

Return Performance and Cost Efficiency of Equity Mutual Funds in India: A Descriptive Study of Active and Passive Funds

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ABSTRACT: The Indian equity mutual fund sector has experienced significant growth over the last ten years due to rising participation of households in capital markets, government regulations, and rising awareness among investors. In the growing investment environment, the debate between actively managed and passively managed equity mutual funds has become an important aspect for investors. This research paper focuses on the risk-return behaviour and cost-effectiveness of equity mutual funds in India through a descriptive study of actively managed and passively managed equity mutual funds from 1 April 2020 to 31 March 2025, which is a period of increased market volatility and a successful post-pandemic recovery.

The research relies completely on secondary data, which has been gathered from mutual fund fact sheets and financial databases. The Net Asset Value (NAV) and Total Expense Ratio (TER) information were gathered from mutual fund fact sheets, and the Compound Annual Growth Rate (CAGR) was calculated by the researcher using the NAV information for the period of the research. A sample of ten equity mutual fund schemes, consisting of five actively managed and five passively managed schemes, was chosen for analysis. Descriptive statistical analysis, comparison through tables, and charts were used to assess the return and cost characteristics of the two types of schemes.

The findings reveal that actively managed equity mutual funds are likely to display greater potential for returns, as indicated by relatively higher CAGR values, but are also likely to be associated with higher expense ratios. On the other hand, passively managed equity mutual funds are likely to display greater cost efficiency and relatively stable, market-linked performance. The study draws attention to the need to balance return optimization and cost efficiency in mutual fund investment. The findings are useful for investors, financial planners, and policymakers concerned with equity mutual fund performance in emerging markets such as India.

KEYWORDS: Equity Mutual Funds, Active Funds, Passive Funds, CAGR, Cost Efficiency

1. INTRODUCTION

The Indian mutual fund industry has flourished as one of the most significant avenues in mobilizing savings for the capital market, especially in the equity segment. Over the last decade, the Indian financial market has witnessed tremendous change, primarily due to an improvement in financial literacy, increased thrust of technology in terms of digital investments, and regulatory initiatives to enhance market transparency and promote investor confidence. Online 'Know Your Customer' (e-KYC), direct mutual fund plans, and mobile-based investment apps have reduced entry barriers for investors, thereby increasing the scope of participation in equity-oriented mutual fund schemes (AMFI, 2024; SEBI, 2024). Regulatory measures undertaken by the Securities and Exchange Board of India (SEBI), such as rationalization of the Total Expense Ratio (TER), stricter disclosure requirements for mutual funds, and more robust corporate governance standards for asset management companies, have further helped build trust in mutual funds as reliable options for long-term wealth creation, enabling a sustained growth

trend in the allocation of household assets to mutual funds or systematic investment plans (SIPs), making equity mutual funds a first choice for households in India (Bodie et al., 2021; Sharma & Mehta, 2019).

Within the widening scope of equity-based mutual funds, the investment decision that an investor needs to focus on is the selection between actively managed and passively managed mutual funds. Actively managed mutual funds try to achieve superior returns over benchmark indices through decisions like security selection, market timing, and sectoral allocation taken by expert managers. Though such an approach may provide returns in excess of the market, it comes with a cost of higher management expense ratios and transaction costs. On the contrary, passive mutual funds, which include index funds and ETFs, try to mirror their benchmark indices or constituents by holding securities in equal proportions, which provides efficiency in costs and minimizes tracking error (Sharpe, 1966; Fama & French, 2010). The increasing acceptance of passive mutual funds in India can thus be explained by the gradual shift in investment preference

towards low-cost, transparent, and rule-based investments (Reddy & Kumar, 2020).

The period between 2020 and 2025 marks a unique and important period that is analytically relevant for the assessment of the performance of mutual funds. The emergence of the COVID-19 pandemic resulted in unprecedented volatility in the Indian and global financial markets, resulting in steep corrections in the Indian stock market during the early part of 2020. This phase of volatility was followed by a strong revival in the financial market, attributed to accommodative monetary policies, large-scale fiscal injections, and renewed investment in the domestic market. The Indian stock market faced several rounds of corrections and revival during this period, making it an important time to gauge the resilience, flexibility, and efficiency of different styles of mutual fund management (Bansal & Gupta, 2021).

In such a turbulent yet growth-oriented environment, the importance of understanding risk, return, and cost efficiency assumes significance from an investment decision-making point of view. Although finance theory traditionally implies that actively managed mutual funds can take advantage of market imperfections in volatile market situations, empirical research has shown that expense ratios can reduce abnormal high returns over time (Jensen, 1968; Fama & French, 2010). While passive management may have a limited scope of beating their respective benchmarks in terms of returns, it offers competitive returns due to lower expense ratios and consistency of market-linked exposure (Sharpe, 1966).

Against this backdrop, the present study aims to conduct a descriptive evaluation of specific active and passive mutual funds for equity investments in India over the period 2020 to 2025. Through an analysis of the growth rate of Net Asset Value (NAV), Compound Annual Growth Rate (CAGR), and Total Expense Ratios (TER), the present study aims to generate significant insights regarding the risk-return profiles of different styles of mutual fund investments.

