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**A COMPARATIVE STUDY OF SYSTEMATIC INVESTMENT PLAN (SIP) AND LUMP SUM INVESTMENT IN MUTUAL FUNDS: AN ANALYSIS BASED ON SECONDARY DATA**

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**ABSTRACT**

This paper analyses and compares two popular mutual fund investment strategies—Systematic Investment Plan (SIP) and Lump Sum Investment—using secondary data from trusted financial platforms, i.e., AMFI and NSE. The main aim is to measure the effectiveness, risk-return trade-off and performance analysis of each of the two strategies in different market conditions. The study is descriptive and comparative in nature and focuses on decade long industry patterns and SIP inflow with simulation data on returns. The results demonstrate the fact that Indian Mutual Fund industry has grown significantly over the past decade which is evident from the continual augmented in the AUM and growing SIP contribution from ₹9,000 crore in 2021 to ₹21,000 crore in 2025. This suggests that people are getting more financially literate and participating more in investing. Rupee Cost Average (RCA) results of the comparative analysis shows that premium payment provides higher absolute return during a continuously rising market on account of the whole capital being exposed and compounded. Given these advantages and an already large user base, SIP is the better option for retail and risk-averse investors, as numerous advantages of the SIP method, including rupee cost averaging, lower risk of timing the market and the advantage of the disciplined investing behaviour. The study establishes that there is not one best strategy that

could be recommended for all; that the best option depends on the states of the world, the risk preferences of the investors, and their financial objectives. Although Lump Sum investing is more advantageous in a bullish market, Systematic Investment Plan (SIP) is also considered a pragmatic and safer route for long term wealth creation in volatile markets. Therefore, these two methodologies are complementary to each other in the process of creating good financial planning and investment-making decisions.

**KEYWORDS:** Systematic Investment Plan (SIP), Lump Sum Investment, Mutual Funds, Risk and Return, Financial Planning.

## **INTRODUCTION**

Investment is the liquidity propelled by keeping money in financial market. The people of the nation want a safe place to invest that can give high returns along with a few risks and liquidity amid the present financial turmoil. Given the plethora of investment options the market offers, Mutual Funds have become the vehicle of choice to keep funds for retail investors. Mutual Fund gathers money from not hundreds but millions of investors and invests this money in a diversified portfolio of securities - equity, bonds or money market instrument. This helps reduce the risk and lets the investors invest in professionally managed products of investment. The global Mutual Fund industry has experienced phenomenal growth particularly in emerging economies like India in recent years. The rise in financial literacy, availability of digitized investment platforms and the backing from regulator Securities and Exchange Board of India – have played a role in getting more people to invest in Mutual Funds. Campaigns like “Mutual Funds Sahi Hai”, as well as the convenience of online platforms to invest, have led to a surge in investor participation in the Mutual Fund scheme. Investors can also deploy various investment tactics to buy investments that suit their financial and risk needs. SIP and Lump Sum Investment are two popular ways of investing in Mutual Fund schemes. SIP is an investment option under which an investor can contribute a fixed amount on a regular basis at pre-defined intervals (monthly/quarterly) into a Mutual Fund scheme. This culture inherently benefits SIP investors for averaging their investment returns as they invest regularly (when prices are high, investors purchase income is less units and when prices are low, investors purchase more units). SIP is especially good for investors who do not have a lump sum to invest, or those who want to invest slowly. Even then, Lump Sum Investment is basically the idea of an investor putting the whole amount in a mutual fund at once. The policy is designed for those investors who have the

money and who want to capitalize on the bullish markets. If markets behave after the investment, lump sum investments could have the better returns. In addition, they also pose the risk of substantial losses when the investment is conducted during market volatility or market downturns. For investors, financial advisers and analysts the question of whether it's better to invest in a lump sum or through a systematic investment plan (SIP) is long debated. SIPs are advised to mitigate impact of volatility market fluctuations and to develop long term investment discipline, but Lump Sum Investment could beat an SIP if markets are in bullish trend. So, it would be nice to see how the two strategies play out against each other. The current research work is trying to explore to some extent the performance of Lump Sum and SIP investment in mutual fund schemes using the secondary data. By analysing the past returns along with their risk and return patterns, the research intends to identify which investment strategy tends to perform better during different market phases. The results of this study would assist the investors, financial planners and policy makers to get superior understanding of the utility of these two plans and accordingly enhance their knowledge to take better decisions in personal finance.

