ISSN–2278-5655

AMIERJ Aarhat Multidisciplinary International Education Research Journal

Volume–XIV, Special Issues– IV Jan – Feb, 2025

OPEN ACCESS Original Research Article

THE USAGE OF ARTIFICIAL INTELLIGENCE IN SYSTEMATIC INVESTMENT PLANNING & ITS IMPACT AMONG YOUNGSTER

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Abstract:

Artificial Intelligence (AI) is revolutionizing investment strategies worldwide, particularly systematic investment planning (SIP). This research paper focuses on analysing the usage of AI-driven tools in SIP and their impact on the financial behaviours and outcomes of youngsters. The paper evaluates the awareness, adoption rates, perceived benefits, and challenges faced by young investors while employing AI in SIP. Systematic investment planning has a major impact on youngsters due to overdependence of AI tools in SIP, almost all the youngster respondents are using AI tools for SIP & very few respondents are not sure or unaware about the AI based investment planning. Incorporating AI into SIP involves using advanced algorithms and machine learning models to optimize investment strategies. Due to AI tools in SIP it has influenced investment decisions of investors & most of the investors used AI tools to reduce risk. In the era of AI almost all the youngsters are using AI in SIP to enhance the precision of investment decisions.

Keywords: *Artificial intelligence, Systematic Investment Planning, Young Investors, Financial Technology*.

Introduction:

Systematic Investment Planning (SIP) is a disciplined investment strategy that involves regular and fixed contributions to mutual funds or other investment instruments over a specified period. It enables investors to benefit from the power of compounding and rupee cost averaging, mitigating the risks associated with market volatility. SIP has gained immense popularity among young investors due to its affordability, convenience, and potential for long-term wealth creation.

SIP has gained significant popularity in recent years, particularly among young investors, due to its simplicity, affordability, and potential for long-term wealth creation. The method is built on principles like rupee cost averaging and the power of compounding, ensuring that investors can navigate market fluctuations while steadily growing their portfolio.

With advancements in financial technology, Artificial Intelligence (AI) is playing a pivotal role in automating and optimizing SIP processes. AI-powered tools provide data-driven insights, predictive analytics, and personalized investment recommendations, enhancing the decision-making capabilities of investors. This study aims to assess how young investors in the Dombivli region are leveraging AI-driven tools for SIP and its resultant impact on their financial decision-making and outcomes.

Introduction to Artificial Intelligence in Systematic Investment Planning:

Artificial Intelligence (AI) has emerged as a transformative force in the field of finance, particularly in Systematic Investment Planning (SIP). Systematic Investment Planning is a disciplined approach to investing where individuals invest fixed amounts regularly over a period, typically in mutual funds or other financial instruments. The goal is to achieve

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wealth accumulation through the power of compounding and to mitigate the risks associated with market volatility.

Incorporating AI into SIP involves using advanced algorithms and machine learning models to optimize investment strategies. AI can analyse vast amounts of historical and real-time data to provide insights, predict market trends, and recommend personalized investment strategies. These intelligent systems can help investors make informed decisions by predicting future market conditions, asset allocation, and risk assessments, thereby enhancing the accuracy of investment planning.

Research Objectives:

1. To Understand Awareness and Familiarity with AI in Systematic Investment Planning among youngsters.
2. To study the adoption patterns of AI tools for SIP among young investors, including the factors influencing adoption.
3. To Explore the Adoption and Usage Patterns of AI in Investment Decisions
4. To Identify Challenges and Barriers to the Use of AI in Systematic Investment Planning

History of Mutual Fund Systematic Investment Planning:

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹6,700 cores of Assets under Management (AUM).

The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in the securities market and to promote the development of, and to regulate, the securities market.

In the year 1993, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds, except UTI. The erstwhile Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MF industry, giving the Indian investors a wider choice of MF products. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable. The number of MFs increased over the years, with many foreign sponsors setting up mutual funds in India. Also the MF industry witnessed several mergers and acquisitions during this phase. As at the end of January 2003, there were 33 MFs with total AUM of ₹1, 21,805 crores, out of which UTI alone had AUM of ₹44,541 crores.

Literature Review:

Perceptual study of systematic investment plan (SIP) a case study of service class. Author-Dr. B.S.Hundal, Saurabh Grover, professor department of commerce and business management GNDU Amritsar. Systematic investment plan is a disciplined way of investing, where you make regular investments according to the set calendar you create. Systematic investing is a time-tested discipline that makes it easy to invest automatically. This paper is an attempt to study the perception of service class people towards systematic investment plans. Factor analysis and cluster analysis have been used to study the same and found that service classes have a positive attitude towards investment in these plans.

