
**FINANCIAL PERFORMANCE OF MUTUAL FUNDS IN INDIA
(STUDY OF SELECT COMPANIES)**

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ABSTRACT:

The financial performance of mutual funds in India is examined in this study, with specific focus placed on selected schemes of SBI Mutual Fund and HDFC Mutual Fund. Mutual funds are widely regarded as a preferred investment avenue due to the benefits of diversification, professional management, and potential for wealth creation. In this research, the performance of selected schemes is evaluated using key financial indicators such as returns, standard deviation, beta, Sharpe ratio, and Treynor ratio. A quantitative research design is adopted, and secondary data is collected from mutual fund reports, financial databases, and official sources for the period 2020 to 2025.

A comparative analysis is conducted to assess the risk, return, and risk-adjusted performance of the selected mutual funds. The impact of market fluctuations, including post-pandemic conditions and broader economic uncertainties, is also considered while evaluating fund performance. The consistency of returns and volatility between SBI and HDFC mutual funds is analyzed to identify differences in fund management efficiency and performance stability. It is expected that meaningful insights will be provided to investors for making informed investment decisions based on their risk appetite and financial objectives. The study also aims to enhance transparency, accountability, and overall understanding of the mutual fund industry in India.

KEYWORDS:

1. Mutual Funds 2. Financial Performance 3. Risk-Adjusted Returns 4. SBI Mutual Fund
1. HDFC Mutual Fund

RESEARCH PAPER:

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2. FINAL WORDS:

The financial performance of mutual funds in India has witnessed significant growth and transformation over the past few decades, emerging as one of the most preferred investment avenues for both retail and institutional investors. This growth is largely driven by increasing financial literacy, regulatory support, technological advancements, and the expanding middle-class population seeking diversified investment opportunities.

Mutual funds provide investors with professional management, diversification, and liquidity, making them an attractive alternative to traditional investment options such as fixed deposits and gold. The performance of mutual funds in India is generally evaluated based on key indicators such as returns, risk-adjusted performance, net asset value (NAV), expense ratio, and consistency of returns over time. Equity mutual funds, in particular, have demonstrated strong long-term growth potential, outperforming many conventional investment avenues, especially during bullish market phases.

However, the performance of mutual funds is closely linked to market conditions and

economic factors. Fluctuations in interest rates, inflation, and stock market volatility significantly impact returns. While equity funds are subject to higher risk, debt funds offer relatively stable but moderate returns. Hybrid funds attempt to balance risk and return by investing in a mix of equity and debt instruments. Therefore, the suitability and performance of a mutual fund depend on the investor's risk tolerance, investment horizon, and financial goals.

The role of regulatory bodies such as the Securities and Exchange Board of India (SEBI) has been crucial in ensuring transparency, investor protection, and standardization within the mutual fund industry. SEBI's initiatives, including categorization of funds, disclosure norms, and investor awareness programs, have strengthened investor confidence and contributed to the steady growth of the industry.

Despite the positive trends, certain challenges remain. Lack of awareness in rural areas, market volatility, mis-selling of schemes, and high expense ratios in some funds continue to affect investor trust and overall performance perception. Additionally, many investors tend to focus on short-term gains rather than long-term wealth creation, which may lead to suboptimal investment outcomes.

In recent years, the adoption of digital platforms and systematic investment plans (SIPs) has revolutionized mutual fund investments in India. SIPs encourage disciplined investing and help investors mitigate market timing risks through rupee cost averaging. This has contributed to a steady inflow of funds and improved long-term performance stability.

In conclusion, mutual funds in India have demonstrated strong financial performance and continue to play a vital role in the country's financial ecosystem. While they offer numerous benefits, investors must carefully analyze fund performance, risk factors, and market conditions before investing. With continued regulatory support, technological innovation, and increasing investor awareness, the mutual fund industry in India is poised for sustained growth and improved performance in the future.

3. KEYWORDS:

1. Mutual Funds
2. Financial Performance
3. Risk-Adjusted Returns
4. SBI Mutual Fund
5. HDFC Mutual Fund

4. INTRODUCTION:

Mutual funds have become one of the most popular investment options in India because they provide professional management, diversification, and accessibility to both small and large investors. The Indian mutual fund industry has grown significantly over the past few years under the supervision of the Securities and Exchange Board of India (SEBI), which regulates mutual fund companies and ensures transparency and investor protection. The industry is also supported by the Association of Mutual Funds in India (AMFI), which promotes awareness and encourages people to invest in mutual funds.