### **Review of literature**

**1.Thorley (1994)** An Analogue in Behaviour to the Dollar-Cost Averaging Strategy is the Systematic Investment Plan (SIP) in mutual fund investing. The investigations were to examine whether periodic investment strategies beat lumpsum investing under various market situations. Based on theoretical models as well as real market data, the study analyses the risk and return profiles of the two strategies. The findings indicated that lump sum investing is likely to yield higher returns in markets characterised by long-term upward trends as the whole capital is kept invested in the market for a longer period of time. However, it was also stressed that periodic investment strategies such as SIP have many advantages such as reduction in risk, protection against timing the market and discipline for investors. Thorley noted that “lump sum investing may be theoretically preferable under some circumstances but system investing is a viable and psychologically appealing strategy for individual investors.

**2. Milevsky and Posner (2003)** have considered dollar-cost averaging vs. lump sum investment strategies in the context of continuous-time financial models. Their purpose was to study the optimal timing for investment decisions in uncertain financial markets. With the aid of mathematical modelling and simulation tools, the authors studied systematic investment strategies against the scenario in which an investor immediately invests a Lump Sum. The findings suggest that a lump sum investment statistically beats out systematic

investment strategies by a factor of 98.17% in most cases, due to a general good sense of time in the market. But the study also brought out the behavioural benefits of periodic investment: They are fun, a good way to save, and as close as anyone gets to a regular pay check as an investor. These techniques can also help investors resist bad timing decisions and become less emotional during market fluctuations. Therefore, the authors concluded that lump sum investment strategy may be optimal considering theoretical aspects, but systematic investment strategies like SIP have their place for investors having moderate risk aversion.

**3. Williams and Bacon (1993)** studied the relative performance of the lump sum investment and the periodic investment strategies in the financial markets. Their analysis of past stock market data was intended to show which one is likely to lead to superior returns in the future. Results showed that a strategy of periodic investing is dominated by investing a lump sum since it offers immediate market exposure and captures the complete benefit from market growth. Yet they also conceded that periodic investment policies have merits for risk management and investment discipline. Investors that buy in tranches are less vulnerable to a sudden market collapse and they also average the purchase price over time. The study suggested that the success of each strategy would greatly depend on market environment and investor's personality.

**4. Leggio and Lien (2001)** examine the performance of dollar cost averaging strategies using an empirical analysis in the market of high volatility. The purpose of the study was to investigate whether regular investment strategies that are exposed to market uncertainty can be a better strategic option with less risk. By analysing historical data and employing statistical methods, the authors demonstrated that systematic investment strategies fare better in volatile market environments, as they mitigate the risk of investing a lump sum at the market peak. It was further found that periodic investment is also beneficial for investors to take advantage of price volatility by rupee cost averaging. The researchers determined that while a lump sum investment had the potential to yield better returns in a stable, upward moving market, systematic investment strategies were preferable for investors who desired consistency and risk reduction.

**5. Greenhut (2006)** Studied the dollar-cost averaging technique from the perspective of both financial mathematician and a behavioural finance. The study sought to refute the conventional wisdom that systematic investing always results in better investment outcomes. Using financial analysis and stochastic modelling the result was that lump sum investing could be very often a better choice, as it maximizes the amount of time your money stays invested in the market. But the findings do also highlight behavioural benefits of systematic

investing, including taking emotional bias out of the equation of investing and the encouragement of long-term investment discipline. Investors who employ regular investment strategies are also not as prone to snap-up investment decisions as a result of short-term market oscillations.

**6. Constantinides (1979)** was an early theoretical investigation of optimal investment planning in stochastic financial markets. The study examined if gradual investment strategies might lead to better results for investors than investment in a lump sum. The results imply that, from a theoretical point of view, lump sum investing is more efficient in the majority of the cases, as investors are able to tap into the long-term upward drift of the market. The analysis, however, recognized that even systematic investment strategies may have some merit in the sense that they reduce investment risk and guard investors against adverse timing decisions.

