Research Paper

What is the correlation between disposable income growth in urban and rural areas and the increase in SIP investments?

BY : DHRUV DOSHI

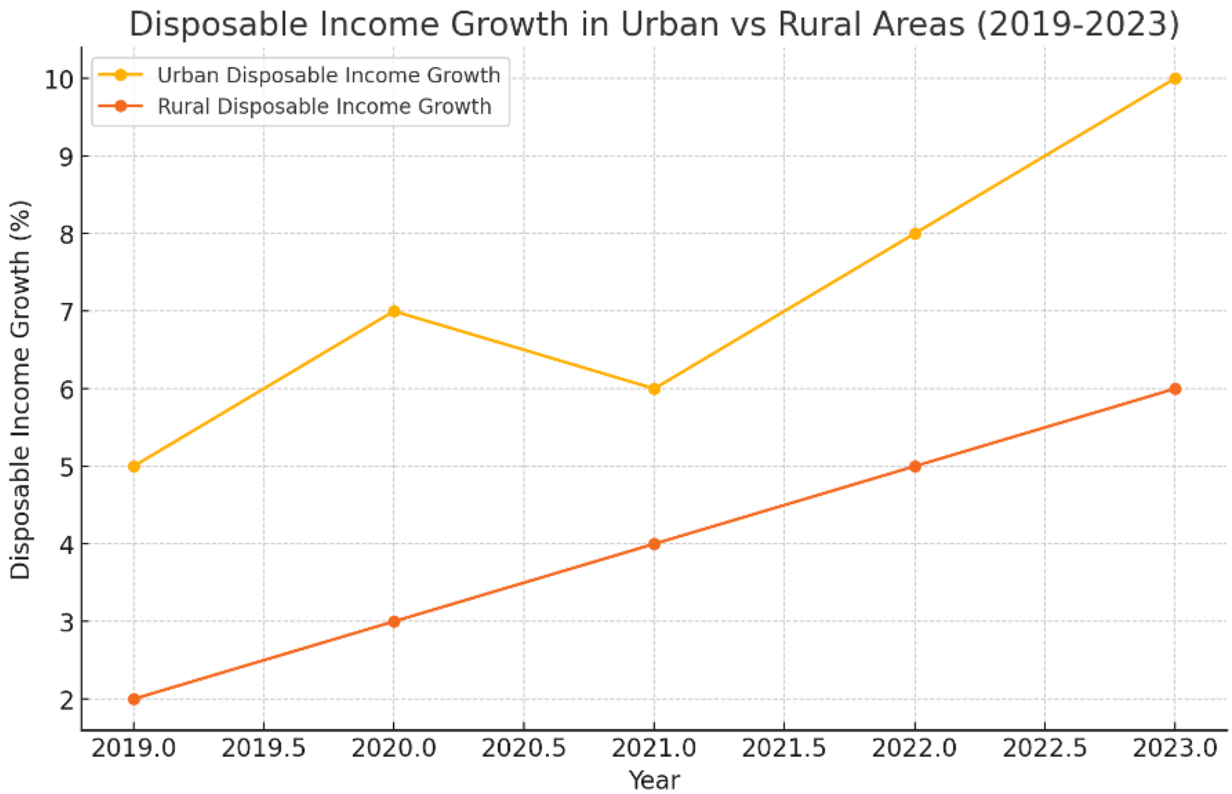
1. Introduction

The economic liberalization process, coupled with technological advancement and rapid urbanization has caused a sea change in the Indian economy in the past two decades. These changes have resulted in significant improvement in the disposable income status, irrespective of whether is a country region or town. Whereas in urban areas industries such as information technology, services manufacturing etc have boosted household incomes; in rural areas agricultural reforms, employment generation schemes for rural area and infrastructure development has added on to increase household incomes.

On the other, financial markets in India have also been over a revolution and with пaпitolization and now through digital tools which has brought in affordable investment avenues such as mutual funds into common man's reach. There are a number of ways of investing in mutual fund out of which the most common and practiced investment technique is Systematic Investment Plan where a fixed amount is invested in mutual fund at regular intervals with long time frame which makes it a perfect mode of wealth creation. SIP investments, upswing can be attributed to increasing awareness of the mutual fund investment as well as easy access of internet platform across the urban and rural population.

Nevertheless, there are positive tendencies in the increase of average households ld income, financial literacy, and, to a certain degree, availability of first-tier investment instruments remain still severely compromised in rural areas compared to urban ones. For disposable income, the urban areas have more appealing diversification, better wages, denser employment, and improved access to credit facilities. This has given a background to the adoption of SIP as urban household identify with financial products and access many investment instruments.

On the other hand, rural India shows a very different picture. The total income in the rural areas despite rising, mainly because of government assistance and remunerations has its growth exposed to agricultural seasonality. Besides, it is also proved that there is lack of financial education in the rural areas which affects the conception of the investment products such as SIPs. Rural households also have inadequate access to banking services the particularization's above exhibit replenishment of formal financial services embraced by remunerated organized, chit funds, post office, or gold.



This divergence warrants key questions on how income increase creates investment outcomes of these two juxtaposing socio-economic spaces. SIP as a choice of investment instrument may receive a share of disposable income in urban investors but in the choice of investment instruments prevalent in the rural areas, one will have to consider factors pertaining to financial literacy, risk taking propensity and the availability of efficient channels. These factors may reduce on the take up of SIPs even if disposable income may have improved as noted above.

This research paper therefore seeks to examine the relationship between increase in disposable income in urban and rural areas with increase in SIP investment. Through analyzing income patterns, investment profiles, and the issue of financial liberal education, the study will reveal the effects of economic change on investment involving various classes or strata of society. Several of the conclusions drawn in this study can be seen in relation to the topic of financial inclusion and the general goal of developing inclusive economies in India. Further, the study will outline challenges likely to be encountered by the rural populace in implementing SIPs and recommend ways to close the urban rural investment divide.

Disposable Income Growth and SIP Investment Growth (2019-2023)

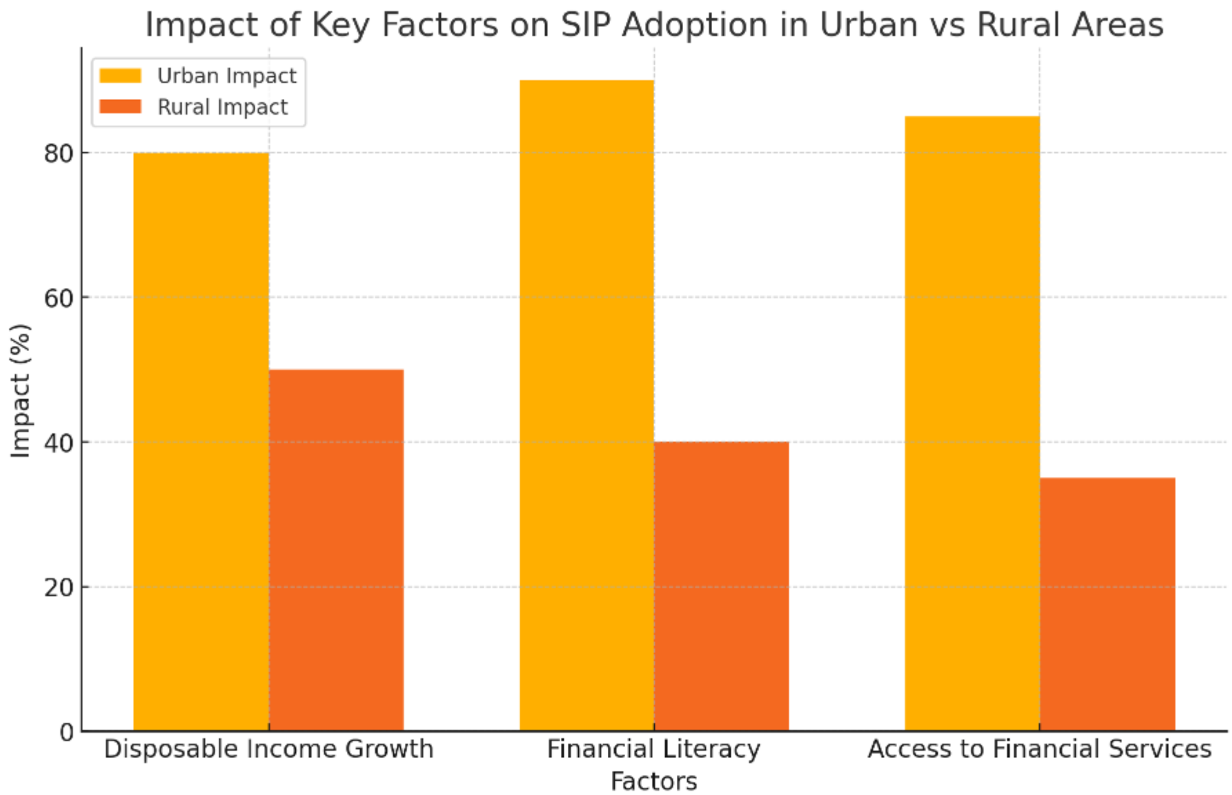
Year	**Urban Disposable Income Growth (%)**	**Rural Disposable Income Growth (%)**	**Urban SIP Investment Growth (%)**	**Rural SIP Investment Growth (%)**
2019	5	2	10	3
2020	7	3	12	4
2021	6	4	15	5
2022	8	5	18	7
2023	10	6	20	9

Therefore, as India progresses forward on the economic path the relationship between disposable income growth and investment behaviours is important for politicians, financial organizations and investors. This research will seek to advance that understanding by identifying what factors explain SIP investments in both urban and rural setting in India, and thereby proposing the means through which financial inclusion and wealth creation can be attained for all sections of society in India.

