IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN:2278-487X, p-ISSN: 2319-7668. Volume 27, Issue 6. Ser. 9 (June 2025), PP 50-59
www.iosrjournals.org

"Analysing the Growth Trajectory and Performance Efficiency of Mutual Funds in India"

Indrila Deb
Research Scholar & Faculty, St. Xavier's University, Kolkata

Abstract: *This article presents a comprehensive analysis aligned with the first research objective, which aims to evaluate the performance and growth of mutual funds in India. The study is structured into two key segments. The first segment assesses the growth and performance of mutual funds by examining critical indicators such as Asset Under Management (AUM), industry-wide resource mobilization, and the rate of return of top-performing mutual fund schemes. The second segment undertakes a comparative evaluation of mutual fund returns vis-à-vis other widely adopted investment avenues, including Post Office Investment Schemes (POIS), Public Provident Fund (PPF), National Pension Scheme (NPS), and Fixed Deposits (FDs) offered by commercial banks. By juxtaposing mutual funds with these alternatives, the article offers valuable insights into their relative financial performance and investment attractiveness. The findings contribute to a deeper understanding of mutual funds' role in India's evolving investment ecosystem.*

Keywords: Mutual Funds, Asset Under Management (AUM), Investment Alternatives, Performance Evaluation, Indian Financial Market

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Date of Submission: 07-06-2025 Date of Acceptance: 18-06-2025

I. Introduction:

About Mutual Funds

The Unit Trust of India (UTI) established mutual funds in India in the 1960s, after they were first introduced in the Netherlands in the 18th century. The market saw the entry of public sectors and private sectors in 1993, leading to increased options and tougher competition. Mutual funds are professionally managed trusts that invest investors' savings in securities. They are well-diversified to mitigate potential losses and provide a passive solution to manage savings without incurring hefty fees or requiring continual attention from individuals. They also offer an alternative for investors who do not have the time or skills to make traditional investment decisions.

A mutual fund in India is a trust established by an Asset Management Company (AMC) that is registered with the Securities and Exchange Board of India (SEBI), a sponsor, and trustees. The AMC invests in a variety of securities to run the fund, while the Trustees maintain assets for unit holders. The AMC is overseen and managed by the trustees, who also keep an eye on its operations and adherence to SEBI rules. In addition, the AMC offers customer service, accounting, marketing, sales assistance, financial consulting, and advisory services for mutual fund schemes. The AMC is subject to the trustees' extensive supervision and direction powers.

In order to invest in a Mutual Fund (MF), it is utmost essential to define financial goals and choose a fund type. Consider factors like track record, management quality, maturity, disclosures, service levels, entry and exit load, market price, and independent rating. Choosing a fund based on performance, management quality, service levels, entry and exit load, market price, and independent rating.

Mutual funds are a popular investment vehicle that offers numerous benefits to investors. These include professional management, diversification across different sectors and companies, liquidity, flexibility, low transaction costs, transparency, and well-regulation. Professional fund managers manage investors' money, providing them with the services they would otherwise require. Mutual funds also provide liquidity by allowing investors to withdraw money at any time, subject to an exit load. They also provide a variety of programs, including the option of systematic investment and withdrawal. Mutual funds have lower transaction costs because of economies of scale. They also give investors with up-to-date market and scheme information in the form of fact sheets and yearly reports. Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI) to protect investors' interests.

II. Literature Review:

A number of studies have explored the performance and growth trajectory of mutual funds in India, applying diverse methodologies and focusing on various fund types and performance metrics. **Chakraborty et al. (2008)** evaluated mutual fund performance using risk-adjusted and return-based methods for selected growth funds in India, revealing that risk-adjusted measures painted a clearer picture of satisfactory performance across most schemes. Similarly, **Puri (2010)** examined balanced mutual fund schemes using risk-adjusted metrics over a three-year period and found several plans to have excelled. **Sivakumar et al. (2010)** analysed the overall performance of the mutual fund industry, noting that private sector mutual funds outperformed their public sector counterparts in terms of resource mobilization. **Agrawal (2011)** emphasized the influence of investor behaviour and fund management trust structures on mutual fund performance, while **Mehta and Shah (2012)** identified key factors shaping investor preferences for mutual fund schemes based on a location-specific survey.

