



ACHINTYA

Achintya Securities Limited

# From Fixed Deposits to SIPs

The Evolving Landscape of  
Domestic Investment in India



# Introduction

The landscape of domestic investment in India is undergoing a profound transformation, moving away from the traditional strongholds of Fixed Deposits (FDs), Gold, and Real Estate toward Equity Markets, predominantly via Mutual Fund Systematic Investment Plans (SIPs). This shift is not fleeting but structural, driven by rising financial literacy, technological accessibility, and a quest for superior long-term returns. As of February 2026, total Mutual Fund Assets under management (AUM) have surged to approximately Rs 82 lakh crore with SIP AUM alone reaching Rs 16.36 lakh crore. Monthly SIP inflows hit a record Rs 29,845 crore in February 2026, down slightly from Rs 31,502 crore in January, yet underscoring sustained momentum. With nearly 9.92 crore active SIP accounts—up from 8.97 crore in mid-2025—this trend reflects deepening retail participation. Long-term data reveals the share of equity and mutual funds in domestic financial savings climbing from a mere 2% in FY12 to 15.2% in FY25, while individual investors' stake in listed equities rose to 18.8% by September 2025. This evolution signals India's maturation as a market economy, where households are reallocating from lowyield, inflation-eroding assets to growth-oriented instruments.



# Explosive Growth of India's Mutual Fund Industry

India's Mutual Fund sector has witnessed exponential expansion, fueled by Regulatory Reforms, Product Innovation, and Investor Education Campaigns like those from the Association of Mutual Funds in India (AMFI). Total AUM grew at a compound annual growth rate (CAGR) of 23% from FY20 to FY26, ballooning from Rs 24.5 lakh crore in March 2020 to Rs 82 lakh crore by early 2026. Equity-oriented schemes dominate, comprising 37% of AUM (Rs 30.34 lakh crore), while debt funds hold 25% (Rs 20.5 lakh crore). SIPs, the industry's growth engine, have seen inflows CAGR of 45% over the past five years, with average ticket sizes rising from Rs 2,500 in 2020 to Rs 3,200 in 2026, indicating broader middle-class adoption.

Unique identifiers like folio counts have exploded to 22.5 crore by February 2026, with unique investors at 11.2 crore. Regional penetration tells a compelling story: Maharashtra leads with 25% of SIP accounts (2.48 crore), followed by Uttar Pradesh (9.5%) and Gujarat (7.8%), but tier-2/3 cities now contribute 35% of inflows, up from 22% in 2020, thanks to apps like Groww and Zerodha Coin. This democratization is bolstered by AMFI's Investor Awareness Programs, reaching 50 million people annually via 1,000+ seminars. Projections from CRISIL estimate mutual fund AUM hitting Rs 100 lakh crore by FY27, assuming 15-18% CAGR, driven by 12-15% annual SIP inflow growth.



# Drivers Behind this regime shift

- **The Shift from FDs to SIPs**

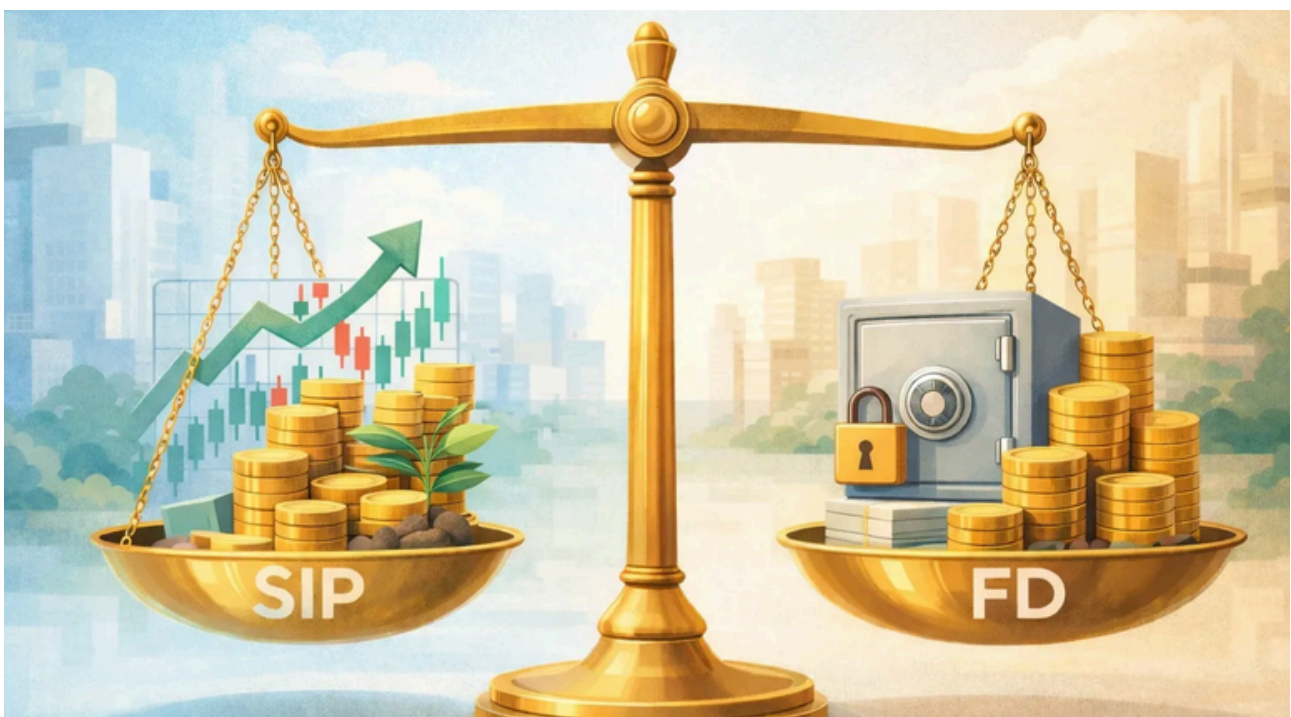
Several interconnected factors explain why households are pivoting from FDs offering 6-7.5% post-tax returns barely outpacing 5-6% inflation—to SIPs averaging 12-15% annualized returns over 10+ years.

