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## **SYSTEMATIC AND ONE-TIME INVESTMENT PLANS IN MUTUAL FUNDS: A COMPARATIVE STUDY**

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**Article Received: 17 November 2025**

**Article Revised: 07 December 2025**

**Published on: 27 December 2025**

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DOI: <https://doi-doi.org/101555/ijrpa.8557>

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### **ABSTRACT**

In recent years, Mutual Funds have emerged as a vital tool for ensuring financial security. They have not only contributed to India's economic growth but have also allowed families to benefit from the success of the Indian Mutual Fund Industry. With the increasing availability of information and awareness, more people are taking advantage of the opportunities presented by investing in mutual funds. Globally, there are numerous firms offering a variety of mutual fund schemes with different investment objectives. Today, mutual funds collectively manage funds that are comparable to or even exceed those held by banks. The primary objective of the research paper is to compare the Systematic Investment Plan (SIP) and One-time Investment, assisting investors in making the optimal choice. It aims to provide a straightforward investment strategy for individuals who are not experts in the field but still wish to profit from the market with minimal complications. The analysis in this paper utilizes the Compounded Annual Growth Rate (CAGR) for the lump sum investment plan and the Extended Internal Rate of Return (XIRR) for the Systematic Investment Plan. The research paper concludes that the one-time investment plan is superior to the systematic investment plan for investors with a lump sum amount to invest.

**KEYWORDS:** Mutual Funds, MF in India, Systematic Investment Plan, SIP etc.

## **INTRODUCTION**

A mutual fund is a financial instrument that consists of a pool of funds gathered from numerous investors for the purpose of investing in various securities like stocks, bonds, money market instruments, and other assets. The portfolio of a mutual fund is carefully managed to align with the investment goals outlined in its prospectus. This type of investment is particularly suitable for the average individual as it provides an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. The net asset value (NAV) represents the current market value of the fund's holdings, typically expressed on a per-share basis. NAV is calculated by dividing the total value of the securities in the portfolio by the number of outstanding shares of the fund. This value fluctuates based on the performance of the securities held in the portfolio at the close of each business day. A Mutual Fund is an investment vehicle that combines the savings of multiple investors with a shared financial objective. The fund manager collects and invests the pooled money in various securities based on the scheme's objective. These securities can include stocks, bonds, and money market instruments. The income generated from these investments is distributed among the unit holders in proportion to the number of units they own, while the capital appreciation achieved by the scheme is also shared among the investors.

### **Systematic investment plan**

The Systematic Investment Plan (SIP) is an effective financial planning tool that enables individuals to build wealth by investing small amounts of money on a monthly, quarterly, or yearly basis in a mutual fund scheme of their choice. This approach also helps in cultivating a saving habit. SIP can be either quantity-based or amount-based. Through SIP, investors can benefit from the power of compounding, emphasizing the importance of investing at a young age. With rupee cost averaging, investors need not be concerned about the direction of share prices or interest rates, as a fixed sum is invested at regular intervals, resulting in the purchase of fewer units in a declining market and more units in a rising market.

### **One time investment**

A lump sum investment involves depositing a substantial amount of money into a Mutual Fund scheme as a single payment. Individuals with a significant sum of money can allocate a considerable portion to the Mutual Fund. Typically, lump sum investments are made for longer durations, increasing the potential for higher capital gains. Such investments are commonly undertaken by prominent players and investors, particularly in stocks associated

with assets expected to appreciate in the long run, thereby making the investment advantageous, except during periods of high volatility.

### **Literature review**

Dimple Batra and Gunjan Batra (2012) conducted a study where they compared SIP with lump sum investment using data envelopment analysis (DEA). The findings of the research indicated that investors tend to favor Fixed deposits in banks due to their lower risk profile. While some investors perceive mutual funds as risky, the calculations presented in the research paper do not support this belief. Mutual funds have been shown to offer good returns over a long-term investment period. It is advisable for companies to highlight the benefits of SIP, such as rupee cost averaging and the power of compounding (**Batra, 2012**).