Ashraf and Sharma (2014) studied equity-oriented mutual fund schemes using regression analysis over a five-year period and found that seven out of ten selected schemes yielded higher returns with lower risk. **Ghosh (2014)** compared risk-adjusted performance across mutual fund schemes sponsored by foreign, public, and private sectors, concluding that foreign-sponsored schemes outperformed others. **Arora (2015)** employed metrics like the Treynor and Sharpe Ratios over seven years, finding that certain strategies consistently outperformed the market. **Tomer and Khan (2015)** similarly assessed mutual funds using risk-adjusted criteria and noted that private sector funds outperformed public sector counterparts over five years. **Mahajan and Saxena (2015)** investigated the growth of the mutual fund industry and found a dominant presence of both public and private sector mutual funds. **Goyal (2015),** using CRISIL rankings, concluded that the top ten mutual funds outperformed benchmark indices in terms of average returns and risk. **Chauhan and Adhav (2015)** analysed the mutual fund industry's growth from 2003–04 to 2012–13, identifying issues such as lack of awareness and investor trust, and advocating for stronger regulatory frameworks. **Rangasamy et al. (2016)** evaluated select mutual fund schemes, reporting several to have outperformed the market and offering insights to assist retail investors. **Tripathy (2017)** confirmed that many mutual fund schemes showed high performance and sound managerial selectivity over five years, highlighting the importance of balancing risk and return in investment decisions. **Pandow (2017)** found that despite progress, India's mutual fund industry still lags behind developed and emerging economies across most performance metrics. **Maheswaran et al. (2018)** analysed growth patterns using secondary data and found private sector mutual funds to be dominant. **Bhargava (2018)** reviewed mutual fund performance from 2002 to 2018, revealing improved performance over time influenced by market sentiment. **Samanta (2019)** assessed mutual fund categories using risk-adjusted metrics and found that many schemes outperformed the market. **Adhikari et al. (2020)** analysed equity-oriented mutual fund schemes over a decade and found the majority outperformed using risk-adjusted criteria. **Arora and Raman (2020)** studied 30 equity-oriented mutual funds and found many schemes temporarily outperformed the market. **Das (2020)** compared growth-oriented mutual funds in India and developed countries during financial crises, concluding that Indian schemes demonstrated stronger asset growth. **Choksi and Bhatt (2020)** evaluated selected large-cap mutual funds and found several outperformed over five years using risk-adjusted metrics. **Chauhan et al. (2020)** analysed open-ended and equity-oriented mutual funds and observed both strong performance and volatility among schemes. **Tripathi and Japee (2020)** confirmed that most equity-focused mutual funds outperformed the market and emphasized considering both return and risk in investment decisions. **Karibasappa (2020)** assessed small-, mid-, and large-cap mutual funds, reporting high performance across several schemes based on specific risk-adjusted measures. Finally, **Virparia (2022)** studied selected mutual fund schemes using various risk-adjusted metrics, concluding that certain schemes consistently outperformed over multiple years.

Research Gap based upon study:

Based on the comprehensive review of existing literature, several research gaps emerge in the study of mutual funds in India. Firstly, while many studies have focused on evaluating mutual fund performance using risk-adjusted metrics such as Sharpe and Treynor Ratios, there is limited research integrating behavioural finance aspects, such as investor psychology and sentiment, into performance analysis. Additionally, most studies have concentrated on specific categories like equity-oriented or growth funds, with insufficient comparative analysis across diverse fund types, including hybrid, debt, or thematic funds. Geographical focus also remains narrow, with several studies based on location-specific surveys, thereby limiting the generalizability of findings across the broader Indian investor base. Furthermore, there is a lack of longitudinal studies that capture the long-term impact of regulatory changes, technological advancements, and macroeconomic shifts on mutual fund performance. Few researchers have explored the real-time influence of global crises or market volatility using robust econometric or machine learning models. Finally, though private and public sector mutual funds have been compared, foreign-sponsored funds and new fintech-driven schemes remain underexplored in the Indian context. These gaps present opportunities for future research to adopt more holistic, inclusive, and dynamic approaches to evaluating mutual fund performance and investor behaviour.