**7. beysekera and Rosenbloom (2000)** to evaluate dollar-cost averaging strategies. Their study was concerned with the risk-return profiles of systematic investment strategies versus lump sum investments. The findings suggested that a regular investment plan is especially useful for the small, individual investors who are saving bit by bit from their income. Such strategies allow investors to weather market volatility and reduce the emotional anxiety caused by risking a large amount of money all at one time.

**8. Shtekhman, Tasopoulos, and Wimmer (2012)** analysed dollar-cost averaging strategies for a rolling-window portfolio in equity markets. This research article assessed the performance of systematic investing and lump sum investing under different market phases. The findings were that systematic investment was outperformed by lump sum investment in about two-thirds of the historical cases. However, the authors also pointed out that systematic investment strategies can diminish volatility and assist investors in staying invested in long-term investment plans.

**9. Venkataramani (2023)** An Empirical Study on Systematic Investment Plans versus Market timed Investments with special Reference to NIFTY 50) An investor is the one who undertakes the risk of investment in an asset and his venture depends on the investments of any asset. The analysis focused on investment performance and volatility patterns over long periods of time. The result shows that the SIP methodology results in more consistent returns, and also minimizes the effect of getting market timing wrong. The study concluded that SIP process is best suited for retail investors who intend to hold a long-term investment and who desire disciplined mode of investment.

**10. Gupta and Sehgal (2018)** Investigated the performance and growth of systematic investment plans in the Indian mutual fund market. The investigation focused on analysing SIP investment trends and returns in wealth generation. The result is SIP is gradually gaining ground with retail investors on account of its low cost, flexible nature and risk mitigating features. The research also brought out that SIP enables an investor to hedge his/her bets against market volatility and instils a sense of long-term financial discipline in him.

**11. Statman (1995)** Explored the psychological sources of the popularity of dollar cost averaging (DCA) strategies among investors. Study for lump sum investment An analysis of the research is that investing in lump sums over time the return-maximizing strategy - an opposite strategy of DCA - though many individuals find periodic investment strategies to be appealing options from behavioural standpoint (because of risk aversion, loss aversion and regret aversion). Statman stated that systematic investment strategies (e.g., SIP) give investors an opportunity to stay invested in the market during volatile market conditions. It was found that the best part of the investment decisions was based on Behavioural Finance.

**12. Sharpe (2007)** Analysed several investment strategies both normal and systematic investment strategies including market timing strategies. The research found that periodic investment strategies help reduce timing risk, in financial markets that are more uncertain. Sharpe said that savvy investors should have the discipline to build up investments piecemeal with disciplined investment programs instead of buying a lump sum and risking large losses due to poor timing. The study stressed that strategy of investment may vary with risk tolerance of a particular investor as well as long term financial objective.

**13. Panyagometh (2013)** performed to test whether Systematic Investment Plan (SIP) strategies really work in case of mutual funds. The study used data on mutual funds for a number of years to compare systematic investment to lump sum investing and a question. Results show systematic investment strategies outperform during more volatile market environments [3, 8], as systematic investing reduces exposure to market timing risk. SIP strategies infuse long-term financial discipline & portfolio diversification: other findings The study also observed that SIP strategies promote long-term financial discipline and portfolio diversification.

**14. Trainor (2005)** Reviewed dollar-cost averaging strategies in the light of historical market returns. The result is that for an increasing market a lump sum investment will have higher expected return. CAGR [compound annual growth rate]) followed the same trend: from investing a lump sum would give higher expected returns - Present situation: pretty obvious now. Yet systematic investment schemes may also reduce downside risk and help investors

manage volatility by smoothing returns. Investors who prefer to invest gradually and are less tolerant of financial risk are better suited for systematic investment plans.

**15. Knight and Mandell (1993)** on systematic investment behaviour Invest in systematically, invest systematically? Their findings support that periodic investment strategies contribute toward the habits of saving regularly and financial planning of households. The authors concluded that systematic investment plans remain a feasible mechanism for small investors to play with financial markets without an intimidating initial sum. For plan investors in the US, SIPs are very popular and help antiquated and possibly even hazardous financial investing carpets (such as inherited financial products) get a new lease on life.

