

The Indian Mutual Fund Reality Check

What the performance data on India's active equity funds actually shows — the aggregated numbers, the true cost of fees, and 5 takeaways every retail investor should read before their next SIP.

73% – 84%

of active large-cap, mid/small-cap and ELSS funds LOST to their benchmark index over 10 years.

Sources: S&P Dow Jones Indices (SPIVA India Year-End 2024), AMFI (2025), and PaisaToBoltaHai calculations.

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Executive summary

Indian households are investing in mutual funds at record scale — over ₹65 lakh crore now sits in the industry, and more than ₹26,000 crore flows in through SIPs every month. Yet the single most important fact about these funds rarely appears in the advertising. This report lays it out with the numbers.

The five findings, up front

- **Most active funds lose to a simple index.** Over 10 years, ~73% of large-cap, ~82% of mid/small-cap and ~84% of ELSS active funds underperformed their benchmark (SPIVA India, YE 2024).
- **It gets worse the longer you hold.** Large-cap underperformance rises from ~60% over 1 year to ~70% over 5 years to ~73% over 10 years.
- **Winners don't stay winners.** A top-quartile fund has close to random odds of staying top-quartile — past returns barely predict future ones.
- **Costs are the silent killer.** A 1% expense-ratio gap between a "regular" and a "direct" plan can quietly cost ₹14–28 lakh over 20–25 years.
- **Your behaviour matters more than your fund pick.** Costs and asset allocation — not star ratings — decide most of your long-run outcome.

None of this is an argument against mutual funds or against investing. It is an argument to be deliberate about the two levers that quietly decide how much of your money you keep: **the benchmark you measure against, and the fee you pay.**

How this report was built

Rather than cherry-pick a handful of funds, we anchored this on the most comprehensive public dataset available and combined it with industry data and our own compounding maths.

Sources

- **SPIVA India Year-End 2024 Scorecard** (S&P Dow Jones Indices) — measures every active fund in each category against its S&P BSE / S&P India benchmark, across 1-, 3-, 5- and 10-year horizons.
- **S&P SPIVA Persistence Scorecards** — whether top-ranked funds keep their ranking over time.
- **AMFI monthly industry data, 2025** — assets under management, SIP flows and folio counts.
- **PaisaToBoltaHai calculations** — all cost-drag tables, computed with the standard SIP and lump-sum compounding formulas; assumptions are stated on the page.

A note on honesty. We did not invent a proprietary "we tested these funds" dataset. Every headline percentage here is traceable to a public source cited on the last page. Where we computed a number ourselves, we say so and show the assumptions. SPIVA changed some benchmarks in mid-2024 (large-cap moved to the S&P India LargeMidCap); long-horizon comparisons should be read with that in mind.

1 The index is a brutal benchmark

The most important fact in Indian investing: over long periods, the majority of active equity funds do not beat a plain index — and the failure rate is not marginal, it is the clear majority in category after category.

Active funds that underperformed their benchmark over 10 years



Source: SPIVA India Year-End 2024, S&P Dow Jones Indices.

Buy a typical actively managed large-cap fund and hold it for a decade, and there is roughly a **3-in-4 chance** it trails a low-cost index fund you could have bought for a fraction of the fee. In mid- and small-caps — where managers are supposed to have the most room to add value — it is closer to **4 in 5**.

Full picture, by category and horizon

Category (active funds underperforming)	1 year	5 years	10 years
Large-Cap	60%	70%	73%
Mid-/Small-Cap	—	67%	82%
ELSS (tax-saver)	45%*	—	84%

Source: SPIVA India Year-End 2024. *ELSS was the one bright spot in 2024 — a majority (~55%) beat their benchmark over the one-year window, though the large majority still trail over 10 years. Dashes indicate figures not highlighted for that cut.

2 The longer you hold, the harder active fails

A fund can get lucky for a year. Staying lucky for a decade is far harder. Underperformance climbs steadily as the horizon lengthens — the opposite of what the "just give it time" pitch implies.

