
THE ROLE OF REGULATORY INTERVENTIONS BY SEBI IN DRIVING SYSTEMATIC INVESTMENT PLAN GROWTH IN INDIA

***Dr. Payal Dubey and Dr. Suresh Kumar Pattanayak**

¹Assistant Professor; Amity University, Chhattisgarh.

²Associate Professor; Amity University, Chhattisgarh.

Article Received: 29 May 2025

*Corresponding Author: Dr. Payal Dubey

Article Revised: 19 June 2025

Assistant Professor; Amity University, Chhattisgarh.

Published on: 09 July 2025

Email Id: pdubey@rpr.amity.edu

ABSTRACT

One of the most notable aspects of retail investor involvement in the mutual fund sector in India is the expansion of Systematic Investment Plans (SIPs). This study examines how the Securities and Exchange Board of India's (SEBI) regulatory actions have been crucial in fostering and maintaining this expansion. Transparency, investor trust, and accessibility have all greatly benefited from SEBI's initiative-taking efforts, which range from improved disclosure standards and investor protection frameworks to fee structure rationalization and digital onboarding simplification. In order to promote disciplined, long-term investment through SIPs, SEBI has established a strong ecosystem by requiring consistent disclosures, limiting total expense ratios (TERs), and promoting financial literacy. Through an examination of SIP inflow patterns, investor demographics, and mutual fund industry reactions, the study also assesses the efficacy of these measures. The results indicate that, particularly for retail investors, SEBI's regulatory framework has played a significant role in influencing investment behavior to become more goal-oriented and structured. In order to ensure continued retail investor involvement in the Indian capital markets and to further develop the SIP ecosystem, the paper ends with policy proposals.

KEYWORDS: SEBI, Systematic Investment Plans, SIP Growth, Mutual Funds, Regulatory Interventions, Financial Literacy, Retail Investors.

INTRODUCTION

Investors can commit a certain amount of money at regular periods using Systematic Investment Plans (SIPs), a disciplined investment strategy within mutual funds. These programs are perfect for people who want to reach long-term financial goals including building wealth, saving for retirement, or paying for their school. By investing a set amount continuously across market swings, SIPs' Rupee Cost Averaging reduces market volatility. When returns are reinvested, the Power of Compounding speeds up the accumulation of wealth over time. Because SIPs automate regular investments, they also promote financial discipline. They are available to a wide range of income levels because to their flexibility and affordability.

SIPs are the perfect tool for financial inclusion and long-term wealth growth since they solve typical investor problems. The main regulatory organization in India that keeps an eye on the securities market, including mutual funds, is the Securities and Exchange Board of India (SEBI). It was founded in 1988 with the goal of ensuring the capital markets in India operate and grow in a methodical manner. Protecting investors, upholding market integrity, and guaranteeing transparency in the financial industry are among SEBI's primary duties. To encourage ethical behavior and protect investors from deceptive methods, it creates and implements regulations controlling fund management procedures, risk exposure caps, and strict disclosure requirements. expansion of SIPs (mutual funds). For retail investors, particularly those who are new to the capital markets, trust in the regulating body is essential. Investors can feel confident because SEBI consistently upholds these norms, especially for long-term commitments like SIPs.

This study examines how SEBI's regulatory actions have affected the expansion of mutual fund investments (SIPs) in India. It looks at the industry's historical background, SEBI's guiding ideals, and the precise effects of SEBI's regulatory actions on SIP expansion. In addition, the study examines SIP growth trends, contrasts them with alternative investment options, and talks about the prospects and problems facing the SIP market.

Historical Phases of Mutual Fund Development in India (1964-Present)

Each of the five stages that the Indian mutual fund sector has gone through has been vital in forming the current landscape. In 1963, the Unit Trust of India (UTI) was founded, laying the foundation for mutual funds in India and promoting small investors during the first phase (1964–

1987). Public sector banks and other financial institutions entered the mutual fund market during the second phase (1987–1993), with SBI Mutual Fund becoming India's first non-UTI mutual fund. The sector was liberalized during the third phase (1993–2003), which allowed private companies to enter the market. This resulted in the rise of multiple private-sector Asset Management Companies (AMCs) and heightened competition. The investment strategy was completely transformed in 1993 with the launch of Systematic Investment Plans (SIPs), which made investing more methodical and accessible to average investors. "Comprehending India's Mutual Fund History | 5paisa" In order to improve transparency and fortify investor protection, SEBI launched additional regulatory reforms during the fourth phase, which ran from February 2003 to April 2014. The introduction of the Direct Plan option and the use of digital platforms for investing and mutual fund portfolio management have propelled the mutual fund industry's rapid expansion during the fifth phase, which has been in place since May 2014.

