

## **A Comparative Study on the Return On Investment (ROI) Of Mutual Fund Schemes Offered by Banking And NBFC**

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### **ABSTRACT**

This research study has been undertaken to analyse and compare the return on investment (ROI) of mutual fund schemes offered by banking and non-banking financial companies (NBFC) in India. The study focuses on selected schemes from SBI Mutual Fund, representing bank-sponsored asset management companies, and Nippon India Mutual Fund, representing non-banking financial institutions. The main purpose of the research is to evaluate differences in return performance and assess the effectiveness of institutional investment strategies. The primary objective of this study is to compare the return patterns of selected mutual fund schemes and analyse their growth trends over a specified period. The study also aims to identify which category of fund providers offers relatively better investment performance and consistency in returns. The research is based on secondary data collected from reliable sources such as official Asset Management Company websites, financial portals, and published reports. Data related to Net Asset Value (NAV) and annual returns of selected schemes have been analysed using percentage analysis and comparative techniques to present clear and meaningful results. The scope of the study is limited to selected schemes of SBI Mutual Fund and Nippon India Mutual Fund and focuses mainly on return-related performance indicators. Factors such as risk, expense ratio, and investor behaviour are not included in detail. Despite these limitations, the study provides useful insights into the comparative performance of banking and non-banking mutual fund companies. The findings of this study reveals that SBI Mutual Fund outperformed Nippon India Mutual Fund in most of the selected mutual fund scheme categories and contribute to academic research related to mutual fund performance evaluation.

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

## **1.1 Introduction**

The financial landscape of India has evolved from a bank-dominated system to a sophisticated marketplace with diverse investment avenues. Among these, mutual funds have emerged as a preferred vehicle for retail investors seeking to participate in capital market growth. As of 2025, the Indian mutual fund industry manages assets worth over ₹50 lakh crore. An important distinction exists between funds sponsored by banking entities (e.g., SBI Mutual Fund) and those sponsored by NBFCs or other institutions (e.g., Nippon India Mutual Fund). This distinction influences distribution networks, investment philosophy, risk appetite, and customer relationship models. Studying these two categories helps investors understand whether sponsor identity translates into meaningful performance differences.

## **1.2 Need for the Study**

This study is essential to evaluate whether the prevailing perception that banking-sponsored funds are "safer" and NBFC-sponsored funds are more "return-oriented" aligns with empirical evidence. It benefits retail investors, financial advisors, asset management companies, and researchers by providing evidence-based insights into performance, risk-adjusted returns, and category-specific strengths across multiple time horizons (1-year, 3-year, and 5-year).

## **1.3. Influence**

The performance of mutual funds is influenced by investment philosophy (conservative vs growth-oriented), portfolio concentration (benchmark-hugging vs active deviation), fund management consistency, expense ratios, sector allocation strategies, and market conditions including post-COVID recovery and recent corrections.

## **1.4. Statement of the Problem**

The proliferation of asset management companies and schemes has made mutual fund selection complex for investors. Many rely on institutional bias rather than performance data, assuming banking-sponsored funds are safer and NBFC-sponsored funds are more aggressive. There is a lack of recent, comprehensive, category-wise comparative analysis using post-pandemic data to validate or challenge these assumptions.

### **1.5. Theoretical Framework**

The study is grounded in Modern Portfolio Theory (Markowitz, 1952), the Capital Asset Pricing Model (Sharpe, 1964), and risk-adjusted performance evaluation using Sharpe Ratio (Sharpe, 1966), Jensen's Alpha (Jensen, 1968), Standard Deviation, and Beta. These frameworks collectively evaluate returns, volatility, market sensitivity, and excess return generation, providing a structured approach to compare mutual fund performance.

### **1.6. Significance of the Study**

The research provides meaningful insights into the relative strengths of banking-sponsored versus NBFC-sponsored mutual funds, supports evidence-based investment decisions, enhances understanding of how investment philosophy drives performance, and contributes to academic literature on mutual fund evaluation in the Indian context.