2. REVIEW OF LITERATURE

There is already extensive literature on mutual funds' performance evaluation, focusing on effective returns generation, risk exposures, and cost efficiency. Most studies, especially earlier ones, used risk-adjusted ratios such as Sharpe's Ratio, Treynor's Ratio, Jensen's Alpha, etc., for mutual fund performance evaluation across different categories.

Sharma & Mehta (2019) performed a comparative performance analysis of equity mutual funds in India with the use of Sharpe, Treynor, and Jensen's Alpha Models during a specific period of time. The findings showed that large-cap mutual funds tend to beat mid-cap and small-cap mutual funds during stable markets, whereas mid-cap mutual funds report high returns during volatile markets, coupled with high

risks. The two researchers asserted that the ability of a mutual fund manager is essential in generating alpha returns, where actively managed mutual funds report higher returns relative to passive mutual funds, specifically in emerging markets such as India.

Reddy and Kumar (2020) examined the performance of sectoral mutual fund schemes in general, with specific reference to technology, pharmaceutical, and banking sector funds. Based on risk-adjusted returns, it was revealed that these sectoral mutual fund schemes were sensitive to changes in macroeconomic variables. The performance of banking sector fund schemes was found to be good during interest rate easing, while a pharmaceutical fund was less affected during periods of economic downturn.

Gupta and Jain (2018) analysed the performance of selected equity schemes of the mutual fund industry in India for ten years. According to Gupta and Jain, the findings of the study indicate that the selected schemes, which are actively managed, have outperformed the respective benchmark by certain periods; however, the expense ratio resulted in higher costs for the investors, which negatively impacted the net investment gains for the investors.

Kaur and Singh (2021) conducted a comparative study of active and passive equity mutual funds in India. Based on CAGR, standard deviation, and Sharpe ratio, the study found that passive funds were able to return almost the same returns as market benchmarks at a considerably lower cost. Though some active funds outperformed passive funds, the difference is not consistent across time periods. The authors concluded that passive funds suit long-term investors who are conscious of costs.

Bansal and Sharma (2020) analysed large-cap equity mutual funds in India for their risk-return characteristics. In their analysis, the authors found that funds with high volatility indeed tended to give better returns, acting in support of the theory of a risk-return trade-off. The authors, however, mentioned that higher risks did not always yield better risk-adjusted performances, therefore placing efficient fund management in focus.

Patel and Desai (2019) analysed the impact of mutual fund expenses, such as expense ratios, on mutual fund performance within the context of the Indian economy. The research indicated a negative relationship that existed between the expense ratios of mutual funds and net returns, especially within actively managed mutual funds. The research implied that high expense ratios result in a reduction of investors' wealth over a long period of investment, in addition to lowering the probability of success within the mutual fund industry.

Malhotra & Gupta (2021) researched the performance of equity mutual funds after COVID-19. The performance was marked by volatility initially during the pandemic period, followed by high returns during recovery phases. The

volatility during the pandemic was more prevalent among actively managed funds than passively managed ones. The recovery periods represented periods of opportunity for fund managers to produce better performance results, but were more speculative.

Chaudhary & Verma (2020) aimed at exploring the effectiveness of index funds as well as ETFs in India by focusing on their cost efficiencies. The findings of this study were such that it inferred that passive investment options exhibited low-tracking errors along with a significant reduction in expense ratio in relation to actively managed investment options.

Shukla and Mishra (2018) analyse mutual fund performance by employing 'risk

' and the 'Sharpe ratio' in assessing systematic risk measures. The study indicated that those mutual funds with lower 'Beta' values offered better downside protection in case of bearish market trends or phases, while those with high 'Beta' values delivered better results in bullish market trends or phases.

Verma and Pandey (2022) undertook descriptive research in the field of equity mutual funds with special reference to investor suitability. The research indicated that none of the varieties of mutual fund investments outperforms any other in all market scenarios. According to them, an investor may consider diversifying actively managed and passively managed investments as an alternative.

Overall, it is noticed from the reviewed literature that there is ambiguity over the superiority of active and passive mutual funds, where active funds have better returns over a specific market cycle, and passive funds score over active funds due to their better efficiency on a cost basis. The literature focuses on how the performance of mutual funds must take place through a holistic framework involving various parameters such as returns and risks, and a descriptive gap in this regard, especially after 2020, forms the basis to conduct this study.

3. OBJECTIVES OF THE STUDY

The study is undertaken with the following objectives:

1. To examine the return performance of selected active and passive equity mutual funds in India.
2. To compare the cost efficiency of active and passive equity mutual funds using the Total Expense Ratio.

3. To present a descriptive comparison of return performance and cost characteristics of active and passive equity mutual funds.