- **Enhanced Financial Literacy and Behavioural Shifts**

Financial awareness has skyrocketed, with SEBI's investor education initiatives and social media influencers demystifying markets. A 2025 NSE survey found 68% of urban millennials (aged 25-35) prioritizing equity over FDs, up from 42% in 2020. SIPs promote rupee-cost averaging, mitigating volatility: for instance, a Rs 10,000 monthly SIP in Nifty 50 from 2015-2026 yielded 14.2% CAGR, versus 6.8% for FDs.

- **Technological Accessibility and Digital Onboarding**

Fintech platforms have slashed barriers; e-KYC enables SIP starts in under 5 minutes. Groww's user base hit 50 million by 2026, with 40% SIP contributions. UPI integration saw 25% of SIPs funded via UPI in 2025, per NPCI data.



# Superior Risk-Adjusted Returns and Tax Efficiency

Post-2023 tax reforms, equity SIPs offer indexation benefits and LTCG tax at 12.5% above Rs 1.25 lakh (vs. 30% for FDs). An SBI report notes bank deposits' share in household savings dipping from 47.6% (2021) to 45.2% (2023), while mutual funds rose from 7.6% to 8.4%. CRISIL data shows large-cap equity funds delivering 16.5% 10-year returns vs. 6.2% FDs.

Metric	FDs (2020-2026 Avg.)	Equity SIPs (Nifty 50, 10Y)
Annualized Return	6.5%	14.2%
Post-Tax Return (30%)	4.55%	12.5% (LTCG)
Volatility (Std. Dev.)	0.5%	15-18%
Inflation-Adjusted	0.5-1%	8-9%

# India's Savings Rate Dynamics: Decline or Evolution?

India's gross household savings rate fell to 23.5% of GDP in FY25 (near 50-year low of 22.8% in FY23), per RBI data, down from 31.4% in FY12. SIPs contribute marginally (12% shift), but culprits include rising consumption (60% of GDP), EMIs (household debt at 40.5% of GDP), and post-COVID lifestyle inflation. Critically, composition is shifting: physical assets (gold/real estate) dropped from 35% to 22% of savings (FY12-FY25), while financial assets rose to 55%. This mirrors developed economies like the US (75% financial savings). RBI's 2025 Financial Stability Report projects stabilization at 24-25% by FY28 with 7% GDP growth.



# Risks of Over-Equitisation: Navigating the Equity Boom

While SIPs democratize wealth creation, overexposure poses dangers. Retail equity allocation hit 12.5% of household assets in 2025 (vs. 4% in 2015), with 40% of new SIPs in mid/small-caps (higher beta: 1.2-1.5). A 30-40% correction—as in 2008 (Nifty -52%) or 2020 (-38%)—could wipe 25-35% off unbalanced portfolios. New investors (70% post2020) lack bear market experience; a 2025 AMFI study found 28% redeemed during 2022's 15% dip.

## Key Risks and Mitigation Strategies:

- **Concentration Risk:** Mid/small-cap AUM at Rs 15 lakh crore (18% of equity AUM); diversify via hybrid funds (35% allocation ideal for moderate risk).
- **Behavioural Pitfalls:** Panic selling; SIPs' discipline helped retain 85% continuity in 2022 vs. 60% lump-sum.
- **Valuation Concerns:** Nifty PE at 24x (2026), above 20x historical avg.; Favor largecaps (PE 22x).
- **Investment Horizon:** 7+ years optimal; 5-year SIP returns vary 8-25% by cycle.

Scenario (Portfolio: 80% Equity)	Bull (20% rise)	Bear (30% fall)	Balanced (50/30/20 Eq/Debt/Gold)
1-Year Return	+16%	-24%	-12%
Max Drawdown (2020-like)	-32%	-38%	-18%

# Conclusion: Regulatory Safeguards and Future Prudence

SEBI's 2025 tweaks—like capping mid/small-cap AUM growth at 5% monthly—curb froth, while T+0 settlement boosts liquidity. Future drivers: NPS equity shift (AUM Rs 12 lakh crore), EPFO equity allocation (15% target), and Rs 2.5 lakh crore IPO pipeline in 2026.

India's investment renaissance epitomized by Rs 82 lakh crore mutual fund AUM and Rs 30,000 crore monthly SIPs, heralds' financial inclusion and wealth creation. Yet, with savings evolving amid economic maturity, investors must prioritize asset allocation (e.g., 50-60% equity for ages 30-50), stress-test portfolios, and embrace long horizons. This shift—from FD inertia to SIP dynamism—not only promises 10-12% real returns but underscores India's ascent as a \$5 trillion economy by 2027. Thoughtful navigation will turn this structural change into enduring prosperity.





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