### **1.7. Objectives of the Study**

- **Primary:** To analyze and compare the Return on Investment (ROI) of selected mutual fund schemes offered by SBI Mutual Fund (banking-sponsored) and Nippon India Mutual Fund (NBFC-sponsored) over 1-year, 3-year, and 5-year periods for 2021-2025.
- **Secondary:** To evaluate performance across five categories (Large Cap, Small Cap, Equity Hybrid, ELSS, Liquid), analyze risk-adjusted measures (Sharpe Ratio, Standard Deviation, Beta, Jensen's Alpha), and provide recommendations based on investor risk profiles.

### **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 present study is subject to certain limitations. Firstly, the analysis is based entirely on secondary data from published sources, which may have inherent limitations regarding accuracy. Secondly, historical performance does not guarantee future returns. The study period of five years may not capture multiple complete market cycles. Additionally, the research is confined to two AMCs and five schemes, limiting generalizability to the entire mutual fund industry. Only regular plans (not direct plans) are analyzed, and survivorship bias exists as only existing schemes are included. Non-financial factors such as fund manager changes during the period are not analyzed in depth.

## **2 Scholarly Review**

Existing literature on mutual fund performance spans several decades. Markowitz (1952) developed Modern Portfolio Theory, establishing diversification as fundamental to portfolio construction. Sharpe (1964, 1966) introduced the Capital Asset Pricing Model and Sharpe Ratio, the latter measuring excess return per unit of total risk. Jensen (1968) introduced Jensen's Alpha to measure excess return after adjusting for systematic risk, finding that average mutual funds underperformed the market.

Fama and French (1993) developed the Three-Factor Model, adding size and value factors. Carhart (1997) extended this to include momentum. In the Indian context, Gupta (1991) found that mutual funds were perceived as safe but less popular among lower income groups without guaranteed returns. Barua and Others (1991) evaluated UTI's Master Share scheme, highlighting the importance of multiple risk measures.

Tripathi and Bhandari (2015) examined whether sponsor background impacts mutual fund performance in India (2008-2012), finding no significant difference in risk-adjusted performance across sponsor categories. Kaur and Singh (2017) compared equity funds of SBI and HDFC, finding significant performance differences even within the same sponsor category. Deb (2018) evaluated large cap funds and found that only a few demonstrated statistically significant alpha.

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. m.Stock (2026) reported Nippon India ELSS's Jensen's Alpha of 1.54%, significantly above category average.