Dr. Rashmi Somani and Dr. Sanjay Sharma (2017) conducted a study analyzing the systematic investment plan and lump sum investment plan for portfolio management. The performance evaluation of both plans was based on metrics such as IRR, Sharpe Ratio, and Average cost per share. The researchers compared the results with the respective benchmark index and found that investment in the Systematic Investment Plan outperformed the Lump Sum Investment Plan. The conclusion drawn in the paper suggests that disciplined investors who regularly invest in the stock market should consider the opportunities offered by SIP over LSIP (**Sharma, 2017**).

In the study conducted by T.G Monoharan Gowri V Nai (2018), the author investigates the effectiveness of Systematic Investment Plan (SIP) and Lump-Sum Investment Plan (LIP) in both Equity Shares and Mutual Funds. The findings indicate that out of the five Mutual Funds analyzed, four of them yield higher returns through SIP. Similarly, when it comes to equity investment, three out of the five Equity Stocks demonstrate higher returns through SIP. Therefore, this research concludes that Systematic Investment Plan proves to be a superior investment option when compared to Lump Sum Plan (**Nai, 2018**).

Dr. S. Oviya and Dr. Chandrakala V (2017) conducted a study comparing One time investment and Systematic Investment Plan. The research findings indicate that while lump sum investments may yield higher returns, SIPs are more advantageous for investors who do not have a lump sum amount to invest. SIP is considered a disciplined mode of investment and a strategic financial planning tool for long-term wealth creation through the power of compounding. Market volatility has a greater impact on lump sum investments compared to

SIPs. Investing in balanced funds can help reduce the risk of value decrease in lump sum investments (**Dr. S.Oviya, 2017**).

Shamanth Kumar (2018) highlighted in their study that Systematic Investment Plan (SIP) is widely recognized as a popular method for investing monthly savings. This strategy enables individuals to cover regular expenses and potentially yield significant returns in the long run, surpassing typical bank interest rates. Conversely, mutual funds are exposed to market fluctuations and can vary unpredictably. It is recommended for investors to carefully analyze market trends before making investment decisions. Diversifying investments across a portfolio is advisable to mitigate risks and ensure consistent returns (**Kumar, 2018**).

According to Jaison David, Geetanjali Purswani, and Anju Jojo (2019), the research highlights that in India, individuals investing in Equity Linked Mutual Funds can avail a deduction of up to Rs 1,50,000 under section 80c of the Income Tax Act, 1961. Investors are faced with the decision of choosing between SIP or Lump sum investments, with a third option of planning through Value Averaging. The findings of the study indicate that SIP yields the best results, followed by Value Averaging, and lastly, the Lump-sum method which offers the lowest possible returns (**Jaison David, 2019**).

Dr.Hemendra Gupta (2015), The author tries to evaluate whether there is any significant difference in volatility and return while investing monthly thus taking benefit of rupee cost averaging rather than investing lump sum. Looking at the results, it can be concluded that Investing Systematically through SIP or doing monthly regular investment has not shown a substantial difference in return and neither in reducing risk however it is to definitely a very good way of investing as it induces people to save small amount regularly from their monthly earnings. (**Gupta, 2015**)

Dr. Akanksha Kpaoor(2019), The purpose of the study is to find out the motivating factor to invest in systematic investment plan and the problem in this scheme. Results of the study found that for higher return with low risk the investor motivates to invest in systematic investment plan on the other hand knowledge and operational platform is one of the main barriers that investor are facing of scheme Systematic investment plan give the benefits of rupee cost averaging that is, it helps you to make money over the long term. Since you get more units when the NAV drops and fewer when it rises, the cost averages out over time. (**kapoor, 1 jan 2019**)

### Objectives of the study

1. To study and understand about Systematic Investment Plan and One Time Investment Plan.
2. To calculate the returns generated by selected schemes on different time periods on the basis of Systematic Investment Plan and One Time Investment Plan.
3. To compare the returns generated by both investment plan and to identify the better mode of investment.

### Research Methodology

#### Scope of Study

This research paper has helped to gain a knowledge about mutual fund schemes and performance of both investment plan. In this study 10 Mutual Fund Scheme for the last five years i.e. 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2019 have taken to compare returns between the both investment plans that are Systematic investment plan and One time investment. To find out the best investment plan from the comparison statement through analysis.

