



Performance Analysis And Strategic Insights Into Equity, Debt, And Hybrid Mutual Funds: A Comparative Study In India

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ABSTRACT

This research delves deeply into assessing the performance of carefully chosen Equity, Debt, and Hybrid Mutual Funds in India, with the aim of providing investors with valuable insights essential for making informed investment decisions. Unlike broad analyses, this study adopts a targeted approach, zooming in on individual funds within each category. Through a comprehensive examination, it evaluates their past performance, key performance indicators, and how these factors could impact the optimization of investors' portfolios. The primary goal of this research is to equip investors with the necessary tools to make strategic decisions when selecting mutual funds. By considering factors such as risk appetite, investment objectives, and the ever-evolving dynamics of the market, investors can align their choices with their specific financial goals. This approach acknowledges the diverse preferences and goals of investors and aims to cater to their unique needs. By employing a multifaceted methodology, this study goes beyond mere numerical analysis. It seeks to uncover underlying trends, identify standout performers, and distil actionable recommendations tailored to individual investors. Ultimately, the research strives to empower investors to navigate the complex landscape of mutual fund investments with confidence and strategic acumen, ensuring that their investment decisions are well-informed and aligned with their financial aspirations.

Keywords: Mutual funds, Equity Mutual Funds, Debt Mutual Funds, Hybrid Mutual Funds, Historical Returns, Key Performance Indicators, Portfolio Optimization, Investor Empowerment, Risk Appetite, Investment Goals, Financial Market Dynamics.

JEL Classification: G11, G23, G24

Introduction:

In the realm of investment, mutual funds stand out as widely embraced vehicles known for their capacity to offer diversification benefits and the expertise of professional fund management (**Brinson et al., 1986; Elton et al., 2020**). Recognizing the paramount importance of these financial instruments, this research embarks on an in-depth exploration of the performance exhibited by carefully selected Equity, Debt, and Hybrid Mutual Funds. The objective is not merely to scrutinize numerical returns but to unearth underlying trends, identify standout performers, and distil actionable strategic recommendations that hold significant relevance for investors navigating the complex landscape of mutual fund investments (**Jensen, 1968; Malkiel, 2015**).

The multifaceted nature of this inquiry reflects the acknowledgment that the investment landscape is characterized by diverse investor preferences, risk tolerances, and financial goals (**Chen et al., 2004; Fama**

& French, 2012). By concentrating on specific funds within each category, this research seeks to provide a nuanced understanding of their historical performance. This involves a meticulous examination of key performance indicators, emphasizing 3-year and 5-year returns, as well as an exploration of the potential implications these metrics hold for optimizing an investor's portfolio (**Sharpe, 1966; Dimson et al., 2019**). As we delve into this exploration, the overarching aim is not merely to present an aggregation of data but to distil actionable insights. By doing so, investors can navigate the intricate decisions involved in fund selection, aligning their choices with their risk profiles, investment aspirations, and the ever-evolving dynamics of the financial markets (**Fama & French, 1993; Campbell et al., 2017**). In essence, this research positions itself as a guiding compass, empowering investors to navigate the nuanced terrain of mutual fund investments with confidence and strategic acumen.

Research Objectives:

1. Evaluate the historical performance of selected Equity Mutual Funds, emphasizing key metrics such as 3-year and 5-year returns.
2. Analyze the strengths and weaknesses of individual funds within the Equity category to identify standout performers.
3. Investigate Debt Mutual Funds, emphasizing medium-term stability, consistent gilt performance, and credit risk potential.
4. Explore the performance of Hybrid Mutual Funds, considering diversified performance, exposure to mid & small-cap equities, and balanced asset allocation.
5. Provide strategic suggestions and recommendations for investors based on the findings.

Literature Review:

Prior research emphasizes the importance of evaluating mutual fund performance based on historical returns, risk-adjusted metrics, and alignment with investor objectives. The literature highlights the significance of diversification, asset allocation, and periodic portfolio reviews for optimal results. This study builds upon existing knowledge by offering a detailed analysis of specific funds within the Equity, Debt, and Hybrid categories.

