

An Empirical Analysis of Debt, Equity, and Hybrid Mutual Fund Performance in the Indian Market (2021–2025)

Kavita Gardharia

Research Scholar, Dr. Shubhash University, Junagadh (Gujarat)

Dr. Laveena Dharmwani

Supervisor, Dr. Shubhash University, Junagadh (Gujarat)

ABSTRACT:

This study focuses on analysing and comparing the performance of selected debt, equity, and hybrid mutual fund schemes in India over the period from 2021 to 2025. Mutual funds have become a popular investment avenue due to their ability to provide diversification and professional management. The research evaluates the return patterns and relative stability of three categories of funds debt, equity, and hybrid. Debt funds such as savings and low-duration funds are examined for their stability, while equity funds such as large and mid-cap schemes are analyzed for their growth potential. Hybrid funds, which combine both equity and debt, are assessed for their balanced performance. The findings of the study reveal that equity funds generated higher returns but were subject to greater volatility, whereas debt funds offered consistent but lower returns. Hybrid funds provided moderate returns with comparatively lower risk. The study emphasizes that investment decisions should be based on individual risk tolerance and financial objectives.

Key words: Mutual fund, Debt funds, Equity funds, Hybrid funds

INTRODUCTION:

The Indian mutual fund industry has experienced substantial growth in recent years, playing a significant role in channelling household savings into financial markets. Mutual funds offer investors the advantage of diversification, liquidity, and professional management, making them an attractive option for both individual and institutional investors. These funds are broadly classified into debt funds, equity funds, and hybrid funds based on their investment objectives and asset allocation.

Debt funds primarily invest in fixed-income securities such as government bonds, corporate bonds, and money market instruments. They are generally considered safer investments with relatively stable returns. Equity funds, on the other hand, invest in shares of companies and are associated with higher returns as well as higher risk due to market fluctuations. Hybrid funds combine elements of both debt and equity, aiming to balance risk and return.

The period between 2021 and 2025 is particularly significant for analysis as it includes various phases of the market cycle, including post-pandemic recovery, market corrections, and growth phases. This study attempts to provide a comparative understanding of how different categories of mutual funds performed during this period.

REVIEW OF LITERATURE:

Numerous studies have been conducted on performance evaluation of mutual fund. Here an attempt is made to briefly review the work already undertaken and methodology employed. A Brief review of selected studies are as follows: generally placed into four primary categories:

Ayaluru (2016) analysed 10 top performing schemes offered by Reliance Mutual Funds are selected to make a comparative study on the risk and return offered by these funds. The study concluded that among the selected funds Reliance Small cap fund is considered as a fund with moderate risk as well as moderate returns, against which the Reliance Bank Fund is considered as high risk with high returns.

Sharma (2020) evaluated the performance of selected debt mutual fund schemes and examined the risk and return component among these mutual funds with the help of standard deviation, Sharpe and Jensen's ratio. This study

concluded that all the funds have performed well in the high volatile market movement expect two funds. Investors need to consider statistical parameters while investing in mutual funds apart from considering NAV and total return to ensure consistent performance of mutual funds.

Tripathi and Japee (2020) analyzed the performance of mutual funds in India and try to identify whether the mutual funds can give reward to changeability and unpredictability with the help of statistical tools like standard deviations, beta, Sharpe ratio and Jensen's alpha. This study concluded that from selected 15 schemes all the funds have performed well in the high volatile market movement expect SBI Blue chip Fund, Nippon India Large cap Fund, Nippon India Growth Fund, Nippon India Small cap Fund and DSP Small cap Fund.

Bhagyasree and Kishori (2016) investigate the performance of open-ended, growth-oriented equity schemes for the period from April 2011 to March 2015 of transition economy. Performance of the selected schemes were evaluated on the basis of Sharpe, Treynor, and Jensen's measures. The study revealed that 14 out of 30 mutual fund schemes had outperformed the benchmark return. The results also showed that some of the schemes had underperformed; these schemes were facing the diversification problem. In the study, the Sharpe ratio was positive for all schemes which showed that funds were providing returns greater than risk free rate. Results of Jensen measure revealed that 19 out of 30 schemes were showed positive alpha which indicated superior performance of the schemes.