S. Umambheswari, M. Ashok kumar (2013) when one knows the existence of a new thing is known as awareness. External sources are responsible for creating, modifying and shaping investment decisions

ISSN–2278-5655

AMIERJ Aarhat Multidisciplinary International Education Research Journal

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of investors. Television, radio, print media, personal consultation for experts, relatives, friends etc are responsible for investment decisions.

Research Methodology:

1. Research Design: The study employs a mixed-method approach, combining quantitative surveys with qualitative interviews.

2. Sample Size and Demographics: A sample of 81 respondents aged between18-50 will be taken for a survey. The sample will include students, young professionals, and entrepreneurs.

3. Data Collection:

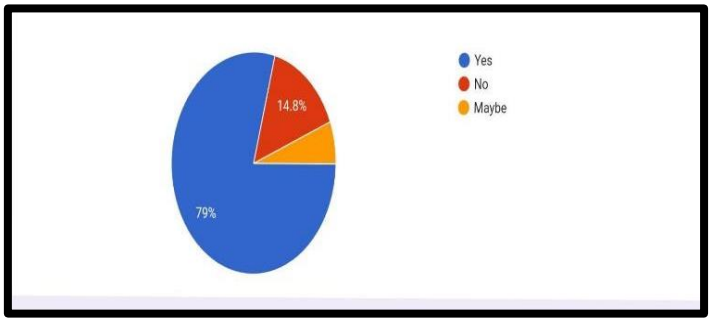
Primary Data: - Research is done through observation and data collected through questionnaires

Secondary Data:-Secondary data is collected through journals, books, and case studies, and literature on AI in SIP, websites.

Data Analysis and Interpretation

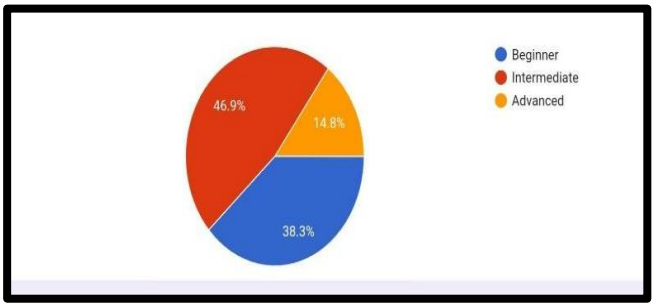
1. **Are you familiar with intelligence (AI)?**

Interpretation:- The pie chart illustrates the respondents' familiarity with AI. The majority (79%) are highly familiar, while a smaller portion (14.8%) is not familiar. A small group (6.2%) remains unsure about their familiarity with AI.



2. **How would you rate your understanding of AI in the context of Systematic Investment Planning (SIP)?**

Interpretation:- The pie chart shows the distribution of respondents' understanding of AI in SIP. A significant portion (46.9%) have an intermediate understanding, while 38.3% identify as beginners, indicating limited knowledge. Only 14.8% consider themselves advanced, demonstrating deep expertise in AI's role in SIP.



3. **What sources have contributed to your knowledge about AI in investment Planning?**

Interpretation:-This pie chart illustrates the sources respondents use to learn about AI in investment planning. Social media is the most popular source 48.1%, followed by online articles/blogs21%.Courses/workshops account for 13.6% of responses, while 11.1% learn from friends/colleagues. A small percentage 6.2% cited other sources. Overall, social media is the dominant source of information on this topic.

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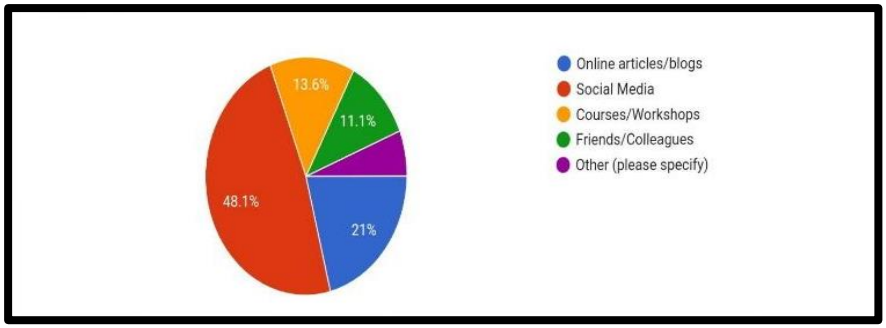
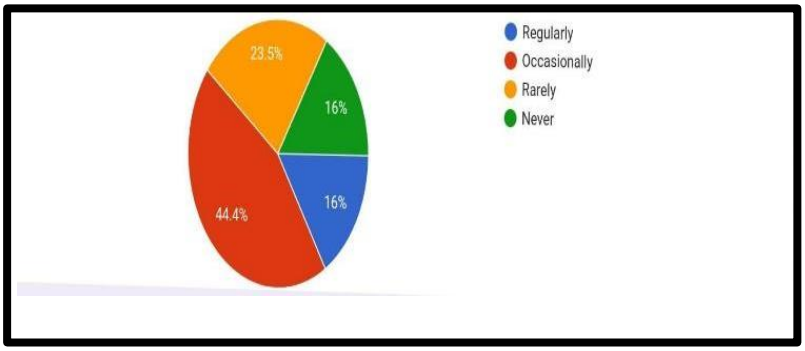


