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Comparative Performance Evaluation of Mutual Fund Schemes Offered by Banks and Non-Banking Financial Companies (NBFCs): An ROI-Based Analysis

Dr. V. Prabakaran[1], Mr. C. Arun Kumar[2]
Head of the Department[1], Assistant Professor[2]
Department of Commerce – International Accounting and Finance
International Accounting and Finance
Faculty of Science and Humanities
SRM Institute of Science and Technology

Abstract:

This research has been undertaken to analyse and compare the Return on Investment (ROI) of selected mutual fund schemes offered by bank-sponsored and non-banking financial institution-sponsored Asset Management Companies (AMCs) in India. The study focuses on selected schemes from SBI Mutual Fund, representing a bank-sponsored AMC, and Nippon India Mutual Fund, representing a non-banking financial institution-sponsored AMC. The primary purpose of the research is to evaluate and compare the return performance of these mutual fund schemes and assess the effectiveness of their investment strategies. The study aims to compare the return patterns of the selected mutual fund schemes and examine their growth trends over a specified period. It also seeks to identify which category of fund provider delivers relatively superior investment performance and greater consistency in returns. The research is based entirely on secondary data collected from reliable sources, including the official websites of the respective Asset Management Companies, financial portals, and published reports. Data relating to the Net Asset Value (NAV) and annual returns of the selected mutual fund schemes have been analyzed using percentage analysis and comparative analytical techniques to generate meaningful interpretations and conclusions. The scope of the study is confined to selected mutual fund schemes of SBI Mutual Fund and Nippon India Mutual Fund, with emphasis on return-based performance evaluation. Other important factors, such as risk, expense ratio, portfolio composition, and investor behavior, are beyond the scope of the present study. Although these limitations may influence the comprehensiveness of the analysis, the study provides valuable insights into the comparative return performance of bank-sponsored and non-banking financial institution-sponsored mutual fund schemes. The findings indicate that the selected schemes of SBI Mutual Fund outperformed those of Nippon India Mutual Fund across most of the mutual fund categories considered in the study.

Keywords: Mutual Funds, Return on Investment (ROI), Comparative Study, Banking and Non-Banking Financial Companies, Investment Performance, Net Asset Value.

1.1 Introduction

The Indian financial system has evolved significantly, offering investors a wide range of investment opportunities. Among these, mutual funds have become one of the most preferred investment avenues due to their potential for wealth creation and professional fund management. Mutual funds sponsored by banks, such as SBI Mutual Fund, and those sponsored by non-banking financial institutions, such as Nippon India Mutual Fund, differ in their investment approach, distribution network, and operational strategies. Comparing these categories helps investors understand whether the type of sponsoring institution influences the return performance of mutual fund schemes.

1.2 Need for the Study

This study examines whether the common perception that bank-sponsored mutual funds are safer and NBFC-sponsored mutual funds generate higher returns is supported by empirical evidence. The findings provide valuable insights for investors, financial advisors, and researchers by comparing the return performance of selected mutual fund schemes over different investment periods.

1.3. Influence

The performance of mutual funds is influenced by factors such as investment strategy, portfolio allocation, fund management practices, expense ratio, and prevailing market conditions. These factors play a significant role in determining the return performance of mutual fund schemes.

1.4. Statement of the Problem

The growing number of mutual fund schemes has made investment decisions more challenging for investors. Many investors choose funds based on the sponsoring institution rather than actual performance. Moreover, there is a lack of recent comparative studies using post-pandemic data to assess the return performance of bank-sponsored and NBFC-sponsored mutual fund schemes.

1.5. Theoretical Framework

The study is based on established theories and performance evaluation models, including Modern Portfolio Theory, the Capital Asset Pricing Model (CAPM), and risk-adjusted performance measures. These frameworks provide a systematic basis for evaluating and comparing the return performance of selected mutual fund schemes.

1.6. Significance of the Study

The study provides valuable insights into the comparative performance of bank-sponsored and NBFC-sponsored mutual funds. It supports informed investment decisions and contributes to the existing literature on mutual fund performance evaluation in the Indian context.

