

SIPs draw small town India to stock markets

Ride On Low Returns From Gold, FDs, Realty

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With tiny monthly commitments, small Indian investors are finally warming to stock markets through systematic investment plans (SIPs). Last August saw the number of SIP accounts touch the 1-crore mark. Seven months later, the financial year 2016-17 ended with 1.35 crore accounts, with SIPs contributing Rs 43,921 crore to equity mutual funds.

Although the average investment per account was only Rs 3,200 over the year, monthly investments through SIPs hit a high of Rs 4,335 crore in March — an increase of 39% over April 2016. Nor was this an year-end spurt as SIP investments grew every month, barring October.

How did risk-averse retail investors — especially in small towns — get over their fear of equities? Experts cite poor returns on gold, real estate and bank deposits at a time when diversified equity mutual funds have given 21% and nearly 18% annual returns, respectively, over three and five years.

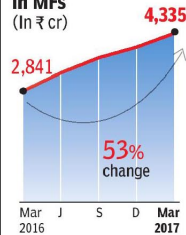
“There is a move from physical assets to financial assets as (bank) FD rates ha-

ve come down. Real estate and gold have also not given great returns in the last few years,” said Himanshu Vya-pak, deputy CEO, Reliance Nippon Life Asset Management. Raghav Iyengar, executive vice-president, ICI-

keon equity investments. In the individual category, nearly 26% of investments came from the B-15 (beyond top-15) cities, compared with just over 23% in 2015-16, data from the Association of Mutual Funds in India (AM-

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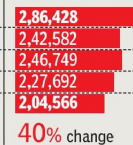
SIP contribution in MFs
(In ₹ cr)



Retail folios or investor accounts
(In equity MFs)



Assets under management
(in ₹ cr)
in equity oriented MF schemes (retail)



Note: Retail is defined as investor putting in Rs 5 lakh and less

Source: AMFI, CAMS MFindex

CI Prudential MF, said, “There is a clear shift towards financial assets. The long-term performance of equity has also been better than physical assets.”

Although fixed income SIPs are available, the vast majority of investors have opted for equity schemes. The fixed income segment has a 5% share in volume terms and about 2% in value terms in SIPs overall.

Remarkably, smaller cities and towns seem quite

FI) shows. Together with their institutional investors, these cities pumped Rs 1.6 lakh crore into equity mutual funds in March this year — an increase of almost 53% year-on-year.

The low minimum monthly commitment of Rs 500 has helped make SIPs popular. While there were about 3.5 lakh new SIP subscribers in March 2016, the number nearly doubled in March 2017, and the investment increased 2.64 times.