A Comparative Study of Performance of Top-Rated Equity, Debt and Hybrid Mutual Fund Schemes in India

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Abstracts:
Now a day's financial markets analysis has become tough task for the investors. Investor, in specific, Middle class investor always prefer to reduce risk than earn return at higher rate. At the same time, always expect to get more return than bank fixed deposit. Financial Market is becoming more extensive with wide ranging financial products trying innovation in designing mutual fund schemes. Thus, it has become imperative to study mutual fund schemes from investor's view. This research paper is focused on analysis of top-rated mutual fund schemes viz. equity, debt and hybrid.

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

1. Introduction

It is rightly said that investment is the sacrifice of certain present value for some uncertain future rewards. Jones defined an Investment as commitment of funds to one or more assets that will be held over some future time period.

An investor has to take various decisions such as type of investment, amount of total investment, proportion of investible amount amongst various type of investment, investment timing such as long term, medium term or short term. Etc. Further such decision-making process should not be only continuous but rational too. In reality, an investor decision is a trade-off between risk and return.

Investment in securities will lead to high uncertainty, values of portfolios can go up or down due to various factors affecting the securities markets. There are various factors which affect securities markets such as the performance of individual company, changes in market condition, say for example, due to current Covid-19 pandemic situation has adversely affected the market globally. Interest rate fluctuation, currency exchange rate, changes in government policies, changes in taxation laws, regulatory requirement by SEBI and other authorities, prevailing economic and political environment, etc.

In last few decades, investor has various investment avenues are available like stock, bond, mutual fund, real estate, derivatives, non-marketable financial assets like bank deposits, post office deposits, national pension schemes, provident fund, etc.

Mutual Fund is one of the important options that offer investor to balance risk and return.
Mutual Fund is an investment vehicle that pools the savings of several investors and collectively invests this amount in variety of securities including equity, bond, debenture and government securities and various combination with different weightage of types of securities.

A mutual fund is a common pool of money into which investors with common investment objectives place their money that are to be invested, with the predefined objectives of the mutual fund schemes. Asset Management Company (AMC) offer various schemes with different objectives.

Investors have different objectives like higher education of their children, marriage of a daughter, house, smooth retired life, world tour, to settle a business when kid grows young, tax saving, etc. Mutual Fund co design various schemes to satisfy investor by matching schemes with their objectives.

To protect hard earned money from being lost due to wrong selection of investment option. Once an investor has chosen to invest his/her hard-earned money into mutual fund. The very next decision is select type of mutual fund schemes and mutual fund house.

Here, the researcher has tried to evaluate performance of top-rated mutual fund schemes based on equity fund, debt fund and hybrid funds.

2. Literature Review

Review of the literature plays an important role in any research and it considers the importance of mutual funds that several academicians have tried to study the performance of various mutual funds. Literature on mutual fund performance evaluation is enormous. A large number of studies on the growth and financial performance of mutual funds have been carried out during the past in the developed and developing countries. Brief reviews of the following research works reveal the wealth of contributions towards the performance evaluation of mutual fund, market timing and stock selection abilities of fund managers.

Jack Treynor (1965) developed a methodology for performance evaluation of a mutual fund that is referred to as reward to volatility measure, which is defined as average excess return on the portfolio.

This is followed by Sharpe (1966) reward to variability measure, which is average excess return on the portfolio divided by the standard deviation of the portfolio. Sharpe (1966) developed a composite measure of performance evaluation and imported superior performance of 11 funds out of 34 during the period 1944-63. Michael C. Jensen (1967) conducted an empirical study of mutual funds in the period of 1954-64 for 115 mutual funds. The results indicate that these funds are not able to predict security prices well enough to 30 outperform a buy the market and hold policy. The study ignored the gross management expenses to be free. There was very little evidence that any individual fund was able to do significantly better than which investors expected from mere random chance.

Jensen (1968) developed a classic study; an absolute measure of performance based upon the Capital Asset Pricing Model and reported that mutual funds did not appear to achieve abnormal performance when transaction costs were taken into account.