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

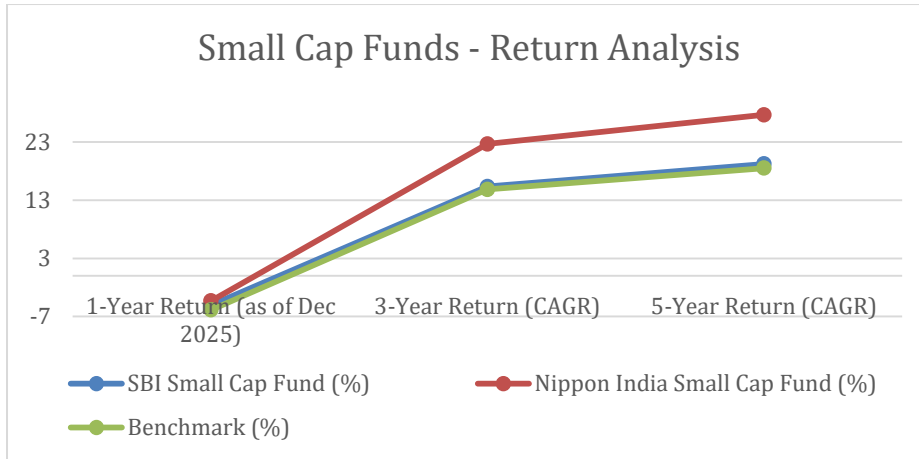
#### **3.6.2 Risk-Adjusted Analysis**

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

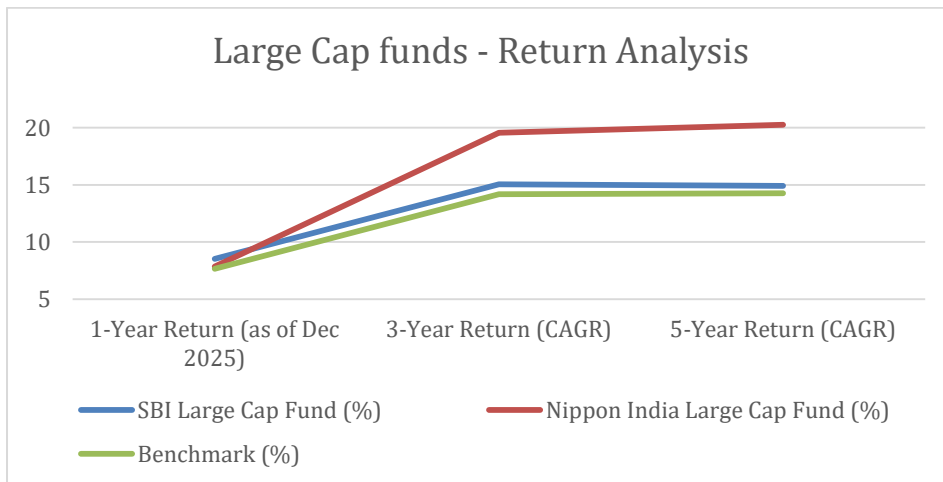
#### **3.6.3 Portfolio Analysis**

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

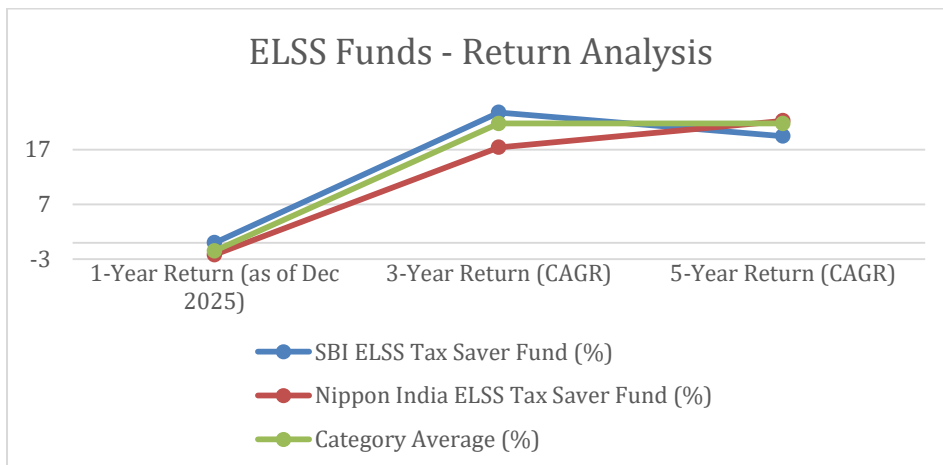
## **4. Interpretation and Analysis**



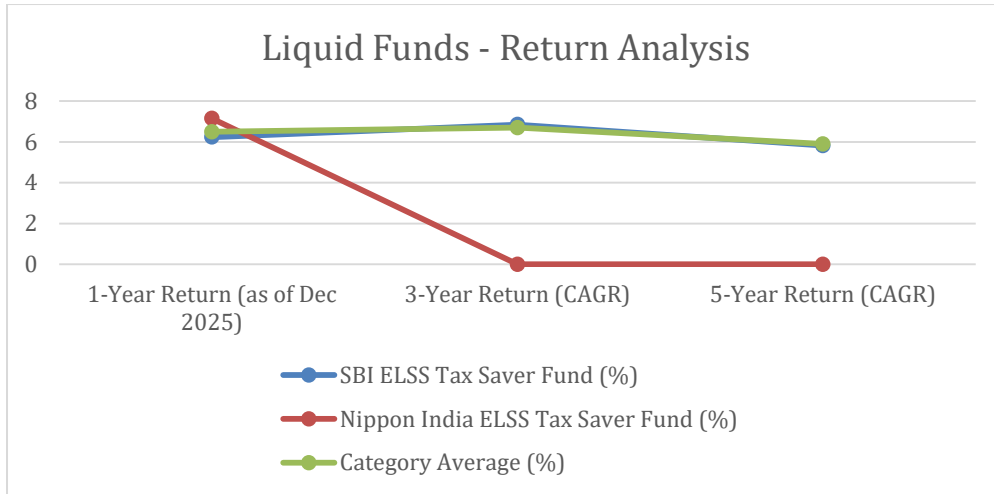
**Figure: 1.1 Small Cap Funds – Return Analysis**



**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)
<b>Objective 1: Compare Large Cap Fund Performance</b>	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).