1.7. Objectives of the Study

Primary Objective

- To analyse and compare the Return on Investment (ROI) of selected mutual fund schemes offered by SBI Mutual Fund and Nippon India Mutual Fund during the period 2021–2025.

Secondary Objectives

- To compare the return performance of selected mutual fund schemes across different categories.
- To evaluate the performance of the selected schemes using risk-adjusted performance measures.
- To provide suitable investment recommendations based on the study findings.

1.8. Hypothesis

- H_0: There is no significant difference in the Return on Investment between mutual fund schemes offered by SBI Mutual Fund and Nippon India Mutual Fund.
- H_1: There is a significant difference in the Return on Investment between mutual fund schemes offered by SBI Mutual Fund and Nippon India Mutual Fund.

1.9. Scope of the Study

The study covers five financial years (2020-21 to 2024-25), focuses on two AMCs (SBI Mutual Fund and Nippon India Mutual Fund) and five scheme categories (Large Cap, Small Cap, Equity Hybrid, ELSS, Liquid), uses secondary data from official sources, and applies return analysis and risk-adjusted performance metrics.

1.10. Limitations of the Study

The study is based solely on secondary data and is limited to selected mutual fund schemes of SBI Mutual Fund and Nippon India Mutual Fund for the period 2021–2025. As historical performance does not guarantee future returns, the findings may not reflect future performance. The study also excludes factors such as fund manager changes, investor behaviour, and other non-financial aspects, which may influence mutual fund performance.

2 Review of Literature

The review of literature indicates that mutual fund performance has been widely studied using established financial theories and performance evaluation models. Earlier studies by Markowitz (1952), Sharpe (1964, 1966), and Jensen (1968) laid the foundation for portfolio diversification, risk-return analysis, and risk-adjusted performance evaluation. Later studies, including Fama and French (1993) and Carhart (1997), further enhanced mutual fund performance assessment through multi-factor models.

In the Indian context, several researchers have examined mutual fund performance, investor perception, and the influence of sponsoring institutions. While some studies reported differences in fund performance, others found no significant variation between sponsor categories. Recent industry reports have also highlighted the strong performance of selected mutual fund schemes across various categories.

However, there is limited research comparing the return performance of bank-sponsored and NBFC-sponsored mutual funds using recent post-pandemic data. This study addresses this gap by analysing and comparing selected mutual fund schemes of SBI Mutual Fund and Nippon India Mutual Fund.

ET Money (2025) and The Economic Times (2025) provided contemporary analysis of small cap and ELSS funds, showing Nippon India's superior rolling returns and SIP performance. Outlook Money (2024) attributed Nippon India Large Cap Fund's performance to consistent management since 2007.

The literature reveals that while international models are well-established, recent comparative analysis between banking-sponsored and NBFC-sponsored funds using post-pandemic data (2021-2025) is limited. This study addresses this gap by integrating return analysis with portfolio strategy and multiple risk-adjusted metrics across five categories.

3. Research Methodology

3.1 Introduction

Research methodology refers to the systematic approach used to solve research problems. It outlines the methods, procedures, and logic adopted for analyzing and comparing the ROI of SBI Mutual Fund and Nippon India Mutual Fund schemes during 2021-2025.

3.2 Statement of the Problem

Indian investors face difficulty selecting between banking-sponsored and NBFC-sponsored mutual funds due to prevailing institutional bias rather than performance data. Despite the industry's growth to over ₹50 lakh crore AUM, there is limited recent empirical evidence comparing these categories across multiple time horizons and risk-adjusted metrics, particularly covering the post-COVID period.

3.3 Research Design

The study adopts a comparative, analytical, and longitudinal research design, describing financial performance while applying analytical tools for interpretation across three time horizons (1Y, 3Y, 5Y).

3.4 Sources of Data

The study is based entirely on secondary data from:

- Official AMC websites (SBI Mutual Fund, Nippon India Mutual Fund)
- Association of Mutual Funds in India (AMFI)
- Value Research Online, Morningstar India, ACE MF
- The Economic Times, ET Money, Outlook Money, Yahoo Finance, m.Stock

3.5 Period of the Study

The study covers five financial years (2020-21 to 2024-25), including post-COVID recovery, bull market period (2021-2024), and recent market corrections (2024-2025).