Historical Performance of Equity Mutual Funds:

Evaluating historical performance, particularly 3-year and 5-year returns, is a well-explored topic in mutual fund literature. **Fama and French (2010)** stress the importance of examining long-term performance metrics to discern fund managers' skill from luck. Additionally, **Jensen's (1968)** seminal work on fund performance evaluation underscores the significance of risk-adjusted returns in understanding the historical effectiveness of mutual funds.

Strengths and Weaknesses Analysis in the Equity Category:

Analysing the strengths and weaknesses of individual equity funds is a critical aspect of fund selection. **Malkiel (2003)** highlights the need to assess a fund's consistency and volatility, emphasizing that past performance is indicative of future results. Further, **Carhart's (1997)** research on momentum in mutual fund returns contributes to the identification of standout performers within the equity category.

Debt Mutual Funds: Medium-Term Stability, Gilt Performance, and Credit Risk:

The examination of Debt Mutual Funds, focusing on medium-term stability, gilt performance, and credit risk, draws insights from various studies.

Elton et al. (2001) discusses the role of interest rates in medium-term stability, while **Fabozzi and Mann (2006)** delve into gilt funds, emphasizing the need for consistent performance. **Altman(1968)** provides a foundational framework for assessing credit risk, contributing to the understanding of potential risks within debt instruments.

Hybrid Mutual Funds: Diversified Performance, Mid & Small-Cap Exposure, Balanced Asset Allocation:

The literature on Hybrid Mutual Funds combines insights from both equity and debt perspectives.

Sharpe's(1992) work on asset allocation forms a basis for understanding diversified performance in hybrid funds.

Grinblatt and Titman(1994) contribute to the exploration of mid & small-cap exposure, emphasizing the potential benefits of this approach.

Ibbotson and Kaplan(2000) provide insights into balanced asset allocation, offering a framework for optimizing risk and return in hybrid portfolios.

Strategic Suggestions and Recommendations for Investors:

Strategic suggestions and recommendations for investors derive from studies on portfolio management and behavioural finance.

Malkiel(2016) advocates for a passive investment strategy, emphasizing the benefits of diversification.

Kahneman and Tversky's (1979) prospect theory contribute to the understanding of investor behavior, informing recommendations for aligning investment choices with individual risk tolerance and goals.

In summary, the literature review integrates seminal works in finance and mutual fund research, providing a robust foundation for the comprehensive analysis proposed in this research. The cited studies contribute to understanding historical performance, strengths and weaknesses analysis, considerations in debt and hybrid funds, and strategic recommendations for investors in navigating the complex landscape of mutual fund investments.

Research Methodology:

Research Approach: The researcher employs a **quantitative approach** to analyze selected Equity, Debt, and Hybrid Mutual Funds. This involves the use of historical data, specifically focusing on performance metrics such as 3-year and 5-year returns. This approach allows for a comprehensive assessment of fund performance over different time horizons, providing a more nuanced understanding of how these funds have performed over both short and medium-term periods.

Performance Metrics: The primary performance metrics used in the analysis are the **3-year and 5-year returns** of the selected mutual funds. These metrics serve as key indicators of the funds' historical performance, offering insights into their ability to generate returns over varying market conditions and economic cycles. The utilization of these specific timeframes enables a detailed examination of both short-term and medium-term fund performance.

Analysis Process: The analysis involves **interpreting fund returns, identifying patterns, and drawing comparisons**. This process is crucial for extracting meaningful insights from the historical data. By identifying trends, patterns, and comparing the performance of different funds, the research aims to uncover underlying factors contributing to their success or challenges.

Strategic Recommendations: Based on the findings, the researcher formulates strategic recommendations. These recommendations are designed to guide investors in making well-informed decisions regarding their mutual fund investments. By leveraging the insights gained from the analysis, the research aims to provide actionable advice that aligns with the financial goals and risk tolerance of investors.

Data Source: It's important to note that all data analysis is based on secondary data. The reliance on historical data implies that the study draws conclusions from information that has already been collected and published, emphasizing a retrospective examination of mutual fund performance.