SEBI's Regulatory Framework for Mutual Funds: Core Principles and Structure

In India, SEBI is a regulatory agency that works to keep the securities market growing and operating in an orderly manner. Its main goal is to establish a well-organized financial environment that gives investors peace of mind and enables them to make safe investments while guaranteeing that fund managers adhere to strict moral and regulatory guidelines. This is accomplished by creating and enforcing regulations that control a number of crucial elements, such as fund management, risk exposure caps, and strict disclosure requirements.

In addition to being theoretical rules, SEBI's core values of investor protection, market integrity, and openness serve as real-world foundations that support the trust and confidence that retail investors need in order to interact with mutual funds, including SIPs. Since mutual funds combine the capital of numerous individual participants, trust is crucial. Perceived risks and a lack of responsibility would severely hinder the notable rise in SIPs without this strong regulatory foundation, making SIPs less appealing as a long-term investment. SEBI requires a distinct three-tier structure for mutual funds in India in order to guarantee accountability, transparency, and the defense of investor interests. The Indian Trust Act of 1882 mandates that these organizations function as Public Trusts. As the originating entity of a mutual fund, the sponsor is in charge of creating the fund, supplying the initial funding, and making sure that the Indian Trust Act, 1882, is followed. An independent entity chosen by the sponsor, the

trustee or trust, is in charge of managing the fund's activities and making sure that the SEBI (Mutual Funds) Regulations are strictly followed. The organization in charge of the mutual fund's daily operations and actual investment management is the Asset Management Company (AMC). The trustees have direct control over the AMC's operations, and SEBI must give its permission. With its built-in checks and balances and emphasis on independence, this carefully thought-out three-tier structure is an essential institutional safeguard that successfully reduces conflicts of interest and improves overall accountability within the mutual fund business.

Annual SIP Inflows Skyrocket

The total amount invested via SIPs each financial year shows a powerful and accelerating trend, reflecting growing investor trust and discipline.