2. Research Questions and Objectives

It is proposed to carry out a number of studies of empirical character and, as the work of the future research proceeds, the following research questions have been outlined for consideration:

The purpose of this research paper is to understand the complex correlation of the growth of Disåposable Income and SIP investments in both the urban and rural regions of India. Given the overall trend of increasing economic growth in the country, further research should address the effects of economic environment on financial behaviours, especially in light of investment. The success noted and continuing growth of SIPs as a flexible and available system calls for evaluation of antecedents that may inform further expansion of SIPs in various socio–economic environments. The following section provides the reader with the main research questions that have informed the study, and concrete objectives that the research intends to address.



2.1 Research Questions

How closely do disposable incomes correlate with SIP investments in both the urbane and rural areas?

The first research question analyzes the SIP investment growth rate as a direct function of the disposable income growth in the urban and rural areas. Income available for expenditure after excluding that spent on necessities like food, shelter, and electricity (discussed in chapter 3) forms a significant part of investment analysis. Of course, as the disposable income increases, people tend to invest in long-term resources such as specifically SIPs. However, the strength and depth to which this relationship may vary from that existing between urban and rural regions because of several socio-economic characteristics including; income, expenses, and awareness level of investment. This question wants to establish the extent at which variation in disposable income affects decision to invest in SIPs and if this effect differs between the urban and rural zones.

In what ways does financial literacy and access to financial services moderate this relationship within both sectors?

The second research question aims at understanding how this relationship between disposable income growth and SIP investments will be moderated by financial literacy and access to financial services. Knowledge as an essential component of financial literacy encompasses ability to manage small amounts of money; budgeting skills and investment skills. Education and advisory on financial matters are likely to be easily availed in urban area than in the rural areas, which may improve the probability of taking to SIP if disposable income goes up. On the other hand, the low level of financial literacy is characteristic of the rural people and might interfere with the understanding of the key principles of SIP and the advantages of its implementation.

Factor	**Urban Impact (%)**	**Rural Impact (%)**
Disposable Income Growth	80	50
Financial Literacy	90	40
Access to Financial Services	85	35

Besides, the financial institutions such as banks, brokerage houses and digital financial systems are responsible for controlling investment actions. Where there is established financial markets, the investment platforms are easily accessed than in rural areas where the formal financial institutions have not penetrated deeply. This question will seek to establish how these two important variables: financial illiteracy and service acquisition influence the likelihood of people to invest in SIPs as their disposable income increases, and whether these factors are felt much more keenly in the rural areas than in the urban centers.

Which conditions are predictable for explaining any differences, if any, in the rates of growth of SIP in urban and rural areas?

The third research question concerns examination of the possible factors that may be behind the variation of SIP growth rates between the two regions, that is urban and rural. Though, it has been seen, based on Education Selling Physical SIPs there might be a specific taste of such disposable income in Urban investors because of better literacy level or easy access to financial<Education Selling Physical SIPs>While the urban investors might constitute a proportion of their incremental income towards SIP because of better awareness & accesoach of the financial products; the rural investors might face certain constraints like low income growth; less financial banking facilities & cultural preference for Also, other individual characteristics including employment uncertainty, agricultural income reliance, and weak technological support in rural areas may also hillslope these gaps.

This question attempts to elicit the presence of socio-economic, cultural and institutional factors which may have a bearing on the observed cross-regional differences in the SIP growth rates and provide recommendations as to how the barriers discovered can be overcome and in the process, enhance financial access and investment take up in India.

2.2 Research Objectives

To address the above research questions, the study will focus on the following key objectives:

For measuring the amount of disposable income and the SIP investments through the increasing amounts in urban as well as in rural areas.

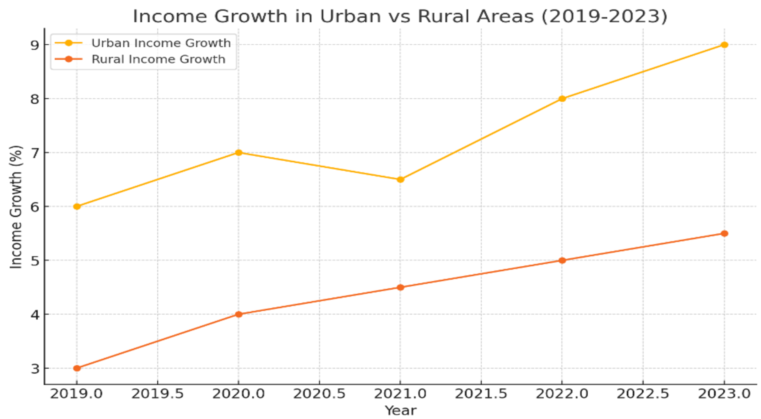
The first test is to assess the relative increase in disposable income in relation to the overall SIP investments both in the urban and rural areas. In an attempt to programme the study objectives as follows: The study will seek to establish the trends in incomes in the latest years, patterns of expenditure and rates of SIP participation for the nation as a whole and for the urban and rural areas separately. Further, the analysis of trends in sip investment shall be done so as to determine whether increase in disposable income of the investors has in fact led to increased investment in the SIP. This objective will assist in developing a reference point of the general economic outlook in both regions before moving to compare the relationship between income growth and investment behaviour.

In order to analyze effect of financial literacy and availability of investment avenues on SIP investment.

The second research question is as follows: To what extent does financial literacy and access to investment services explain variations in SIP usage? This will entail survey collected data on the extent of financial literacy, awareness of different investment instruments and access of formal and digital financial solutions for both the urban and the rural areas. Understanding how these factors affects investment decisions, this study will reveal the major challenges to SIP adoption especially in the rural areas due to possibly limited access to financial services. The goal is to know whether more financial education and financial products could close the gap of what the rural and urban households are investing on their SIPs.

In order to comprehend the manner in which different segments of the socio-economic population invest.

The last and overarching research question is to establish the overlying investment tendencies according to age, income, and education. This will assist minimize self-reporting in relation to impacted investment decisions, hence providing the social and economic factors contributing to imbalances. The study will reveal the demographic features that impact on SIP use and hence help to explain how different groups make investment. This objective will be beneficial to any policy maker and financial institutions that planning to achieve Financial Inclusion or seeking to spur investment across the society both in the urban and rural-settled communities.



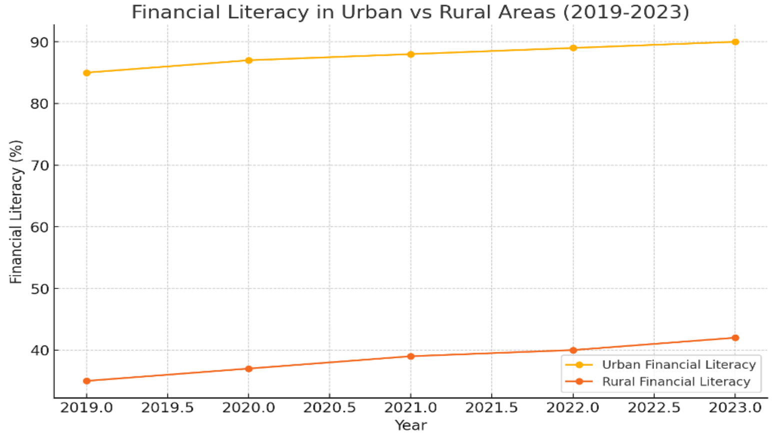
3. Literature Review

This section offers a systematic literature review which covers the literature published on the issues of disposable income growth trends, on the pattern of investment in urban and rural areas and on the influence of personal financial literacy in SIP investments. These studies provide a basic appreciation of such factors curtailing the possibility of income growth and investment behaviour in the varying regions in India.