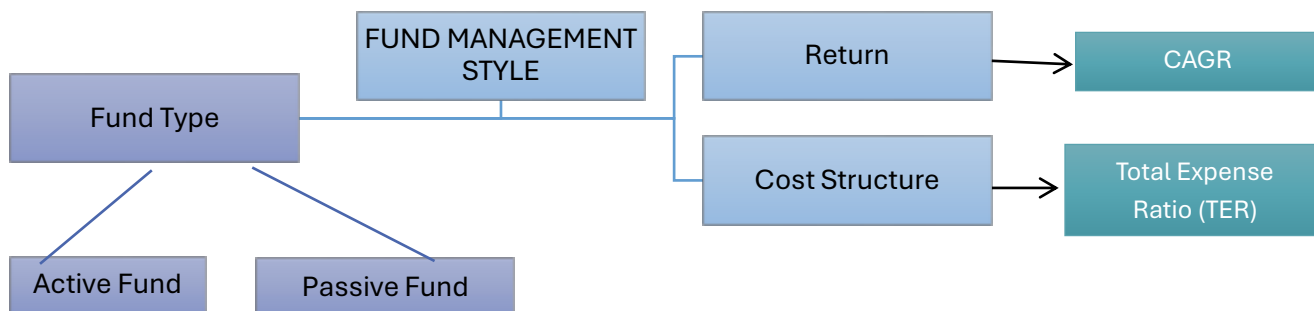
4. CONCEPTUAL FRAMEWORK

A brief outline of the conceptual framework used in the study is presented below as an outline of the whole study's understanding in terms of the consideration of variables in analysing the performance of mutual fund investments. The conceptual model demonstrates a clear understanding of the variables involved in the concept or study of mutual fund performance and its inherent characteristics, as it is designed not to establish any relationships but to provide an understanding of variables in relation to their application in assessing performance in the field of financial investments.

The fund management style in the present study, i.e., active or passive fund management style, remains the major variable in the classification process. The fund management style exhibits certain differences in cost structures in the form of the Total Expense Ratio (TER); in turn, cost structures play an important role in influencing the returns.

The basis for the performance evaluation is return and cost measures constructed from secondary data research. Investment performance is computed by using measures like Net Asset Value (NAV) growth rate, which reflects the investment-generating ability of equity mutual fund investments. The cost efficiency of the investment is explained using the Total Expense Ratio (TER), as this impacts net investment return earned by investors. The conceptual model is an outline used to identify the difference in return performance between active and passive equity mutual fund investments. The model is based on return measures derived from data research and does not include risk and econometric factors, as well as causal relationships.

The framework will provide direction for a systematic examination of fund aspects on cost efficiency, and return outcomes for active/passive units of investment during the period under study. The framework will support the descriptive analysis by connecting fund aspects with common performance metrics, though without direct determinacy.



Figures 1: Analytical Flow Framework for Evaluating Active and Passive Equity Mutual Funds

5. RESEARCH METHODOLOGY

5.1 Research Design

The present study adopts a **descriptive and comparative research design** to examine the risk–return dynamics and cost efficiency of selected equity mutual funds in India. The descriptive approach is considered appropriate as the study aims to analyse and compare existing performance characteristics of mutual funds without attempting to establish causal relationships.

5.2 Nature and Source of Data

The study is based entirely on **secondary data**. Data related to Net Asset Value (NAV) and Total Expense Ratio (TER) were collected from AMFI (<https://www.amfiindia.com/>), official mutual fund factsheets, fund house disclosures, and

publicly available financial databases. CAGR is computed using NAV data for the period from 1 April 2020 to 31 March 2025. The data used are standardized and reliable, ensuring consistency across funds.

5.3 Sample Selection

A purposive sampling technique was employed to select a total of **ten equity mutual funds**, comprising **five actively managed funds** and **five passively managed funds**. The funds were selected based on the following criteria:

- Continuous availability of NAV data for the study period
- Classification as equity-oriented schemes
- Popularity and representativeness within the Indian mutual fund industry

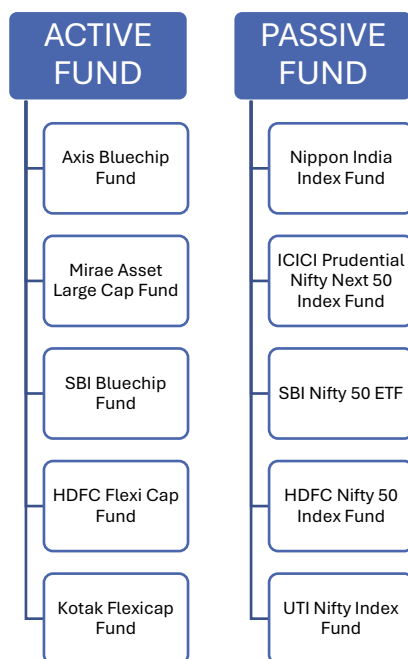


Figure 2: Sample Selection of Active and Passive Equity Mutual Funds

5.4 Period of Study

The study covers five years **from 1 April 2020 to 31 March 2025**, a phase marked by significant market volatility and

post-pandemic recovery. This period provides meaningful insights into fund performance under dynamic market conditions.