Objective of the Study: To examine the growth trajectory and performance dynamics of Mutual Funds (MFs) in India, with a focus on assessing the sector's expansion in Assets Under Management (AUM), evaluating the risk-return profiles across various fund categories (Equity, Debt, Hybrid, Sectoral/Thematic), and comparing mutual fund returns with alternative investment options such as National Pension Schemes (NPS) and Post Office savings schemes. The study aims to understand how mutual funds cater to diverse investor preferences and contribute to long-term wealth creation within the broader financial ecosystem.

Research Methodology: Secondary data source has been selected for the study which involves resources from authenticated financial sources.

1. Growth and Performance of Mutual Funds: An Empirical Analysis

The growth and performance of Mutual Funds in Indian financial market regarding AUM (Asset Under Management), resource mobilization, and rate of returns, comparison between mutual funds with other investment avenues are discussed below.

a) Growth of Asset Under Management (AUM) in Indian Mutual Fund Industry

By examining the industry's 12-year time series data from 2013 to 2024, an effort has been made to determine the growth and performance of mutual funds in India in terms of Net Asset Under Management (AUM). The aggregate market value of all the financial assets that a mutual fund, asset management firm, or portfolio manager looks after for investors is known as the AUM. It comprises the whole asset value, including all investor inflows. Therefore, AUM is a broad measure used to assess the scale or size of an asset management company or mutual fund. Net AUM can be defined as the AUM adjusted for liabilities, such as redemption payouts or expenses owed by the mutual fund or asset manager. It is used for financial performance analysis and is a more precise measure of the available capital. **Table 1** presents Net AUM of Mutual Fund Industry in India.

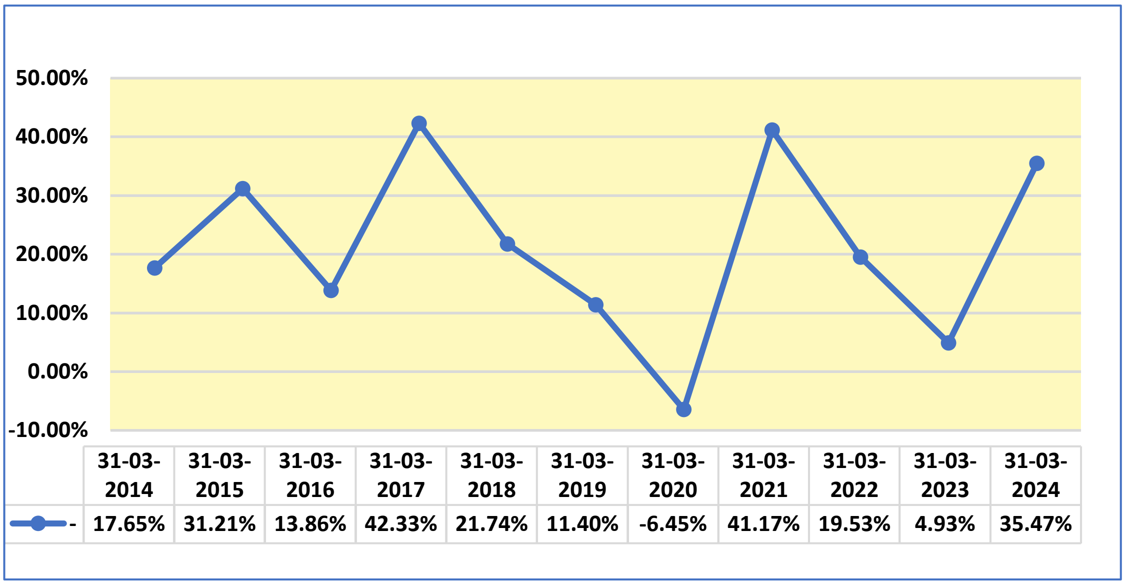
Table 1: Percentage Change of Net AUM (2013-2023)

FY Period Ended in	AUM Amount (₹ Crore)	Increase or Decrease in AUM	Percentage Change
Mar-2013	701443	-	-
Mar-2014	825240	123797	17.65%
Mar-2015	1082757	257517	31.21%
Mar-2016	1232824	150067	13.86%
Mar-2017	1754619	521795	42.33%
Mar-2018	2136036	381417	21.74%
Mar-2019	2379584	243548	11.40%
Mar-2020	2226203	-153381	-6.45%
Mar-2021	3142764	916561	41.17%
Mar-2022	3756683	613919	19.53%
Mar-2023	3942031	185348	4.93%
Mar-2024	5340194	1398163	35.47%
Average			**21.17%**