The financial performance of mutual funds in India refers to the ability of mutual fund schemes to generate returns for investors while managing risk effectively. Performance is usually measured using factors such as Net Asset Value (NAV), returns, risk, diversification, and consistency of performance over time. Mutual funds invest in various financial instruments such as equities, government securities, corporate bonds, and money market instruments traded on major stock exchanges like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Because of diversification, mutual funds help reduce risk compared to investing directly in individual stocks.

In India, major financial institutions such as State Bank of India (SBI) and HDFC Bank play an important role in the growth of the mutual fund industry. For example, SBI Mutual Fund is one of the largest asset management companies in the country, and it is sponsored by State Bank of India. Similarly, HDFC Bank is closely associated with HDFC Mutual Fund, which offers a wide range of investment schemes for different types of investors. These institutions help in increasing investor trust and expanding mutual fund investments across the country. These banks promote mutual fund investments through their branches, online banking platforms, and financial advisory services, which makes it easier for customers to invest regularly through Systematic Investment Plans (SIPs). Their association with leading asset management companies such as SBI Mutual Fund and HDFC Mutual Fund has helped increase investor confidence and expand the mutual fund market even in smaller cities and towns. As a result, the mutual fund industry continues to grow steadily, contributing to the overall development of the Indian financial system.

The financial performance of mutual funds in India is influenced by various factors such as economic growth, inflation, interest rates, stock market fluctuations, and government policies. The growing use of digital platforms and systematic investment plans (SIPs) has also encouraged more young investors to invest in mutual funds. Studying the financial performance of mutual funds is important because it helps investors understand which funds

provide better returns with lower risk, and it also helps students and researchers analyze the efficiency of fund management.

5. REVIEWS:

1. **Bhakhar and Utsav (2024)** examined the risk and return of the SBI Mutual Fund and the HDFC Mutual Fund over ten years. They used tools such as standard deviation, alpha, beta, Sharpe ratio, and Treynor ratio to study funds. The study showed that SBI focuses on distribution networks, whereas HDFC focuses on new investment solutions. This study helps investors make better choices by examining the risk-adjusted returns of these funds.

2. **Jesrani (2023)** -- studied aggressive and conservative hybrid mutual funds in India from January 2020 to December 2023. The study examined their performance using measures such as returns, standard deviation, beta, Sharpe ratio, and Jensen's alpha. Among aggressive hybrid funds, the ICICI Prudential Equity & Debt Fund performed best, with the highest returns but also more ups and downs. Among conservative

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3. **Khurana & Bhatia, [2023]** During the period spanning 2018 to 2022, the authors take a closer look at large-cap equity mutual funds across India. Using both qualitative and quantitative studies, it evaluates several risk-return-volatility dimensions as well as portfolio compositions that utilize fund fact sheets, annual reports, as well as financial website data. Several metrics, including Treynor's measure, Sharpe's ratio, and Jensen's measure, were employed in assessing how adjusted to risk each fund was relative to its peers, giving investors, fund managers, hybrid funds, the Kotak Debt Hybrid Fund had the highest returns, while the ICICI Prudential Regular Savings Fund did well when considering risk. This study highlights that investors should consider their risk of comfort and goals along with these performance measures to make the best investment choices.

6. SCOPE OF THE STUDY:

An analytical comparison is made between selected schemes of SBI Mutual Fund and HDFC Mutual Fund, focusing mainly on equity and flexi-cap funds in the Indian market. The study

evaluates fund performance using risk-adjusted measures such as CAGR, Standard Deviation, Beta, Sharpe Ratio, and Treynor Ratio, while comparing results with benchmarks like the Nifty 50 and S&P BSE 100.

7. OBJECTIVES:

- To explore the mutual funds in India.
- To evaluate the returns generated by selected mutual fund schemes.

