



**AN EMPIRICAL ANALYSIS OF GROWTH AND PERFORMANCE OF BANK SPONSORED
MUTUAL FUND PRODUCTS IN INDIA WITH COMPARATIVE EVIDENCE FROM PUBLIC
AND PRIVATE SECTOR BANKS IN HYDERABAD**

KATTULA SURENDAR
Ph.D. Scholar (Commerce)
&
Dr. SHIRALI MEHTA
Assistant Professor (Commerce)
Sabarmati University, Ahmedabad

ABSTRACT

This study examines the growth and performance of bank sponsored mutual fund products in India with a comparative focus on public and private sector banks in Hyderabad. The purpose is to evaluate how effectively banks have diversified financial products and contributed to mutual fund penetration through banking channels. The research adopts an empirical approach using both primary and secondary data. Primary data were collected through structured questionnaires administered to investors, while secondary data were obtained from bank reports, AMFI publications, and financial databases. Statistical tools such as growth rate analysis, correlation, and regression were applied to assess performance differences. The findings reveal that private sector banks demonstrate significantly higher growth and performance in mutual fund distribution compared to public sector banks. This is attributed to better technological integration, proactive marketing strategies, and customer-centric service models. Public sector banks, although trusted and stable, exhibit slower growth due to limited innovation and operational rigidity. Investor behavior is influenced by digital accessibility, brand perception, advisory services, and awareness levels. The study highlights the importance of digital transformation, financial literacy, and product innovation in enhancing mutual fund growth. It suggests that public sector banks need to adopt competitive strategies to strengthen their position in the financial services market. The research contributes to existing literature by providing a comparative empirical perspective and offers practical insights for policymakers, banking institutions, and financial advisors to improve mutual fund penetration in India.

Keywords: Mutual Funds, Bank Sponsored Financial Products, Public Sector Banks, Private Sector Banks, Investment Behaviour, Financial Performance, Hyderabad Market.

Introduction

The Indian financial system has undergone significant transformation over the past few decades, marked by liberalization, technological advancements, and increased financial inclusion. Among the various financial instruments, mutual funds have emerged as a popular investment avenue due to their ability to provide diversification, professional management, and liquidity. Banks play a crucial role in promoting mutual fund products by acting as intermediaries between asset management companies and investors. Bank sponsored mutual funds represent a strategic extension of banking services, enabling institutions to diversify their revenue streams beyond traditional lending and deposit functions. In India, both public and private sector banks have actively participated in mutual fund distribution, though their approaches and outcomes vary considerably. Public sector banks such as State Bank of India, Canara Bank, and Bank of Baroda have historically enjoyed strong customer trust and extensive branch networks. However, private sector banks like HDFC Bank, ICICI Bank, and Kotak Mahindra Bank have leveraged technology, innovation, and aggressive marketing strategies to capture a larger share of the investment market.



Hyderabad, as a rapidly growing metropolitan city, provides a relevant context for studying mutual fund growth due to its diverse investor base, rising income levels, and increasing financial awareness. The city reflects broader national trends while also presenting unique characteristics in terms of investment behavior and financial product adoption. Despite the expansion of mutual funds in India, there exists a noticeable gap between public and private sector banks in terms of growth, performance, and customer engagement. Understanding these differences is essential for improving financial product delivery and enhancing investor participation. This study aims to critically analyze the growth and performance of mutual fund products offered by selected banks and to compare the effectiveness of public and private sector institutions. It also seeks to identify the factors influencing investor preferences and to provide recommendations for improving mutual fund distribution through banking channels.

Review of Literature

The existing literature highlights significant developments in mutual fund growth and bank participation in financial product distribution. Several studies have examined performance, investor behavior, and institutional efficiency, offering diverse perspectives.

Sharma (2018) emphasized that mutual funds in India have experienced consistent growth due to increased awareness and regulatory support. However, the study noted that bank involvement plays a critical role in expanding investor reach. Similarly, Gupta and Mehta (2019) found that private sector banks outperform public sector banks in mutual fund distribution due to superior customer service and technological capabilities.

Kumar (2020) analyzed investor preferences and concluded that trust and brand image significantly influence investment decisions, favoring public sector banks. In contrast, Rao (2021) argued that digital platforms and advisory services provided by private banks attract younger investors, indicating a shift in market dynamics.

Patel and Shah (2017) highlighted that public sector banks have wider geographical coverage, which can be leveraged for mutual fund penetration. However, Singh (2022) countered this by demonstrating that mere presence is insufficient without effective marketing and customer engagement strategies.

Verma (2019) focused on performance evaluation and reported that private banks achieve higher growth rates due to diversified product offerings. On the other hand, Iyer (2020) stressed that regulatory frameworks and risk management practices are stronger in public sector banks, ensuring stability.

Das and Mukherjee (2021) explored financial literacy and found that investor awareness significantly impacts mutual fund adoption. Their findings suggest that banks must actively educate customers to enhance participation. Similarly, Joshi (2018) emphasized the importance of advisory services in influencing investment decisions.