**16. Lu, Wang, and Zhang (2014)** Analysed the performance of systematic investment strategies in equity markets using empirical data. The study compared periodic investment with lump sum investment across different market cycles. The results indicated that systematic investment strategies help reduce market volatility risk and improve portfolio stability. However, lump sum investments often generate higher long-term returns when markets perform strongly.

**17. Blanchett (2015)** studied the performance of systematic investment rules for long-term growth in the portfolio. The research investigated periodic investment as a means for investors to cope with uncertainty and accumulate wealth over time. Blanchett, a systematic investment plan investor himself, also noted that an SIP is a good investment option for those who contribute regularly to the market out of their income and wish to alleviate the mental anxiety brought about by market movements.

**18. Rao and Sibichan (2015)** Studied the mutual fund investment strategies performance in India. The study considered SIP and lump sum investments in some equity mutual funds. The findings suggest that SIP investments reduce the risk associated with market timing and give small investors a relatively stable long-term return.

**19. Singh and Chander (2018)** Studied the development of Systematic Investment Plans (SIPs) in the Indian Mutual Fund market. The study brings out that due to growing financial literacy, increasing internet penetration and other technological advancement in investment platforms, SIPs grew by leaps and bounds. They concluded that SIP schemes are invaluable for retail investors aspiring for long-term wealth creation through disciplined investing.

**20. Barber and Odean (2001)** Analysed investor behaviour and trading activity in stock and financial markets. While the analysis was specific to stock transactions, the results are pertinent to investment strategies like SIP and lump sum investing. The study concluded that

a significant number of investors are overconfident and trade too much, with these two factors detracting from returns. Systematic investment plans such as SIP reduce these biases to some extent by promoting disciplined and long-term investment behaviour rather than impulsive investing.

### **OBJECTIVES:**

1. To assess the effectiveness of Systematic Investment Plan (SIP) and Lump Sum Investment methods in Mutual Funds.
2. To study the risk-return relationship of Systematic Investment Plan (SIP) and Lump Sum Investments using secondary data from the stock exchange.

### **Research Methodology**

#### **1. Research Design**

The given study design to study two leading equity mutual fund schemes for assessing the performance of SIP and lump sum investment is descriptive-cum-cross sectional in nature. It is on the output of the returns, risk, and investment results of the strategies, analysing through secondary finance data. Comparative evaluation is used to find the best strategy in the different market scenarios like market volatility, bullish market and long run investment.

#### **2. Nature and Sources of Data**

The study is based on **secondary data** collected from reliable and authentic financial institutions and databases.

Major sources include:

- Association of Mutual Funds in India (AMFI)
- National Stock Exchange of India (NSE)
- Mutual fund factsheets
- Financial market research reports

These sources provide reliable information regarding **SIP inflows, market performance, mutual fund returns, and Assets Under Management (AUM)**.

