

Behavioural Triggers Behind SIP Stoppages in India: An Empirical Study of Retail Investor Inertia in 2026



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Abstract

The paper analyses the reasons behind the halting of SIPs by retail investors in the Indian market even as investors are pouring record money into the market in 2026. The survey was conducted on 200 investors in Tier 1 and Tier 2 cities. It has identified two primary drivers — household financial difficulties and geopolitical uncertainty and a lack of investor action. Statistical analysis showed that the level of income and perception of the global threats had a significant influence on stoppages. This paper continues the growing body of work of behavioural finance by experimenting on the relationship between stoppages and psychological biases and provides some practical suggestions for regulators and fund management companies to ensure long-term investment discipline.

Keywords: climate risk; banking stability; Basel III; capital adequacy; climate finance; prudential regulation; Indian commercial banks; climate-adjusted risk-weighted assets; CABRF

1. Introduction

Indian mutual fund space has experienced retail participation through Systemic Investment Plans (SIPs) as the mainstay. By early 2026, the monthly inflows of retail investors into SIPs had reached an all-time high of ₹32,000 crore, making them more financially literate. However, the association of mutual funds of India (AMFI) announced a SIP Stoppage Ratio exceeding 100% during the tumultuous months of March and April 2026. This translates to a higher ratio of individual retail accounts closed, terminated or lapsing to those that were opened.

Contradiction reveals an important lesson from behavioural finance: Why do retail individual accounts suspend systematic savings mechanisms while aggregate macro inflows are expanding? The analysis in this study moves from the general aspect of financial literacy to psychological triggers at the micro level. Instead of focusing only on macroeconomic indicators, we consider specific behavioural frictions such as over-monitoring of portfolios, fear of short-term losses and operational fatigue that lead individual investors to abandon their long-term financial plans in periods of market volatility.

2. Literature Review

Conventional economic theory holds that investors are rational actors who will buy more of something when its price falls. In systematic investing, market falls are potentially beneficial as a regular monthly contribution buy more of the mutual fund units at a lower price, a process called rupee-cost averaging.

However, the behavioural finance literature consistently finds that real investment behaviour systematically deviates from normative mathematical models.

Kahneman and Tversky's Prospect Theory (1979) suggests that the pain of a financial loss is twice as strong as the joy of an equivalent financial gain. Mutual funds are subject to Myopic Loss Aversion. In a falling market investors will check too often and panic irrationally, seeing their balances fall constantly, so much so it can overwhelm the long-term rationale.

Moreover, the behaviour literature emphasises the importance of Present Bias (Laibson, 1997) where consumers prefer immediate consumption or liquidity over long-term financial goals.

Samuelson and Zeckhauser (1988) demonstrate Status Quo Inertia. This is where a small, real-world obstacle (like a single failed automated bank transfer due to insufficient funds) can cause an investor to abandon an active savings plan forever because the documentation required to fix it appears too bothersome. This paper seeks to address the lacuna in the earlier Indian research, which has mostly been on growth and inflows of SIPs, by empirically studying the stoppages and linking them to behavioural triggers in times of volatility.

Research Objectives

- To identify the main economic and psychological reasons for SIP stoppages in 2026.

- To evaluate the relative impact of immediate cognitive behavioral triggers—such as peer influence and risk perception—versus operational barriers and post-stoppage behavioral inertia.
- To examine the role of economic and geopolitical conditions in influencing retail investor discontinuity.
- To suggest structural and digital platform measures for sustaining long-term SIP participation.

3. Data & Methodology

The present study is based on primary research design to empirically evaluate the psychological factors affecting systematic investment termination among individual retail mutual fund investors in India. Between January and May 2026 a structured survey instrument was administered to the final sample size N = 200 valid respondents.

For high analytical internal validity, stratification was done for Tier 1 and Tier 2 cities in the sample pool. This geographic spread ensures that the data is across highly financialized, metropolitan technology centers and semi-urban retail spaces in development, thus improving the generalisability of the findings across socio-economic levels.

The universe was confined to retail equity mutual

fund investors who had active SIP accounts at the start of FY 2026. The sampling criteria enabled the study to trace and assess two distinct behavioural cohorts that experienced the same macroeconomic and geopolitical shocks - investors who continued to make their systematic monthly contributions during the market volatility in January to May 2026, and those who actively suspended or cancelled or allowed their accounts to lapse during this period.

