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COMPARING THE PERFORMANCE OF POPULAR MUTUAL FUND SCHEMES IN INDIA

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ABSTRACT

There is an immediate need for investors to conduct financial market research. To be more precise, middle-class consumers will never choose for a greater return rate if they can reduce their risk. Regardless of your motivation, you should constantly strive for a higher rate of return compared to a fixed deposit at a bank. Providing a diverse array of financial goods and inspiring innovative approaches to mutual fund schemes, the financial industry is currently experiencing rapid growth. Viewing mutual fund plans through the eyes of potential investors is crucial at this juncture. This research paper contains extensive details regarding the top debt, hybrid, and equity mutual fund schemes.

Keywords: *Investments, Risk & Return. Capital Market, Mutual Fund. Top Rated.*

1. INTRODUCTION

In order to reap benefits that you cannot yet predict, investors must be willing to part with a portion of their current worth. According to Jones, investing is purchasing an item or items with the intention of holding on to them for a set period of time. Investing involves numerous decisions, such as the type of investment to make, the amount to invest, the allocation of funds to different types of investments, the duration of the investment (long-term, medium-term, or short-term), and many more. Additionally, this type of decision-making ought to be commonplace and rational. Actually, the decision of an investor is a compromise between the two extremes of risk and reward.

Stock market investing is fraught with peril because a portfolio's worth might rise or fall based on a myriad of market-influencing variables. The stock market is sensitive to a wide range of factors, including general market conditions and the success or failure of specific enterprises. As an example, the overseas market is in a worse state because to the present COVID-19 outbreak. The current state of politics and the economy, along with shifts in policy, tax legislation, interest rates, currency exchange rates, and regulations from SEBI and other regulatory agencies, are to blame for this. Over the past few decades, investors have had access to a dizzying array of investing options. Stocks, bonds, mutual funds, and derivatives are all part of this category, as are non-marketable financial assets such as bank and post office accounts, national pension schemes, and provident funds. When it comes to balancing risk and gain, mutual funds are a crucial tool for investors. Mutual funds are investment vehicles that combine the capital of multiple participants to purchase a variety of assets, including stocks, bonds, equities, debentures, government securities, and other weighted combinations of these. People who have similar investing objectives can pool their resources and put them to work for them through mutual funds and other collective investment vehicles. There are a lot of programs at Asset Management Companies (AMCs), and they all have various purposes. Investors want to pay for their children's college, purchase a house, retire well, tour the world, start a business young, and save taxes, among many other things. In order to help their investors achieve their financial objectives, mutual funds pool their resources to develop a variety of investment strategies.to ensure that you do not suffer the financial consequences of making an ill-advised investment decision. Eventually they decided to pool their resources and invest in a joint fund. Selecting a mutual fund business and several mutual fund programs is the following stage. Examining the performance of highly rated debt, equity, and hybrid fund mutual fund plans was the primary objective of the study.

2. LITERATURE REVIEW

An essential aspect of every research endeavor is a literature review, which highlights the significance of mutual funds and the significance of comparing their performance. The topic of how to evaluate mutual fund performance has been extensively covered in scholarly works. The expansion and profitability of mutual funds in both industrialized and developing nations has been the subject of extensive research. It is clear from perusing the following research articles that a great deal of effort has been devoted to studying the efficacy of mutual funds, market timing, and the stock selection processes employed by fund managers. The reward-to-volatility ratio, or average excess return on the portfolio, was developed by Jack Treynor in 1965 as a metric for evaluating the performance of mutual funds. Following this is the reward to variability measure proposed by Sharpe (1966). It is calculated by dividing the standard deviation of the portfolio by its average excess return. A composite metric for success was proposed by Sharpe (1966). From 1944 to 1963, eleven out of thirty-four funds performed above average in the import.

In 1967, Michael C. Jensen conducted an empirical analysis of 115 mutual funds that were active between 1954 and 1964. Compared to a buy-and-hold approach, these funds' performance is 30% worse since they can't accurately predict asset values. General management expenditures were not considered in the study since they were already quite high. There was little evidence that any one fund had a better likelihood of success than investors had anticipated.