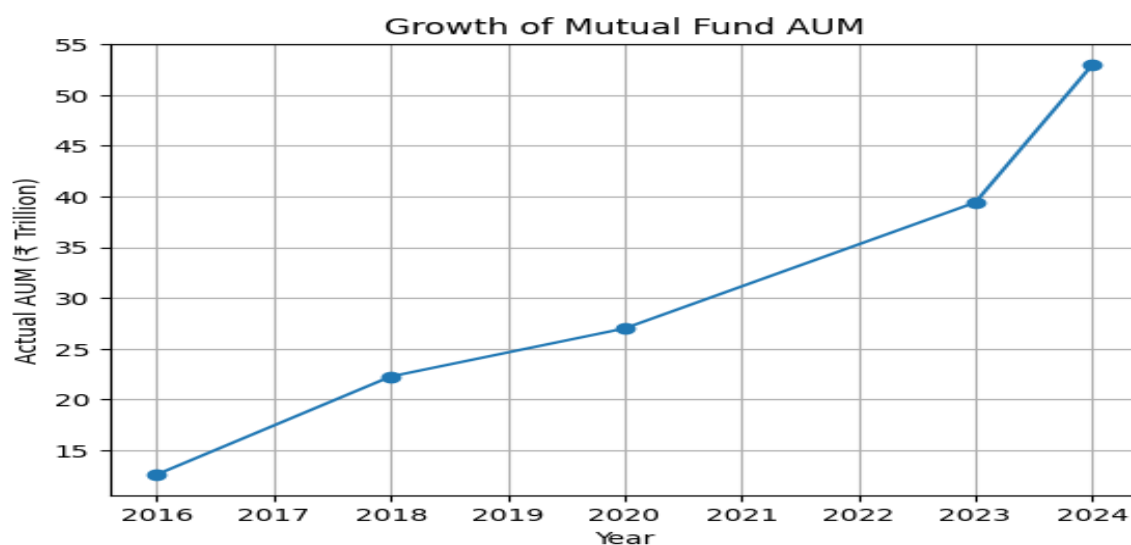
According to AMFI, the Indian mutual fund industry has grown rapidly, with **Assets Under Management (AUM) increasing significantly over the past decade**.

### 3. Data Collection and Analysis:

**Table 1: Growth of Mutual Fund Industry. (India)**

Year	Actual AUM (₹ Trillion)
2016	12.60
2018	22.26
2020	27.00
2023	39.42
2024	53+

**Source: Association of Mutual Funds in India**



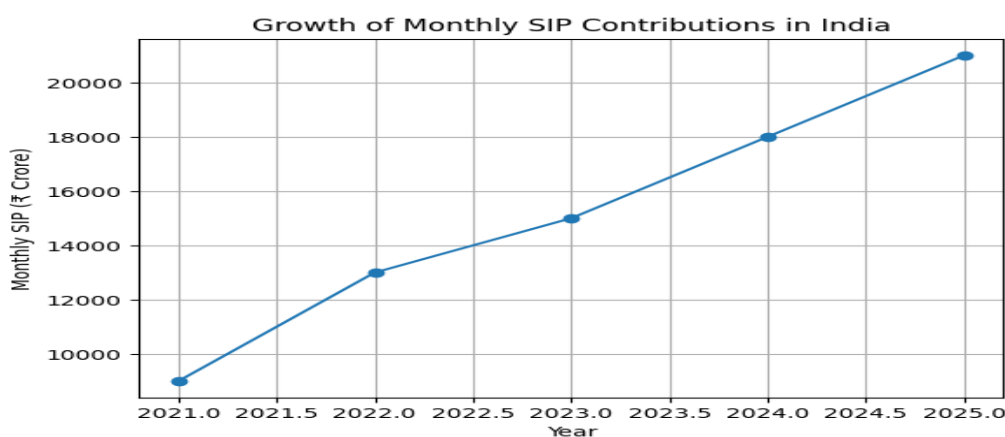
The high-level diagram shows growth in Indian mutual fund industry AUM from 2016 to 2024. The statement clearly reflects the gradual development from a positive to an increasingly positive in the total AUM is recurrently due to the rising popularity of mutual fund investment among investors in India. The AUM size of the mutual fund industry was approximately ₹12.60 trillion in 2016. By 2018, the number had grown substantially to 22.26 trillion and it depicts the skyrocketing nature of industry. Growing financial literacy, greater penetration of distribution channels, and regulatory support from the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds in India (AMFI) are contributing to this growth. There was more growth in 2020, when the AUM grew to ₹27 trillion, despite the market volatility during the year. The growing industry saw continued significant growth to ₹39.42 trillion in 2023. It saw an increase in AUM of over one thousand five hundred billion to over fifty-three trillion by the year 2024, signifying an explosive growth of mutual funds in terms of investment. This steady increase in AUM reflects increasing investor confidence in mutual fund schemes, wider acceptance of Systematic Investment Plans (SIPs), and developmental strides by the Indian financial market as a whole. The trend also

indicates sign of increasing retail investors and financial inclusion – the objective of the government and the regulatory authorities. Overall, the graph highlights the remarkable growth of the Indian mutual fund industry and suggests that mutual funds have become an important investment avenue for wealth creation and financial planning in India.