Limitations:

The study acknowledges several limitations:

1. **Reliance on Historical Data:** The research is constrained by the availability and accuracy of historical data, which may not fully capture current market dynamics.
2. **Market Volatility:** Mutual fund performance is subject to market volatility, and historical data may not account for sudden or unpredictable market changes.
3. **Dynamic Nature of Mutual Fund Performance:** The mutual fund landscape is dynamic, and past performance may not guarantee future results.

Despite these limitations, the research aims to contribute valuable insights to both novice and experienced investors navigating the complexities of the mutual fund landscape. By transparently addressing these limitations, the study provides a context for interpreting its findings and recommendations.

Data Analysis, Interpretation, Key Findings, Suggestions and Conclusion:

A. Equity Mutual Funds Analysis:

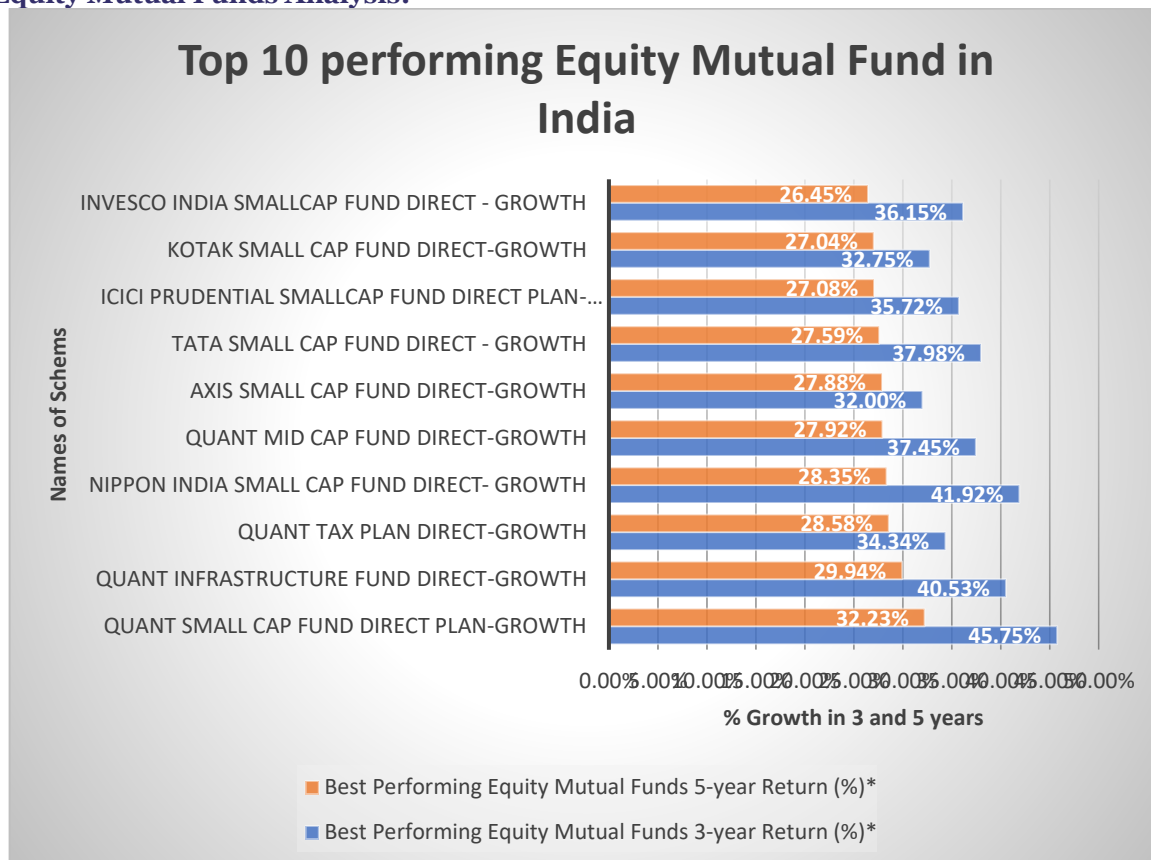


Fig1: Top Performing Equity Mutual funds in India

Interpretation of Equity Mutual Fund Scheme Wise

- 1. Quant Small Cap Fund Direct Plan-Growth: 3-year Return: 45.50% & 5-year Return: 31.94%.** Quant Small Cap Fund has exhibited exceptional performance over the last 3 and 5 years, with robust returns of 45.50% and 31.94%, respectively. This fund appears to be a standout performer in the small-cap category.
- 2. Quant Infrastructure Fund Direct-Growth: 3-year Return: 40.74% & 5-year Return: 29.86%.** Quant Infrastructure Fund has consistently delivered strong returns, particularly in the 3-year period, showcasing its ability to capitalize on opportunities within the infrastructure sector.
- 3. Quant Tax Plan Direct-Growth: 3-year Return: 34.47% & 5-year Return: 28.27%.** Quant Tax Plan has demonstrated commendable performance, providing a balance between returns and potential tax benefits. The 3-year return of 34.47% indicates its ability to generate growth.