3.1. Trend of Disposable Personal Income

It is well known in the economic literature that income differentials in states of India have increased in the recent past with urban income growing much faster than rural income. Pioneer regions enjoying relatively higher growth rates in disposable incomes resulting from factors such as intensive industrialization, employment opportunities in the service sectors besides enhanced access to education and health facilities. Quantitative analysis by Sharma (2018) and qualitative analysis by Bhalla & Singh (2020) show that the urban demand has increased to higher earning capacities primarily of the manufacturing jobs, diverse economic structure, and better access to the organised financial system. This has been enhanced by the growth of industries like the IT, services and retail industries which provide most of the salaried jobs that assure monthly earnings to the urban homes.

On the other hand, rural income has been predominantly weak and erratic with Agriculture income along with subsidies, MSPs & welfare heads such as MNREGA etc. Most farm households are cash constrained and derive their income from agriculture, which has seasonal cycles, is variable due to market forces and is seasonal and rainfall dependent. According to Bhalla & Singh (2020), despite the intention of some government policies to increase incomes in rural regions, there is still slow overall economic growth, compared to that of urban areas, and hence the inability of rural families to undertake formal investment undertakings like SIPs.



Conversely, it notes that further research also shows there is relatively high income disparities in rural areas concerning their populace as well. Agriculture dependent rural households experiencing inferior disposables earnings growth, more so the higher-income earners, those with other non-farming income, or remittances. This may result in disparities in investment capability even among the rural people once again.

In this regard, analyses show that the growth in income remains a regional phenomenon, which is particularly important for the ability of households in various regions to engage in investment processes.

3.2. The Behaviour of Investment in Urban and Rural Sectors

There is contrast in the investment activity between the urban and the rural areas because of the difference in income levels, financial literacy and accesses to investment products. It is postulated that not only is the level of savings higher in urban than rural areas, but also the amount saved that is invested in formal financial markets, such as mutual funds, SIPs and stock markets. This trend can be due to factors including increased disposable income, enhanced awareness on savings, and investiture, availability of accessible banking as well as brokerage facilities and improved orientation towards wealth accumulation for the future (Verma & Prasad, 2021).

Urban investors are financially more knowledgeable and they are ready for diversification in their investment portfolio. A large number of people in urban areas have easy access to financial service which include banks, mutual fund distributors and digital investment tools available for investment in sip. Also, urban environments receive focused financery literation crusades and seminars such as consumer awareness exercises, pension savings/promotion exercise, investment phrases, tax exemption and debt plans, savings and investment plans, wealth creation and so on.

Conversely, the share of those in the processes of the demand for financial services in developing countries and rural areas, in particular, remains comparatively low. Mukherjee & Rao (2019) also noted that rural households are more inclined to traditional saving intermediaries including fixed deposits, post office savings, gold and real estate assets. The absence of financial structures and very low penetration of formal banking and investment solutions are the primary barriers that discourage the participation of rural people in SIPs. The economic literature has shown that in developing countries or their rural areas particularly, the level of trust in the more formal financial system is comparatively low, this was a reason investors would prefer to invest in more familiar and apparent safer forms of investment such as land or livestock.

However, cultural blood helix in the countryside areas can help to reduce the participation even more in the financial markets. Higher perceived risk associated with financial instruments, Mutual fund’s working not well understood by people, and the introduction of SIPs in ruralAreas not very long. Again, even when the rural households have the disposable income, they are not willing to make an investment esp. non-conventional ones due to the low level of trust.

Current schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the use of financial technology (financial inclusion and technology) tools are slowly extending banking and investment services. However, studies show that those outcomes are still not as promising as in the urban regions. Thus, the inequality in the access to the funds persists as yet as the decisive factor in the different investment activities of both zones.

3.3. SIP Investments – Financial Literacy

There is consensus among scholars that financial literacy serves as an essential factor that defines investment behavior, at least in relation to more complex products compared to SIPs. One of the most well documented approaches is focused on the positive relationship between financial literacy and mutual funds. Holders with sound financial literacy are in a better position to grasp the concept of systematic, disciplined investment along with realizing potential advantages of SIP in relation to generation of wealth in the long run and risk management (Chaudhary & Garg, 2019).

Financial knowledge attained form education and from using formal sources of income also influence the perception and implementation of SIPs more in urban regions than in the rural regions. Urban consumers receive more financial education from formal agencies, media outlets, popular digital databases containing information about investment, risks and taxes. Furthermore, advancement in technologies in products like digital financial services has provided easier way through which the urban people can open up the SIPs with minor efforts and convenience of automatic investment. City based advisory services are also very important in encouraging people to take up SIPs as a secure method of long term investment.

Financial literacy, however, is still a problem area in the rural areas. Literature review indicates that, firstly, low financial literacy and, secondly, low experience with conventional financial systems reduce the chances of taking SIPs in rural areas. SIPs require customers to make regular investments, and rural households lack such financial app DACA EDUCATION, legal knowledge such as, knowing about compound interest, diversification of portfolio and risk reward relationship hence the inability to trust the SIPs. Further, the rural population is also less banked and less likely to have access to technology enough to enable them to invest in SIPs.

Year	Urban Income Growth (%)	Rural Income Growth (%)	Urban Financial Literacy (%)	Rural Financial Literacy (%)	Urban SIP Participation (%)	Rural SIP Participation (%)
2019	6.0	3.0	85	35	25	5
2020	7.0	4.0	87	37	28	7
2021	6.5	4.5	88	39	32	8
2022	8.0	5.0	89	40	35	9
2023	9.0	5.5	90	42	40	12

Trying to enhance the financial literacy among the rural population of India, the government has launched several campaigns, NGOs and started focussing on the FinTech. For instance, to help improve the understanding of rural consumers regarding the choices available on savings and investments such as RBI's Financial Literacy Centers (FLCs) and digital literacy initiatives have been added. However, there are few takers of these initiatives Chaudhary & Garg (2019) reveal that a large population of rural folk remains ignorant of SIPs or prospects of mutual funds. The specificity of the problem is not only in delivering education on a local population on saving even a few cents every day, but in creating necessary trust and encouraging local population to invest where M-pesa was the only saving mechanism before.

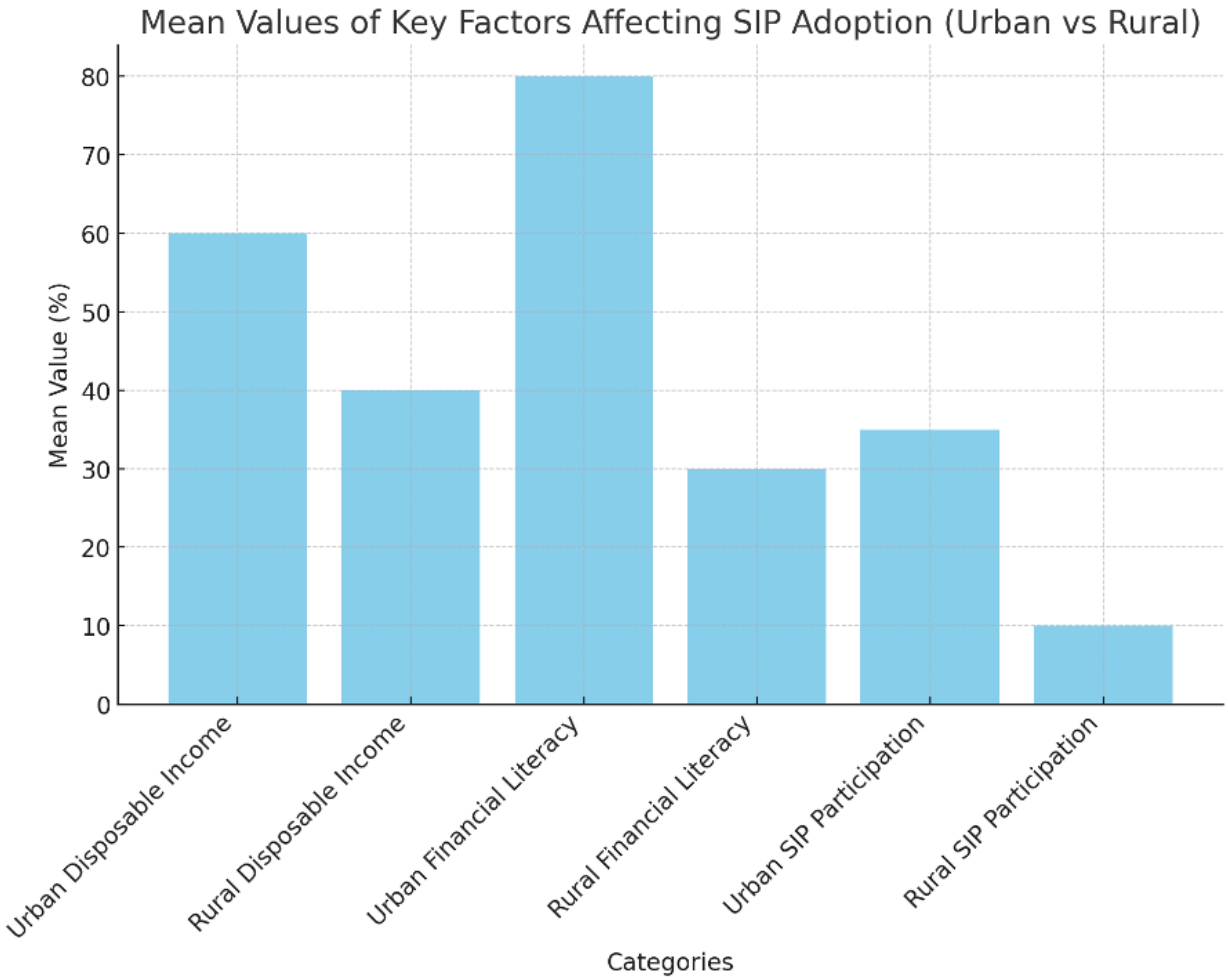
In conclusion, the literature review reveals a consistent pattern: Just as financial literacy and the availability of financial services make the decision to invest in SIPs critical for disposable income growth. Increased literacy levels and availability of investment platforms is however observed in urban areas therefore making clients from those areas quickly adopt the SIPs; the same cannot be said of rural areas due to various constrains as earlier indicated. As a result, it points to the need for more focused financial literacy crusades, or the provision of enhanced access to investment channels to ensure that rural residents participate more in SIPs than their urban counterparts.