5.5 Variables Used in the Study

The analysis is based on the following variables:

- **Net Asset Value (NAV):** Indicator of fund value over time
- **Compound Annual Growth Rate (CAGR):** Measure of annualized return
- **Total Expense Ratio (TER):** Measure of cost efficiency
- **Fund Type:** Active or Passive

5.6 Tools and Techniques of Analysis

The research makes use of descriptive statistical tools such as tables, averages, and comparison statistics. Graphical tools are used in the research to enhance its interpretation. There is no use of inferential statistics by the research, as it is a descriptive comparison-based research work.

6. ANALYSIS AND INTERPRETATION

The following section will entail a detailed descriptive analysis of how active and passive equity-based Indian mutual fund schemes performed during the entire period under investigation, from 1st April 2020 to 31st March 2025. The assessment will cover several key performance indicators regarding specific active and passive equity-based investment schemes operating within India. The specific indicators include Net Asset Value, Compound Annual Growth Rate, and finally, the expense ratio for investment schemes conducted within this investigation period. In order to provide a more organized procedure towards evaluating different active investment schemes operating within India during an established period of time, data will initially be represented via tables to ensure easier comparative understanding of different investment fund schemes. Data will then be used to develop relevant investment scheme flow-graphs to ensure easier comparative comprehension between active investment schemes.

6.1 Analysis of Active Equity Mutual Funds

Table 1: Performance of Selected Active Equity Mutual Funds (2020–2025)

Fund Name	NAV (01.04.2020)	NAV (31.03.2025)	CAGR (%)	TER (%)
Axis Bluechip Fund	27.29	65.66	19.20	0.70
Mirae Asset Large Cap Fund	40.06	117.60	24.03	0.74
SBI Bluechip Fund	28.69	86.52	24.70	0.82
HDFC Flexi Cap Fund	466.77	2014.47	33.97	0.81
Kotak Flexicap Fund	27.99	86.93	25.44	0.64

Source: Compiled by the author using data from AMFI (<https://www.amfiindia.com/>) and respective mutual fund scheme factsheets.

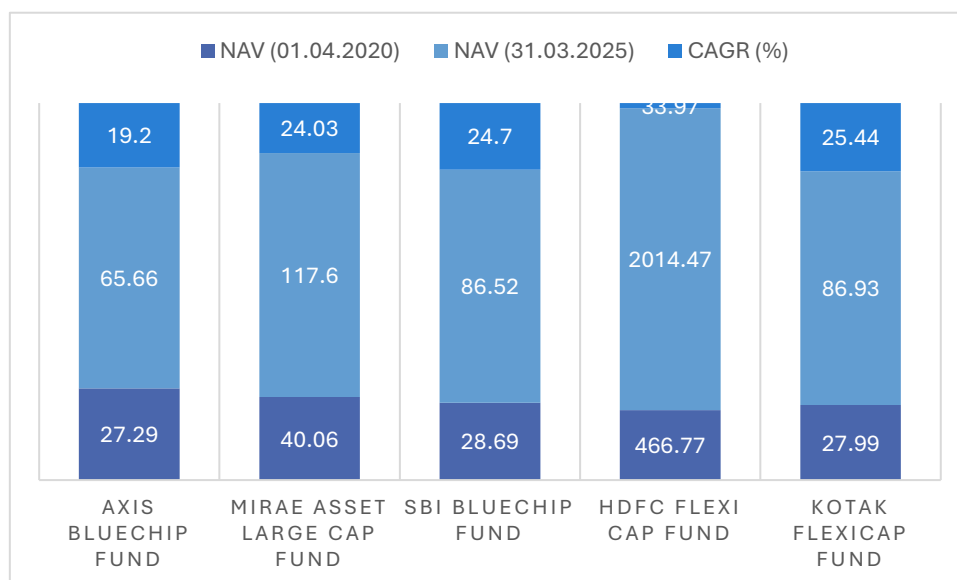


Figure 3: Bar graph shows NAV and CAGR of Selected Active Equity Mutual Funds

Interpretation:

The return performance of active equity mutual funds is very diverse. The highest CAGR of 33.97% was recorded by HDFC Flexi Cap Fund, which indicated very good fund

management and effective allocation strategies during the period under study. Kotak Flexicap Fund and SBI Bluechip Fund also moved upwards with more than 24% CAGR. However, there exist relatively higher expense ratios, ranging

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from 0.64% to 0.82%, in actively managed funds due to the costs of their active portfolio management. Large dispersion

of CAGRs suggests higher potential returns but higher variability of performance among the active funds.

6.2 Analysis of Passive Equity Mutual Funds

Table 3: Performance of Selected Passive Equity Mutual Funds (2020–2025)

Fund Name	NAV (01.04.2020)	NAV (31.03.2025)	CAGR (%)	TER (%)
Nippon India Index Fund (Sensex)	11.53	30.87	21.77	0.20
ICICI Prudential Nifty Next 50 Index Fund	18.87	58.22	25.27	0.19
SBI Nifty 50 ETF	85.02	248.82	23.96	0.00
HDFC Nifty 50 Index Fund	76.26	226.66	24.34	0.20
UTI Nifty Index Fund	27.52	82.07	24.42	0.17

Source: Compiled by the author using data from AMFI (<https://www.amfiindia.com/>) and respective mutual fund scheme factsheets.