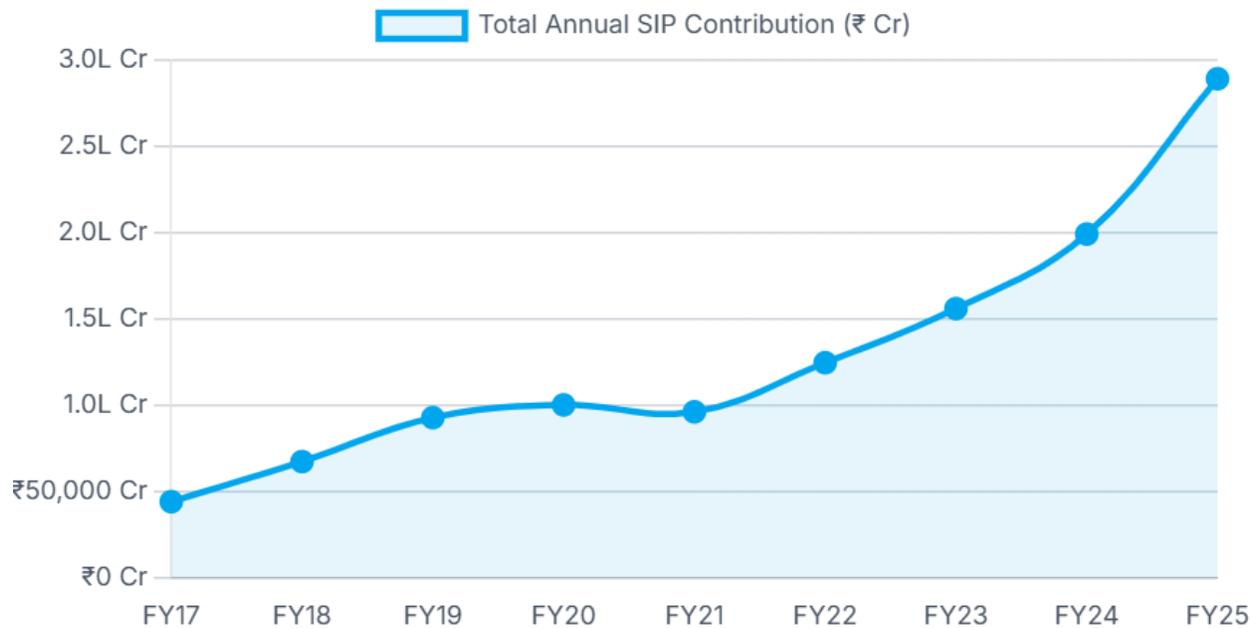


Fig. No. 1.

Key Regulatory Interventions by SEBI and their Impact on SIP Growth

In India, mutual funds imposed "entry loads," or upfront costs of roughly 2.25% on the investment amount, prior to August 2009. The net investment and possible profits were reduced by these fees, which were imposed to pay for administrative and distribution costs. The mutual fund industry underwent a radical change when SEBI decided to eliminate these entrance loads, saving investors an estimated ₹1,300 crores in the first year alone. This intervention changed the

pay mechanism and greatly increased the transparency of distributor commissions, making mutual funds more accessible and affordable.

SIPs became more appealing and financially feasible for individual investors, especially those making smaller, more frequent contributions, when entry loads were eliminated because it directly decreased the cost of investing in mutual funds. The distribution environment was also changed by the regulation reform, which encouraged distributors to concentrate on long-term partnerships and investor retention by switching their incentives from upfront commissions to trail commissions. Given that SIPs are intended for consistent, long-term investment, this new incentive structure was a perfect fit.

By requiring the reclassification and streamlining of mutual fund schemes, SEBI implemented a significant reform in 2017. This directive simplified the wide and frequently perplexing range of available schemes by requiring fund houses to follow the "one-scheme-per-category" philosophy. As a result, investors were able to evaluate funds more successfully and make better decisions based on their stated goals, risk tolerances, and investment objectives.

SEBI's reclassification improved investor understanding and enabled better decision-making by demythologizing the frequently complicated world of mutual fund schemes. Higher adoption rates and maybe better investor outcomes from more suitable fund selections result from increased transparency and ease of selection, which also boost investor trust and facilitate the SIP onboarding process. These factors support SIP growth.

All mutual funds must provide "Direct Plans" as a more affordable option to standard plans, as required by SEBI. This enables investors to make direct investments with the Asset Management Company (AMC) without going via a broker or distributor. Compared to conventional plans, direct plans offer a substantially reduced expense ratio, which over time results in higher net returns for investors. Investors who would rather handle their money on their own or who want to optimize their profits by cutting down on middlemen expenses are empowered by this program.

All SIP investors have benefited from increased competition in the mutual fund industry brought about by the legislative push for direct plans, which has decreased total costs for all plan

types. Additionally, it encouraged distributors to use value-added services—like financial planning and advice—instead of only sales to support their commissions. Additionally, this action promoted the growth of execution-only platforms (EOPs) with low transaction costs. Understanding its vital role in market growth, SEBI aggressively promotes investor education and financial literacy through a variety of platforms. SEBI runs comprehensive investor awareness seminars throughout India in partnership with important stakeholders including the Association of Mutual Funds in India (AMFI). These workshops cover important subjects like money management, personal finance, and securities market investments. Launched by AMFI in March 2017, the "Mutual Funds Sahi Hai" campaign was a huge success and helped to significantly increase investor involvement.

SEBI consistently uses its official investor website to offer thorough educational materials, such as manuals on financial concerns, different investment options, and securities market operations. Broad-based investor education programs that concentrate on high-risk domains such as Futures & Options (F&O) trading, cyber fraud prevention, and encouraging safe investing practices are examples of more recent initiatives. The public's trust in mutual funds was bolstered by education efforts, especially "Mutual Funds Sahi Hai," which served as a potent catalyst. Given SIPs' low minimums and disciplined nature, these efforts naturally pushed SIPs as the main and most practical entry point for individual investors by advancing the idea of mutual funds as a (right) and accessible investment.