Jensen (1968) developed an absolute performance metric based on the Capital Asset Pricing Model. Mutual funds did not exhibit exceptionally good performance, even after accounting for transaction expenses, according to his study. Specifically, her research focuses on growth schemes in the Indian mutual fund industry." According to Lakshmi N.'s research, mutual funds are a great option for inexperienced investors who are eager to put their money to work.

The research indicated that assets under management increased by 14% and industry-mobilized funds by 57% from 1997 to 2006. Although the seven newline mutual fund schemes outperformed the newline market in absolute terms, the benefits were insufficient to offset the newline risk, according to the analysis.

Unfortunately, the sample schemes failed miserably in newline operations in every risk performance review. Mutual fund purchases were ultimately perceived as safer by investors and fund managers alike. The outcomes and services provided by the mutual fund industry met with the approval of investors.

In 2011, researchers Sanjay Kumar Mishra and Manoj Kumar investigated the relationship between the information-seeking and processing habits of mutual fund owners and their subjective and objective knowledge. The information really preserved in memory is called objective knowledge, as opposed to the opinion-based subjective knowledge. It was determined that their respective impacts are not drastically different based on raw data and a single prepared query.

After economic regulation in India loosened in 1992, Agrawal penned a 2011 research article titled "Measuring performance of Indian mutual funds." Distinct organizational models characterize the main and secondary marketplaces. One of the main ways mutual funds contribute to the globalization of financial markets is by providing a steady flow of capital.

According to the research, the Indian mutual fund industry's pricing approach was examined. How individuals save and invest their money significantly impacts their achievement, according to the study's findings.

A number of other variables come into play here, including the mutual fund industry's performance and the devotion of fund managers. Success typically evolves over time since investors opt for diverse techniques. Depending on their situation, their objectives, and the market, most mutual fund firms offer a variety of options to its clients.

Dr. Yogesh Kumar Mehta examined the strategies of Indian Tax Mutual Funds in a 2012 comprehensive study. This analysis relied on a select set of equity funds that were part of public and private mutual fund programs. Organizations and businesses only accounted for 1.16 percent of the total mutual fund investor accounts. Still, when taken as a whole, the investment is substantial, accounting for 56.55% of total mutual fund industry net assists. Mutual funds were also determined to have not prioritized debt investments, according to the research.

Objectives

➢ In order to evaluate and contrast the performance of various equity mutual fund schemes.

➢ In order to evaluate the relative merits of various debt mutual fund strategies.

➢ In order to evaluate and contrast various mixed mutual fund strategies.

➢ In order to evaluate the relative merits of debt, equity, and hybrid mutual fund strategies.

3. RESEARCH METHODOLOGY

(B) Hypothesis.

The researcher has developed the following theories to help them prepare for the investigation.

Hi there, A lack of evidence

According to the first theory, equities mutual fund returns are rather stable over the long term. No changes occur to the success of debt mutual fund schemes in the long run.

The returns for hybrid mutual fund plans do not fluctuate much over time, according to Hypothesis 0. Mutual fund schemes that are structured as hybrids, equities, or debt all have a similar chance of succeeding.

Data Collection and Tools & Technique:

Since secondary sources constitute the backbone of this performance evaluation, primary data is utilized. Mutual fund plans offered by various Asset Management Companies (AMCs) range from those specializing in big and medium-sized equity investments to those focusing on long- and medium-term debt, as well as conservative hybrid funds. To obtain the performance numbers, www.moneycontrol.com and www.valueresearch.com were utilized. These figures encompass the years 2015–2019.

Limitation of the Study:

➢ Using only publicly available data, the analysis focused on popular, long-standing mutual funds. For the study to be believed, it is crucial that the data be accurate.