A study by Nair (2022) revealed that digital banking has transformed financial product distribution, giving private sector banks a competitive advantage. Conversely, Chatterjee (2020) pointed out that public sector banks lag in technological adoption, affecting their growth potential.

The literature indicates a clear divergence between public and private sector banks in terms of innovation, performance, and customer engagement. While public banks maintain trust and stability, private banks lead in growth and efficiency. However, there remains a research gap in comparative empirical studies focusing on specific regions like Hyderabad, which this study aims to address.

The present study evaluates the growth and performance of bank sponsored mutual fund products with a comparative perspective between public and private sector banks in Hyderabad. The analysis is structured around the formulated hypotheses to ensure empirical clarity and statistical interpretation.



Research Objectives

1. To examine whether there exists a significant difference in the growth of mutual fund products between public and private sector banks in Hyderabad.
2. To analyze and compare the growth patterns and trends of mutual fund products offered by selected public and private sector banks.
3. To evaluate whether there is a significant difference in the performance of mutual fund products offered by public and private sector banks.
4. To assess and compare the performance efficiency of mutual fund products in terms of returns, service quality, and investor satisfaction between public and private sector banks.

Research Hypothesis

1. H_{01} There is no significant difference in the growth of mutual fund products between public and private sector banks.
2. H_{02} There is a significant difference in the growth of mutual fund products between public and private sector banks.
3. H_{03} There is no significant difference in the performance of mutual fund products offered by public and private sector banks.
4. H_{04} There is a significant difference in the performance of mutual fund products offered by public and private sector banks.

Variables of the Study

The study incorporates independent, dependent, and control variables to analyze relationships and test hypotheses.

1. Dependent Variables: These variables represent the key outcomes of the study such as Growth of Mutual Fund Investments, Performance of Mutual Fund Products and Investor Preference for Banks.

2. Independent Variables: These variables influence the dependent variables such as Type of Bank (Public vs Private), Digital Banking Facilities, Service Quality, Advisory Support, Marketing Strategies and Brand Trust.

3. Control Variables: These variables are used to control variation in analysis such as Age, Income Level, Educational Qualification and Occupation.

Sample and Population

The population of the study comprises all mutual fund investors associated with selected public and private sector banks in Hyderabad. This includes individuals who have invested in mutual fund products through banking channels. Due to the large and diverse population, a sample survey method is adopted. The study uses a non-probability convenience sampling technique, as it allows easy access to respondents and is widely used in behavioral finance studies. A sample size of 289 respondents is considered adequate for statistical analysis and hypothesis testing in empirical research. Respondents are selected from customers of the chosen banks, ensuring representation from different demographic groups such as age, income, education, and occupation. Efforts are made to include both public sector bank customers and private sector bank customers to facilitate meaningful comparative analysis. The sample is assumed to be representative of the broader investor population in Hyderabad, enabling generalization of results within reasonable limits.



Research Methodology

The present study adopts an empirical, descriptive, and analytical research design to examine the growth and performance of bank sponsored mutual fund products in India with comparative evidence from public and private sector banks in Hyderabad. The research is based on a mixed-method approach, combining both primary and secondary data sources to ensure comprehensive analysis. Primary data are collected through a structured questionnaire administered to mutual fund investors associated with selected banks. The questionnaire is designed using a Likert scale to measure investor perceptions regarding service quality, digital accessibility, advisory support, and investment behavior. Secondary data are obtained from reliable sources such as annual reports of banks, publications of the Association of Mutual Funds in India (AMFI), RBI reports, and financial databases. The study focuses on selected public sector banks including State Bank of India, Canara Bank, and Bank of Baroda, and private sector banks such as HDFC Bank, ICICI Bank, and Kotak Mahindra Bank. For data analysis, statistical tools such as descriptive statistics, growth rate analysis, correlation, regression analysis, and ANOVA are employed. Hypotheses are tested at appropriate levels of significance to determine relationships between variables. The methodology ensures reliability, validity, and robustness of findings, making the study suitable for academic and policy-oriented applications.

Research Gap

Although substantial research has been conducted on mutual fund growth and banking sector performance in India, significant gaps remain. Most prior studies are concentrated at the macro or national level, with limited emphasis on region-specific empirical analysis, particularly in emerging urban markets like Hyderabad where investor behavior and financial product adoption patterns differ. Further, existing literature often examines mutual fund performance or investor behavior in isolation, without integrating the role of banks as key distributors and promoters of mutual fund products. There is also a lack of comprehensive comparative studies that simultaneously evaluate growth, performance, technological adoption, and investor preferences across both public and private sector banks. Insufficient attention has been given to how factors such as digital banking, service quality, and advisory support influence mutual fund growth within different banking models. This study attempts to bridge these gaps by providing a comparative, empirical, and multi-dimensional analysis of selected banks including State Bank of India, Canara Bank, Bank of Baroda, HDFC Bank, ICICI Bank, and Kotak Mahindra Bank within the Hyderabad context.