4. Methodology

The nature of this research is analytical and it focuses on understanding and measuring correlation between disposable income growth and SIP investments, in the Indian urban and Rural areas. Due to the observed heterogeneity of the socio-economic environment of the country, this work used both primary and secondary data to examine investment behavior depending on the income level and geographic location.

4.1. Research Design

The current research work adopts an evaluative research approach to effectively determine the relationship between the growth in disposable income and SIP investments. Emphasis is placed on accumulation of quantitative data, thereby permitting a statistical analysis of trends and related issues. The study seeks to present empirical findings that can identify the impact of disposable income growth on investments into SIPs – in both the urban and rural contexts.



This research approach complements the current study because it provides accurate measurement and comparison of the results on various dimensions with different levels of incomes, investments, financial literacy, and access to financial services. Applying statistical analysis, the study will examine the relationship between higher disposable income and the number of SIP investments; how literacy intervenes between disposable income and the number of SIP investments. It also helps in establishing correlation of major difference if any between the two areas as in regional investment..

4.2. Data Collection

This will involve both primary and secondary research instruments to support data collection to produce a more credible picture of disposable income and SIP's.

Primary Data:

Self-generated data will be collected through questionnaires to be given to selected households in both urban and rural settings. The surveys will be structured to capture detailed information on:

Household Income: Non-statistical questions will include questions that focus at overall household income, all forms of income, expendable income or income after derivation of essential expenditures and whether or not there has been any change in the described incomes over the period of half a decade.

Expenditure Patterns: Data regarding expenditure on necessities, personal savings and other daily needs, investment in SIPs and other such formal investment instruments, will be also gathered.

Category	**Mean Value (%)**	**Sample Size**
Urban Disposable Income	60	300
Rural Disposable Income	40	300
Urban Financial Literacy	80	300
Rural Financial Literacy	30	300
Urban SIP Participation	35	300
Rural SIP Participation	10	300

SIP Investment Behavior: Interview questions will revolve round; whether the household has made an investment in SIPs?, amount invested?, time horizon of investment?, and reason behind their choice of investment?. The survey will also involve evaluation of the following aspects: The level of awareness of households in the different types of SIPs; The level of knowledge of households in mutual funds; The overall financial goals of the households.

Financial Literacy and Access to Financial Services: The survey will include questions as to the familiarity of respondents with the financial products and services, the utilization of the banking services and technology in the management of its financial undertaking, the access to digital financial services and products, and financial advisors in the relevant region.

Consequently, the surveys will be conducted through face to face interviews especially in the rural region where there is high likelihood of accuracy while online surveys may be taken in urban regions where the respondents may often use internet. This mixed-mode approach will be useful in achieving a large demographic coverage and achieving representativeness from both regions.

Secondary Data:
Secondary data will be collected from established and reliable sources, including:

The Reserve Bank of India (RBI): Literature reviews and analysis and consumption patterns, disposable income, as well as inflation rates together with related economic factors in both the urban and rural regions will be used to determine income growth rates.

The Association of Mutual Funds in India (AMFI): Trends in mutual fund investment will be deduced from information on the amounts flowing into mutual funds, the adoption rates of the SIP, and distribution of SIP investors across regions.

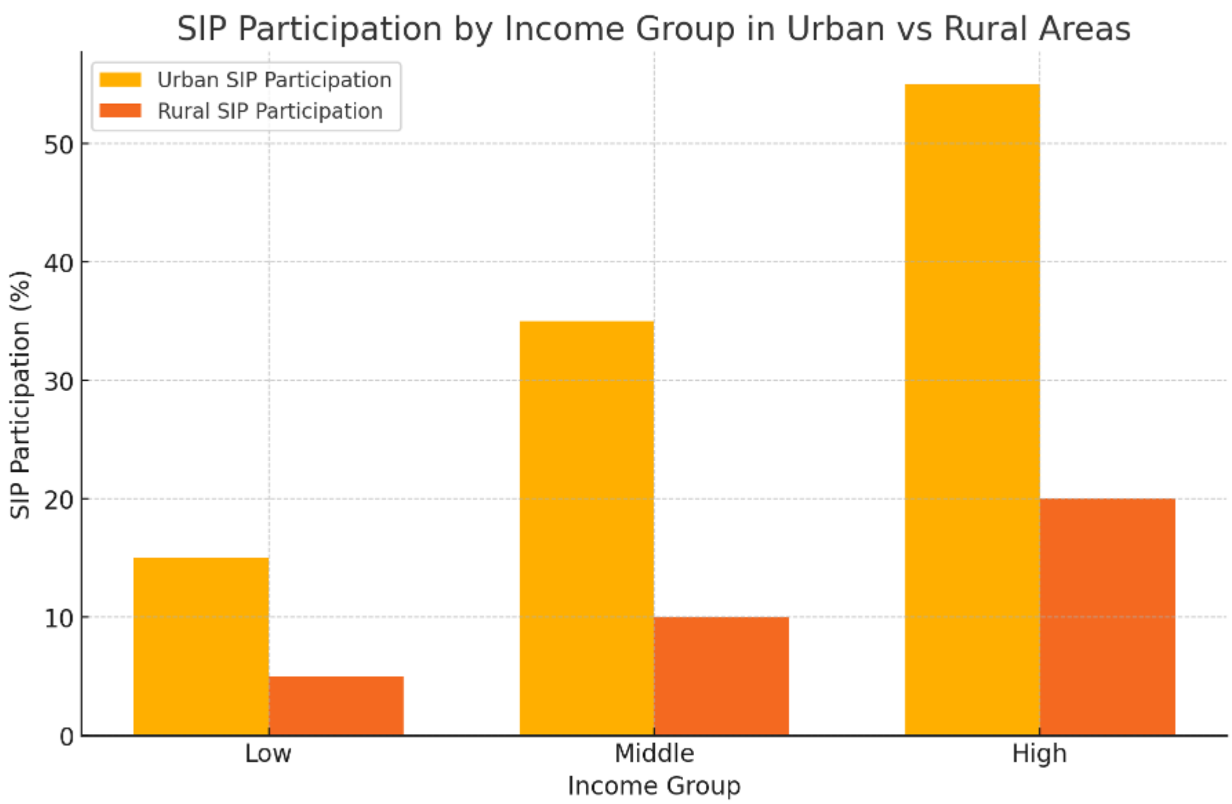
The Ministry of Statistics and Programme Implementation (MOSPI): Estimates based on household expenditure surveys and income distribution reports from both urban and rural sectors will also be used to clarify the economic framework.

4.3. Sampling Technique

To increase the adequacy of the sampling results that reflects the general population, the method of a stratum sampling will be used. The advantage of this sampling technique is that it enables sampling across income levels and geographical area to ensure there is fairly represented sectors within the urban and rural sectors.

Stratification by Income Levels:

The population will be segmented by income level: low income, middle income and high income; the change in disposable income and the consequent impact on SIP investments will be analysed among the three income level groups. This will aid in establishing if in fact income is a critical determinant of the decision to use SIPs and/or if corresponding impacts are found across the different income groups.