Large-cap active funds underperforming, by holding period



Source: SPIVA India Year-End 2024, S&P Dow Jones Indices.

Why time works against active funds

- **Fees compound too.** A higher expense ratio is deducted every year, so its drag grows with the horizon — exactly when compounding should be working hardest for you.
- **Mean reversion.** Hot streaks fade. A manager who beat the market for three years rarely repeats it for the next seven.
- **Survivorship.** Weak funds get quietly merged or shut, so the surviving set already flatters active performance — and still most of them trail.

3 Last year's winner is next year's coin toss

If most funds lose to the index, the obvious response is "fine, I'll just pick the winners." The data says that is a losing game — winners almost never stay winners.

Persistence, in one line

A top-quartile fund has **close to random odds** of remaining top-quartile in the next period. (S&P SPIVA Persistence Scorecards.)

This is why chasing last year's chart-topper backfires. A five-star rating and a great trailing return describe the *past*; they carry almost no information about the future. Fund houses know this — it is why every ad ends with "past performance is not indicative of future results." The data says: take that line literally.

What actually is predictable

- **Cost.** A low expense ratio is one of the few reliable predictors of relative performance — the fee is deducted with certainty every year, so lower-cost funds systematically beat higher-cost peers.
- **Asset allocation.** How you split money across equity, debt and cash explains most of your long-run result — far more than which specific fund you picked.

4 The silent killer: costs

Here is the one return you fully control. Every fund charges an annual expense ratio (TER). A "regular" plan bakes in a distributor commission; a "direct" plan of the same fund does not. The gap is usually 0.5%–1.0% a year for equity funds. It sounds trivial. Over an investing lifetime, it is anything but.

The same fund, direct vs regular — how a 1% fee gap compounds

Assumes 12% gross annual returns; direct plan nets ~11.5%, the regular version ~10.5%. Each cell shows the **direct-plan corpus**, the regular-plan corpus, and the amount lost to the extra fee.

Monthly SIP — final corpus by amount and horizon

SIP	10 years	20 years	25 years	30 years
₹5,000/mo	₹11.3 L vs ₹10.6 L -₹64,424	₹46.7 L vs ₹40.9 L -₹5.8 L	₹86.8 L vs ₹72.9 L -₹13.9 L	₹1.58 Cr vs ₹1.27 Cr -₹31.0 L
₹10,000/mo	₹22.6 L vs ₹21.3 L -₹1.3 L	₹93.4 L vs ₹81.8 L -₹11.6 L	₹1.74 Cr vs ₹1.46 Cr -₹27.8 L	₹3.16 Cr vs ₹2.54 Cr -₹62.1 L
₹25,000/mo	₹56.4 L vs ₹53.2 L -₹3.2 L	₹2.33 Cr vs ₹2.04 Cr -₹29.1 L	₹4.34 Cr vs ₹3.65 Cr -₹69.6 L	₹7.90 Cr vs ₹6.35 Cr -₹1.55 Cr

PaisaToBoltaHai calculation. "-₹" = amount lost to the higher regular-plan fee.

One-time lump sum — final corpus by amount and horizon

Lump sum	10 years	20 years	25 years
₹5.0 L	₹14.8 L vs ₹13.6 L -₹1.3 L	₹44.1 L vs ₹36.8 L -₹7.3 L	₹76.0 L vs ₹60.7 L -₹15.3 L
₹10.0 L	₹29.7 L vs ₹27.1 L -₹2.6 L	₹88.2 L vs ₹73.7 L -₹14.5 L	₹1.52 Cr vs ₹1.21 Cr -₹30.7 L
₹25.0 L	₹74.2 L vs ₹67.9 L -₹6.4 L	₹2.21 Cr vs ₹1.84 Cr -₹36.4 L	₹3.80 Cr vs ₹3.03 Cr -₹76.6 L

PaisaToBoltaHai calculation, 12% gross; 11.5% direct vs 10.5% regular.