<p><b>Objective 2:</b> <b>Compare Small Cap Fund Performance</b></p>	<p>5Y CAGR: Nippon India 27.65% vs SBI 19.22% vs Benchmark 18.50%; 5Y SIP XIRR: 30.84% vs 22.02%</p>	<p>Nippon India delivered exceptional outperformance; SBI showed better downside protection</p>	<p>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%).</p>
<p><b>Objective 3:</b> <b>Compare ELSS Fund Performance</b></p>	<p>5Y CAGR: Nippon India 22.24% vs SBI 19.44% vs Category 21.74%; Jensen's Alpha: 1.54% (category avg 0.50%)</p>	<p>Nippon India superior on 5Y and risk-adjusted metrics; SBI stronger on 3Y (23.77%)</p>	<p>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.</p>
<p><b>Objective 4:</b> <b>Compare Liquid Fund Performance</b></p>	<p>1Y returns: Nippon India 7.15% vs SBI 6.24% vs Benchmark 6.50%; AUM: SBI ₹59,282 Cr, Nippon India</p>	<p>Marginal performance difference; both suitable for short-term parking</p>	<p>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</p>

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

### 5.1 Major Findings

The study reveals that Nippon India Mutual Fund (NBFC-sponsored) consistently delivered superior long-term returns across equity categories, while SBI Mutual Fund (banking-sponsored) demonstrated better downside protection, lower volatility, and cost efficiency. The null hypothesis ( $H_0$ ) is rejected, and the alternative hypothesis ( $H_1$ ) is accepted, as significant performance differences exist.

**Large Cap Funds:** Nippon India Large Cap Fund delivered 20.26% 5Y return vs SBI's 14.90% (Sharpe Ratio 0.72 vs 0.58), attributed to active management and consistent fund management since 2007, aligning with Outlook Money (2024).

**Small Cap Funds:** Nippon India Small Cap Fund delivered 27.65% 5Y return vs SBI's 19.22%, with exceptional SIP XIRR of 30.84% vs 22.02%, supporting ET Money (2025) and The Economic Times (2025) findings. However, SBI showed better downside protection during COVID-19 crash (-23.59% vs -29.77%).

**Equity Hybrid Funds:** SBI Equity Hybrid Fund demonstrated clear dominance with 15.58% 5Y return, beta of 0.96, and positive returns in 15 of 18 years, confirming Yahoo Finance (2026) analysis.

**ELSS Funds:** Nippon India ELSS delivered 22.24% 5Y return with exceptional Jensen's Alpha of 1.54%, significantly above category average of 0.50%, consistent with m.Stock (2026).

**Liquid Funds:** Marginal performance difference between AMCs; selection should focus on expense ratio and credit quality.

Overall, investment strategy and fund management consistency are more critical determinants of performance than sponsor identity, consistent with Tripathi and Bhandari (2015) but extending their findings to post-pandemic period.

## 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.
- **Investors/Readers:** Evaluate funds based on risk-adjusted metrics (Sharpe Ratio, Jensen's Alpha) and investment strategy rather than sponsor identity. Maintain long-term perspective (5-7 years for equity funds) and SIP discipline.

## 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

In conclusion, the study demonstrates that neither banking-sponsored nor NBFC-sponsored mutual funds are universally superior. Nippon India Mutual Fund (NBFC-

sponsored) excels in growth-oriented equity categories through active management and calculated risk-taking, delivering higher long-term returns and superior risk-adjusted performance. SBI Mutual Fund (banking-sponsored) excels in stability, downside protection, and cost efficiency, making it suitable for conservative investors and core portfolio allocation. The choice between them must align with the investor's risk tolerance, investment horizon, and financial goals. The research highlights that investment strategy and fund management

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