**Research design** - Descriptive study

**Data collection** - The information has been collected from secondary data such as fact sheets, books and magazines of the company and official website of the company.

#### Statistical tools

- Compounded Annual Growth Rate (CAGR) is calculated to know the lump sum investment returns –  $(\text{Ending value}/\text{Beginning value})^{(1/n)-1}$
- Extended Internal Rate of Return (XIRR) is calculated to know the returns generated from Systematic Investment Plan (SIP) – **XIRR (Values, Dates, Guess)**

### Data Analysis

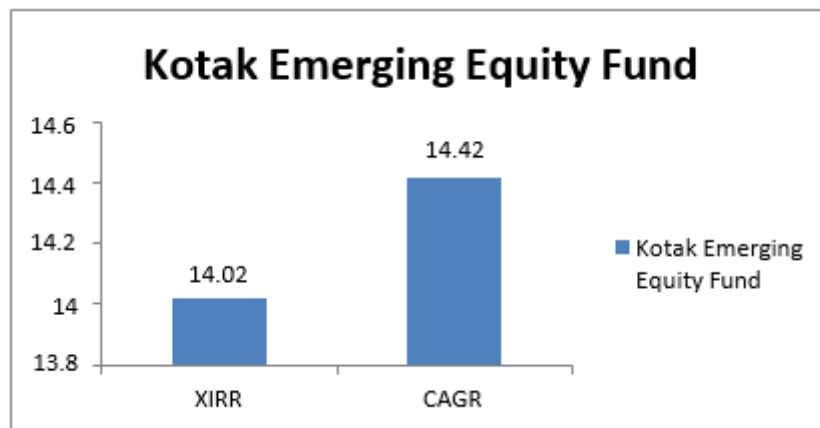
#### 1. Kotak Emerging Equity Scheme-Direct plan –Growth

##### SIP

Particulars	Rs	NAV as on 29-3-2019
Total units bought	2041.97	
Total value of fund	85285.09	
Total amount invested	60000	41.766
XIRR	14.02	

##### Lump sum investment plan

Particulars	Rs	NAV as on 29-3-2019
One time investment	60000	
Total units bought	4255.01	
Total value of fund	177715.05	41.766
CAGR	14.42	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 14.42% and CAGR is 14.42%. On Comparing both the options, one time investment is better in terms of CAGR.

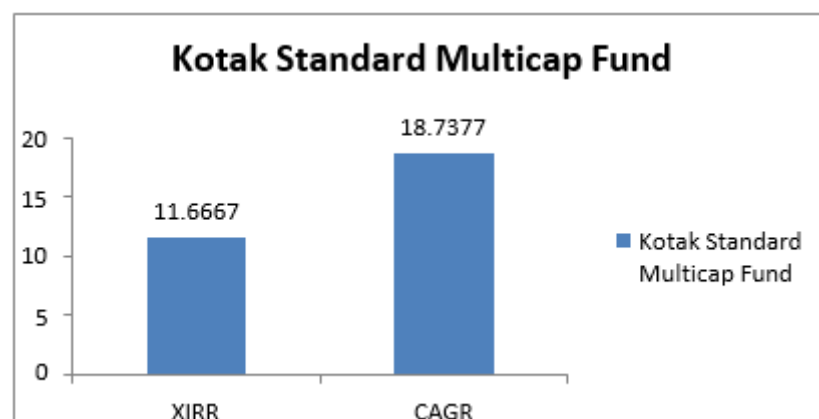
## 2.Kotak Standard Multicap Fund –Growth option

### SIP

Particulars	Rs	NAV as on 29-3-2019
Total units bought	2370.25	
Total value of fund	84092.06	35.478
Total amount invested	60000	
XIRR	11.66	

### Lump sum investment plan

Particulars	Rs	NAV as on 31-3-2019
One time investment	60000	
Total units bought	3991.48	
Total value of fund	141609.89	35.478
CAGR	18.73	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 11.6667% and

CAGR is 18.7377%. On Comparing both the options, one time investment is better in terms of CAGR.