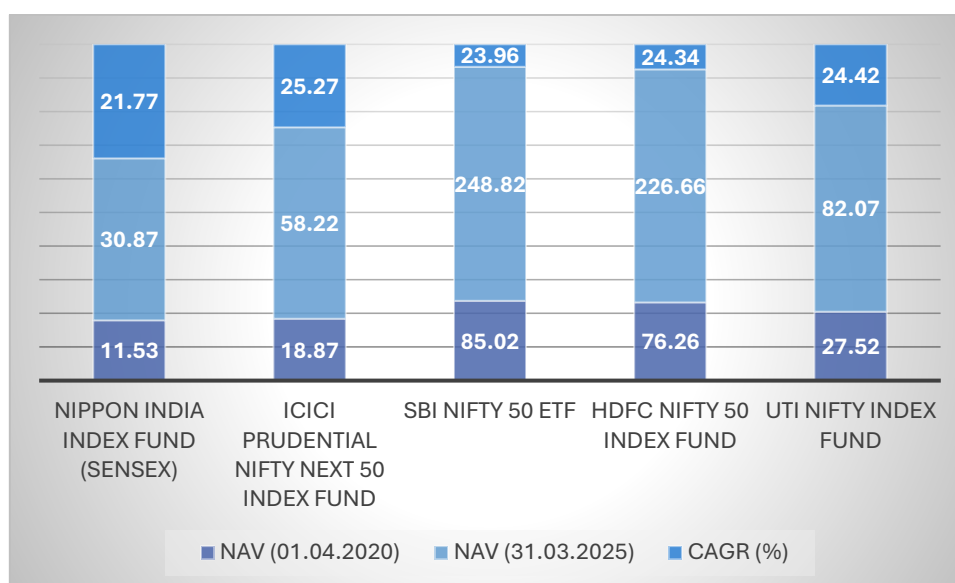


Figure 4: The bar graph shows NAV and CAGR of Selected Passive Equity Mutual Funds

Interpretation:

The passive equity mutual funds reveal return performance that is quite consistent, with CAGR values ranging from 21.77 percent to 25.27 percent. Such a narrow range is indicative of the index-tracking nature of passive funds. One important observation is the significantly lower Total Expense Ratio, as most TER values are below 0.20 percent and even nil expense in the case of SBI Nifty 50 ETF. The stability in returns with low costs makes passive investment strategies cost-efficient and predictable.

6.3 Return Performance Analysis

The return performance on the selected mutual funds for equity investments is analysed using the Compound Annual Growth Rate measurement for five years from April 2020 to March 2025. The analysis suggests that both active and passive mutual funds enjoyed a significant gain from the post-pandemic rally, while Indian stock markets also enjoyed

supportive monetary policy, strong liquidity, and an upmarket trend.

Among actively managed schemes, HDFC Flexi Cap Fund registered a high CAGR of 33.97 percent, indicating high growth in their NAVs. This implies high asset management flexibility as well as sectoral management by their fund manager. Other actively managed schemes, like Kotak Flexicap Fund (25.44 percent) and SBI Bluechip Fund (24.70 percent), also showed robust performance, thus indicating a contribution to return enhancement while the market was in a favourable state.

The performance of the passive funds was found to be relatively consistent with a limited variation among the returns. The variation among the passive funds was well within a limited scale, between 21.77 percent (Nippon India Index Fund-Sensex) and 25.27 percent (ICICI Prudential Nifty Next 50 Index Fund). The limited variation among the returns of the passive funds can be attributed to their performance pattern.

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Table 2: CAGR of Selected Equity Mutual Funds (2020–2025)

Fund Category	Fund Name	CAGR (%)
Active	Axis Bluechip Fund	19.20
Active	Mirae Asset Large Cap Fund	24.03
Active	SBI Bluechip Fund	24.70
Active	HDFC Flexi Cap Fund	33.97
Active	Kotak Flexicap Fund	25.44
Passive	Nippon India Index Fund (Sensex)	21.77
Passive	ICICI Prudential Nifty Next 50 Index Fund	25.27
Passive	SBI Nifty 50 ETF	23.96
Passive	HDFC Nifty 50 Index Fund	24.34
Passive	UTI Nifty Index Fund	24.42

Source: Author’s computation using NAV data from AMFI and mutual fund factsheets.