3.6 Financial Tools Used for Analysis

3.6.1 Return Analysis

- CAGR for 1Y, 3Y, and 5Y returns
- XIRR for SIP performance

3.6.2 Risk-Adjusted Analysis

- Standard Deviation (volatility)
- Beta (market sensitivity)
- Sharpe Ratio (excess return per unit of total risk)
- Jensen's Alpha (excess return after systematic risk adjustment)

3.6.3 Portfolio Analysis

- Top holdings and concentration
- Sector allocation
- Investment style (via PE ratios)

4. Interpretation and Analysis

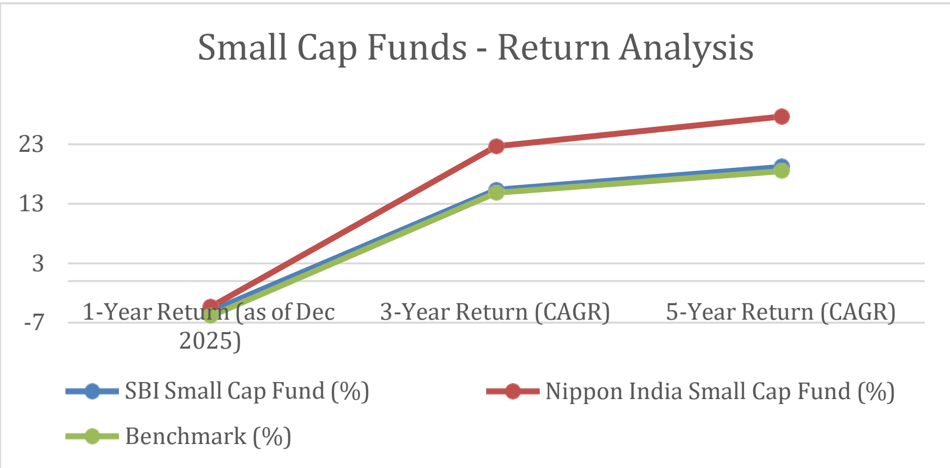

Figure: 1.1 Small Cap Funds – Return Analysis

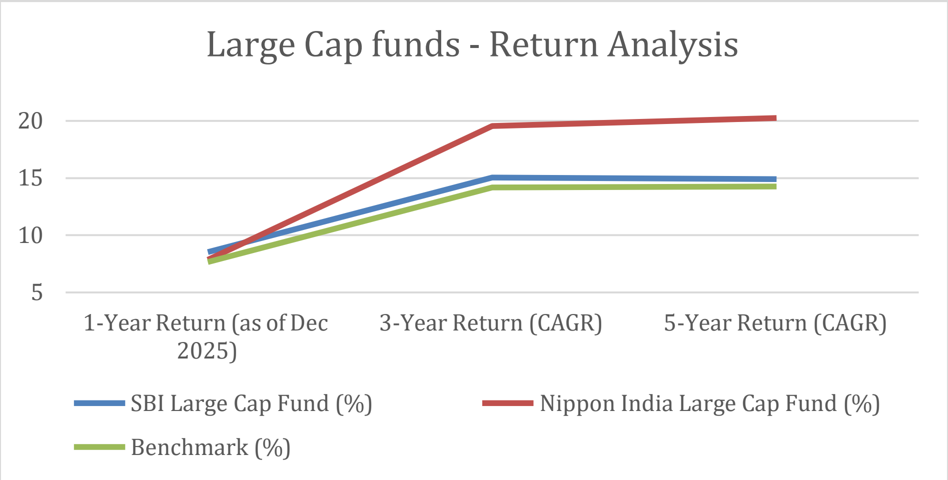

Figure: 1.2 Large Cap Funds – Return Analysis

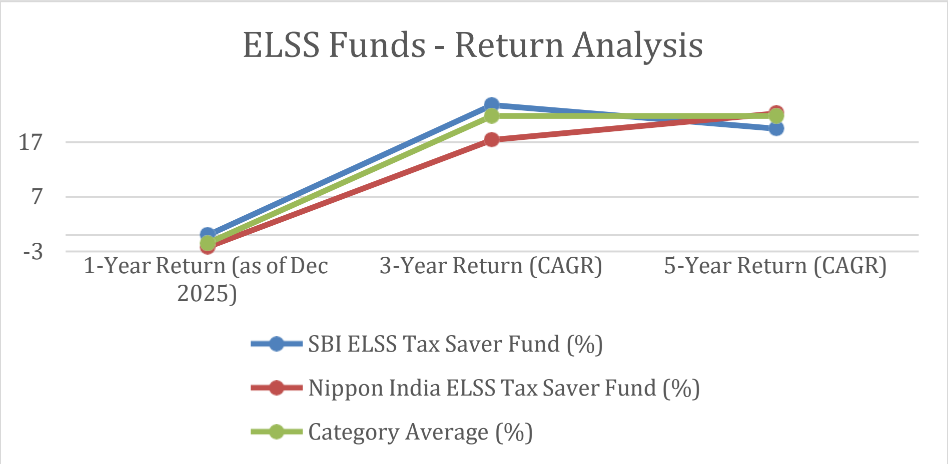

Figure: 1.3 ELSS Funds – Return Analysis

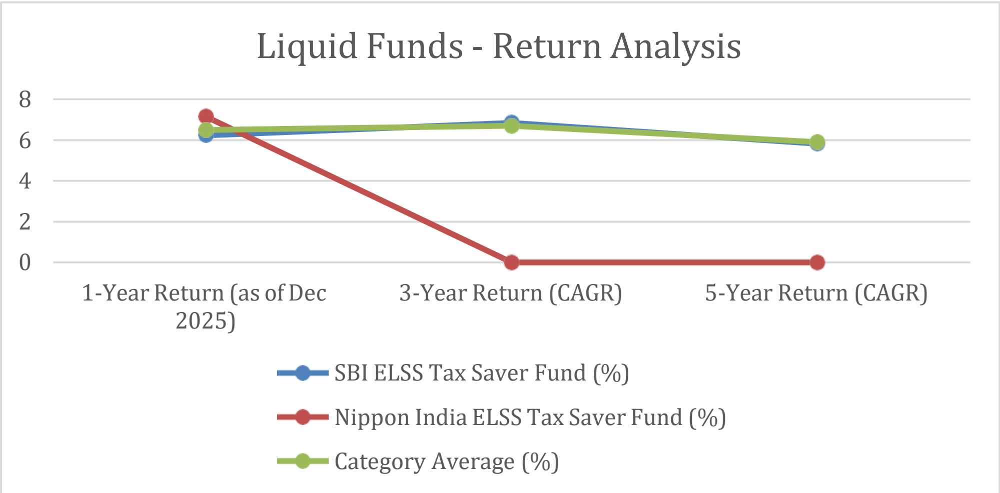

Figure: 1.4 Liquid Funds – Return Analysis

Objective	**Key Indicators (Trend Evidence)**	**Results**	**Interpretation (Linked to Market Challenges & Investment Philosophy)**
Objective 1: Compare Large Cap Fund Performance	5Y CAGR: Nippon India 20.26% vs SBI 14.90% vs Benchmark 14.26%; Sharpe Ratio: 0.72 vs 0.58	Nippon India significantly outperformed over 5Y; SBI marginally better on 1Y (8.53% vs 7.86%)	The sharp divergence reflects differing investment philosophies. Nippon India's active management, willingness to deviate from benchmark weights (higher Oil & Gas at 14.20% vs 10.85%), and management consistency (same fund manager since 2007) drove alpha generation. SBI's benchmark-hugging, quality-focused approach provided better stability during recent corrections. Higher risk (Std Dev 18.40% vs 15.20%) is adequately compensated (Sharpe 0.72).