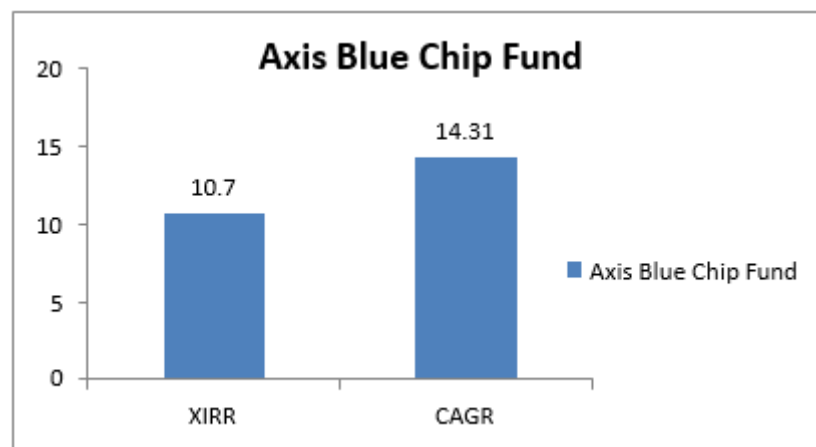
### 3. Axis Blue chip fund –Growth option

#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	2891.49	
Total value of fund	81800.25	
Total amount invested	60000	28.29
XIRR	10.7	

#### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	4140.78	
Total value of fund	117142.85	28.29
CAGR	14.31	



**Interpretation -** From the above calculation of the year 2014-19, XIRR is 10.7% and CAGR is 14.31%. On Comparing both the options, one time investment is better in terms of CAGR.

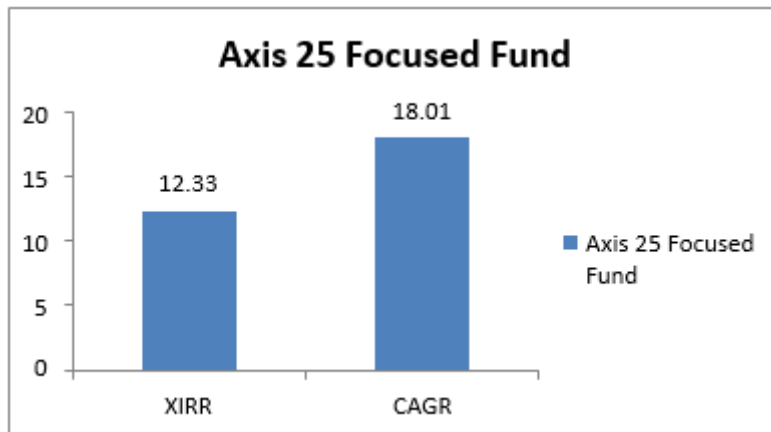
### 4. Axis 25 Focused Fund-Direct plan

#### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	2931.28	
Total value of fund	85681.31	
Total amount invested	60000	29.23
XIRR	12.33	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	4698.512	
Total value of fund	137337.50	29.23
CAGR	18.01	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 12.33% and CAGR is 18.01%. On Comparing both the options, one time investment is better in terms of XIRR.

**5. ICICI prudential blue-chip fund-Direct Plan-Growth****SIP**

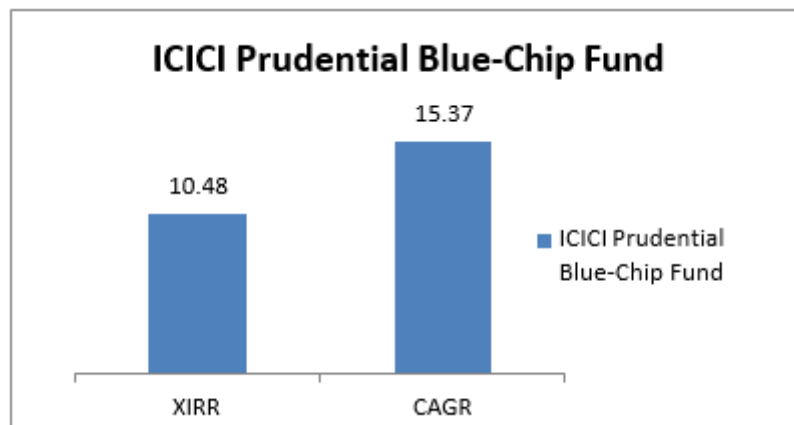
Particulars	Rs	Nav as on 31-3-2019
Total units bought	1822.29	
Total value of fund	81292.75	44.61
Total amount invested	60000	
XIRR	10.48	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	2749.77	44.61
Total value of fund	122667.27	
CAGR	15.37	

**Interpretation** - From the above calculation of the year 2014-19, XIRR is 10.48% and CAGR is 15.37%. On Comparing both the options, Systematic investment plan is better in terms of CAGR.