4. Do you use AI tools for your investment decision?

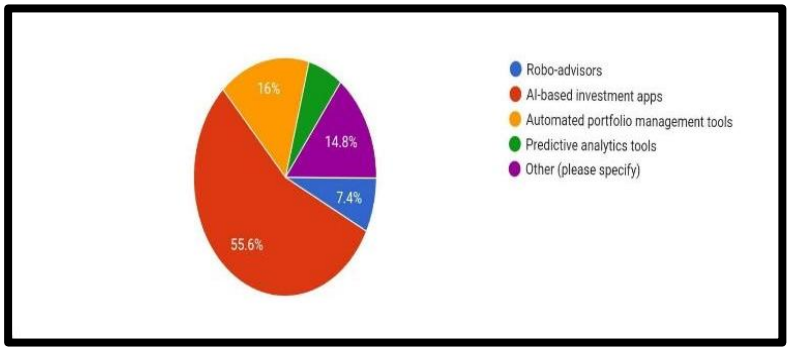
Interpretation:-

The pie chart shows the usage of AI tools for investment decisions. A plurality of investors 44.4% use AI tools occasionally, while 23.5% use them regularly. 16% use them rarely, and another 16% have never used AI tools for investment decisions.



5. Which types of AI tools do you use for SIP?

Interpretation:- AI-based investment apps are the most popular AI tool used for SIPs (55.6%). Robo-advisors are used by 16%, automated portfolio management tools by 14.8%, and predictive analytics tools by 7.4%. Other unspecified tools make up the remaining 7.4%.



6. How has AI influenced your investment decision?

Interpretation:- AI has a positive impact on investment decisions according to 81 responses. The most significant benefit is reduced investment risk 64.2%, followed by better asset allocation 44.4% and improved returns 45.7%. AI also increased investor confidence 23.5%.

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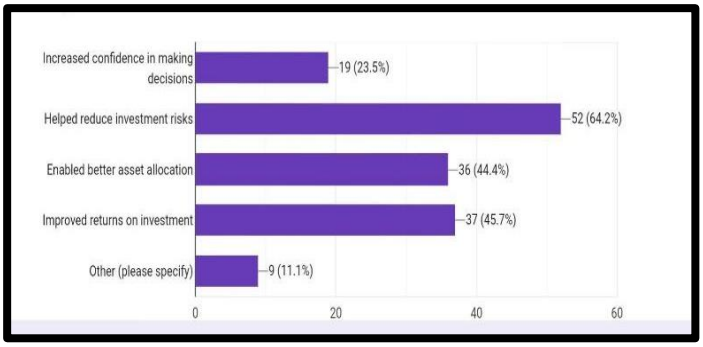
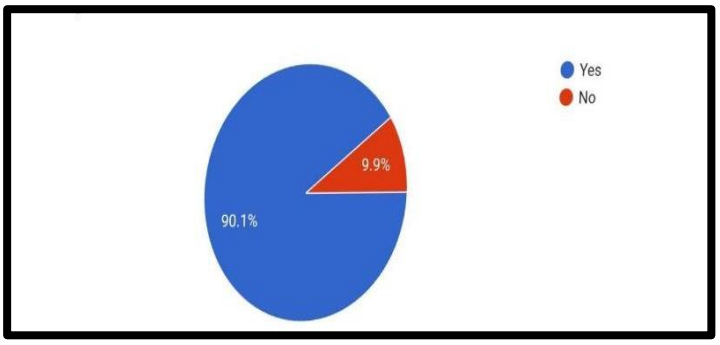


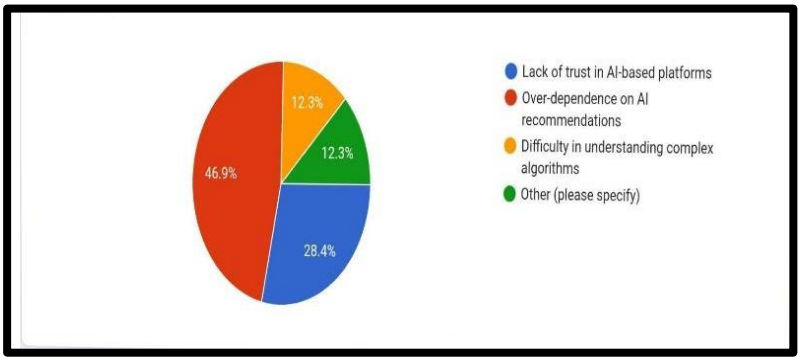
7. Perceived Impact of AI on young Investors.

