



A Study On Investors Behaviour In Systematic Withdrawal Plan (Swp) For Investment Decision Making

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Abstract: This study explores investor behavior regarding the Systematic Withdrawal Plan (SWP), a mutual fund scheme aimed at providing regular income while preserving capital. It identifies the primary financial goals that drive investors to choose SWP. The research analyzes how demographic factors like age, income, and gender influence SWP adoption. It examines key drivers of investment decisions, including financial literacy and expected returns. Behavioral biases such as risk aversion, loss aversion, and overconfidence are also evaluated. The study compares the effectiveness of SWP with traditional income sources like fixed deposits, annuities, and rental income. Both qualitative and quantitative methods are used to interpret investor preferences and behavior. Results show that psychological factors and market conditions significantly impact investment choices. The study highlights the role of financial planners and digital platforms in shaping informed decisions. While SWP offers flexibility and tax benefits, investor awareness and behavioral understanding remain crucial for optimal outcomes.

Index Terms - Investor Behavior, Systematic Withdrawal Plan (SWP), Financial Literacy, Risk Aversion, Retirement Planning, Behavioral Finance, Investment Decision-Making.

I. INTRODUCTION

Investor behavior plays a critical role in determining the success of financial planning, especially when it comes to long-term wealth management. According to Gitman and Zutter (2012), investor behavior encompasses psychological influences, economic conditions, and personal financial goals. Among the various investment options, the Systematic Withdrawal Plan (SWP) has gained popularity for offering regular income while maintaining exposure to mutual funds. SWPs allow investors to withdraw a fixed or variable amount periodically, making them ideal for retirees or those seeking passive income. Despite growing interest, investor participation and satisfaction with SWPs vary widely due to behavioral, demographic, and situational factors. Research in behavioral finance by scholars like Thaler, Shefrin, and Kahneman shows that cognitive biases—such as loss aversion, anchoring, herding, and mental accounting—can disrupt rational decision-making. These biases affect how investors assess SWP-related risks and returns. For instance, even though SWPs offer periodic reassurance, some investors avoid them due to fears of capital erosion or a lack of market understanding. In India, the need for secure, tax-efficient, and flexible income solutions has increased interest in SWPs. However, limited research exists on how factors like risk tolerance, financial literacy, age, income, and goals shape SWP choices. This study aims to bridge that gap by exploring the psychological and socio-economic factors influencing investor behaviour.

II. LITERATURE REVIEW

Sharma & Gupta (2018) examined how financial advisors influence SWP adoption, finding that professional advice increases investor confidence in managing their portfolios. The study also concluded that investors are more likely to commit to a consistent withdrawal strategy when they receive guidance from an experienced financial advisor.

Mitra & Das (2019) – Role of Financial Advisors in SWP Their study revealed that investors who consult financial advisors make better- informed SWP investment decisions. Advisors play a key role in fund selection, withdrawal frequency, and risk assessment.

Ramesh & Nair (2020) – SWP vs. Rental Income as a Passive Income Source Their study found that while rental income provides stable earnings, it lacks liquidity, making SWP a more flexible investment tool for passive income generation.

Mukherjee & Roy (2021) highlighted that investors perceive SWP as a retirement planning tool, but lack of awareness about taxation and market risks affects its adoption.

Reddy & Rao (2022) found that market volatility impacts SWP investors, leading to variations in withdrawal amounts based on stock market trends.

III. NEED OF THE STUDY

The Systematic Withdrawal Plan (SWP) is increasingly favored by investors seeking a steady income stream, especially in the post-retirement phase. Understanding investor psychology helps explain the shift from traditional options like Fixed Deposits to SWPs. Factors such as rising life expectancy, inflation, risk appetite, and return expectations are shaping this trend. Behavioral biases like risk aversion, loss aversion, and overconfidence also influence SWP adoption. Market volatility affects investor confidence, making it crucial to study their response during uncertain times. This research aims to provide insights that can help financial institutions and policymakers design more suitable investment products.

IV. SCOPE OF THE STUDY

This study explores the investment behavior of individuals choosing Systematic Withdrawal Plans (SWP) and the key factors influencing their decisions. It examines demographics, risk tolerance, return expectations, financial goals, and tax awareness. The role of financial advisors, digital platforms, and behavioral biases like risk aversion and herd mentality is also analyzed. SWP will be compared with traditional options such as Fixed Deposits, annuities, rental income, and dividend-paying stocks. The study considers how market fluctuations and economic conditions affect investor confidence and withdrawal patterns. Insights from the research aim to support financial institutions, mutual fund companies, and policymakers. The ultimate goal is to enhance SWP strategies for retirement planning and long-term financial stability.