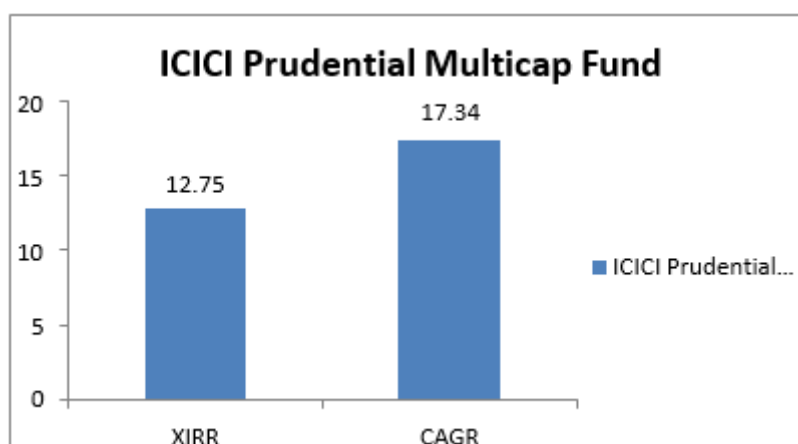
## 6. ICICI Prudential Multicap Fund-Regular Plan-Growth

### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	264.77	
Total value of fund	82595.12	311.95
Total amount invested	60000	
XIRR	12.75	

### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	427.77	311.95
Total value of fund	133445.03	
CAGR	17.34	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 12.75% and CAGR is 17.34%. On Comparing both the options, one time investment is better in terms of

CAGR.

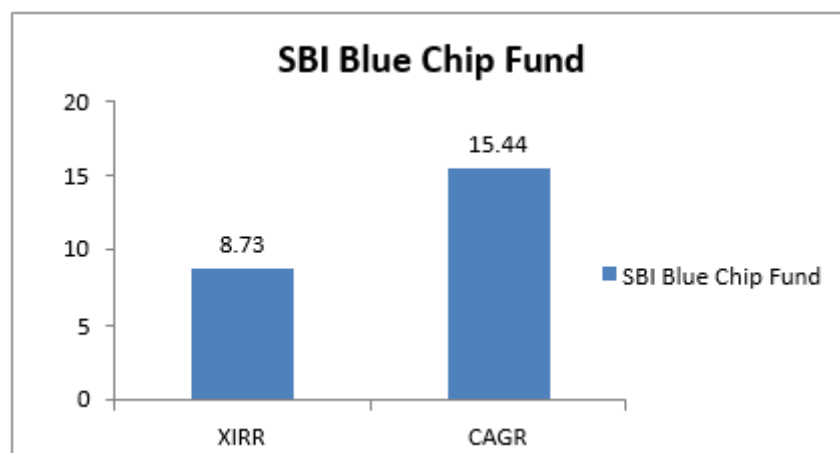
## 7.SBI Blue Chip Fund Regular plan -Growth

SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	1972.52	
Total value of fund	77322.78	39.2
Total amount invested	60000	
XIRR	8.73	

### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	3138.07	39.2
Total value of fund	123012.55	
CAGR	15.44	



**Interpretation -** From the above calculation of the year 2014-19, XIRR is 8.73% and CAGR is 15.44%. On Comparing both the options, Systematic investment plan is better in terms of CAGR.