Lakshmi N (2010) in the research paper titled "Performance of the Indian Mutual Fund Industry a study with special reference to growth schemes," came to know that mutual fund is also beneficial for new investor who are willing to invest but not having technical expertise.

The was conducted for 1997-2006 duration, during the study period funds mobilized by the industry had shown uptrend of 57% and Assets Under Management by 14%. Analysis of performance of newline 7 mutual fund schemes shown that all the sample schemes outperformed the newline market in terms of absolute returns without adequate returns to cover total newline risk.

All risk performance measurement had given result that newline underperformance of sample schemes. Investors and Fund Managers finally opined that newline that investing in Mutual Fund were less risky. Investors were moderately satisfied with the performance and services given by the mutual fund industry.

Sanjay Kumar Mishra and Manoj Kumar (2011) have tried to know how mutual fund investors objective and subjective knowledge impacts their information search and processing behaviour. Here, objective knowledge means what is actually stored in the memory and subjective knowledge means what individuals perceive they know. One questioner was prepared and on the basis of primary data it was concluded that there is no significant difference exists in the way they impact.

Deepak Agrawal (2011) in research paper titled as "Measuring performance of Indian Mutual Funds" pointed the development of Indian capital market and deregulations of the economy in 1992. There has been different structure for both primary and secondary market. Mutual Fund are key contributors to the globalization of financial markets and provide a very good flow to the capital market.

In the research paper, analysis was conducted to analyze the Indian Mutual Funds Industry pricing mechanism. Outcome of the study is performance is directly affected by the saving and investment habit of the people and on thee other part the confidence and loyalty of the fund manager and performance of the mutual fund industry. Normally performance is dynamic as investors select different types of schemes and mostly all the mutual fund co have various options for investors in different market condition and personal need and financial plan.

Dr Yogesh Kumar Mehta (2012) has took pain to analyse Tax Mutual Fund schemes in India. The study was based on selected equity funds of public and private sectors mutual fund schemes. It was observed that only 1.16% held by corporate and institutions of the total no. of investors accounts in the mutual fund industry. But in the terms of total investment is sizable that is 56.55% of total net assists of the mutual fund industry. The researcher also concluded that mutual fund did not prefer debt segment as investment priority.

3. Objectives

1) To evaluate and compare the performance of selected equity mutual fund schemes.
2) To evaluate and compare the performance of selected debt mutual fund schemes.
3) To evaluate and compare the performance of selected hybrid mutual fund schemes.
4) To compare the performance of equity, debt and hybrid mutual fund schemes.

4. Research methodology

(B) Hypothesis.

Researcher has set the followings hypothesis for the study.

Null Hypothesis:

H0: There is no significant difference in return from equity mutual fund schemes over a time period.
H0: There is no significant difference in return from debt mutual fund schemes over a time period.
H0: There is no significant difference in return from hybrid mutual fund schemes over a time period.
H0: There is no significant difference in return in equity, debt and hybrid mutual fund schemes.

5. Data Collection and Tools & Technique:

This performance evaluation is based on secondary data. Top rated i.e. 5 star and 4 stars, by Crisil, equity large and medium to large term mutual fund schemes, long term and midterm debt mutual fund schemes and conservative hybrid funds are selected from different AMCs randomly. Performance data have been collected from www.valueresearch.com and www.moneycontrol.com. The reference period for data is taken from 2015 to 2019.

6. Limitation of the Study:

(1) Only top-rated mutual fund schemes selected for the study.
(2) Only long-term schemes selected.
(3) The research is based on secondary data. Correctness of the study is based on correctness of the data.

7. Data Analysis

EQUITY 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 depicts the performance of selected equity funds mutual fund schemes returns for a period of 2015 to 2019. It also depicts the average portfolio return.