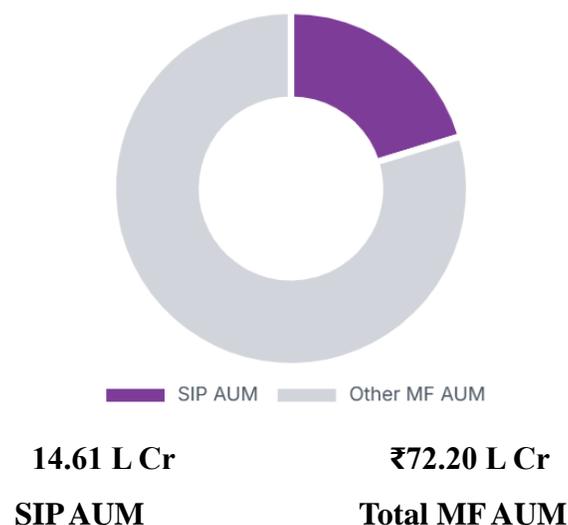


Fig. No.-2.

As of May 2025, assets managed through SIPs constitute a significant and stable portion of the entire Indian mutual fund industry's AUM. This highlights that SIPs are not a niche product but a cornerstone of retail investment, consistently channeling household savings into the capital markets.

Digitalization and KYC Norms: Streamlining Investment Processes and Expanding Reach

Digital tools for investing and administering mutual fund portfolios, including SIPs, have significantly changed the mutual fund sector in India. By releasing regulatory frameworks for "Execution Only Platforms" (EOPs), which enable transactions in mutual fund direct plans, SEBI has backed this development. SEBI has imposed transaction fee restrictions and expedited digital onboarding procedures for portfolio managers' clients in order to guarantee affordability and accessibility.

In order to simplify the investment process and make SIPs more comfortable and available to a larger range of people, Know Your Client (KYC) standards have also been put into place.

Particularly for small, consistent investments like SIPs, traditional investing procedures were frequently paper-intensive and necessitated physical presence, which caused friction and restricted access. By promoting digital platforms, simplifying digital onboarding procedures, and standardizing/centralizing KYC standards (Aadhar-based KYC, KRAs), SEBI's intervention has decreased paperwork, expedited onboarding, allowed for smooth transactions between fund houses, and decreased transaction costs on digital platforms.

Due to the democratization of mutual fund access brought about by digitalization, the investor base has grown beyond conventional financial hubs and metropolitan areas. By making SIPs safer, more affordable, and easily accessible to millions of people, this technological enablement enhances existing regulatory initiatives while also promoting more financial inclusion and speeding up the growth trajectory of SIPs.

SEBI has continuously underlined the need to establish strong disclosure standards in order to guarantee openness and empower investors to make well-informed decisions. In order to give investors accurate and thorough information about different schemes, it requires fund institutions to follow standardized disclosures and publish thorough fact sheets. Additionally, SEBI

standardizes investment methods and asset allocation across various mutual fund categories, guaranteeing that funds stay true to their stated goals and risk profiles. Regarding risk management, SEBI regularly analyzes the industry's ability to withstand a range of unfavorable market conditions. Stricter disclosure requirements and improved risk indicators tailored to derivatives products are among the recent improvements, which were implemented in May 2025 and demonstrate SEBI's ongoing efforts to adjust to changing market complexities and shield investors from excessive risks. Building and preserving investor trust, particularly for long-term commitments like SIPs, requires strict risk management and strong disclosure standards. SEBI has created a reliable and robust mutual fund industry, decreased the perceived "black box" nature of mutual funds, and increased investor confidence by requiring thorough disclosures, standardizing scheme categories and asset allocation, enforcing regulations like the "80% Rule," and carrying out stress tests.

The Expanding Universe of SIP Investors

The number of active SIP accounts has consistently climbed, demonstrating that more Indians are adopting systematic investing for their financial goals.



Fig. No.-3.