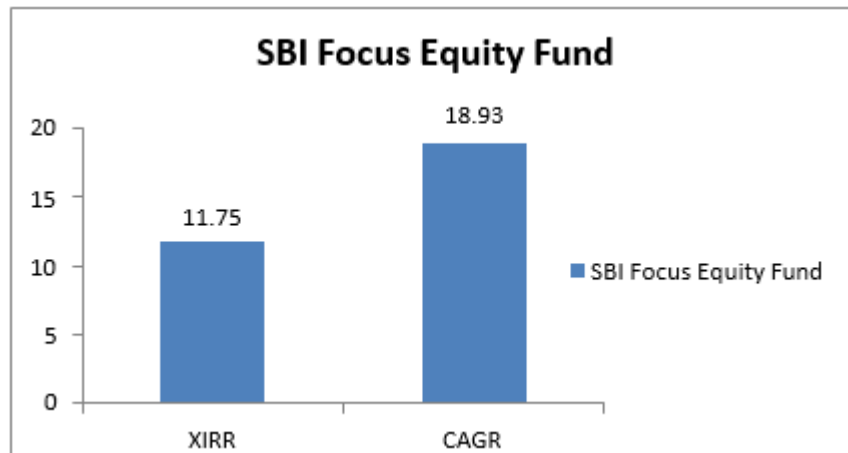
## 8. SBI Focus Equity Fund Regular plan – Growth option

SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	599.98	
Total value of fund	84315.84	140.53
Total amount invested	60000	
XIRR	11.75	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	1016.26	140.53
Total value of fund	142815.04	
CAGR	18.93	



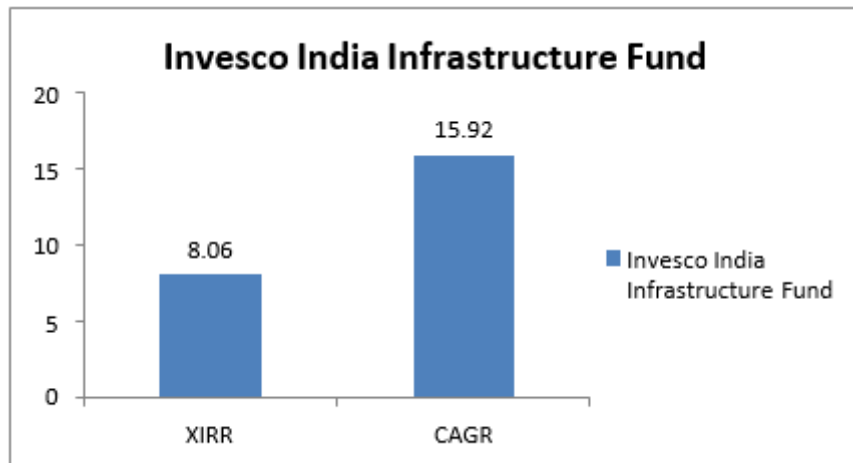
**Interpretation** - From the above calculation of the year 2014-19, XIRR is 11.75% and CAGR is 18.93%. On Comparing both the options, Systematic investment plan is better in terms of CAGR.

**9. Invesco India Infrastructure Fund Growth option****SIP**

Particulars	Rs	Nav as on 31-3-2019
Total units bought	4266.35	
Total value of fund	73509.27	17.23
Total amount invested	60000	
XIRR	8.06	

**Lump sum investment plan**

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	7290.40	17.23
Total value of fund	125613.60	
CAGR	15.92	



**Interpretation** - From the above calculation of the year 2014-19, XIRR is 8.06% and CAGR is 15.92%. On Comparing both the options, one time investment is better in terms of CAGR.

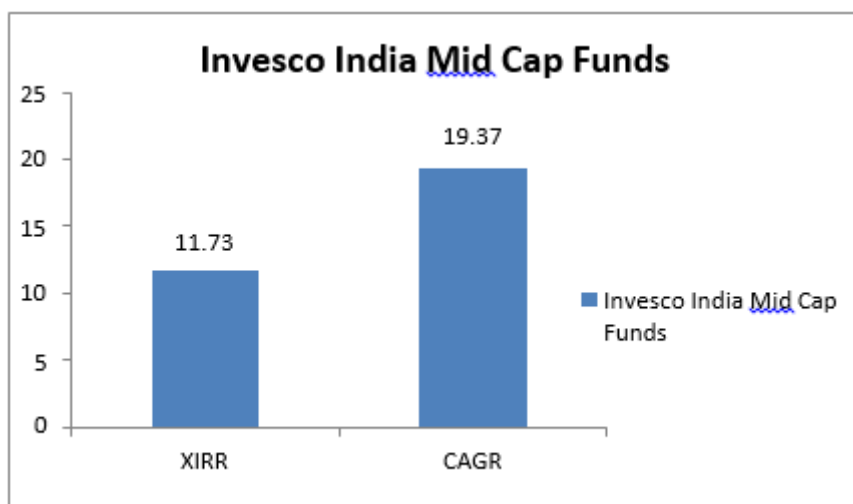
#### 10. Invesco India Mid Cap Funds-Growth option

