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EVALUATION AND ANALYSIS OF DEBT MUTUAL FUND WRT EQUITY MUTUAL FUND

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Abstract: In this paper, the evaluation and analysis of the debt mutual funds and equity mutual funds have been carried out. Money plays a crucial role in the part of human life. Starting with the vegetable vendors to the market of money. Diving deep into the market and talking about mutual funds this paper talks about the evolution and analysis of the debt and equity mutual fund. Talking about the evolution of the mutual fund industry the first private sector the Kothari Pioneer Mutual Funds was launched in 1993. As the journey moved ahead in today's era investment have been made easier with the help of technology. Various mutual funds from debt and equity have been sorted out and peeking at the figures about returns in the equity market there is a higher return than in debt markets. On the other hand, risk debt is less risky compared to equity funds.

I. INTRODUCTION

The evolution of investing hinges on the ability to identify shifts in industries, technologies, and their potential for future growth. Investors navigate diverse options like stocks, bonds, and cash, leveraging their risk tolerance and financial goals. India's mutual fund industry, established under the SEBI regulations, saw its first private fund, Kothari Pioneer, launch in 1993. Since the 2000s, the industry has witnessed a dramatic shift with the introduction of Systematic Investment Plans (SIPs) and other innovative products. Today, electronic trading platforms empower investors with more choices and accessible tools for informed decision-making. Technology continues to play a crucial role, enabling investors to develop personalized strategies for financial growth. However, reality paints a different picture. In India, less than 10% of families participate in mutual funds, often due to a lack of knowledge and fear of risk. Despite this, the nation's robust economy and growing middle class present a fertile ground for personal finance awareness. As such, mutual funds are poised to become an increasingly popular and accessible investment avenue for individuals seeking to achieve their financial objectives. Through various options like equity, bond, money market, and hybrid funds, investors can diversify their portfolios and navigate the ever-changing investment landscape.

Review of Literature

The Indian mutual fund industry is a captivating story of growth and empowerment, unfolding like a well-written novel. Imagine individuals like you and me, entrusting our savings to expert fund managers like Das & Ali (2020), navigating the market with the expertise of seasoned sailors. This intricate dance between risk and reward unfolds within a framework of regulations, championed by organizations like SEBI, ensuring transparency and protecting our interests.

The story unfolds with investors, often prioritizing balanced or debt funds, driven by factors like potential benefits, clear communication (Verma & Nema, 2023), and the promise of returns. However, a crucial element remains elusive - investor awareness. Bridging this gap is paramount, as studies by Sehdev & Ranjan (2014) reveal a lack of comprehensive knowledge among many.

To assess the health of these mutual funds, meticulous evaluation comes into play. Researchers like Patil et al. (2022) meticulously analyze data, employing various statistical techniques to identify the frontrunners. Investors, meanwhile, yearn for a safe haven, seeking options that balance growth with minimal risk, as highlighted by Khurshid (2016) in his study. They dream of reaping high returns while enjoying tax benefits, often gravitating towards growth schemes for a promising future, as Thomas (2016) points out.

The industry itself has witnessed remarkable growth, especially within the private sector, as documented by Ramanujam & Bhuvaneswari (2015). As the story progresses, the significance of transparency becomes undeniable. Regulatory bodies and disclosure practices, championed by individuals like A. Haslem (2006), play a vital role in ensuring investor confidence, fostering a climate of trust.

Looking ahead, the future appears bright. Digital adoption is on the rise, paving the way for greater accessibility, as observed by Mazhar (2020). As awareness improves, more individuals are poised to embark on their mutual fund journeys. Additionally, innovative technologies hold the potential to further transform the landscape, shaping the narrative of the Indian mutual fund industry in the years to come, as Das & Ali (2020) suggest. This is a story yet to be fully written, with the potential to empower individuals and shape the financial landscape of India.

Study Objectives

i) To analyze and interpretation of return of equity and debt mutual funds.
ii) To analyze and interpretation of the risk of debt and equity mutual funds.
iii) To examine the growth of investment in the mutual fund industry.

Methodology

This paper tries to study and analyze the risk and return of equity and debt mutual funds. We have taken 15 debt mutual funds and 15 equity mutual funds. The analyses are in the detail of one year and this study is based on the secondary data obtained from various sources like websites, apps like Groww, and Money Control. Various statistical tools have been used.

Tools Used

For this study we have used various techniques and tools for mythologies: - the software we used SPSS and the various websites like groww, money control, AMFI.

Analysis
Objective 1.

Analysis and interpretation of return of equity and debt mutual fund.

Hypothesis

Null hypothesis(rejected)- There is no significant difference between returns of equity and debt mutual funds.