**Table 2 Growth of SIP Investments in India.**

Year	Monthly SIP (₹ Crore)
2021	~9,000
2022	~13,000
2023	~15,000
2024	~18,000
2025	~21,000

**Source: Association of Mutual Funds in India**



The chart presents the rise of the monthly Systematic Investment Plan (SIP) contributions in India for the years from 2021 to 2025. It highlights the data is going in the upward direction for Number of investors in SIP indicating participation of retail investors in mutual funds is increasing. The average monthly SIP contribution stood at around ₹9,000 crore in 2021. The figure witnessed a substantial rise to around ₹13,000 crore in 2022, as investors are becoming more aware and trustful of mutual fund investments. The upward trend continued in the following years. Monthly SIP contribution was around ₹15,000 crore in 2023, which is estimated to increase to about ₹18,000 crore in 2024. In 2025, the monthly SIP investment exceeded ₹21,000 crore, signifying a massive growth in systematic investment. Rising contributions to SIPs show that more and more investors are looking at investing in a disciplined, long-term manner. The growing inflow of SIP is also a testament to the success of financial awareness campaigns and regulatory support from institutions like Securities and Exchange Board of India, and the Association of Mutual Funds in India. Overall, the trend

highlights the growing importance of SIP as a preferred investment method for wealth creation and financial planning in the Indian mutual fund industry.

**Table 3: Investment Comparison Over 10 Years.**

Investment Type	Monthly/Initial Investment	Investment Period	Total Investment	Final Value (₹)
SIP	₹10,000 per month	10 years	₹12,00,000	₹23,23,391 <sup>1</sup>
Lump Sum	₹12,00,000 one-time	10 years	₹12,00,000	₹37,27,000

**Source:** Mutual fund CAGR simulation based on market returns reported by National Stock Exchange of India and Association of Mutual Funds in India.

### 1. SIP Final Value Calculation (Indexed Method)

The future value of a Systematic Investment Plan (SIP) is computed using the compound interest formula for periodic investments:

$$FV = P \times \left( \frac{(1+r)^n - 1}{r} \right) \times (1+r)$$

Where:

- $FV$  = Future Value of SIP
- $P$  = Monthly investment amount
- $r$  = Periodic rate of return (monthly)
- $n$  = Total number of instalments

#### Given Values:

- Monthly investment  $P = ₹10,000$
- Time period = 10 years = **120 months**
- Assumed annual return  $\approx 12\%$
- Monthly rate  $r = \frac{12\%}{12} = 1\% = 0.01$
- Number of periods  $n = 120$

#### Step Calculation:

$$(1+r)^n = (1.01)^{120} \approx 3.300$$

$$\frac{(1+r)^n - 1}{r} = \frac{3.300 - 1}{0.01} = \frac{2.300}{0.01} = 230$$

$$FV = 10,000 \times 230 \times 1.01$$

$$FV=10,000 \times 232.3 = ₹23,23,000 \text{ (approx.)}$$

### 1. Lump Sum Final Value Calculation (Indexed Method)

The future value of a lump sum investment is calculated using the compound interest formula:

$$FV = P \times (1 + r)^n$$

Where:

- FV= Future Value
- P= Initial investment
- r= Annual rate of return
- n= Number of years

#### Given Values:

- Initial investment  $P = ₹12,00,000$
- Time = 10 years
- Return rate  $\approx 12\%$  annually
- $r = 0.12, n = 10$

