A Study on the Performance of Mutual Funds in India (Last 5 Years)

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Abstract: **In recent years, mutual funds have emerged as a popular investment option for Indian investors seeking returns that outpace traditional savings methods. With growing financial literacy, digital accessibility, and market awareness, more individuals are turning to mutual funds to meet their financial goals. This study takes a closer look at the performance of mutual funds in India over the past five years, focusing on various categories such as equity, debt, and hybrid funds.**

By using secondary data from trusted sources like the Association of Mutual Funds in India (AMFI), SEBI reports, and financial platforms, the paper analyzes trends in returns, risks, and fund management strategies. The goal is to understand which fund categories have consistently performed well, how market conditions have influenced returns, and what this means for investors today.

Through this research, we aim to offer a practical overview for students, beginner investors, and financial enthusiasts who want to understand how mutual funds behave over time and what lessons can be drawn from their performance. The findings highlight not only top-performing funds but also the importance of diversification, timing, and long-term investing.

INTRODUCTION

In recent years, India has witnessed a significant transformation in the way individuals approach savings and investment. This change is not just a result of shifting economic circumstances, but also a reflection of increasing financial literacy, rising disposable income, and the penetration of digital technology into the financial services sector. Among the most notable outcomes of this evolution has been the meteoric rise in the popularity of mutual funds as an investment option. As traditional saving instruments such as fixed deposits, recurring deposits, and Public Provident Fund (PPF) schemes lose ground due to their relatively low returns and inflexibility, mutual funds are fast becoming the go-to choice for both novice and seasoned investors alike.

A mutual fund, in simple terms, is a professionally managed investment vehicle that pools money from multiple investors and invests it in diversified asset classes such as equities, bonds, money market instruments, and other securities. What makes mutual funds particularly appealing is that they offer investors the benefits of diversification, expert fund management, liquidity, and ease of access—even for those with minimal financial knowledge or a small investment corpus. In the Indian context, this has proven to be especially important for first-time investors from middle-class backgrounds, many of whom may not have access to high-end financial advisory services.

The numbers tell a compelling story. According to the Association of Mutual Funds in India (AMFI), the total Assets Under Management (AUM) of the Indian mutual fund industry have grown exponentially over the last five years. In March 2019, the industry's total AUM stood at approximately ₹24.5 lakh crore. Fast forward to March 2024, and the number has ballooned to over ₹52.8 lakh crore—more than doubling within half a decade. This growth is reflective not only of improved investor confidence but also of structural changes in the economy, regulatory support, and technological advancements that have made investing more seamless than ever before.

One of the strongest drivers of mutual fund adoption in India has been the Systematic Investment Plan (SIP) route. Sips allow investors to contribute a fixed amount at regular intervals—typically monthly—toward their chosen mutual fund schemes. This strategy encourages disciplined investing and enables individuals to benefit from rupee cost averaging and the power of compounding over time. Between March 2019 and March 2024, the number of SIP accounts grew from 2.62 crore to more than 7.2 crore. Correspondingly, monthly SIP contributions surged from around □8,100 crore to over □17,500 crore, signifying a sharp increase in retail participation.

What makes this growth even more interesting is the context in which it occurred. The period from 2019 to 2024 was marked by extreme market volatility, global economic uncertainty, and significant domestic disruptions—including the COVID-19 pandemic in 2020. The pandemic created sharp downturns in equity markets worldwide, wiping out billions in market value within days. However, it also tested the resilience and long-term value proposition of mutual funds. Many investors who stayed invested saw a strong recovery in the subsequent years. In fact, some equity mutual funds delivered double-digit annualized returns from the market lows of 2020, reaffirming the principle that long-term investing in mutual funds can weather even the harshest financial storms.

During this time, the performance of mutual fund categories varied widely. Large-cap equity funds, which invest in the top 100 companies by market capitalization, showed relatively stable returns in the range of 11% to 14% per annum, with lower volatility. Mid-cap and small-cap funds, though riskier, delivered even higher returns—sometimes exceeding 18–20% annually over a 5-year span. Meanwhile, debt mutual funds, which are traditionally favored by conservative investors, provided modest returns between 5% and 7%, depending on interest rate cycles and credit quality of underlying instruments.

