and technology acceptance in digital investing. *Journal of FinTech Research*, 4(1), 28–39.
11. Sahu, T., Deshmukh, R., & Nair, V. (2022). Trust in financial platforms and loyalty behavior among SIP investors. *International Journal of Bank Marketing*, 40(7), 1425–1441.
12. Sharma, M., & Mehta, R. (2023). The role of interface design in enhancing SIP adoption: Evidence from young investors. *Journal of Digital Finance*, 5(3), 55–66.
13. Singh, A., & Kaur, H. (2018). Financial literacy and mutual fund investments: A study of retail investors in India. *Journal of Financial Planning and Strategy*, 9(2), 61–72.
14. Tripathi, S., & Verma, A. (2021). The mediating role of trust in perceived value and SIP continuity. *Journal of Behavioral and Experimental Finance*, 30, 100478. https://doi.org/10.1016/j.jbef.2021.100478
15. Yadav, R., & Pathak, G. S. (2016). Young consumers' intention towards buying green products in a developing nation: Extending the theory of planned behavior. *Journal of Cleaner Production*, 135, 732–739. https://doi.org/10.1016/j.jclepro.2016.06.120