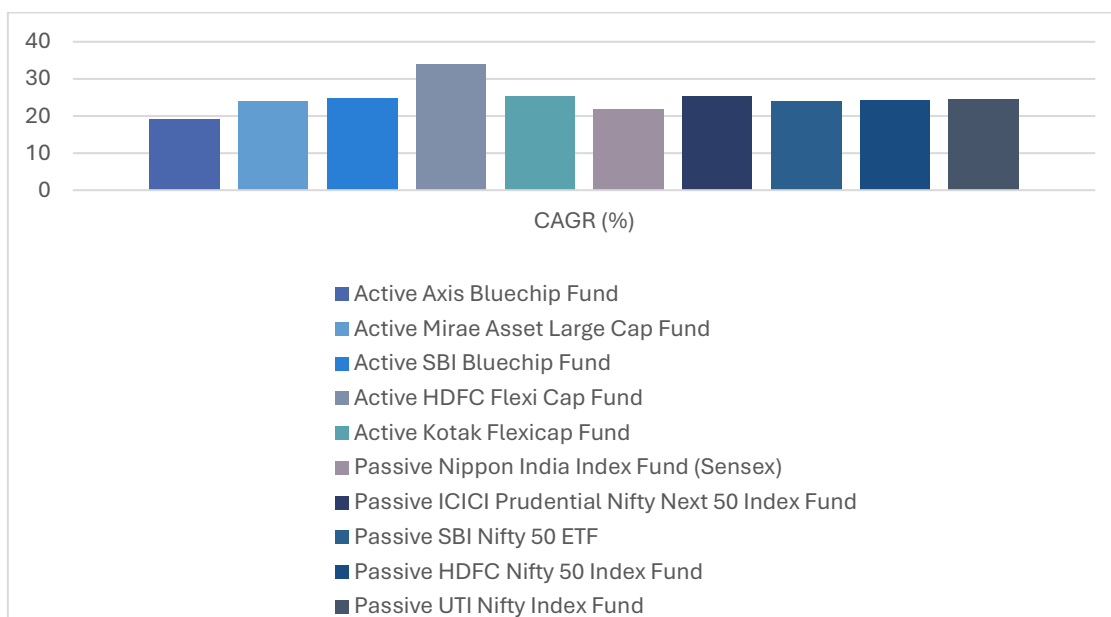


Figure 5: Bar Chart shows Average CAGR of Active vs Passive Funds.

Interpretation:

The bar graph actually shows that, generally, CAGR from active equity mutual funds was higher, with greater dispersion across schemes, while passive funds showed more consistency in returns within a narrow range, reflecting benchmark-linked performance and lower variability during the study period.

6.4 Cost Efficiency Analysis

First, cost efficiency is assessed using TER, which denotes the annual cost that mutual funds charge for management and operation. By analysing these factors, there is a considerable separation between active and passive funds regarding the cost structure.

TER for active equity mutual funds ranged between 0.64% and 0.82%. Their higher expense ratios are indicative of costs related to active portfolio management, research, and frequent portfolio rebalancing. For example, the SBI Bluechip Fund had the highest TER of 0.82%, while Kotak Flexicap had a relatively lower TER of 0.64% among active schemes.

Passive funds were way lower in terms of expense ratios, as most passive funds reported TERs less than 0.20 percent, with the SBI Nifty 50 ETF having a zero expense ratio. This substantial cost advantage enhances net returns over long investment horizons and reduces return erosion, particularly for long-term investors.

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Table 2: Total Expense Ratio of Selected Equity Mutual Funds

Fund Category	Fund Name	TER (%)
Active	Axis Bluechip Fund	0.70
Active	Mirae Asset Large Cap Fund	0.74
Active	SBI Bluechip Fund	0.82
Active	HDFC Flexi Cap Fund	0.81
Active	Kotak Flexicap Fund	0.64
Passive	Nippon India Index Fund (Sensex)	0.20
Passive	ICICI Prudential Nifty Next 50 Index Fund	0.19
Passive	SBI Nifty 50 ETF	0.00
Passive	HDFC Nifty 50 Index Fund	0.20
Passive	UTI Nifty Index Fund	0.17

Source: Compiled by the author using data from AMFI(<https://www.amfiindia.com/>) and respective mutual fund scheme factsheets.

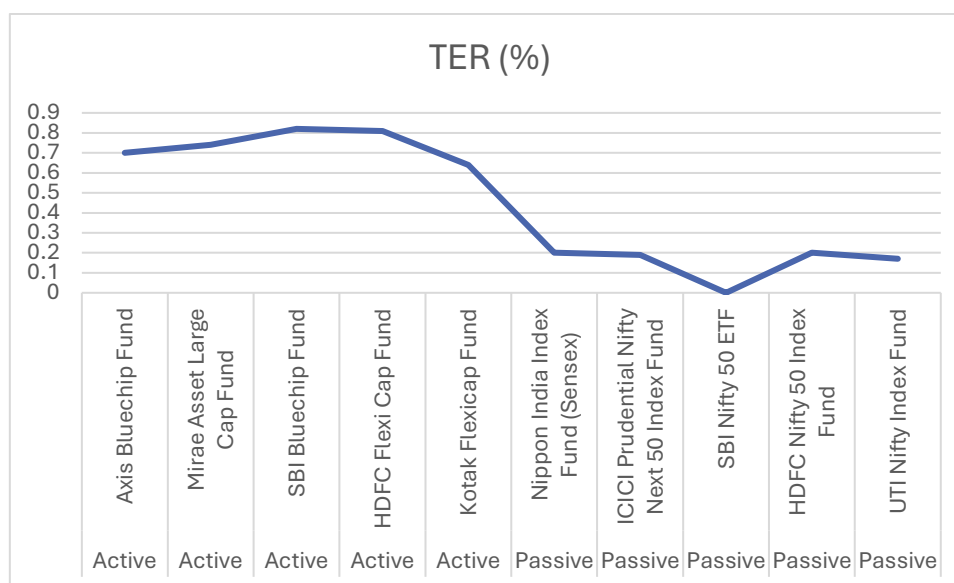


Figure 6: Average Total Expense Ratio (TER) of Active and Passive Equity Mutual Funds