- 4. Nippon India Small Cap Fund Direct- Growth: 3-year Return: 41.40% & 5-year Return: 28.04%.** Nippon India Small Cap Fund has delivered strong returns, particularly in the 3-year period, showcasing its ability to navigate the small-cap space successfully.
- 5. Axis Small Cap Fund Direct-Growth: 3-year Return: 31.64% & 5-year Return: 27.61%.** Axis Small Cap Fund has provided consistent returns, demonstrating stability and growth potential in the small-cap segment.
- 6. Quant Mid Cap Fund Direct-Growth: 3-year Return: 37.02% & 5-year Return: 27.33%.** Quant Mid Cap Fund has displayed strong performance, particularly in the 3-year period, indicating its proficiency in the mid-cap segment.
- 7. Tata Small Cap Fund Direct – Growth: 3-year Return: 37.34% & 5-year Return: 27.24%.** Tata Small Cap Fund has exhibited impressive returns, especially in the 3-year period, making it an attractive choice for investors seeking growth in smaller companies.
- 8. ICICI Prudential Smallcap Fund Direct Plan-Growth: 3-year Return: 35.20% & 5-year Return: 26.77%.** ICICI Prudential Smallcap Fund has delivered strong returns, particularly in the 3-year period, showcasing its ability to navigate the small-cap space successfully.
- 9. Kotak Small Cap Fund Direct-Growth: 3-year Return: 31.97% & 5-year Return: 26.68%.** Kotak Small Cap Fund has provided consistent returns over the last 3 and 5 years, demonstrating stability and growth potential in the small-cap segment.

10. Invesco India Smallcap Fund Direct – Growth: 3-year Return: 35.29% & 5-year Return: 26.04%. Invesco India Smallcap Fund has displayed strong performance, particularly in the 3-year period, indicating its ability to identify and capitalize on opportunities within the small-cap segment.