Sourcehttps:*//www.amfiindia.com/research-information/amfi-quarterlydata (retrieved on 03.05.2024)*

Table 1 presents growth in net AUM of all SEBI regulated funds operating in India from 2013 till 2024. There has been an increase in AUM rom ₹8,25,240 to ₹10,82,757 (i.e., 31.21%) in the year 2015 followed by sudden increase in AUM from ₹12,32,824 to ₹17,54,619 (i.e., 42.33%) in the year 2017. However, the growth suddenly turns back in the year 2020 from ₹23,79,584 to ₹22,26,203 (decreased by ₹1,55,381 or 6.45%) followed by natural growth in AUM from ₹22,26,203 to ₹31,42,764 (increased by ₹9,16,561 or 41%). This is interesting to note that the annual average growth rate of mutual fund AUM, a performance indicator, at **21.17%** with an average annual increment of 4.2 lakh crore during the last 10 years. Let us see the AUM growth in a line diagram for visual understanding as presented in **Figure 1.**

Figure 1: Percentage Growth of Net AUM during 2013 to 2024



Percentage growth figures **(Fig.1)** reflect that net AUM witnessed a significant growth during the last 12 years except FY 2019-20 due to Covid19 pandemic attack. The annual average growth rate during this period is cycling around 20%. There is a substantial growth in AUM in a cycle of three years. There is a solid influx of money into the Indian Mutual Fund Market, and it is promising, as depicted.

b. Resource Mobilization in Indian Mutual Fund Industry

Resource Mobilization in the context of mutual funds refers to the net inflows of funds that asset management companies (AMCs) generate through their various mutual fund schemes. It measures the net contribution of investors over a specific period, calculated as: ***Net Income = Gross Inflows (Investments) − Outflows (Redemptions + Switches)***

Where Gross Inflows are the total amount of money invested by individuals or institutions into mutual fund schemes and Outflows includes Redemptions (Money withdrawn by investors) and Switches (Amounts transferred between different schemes).

To assess the performance of mutual fund industry in India, we have considered Reserve Bank of India (RBI) report on *Net Resources Mobilized by Mutual Funds (Category Wise)*. This is the number of net resources (inflows minus outflows) that various categories of mutual funds have mobilized over the years.

Table 2: Resource Mobilization (Net Income) for the last 11 years

Year	UTI	Bank Sponsored (excluding UTI)	FI Sponsored	Private Sector Mutual Funds	Total
2013-14	401	4845	2572	46762	54580
2014-15	-1278	-700	-1045	105903	102880
2015-16	15416	27576	1009	87004	131005
2016-17	20146	44850	6434	271987	343417
2017-18	-1261	45370	-4470	232587	272226
2018-19	-2496	50692	-3181	64688	109703
2019-20	-7717	70958	-539	24595	87297
2020-21	12710	71606	1480	128946	214742
2021-22	20013	97821	13369	127560	246730
2022-23	1797	59480	-2678	17627	76226
2023-24*	4071	46442	2955	301233	354701

Source: *https://www.rbi.org.in/scripts/PublicationsView.aspx?id=22540*
(Published on: 13 Sept. 2024)

** Provisional Data*

Table 2 presents Mutual Fund Net Mobilization by Unit Trust of India (UTI), Bank-sponsored funds (excluding UTI), Financial Institutions-sponsored funds (Like LIC, GIC), and Private sector funds (Like Aditya Birla, Nippon, Bajaj etc.). The total resources mobilized by mutual funds in India have significantly increased over the past decade, with Private Sector Mutual Funds consistently contributing the highest amount, contributing to over 80% of the total mobilization.

In 2023-24 (provisional), their contribution surged to ₹3,01,233 crore, indicating their dominance as the primary driver of growth. Other categories like UTI, Bank-sponsored funds, and Financial Institutions (FI) - sponsored funds show inconsistent mobilization, reflecting fluctuations in investor preference and institutional performance. Private Sector Mutual Funds are the largest and fastest-growing category, with mobilization skyrocketing from ₹46,762 crore in 2013-14 to ₹3,01,233 crore in 2023-24. Year-on-year growth analysis shows major spikes between 2015-16 and 2016-17, with total mobilization growing by 162% between 2015-16 and 2016-17. However, declines in 2018-19 and 2019-20 reflect market volatility, with negative mobilization from UTI and FI-sponsored funds. A recovery started post-2020-21, possibly driven by increased retail participation during the pandemic period.