Description: This line graph represents the average Total Expense Ratio of Active Equity Mutual Funds and Passive Equity Mutual Funds. As it is evident from this line graph, Active Mutual Funds have substantially higher expenses in comparison to Passive Mutual Funds, whose Total Expense Ratio is very low, reflecting their efficient expenses, thereby yielding high net returns even with long investment periods.

Return-Cost Interpretation

The combined assessment of return performance and cost efficiency brings into play an important trade-off between risks and returns and between costs for active and passive equity-based funds. The active funds have reported healthy returns. HDFC Flexi Cap Fund reported superior returns. The higher returns are associated with higher expense ratios for active funds. This brings into play a point that active management indeed rewards investors during good times.

The passive funds, while not commanding peak returns, displayed consistent and predictable performances, also carrying minor cost components. The narrow dispersion shown by the different values for passive funds also points to

lower variation in the outcomes. Furthermore, lower costs also enhance the attractiveness of these funds.

Overall, it would appear that, based on their descriptive data, active funds would be particularly suited to investors who are looking for a means of improving their returns, but are able to pay more for a fund. Passive funds would be more suitable for investors who prioritize cost efficiency.

6.5 Comparative Insights

From descriptive pieces of evidence presented in this study, it is observed that there are certain identifiable variations in performance characteristics between active and passive investment in mutual fund securities. Active investment in mutual fund securities, on average, recorded relatively high potential for generating investment returns during this study period in comparison with passive investment in MF securities, indicating that active fund management has been able to take advantage of market recoveries in recent years, particularly in the post-pandemic lockdown situation in India. Passive funds, nonetheless, reported a return that was similar to their associated benchmarks. Therefore, their performance

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outcomes, though moderate, could only be characterized as very competitive. Their main advantage is their cost efficiency, shown by very low Total Expense Ratio figures. Such low costs, therefore, help in the maximization of total returns to investors, making them less impactful on the long-run growth of their investments. Moreover, their stable performance is a clear indication of the diversified nature of investment.

Thus, it can be concluded that the entire issue highlights the need to ensure that mutual fund selection is correlated with

certain aspects related to investors, such as risk, return, and cost. Rather than reflecting the supremacy of a certain type of investment, the entire issue helps to understand how both actively managed mutual funds along with passive mutual funds can complement different forms of investment objectives effectively, i.e., actively managed mutual funds can complement passive mutual funds, a fact that has been emphasized by **Sharma & Mehta, 2019, and Reddy & Kumar, 2020.**

Table 3: Summary of Category-Wise Performance Characteristics

Fund Category	Return Potential	Expense Ratio	Performance Variability	Return Variability
Active Funds	Higher	Higher	Higher	Higher
Passive Funds	Moderate	Lower	Lower	Lower

The table encapsulates the salient differences between active equity mutual funds and passive equity mutual funds in relation to the return potential, expenses, stability of returns, and risks involved in each mutual fund type. The table gives a clear perspective that, even though the return potential is high in the case of active mutual funds, the cost is also high, whereas in passive mutual funds, the returns are moderate with lower expenses.

Interpretation

Overall, it may be seen from the descriptive analysis performed in this paper that actively managed equity funds generated slightly better returns in the past; at the same time, while trying to beat the market by employing techniques such as security selection and timing strategies in mutual funds, it may be found that the cost incurred for investors in equity mutual funds is quite high.

In contrast, passive equity mutual funds delivered marginally lower average returns but exhibited stable and predictable performance closely aligned with their benchmark indices. The relatively narrow dispersion of returns among passive funds suggests lower variability and reduced exposure to manager-specific risk. This consistency enhances transparency and makes passive funds particularly attractive to investors who prioritize cost efficiency, simplicity, and long-term wealth accumulation.

The findings provide support to existing financial theory and prior studies on fund performance, which indicate that higher returns in mutual fund investments may have a correlation with riskier investments and associated costs. **Sharpe (1966)** stresses that while evaluating fund performance, it is not important to look only into the returns, but it is important to look into risk-adjusted performance, while **Fama and French (2010)** indicate that, considering expenses, it is not easy to achieve market-beating performance, which aligns with the general anticipation that fund selection must not be based on maximization of returns.