Objective 2: Compare Small Cap Fund Performance	5Y CAGR: Nippon India 27.65% vs SBI 19.22% vs Benchmark 18.50%; 5Y SIP XIRR: 30.84% vs 22.02%	Nippon India delivered exceptional outperformance; SBI showed better downside protection	Nippon India's highly diversified portfolio (235 stocks, avg weight 0.43%) captures broad small cap opportunities, generating superior rolling returns (5Y: 24.21%). SBI's concentrated portfolio (55 stocks, avg weight 1.82%) provides resilience during market stress (COVID-19 crash: -23.59% vs Nippon India's -29.77%).
Objective 3: Compare ELSS Fund Performance	5Y CAGR: Nippon India 22.24% vs SBI 19.44% vs Category 21.74%; Jensen's Alpha: 1.54% (category avg 0.50%)	Nippon India superior on 5Y and risk-adjusted metrics; SBI stronger on 3Y (23.77%)	Nippon India ELSS's exceptional Jensen's Alpha (1.54%) indicates skillful stock selection beyond risk-adjusted expectations. Concentration in banking (22.68% of portfolio) during a period of strong financial sector performance contributed to returns. Lower Std Dev (3.88% vs category 4.20%) and Sharpe Ratio of 0.95% confirm favorable risk profile. SBI ELSS's large AUM (₹30,616 crore) provides stability and strong 3-year performance.
Objective 4: Compare Liquid Fund Performance	1Y returns: Nippon India 7.15% vs SBI 6.24% vs Benchmark 6.50%; AUM: SBI ₹59,282 Cr, Nippon India	Marginal performance difference; both suitable for short-term parking	Returns between large, reputable liquid funds are comparable. SBI's lower expense ratio (0.28% vs 0.30%) and conservative allocation (35% Govt securities) provide stability. Nippon India's

	₹41,228 Cr		marginally higher 1Y return reflects slight differences in portfolio maturity.

5. Conclusion

5.1 Major Findings

The study found significant differences in the performance of SBI Mutual Fund and Nippon India Mutual Fund, leading to the rejection of the null hypothesis and acceptance of the alternative hypothesis. Nippon India Mutual Fund delivered superior long-term returns in most equity fund categories, while SBI Mutual Fund exhibited lower volatility and better downside protection.

Among the selected schemes, Nippon India performed better in Large Cap, Small Cap, and ELSS funds, whereas SBI Mutual Fund outperformed in the Equity Hybrid category. In the Liquid Fund category, both fund houses showed comparable performance with only marginal differences. Overall, the findings indicate that investment strategy and fund management play a more significant role in determining mutual fund performance than the type of sponsoring institution.

Suggestions

- **For Growth-Oriented Investors:** Consider Nippon India Mutual Fund for Large Cap and Small Cap categories given superior 5Y returns (20.26%, 27.65%) and higher Sharpe Ratios (0.72, 0.73). Be prepared for higher volatility (Std Dev 18.40%, 26.80%).
- **For Conservative/Moderate Risk Investors:** Consider SBI Mutual Fund for Equity Hybrid (15.58% with beta 0.96) and for better downside protection in small caps. Lower expense ratios benefit long-term compounding.
- **For Tax-Saving (ELSS):** For 5+ year horizon, Nippon India ELSS offers superior risk-adjusted returns (Jensen's Alpha 1.54%). For larger, more established fund, SBI ELSS provides stability.
- **For Short-Term Parking:** Both liquid funds are suitable; choose based on expense ratio and platform convenience.
- **For Portfolio Diversification:** Combine Nippon India funds for growth allocation and SBI funds for core stability to benefit from both investment philosophies

5.2 Limitations of the Study

The study is based on secondary data and limited to a five-year period, which may not capture multiple complete market cycles. It focuses on two AMCs and five schemes, restricting generalization to the entire mutual fund industry. Only regular plans are analyzed; direct plans would show different returns due to lower expense ratios. Survivorship bias exists as only existing schemes are included. Non-financial factors such as fund manager changes during the study period are not analyzed in depth.

5.3 Conclusion

The study concludes that neither bank-sponsored nor NBFC-sponsored mutual funds are universally superior. Nippon India Mutual Fund generated higher long-term returns in equity-oriented schemes, while SBI Mutual Fund demonstrated greater stability and lower downside risk. The findings suggest that the choice of a mutual fund should depend on an investor's risk tolerance, investment horizon, and financial objectives. Overall, investment strategy and fund management are more influential determinants of performance than the type of sponsoring institution.

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