SIPs: A Major Force in the Mutual Fund Industry

Recent and Proposed Regulatory Changes: Adapting to Market Dynamics

As a regulatory agency, SEBI examines and revises its framework to stay abreast of changing market conditions, technology breakthroughs, and new issues. In order to make mutual fund laws more business-friendly and investor-centric, it is now evaluating them. The loosening of business norms for asset management companies (AMCs) is one important subject of current attention. Regulation 24(b) of Mutual Fund Regulations, which currently limits AMCs to managing only broad-based pooled funds, is subject to changes recommended by SEBI. AMCs will be able to oversee non-broad-based pooled funds under more stringent regulations thanks to the new plans.

SEBI suggests strong measures such differential fees, improved order management systems, and a rigorous ban on the transfer of securities between mutual fund schemes and pooled non-broad-based funds in order to reduce the possibility of conflicts of interest. Furthermore, as long as these operations are properly regulated, SEBI suggests permitting AMCs and their subsidiaries to engage in auxiliary businesses including marketing and distribution services.

To control foreign exchange volatility and stop rupee depreciation, SEBI has put limits on foreign funds in place in tandem with the Reserve Bank of India (RBI). As a result, most foreign equity schemes and ETFs now temporarily prohibit new lump-sum deposits and SIPs unless redemptions leave enough "headroom" within these constraints. To avoid disruption for systematic investors who are dedicated to global diversification, existing Systematic Investment Plans (SIPs) were frequently allowed to continue.

Together, these constant modifications point to a dynamic regulatory framework that works to improve investor welfare and maximize market performance, allowing the mutual fund sector—and consequently, SIPs—to expand responsibly. Systematic Investment Plans (SIPs) have grown significantly in India, a trend that reflects the country's residents' increasing desire for methodical, disciplined investing.

Quantitative Analysis of SIP Growth

With monthly payments rising by roughly 515% over an eight-year period, the expansion of systematic investment plans (SIPs) in India has been a noteworthy trend. The ₹2.4 trillion

cumulative SIP inflow from January to November 2024 shows that a sizable amount of money is being transferred via this methodical process. As contributions have increased steadily, so too have the number of SIP accounts, which peaked in May 2025 at 8.56 crore. This monthly surge reflects the ongoing onboarding of investors and the 59.15 lakh new SIP accounts that were registered in May 2025 alone.

As a result of steady contributions and market growth, the total AUM specifically attributable to SIPs reached ₹14,61,360.31 crore in May 2025. Over the last six months, SIP assets have remained remarkably stable, making up 19.2% to 20.5% of the total assets under management (AUM) of the mutual fund industry. With the total assets under management (AUM) of Indian mutual funds rising from ₹8.11 trillion in June 2013 to over ₹72.20 lakh crore in May 2025, the mutual fund sector has also seen tremendous growth.

Numerous folios (investor accounts) demonstrate the significant increase in investor participation. With equity schemes accounting for over 45% of the total AUM, which was ₹30.5 lakh crore in May 2025, they have continuously contributed significantly to this expansion. Strong involvement from domestic and retail investors has propelled this growth in equities AUM, indicating a robust market and rising trust in the Indian economy. The significant increase in total AUM and folio count, especially in equity-oriented schemes, highlights how family savings in India are becoming more financialized. This trend is closely related to the confidence and trust that SEBI's extensive regulatory framework instills.

Comparison with Other Investment Avenues (Fixed Deposits, Real Estate, Direct Equity, Gold)

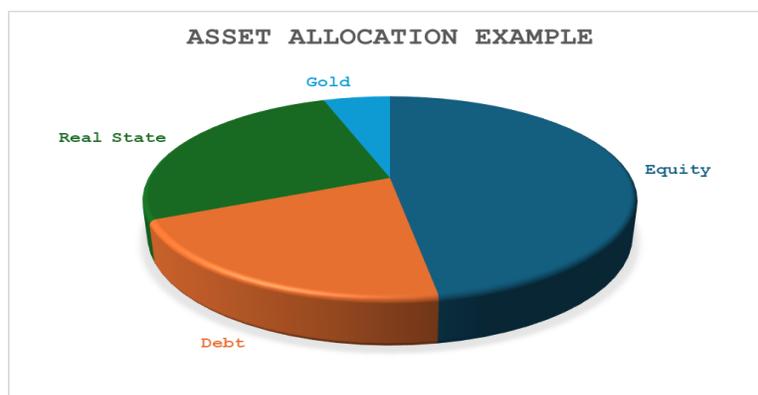


Fig. No.-4.