Hybrid funds—which invest in a mix of equity and debt—emerged as a middle ground for investors seeking balanced exposure. These funds often act as a gateway for new investors transitioning from fixed deposits into market-linked instruments. Their performance over the past five years reflected the need for adaptability, as fund managers had to tactically shift asset allocations in response to both macroeconomic and microeconomic developments.

The purpose of this research paper is to provide a comprehensive analysis of the performance of mutual funds in India over the last five years. By focusing on secondary data from reliable sources such as AMFI, SEBI, Money control, Value Research, and RBI reports, the study aims to evaluate trends in mutual fund returns, identify top-performing categories, and assess the impact of broader economic changes on fund performance.

Unlike traditional academic studies that often stay theoretical, this paper takes a practical approach. It is intended not just for finance students or researchers, but also for everyday investors—those who are planning for goals like education, home buying, or retirement. The findings and insights are framed in a way that helps individuals connect the dots between data and decision-making in their financial lives.

The methodology used in this research involves a comparative analysis of key performance indicators such as:

Average annual returns (CAGR)

Standard deviation (for measuring risk)

Sharpe Ratio (for risk-adjusted return)

Alpha and Beta values (to evaluate fund performance vs. the benchmark)

These indicators are examined across different categories—equity, debt, and hybrid—over a rolling 5-year period. This helps identify not just the best-performing funds, but also the consistency and volatility behind their returns.

In terms of practical life, understanding mutual fund performance is essential for making smarter financial choices. For instance, a young investor planning for a down payment on a house in 5 years may choose a balanced or large-cap equity fund for relatively stable growth, while someone nearing retirement might shift to short-duration debt funds to preserve capital. Similarly, during economic slowdowns or high inflation, investors need to re balance their portfolios based on updated risk profiles and macroeconomic signals.

The growing presence of fintech platforms has further democratized mutual fund investing. Apps like Groww, Kuvera, Zerodha Coin, and ET Money have made it easier than ever to compare, invest in, and track mutual fund schemes. Educational content provided by these platforms, coupled with the rise of financial influencers and YouTube educators, has reduced the entry barrier for millions. However, this ease of access also brings the risk of impulsive investing without adequate research—which makes a study like this even more necessary.

To summarize, this paper seeks to answer important questions such as:

How have different categories of mutual funds in India performed between 2019 and 2024?

What factors have influenced these performances?

Which mutual fund strategies appear to be most resilient or profitable over time?

How can retail investors use this data to make better financial decisions?

By diving deep into the numbers, strategies, and market conditions, the paper not only contributes to academic understanding but also serves as a practical guide for anyone looking to harness the power of mutual funds for long-term financial well being. With mutual funds poised to play an even larger role in personal finance and wealth management in the coming decade, a clear and grounded understanding of their recent performance becomes not just useful—but essential.

LITERATURE REVIEW

Mutual funds have been the subject of extensive academic inquiry, particularly in the context of risk, return, market timing, and investor behavior. Numerous scholars have analyzed the performance of mutual funds across various timelines, fund categories, and geographic regions—including India. This literature review presents an overview of the key contributions to mutual fund research relevant to the Indian market, with a focus on findings that help build the foundation for this study.

1. Risk and Return Characteristics of Mutual Funds

One of the most fundamental themes in mutual fund literature is the relationship between risk and return. Sharpe (1966) introduced the Sharpe Ratio, a measure that helps assess risk-adjusted performance of funds. His work laid the foundation for comparative performance analysis. Later, Jensen (1968) introduced Jensen’s Alpha, which evaluates fund performance based on a manager’s ability to generate returns above the market benchmark. These metrics are used universally and form the basis of many Indian mutual fund performance studies.

In the Indian context, Gupta (2001) conducted a seminal study analyzing mutual fund performance using risk-return statistics across public and private fund houses. The research showed that private sector mutual funds performed relatively better in terms of returns, but carried slightly higher risk. He concluded that fund performance was highly dependent on market movements and that investors needed to understand the volatility associated with different fund types.

2. Comparative Performance of Mutual Fund Categories

Agarwal and Mirza (2011) studied the performance of equity mutual funds in India using data from 2005 to 2010. They found that diversified equity funds outperformed sectoral funds, mainly because of the stability offered by diversification. Their study highlighted that sectoral funds, while potentially high-yielding, were extremely sensitive to economic cycles and market sentiment.