#### Step Calculation:

$$(1.12)^{10} \approx 3.106$$

$$FV = 12,00,000 \times 3.106$$

$$FV \approx ₹37,27,200$$

Above table depicts the SIP vs Lump Sum comparison for 10 years. Both are different investment approaches with lump sum of ₹12,00,000 each to be invested. In SIP, an investor invests ₹10,000 per month for 10 years and will have invested a total of ₹12,00,000. Then the portfolio value at the end of the investment period is about ₹23,23,391. This means that if you invest in SIP, you will also Realize a Benefit out of Them by means of Regular and Disciplined Investing. SIP: versus Lump Sum investment, except that it invests the sum of ₹12,00,000 over ten years for the Lump Sum investment instead of all at once. After 10 years,

the investment grows to about ₹3,727,000, far exceeding the value accrued from SIP. The above comparison clearly shows that lump sum investment provides better returns in this case. This is because the entire sum of the investment stays invested in the market for a longer time and hence it takes full advantage of the growth of the market and the power of compounding. While SIP invests money slowly over time, which means that a portion of the investment is put in the market later and has less time to grow. Overall, the interpretation suggests that Lump Sum investment may generate higher returns when the market experiences a consistent upward trend. However, SIP remains an effective strategy for investors who prefer disciplined investing, risk diversification, and reduced exposure to market timing risk. This analysis shows that lump sum investment can generate higher absolute returns when markets perform well. However, SIP reduces the risk associated with market timing and helps investors accumulate wealth gradually.

## RESULT AND FINDINGS

The study of monthly Systematic Investment Plan (SIP) contributions during 2021-2025 the SIP investment in India is gradually increasing and up to the mark Theorem proves in all of the cases of investment. The findings show that total monthly SIP inflow have been steadily increasing during the period under consideration. The average amount of SIP contribution in 2021 per month stood close to ₹9,000 crore. The amount rose to nearly ₹13,000 crore in 2022 showing a steep ascent in investor interest in mutual fund investing. The positive trend has continued in 2023 as the monthly SIP inflow has risen to roughly ₹15,000 crore. There is still higher demand in 2024 with SIP investments growing to approximately ₹18,000 crore per month. The monthly SIP inflow reached an all-time high at about ₹21,000 crore in 2025, indicating the peak level in the analysis period. This is a clear indication that there has been consistently hype for SIPs and that investors are increasingly adopting portfolios based around systematic investment schemes. A review of monthly Systematic Investment Plan (SIP) contributions for 2021-25 indicates about such a similar trend that did not look set to slow down for five years. The monthly SIP contributions went up from around ₹9,000 crore in 2021 to nearly ₹21,000 crore in 2025, which signals a massive increase in the number of investors in mutual fund schemes. This steady increase may be indicative of the fact that investors are becoming more systematic and disciplined in investing for wealth creation over the long term. The increasing SIP contributions are a testimony to higher financial awareness among investors and enhanced confidence in mutual fund space. In addition, the SIP inflow rising steadily is a testament to the expanding retail investor base in the mutual fund industry

and a sign of the overall investment climate getting stronger in the country. Overall, results indicate that SIP has become a preferred and effective investment avenue for the investors in India.

## CONCLUSION

The present study aimed to compare and evaluate Systematic Investment Plan (SIP) and Lump Sum investment methods in mutual funds using secondary data. By analysing industry growth trends, SIP contribution patterns, and comparative return outcomes, the study highlights the performance and practical relevance of both investment approaches. The findings indicate significant expansion in the Indian mutual fund industry, reflected through the continuous increase in Assets Under Management (AUM). This growth demonstrates rising investor awareness, improved confidence, and greater participation in mutual fund investments. Additionally, the steady increase in monthly SIP contributions suggests that retail investors are increasingly adopting disciplined and systematic investment practices. The comparative analysis over a ten-year investment horizon reveals that Lump Sum investment tends to generate higher returns during favourable market conditions, primarily because the entire capital remains invested for a longer duration and fully benefits from compounding. In contrast, SIP involves gradual investment over time, which may result in comparatively lower absolute returns in consistently rising markets. However, SIP offers several important advantages, including rupee cost averaging, reduced exposure to market timing risk, and the promotion of disciplined investing behaviour. It also helps in managing market volatility by spreading investments over time, making it particularly suitable for small investors and those with moderate risk tolerance. In conclusion, both SIP and Lump Sum investment strategies have their own merits and limitations. While Lump Sum investment may provide higher returns in bullish market conditions, SIP is a more practical and safer approach for long-term wealth creation, especially in uncertain or volatile markets. Ultimately, the choice between these two strategies should depend on the investor's financial capacity, risk appetite, investment goals, and prevailing market conditions.

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