Read the extremes. On a ₹10,000 SIP held 25 years, the 1% fee gap alone costs about **₹27.8 lakh**. On a ₹25,000 SIP over 30 years it runs into the crores. You take none of the market risk for that money — it simply leaks out as commission every year.

The fix is free. Choose the **direct** plan of whatever fund you buy, and check the TER before you look at the returns. It is the closest thing to guaranteed extra return in investing.

5 Why this matters to millions

This is not an academic debate. Indian retail investors are pouring money into these funds at record pace — which makes the cost-and-benchmark question enormous in rupee terms.

₹65.74L cr

Total industry AUM (Mar 2025)

8.38 crore

Live monthly SIP accounts (Apr 2025)

₹26,632 cr

Invested via SIP in one month (Apr 2025)

Source: AMFI monthly data, 2025.

Every month, tens of thousands of crores flow in on autopilot. The investors doing it are getting the biggest thing right — investing consistently. The point of this report is not to make them stop; it is to make sure the money they work hard to save actually ends up in *their* account, not silently in fees and avoidable underperformance.

The 5 key takeaways for retail investors

1 Default to the index for your core.

Over 10 years, ~3 of 4 large-cap and ~4 of 5 mid/small-cap active funds lose to their benchmark. Make a low-cost index fund the default for the core of your equity; treat active funds as the exception you must justify, not the rule.

2 Time exposes active bets — it doesn't rescue them.

Underperformance rises with the holding period. If a high-cost fund hasn't earned its fee, waiting longer usually widens the gap rather than closing it.

3 Ignore star ratings and last year's winners.

Top-quartile funds have near-random odds of staying on top. Past returns describe history, not the future. Never buy a fund because it topped a one-year chart.

4 Costs are the return you control — choose direct.

A 1% expense-ratio gap can quietly cost ₹14–28 lakh over 20–25 years. Always buy the direct plan and check the TER before the returns.

5 Your behaviour beats your fund pick.

Consistency, asset allocation and staying invested through crashes drive your outcome more than which fund you chose. The record ₹26,632 crore monthly SIP flow only works for the investors who don't stop.

A practical checklist

None of this is a recommendation to buy or sell any specific fund. Use it as a framework for better questions:

- ✓ Build the core of your equity with low-cost index funds. Add active funds only where you can justify the cost and see a consistent, not one-off, edge.
- ✓ Whatever you hold, hold the **direct** plan. Check the expense ratio first.
- ✓ Automate your SIP and leave it alone in downturns — that is when your units are cheapest.
- ✓ Decide asset allocation (equity/debt) by goal and timeline; revisit once a year.
- ✓ Ignore star ratings and "top performer" lists between reviews.

See your own numbers — free calculators

Model your SIP, step-up SIP, lump sum, and the exact cost of a 1% fee over your horizon at paisatoboltahai.in/calculators. No sign-up, no product ads, no commissions.

Glossary & sources

S&P Indices Versus Active — a semi-annual scorecard from S&P Dow Jones Indices that compares the performance of active funds against their benchmark index in each category and country.

Benchmark

The index a fund is measured against (e.g. S&P BSE 100 / S&P India LargeMidCap for large-caps). Beating it is the whole job of an active fund.

Expense ratio (TER)

The annual fee a fund charges, as a % of your investment, deducted whether the fund gains or loses.

Direct vs Regular plan

Two versions of the same fund. "Regular" includes a distributor commission in its TER; "direct" does not, so it has a lower fee and a higher NAV over time.

Persistence

Whether a fund that ranks well in one period keeps ranking well in the next. SPIVA persistence data shows it rarely does.

Sources: SPIVA India Year-End 2024 Scorecard, S&P Dow Jones Indices; S&P SPIVA Persistence Scorecards; AMFI monthly industry data, 2025; PaisaToBoltaHai calculations.

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