Mutual funds in India have experienced massive growth over the last decade, with the total net mobilization increasing more than sixfold. The dominance of Private Sector Mutual Funds and decline in Unit Trust of India (UTI) and Financial Institution (FI)-sponsored funds highlights investors' shift towards diversified and competitive schemes offered by private players, as opposed to traditional or institution-backed funds. Therefore, Private Sector Mutual Funds are the key drivers of this growth, reflecting their ability to adapt to investor needs and market dynamics.

c. Rate of Returns on Mutual Funds

Table 3 presents the top performing Mutual Funds (as of November 2024) measured by average annual returns among all categories of available mutual funds in Indian Market for different time duration. We have chosen top 22 categories to visualize the performance across 4 different time spans.

Table 3: Average Rate of Returns of Top performing MF

Mutual Funds	Average Return as on November 2024			
	Returns 1 Yr	Returns 3 Yrs	Returns 5 Yrs	Returns 10 Yrs
Equity: Small Cap	32.68	23.12	31.19	18.25
Equity: Sectoral-Technology	35.09	10.4	28.62	17.44
Equity: Thematic-PSU	49.79	38.52	27.85	14.01
Equity: Sectoral-Infrastructure	40.53	28.11	27.37	15.56
Equity: Sectoral-Pharma	40.88	19.25	27.36	13.86
Equity: Mid Cap	33.59	22.42	26.17	16.88
Equity: Thematic-Energy	29.77	18.71	23.45	16.66
Equity: Thematic-Dividend Yield	32.28	20.92	23.35	14.02
Equity: Value Oriented	32.81	21.08	22.5	14.88
Equity: Thematic	30.02	18.78	22.01	13.75
Equity: Large & Midcap	31.75	18.82	21.25	14.57
Equity: Thematic-Consumption	27.92	18.83	19.69	14.75
Equity: ELSS	28.65	17.51	19.63	13.83
Equity: Flexi Cap	28.33	16.34	18.12	13.43
Equity: Large Cap	27.79	15.5	16.95	11.91
Equity: Thematic-ESG	26.22	13.18	16.94	12.38

Equity: Thematic-MNC	21.13	12.77	16.15	11.55
Hybrid: Aggressive Hybrid	24.11	14.29	16.1	11.84
Hybrid: Multi Asset Allocation	20.53	13.93	15.08	9.8
Commodities: Gold	20.82	15.55	13.92	10.01
Hybrid: Dynamic Asset Allocation	19.02	11.93	12.73	9.57
Hybrid: Balanced Hybrid	18	10.49	11.19	9.01

Source: https://www.valueresearchonline.com/funds/fund-category/
Calculation: *Author*

Data show that Small Cap funds outperform other categories over 3, 5, and 10 years, with returns of 23.12%, 31.19%, and 18.25%, respectively. Technology and Infrastructure funds show high short-term (1-year) returns at 35.09% and 40.53%, driven by sector-specific rallies. Pharma funds exhibit moderate returns over longer horizons (5 years: 27.36%; 10 years: 13.86%), reflecting consistent but slower growth in healthcare investments. PSU Thematic Funds deliver the highest 1-year and 3-year returns at 49.79% and 38.52%, likely benefiting from favourable government policies or increased investment interest in public sector entities.

Equity funds, known for their high risk and reward, yield average annual returns of 10%-12% for large-cap funds and 12%-16% for mid-cap funds over a period of 5-10 years. Small-cap funds, although more volatile, offer the highest returns, ranging from 15%-20% annually over similar time frames. Therefore, regarding the return of Mutual Funds we can conclude that Equity categories generally perform better over short and mid-term periods when market conditions are favourable, with small-cap and sector-specific funds leading the performance.

d. Comparison of Mutual Funds (MF) and Other Investment Avenues

With a variety of options available, investors often seek clarity on how traditional fixed-income instruments compare with market-linked alternatives like mutual funds in term of risks and returns. To compare the performance of mutual funds in terms of returns, we have considered four widely utilized investment avenues—

i. ***Fixed Deposits (FD)****,*
ii. ***Public Provident Fund (PPF)****,*
iii. ***National Pension Scheme (NPS)****, and*
iv. ***Post Office Investment Schemes (POIS).***