V. OBJECTIVES OF THE STUDY

- To Identify the primary Financial Goals of SWP Investors.
- To Assess the impact of Demographic variables on SWP Participation.
- To study the key factors influencing investors' decisions.
- To analyze the effectiveness of SWP in retirement planning and long term wealth management.

VI. LIMITATION OF THE STUDY

The study may be influenced by prevailing market conditions; high stability or volatility during the research period could skew results, limiting their applicability to other market phases. It is also geographically and culturally bound, which may reduce its relevance in different financial systems or regulatory environments. A cross-sectional design limits the understanding of how investment behavior evolves over time. By focusing solely on SWP, the study may overlook insights from alternative withdrawal or investment strategies. Additionally, changes in tax laws or government policies during the study could impact investor behavior and limit the findings' future relevance. Behavioral biases such as loss aversion, anchoring, or herd behavior may influence decisions but are difficult to measure or control within the scope of this research.

Population and Sample

Since the population is unknown, a pilot study with 30 respondents was conducted to determine the sample size. Using a 95% confidence level ($z = 1.96$), a 5% margin of error, and response proportions ($p = 0.8$, $q = 0.2$), the sample size formula was applied. The calculation is: $n = (1.96)^2 \times 0.8 \times 0.2 / (0.05)^2 = 245$. Thus, the optimal sample size for this study is **245** respondents.

Data and Sources of Data

The primary data has been collected through the structured questionnaires, focused groups and surveys. It is first hand raw data. For this study the questionnaires are based on “A Study on Investors behaviour in Systematic Withdrawal Plan for Investment Decision Making ” to collect the personalised insights. The primary research instrument is structured questionnaires. This includes demographic details, investors awareness, influencing factors, perception and preference regarding SWP.

I. RESEARCH METHODOLOGY

Research methodology in a way is a written game plan for conducting research. Research methodology has many dimensions. It includes not only the research methods but also considers the logic behind the methods used in the context of the study and explains why only a particular method of technique has been used.

II. RESEARCH DESIGN

- The descriptive research method is used for data collection.
- The research design followed for this research study is descriptive research design.

III. DESCRIPTIVE RESEARCH

Descriptive research design is used to understand the current status of a phenomenon by addressing the who, what, when, where, and how of a research problem. It does not explain the reasons behind behaviors but provides insights into existing conditions. This method helps describe investor characteristics, attitudes, and relationships among variables. It offers a clear view of the subject to guide problem-solving. The approach aligns with the study's objectives and supports informed conclusions.

IV. SAMPLING TECHNIQUE

The study employs the convenience sampling technique due to time constraints and ease of accessibility to respondents. This non-probability sampling method allows the researcher to focus on targeted groups, making data collection more efficient and practical.

V. PILOT STUDY

A pilot study is conducted on a small group from the target population, excluding the final sample, to test and refine the research design. It helps identify gaps and make necessary adjustments for better outcomes. In this study, a pilot sample of 30 respondents was used for preliminary analysis.

I. TEST OF NORMALITY

The Kolmogorov – Smirnov test of normality was conducted and it is found that the data deviates from normal distribution. So, the Non-Parametric tools and tests were used.

HYPOTHESIS TEST:

- 1.H0: The data follows normal distribution
- 2.H1: The data does not follow normal distribution.

TESTS OF NORMALITY

	Gender	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Systematic	Male	.470	94	.000	.534	94	.000
	Female	.514	42	.000	.417	42	.000
	3	.483	42	.000	.506	42	.000
	4	.521	40	.000	.389	40	.000
	5	.416	26	.000	.604	26	.000

a. Lilliefors Significance Correction

INFERENCE

From the Normality test the Kolmogorov-Smirnov and Shapiro-Wilk tests, the significance values for Gender are less than 0.05. This indicates that the data does not follow a normal distribution. Therefore, the null hypothesis (H₀) is rejected, and the alternative hypothesis (H₁) is accepted. As a result, non-parametric statistical tools and tests were employed for further analysis.

Statistical tools

- CHI SQUARE
- CORRELATION

1. CHI-SQUARE

Null Hypothesis (H₀): There is no significant association between gender and the preferred frequency of withdrawal (Monthly, Quarterly, Annually) among investors.

Alternative Hypothesis (H₁): There is a significant association between gender and the preferred frequency of withdrawal among investors.