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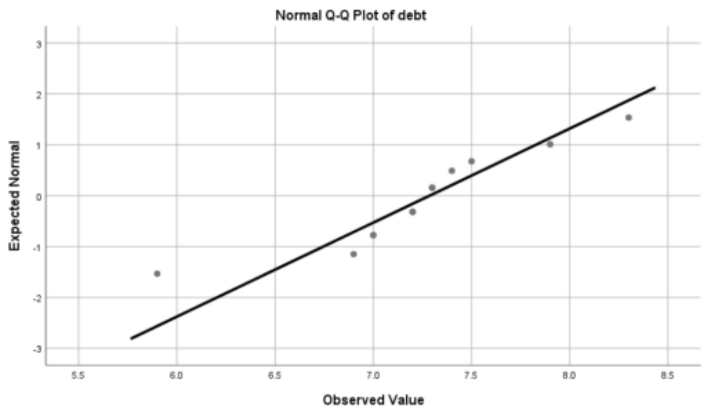
Data Analysis and Interpretation

Table 1: Tests of Normality

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
debt	.171	15	.200*	.904	15	.111
equity	.158	15	.200*	.893	15	.074

As the significance value is more than 0.5 in both cases, we can clearly say that the data is normally distributed for more conformation we can also take the Line graph. As the value of Shapiro-Wik Sig. is more than .05 our null hypothesis is accepted i.e. There is a significant difference between the returns of debt mutual funds and equity mutual funds.



As we can see all the dots are scattered near the line in the above graph it also proves that the data is normally distributed. We will use the Parametric Test to evaluate the analyze the performance of equity mutual funds and debt mutual funds. Parametric tests are statistical methods that make certain assumptions about the parameters of the population distribution from which the sample is drawn. The advantage of the Parametric Test over the non-parametric test is that the parametric test also shows the strength of variables. We will perform a paired sample t-test to compare two variables. We will perform a descriptive analysis.

Table 2: T-Test

T-Test

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	debt	7.2867	15	.54099	.13968
	equity	23.1067	15	4.85040	1.25237

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	debt & equity	15	-.232	.404

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	debt - equity	-15.82000	5.00388	1.29200	-18.59106	-13.04894	-12.245	14	.000

As the significance value is more than .05 it can be stated that there is a significant difference between equity and debt mutual funds. As we compare the mean, the mean of the debt mutual fund is 7.2867, and the mean of the equity mutual fund is 23.1067 there is a difference of -15.820 which is very huge, and our sig(2-tailed) is .000 which suggests that there is no error in our data.

Limitations and future research direction

As we know that research is a never-ending process, and each research has some limitation. The current study has some limitation as well. There would have been some other factors as well like performance and other relevant factors of debt comparison and equity comparison apart from the factors discussed in this study.

Analysis and interpretation of risk of debt and equity mutual fund.

Firstly, we must do T-Test to check paired samples of both debt and equity mutual fund. For that we have used SPSS and following are the conclusion for that

Null hypothesis(rejected) - There is no significance difference between risk of equity and debt mutual funds.
Null hypothesis(rejected) -There is significance difference between risk of equity and debt mutual funds.

T-Test

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Debt	24.0000	15	10.55597	2.72554
	Equity	96.6667	15	12.90994	3.33333

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Debt - Equity	-72.66667	21.53624	5.56063	-84.59304	-60.74030	-13.068	14	.000

As we compare the mean, mean of debt mutual fund is 24.0000 and mean of equity mutual fund is 96.6667 there is difference of risk 72.66667 which is huge and our sig (2-tailed) is .000 which suggests that there is no error in our data.

To examine the growth of investment in the mutual fund industry.

As we have seen an uptrend in mutual funds industry since last 10 years. It seems that the rapid technological advancements are likely to influence the future of mutual funds. There is various platform like grow, zerodha have made investment for investor easy as they can make payment in mutual funds. After seeing this figure, we can make an analysis that the investment in mutual funds in year 2013 was 8.20 lakh crore and in year 2023 the investment has skyrocket about 50 lakh crores. The difference between 10 years is 41.8 lakh crore. The industry outpaces in past years and reaches 19% growth.

Conclusion

This study is analyzed whether to choose equity or debt mutual funds depends on various factors, including your financial goals, risk tolerance and market conditions. Here are few key points to consider for both equity and debt mutual funds. The optimal choice between equity and debt mutual funds will depends on your individual financial situation. A well-balanced portfolio will include a combination of both to harness the benefits of diversification and manage risk. It is advisable to consult with a financial advisor for your investment strategy to your specific needs and circumstance.

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