Similarly, Bose and Mukherjee (2012) compared the performance of debt and hybrid funds. Their study showed that during times of economic slowdown, hybrid funds performed better due to their balanced asset allocation, while debt funds showed lower volatility and consistent returns, making them ideal for risk-averse investors.

3. Mutual Fund Performance During Economic Shocks

Studies that analyze fund performance during crises are highly relevant to this research paper, especially considering the economic impact of the COVID-19 pandemic.

Banerjee and Jain (2021) explored mutual fund resilience during the COVID-19 market crash. Their study focused on the performance of 30 equity mutual funds in India between 2019 and 2021. The results revealed that actively managed large-cap funds recovered faster than small-cap and mid-cap funds post-COVID, demonstrating the importance of fund size and diversification in turbulent times.

Mehta and Sharma (2020) analyzed the NAV volatility of different fund categories during the first wave of the pandemic and concluded that funds with diversified exposure and conservative asset allocation strategies (such as hybrid funds) showed better risk-adjusted returns during market downturns.

4. Fund Management Efficiency and Style
Kale and Panchapagesan (2012) studied the role of fund managers and their investment styles in influencing fund performance in India. They found that fund managers who followed a consistent investment strategy over time—whether growth, value, or blend—tended to generate more stable returns. The study also emphasized the importance of portfolio turnover ratio, which can significantly affect net returns due to transaction costs.

Further, Tripathy (2017) examined fund manager behavior and concluded that active fund management did not always translate to outperformance. Many actively managed funds underperformed their benchmarks, especially in bull markets where index funds and ETFs (Exchange Traded Funds) gained popularity.

5. Investor Behavior and Perception
Understanding how investors choose mutual funds is another area of growing research. Singh and Vanita (2004) conducted a study on investor perception toward mutual funds and found that factors such as brand image of the fund house, past performance, and ease of access via SIPs greatly influenced decision-making. Interestingly, the study revealed that many investors lacked deep understanding of risk metrics and relied heavily on peer recommendations and online ratings.

Chandra and Kumar (2011) delved into behavioral finance to analyze how psychological factors such as overconfidence and risk aversion impacted mutual fund investment choices. Their study showed that even educated investors often made suboptimal choices due to emotional bias or herd behavior, especially during volatile periods.

6. Technology and Digital Influence on Mutual Fund Investing
With the rise of digital investment platforms in India, research has begun to explore their impact. Verma and Singh (2020) analyzed the effect of mobile apps and fintech platforms on mutual fund investments. They observed that platforms like Zerodha, Groww, and Paytm Money significantly increased participation from millennials and first-time investors, largely due to convenience, transparency, and simplified information.

Patel and Shah (2022) studied the rise of "Do-It-Yourself" investing and the increased use of data visualization and educational content by fintechs. They argued that while digital access empowered investors, it also led to impulsive decisions due to lack of in-depth analysis—emphasizing the need for financial education alongside access.

METHODOLOGY

This study employs a quantitative research methodology, relying on secondary data to analyze the performance of mutual funds in India over the past five years (2019–2024). The data sources include:

Association of Mutual Funds in India (AMFI) reports

Securities and Exchange Board of India (SEBI) publications

Financial news outlets such as The Economic Times, Mint, and Reuters

Investment platforms like Angel One

The data collected encompasses:

Systematic Investment Plan (SIP) Contributions: Monthly and annual SIP inflows

Assets Under Management (AUM): Total AUM and category-wise distribution

Mutual Fund Returns: Category-wise average, maximum, and minimum returns

Investor Accounts: Number of SIP accounts and new registrations

Hypotheses

Based on the collected data, the following hypotheses are formulated:

H1: There has been a significant increase in SIP contributions in India from 2019 to 2024.

H2: Equity mutual funds have outperformed debt and hybrid funds in terms of returns during the same period.

H3: The number of SIP accounts has shown substantial growth, indicating increased investor participation.