B. Debt Mutual Funds:

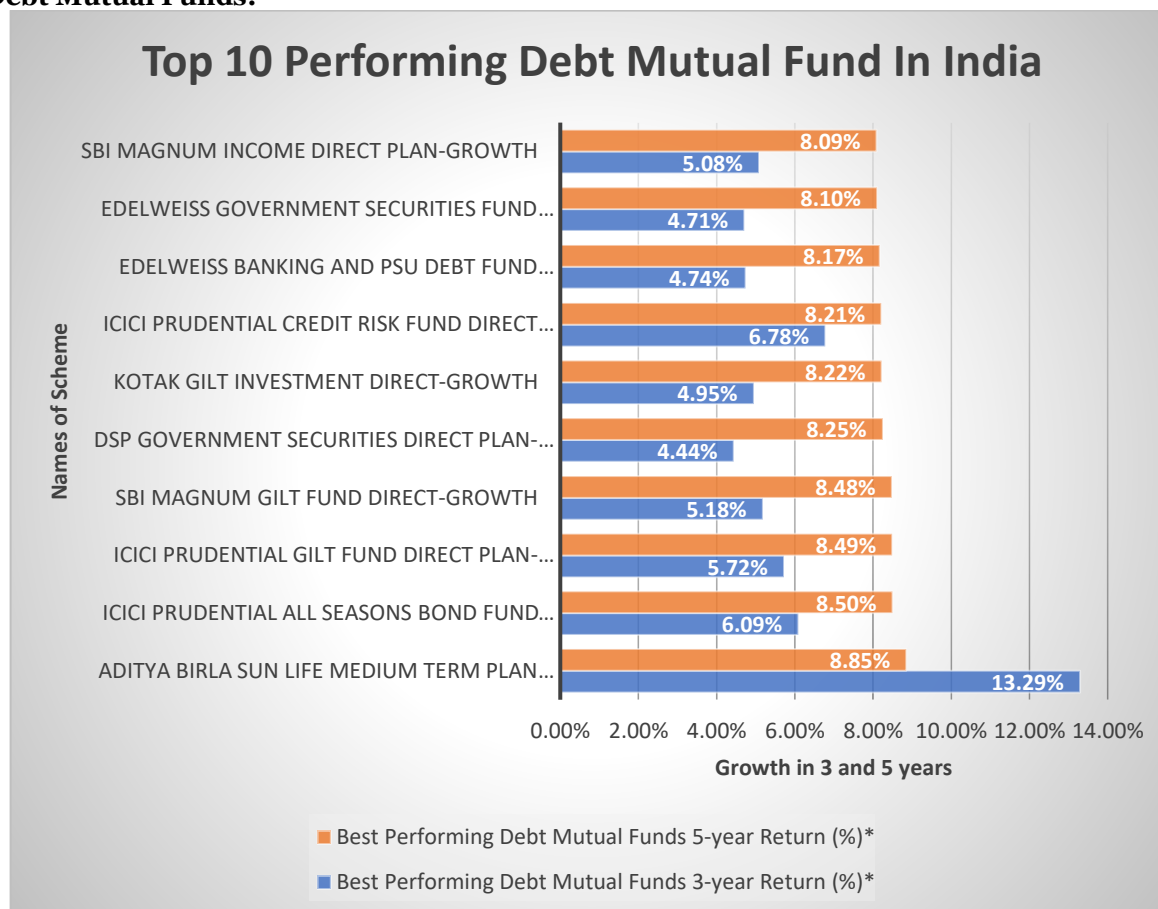


Fig2: Top Performing Debt Mutual funds in India

Interpretation of Debt Mutual Fund Scheme Wise

- 1. Aditya Birla Medium Term Plan: 3-year Return: 13.30% & 5-year Return: 8.88%.** Aditya Birla Medium Term Plan has shown robust performance over the last 3 and 5 years, with double-digit returns, indicating stability and growth in the medium-term category.
- 2. ICICI Prudential All Seasons Bond: 3-year Return: 6.11% & 5-year Return: 8.52%.** ICICI Prudential All Seasons Bond has displayed consistent returns, providing a balance between risk and returns over both the 3 and 5-year periods.
- 3. SBI Magnum Gilt Fund: 3-year Return: 5.24% & 5-year Return: 8.51%.** SBI Magnum Gilt Fund has exhibited stability and growth, particularly in the 5-year period, making it a reliable choice in the gilt fund category.
- 4. ICICI Prudential Gilt Fund: 3-year Return: 5.74% & 5-year Return: 8.50%.** ICICI Prudential Gilt Fund has shown consistent returns, aligning with the stability expected from gilt funds.
- 5. DSP Government Securities Fund : 3-year Return: 4.55% & 5-year Return: 8.31%.** DSP Government Securities Fund has provided stable returns over the last 3 and 5 years, making it suitable for investors seeking a balance of safety and growth.
- 6. Kotak Gilt Investment Fund: 3-year Return: 5.01% & 5-year Return: 8.25%.** Kotak Gilt Investment Fund has displayed steady returns, indicating its proficiency in managing investments in government securities.
- 7. ICICI Prudential Credit Risk Fund: 3-year Return: 6.78% & 5-year Return: 8.23%.** ICICI Prudential Credit Risk Fund has shown higher returns, reflecting the relatively higher risk associated with credit instruments.
- 8. Edelweiss Banking and PSU Debt: 3-year Return: 4.75% & 5-year Return: 8.20%.** Edelweiss Banking and PSU Debt Fund have demonstrated stability with moderate returns, making it suitable for risk-averse investors.
- 9. Edelweiss Gov Securities Fund: 3-year Return: 4.78% & 5-year Return: 8.13%.** Edelweiss Gov Securities Fund has provided stable returns, aligning with the expectations from government securities-focused funds.