##### SIP

Particulars	Rs	Nav as on 31-3-2019
Total units bought	1632.42	
Total value of fund	80543.60	49.34
Total amount invested	60000	
XIRR	11.73	

##### Lump sum investment plan

Particulars	Rs	Nav as on 31-3-2019
One time investment	60000	
Total units bought	2946.95	49.34
Total value of fund	145402.75	
CAGR	19.37	



### Interpretation

From the above calculation of the year 2014-19, XIRR is 11.73% and CAGR is 19.37%.  
On Comparing both the options, one time investment is better in terms of CAGR.

### Findings

Mutual Fund Schemes	Systematic investment plan	Lump sum investment plan
Kotak Emerging Equity Scheme-Direct Plan-Growth option	14.02	14.42
Kotak Standard Multicap Funds-Growth Option	11.66	18.73
Axis Blue Chip Fund Growth	10.70	14.31
Axis Focused 25 Fund- Direct Plan	12.33	18.01
ICICI Prudential Blue-Chip Fund- Direct Plan -Growth	10.48	15.37
ICICI prudential Multicap Fund-Regular Plan-Growth	12.75	17.34
SBI Blue Chip Fund Regular Plan –Growth	8.73	15.44
SBI Focused Equity Fund Regular Plan –Growth	11.75	18.93
Invesco India Infrastructure Fund Growth option	8.06	15.92
Invesco India Mid Cap Funds-Growth option	11.73	19.37

- From the analysis we found that all 10 mutual fund schemes provide better returns from one time investment.
- In Lump sum (One Time Investment), the unit that is purchased on NAV stays same as it was on investing day. But the value of the investment would be changing depending on Net Asset Value (NAV). Where as in Systematic Investment Plan (SIP), the no. of units also gets changed along with NAV since it is invested in intervals.
- When the NAV is less than the no. of units would be more and when the NAV is more than the no. of units decreases.
- In SIP there will be a very gradual compulsory growth in the value, whereas in lump sum the value may have growth or also decline depending on market conditions. Market volatility affects more on lump sum than on SIP.
- The value of the investment of both SIP and OTP also depends upon the type of Scheme in mutual fund invested. Like equity funds fetches more returns, long term has better growth than for short term schemes etc.
- Investing in balanced funds reduces the risk of decrease in the value of lump sum investment since in this scheme they invest in combination of equities and debt.

### SUGGESTIONS

- It is advisable for the investors to adopt one time investment if they expect the market to significantly move in an upward in future.

- It is advisable for the investors to adopt SIP investment if they expect the market to sign faintly move in a downward in future.
- An appropriate measure should be initiated to increase the awareness about the mutual funds to the investors and the firm should offer the mutual fund according to they need or purpose of the investor.
- The firms should try to highlight the benefits of SIP such as rupee cost averaging, power of compounding, etc.
- It is suggested that for safer double digit return from the market it is important to spend time in market and irrespective whether one does through SIP or through Lump sum investment.

## CONCLUSION

- Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions.
- If we have long horizon for investment, say for 10-15 years, growth in lump sum investment is always more than SIP.
- SIP is best suited for those who do not have lump sum amount but expect regular surplus in future.
- If the market movement is continue going to be high, it gives good return for lump sum investors because they are having a greater number of shares. The same time systematic investors will get low profit reason for that is they will get minimum number of shares in every month.
- The one-time investment gives low return only reason is that the number of shares they investing in is lower compare to systematic investment plan.

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