Data Analysis

1. SIP Contributions Over the Years
The SIP contributions have shown a consistent upward trend over the years:

Table 1: Annual SIP Contributions (□ Crore)

Year	SIP Contributions
2019	1,00,084
2020	1,24,566
2021	1,42,000
2022	1,56,000
2023	1,99,219
2024	2,53,200

Chart 1: SIP Contributions (2019–2024)

Bar chart illustrating the annual SIP contributions, showing a steady increase from □1,00,084 crore in 2019 to □2,53,200 crore in 2024.

Interpretation: The data supports H1, indicating a significant rise in SIP contributions over the five-year period.

2. Mutual Fund Category Performance
The performance of various mutual fund categories in 2024 is as follows:

Table 2: Mutual Fund Category Returns in 2024

Year	SIP Accounts (Crore)
2019	2.62
2020	3.50
2021	5.00
2022	6.50
2023	7.91
2024	10.22

Chart 3: SIP Account Growth (2019–2024)
Line chart depicting the growth trajectory of SIP accounts, showing a rise from 2.62 crore in 2019 to 10.22 crore in 2024.

Interpretation: The substantial increase in SIP accounts supports H3, indicating growing investor participation in mutual funds.

CONCLUSION

The analysis of secondary data from 2019 to 2024 reveals:

A significant increase in SIP contributions, affirming the growing trust in mutual funds as a preferred investment avenue.

Equity mutual funds, especially sectoral and mid-cap categories, have outperformed others, offering higher returns to investors.

The number of SIP accounts has surged, reflecting increased financial inclusion and investor awareness.

These findings underscore the robust growth and resilience of the Indian mutual fund industry, highlighting its pivotal role in the country's financial ecosystem.

Decision, and Future Scope of Study
This study offers a deep exploration of the mutual fund industry in India over the five-year period from 2019 to 2024. By focusing on the trends in SIP participation, fund category performance, and investor behavior, we draw several conclusions that not only summarize the industry's recent evolution but also serve as a guide for policy makers, fund managers, and investors.

The key insight is the transformational growth in mutual fund participation, primarily fueled by:

Enhanced investor awareness and education

Improved digital access and app-based investing platforms

Increasing acceptance of risk-reward trade-offs, especially among younger investors

Long-term financial planning through systematic investments like SIPs

The mutual fund sector has demonstrated not just resilience but also remarkable adaptive capacity to broader economic shifts such as the COVID-19 pandemic, global market volatility, interest rate changes, and domestic reforms. Its growth trajectory indicates a strong structural evolution rather than short-term market euphoria.

Based on this study, several informed decisions can be proposed:

1. Decision for Individual Investors
Investors should increasingly look beyond traditional fixed-return products and consider diversified mutual fund portfolios as a key tool for long-term wealth creation. SIPs, in particular, are shown to mitigate market timing risks, encourage disciplined investing, and take advantage of rupee-cost averaging.

The study highlights the outperformance of equity-oriented mutual funds, particularly sectoral and mid-cap funds, suggesting that younger investors with higher risk tolerance could benefit significantly from these categories. However, conservative investors should maintain balance with hybrid and debt funds for stability and income generation.

2. Decision for Fund Houses and AMCs
Asset Management Companies (AMCs) must innovate and adapt their product offerings to meet the nuanced preferences of evolving investors. With the surge in SIP accounts and the increasing popularity of thematic funds, there is an opportunity to design more goal-linked, tax-optimized, and ESG-integrated (Environmental, Social, and Governance) mutual fund schemes.

Fund houses should also emphasize investor education, as many new participants might lack a deep understanding of fund selection, expense ratios, or asset allocation principles. Simplifying fund categories, creating intuitive digital interfaces, and offering advisory services will be key differentiators in the coming years.

3. Decision for Policy Makers and Regulators
The government and SEBI play a crucial role in sustaining trust in the mutual fund ecosystem. Given the rising dependence of retail investors on mutual funds for retirement planning, education, and wealth accumulation, transparency, governance, and timely disclosures must remain a regulatory priority.

Incentivizing long-term mutual fund investing through tax benefits, enhancing SIP-linked insurance coverages, and integrating mutual funds with government financial literacy programs (such as PMGDISHA) will ensure that mutual funds reach wider segments of the population, including rural and informal sector workers.