7. DISCUSSION

The findings of the study, by and large, fit within the realm of existing literature pertaining to mutual fund performance in both developed markets and emerging markets worldwide. The literature has indicated that various studies have concluded that actively managed mutual funds tend to produce stronger returns during periods of high volatility or during a phase of recovery within the market, where managers of such mutual funds take advantage of short-term inefficiencies that occur within the sector (**Sharma & Mehta, 2019; Jensen, 1968**), a phase that has been reflected within the post-pandemic recovery that was studied within the context of the present report.

These, being the higher total expense ratios for the active funds, might balance out the excess returns, even over the long period of investment. Therefore, it is in this sense that passive investment appears as an efficient form of investment for cost-conscious investors, providing diversification and hence the opportunity for investment with returns related to the stock market but involving a lower risk level to the investor (**Bodie et al., 2021**).

The discussion highlights that fund performance should not be evaluated solely on return metrics. Cost structure characteristics play an equally important role in determining investor outcomes. Therefore, an integrated assessment of return and cost is essential for informed fund selection.

8. RESULTS AND FINDINGS

Based on the descriptive analysis of selected equity mutual funds, the following key findings emerge:

- Active equity mutual funds offered better return potential, especially during the post-pandemic recovery period, but it was also accompanied by high expense ratios along with fund performance volatility.
- Passive equity mutual funds excelled in cost efficiency by possessing remarkably low Total

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Expense Ratios, making them more appealing to investors.

- Variation in return performance and cost structures was observed across funds. From this result, one could conclude that fund characteristics constitute a crucial determinant, both for active investment strategies and for passive investment strategies.
- The research findings indicate that, far from one method proving to be better than another, a mix of active and passive investments can provide optimal returns to investors.

9. IMPLICATIONS FOR INVESTORS

Return-Oriented Investors:

Investors looking to make investments with a relatively higher return potential can also consider actively managed equity mutual funds. The analysis suggests that some of the actively managed funds achieved a higher CAGR during this period, indicating the potential of professional management to deliver higher returns to investors during a conducive market environment.

Cost-Conscious Investors:

Therefore, investors with a high sensitivity towards costs might be more aligned with passive mutual funds in the Equity asset class. The significantly lower Total Expense Ratio (TER), as offered by the passive funds, can help avoid the reduction in returns in the long term.

Risk Preference Consideration:

Active funds show wider variation in terms of returns, which may attract investors who prefer risky investments. Conversely, passive funds show relatively stable and predictable performances, mirroring those on stock exchanges, making these funds acceptable for risk-averse investors.

Long-Term Investment Horizon:

For investors with a long investment duration, passive funds guarantee consistent market-linked returns with minimal management intervention. Cost-effectiveness and diversification make their systematic and long-duration investment strategy work well.

Portfolio Diversification Strategy

These findings imply that a combination involving both the passive and the active equity mutual fund would result in diversification gains, and this balance would allow the investor to reap the return enhancement potential from the active fund as well as the cost efficiency of the passive fund.

Informed Fund Selection:

There are various recommendations with regard to investors' expectations from a mutual fund, which include not merely judging the return on investment performance, cost structures, risk, etc., on a comprehensive basis through

CAGR, TER, etc., to make a wise and rational investment decision.

10. LIMITATIONS OF THE STUDY

The results of the above study are to be considered in the context of the following limitations. Firstly, the study is based on a small sample of ten equity mutual fund schemes, which may not be generalizable. Secondly, the study uses only descriptive forms of analysis and does not use any inferential or econometric analysis; hence, the results are suggestive and not causal. Thirdly, the study is limited to the chosen variables of NAV, CAGR, and TER, and does not take into account other risk measures, macro-economic variables, or other qualitative factors such as the characteristics of the fund manager. Finally, the five-year period of study may not capture the overall market cycles.

11. CONCLUSION

This study provides a descriptive analysis of the Return Performance and Cost Efficiency of a set of selected active and passive equity-based mutual funds operating in the Indian mutual fund market within a given period from 1st April 2020 to 31st March 2025. This is considered an appropriate period, given that a disruption in market rates was caused by the COVID-19 pandemic, followed by a return to a normal market scenario. Hence, a discussion of mutual funds under a stringent analysis of market risks is provided within a structured framework of appropriate parameters such as NAV, CAGR, TER, etc., which facilitates a descriptive analysis of a comparison of different types of fund management practices.

The results indicate an overall higher return opportunity in actively managed equity mutual funds over a comparable period, as indicated by the CAGR values. However, it is also important to understand that the higher returns are also linked to an increased cost, as indicated by the expense ratios. Passive equity mutual fund investments reflect low expense ratios combined with appreciable market returns.

It points out that, in a diversified investment portfolio, active and passive funds play complementary roles rather than advocating the dominance of any one approach. In general, aligning fund selection with cost sensitivity and investment objectives may benefit investors. Finally, the current study updates the descriptive evidence relating to mutual fund performance in India during a critical post-pandemic period, contributing to the emerging literature in the area. The insights drawn thereupon may help investors and financial advisors promote better decision-making and encourage efficiency in capital allocation within the mutual fund industry.

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