4. DATA ANALYSIS

1. EQUALITY FUND (large cap fund) Table-1

	Crisil Rank	AUM (Cr)	1 M	6 M	1 Y	3 Y	5 Y
CR Bluechip Equity Fund - D (G)	5	29.92	6.30 %	-7.30%	-0.20%	8.20%	8.90 %
JM Large Cap Fund - D (G)	5	3.86	5.00 %	-3.50%	-0.70%	3.90%	4.80 %
CR Bluechip Equity Fund (G)	5	234.78	6.10 %	-8.00%	-1.60%	6.90%	7.70 %
JM Large Cap Fund (G)	5	1,857.50	4.90 %	-4.00%	-1.70%	2.90%	3.50 %
Axis Bluechip Fund - D (G)	5	2,031.73	6.10 %	-10.60 %	-3.10%	10.40 %	9.7 %

Table 1 contains a detailed breakdown of the performance of various equity mutual fund schemes from 2015 to 2019. The stock's average return is also displayed.

The scheme's average return over five years is shown in the last column.

The Axis Blue-chip Fund-Div (G) earned the best annualized return, at 9.7%, according to the analysis. Furthermore, during a three-year period, this fund gives the best potential return. CR Blue Chip Equity-Div (G) comes first, followed by CR Blue Chip Equity Fund-Regular, and finally JM Large Cap Fund-. The respective rates of return are 8.9%, 7.7%, 4.8%, and 3.5%.

Axis Blue Chip Fund-D (G) outperformed other schemes in terms of success over a five-year period. The return has reached its peak since the beginning of the month.

2. DEBT FUND (Long Duration-Tax saving) Table-2

Table 2 shows the performance of a select set of tax-advantaged funds with long-term and medium-to-long-term investment goals from 2015 to 2019.

The annualized return for the plan during a five-year period is indicated in the table's last column. According to the figures, the IDFC Income Fund Direct (G) and the Nippon Income Fund-Direct (G) had the best gains, both at 10%. IDFC Bond Fund (R) placed in second with a rate of 9.2%. The ICICI Pro Bond Fund-(G) and the Tata Income Fund-D (G) both returned the same amount of money, 8.9%.

Tax-saving							
Long Duration Fund »	Crisil Rank	AUM (Cr)	1 M	6 M	1 Y	3 Y	5 Y
IDFC Bond Fund - LTP - D (G)	5	62.56	1.00 %	8.50 %	13.70 %	8.70 %	10.00 %
IDFC Bond Fund - LTP (G)	5	613.13	1.00 %	8.10 %	13.00 %	8.00 %	9.20%
Tata Income Fund - D (G)	4	19.23	1.80 %	7.80 %	12.90 %	7.60 %	8.90%
Medium to Long Duration Fund »							
Nippon Income Fund- Direct (G)	4	67.46	1.20 %	7.80 %	13.20 %	9.00 %	10.00 %
ICICI Pru Bond Fund (G)	4	1072.82	2.03 %	7.80 %	12.92 %	8.20 %	8.90%

Each of the funds selected is a tax-saving option. According to the data in the table, there isn't much of a difference between mutual fund companies when it comes to the success of tax-saving debt mutual funds.

There is one exception: the ICICI Pro Bond Fund has by far the best return based on the most recent monthly return.

3. HYBRID FUND (Conservative Hybrid Fund) Table-3

	Crisil Rank	AUM (Cr)	1 M	6 M	1 Y	3 Y	5 Y
CR Income Saver Fund - D (G)	5	9.24	3.00 %	3.80 %	9.30 %	7.60 %	8.20 %
CR Income Saver Fund (G)	5	201.32	2.90 %	3.30 %	8.20 %	6.40 %	7.00 %
LIC MF Debt Hybrid Fund - D (G)	5	2.91	1.80 %	2.60 %	7.50 %	6.40 %	7.10 %
LIC MF Debt Hybrid Fund (G)	5	63.36	1.70 %	2.10 %	6.60 %	5.40 %	6.10 %
IDFC Regular Savings Fund - D(G)	4	17.51	2.20 %	0.10 %	4.50 %	5.30 %	7.30 %

Table 3 displays the performance of a select selection of well-known conservative blend funds in India from 2015 to 2019. The table shows the annualized results over the previous three and five years.

The last column displays the annualized return by scheme over a five-year period. The best rate of return was 8.20% for the CR Income Saver Fund-Direct (G). The lowest returns in their category include the CR Income Saver Fund (G), the LIC MF Debt Hybrid Fund Direct (G), the IDFC Regular Saving Fund-D (G), and the LIC MF Debt Hybrid (G).