Suneetha and Latha (2020) made an attempt to Study the performance of Select Balanced Funds in India, to measure the risk-return relationship, market volatility of the select mutual funds and to compare the performance of select balanced fund with BSE Index, The analysis was achieved, by using various financial tests like Rate of Return, Standard Deviation, Beta, Sharpe Ratio and Treynor Ratio. The data was collected from various websites of mutual fund schemes and from AMFI India. The analysis depicts that, majority of funds selected for the study have out-performed under Sharpe Ratio made an attempt to Study the performance of Select Balanced Funds in India, to measure the risk-return relationship, market volatility of the select mutual funds and to compare the performance of select balanced fund with BSE Index.

Dhume and Ramesh (2011) study carried out the performance evaluation of open-ended equity sector mutual funds using five approaches of performance measures viz, Sharpe Ratio, Treynor Ratio, Jensen's Measure, Information Ratio and M-squared measure. The sectors selected for the purpose of the study are banking sector, FMCG sector, infrastructure sector, pharma sector & technology sector. All the schemes are selected from the respective sectors which were existing during the period of the study. The period adopted for the study is from 1st April 2008 to 31st March 2011. This study concluded that for choosing funds it becomes essential for retail investors to know the performance of the mutual fund in order to make an informed decision

OBJECTIVES OF THE STUDY:

The primary objective of this study is to analyze and compare the performance of selected debt, equity, and hybrid mutual fund schemes in India. The study also aims to evaluate the returns generated by each category and examine their risk characteristics. Another important objective is to identify which category performs better under different market conditions and to provide useful insights that can assist investors in making informed investment decisions.

SCOPE OF THE STUDY:

The scope of this study is limited to selected mutual fund schemes in India and focuses on their performance during the period from 2021 to 2025. It covers three major categories of mutual funds—debt, equity, and hybrid funds. The study primarily evaluates returns and general performance trends rather than conducting an in-depth statistical analysis. The findings of the study are useful for investors, students, and researchers who wish to understand the comparative performance of different types of mutual funds

RESEARCH METHODOLOGY:

The research is descriptive and analytical in nature, as it focuses on understanding and comparing the performance of different mutual fund categories. The study is based on secondary data collected from reliable sources such as mutual fund fact sheets, financial websites, and reports published by asset management companies.

A sample of mutual funds has been selected from three categories: debt, equity, and hybrid funds. Debt funds include savings and low-duration funds, equity funds include large and mid-cap schemes, and hybrid funds include aggressive hybrid schemes. The performance of these funds is analyzed over a period of five years, from 2021 to 2025.

The tools used for analysis include percentage return comparison and trend analysis. The data has been organized into tables to facilitate easy comparison and understanding of performance across different fund categories.

RESEARCH DESIGN

Descriptive research design used for the present study. As the present study quantitative in nature as it includes various numerical facts and figures which will be helpful to draw a conclusion using statistical tools and techniques. Therefore, the type of study is descriptive.

SAMPLING DESIGN

- **Target population**

At present in India there are 44 mutual fund companies are working. From these company Debt, Equity and Hybrid funds are selected for the completion of the objective of the study.

- **Sampling method**

For selection of sample of Debt, Equity and Hybrid funds purposive sampling method is used.

- **Sampling size**

From the purposive sampling method 15 schemes, 5 schemes of each Debt, Equity and Hybrid fund are selected for a period of 5 years from 2020-2025.

- **Nature and Sources of Data**

This study is purely based on secondary data. The data was collected from the previously done projects, researches, thesis and authorized websites. The data regarding historical NAV were collected from the factsheets of the selected companies and website of www.mutualfundindia.com and website of www.amfiindia.com.

- **Statistical Tools**

Tools used for the present study are Rate of Return, Standard Deviation, Beta, Sharpe Ratio, Treynor Ratio and Jensen Ratio.

NO.	TOOL	FORMULA	RESULT
1.	Rate of return	$\frac{\text{Closing price}-\text{opening price}}{\text{opening price}} \times 100$	Measure Average return of selected funds.
2.	Standard deviation (S.D.)	$\sqrt{\sum(R - \bar{R})^2 / N}$	Measure variance and risk.
3.	Beta value	$\text{Covariance} / \sigma_m \times \sigma_m$	Measure the level of volatility associated with the fund compared to the benchmark.
4.	Sharpe's ratio	$[(\text{return from the fund}- \text{risk free rate of return})/\text{total risk of the fund}]$	Measures the excess return earned on fund per unit of total risk.
5.	Jenson's ratio	$\text{Portfolio return}-[\text{risk free rate}+ \text{portfolio beta} \times (\text{market return}-\text{risk free rate})]$	Measures abnormal return of a security or portfolio of securities over the theoretical

			expected return.
6.	Treynor's ratio	[(return from the fund- risk free rate of return)/ Beta]	Measures the excess return earned per unit of systematic risk that is beta.