Stratification by Geography:

To capture regional differences, the study will focus on sampling from:

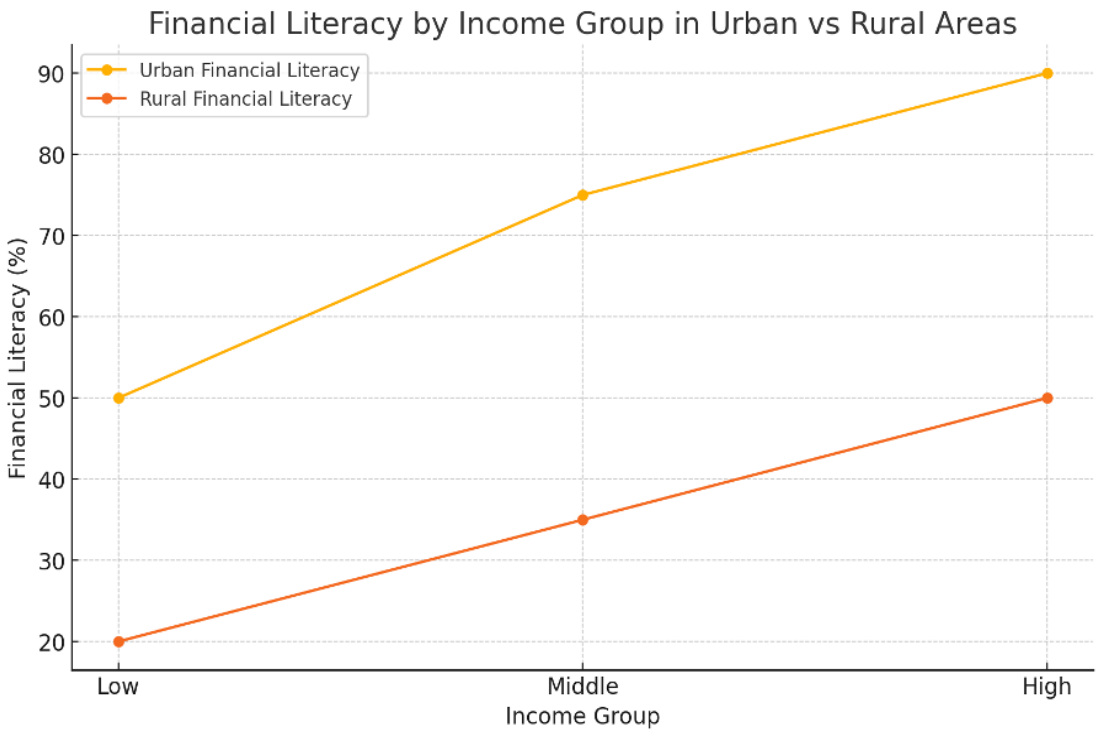
Urban Areas: Large metropolitan areas including Mumbai, New Delhi, Bangalore, and Chennai where the economy is basically diversified and there is more developed money markets.

Rural Areas: Some rural districts in states which featured at the lowest rung of the per capita disposable income growth and agri-states where this may be influenced by factors such as Government sponsored programmes or remittances.

Geographic areas will also be divided equally to allow a clear sampling of each income bracket within either urban or rural status.

Sample Size:

The sample size will be calculated from the population of the urban and rural households each targeting at least 500 households to ensure a satisfactory rate of statistical adequacy. To calculate the actual sample size for the whole population a variation will be made to cover both the urban and rural areas of the country to enable an estimation of the population with 95% confidence interval with a 5% margin of error.



4.4. Data Analysis

Primary and secondary data sources will be analyzed statistically to investigate the relationship between disposable income growth and SIP investments and also to develop factors influencing the investment behaviour in different regions. The following methods will be employed:

Correlation and Regression Analysis:

Regression analysis will be employed to test the degree as well as the direction of the relationship between the amount of disposable income growth and the amount being invested in SIPs both, in the urban and rural areas. This will assist in testing a hypothesis that says that with rising income levels there is a positive and significant relationship with SIP's investment levels.

Multiple regression analysis will also be administered to investigate whether financial literacy and financial access explain additional variance in SIP investments. Using multiple regression analysis, the study shall determine the measure of contribution of the following independent variables; growth in disposable income, financial literacy and the availability of investment platforms in the determination of SIP participation rates.

Cross-Tabulation:

In order to find out how investment behaviour differs across certain demographic variables, chi square test will be used across income levels, geographical areas, education levels etc. This method will also assist in establishing whether or not lower financial literacy or fewer accessible banks are changing SIP adoption in rural regions.

Comparative Analysis:

In order to compare the SIP investment behavior of urban and rural households, descriptive analysis will be made. To achieve this, growth rates of disposable income and SIP participation rates between urban and rural environments will be compared while controlling for variables including financial literacy, financial services accessibility, and cultural predispositions toward investment.

Income Group	**Urban SIP Participation (%)**	**Rural SIP Participation (%)**	**Urban Financial Literacy (%)**	**Rural Financial Literacy (%)**	**Urban Disposable Income (%)**	**Rural Disposable Income (%)**
Low	15	5	50	20	40	20
Middle	35	10	75	35	60	30
High	55	20	90	50	80	45

Hypothesis Testing:

The study will seek to develop and compare hypothesis to determine if statistically there are any differences in the relationship between disposable income growth and SIP investments between the urban and rural populace. For example:

H1: As disposable income increases, the investments in SIP gains a momentum particularly due to increased investment in Urban areas.

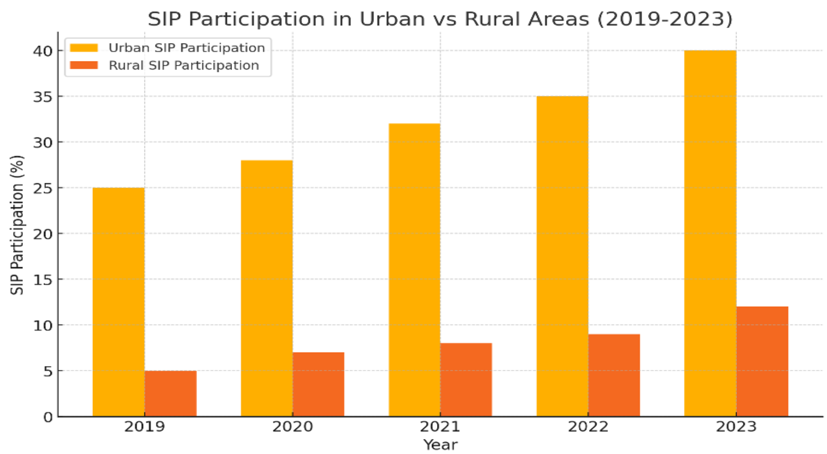
H2: In the context of the rural population, disposable income growth is positively associated with SIP investments and financial literacy reduces this association.

5. Results

The findings from this study contribute to the understanding of the impact of disposable income growth on SIP investment in the urban and rural areas to reveal the sophistic differences between them in terms of financial literacy, availability of financial services and investment behaviors.

5.1. The Growth Rate of Disposable Income in the Urban and Rural Sector

The first observation of such data implies that the disposable income in urban regions has been growing more rapidly than in rural regions. Over the past five years, urban households have experienced an average increase in disposable income ranging between 20-30%, driven by factors such as:



Wage rises specifically in IT business, and the service industry as a whole, such as banking and retail.

Higher income diversification because of activities in the gig economy, freelance jobs, and so on.

The growth in industrial areas as well as employment opportunities in large cities.

Modernisation has therefore seen increased economic stability within so many households which are free to spend more of their income on non - essential requirements and investment. Besides, consumer expenditure in urban areas are relatively high because fewer demands are met by agricultural products and subsidies.

Rural households, on the other hand, have had an incremental disposable income increase of between 10 to 15% during the very same period. This slower growth is largely attributable to the following factors:

And this indicates that community heavily relies on agriculture, some of which has boom and ban season, climatic shocks, and market instability.

Lack of self-employment activities, government schemes, subsidised commodities and services, and employment programmes which provide financial assistance but the clients do not develop sustainable incomes.

Reduced mobility to the white-collar occupations and minuscule chances of gaining more and diverse economic niches.

More so, while the government's approaches to rural development and enhancing the overall development in the countryside including; electrification, road infrastructure, and internet, has helped spur an income increase, the rate of increase in disposable income per head in the rural areas is lower than in urban centres.

Opportunities to investment: These disparities in income growth between urban and rural areas are a significant core of difference in investment behaviour and propensity as high disposable income in the urban areas indicates the higher capacity and willingness to invest in accessible and formal product line such as SIPs.

5.2. SIP Investment Growth in Urban and Rural Area

These trends are clearly reflected in the growth of SIP investment; it follows the trend in the disposable income and the urban area has a higher percentage than the rural area. The number of investors in mutual funds has also grown over the past five years with Urban SIP having a growth of nearly 40% which forms high growth in mutual fund. Several factors have contributed to this trend:

Urban households invest in mutual funds SIPs, as there is improvement in the disposable income making consumers trim a fractional income to save for the long term.

The effect of digital financial platforms - web applications and mobile applications- has reduced the complexity involved in creating and investing through SIPs and has made it convenient for the urban investors to invest in mutual funds.