Gender * Withdrawal Cross tabulation

Count					
		Withdrawal			Total
		Monthly	Quarterly	Annually	
Gender	Male	73	63	36	172
	Female	35	22	16	73
	Total	108	85	52	245

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.998 ^a	2	.607
Likelihood Ratio	1.009	2	.604
Linear-by-Linear Association	.173	1	.677
N of Valid Cases	245		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.49.

INFERENCE:

The Chi-Square test ($p = 0.607$) shows no significant association between gender and preferred withdrawal frequency. Hence, the null hypothesis is accepted.

2. CORRELATION

Null Hypothesis (H0): There is no significant correlation between the primary reason for investment and the other investment-related factors (Continue Plan, Withdrawal, Systematic Plan, Investing).

Alternative Hypothesis (H1): There is a significant correlation between the primary reason for investment and the other investment-related factors.

Correlations

			Primary reasons	Continue plan	Withdrawal	Systematic	Investing
Kendall's tau_b	Primary reason	Correlation Coefficient	1.000	.300**	.007	.112	.124*
		Sig. (2-tailed)	.	.000	.903	.053	.018
		N	245	245	245	245	245
	Continue plan	Correlation Coefficient	.300**	1.000	.099	.098	.143**
		Sig. (2-tailed)	.000	.	.075	.095	.007
		N	245	245	245	245	245
	Withdrawal	Correlation Coefficient	.007	.099	1.000	.050	.065
		Sig. (2-tailed)	.903	.075	.	.412	.238
		N	245	245	245	245	245
	Systematic	Correlation Coefficient	.112	.098	.050	1.000	.097
		Sig. (2-tailed)	.053	.095	.412	.	.094
		N	245	245	245	245	245

Investing	Correlation Coefficient	.124*	.143**	.065	.097	1.000
	Sig. (2-tailed)	.018	.007	.238	.094	.
	N	245	245	245	245	245

Correlation is significant at the 0.01 level (2-tailed).

Correlation is significant at the 0.05 level (2-tailed).

INFERENCE:

Correlation analysis reveals that the primary reason for investment is significantly linked to both Continue Plan and Investing. With p-values below 0.05, the null hypothesis is rejected in favor of the alternative, confirming these relationships.

II. SUMMARY FINDINGS

The study revealed that 70% of the respondents are male, and 30% are under the age of 30. A significant portion, 35%, are self-employed, while 31% have an annual income below ₹5 lakhs. About 31% utilize SWP as a secondary income source, and 37% have been investing for less than three years. Monthly withdrawals are common, with 43% doing so regularly. Currently, 77% of participants are invested in SWPs, with 31% having a 1–3 year investment period. Around 31% withdraw between ₹10,000–25,000 monthly, and 30% favor equity funds. Age and income level are believed to influence SWP decisions by 35% and 34% of respondents, respectively. A large majority (78%) think demographic factors impact SWP participation, while 32% say educational background affects understanding of SWP benefits. Social media is the main information source for 33%. Satisfaction is rated average by 29%, and 26% chose SWP for liquidity. Additionally, 31% use it for children's education, and 26% rely on online reports for investment decisions. About 31% view SWP as secure, 27% consider dividend-paying funds as alternatives, and 25% prioritize retirement income. Lastly, 28% find SWP comparable to traditional withdrawals, 25% remain neutral toward SWP, and it ranked highest among investment options.

III. SUGGESTIONS

- Enhance investor literacy on SWP through workshops, webinars, and local-language materials.
- Train financial advisors to provide personalized SWP advice based on investor profiles.
- Leverage digital and influencer marketing to reach young, tech-savvy investors.
- Offer goal-based SWP solutions tailored to needs like retirement, education, or healthcare.
- Use digital tools to assess risk tolerance and recommend suitable SWP types.
- Introduce flexible withdrawal options with customizable frequencies and amounts.
- Simplify SWP enrollment via online platforms, video KYC, and phone support.
- Monitor SWP performance regularly and provide feedback systems for service improvement.

CONCLUSION

The study concludes that Systematic Withdrawal Plans (SWPs) are increasingly favored for regular income and capital preservation, especially among younger, self-employed investors. Demographic and psychological factors like age, income, risk aversion, and financial literacy significantly influence SWP behavior. Monthly withdrawals and goals like supplementary income or education funding are common motivations. While many view SWP as secure, overall product understanding remains average. To boost adoption, investor education, digital advisory tools, and tailored solutions are essential.

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