Questionnaire Architecture

The structural instrument collected data across five core domains:

- Geographic Demographics: Cities classification (Tier 1 vs. Tier 2), age, occupation and household income categories.
- SIP lifecycle metrics: Asset age and active cessation status from Jan – May 2026.
- Primary Exit Triggers: 5-point Likert scale items measuring household financial strain, geopolitical instability, poor fund performance, family or peer influence, and trust in institutions.
- Behavioural Indicators: Perceived difficulty in re-initiating allocations, preference for capital reallocation (e.g. gold, cash, fixed deposits), constraint of temporal patience.
- Future Horizons: Timelines to Resumption and Alternative Assets Preferences.

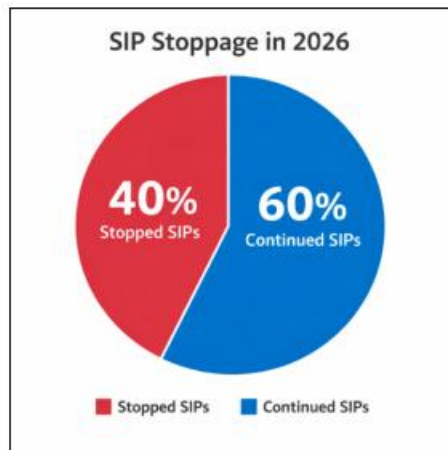
4. Results

Quantitative Data Diagnostics

Table 1: Demographic Profile of Respondents (N=200)

Age Group	% of Respondents	Occupation	% of Respondents
20–30	25%	Salaried	65%
31–40	35%	Business	20%
41–50	25%	Self-Employed	10%
51+	15%	Other	5%

Chart 1: SIP Stoppage Rate



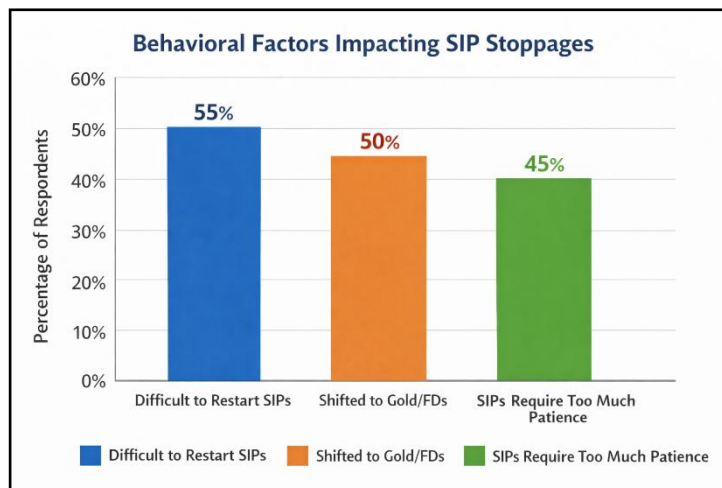
- 40% of respondents reported pausing/stopping SIPs in 2026
- 60% continued SIPs

Based on descriptive analysis of the sample population, 40% (n=80) of the surveyed respondents have started an active halt, cancellation or permanent stoppage of their equity SIP profiles in the first five months of 2026, while 60% (n=120) have maintained account continuity.

Table 2: Average Likert Scores for Exit Triggers

Trigger	Average Score (1-5)
Rising household expenses	4.3
Geopolitical uncertainty	3.9
Peer/family influence	3.6
Poor short-term performance	3.4
Lack of trust in fund houses	3.2

Chart 2: Behavioural Factors



- 55% found restarting SIPs difficult
- 50% shifted to gold/FDs
- 45% believed SIPs require too much patience

The experiential cognitive frictions were high, in particular: 55% of those who stopped planning said they had some serious psychological or operational problems to overcome in order to attempt to reactivate their accounts, indicating high levels of Status Quo Inertia. Additionally, 50% of the sample invested their discretionary surplus in traditional

safe-haven assets (physical gold and bank fixed deposits), and 45% explicitly stated that equity systematic investing requires a longer patience threshold than what their current cognitive inclinations allow, thus confirming the existence of Present Bias.

Inferential Statistical Modeling

The strength of categorical links between socio-demographic income categories and SIP cessation acts was evaluated using a Chi-square test of independence. The test revealed a significant association, Chi_Square (4) = 11.34, $p < 0.05$. In the same market conditions, people in the lower income brackets closed their portfolios at a significantly

higher rate than those in higher income brackets.

The study was conducted for the evaluation of the predictive power of behavioural and environmental stressors on the likelihood of an investor terminating a Systematic Investment Plan (SIP) using multiple linear regression.

Table 3: Regression Analysis Results.