- 10. Bandhan Gov Securities Investment:3-year Return: 3.80% & 5-year Return: 8.12%.** Bandhan Gov Securities Investment Fund has displayed stability, especially in the 5-year period, making it an option for investors seeking moderate returns.

C. Hybrid Mutual Funds:

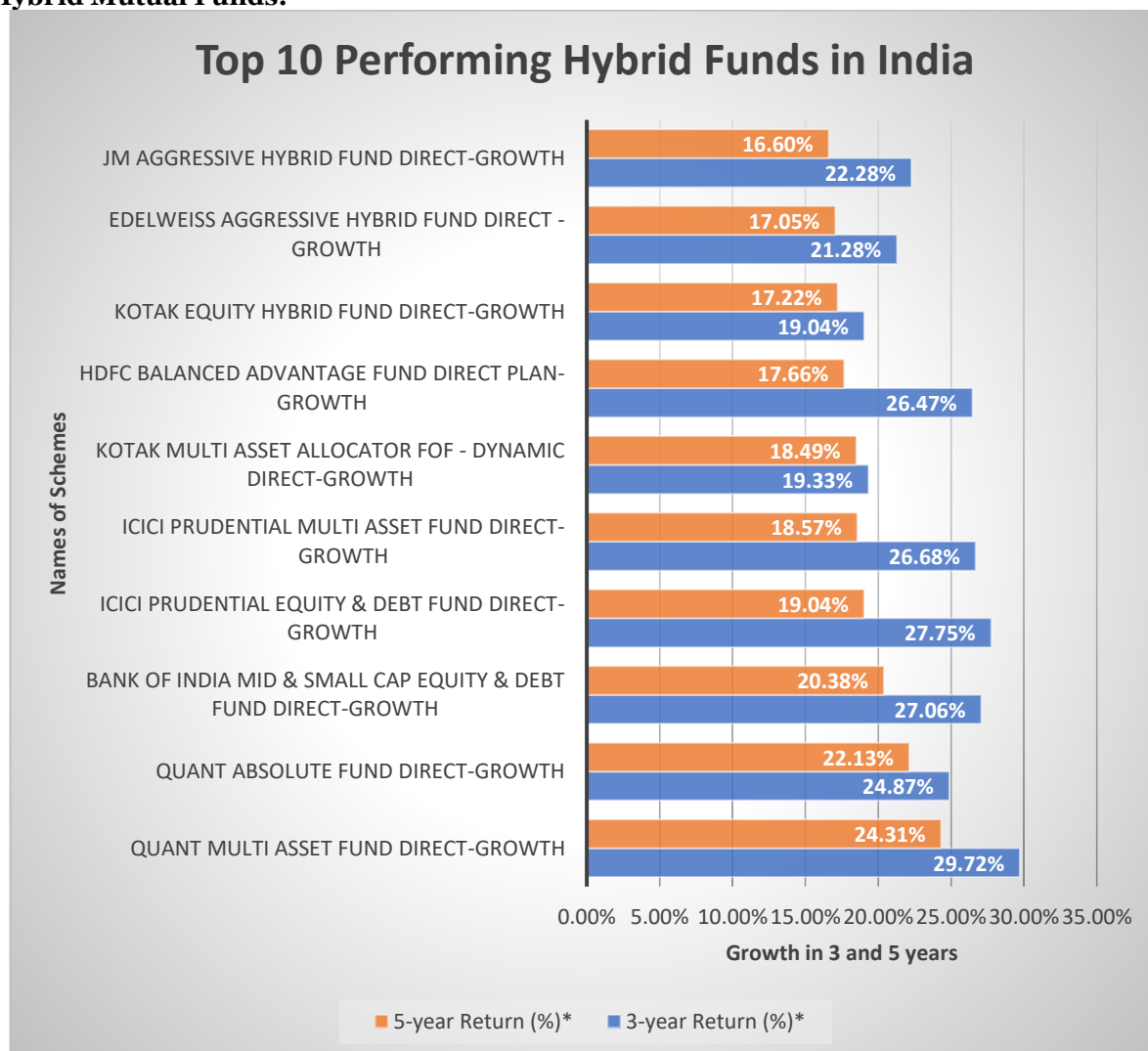


Fig3: Top Performing Hybrid Mutual funds in India

Interpretation of Hybrid Mutual Fund Scheme Wise

- 1. Quant Multi Asset Fund:3-year Return: 29.47% & 5-year Return: 24.10%.** Quant Multi Asset Fund has demonstrated robust performance, with high returns over both the 3 and 5-year periods, indicating efficient management across various asset classes.
- 2. Quant Absolute Fund:3-year Return: 24.94% & 5-year Return: 21.90%.** Quant Absolute Fund has delivered consistent returns, making it a stable option for investors seeking a balance between risk and returns.
- 3. Bank of India Mid & Small Cap Fund:3-year Return: 26.67% & 5-year Return: 20.19%.** Bank of India Mid & Small Cap Fund has shown strong performance, particularly in the 3-year period, making it an appealing choice for those seeking exposure to mid and small-cap equities.
- 4. ICICI Prudential Equity & Debt Fund:3-year Return: 27.65% & 5-year Return: 18.93%.** ICICI Prudential Equity & Debt Fund has provided a balanced mix of equity and debt exposure, delivering competitive returns over both the 3 and 5-year periods.