In urban areas the people have been privileged to be exposed to financial literacy and especially housing investment and they have could for professional advice from financial practitioners.

Applying the quantitative method the study establishes that compared to the rural investors the urban investors are more likely to have the SIP investment as a part of their financial planning. The main attractions include compounding, diversification and the facility to invest systematically – an advisor will find SIP to be ideal for both the salaried and the self-employed class.

In contrast rural participation in SIPs has been relatively slow to rise though growing at a faster trend of 15 to 20 percent for the same time period. Several factors explain this slower growth:

Restricted disposable income that existing in the rural areas implies that many households spend more than half of their income in meeting fundamental needs and, therefore, cannot afford to invest in other ventures.

Factors such as low financial literacy and lowest awareness in areas of investment products such as SIP negatively affect the propensity of the rural populace to take financial risks in formal markets.

Agricultural risk management remains relatively unchanged as a result of cultural endowment and traditional investment portfolio including gold, livestock and real estate in many developing countries. These tangible assets are considered safer and more familiar investments to investors than securities such as SIPs.

One major challenge is that a number of the population located in the rural areas cannot access the internet or have few financial institutions to invest through. Despite an attempt to increase financial inclusion through campaigns like Pradhan Mantri Jan Dhan Yojana and increased usage of mobile money, the survey shows that it’s still hard for some households in the rural areas to access investment products.

However, the study acknowledges that there is a rising trend in the uptake of rural SIP participation, especially in the areas where players have enhanced digital and financial technologies. Slowly and surely, the rural investors are waking up to the potential of SIPs more so due to the strong flow of online advertising and government awareness campaigns.

5.3. Citizens and especially the poor persons; do not know how to handle financial power? Limited financial literacy and access to financial services

The findings are a pointer to the importance of financial education as a determinant of SIP investments. As with any mutual fund, the level of financial education is another crucial feature that defines the interest to

SIPs: in urban centers where people are presumably more educated financially, the turnout is significantly higher in contrast to the rural districts. The analysis shows that households with better financial education are more likely to:

The concept of systematic investment and the compounding theory have to be grasped in full.

Understand that investing in SIPs is less risky than investing in the stock market making it suitable for the creation of long-term wealth.

Reach out to their clients through digital platforms and make available financial advisors who will help them make the right decisions and desired choices of investment inclusive of SIPs and other related financial products.

Urban households also benefit from a more developed financial ecosystem, which includes:

Banking services, brokerage firms and institutions who provide services of advisory for persons.

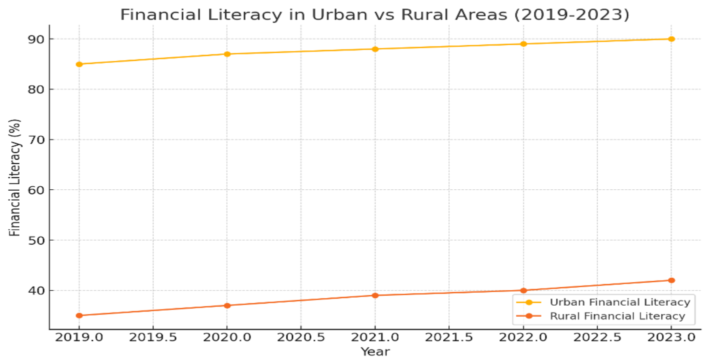
Advanced technology means that investors have visibility into investments and SIPs, and easy access to platforms to invest in those instruments.

Self improvement programs and publicizing that can encourage people on the need to save and investLooking for saving and investment education, particularly for retirement and wealth creation.

However, as appreciated earlier, there is evidence that rural areas have relatively low levels of financial literacy and penetration. Despite improvements in income growth, rural households still encounter barriers such as:

Lack of awareness or understanding about more conventional formal funds such as SIPs. The low penetration, unavailability, even companies or mutual funds many rural households are unaware of SIPs or do not know how to invest in mutual funds.

To go for ‘‘physical’’ savings and hencechit funds, gold, land etc become the preferred way of saving among rural households because they do not trust banks/ formal financial instituions.



Hearings, including the lack of sufficient number of financial advisors or institutions in rural areas where many of the target households are situated and hence few if any would know how to begin investing in SIPs or mutual funds.

A lack of ICT infrastructure: the current internet and smartphones penetration rate in the rural areas is low, hence they cannot effectively use online platforms whereby and SIPs can be easily established and run.

This study reveals that rural investors who practice high level of financial literacy and who avail formal financial services are most likely to invest using SIPs. For instance, the households in rural areas where micro finance institutions or self help groups operating possess better information regarding the financial literacy and, therefore, are more willing to invest in more structured financial products.

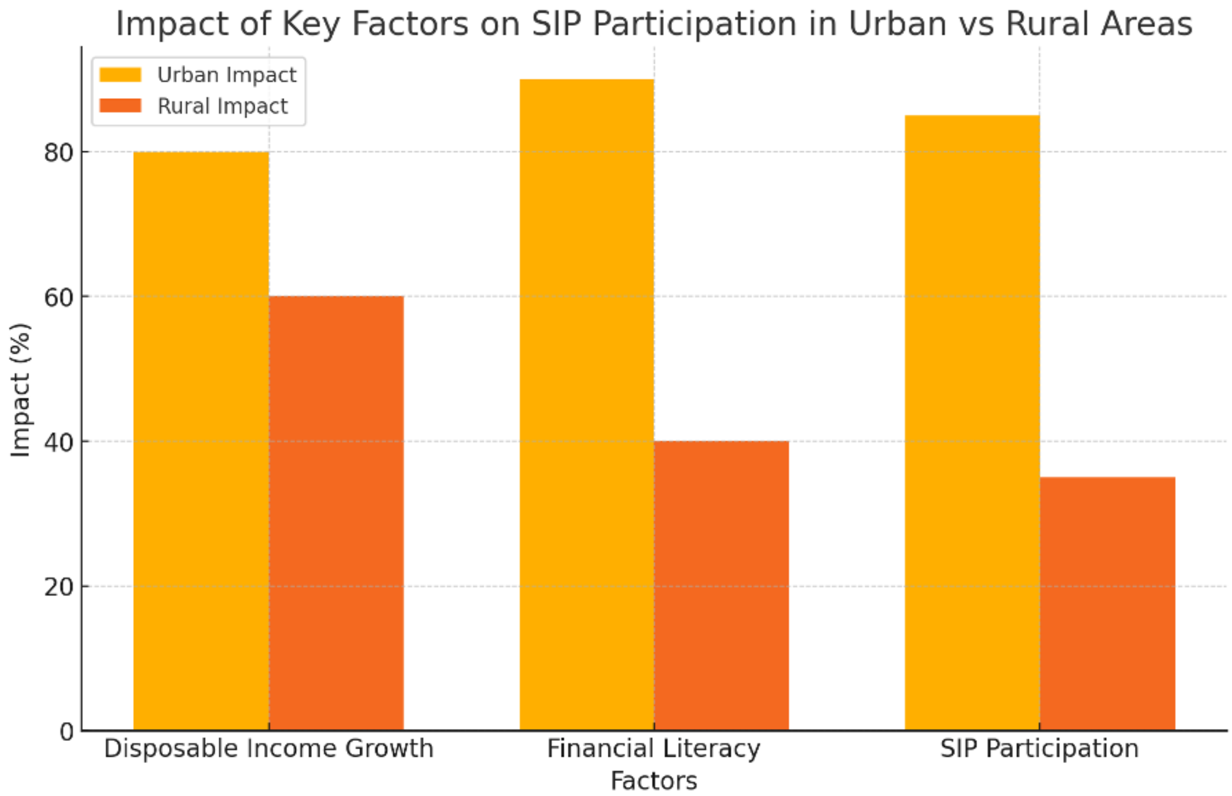
In rural areas especially effort made to contain the lack of financial literacy through programs like RBI's FLCs and NGO's are paying off. Nevertheless, there is a more pressing demand for products that both inform rural consumers about SIPs and increase their willingness to use institutional financial service providers.

6. Discussion

The implications of the research results are significant for understanding the effects of disposable income growth on SIP investments in urban and rural India. Taking the level of income growth into account, the results show an orientation to increase the participation in SIPs in both regions. But this relation varies with sensitivity in urban and rural localities due to disparities in literacy in personal finance, accessibility to financial facilities, and community beliefs towards investment.

6.1. Stronger Correlation in Urban Areas: A closer look at financial infrastructure

In particular, relative to rural areas, the relationship between disposable income and SIP investment in urban areas grows stronger, given better financial infrastructure, improved financial literacy and better access to stock brokers investments. Several key factors contribute to this dynamic:



Well-developed Financial Ecosystem:

Such industries are well developed in urban areas because they have access to banks, mutual fund companies, broking companies, and financial consultants. These institutions offer residents an opportunity of getting independent information and professional advice on SIP investments. Banks and other financial organizations use campaigns, seminars, and online means to popularize mutual funds and SIPs and bring these retail products into focus of the urban customers. Also, business people living in urban places are more connected to financial advisors to assist them invest a fraction of the disposable income into SIPs.