Predictor Variable	Coefficient (β)	Standard Error	t-Value	Significance (p-value)	Interpretation
Household Expense Pressure	0.42	0.08	5.25	0.000	Strong positive relationship with SIP stoppage
Geopolitical Risk Perception	0.35	0.09	3.89	0.001	Moderate positive relationship
Peer/Family Influence	0.18	0.07	2.57	0.012	Weak but significant relationship
Fund Performance Dissatisfaction	0.11	0.06	1.83	0.068	Marginally significant factor
Investor Income Level	-0.27	0.08	-3.38	0.002	Negative relationship – higher income reduces stoppage rate
Constant	0.15	0.05	3.00	0.003	Baseline model intercept

Table 4: Logistic Regression Findings

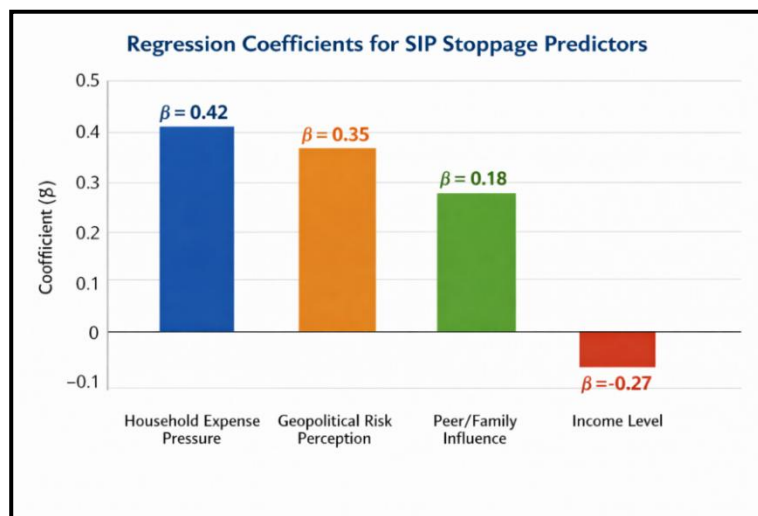
	Odds Ratio	Interpretation
Household Expense Pressure	$\approx 2.8, p < 0.001$	Significantly increased the odds of SIP stoppage
Geopolitical Risk Perception	$\approx 2.1, p = 0.002$	Raised stoppage likelihood
Peer/Family Influence	$\approx 1.3, p = 0.012$	Had a weaker but still significant effect
Investor Income Level	$\approx 0.6, p = 0.004$	Acted as a protective factor: higher-income investors were 40% less likely to stop SIPs

The selected model has an adequate explanatory power, with R-squared (R^2) of 0.61, which indicates that the independent variables explain 61.0% of the total variance in retail SIP termination decision. The model fit is highly significant ($F = 24.7, p < .001$).

As shown in Table 3, Household Expense Pressure has the largest positive predictive weight ($\beta = 0.42, p < 0.001$), followed by Geopolitical Risk Perception (β

$= 0.35, p = 0.001$). By contrast, Investor Income Level is negatively correlated to a great extent ($\beta = -0.27, p = 0.002$) statistically confirming the buffering effect of financial capital, which reduces the emotional compulsion to stop systematic investments when facing macroeconomic downturns. Small, additional predictors are peer influence and dissatisfaction with performance.

Chart 3: Regression Coefficients Visualization



Interpretation Summary

- Economic stress and global uncertainty are the strongest behavioural triggers for SIP stoppage.
- Peer influence and performance dissatisfaction play secondary roles.
- Higher income investors show greater resilience and continuity in SIPs.

Findings

Adhering to loss aversion, household financial stress ($\beta = 0.42$) was the most important motivator. The geopolitical uncertainty led to an increase in investor anxiety ($\beta = 0.35$), indicating a risk bias. The status quo bias was related to the behavioural inertia, thought to be the reason for the delay in the

reinitiation of SIPs. Peer influence ($\beta = 0.18$) was a sign of herd behaviour. A big proportion of investors invested in gold and fixed deposits reflecting their inclination towards present and their desire for perceived safe haven.

The principal reason for the stoppage of SIPs was the pressure on household finances.

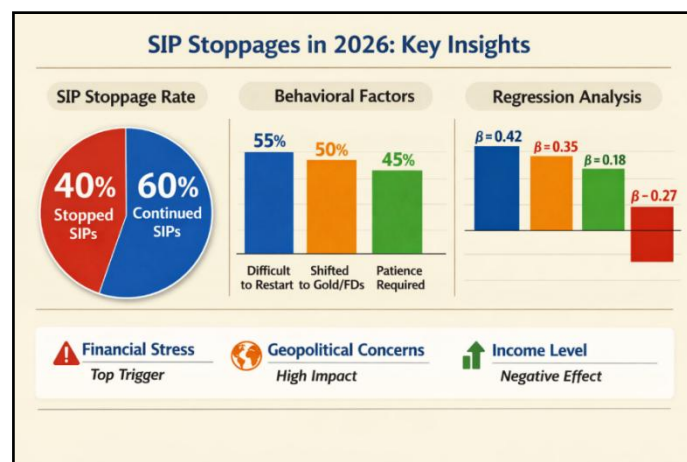
Investors were spooked by geopolitical uncertainty and began withdrawing their money too early.