Each of these avenues offers unique features, benefits, and limitations, catering to different investor goals, risk appetites, and timelines. The study aims to analyse these avenues in the context of mutual funds**,** which represent a dynamic, market-oriented investment option with the potential for higher returns. By contrasting these options, the discussion will provide insights into how fixed-income securities compare with mutual funds in terms of returns, risk levels, liquidity, and tax efficiency**.**

(i) Performance of Fixed Deposits in comparison to Mutual Funds

Fixed deposits are extremely well-known fixed-pay venture options. As the name implies, FDs provide fixed returns for the course of the investment. According to the bank's guidelines, profits are paid out on a monthly, quarterly, or annual basis.

Table 4 shows the historical trends in average interest rates per annum on Fixed Deposits (FDs) over the last 11 years.

Table 4: Average Interest Rate of FD (2013-14 to 2023-24)

Year	Annual Average Interest Rate (%)
2013-14	8.75-9.10%
2014-15	8.50-8.75%
2015-16	7.00-7.50%
2016-17	6.50-6.90%
2017-18	6.25-6.70%
2018-19	6.25-7.25%
2019-20	5.70-6.40%
2020-21	5.25-5.35%
2021-22	5.05-5.35%
2022-23	5.35-5.90 %

2023-2024*	3.25-9.40%
Source: https://www.bajajfinservmarkets.in/fixed-deposit/what-is-the-history-of-fixed-deposits-through-time * Data as on August 19, 2024	

In 2013-14, FD rates reached a peak due to high inflation and a tighter monetary policy. By 2020-21, FD rates dropped sharply to 5.25%-5.35%, driven by the Reserve Bank of India's (RBI) accommodative monetary policy and the lowering of the repo rate to stimulate growth during periods of sluggish economic activity, especially during the pandemic. From 2021-22 to 2022-23, FD rates stabilized and showed a marginal increase, indicating a response to rising inflation and subsequent rate hikes by the RBI. In 2023-24, the data shows a significant range (3.25%-9.40%), highlighting the lower bound of special deposit rates for shorter durations or targeted segments, and the upper bound of higher rates offered by smaller banks or NBFCs, reflecting increased competition and market demand for deposits.

Key observations on interest rate dynamics include the impact of inflation and monetary policy, the COVID-19 effect, and the variability across financial institutions. Investors should consider alternative investments like mutual funds, equity, or hybrid instruments for better inflation-adjusted returns.

(ii) Performance of Public Provident Fund (PPF) in comparison to Mutual Funds

Public Provident Fund (PPF) is one of the most secure long-term investment alternatives available in India. It is tax free in nature. PPF accounts can be opened at a bank or post office. The invested money is locked in for 15 years. Furthermore, this investment choice allows an investor to receive compound interest on their money. It is possible to prolong the timeline to the next five years. The only disadvantage of holding a PPF account is that the investor can withdraw the invested funds before the end of the sixth year.

Table 5 illustrates the annual average interest rates for the PPF over the years. From 2013-14 to 2015-16, the interest rate for PPF remained constant at 8.70%, aligning with the economic environment. Post-2016, the interest rate decreased to 8.00% and further to 7.10% by 2020-21, reflecting the Reserve Bank of India's accommodative stance to boost economic growth. From 2020-21 to 2023-24, the PPF rate has been steady at 7.10%, one of the lowest levels in the past decade.

Table 5: Average Interest Rate of PPF (2013-2024)

Year	Annual Average Interest Rate (%)
2013-14	8.70%
2014-15	8.70%
2015-16	8.70%
2016-17	8.00%
2017-18	7.60%
2018-19	8.00%
2019-20	7.90%
2020-21	7.10%
2021-22	7.10%
2022-23	7.10%
2023-2024	7.10%
Source: https://scripbox.com/plan/ppf-calculator/	

PPF, despite fluctuating FD rates, offers a stable, guaranteed return for risk-averse investors. It also provides tax benefits under Section 80C of the Income Tax Act of 1961, as well as tax-free maturity proceeds. Post-2016, PPF rates have declined, indicating lower yields for investors seeking fixed-income returns. Mutual funds generally outperform PPF in terms of potential returns over the long term, but PPF remains unmatched for its risk-free and tax-efficient characteristics.