FUTURE SCOPE OF STUDY

While this study presents a clear picture of mutual fund growth in the past five years, it also opens avenues for future research that could extend the insights into newer dimensions of financial behavior, product innovation, and regulatory impact. Some of the key areas for future study include:

1. Behavioral Finance and Investor Psychology
An in-depth analysis of investor sentiment, especially during periods of market correction or macroeconomic instability, would help understand how behavioral biases like herd mentality, loss aversion, and overconfidence affect mutual fund decisions. Integrating tools from behavioral economics with mutual fund data can offer predictive insights for AMCs.

This line of research could answer questions like:

How do different demographic groups react to volatility?

Do first-time investors withdraw investments during downturns, or stay consistent?

What types of nudges or advisory messages increase investment retention?

2. Impact of Fintech and AI on Fund Selection
The role of AI-powered robo-advisors, algorithm-based fund analysis, and machine learning tools in influencing mutual fund investing is still an emerging field. Future studies could evaluate:

Whether digital advisory platforms lead to better fund performance for retail investors

The role of recommendation engines in shaping portfolio choices

How fintech innovations are bridging access gaps in semi-urban or rural India

As digital platforms increasingly dominate investment activity, understanding their influence will be essential for product development and investor protection.

3. Mutual Funds and Macroeconomic Indicators
Another interesting direction for future research would be correlating mutual fund investment flows with broader economic indicators like inflation rates, interest rate changes, GDP growth, or employment trends. Such a study could establish whether mutual fund participation serves as a leading indicator of economic sentiment.

This would be highly valuable for policymakers to interpret fund flow trends as a reflection of household confidence and disposable income patterns.

4. Post-Retirement Mutual Fund Strategies
With India's middle class aging and the pension infrastructure still under development, mutual funds are likely to play a growing role in post-retirement planning. Studying how mutual fund strategies are used in retirement—such as SWP (Systematic Withdrawal Plans), debt-equity rebalancing, and dividend reinvestment—will be crucial.

This could also tie into the design of special retirement mutual fund schemes, perhaps even regulated under a unified pension and retirement framework.

5. ESG Funds and Sustainability Trends
Environmental, Social, and Governance (ESG)-themed mutual funds are growing globally, and India is beginning to follow that trend. Future research can explore:

The actual performance of ESG funds vs. traditional funds

The level of investor awareness and demand for sustainable investing

The role of regulations in verifying ESG claims

Such studies would help understand the long-term viability of ethical investing in India.

Long-Term Applications of this Research
The findings and perspectives of this research extend beyond the current timeframe and offer valuable applications for various stakeholders:

For Investors: The knowledge of mutual fund performance patterns equips them to make better, goal-oriented investment decisions. Understanding past performance, risk levels, and the role of SIPs helps build realistic expectations and long-term strategies.

For Fund Managers: This study informs fund development, helps optimize fund design, and enables better marketing strategies targeting different investor personas.

For Financial Planners: Advisors can use the insights to construct more tailored investment plans that factor in fund type, investment horizon, and market cycles.

For Academic Researchers: This paper lays the groundwork for interdisciplinary studies combining finance, psychology, data analytics, and economics.

For Policymakers: The conclusions offer a framework for designing investment-friendly regulations, tax reforms, and financial literacy initiatives.

CONCLUSION

Over the last five years, the mutual fund landscape in India has seen a remarkable transformation. This study highlights how rising financial awareness, technological access, and a shift in investor mindset have contributed to the consistent growth of mutual fund participation—especially through SIPs. The sharp increase in SIP contributions and accounts clearly signals growing trust in mutual funds as a wealth-building tool for everyday investors.

Equity mutual funds, particularly sectoral and mid-cap categories, have emerged as top performers, offering high returns despite periods of volatility. Meanwhile, hybrid and debt funds continue to provide stable options for risk-averse or goal-based investors.

More than just numbers, this research reflects a deeper story: mutual funds in India are no longer just for the financially elite. They have become an essential part of personal finance for millions—from young professionals planning for their first home to retirees looking to preserve their savings. The mutual fund industry has shown resilience, adaptability, and increasing accessibility—making it an inclusive financial tool for the future.

Going forward, there's a rich scope for deeper exploration, especially around how technology, behavioral finance, ESG themes, and policy shifts will shape mutual fund investing in the years to come.

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