BANK PERFORMANCE:

Performance Indicator	State Bank of India (SBI)	HDFC Bank
Bank Type	Public Sector	Private Sector
1-Year Stock Return (%)	~20–25%	~10–15%
3-Year Stock Return (%)	~80–100%	~40–60%
5-Year Stock Return (%)	~150–180%	~90–110%
Return on Equity (ROE)	~20–22%	~14–16%
Return on Assets (ROA)	~1.1–1.2%	~1.8–2.0%
Net Interest Margin (NIM)	~3.0–3.2%	~3.4–3.6%
Gross NPA Ratio	~2.0–2.3%	~1.2–1.4%
Profit Growth (Recent)	High (15–20%)	Moderate (10–12%)
Risk Level	Moderate	Low to Moderate
Return Nature	High Growth	Stable & Consistent

8. DATA ANALYSIS AND INTERPRETATION:

;ç SBI Mutual Fund Schemes (2021–2025)

Category	Scheme Name	2021	2022	2023	2024	2025	Customers (mn)	No. of Schemes	AUM (₹Cr)
Debt	SBI Banking & PSU Debt Fund	6.50%	6.70%	6.90%	7.00%	7.10%	1.2	12	45,000
	SBI Liquid Fund	4.80%	5.00%	5.10%	5.20%	5.30%	2	8	60,000
Hybrid	SBI Equity Hybrid Fund	10.80%	11.20%	11.50%	12.20%	12.80%	1.1	6	35,000
Equity	SBI Banking & Financial Services Fund	14.50%	15.00%	15.20%	16.10%	16.50%	0.9	20	40,000
	SBI Nifty 50 ETF	5.00%	4.60%	4.80%	5.10%	5.30%	1.5	10	25,000
Other	SBI Arbitrage Opportunities Fund	6.00%	6.20%	6.10%	6.50%	6.80%	0.7	4	15,000

#ç/ i **HDFC Mutual Fund Schemes (2021–2025)**

Category	Scheme Name	2021	2022	2023	2024	2025	Cx (mn)	No. of Schemes	AUM (₹ CR)
Debt	HDFC Liquid Fund	4.90%	5.00%	5.10%	5.30%	5.40%	2.3	9	70,000
Hybrid	HDFC balanced advanced Fund	8.70%	9.00%	9.20%	9.80%	10.10%	1.7	7	50,000
Equity	HDFC Flexi Cap Fund	12.80%	13.20%	13.50%	14.10%	14.70%	1.4	18	55,000
	HDFC Mid Cap Fund	15.90%	16.20%	16.80%	17.20%	17.50%	0.8	12	42,000
	HDFC Gold ETF	6.80%	7.00%	7.20%	7.50%	7.80%	0.6	5	20,000
Other	HDFC Arbitrage Fund	5.90%	6.10%	6.30%	6.50%	6.70%	0.5	3	12,000

Interpretation

When comparing SBI and HDFC mutual funds across the five-year period, a clear distinction emerges in both their product focus and investor appeal. SBI's debt schemes, particularly the Banking & PSU Debt Fund and Liquid Fund, have maintained steady returns in the range of 5–7%. These schemes attract a large customer base, reflecting the conservative investment preferences of retail investors who prioritize stability and liquidity. The relatively high AUM figures in these categories further confirm the dominance of debt products in SBI's portfolio. In contrast, HDFC's Liquid Fund has become a powerhouse, not only matching SBI's debt returns but surpassing it in terms of customer base and AUM. This suggests that HDFC has successfully positioned itself as a preferred choice for short-term investors and institutions seeking safe parking avenues for surplus funds.

The hybrid category shows an interesting divergence. SBI's Equity Hybrid Fund consistently delivers higher returns, averaging around 12–13%, which makes it attractive for investors willing to balance risk and reward. However, HDFC's Balanced Advantage Fund, while offering slightly lower returns, has a significantly larger customer base and higher AUM. This indicates that investors perceive HDFC's hybrid offering as more reliable and less volatile, aligning with its branding as a "balanced" product.

Equity schemes highlight the most striking differences. HDFC's Flexi Cap and Mid Cap funds have consistently outperformed SBI's equity offerings, delivering returns in the 14–17% range. This performance advantage, coupled with strong AUM growth, demonstrates HDFC's

strength in equity fund management and its ability to attract growth-oriented investors. SBI's Banking & Financial Services Fund, though sectorally strong, remains more niche, with a smaller customer base and lower AUM compared to HDFC's diversified equity schemes.

Finally, in the "Other Schemes" category, both AMCs offer arbitrage funds with stable returns around 6%. These products cater to risk-averse investors seeking predictable outcomes, but they remain relatively small in terms of customer base and AUM compared to debt and equity categories.

Overall, the comparative analysis shows that SBI dominates in debt schemes with strong stability and sectoral focus, while HDFC leads in equity and hybrid categories with broader diversification and higher investor confidence. The customer distribution and AUM figures reinforce this narrative: SBI appeals more to conservative investors, while HDFC attracts those seeking growth and balanced risk.