(iii) Performance of National Pension System (NPS) in comparison to Mutual Funds

The National Pension System (NPS) is a government-backed, market-linked retirement savings plan offering a mix of equity, corporate debt, and government securities. Its returns are influenced by fund managers' performance across various schemes, including Central and State Government schemes, and Tier-I and Tier-II plans.

Currently (November 2024), 11 pension funds are authorized to manage investments under the NPS, including SBI Pension Funds Pvt Ltd, LIC Pension Fund Ltd, UTI Pension Fund Limited, HDFC Pension Management Co. Ltd, ICICI Prudential Pension Fund Management Co. Ltd, Kotak Mahindra Pension Fund Ltd, Aditya Birla

Sunlife Pension Management Ltd, Tata Pension Management Private Limited, Max Life Pension Fund Management Ltd, Axis Pension Fund Management Ltd, and DSP Pension Fund Man **(Source: https://cleartax.in/s/top-performing-nps-schemes).**

Table 6: Average Rate of Returns of Top performing NPS

NPS	Average Return as on November 2024			
	Returns 1 Yr	Returns 3 Yrs	Returns 5 Yrs	Returns 10 Yrs
Central Government Schemes	12.22%	7.69%	8.79%	9.08%
State Government Schemes	12.33%	7.70%	8.75%	9.08%
SCHEME - C Tier-I	9.38%	6.40%	7.40%	8.46%
SCHEME - C Tier-II	9.44%	6.30%	7.36%	8.38%
SCHEME - E Tier-I	26.52%	14.77%	17.41%	12.41%
SCHEME - E Tier-II	26.56%	14.70%	17.40%	12.42%
SCHEME - G Tier-I	10.83%	6.77%	7.45%	8.74%
SCHEME - G Tier-II	10.61%	6.75%	7.34%	8.68%

Source: *https://cleartax.in/s/top-performing-nps-schemes*
Calculation: *Author*

Table 6 represents annual return of different NPS for yearly, 3-year, 5-year and 10- year. Government Schemes (Central and State) generate stable and conservative returns, averaging 8%-9% annually over 5-10 years. Equity-Oriented Schemes (E Tier-I & II) make a high return with 26.5% over 1 year, 14.7%-17.4% over 3-5 years, and nearly 12.4% over 10 years. These figures indicate robust performance in the equity market, comparable to equity mutual funds. Corporate Debt-Oriented Schemes (C Tier-I & II) produced a moderate return of average 6%-8% annually over varying tenures, offering a middle ground between equity and government securities. Government Debt-Oriented Schemes (G Tier-I & II) make returns range from approximately 6.7%-8.7%, aligning closely with traditional debt mutual funds.

NPS offer a low-cost, tax-efficient, and stable investment option, especially for long-term retirement planning. While equity NPS schemes compete well with mutual funds in performance, mutual funds provide more diversified, higher-yielding options in equity, small-cap, and thematic categories. Debt returns in both instruments are comparable, but mutual funds have an edge in liquidity and customization.

(iv) Performance of Post office Investments in comparison to Mutual Funds

Table 7 provides a comprehensive overview of the average interest rates of various Post Office Savings Schemes in India from 2013 to 2024. The interest rates for term deposits ranged from 8.40%-8.50% in 2014-15 to 5.50% in 2020-21. However, a slight recovery was seen in 2023-24, reaching 6.90%-7.50% across all tenures. Recurring Deposits also experienced a decrease from 8.40% in 2013-14 to 5.80% in 2020-21, but marginally recovered to 6.70% by 2023-24. The Monthly Income Scheme (MIS) rates fell from 8.40% in 2014-15 to 6.60% in 2021-22, recovering to 7.40% in 2023-24. The National Savings Certificate (NSC) rates peaked at 8.50% in 2013-14 but declined to 6.80% in 2020-21 and 2021-22 before rising to 7.70% in 2023-24. The Senior Citizens Savings Scheme (SCSS) consistently offered higher rates compared to other schemes.

We note that Post Office Savings Schemes cater to risk-averse investors and offer guaranteed returns, but the average rates (4%-9%) are significantly lower compared to mutual funds (12%-20% for equity funds).