Research Data Analysis and Interpretation

The research data analysis and interpretation in this study are carried out using both primary and secondary data to examine the growth and performance of bank sponsored mutual fund products in selected public and private sector banks. Primary data collected through structured questionnaires from investors in Hyderabad are analyzed using appropriate statistical tools such as percentage analysis, mean, standard deviation, correlation, and regression techniques to identify patterns and relationships among variables. Secondary data obtained from annual reports, AMFI publications, and financial statements of State Bank of India, Canara Bank, Bank of Baroda, HDFC Bank, ICICI Bank, and Kotak Mahindra Bank are used to evaluate growth trends and performance indicators. Hypothesis testing is conducted using t-tests and regression models to determine the significance of differences between the two sectors. The interpretation of results focuses on drawing meaningful conclusions regarding investor behavior, comparative performance, and growth dynamics, thereby providing empirical support to the study objectives and hypotheses.



Discussion and Findings

The empirical analysis of growth indicators, including annual growth rate, volume of investments, and expansion of mutual fund portfolios, reveals a noticeable variation between the two sectors. Private sector banks such as HDFC Bank, ICICI Bank, and Kotak Mahindra Bank demonstrate consistently higher growth rates compared to public sector banks like State Bank of India, Canara Bank, and Bank of Baroda.

Statistical testing using growth rate comparisons and regression analysis indicates that the difference in growth is statistically significant at conventional levels. Therefore, the null hypothesis (H_{01}) is rejected, and the alternative hypothesis (H_{02}) is accepted. This difference can be attributed to several structural and strategic factors. Private sector banks have leveraged advanced digital platforms, data-driven marketing, and personalized investment advisory services to enhance customer engagement. Their proactive approach in promoting Systematic Investment Plans (SIPs) and online investment channels has significantly contributed to higher growth rates. Public sector banks exhibit relatively slower growth due to their reliance on traditional banking practices, limited digital penetration, and lower emphasis on cross-selling financial products. However, their extensive branch network and strong brand credibility provide a stable foundation for gradual growth.

The findings clearly suggest that technological adoption, customer-centric innovation, and marketing efficiency are key determinants influencing the growth differential between public and private sector banks. The performance analysis focuses on parameters such as return consistency, risk-adjusted returns, customer satisfaction, and service efficiency. The results indicate a measurable difference in performance between the two sectors. Private sector banks exhibit superior performance in terms of customer satisfaction, service delivery, and accessibility. Their integration of digital tools, portfolio tracking systems, and advisory services enhances the overall investor experience. Additionally, their ability to offer diversified and innovative mutual fund schemes contributes to improved performance outcomes. Public sector banks, while maintaining stability and investor trust, show comparatively lower performance levels in terms of service efficiency and responsiveness. Their mutual fund offerings are often less diversified, and the absence of strong advisory mechanisms affects investor decision-making.

Statistical analysis confirms that the observed differences in performance are significant. Hence, the null hypothesis (H_{03}) is rejected, and the alternative hypothesis (H_{04}) is accepted. The results further highlight that performance is not solely dependent on returns but also influenced by qualitative factors such as service quality, ease of access, and investor support systems. Private sector banks outperform public sector banks in these dimensions, thereby strengthening their competitive position. The hypothesis testing results clearly establish that both growth and performance of mutual fund products differ significantly between public and private sector banks. The rejection of null hypotheses in both cases indicates a structural divergence in operational efficiency, technological adoption, and customer engagement strategies.

Private sector banks emerge as dominant players due to their innovation-driven approach and strong alignment with evolving investor preferences. Public sector banks, although reliable and widely trusted, need to enhance their competitiveness by adopting modern banking practices and improving service delivery mechanisms. The study also underscores the role of investor awareness, digital literacy, and financial inclusion in shaping mutual fund growth. Hyderabad, being an urban financial hub, reflects these trends prominently, making it a suitable case for such comparative analysis.

Conclusion

The study provides a comprehensive analysis of the growth and performance of bank sponsored mutual fund products in India, with a comparative focus on public and private sector banks in Hyderabad. The findings clearly indicate that private sector banks outperform public sector banks in terms of growth,



efficiency, and customer engagement. This superiority is largely driven by technological advancements, innovative strategies, and a strong focus on customer satisfaction. Public sector banks, although trusted and widely accessible, face challenges in adapting to the rapidly changing financial landscape. Their slower adoption of digital technologies and limited marketing efforts hinder their ability to compete effectively with private sector counterparts. However, their strong brand reputation and extensive reach provide a solid foundation for future growth.

The study underscores the importance of digital transformation in the banking sector. As investor preferences shift towards convenience and accessibility, banks must invest in technology to remain competitive. Additionally, financial literacy initiatives are essential to increase awareness and encourage mutual fund investments among a broader population. From a policy perspective, regulators should promote a balanced growth environment by supporting innovation while ensuring investor protection. Banks should also focus on developing customer-centric strategies, improving advisory services, and diversifying their product offerings. The growth of mutual fund products in India depends on the ability of banks to adapt to changing market conditions and meet evolving customer expectations. By addressing existing gaps and leveraging their strengths, both public and private sector banks can contribute to the overall development of the financial system. The study offers valuable insights for academics, practitioners, and policymakers, paving the way for further research in this area.

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