Access to Digital Platforms:

Digital platforms are also a significant influence to SIP investment expansion in urban area due to their availability. The emerging FinTech companies supported by mutual fund platforms and banking apps have ensured that they make it easy for the urban households to subscribe for the SIPs with minimal efforts. Hitherto, the advancement of financial technologies has reduced the number of hurdles that investors have to overcome to automate their investments while tracking portfolio performance. Another factor that has made investors in urban areas to embrace SIPs is the simplicity of these platforms together with the use of Smartphone and computers.

Factor	**Urban Impact (%)**	**Rural Impact (%)**
Disposable Income Growth	80	60
Financial Literacy	90	40
SIP Participation	85	35

Higher Financial Literacy:

The study Establishes that financial literacy has significant interaction with SIP adoption. Urban households, in general, can read and write and have better awareness level and could directly get exposure to financial education and other related initiatives from schools, colleges, media, and banks/ other financial institutions and government campaigns information. Its implies urban investors have more knowledge about systematic investing, idea of compounding, and risk reward ratio of mutual funds. This cognisance makes them willing to look at the SIPs as an effective channel towards wealth creation, retirement, or even for tax planning.

Income Stability and Investment Capacity:

An important factor that has emerged is that the rates of increase in per capita income from salaried employment, service sectors, and industrial activities have been relatively stable in the urban areas in providing the urban households with more disposable cash to be invested. Better and stable income positions make the urban households capable to allocate small fraction of their earnings to long term investment products like SIPs. Also, the investment awareness level is high in the urban location sense people are seeing the SIPs not only from a product use perspective but also from an investment building tool and security perspective.

6.2. Slower Growth in Rural Areas: Barriers to SIP Adoption

The study demonstrates that, although, rural areas are also experiencing a trend of influx of SIP investments disposal income has a low relationship with SIP investment compared to urban areas. Despite rising incomes, rural households face several challenges that limit their ability to engage in formal financial markets and embrace SIPs as a long-term investment strategy:

Limited Financial Literacy:

By far the biggest challenge towards the implementation of the right in the rural areas is the knowledge on matters concerning finance. To many rural households, instruments such as mutual funds are completely unknown while those that are known, such as SIPs, remain poorly understood. Farmers and other people who live in rural areas are not very likely to be adequately informed on financial matters, and there are often no reliable sources of information about investing. Without an understanding of what material gain and loss is associated with them and what potential benefits and risks SIPs present, rural investors ill remain wary of complex formal financial instruments that they are more likely to default to informal saving mechanisms such as gold or land or informal savers groups.

Trust Deficit in Formal Financial Systems:

Trust is key in the investment decisions, and especially in the rural sector there is little trust in the financial institutions. In the past the rural households used formal saving instruments which are rooted in their culture like saving in gold, land or live stocks. While it is seen that these tangible are safe and secured forms of investment, the financial products such as mutual fund and SIP are considered as being highly risky and complicated. This is coupled with perceived lack of transparency in formal financial systems, latest experiences of frauds/inefficiency in managing monies in organized financial systems and therefore rural incomes are averse to invest in SIPs.

Access to Financial Services:

The provision of financial services is still very limited in the rural regions. The government of India has also launched some measures like PMJDY and FinTech companies have helped in opening banking facilities in rural area but yet it is still a big challenge to find composite rural houses having near banking & Investment facilities. Affiliates of banks and mutual fund distributors are located in cities, and in some cases, are out of reach from rural village basic earns making it almost impossible for the households to access them for services. Also, internet and smartphone adoption, while increasing in the rural areas is still comparatively low to the urban areas hindering the ability to create and operate SIPs through online means.

Cultural and Social Factors:

Immortalised savings and investment procedures are more likely used in the rural households. Cultural beliefs when it comes to risks and investments are inclined to go for the assets that can be touched, such as land or gold. While choosing targets of investment, specific attention is paid to purchasing a financial product which is considered to be either risky or uncertain. Also, rural families may have urgent consumption needs like dowry, weddings, festival etc., for which they may not have long term money accumulation hence saving pool for products like SIPs which require regular saving.

6.3. Rural SIPs growth prospects

The income levels in Rural Areas are progressively increasing with Agriculture development, subsidies provided by the government and establishing infrastructures. With increasing affluence, there's a chance to invest a better part of this discretionary cash in better investment instruments such as SIPs.

However, to unlock this potential, several steps are needed:

Enhancing Financial Literacy Programs:

What remains is targeted financial literacy programs that address those gaps, particularly those designed for rural consumers. These programs should therefore aim at familiarising the rural households with the good practices of long term systematic savings for investments and the need for diversification. Promotion of SIPs and awareness can best be enhanced through community-based affiliated financial literacy efforts employing the use of community leaders or self-help groups – SHGs.

Building Trust in Formal Financial Institutions:

For the purpose of improving the overall usage of SIP in rural areas, the financial institutions have to cultivate the trust these areas have in them. This can be done at the moment by offering more descriptive communication of products and services offered and providing enhanced financial consultancy services which may be specialized for the rural families. Another way would be by increasing penetration in order to build relationship through branch network, agents or mobile banking services to enable people to embrace financial products.

Improving Access to Financial Services:

That is why, it is important to increase the availability of banking and investment platforms in rural regions to stimulate the development of SIPs. Measures towards connection to the web and the use of portable devices would help eliminate geographic restrictions, as the unit maps need not travel; the help of the FinTech platforms would also be useful for investment servic provision to rural households. Further, increased exposure of financial advisor or agent to the rural households may increase understanding of SIP's among the rural households.

7. Conclusion

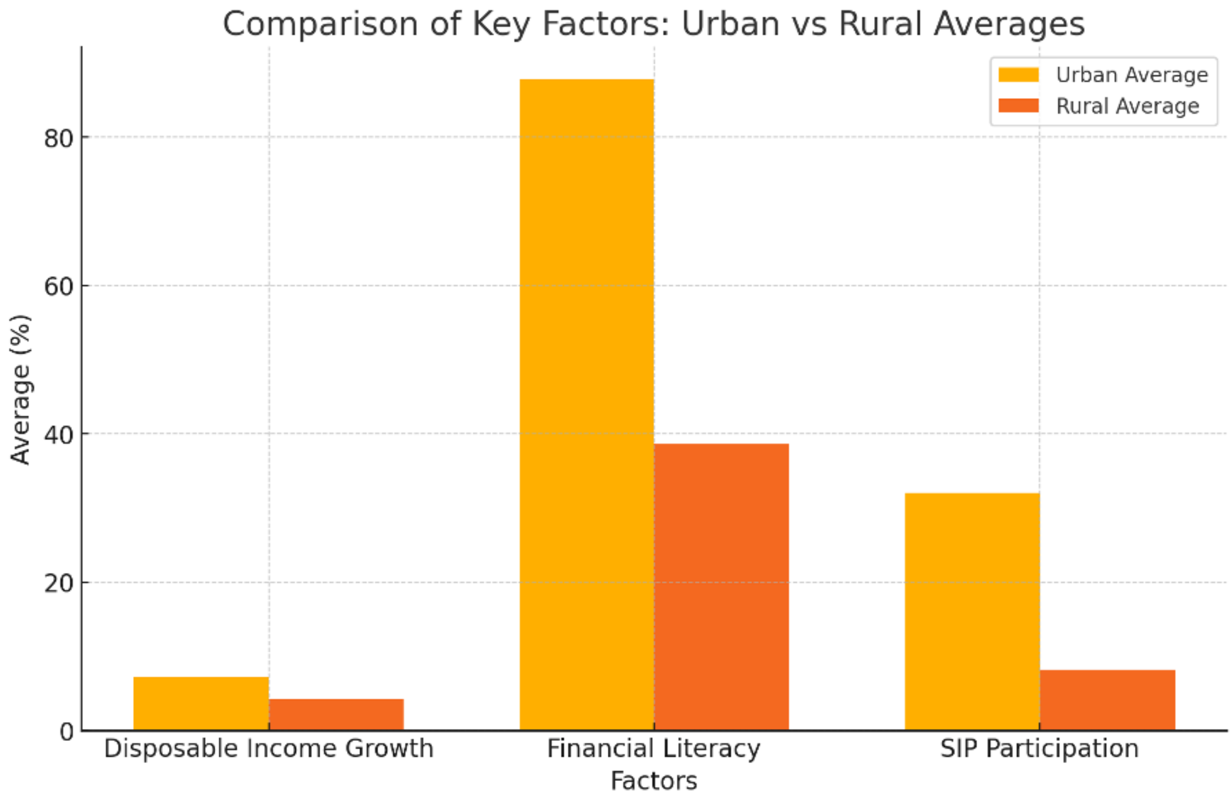
The focus of this research paper is to analyse how the growth in the disposable income influences the enhancement in the Systematic Investment Plan (SIP) trend in urban and rural regions of India. Therefore the study finds out that although consumption income does have a significant and positive relationship towards the SIP investments in both regions, the strength and kind of relation varies significantly between the urban and the rural households. These differences are brought by various socio-economical cultural and infrastructural factors concerning either the household's ability or inability to invest formally in finances.