Long-term schemes like PPF and SSA provide relatively better returns (7%-9%) but still lag behind hybrid and equity mutual funds, which yield 8%-15% and 15%-20%, respectively. However, Debt-focused schemes (like NSC and SCSS) closely align with conservative debt mutual fund returns (approximately, 7%-9%).

Table 7: Average Interest Rate of Post Office Investment Schemes (2013-2024)

Scheme Name	Annual Interest Rate (%)										
	2013-14	2014-15	2015-16	2016-17 (Q4)	2017-18 (Q4)	2018-19 (Q4)	2019-20 (Q4)	2020-21 (Q4)	2021-22 (Q4)	2022-23 (Q4)	2023-24 (Q3)
Savings Bank (SB) Account	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Time Deposit (TD) - 1 Year	8.20%	8.40%	8.40%	7.00%	6.60%	7.00%	6.90%	5.50%	5.50%	5.50%	6.90%
Time Deposit (TD) - 2 Years	8.20%	8.40%	8.40%	7.10%	6.70%	7.00%	6.90%	5.50%	5.50%	5.50%	7.00%
Time Deposit (TD) - 3 Years	8.30%	8.40%	8.40%	7.30%	6.90%	7.00%	6.90%	5.50%	5.50%	5.50%	7.10%
Time Deposit (TD) - 5 Years	8.40%	8.50%	8.50%	7.80%	7.40%	7.80%	7.70%	6.70%	6.70%	6.70%	7.50%
Recurring Deposit (RD)	8.30%	8.40%	8.40%	7.30%	6.90%	7.30%	7.20%	5.80%	5.80%	5.80%	6.70%
Monthly Income Scheme (MIS)	8.40%	8.40%	8.40%	7.70%	7.30%	7.70%	7.60%	6.60%	6.60%	6.60%	7.40%
National Savings Cert. (NSC)	8.50%	8.50%	8.50%	8.00%	7.60%	8.00%	7.90%	6.80%	6.80%	6.80%	7.70%
Senior Citizens Saving Sch. (SCSS)	9.20%	9.20%	9.30%	8.50%	8.30%	8.70%	8.60%	7.40%	7.40%	7.40%	8.20%
Kisan Vikas Patra (KVP)	-	8.70%	8.70%	7.70%	7.30%	7.70%	7.60%	6.90%	6.90%	6.90%	7.50%
Sukanya Samriddhi Acct. (SSA)	-	9.10%	9.20%	8.50%	8.10%	8.50%	8.40%	7.60%	7.60%	7.60%	8.20%

Note: Q3 and Q4 indicate interest rate prevailed in Quarter 3 (Oct -Dec.) and Quarter 4 (Jan -March) of the financial year respectively.
Source: https://www.financialcalculatorindia.app/post-office-interest-rates-history.html

III. Conclusion:

It explores the growth and performance of Mutual Funds (MFs) in India, emphasizes the sector's robust expansion over recent years and its pivotal role in mobilizing savings for productive investment. The study highlights the significant rise in the Assets Under Management (AUM) of MFs, driven by increased investor awareness, regulatory reforms, and digital innovations in fund management. Categories like Equity Funds, Hybrid Funds, and Debt Funds demonstrate varying risk-return profiles, catering to diverse investor needs. Equity Funds exhibit higher average returns (nearly 10-20%) over long periods, while Debt and Hybrid Funds offer stability and moderate returns, ranging between nearly 6-12%. Additionally, Sectoral and Thematic Funds provide substantial returns, contingent on the performance of their underlying industries. Overall, the MF sector's sustained growth in India during the last decade reflects its adaptability to market dynamics and investor preferences.

Furthermore, the comparison of Mutual Funds with alternative investment avenues like NPS and Post Office schemes reveals MFs' competitive edge in generating superior returns for higher-risk tolerance investors. While National Pension Schemes (NPS) and Post Office savings schemes prioritize stability and safety with returns ranging from 4-12%, Mutual Funds outperform in terms of long-term wealth creation, particularly in equity-focused categories. In conclusion, MFs have emerged as a critical instrument for wealth generation, offering diversified investment options with varying levels of risk and reward, thus fulfilling the investment objectives of a broad spectrum of investors.

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