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Performance Dynamics of Active and Passive Funds: Evidence from Indian Mutual Funds

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Abstract: This study presents a comparative analysis of active mutual funds and passive index funds to evaluate their performance, cost efficiency, and risk-adjusted returns. Using historical data over the period of 10years, with correlation and regression, the research investigates whether active funds outperform their passive counterparts after considering management fees and market volatility. The key performance metrics such as the Sharpe Ratio, Alpha, Beta, Standard Deviation, Benchmark returns and Compound Annual Growth Rate (CAGR) are employed to assess fund effectiveness. Thus, the results of this study enable the individual and institutional investors to align with investment choices based on their investment behaviour, risk tolerance and financial objectives. And the results suggest that passive funds provide cost-efficient, stable, and benchmark-aligned outcomes, making them particularly suitable for long-term, risk-conscious investors.

Keywords: Mutual Funds, Active Management, Passive Funds, Expense Ratio, Risk Metrics

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