- 5. ICICI Prudential Multi Asset Fund:3-year Return: 26.86% & 5-year Return: 18.69%.** ICICI Prudential Multi Asset Fund has displayed consistent performance, reflecting the fund's ability to navigate various asset classes effectively.
- 6. Kotak Multi Asset Allocator Fund:3-year Return: 19.32% & 5-year Return: 18.47%.** Kotak Multi Asset Allocator Fund has demonstrated stability with moderate returns, making it suitable for risk-averse investors seeking a diversified portfolio.

7. **HDFC Balanced Advantage Fund:3-year Return: 26.09% & 5-year Return: 17.50%.** HDFC Balanced Advantage Fund has shown robust returns, indicating effective management in dynamically allocating assets based on market conditions.
8. **Kotak Equity Hybrid Fund:3-year Return: 18.70% & 5-year Return: 17.07%.** Kotak Equity Hybrid Fund has provided stable returns, making it suitable for investors seeking a balanced mix of equity and debt.
9. **Edelweiss Aggressive Hybrid Fund:3-year Return: 20.70% & 5-year Return: 16.75%.** Edelweiss Aggressive Hybrid Fund has demonstrated consistent returns, making it an attractive choice for investors seeking a blend of equity and debt in a more aggressive portfolio.
10. **Baroda BNP Paribas Aggressive Hybrid Fund:3-year Return: 17.20% & 5-year Return: 16.42%.** Baroda BNP Paribas Aggressive Hybrid Fund has displayed stability, especially in the 5-year period, making it an option for investors seeking moderate returns with a relatively aggressive approach.