Because of its accessibility, risk management, and development potential, mutual fund Systematic investing Plans (SIPs) offer a distinctive investing opportunity in India. Low entry hurdles, strong liquidity, and a diverse investment base are characteristics of SIPs. Bank regulations affect the liquidity of fixed deposits (FDs), which offer assured returns but lower returns. Those looking for consistent rental income and long-term capital growth can invest in real estate, although it does need bigger initial financial outlays. Direct equity investments have no minimum or maximum investment limitations and no lock-in periods, but they also carry a high risk level in addition to their great return potential. For many retail players, the inherent hazards of direct trading were brought to light by a recent SEBI study.

Sovereign Gold Bonds (SGBs), Gold ETFs, or actual gold are all regarded as low-risk investments with strong liquidity and the ability to beat inflation. Government-backed SGBs provide special tax treatment for returns, mature after eight years, and require a minimum investment of one gram of gold. SIPs provide a special combination of potential wealth growth, risk mitigation through rupee cost averaging, and accessibility that regular channels frequently don't give. India's distinct SIP growth trajectory can be contextualized by comparing the adoption rates of SIP other rising nations such as China, Brazil, and South Africa. With monthly contributions tripling from ₹4,335 crore in March 2017 to ₹8,324 crore by July 2019, India's SIP growth is especially strong, indicating that systematic investing is deeply ingrained among Indian individual investors. In conclusion, SIPs are a more widespread and robust investing instrument than traditional options because they provide a special blend of accessibility, risk control, and development potential in India.

Challenges in India's SIPs Expansion

- **Market Volatility and Investor Sentiment:** Sharp market corrections can test investor discipline, potentially leading to pauses or discontinuations of SIPs.
- **Lack of Financial Literacy and Awareness:** Despite efforts like the "Mutual Funds Sahi Hai" campaign, financial education is lacking in India's semi-urban and rural areas.
- **Compliance Burden for Asset Management Companies (AMCs):** Existing regulations can be complex and lengthy, with operational costs and efforts required to adhere to evolving regulations.

- **Distribution Challenges:** The abolition of entry loads in 2009 altered revenue models for mutual fund distributors, potentially impacting their incentives and reach.
- **Cybersecurity Risks:** With increasing digitalization, cybersecurity risks have emerged, necessitating enhanced surveillance systems and new features like Validated UPI.
- **Restrictions on International Funds:** Restrictions on international funds limit Indian investors' ability to diversify globally, limiting portfolio optimization. Adaptation to market dynamics and balancing investor protection with ease of doing business is crucial for SIP growth.

Opportunities

Favorable factors and continued regulatory backing are projected to drive significant expansion in the Indian mutual fund market, especially in SIPs. Since a sizable section of the population, especially in Eastern India and outside of Tier 1 cities, has not yet completely assimilated into formal financial markets, there is a substantial amount of unrealized market potential in India. Online platforms and mobile applications, which are examples of fintech innovation and digitalization advancements, can streamline access and enhance the ease of starting and maintaining SIPs. Smartphone adoption and rising digital literacy create an ideal environment for these technologies to spread. Asset Management Companies (AMCs) can meet a variety of investor needs through product innovation; mutual funds are made more attractive by new asset classes and streamlined scheme classification. To turn conventional savers into knowledgeable investors, it will be essential to implement sustainable financial literacy and investor education programs. Exponential SIP growth is made possible by the combination of a sizable, ambitious population, quick technological uptake, and a favorable legal environment.