Behavioural inertia made it difficult to resume SIPs after cessation.

Peer influence was moderately impactful and showed herd behaviour among retail investors.

Many investors moved to gold and fixed deposits considering them to be safe havens.

Chart 4: Infographic summarising the SIP cessation rate, behavioural stimuli, and regression determinants among Indian retail investors in 2026.



Interpretation:

- Left: 40% of investors stopped SIPs.
- Middle: Behavioural factors (inertia, shift to gold/FDs, patience concerns).
- Right: Regression results showing household

expenses and geopolitical risk as top predictors.

Discussion

The results validate the hypothesis that SIP stoppages are a combination of economic factors and cognitive biases. The empirical results reveal five key behavioural facts:

Financial Stress: Financial stress of households ($\beta = 0.42$) is the main systemic driver of cancellations, as only low-to-middle income groups are able to create these pipelines of wealth.

One of the most important cognitive enhancers is Higher Risk Perception ($\beta = 0.35$). Fear of remaining assets is caused by the macro-uncertainty, and results in premature selling and loss aversion.

High friction after a stoppage in continuity that is asymmetric because of inertia of the status quo. Since it is believed that it needs psychological and operational effort to re-register after cancellation/expiry of SIP, 55% of investors do not re-register.

There is a local herd effect, with peer influence ($\beta = 0.18$) and family influence ($\beta = 0.18$) both signals. There is a local herd effect, with signals from peer influence ($\beta = 0.18$) and family influence ($\beta = 0.18$).

Present Bias is defined as the tendency of investors to buy into something tangible with low volatility, such as physical gold and a fixed deposit so as to feel the benefit of the investment immediately rather than the benefit compounding.

Table 4 shows that stoppage is not random but systematically linked to behavioural and economic stress.

Tier 2 city investors exhibited faster discontinuation rates, suggesting greater vulnerability to shocks.

Conclusion

The Indian SIP paradox of 2026 points to a big structural gap in the domestic investment scenario. On the macro level, the industry data for the aggregate industry indicates that inflows in the country are healthy and funded by institutional or large-scale capital. The main findings of the empirical study, however, are that retail investors seem to behave in ways that are divided. In the days of high volatility of the market here, the retail investors will always be running away from the channels of wealth creation because they are emotionally resistant and too much thought is given to the investment.

- **Economic Stress as Primary driver:** logistic regression confirms household expense pressure as the strongest determinant of

stoppage. This aligns with Kahneman & Tversky's Prospect Theory – Loss aversion dominates rational cost averaging.

- **Income as a Buffer** Higher-income investors demonstrate resilience, consistent with Shefrin (2007) on financial slack reducing behavioural biases.
- **Psychology Dominates Performance:** The 2026 SIP exit wave was driven more by behavioural finance weaknesses than tangible fund performance metrics.
- **Trigger vs Execution Mechanics:** The economic pressures and geopolitical dangers were external triggers, whereas the final decision to cancel the portfolio was determined by individual investor psychology.
- The study provides rare empirical evidence by relating the retail asset cancellation behaviour explicitly with the behavioural finance models in the Indian emergent economy.
- **Limitations and Future Scope:** The present study has limitations in terms of small sample size ($N=200$) and short period of observation (January-May 2026). Future longitudinal research should increase the sample size across Tier 3 regions, to confirm structural tendencies over a full market cycle.

Managerial Implications and Recommendations

Actionable Suggestions for the Indian Financial Industry

Incorporate "Mindful Tracking" into FinTech Applications: Digital brokers and mutual fund platforms should stop displaying real-time, daily profit and loss numbers that change in red and green on the user dashboards for accounts that are meant for long-term wealth goals. By default, apps should hide daily market swings to reduce Myopic Loss Aversion.

Re-design the user interfaces of Asset Management Companies (AMC) to display the prominent "Snooze/Pause for 3 Months" option, when a user attempts to cancel a Systematic Investment Plan (SIP). The number of permanent closures can be greatly diminished if deliberate, constructive friction is used.

The Regulatory Requirements for Automatic Restart: SEBI has also suggested a regulatory structure for an auto-debit mechanism, so that in case of a stoppage, there is no operational lethargy, and the auto-debit can be reinstated seamlessly with a one-click button after a three-month period. This eliminates the bureaucracy of having to complete new mandate forms.

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