Interpretation:- In the above Pie Diagram, you can see that an overwhelming majority 90.1% believe that AI has indeed made investment planning easier for young investors and the small minority 9.9% disagree with this statement.



8. What challenges, if any, have you faced while using AI tools for SIP?

Interpretation:-The biggest challenge respondent's face when using AI tools for SIPs is a lack of trust in AI-based platforms (46.9%). Other challenges include difficulty understanding complex algorithms (28.4%), over-dependence on AI recommendations (12.3%), and other unspecified issues (12.3%).



9. What is your main reason for not using AI tools for investment planning?

Interpretation:- In the above pie diagram its shows that The main reason individuals refrain from using AI tools for investment planning is a lack of knowledge (69.1%). Other reasons include concerns about data privacy (13.6%), preference for traditional methods (8.6%), and other unspecified reasons (8.6%).

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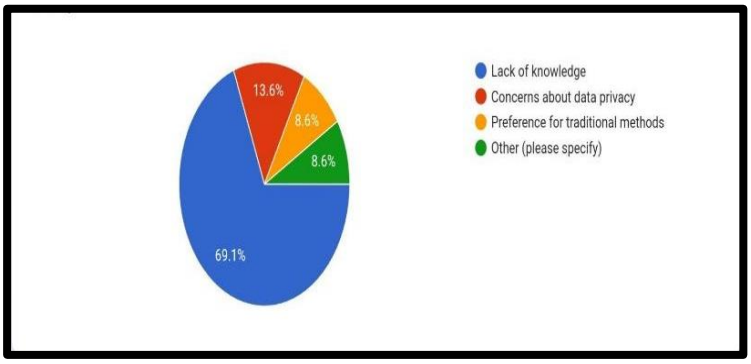
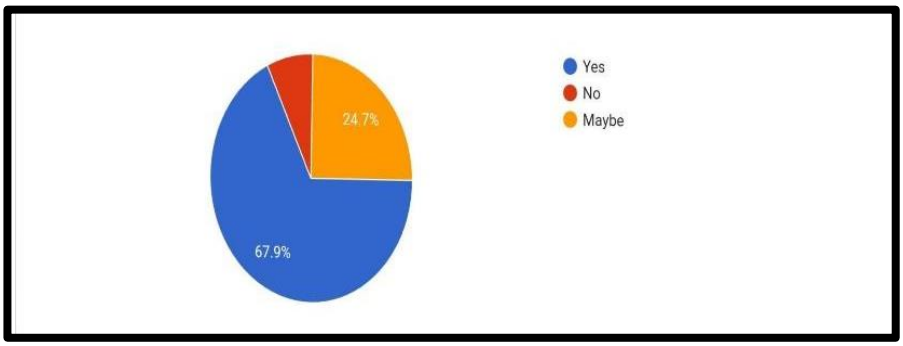


10.Do you plan to increase your use of AI in investment planning in the future?

Interpretation:- In the above pie diagram its shows that a strong majority (67.9%) of respondents plan to increase their use of AI in investment planning. Only a small fraction (7.4%) do not plan to increase their use, while 24.7% remain unsure. This indicates a positive outlook on the future of AI in investment planning.



Conclusion and Recommendations:

AI has a profound impact on the adoption and success of SIPs among young investors. By offering personalized, efficient, and accessible investment solutions, it fosters greater financial inclusion and literacy. However, addressing challenges like data privacy and ensuring transparent AI systems is crucial. Financial institutions and policymakers should collaborate to promote AI-driven tools while safeguarding user interests. users are over depend on AI tool & it's also concluded that young individual do use AI because they have lack of knowledge about AI in SIP

Recommendations:

- **Transparency in AI Algorithms**: Financial institutions should disclose how AI algorithms function, ensuring clarity in decision-making processes.
- **Enhanced Security**: Strengthening cyber security measures to address data privacy concerns.
- **Educational Initiatives**: Providing workshops and online resources to help young investors understand the advantages and limitations of AI in SIP.

Accessibility: Developing AI-driven platforms tailored for rural users with simplified interfaces and offline functionalities.

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Cite This Article:

Ms. Gupta P. (2025). *The Usage of Artificial Intelligence in Systematic Investment Planning & its Impact among Youngster*. **In Aarhat Multidisciplinary International Education Research Journal**: Vol. XIV (Number I, pp. 18–24).