CONCLUSION

The Securities and Exchange Board of India's (SEBI) proactive regulatory actions have contributed to the notable expansion of Systematic Investment Plans (SIPs) in India. By encouraging trust and minimizing conflicts of interest, the regulatory framework has created an ecosystem that is open and welcoming to investors. The elimination of entry loads in 2009, the categorization and rationalization of mutual funds in 2017, and the encouragement of Direct Plans are examples of important measures. SIP adoption has also been aided by SEBI's proactive investor education and awareness campaigns, such the "Mutual Funds Sahi Hai" campaign. A

broader range of people can now access SIPs due to the reduction of investing process friction brought about by digitalization and simplified KYC regulations. Investor trust and market resilience have been maintained by SEBI's ongoing improvement of the disclosure and risk management frameworks. The success of these legislative initiatives is demonstrated by the exponential growth of SIP contributions and accounts, as well as the rise in mutual fund AUM and folio counts. Sustained SIP growth is made possible by the enormous unrealized market potential, ongoing fintech innovation, and a favorable economic climate. To realize this potential, SEBI's ongoing efforts to promote customized products, ease digital access, and strengthen investor education will be essential.

REFERENCES

1. Bagdi, S., & Pragnyath, R. R. (2023). Unlocking The Potential Of The Indian Aif Regime and Sebi's Role in It. *Indian J. Integrated Rsch. L.*, 3, 1.
2. Bandi, S., & Kothari, A. (2022). Artificial intelligence: An asset for the financial sector. *Impact of Artificial Intelligence on Organizational Transformation*, 259-287.
3. Darekar, O. G. (2025). The Investment Landscape of Tomorrow A Study Of Investor's Adaptability and The Rise of Emerging Investment Options.
4. Das, I., Sarkar, P. K., Nayak, P., & Garikapati, K. (2020). Growth Of Sebi as A Regulator of the Indian Capital Market. *Palarch's Journal of Archaeology of Egypt/Egyptology*, 17(12).
5. Fund, D. M. L., & Citibank, N. A. Asset Management Company. *Risk*, 70, 100.
6. Iyengar, V. (2009). *Introduction to banking*. Excel Books India.
7. JOY, A. R. (2022). Empirical analysis of the effectiveness of stock market anomalies.
8. Khan, A., Arun, T., Murinde, V., Kostov, P., Markose, S. M., Goel, V., ... & MCGarrell, R. (2024). Wealth Management and FinTech Innovation in UK & India. *Available at SSRN 4992993*.
9. Kumari, S., Venu, D., & Tandan, P. Investor Perception and Market Volatility During the Bear Trend of 2025.
10. Mahecha, K. S. (2021). *Investment Analysis of an Insurance Company* (Doctoral Dissertation, Institute of Management, Nu).

11. Nain, I., & Rajan, S. (2023). Algorithms For Better Decision-Making: A Qualitative Study Exploring the Landscape of Robo-Advisors in India. *Managerial Finance*, 49(11), 1750-1761.
12. Palak, S. J., & Shukla, A. Behavioral Economics and Consumer Financial Decision-Making: An Indian Perspective.
13. Rathod, Y. R., & Thakrar, N. (2024). Assessing The Effectiveness Of Indian Mutual Fund Schemes: A Performance Evaluation.
14. Roy, K., & Ray, S. (2017). Birla Sun Life Asset Management Company-Harting A Unique Success Trajectory. *Journal Of the International Academy for Case Studies*, 23(3), 1-15.
15. Roy, T. (2023). *The Reserve Bank of India: Volume 5: Volume 5, 1997–2008*. Cambridge University Press.
16. Saluja, B. S. (2021). *Equity Research Analyst (A Study of Equity Research and Analysis on Financial Market)* (Doctoral dissertation, Institute of Management, NU).
17. Singh, K. N., & Misra, G. (2023). Divergence Between Economic Growth and Stock Market Performance In India: Implications for Investor Education And Financial Well-Being. *International Journal of Indian Culture and Business Management*, 28(4), 542-568.
18. Singh, V. K. (2021). Policy And Regulatory Changes for A Successful Startup Revolution: Experiences from The Startup Action Plan In India. In *Investment In Startups and Small Business Financing* (Pp. 33-67).
19. Venkatesh, S., Srinivasa, G., Nandini, L., & Padmavathi, S. M. (2025). Evaluating The Impact of Behavioural Syndromes on Hni Investment Decisions: A Technical Analysis of Bse and Nse Stocks. *International Journal of Environmental Sciences*, 11(10s), 794-811.
20. Vishwanath, C., Dasgupta, M., & Sharma, M. (2020). Household finance in India: approaches and challenges. *Dvara Research, India*.
21. Wankhade, C. (2016). *Mutual Funds for All*. Mutual Funds for All.