The last Column shows the scheme wise annualised return for 5 years.
The data shows highest annualised return is 9.7%by Axis Blue-chip Fund-Div(G). This fund also shows highest return on 3 years basis. It is followed by CR blue chip Equity -Div(G), CR blue-chip equity fund-regular, JM

large cap Fund-(G) with 8.9%,7.7%,4.8% and 3.5% respectfully.
In all five years duration Axis blue chip Fund-D(G) performed well compare to all other schemes. Even it shows highest return in last month also.

8. DEBT FUND (Long Duration-Tax saving)

Table-2

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%

Table 2 depicts the performance of selected tax saving long term and medium to long term fund for a period of 2015 to2019.

The last column of the table shows the scheme wise annualised return for 5 years. Table shows highest return of 10% by two fund viz. IDFC Income Fund Direct(G) and Nippon Income Fund-Direct (G). Followed by IDFCBond Fund (R) with 9.2%. Again, two funds, Tata Income Fund-D(G) and ICICI Pro Bond Fund-(G) showed same return i.e. 8.9%.

All the selected funds are tax savings. The table shows that there is no markable difference in performance of tax saving debt mutual fund of different mutual fund houses.

Only one exception, considering latest return for 1month, ICICI Pro Bond Fund shows highest return with big margin.

9. 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 depicts the performance of selected top-rated conservative hybrid funds in India for a period of 2015 to 2019. The table shows annualised return for 3 years and 5 years.

The last column shows the scheme wise annualized return for 5 years in which highest return of 8.20% is yield by CR Income Saver Fund-Direct(G). It is followed by IDFC Regular Saving Fund-D (G), LIC MF Debt Hybrid Fund Direct (G), CR Income Saver Fund (G) and with lowest return in the category LIC MF Debt Hybrid (G). The above table shows that continuously highest return yield by CR Income Saver Fund-Direct (G).

10. Interpretation

Different types of mutual funds have different levels of volatility or potential price and those with the greater chance of losing value are also the funds that can produce the greater returns for you over time. So, risk has two sides: it causes the value of your investments to fluctuate but it is precisely the reason you can expect to earn higher returns.

Conventionally, there is clear difference between debt and equity with risk aspect. The debts bank deposits, government backed deposits debentures, etc. Even mutual funds that invest in debt securities.

Equity means equity shares or stocks of private sector public company or government co which offers shares to public. Equity also includes mutual funds that invest in equity shares.

The fact is that everybody knows that debt is less risky than equity shares. But for the purpose of financial or investment planning, it is more useful to think debt and equity in a different manner.

The main different between the debt and equity is that their risk and return curve varies in a very different way over different time span. Debt returns are easily predictable and normally stable over a period of time. Normally debt returns curve run with the curve of interest rate curve. While equity return is not easily predictable.

Risk refers to the volatility, the up and down activity in the markets and individuals' issues that occurs constantly over a period of time. There are various factors like interest rate changes, inflation or general economic conditions. This uncertainty, variability and potential for loss, these are the factors for investors has to worry.

We all have fear of the possibility that an equity stock in which we invest will fall substantially. But it is this very high volatility that earns higher long term returns from such investments than from a debt security or fixed deposit. It is rightly said that the mother of invention is problem. Here, in Investment decision investor expect safety of debt investment and return of equity. As a result of this new avenue of investment has emerged called hybrid security.

11. Recommendations

Normally, Debt returns are lower than inflation rate. But here, Debt Mutual Funds, Tax Saving Schemes, Long and Medium-term Funds, have shown higher return than equity schemes. Moreover, return from hybrid schemes also shown near to debt return. Here, data collection timings have played a major role. Data were collected during Covind-19 entry level, when globally lock down was imposed. Normally, investors believe that equity has higher risk than debt. But we should actually be saying that equity's risk drops over time and at a longer time scale, returns to risk ratio becomes far more attractive than debt. We, as a financial planner should understand that for targeted return, formula is very simple, debt for short term and equity for long term. As alternative, one should go for hybrid long term moderate mutual funds.

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