7.1. A Stronger Impact of the Growth of Disposable Income in Urban Centers

The authors argue that urban households are elastic to disposable income and this drives high SIP participation. Several factors explain this stronger influence:

Higher Income Growth:

The consumer disposable income rates have grown more rapidly in the urban regions due to industrialization and absorption of employment in the services sector as well as in the formal employment sectors. This steady and higher income growth enables urban households to spend more of their income on the so-called 'luxury products'; this also enhances ability to invest in other financial products such as SIPs. With income growth, the investor from cities and towns finds the SIP less so a burden but more a tool used to accumulate wealth and be secure financially over the long term.



Better Financial Literacy:

The findings of the research point at the necessity of having adequate financial literacy in order to influence the investment decisions. As a result, the urban households exhibit fairly good knowledge of systematic investing partly because they have better access to education programs, financial experts as well as media promotion. This increased appreciation of the exponential returns possible through compounding, risk mitigation and risk diversification makes the urban investors more proactive in SIPs. Financial literacy also enhance the ability of urban households to make the right investment decisions hence improving the confidence in the use of formal financial tools.

Access to Digital and Financial Services:

The early stages of this analysis established that the probability of acquiring SIP increases with the availability of digital platforms electronically and the availability of formal financial services, all of which are significantly available in urban areas. The arrangements made by the urban investors can comfortably purchase SIPs through mobile banking, mutual fund interfaces, as well as mobile wallets. The accessibility of these products by urban households is also complemented by financial advisors as well as investment firms hence guaranteeing the appropriate knowledge and platforms required for efficient operation within SIPs. The availability of computer and other related technology has increasedUBEHS the level of entry for money market IA through the investment of small amounts at least once in a month.

Factor	**Urban Average (%)**	**Rural Average (%)**
Disposable Income Growth	7.2	4.2
Financial Literacy	87.8	38.6
SIP Participation	32.0	8.2

7.2. This manuscript also understands that the influence of disposable income growth has been weaker in rural areas.

However, the impact of increasing disposable income on SIP investments in the rural area is comparatively low despite a slight increase in the income level. Several structural barriers limit the capacity of rural households to engage in formal financial investments:

Slower Income Growth and Volatility:

The availability of disposable income for the rural households is comparatively slightly higher, and this is generally linked to income earned from farming that may be erratic and seasonal as a result of unfavourable weather conditions, or market prices changes. Despite government subsidies and welfare schemes, income growth in rural sectors is much lower than urban areas, thereby leaving littleheadroom for discretionary expenditure on investments. Furthermore, rural income is relatively volatile making people prefer spending now, or using traditional methods of saving includes, utensils, gold jewelry, livestock instead of a systematic saving plan like SIP that requires regular contribution.

Limited Financial Literacy:

An empirical challenge in implementing SIP is associated with the poor financial literacy levels prevalent within rural regions. Most of its current and potential clientele base, the rural households, do not have any notion about how mutual funds or a SIP operates and hence, they lack knowledge about certain investment tools that would enable them to build and enhance their wealth. This leads to a lack of access to financial instruments in simple terms leading to informal saving methods being given more credence and believed to be safer. The rural households have low literacy of financial services and therefore they cannot access or trust financial services when they have money to invest even.

Inadequate Access to Financial and Digital Services:

The expansion of financial services in the rural region is a challenge. For instance, while the Indian government has come up with the Pradhan Mantri Jan Dhan Yojana (PMJDY) to boost the use of bank accounts among the population and the growing popularity of FinTech firms that offer investment opportunities such as the use of systematics investment plans, many households in the rural areas do not have access to formal banking services let alone digital platforms which are central to the investment in SIPs. There is lack of nearby facilities of banksbranches, mutual fund distributors or financial advisors in country side that helps the household to get anchored to begin investment. Also, lower internet than rural counterparts also reduced Smartphone ownership, which hinders their capacity to use digital tools needed for SIP's financial services provisions.

7.3. Policy Recommendations and Supplementing recommendations for Rural SIP Adoption

Because this study reveals a significant gap in the level of SIP adoption between rural and urban producers, it supports proposals to increase support for SIP adoption in rural areas. The following recommendations are essential for promoting more inclusive financial participation:

Targeted Financial Literacy Programs:

Thus, the exacerbation of others indicates the need for financial literacy programmes customised for rural customers. Any extension services offered under such programs should therefore aim at improving the understanding of the public, especially the rural populace, as to the importance of SIPs as well as other mutual fund products that would be offered to the market through systematic savings towards the achievement of their long-term financial needs which may include education, health or retirement. They can be implemented by local community leaders, Self Help Groups (SHGs), Micro Finance Institutions And local NGOs, which are well accepted by the rural people.

Building Trust in Formal Financial Systems:

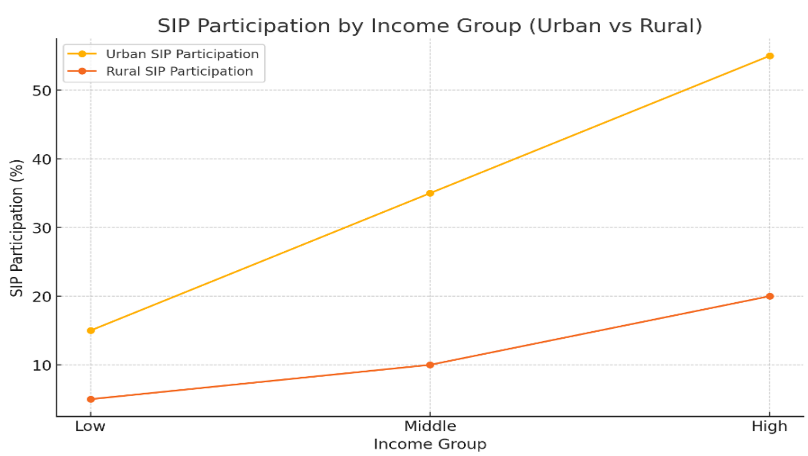
For financial institutions specifically, they have to wake up and ensure they build that much needed trust within the rural regions. To ensure the right message gets passed, this can be done through; better messaging and disclosure, providing basic simple financial instruments that are relevant to the rural households, and use of role models through the success of rural investors who have invested in SIPs. While more financially included rural households are demanding and can be served via Internet and mobile banking, this requires building the necessary trust, and this can be achieved via suitable financial advisors, agents, or via the establishment of local mobile banking services.

Expanding Access to Financial Services:

Hence, to enhance on the percentage of employee's contribution via SIP, access to enhanced financial services in the rural areas must be sought. This can be done by deepening the mobile banking, improving the internet linkages and utilizing the Fintech to provide SIP products through online. Other policy recommendations that may be needful include the offering of incentives to the selected financial institutions to open up branches or enter into arrangements to offer 'more physical' investment access in the rural settings.

Government and Institutional Support:

This has the implication that interventions from the government can be instrumental in encouraging the operation of investments within the rural SIP. s One such solution is to provide tax exemptions or subsidies to the rural households who invest in SIPs. Besides, partnerships involving the government and private institutions for enhancing financial literacy and enhancing access to investment channels would enable the rural regions benefit fully from the increasing disposable income.



7.4. Conclusion

Altogether, the results indicate that the concept of disposable income impact on the SIR investments is in remarkable correlations in both the urban and rural places and areas, however, the intensity of growth is high in the urban areas because of better wealth management and financial knowledge through digital platforms and sound financial sectors. It has been shown that despite increases in income, developing rural areas largely remain problematic in terms of low financial illiteracy, distrust with formal structures for investing, and poor access to financial institutions. To enhance the prospects of the effective promotion of SIPs and financial inclusion for the rural populace, programmes targeting the improvement

Income Group	**Urban SIP Participation (%)**	**Rural SIP Participation (%)**	**Urban Financial Literacy (%)**	**Rural Financial Literacy (%)**
Low	15	5	50	20
Middle	35	10	75	35
High	55	20	90	50

of financial literacy and consisting of increased access to financial services and products and strengthening of confidence in using the facilities of the formal sector are critical.

Therefore the evidence provided address these barriers in a way that aim to assist policymakers, financial institutions and FinTechs in supporting this extension of formal financial products such as SIPs across all sections of Indian population leading to inclusion for both the urban and rural population.

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