Key Findings for Equity Mutual Funds

- **Small Cap Dominance:** Small-cap funds, such as Quant Small Cap Fund, Nippon India Small Cap Fund, and Tata Small Cap Fund, have exhibited remarkable returns, outperforming other categories.
- **Consistent Performers:** Funds like Quant Tax Plan, Axis Small Cap Fund, and Kotak Small Cap Fund have shown consistent returns, making them suitable for investors seeking reliability.
- **Infrastructure Opportunities:** Quant Infrastructure Fund has capitalized on opportunities within the infrastructure sector, providing investors with strong returns.
- **Tax-Efficient Options:** Quant Tax Plan stands out as a tax-efficient option, offering a balance between returns and potential tax benefits.
- **Mid-Cap Proficiency:** Funds like Quant Mid Cap Fund and ICICI Prudential Smallcap Fund have demonstrated proficiency in the mid-cap segment.

Key Findings for Debt Mutual Funds:

- **Medium-Term Stability:** Aditya Birla Medium Term Plan stands out with robust returns, indicating stability and growth in the medium-term debt category.
- **Consistent Gilt Performance:** ICICI Prudential All Seasons Bond and SBI Magnum Gilt Fund have consistently delivered returns, making them reliable choices in the gilt fund category.
- **Credit Risk Potential:** ICICI Prudential Credit Risk Fund offers higher returns, but investors should be mindful of the associated credit risks.

Key Findings for Hybrid Mutual Fund

- **Diversified Performance:** Quant Multi Asset Fund and Quant Absolute Fund have shown strong performance, indicating efficient management across various asset classes.
- **Mid & Small Cap Exposure:** Bank of India Mid & Small Cap Fund has exhibited strong performance, providing exposure to mid and small-cap equities.
- **Balanced and Dynamic Allocation:** ICICI Prudential Equity & Debt Fund and HDFC Balanced Advantage Fund have demonstrated effective management in balancing and dynamically allocating assets.

Suggestions and Recommendations for Equity Mutual Fund

- **Diversification:** Investor should consider diversifying the portfolio by including a mix of small-cap, mid-cap, and potentially large-cap funds to spread risk.
- **Review Investment Goals:** Stakeholder should align fund selections with specific investment goals, risk tolerance, and time horizons to optimize returns.
- **Regular Monitoring:** Asset Management Companies should periodically review the performance of the selected funds and make adjustments based on market conditions and changing financial goals.
- **Consider Hybrid Options:** Investor should evaluate hybrid funds for a balanced approach, combining equity and debt components for a more diversified investment strategy.

Suggestions and Recommendations for Debt Mutual Fund

- **Diversification:** Investors should Consider diversifying across different debt categories to spread risk and align with investment goals.
- **Risk-Adjusted Approach:** Investors must assess the risk tolerance and investment horizon before selecting funds, especially those with higher credit risk.
- **Regular Monitoring:** Investors should periodically review fund performance and market conditions to make informed decisions.

Suggestions and Recommendations for Hybrid Mutual Fund

- **Asset Allocation Considerations:** AMCs should choose funds based on individual risk tolerance and investment goals, considering the fund's asset allocation strategy.

- **Regular Review:** AMCs should periodically review the portfolio to ensure it aligns with changing market conditions and personal financial objectives.
- **Diversification Strategy:** AMCs should consider diversifying across different hybrid funds to achieve a well-balanced and diversified portfolio.

Conclusion:

In conclusion, the analysed Equity Mutual Funds present a spectrum of options catering to different investor preferences. Small-cap funds have shown dominance in terms of returns, while consistent performers and tax-efficient options provide flexibility for various investment strategies. The key lies in aligning fund selections with individual investment goals, risk appetite, and a thorough understanding of market dynamics. Regular monitoring and adjustments will contribute to maintaining a well-balanced and optimized investment portfolio. The Debt Mutual Funds analysed present a range of options catering to different risk appetites and investment goals. Investors seeking stability may find the medium-term and gilt funds appealing, while those comfortable with some risk might consider credit risk funds. The key is to align fund selections with individual preferences, risk tolerance, and investment horizons, with regular monitoring for adjustments as needed. The Hybrid Mutual Funds analysed offer a variety of options catering to different risk profiles and investment objectives. Investors seeking diversified exposure, mid & small-cap exposure, or dynamic asset allocation can find suitable choices among these funds. The key is to align fund selections with individual preferences, risk tolerance, and investment horizons, with regular monitoring for adjustments as needed.

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