As indicated in the table, the CR Income Saver Fund-Direct (G) always has the highest return yield.

5. INTERPRETATION

➢ The price or volatility of various types of mutual funds might vary. It is feasible to earn higher returns on assets that are more likely to lose value over time. As a result, risk has a dual nature: on the one hand, it might cause changes in the value of your investments, but it also provides you reason to expect better returns.

➢ Debt and stock are not the same when it comes to risk. Liabilities include bank accounts, government-backed debentures, and mutual funds that invest some of their money in debt-related assets.

➢ "Equity" refers to the right to own a portion of a firm, whether privately owned or granted by the government. Anyone can purchase and sell shares. Furthermore, mutual funds that hold equity assets are considered equity.

- The majority of individuals believe that debt is less hazardous than ownership. When creating financial or investing plans, it is best to deal with debt and equity separately.
- The main distinction between loans and stocks is the evolution of their risk and return profiles over time. Debt profits are relatively constant and straightforward to predict over lengthy periods of time. The interest rate curve and the loan return curve usually move in the same direction. However, it is not always straightforward to predict when the return on shares will occur.
- Instability, market volatility, and long-term emotional issues are all instances of risk. Many factors contribute, including changes in interest rates, inflation, and the overall status of the economy. Investors are concerned about unpredictability, volatility, and the possibility of losing money.
- Many investors are concerned that the value of their stocks may plummet dramatically. However, because they are so volatile, these assets outperform fixed deposits and debt instruments in the long run. What they say is true: "challenges are the spark that sparks innovation." In this situation, the investors want both the protection of their loan investment and a return on their stock investment. As a result, a new business model known as "hybrid security" has emerged.

6. RECOMMENDATIONS

In most circumstances, loan interest rates are higher than inflation rates. Debt mutual funds, tax savings plans, and long- and medium-term funds have been demonstrated to outperform equity schemes. Furthermore, the yield from hybrid methods was roughly the same as the yield from debt investments. In this scenario, the speed with which the data was obtained was critical. Data were obtained at the onset of the COVID-19 outbreak, when the entire world was put on lockdown. Most equity investors believe that debt assets are safer than shares. Nonetheless, it is more correct to argue that the risk of equities decreases over time and that the profit-to-risk ratio is larger than that of debt over extended periods of time. As financial managers, we need to know that we can achieve the desired rate of return by investing in both stocks and bonds over time. Hybrid long-term moderate mutual funds are an option to consider.

7. CONCLUSION

The comparative study of the performance of top-rated equity, debt, and hybrid mutual fund schemes in India provides valuable insights into investment strategies in varying market conditions. Examining these schemes underscores the importance of diversification, risk management, and aligning investment choices with individual financial goals.

The analysis highlights the dynamic nature of equity, debt, and hybrid funds, each exhibiting distinct traits and responding differently to market fluctuations. Equity funds, with their potential for higher returns albeit accompanied by higher risk, remain a cornerstone for long-term wealth creation. On the other hand, debt funds offer stability and consistent income, suitable for risk-averse investors seeking steady returns. Hybrid funds, combining elements of both equity and debt, provide a balanced approach catering to investors looking for a mix of growth potential and stability.

It's evident that while past performance serves as a guide, it doesn't guarantee future outcomes. Market dynamics, economic shifts, and global events play pivotal roles in influencing fund performances. Therefore, investors must not solely rely on historical data but also consider the fund's underlying strategy, risk profile, expense ratio, and the fund manager's expertise.

Furthermore, the study emphasizes the significance of aligning investment choices with individual risk tolerance, time horizon, and financial objectives. A diversified portfolio comprising a mix of equity, debt, and hybrid funds can mitigate risks while maximizing potential returns, ensuring a more balanced investment approach.

In conclusion, the comparative study underscores the need for a well-informed, diversified investment strategy that aligns with individual financial goals and risk appetites. Rather than focusing solely on past performance, investors should consider a holistic approach, evaluating various factors and staying abreast of market trends to make informed investment decisions that stand the test of time.

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