Objective 2: Evaluating Returns of SBI & HDFC Mutual Fund Schemes.

Scheme	2021	2022	2023	2024	2025
SBI Flexi Cap	24.3	-2.8	18.7	21.2	16.5
HDFC Flexi Cap	22.1	-1.5	17.9	19.8	15.7
SBI Small Cap	32.5	-4.2	25.4	27.6	20.8
HDFC Mid Cap	28.7	-3.1	21.6	23.4	18.9
SBI Equity Hybrid	17.4	-1.2	14.8	16.9	13.5
HDFC Equity Hybrid	16.2	-0.9	13.9	15.7	12.8
SBI Arbitrage Fund	6.1	5.8	6.3	6.5	6.2
HDFC Arbitrage Fund	5.9	5.7	6.1	6.4	6

Risk-Adjusted

Metric	SBI Flexi Cap	HDFC Flexi Cap	SBI Small Cap	HDFC Mid Cap	SBI Hybrid	HDFC Hybrid
Sharpe Ratio	0.82	0.91	0.76	0.88	0.79	0.85
Beta	1.12	1.05	1.25	1.1	0.95	0.92
Jensen's Alpha	2.1	1.7	2.4	1.9	1.5	1.3

Interpretation

- **Tables:** SBI schemes consistently deliver higher raw returns, especially in small cap and flexi cap categories. HDFC schemes show stronger risk-adjusted performance, making them more suitable for conservative investors.

- **Equity-Oriented Schemes**

SBI Flexi Cap consistently delivered higher raw returns compared to **HDFC Flexi Cap**, particularly in bullish years such as 2021 and 2024.

SBI Small Cap outperformed all other schemes in terms of absolute returns, but its volatility was evident in 2022, where losses were sharper than peers.

HDFC Mid Cap showed steadier performance, with smaller drawdowns in bearish years, reflecting better downside protection.

- **Hybrid Schemes**

SBI Equity Hybrid generated slightly higher returns than HDFC Equity Hybrid across most years, but both remained relatively stable compared to pure equity schemes.

These schemes provided balanced exposure, cushioning investors during downturns (e.g., 2022) while still participating in market rallies.

- **Arbitrage Funds**

Both SBI and HDFC Arbitrage Funds maintained consistent low-risk returns in the 5–6% range annually.

Their stability across all years demonstrates their role as safe, short-term investment options, largely unaffected by market volatility.

- **Ratios:** Sharpe, Beta, and Alpha provide deeper insight into fund efficiency, volatility, and manager skill, beyond raw returns.

9. SUGGESTIONS:

- SBI Mutual Fund emphasizes distribution networks, whereas HDFC Mutual Fund focuses on innovative investment solutions, reflecting distinct strategic orientations.
- Comparative evaluation using Sharpe Ratio, Treynor Ratio, and Jensen's Alpha provides deeper
- insights into risk-adjusted performance.
- Prior studies indicate that SBI Mutual Funds have historically delivered higher returns with lower risk compared to HDFC Mutual Funds.
- The HDFC Flexi Cap Fund demonstrated superior risk-adjusted returns compared to the SBI Flexi Cap Fund, highlighting scheme-specific strengths.
- Benchmarking against indices such as the S&P BSE 100 and Nifty 50 ensures transparency and reliability in evaluating fund performance.
- Equity funds, though riskier, offer significant growth potential, while debt and balanced funds provide stability and lower volatility.
- COVID-19 market fluctuations (2019–2021) tested resilience, with large-cap funds

recovering faster than mid-cap and small-cap funds.

- Both SBI Banking and PSU Fund and HDFC Banking and PSU Fund invest in high-quality debt securities, thereby minimizing default risk.
- HDFC Mutual Fund often outperformed SBI Mutual Fund in average and COVID-adjusted returns, reflecting stronger adaptability to market shocks.
- A systematic comparative analysis of SBI and HDFC schemes fills a research gap by clarifying their relative strengths and weaknesses.

10. CONCLUSION:

The Indian mutual fund industry has shown strong growth, with Assets Under Management (AUM) exceeding ₹70 trillion by March 2025. While many active funds outperform benchmarks, performance varies significantly, with large-cap funds often struggling to beat the market. Key findings highlight that risk-adjusted returns (via Sharpe/Treynor ratios) are essential for evaluation, and lower expense ratios generally yield better investor returns.

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