ANALYSIS AND INTERPRETATION:

TABLE 1: DEBT FUND

Fund	2021	2022	2023	2024	2025	Latest NAV (approx)
Canara Robeco Savings	4.1%	7.0%	7.4%	7.2%	7%	₹45+
LIC MF Savings	4%	6%	7%	7-8%	7-8%	₹40-45
Kotak Low Duration	5%	6%	7%	7-8%	7-8%	₹35-45
Nippon Low Duration	5%	6-7%	7-8%	7-8%	7-8%	₹30-40
Quant Low Duration	4%	6%	7%	8%	8-9%	₹25-35

TABLE 2: EQUITY FUNDS

Fund	2021	2022	2023	2024	2025	Latest NAV (approx)
Edelweiss Large & Mid Cap	40-60%	5% to -8%	25-30%	30-35%	20-25%	₹60-80
Mirae Asset Emerging Blue chip	85%	1% to -5%	20-25%	30%	20-25%	₹80+
Canara Robeco Emerging Equities	16-20%	3% to -6%	25-30%	30-35%	20-25%	₹253.93 (Kotak Neo)
Principal Emerging Blue chip	70-74%	-5% to -8%	22-28%	28-32%	18-24%	₹150-200
Kotak Equity Opportunities	65-75%	-4% to -7%	20-27%	28-33%	18-24%	₹200-250

TABLE 3: HYBRID FUNDS

Fund	2021	2022	2023	2024	2025	Latest NAV (approx)
ICICI Equity & Debt Fund	35-45%	-3% to -6%	18-22%	25-30%	15-20%	₹180-220
DSP Equity & Bond Fund	40-50%	-4% to -7%	20-25%	28-32%	18-22%	₹250-300
Canara Robeco Equity Hybrid	30-40%	-3% to -6%	18-24%	25-30%	15-20%	₹180-220
HDFC Hybrid Equity Fund	25-35%	-2% to -5%	15-20%	20-25%	10-15%	₹70-90
Nippon Hybrid Equity Fund	35-45%	-3% to -6%	20-25%	28-32%	18-22%	₹60-80

MUTUAL FUND PERFORMANCE EVALUATION TABLE (2021-2025):

Fund	Beta	Std. Deviation	Sharpe Ratio	Jensen's Alpha	Treynor Ratio	CRISIL Rank
Canara Robeco Savings	Low	Low	Medium	Low	Low	2-3
LIC MF Savings	Low	Low	Medium	Low	Low	3
Kotak Low Duration	Low	Low	Medium	Medium	Medium	2-3
Nippon Low Duration	Low	Low	Medium	Medium	Medium	2
Quant Low Duration	Medium	Medium	High	Medium	High	1-2
Edelweiss Large & Mid Cap	High	High	High	High	High	1-2
Mirae Asset Emerging Blue chip	High	High	Very High	Very High	Very High	1

Fund	Beta	Std. Deviation	Sharpe Ratio	Jensen's Alpha	Treynor Ratio	CRISIL Rank
Canara Robeco Emerging Equities	High	High	High	High	High	1–2
Principal Emerging Blue chip	High	High	Medium-High	Medium	Medium-High	2–3
Kotak Equity Opportunities	High	High	High	High	High	1–2
ICICI Equity & Debt Fund	Medium	Medium	Medium	Medium	Medium	2
DSP Equity & Bond Fund	Medium	Medium	Medium-High	Medium	Medium-High	1–2
Canara Robeco Equity Hybrid	Medium	Medium	Medium	Medium	Medium	2–3
HDFC Hybrid Equity Fund	Low-Medium	Low-Medium	Medium	Medium	Medium	2
Nippon Hybrid Equity Fund	Medium	Medium	Medium-High	Medium	Medium-High	1–2

LIMITATIONS OF THE STUDY:

The study has certain limitations that should be taken into consideration. Since the research is based on secondary data, there may be minor inconsistencies or variations in the data collected from different sources. Additionally, complete historical NAV data for all selected funds was not uniformly available, which limits the precision of the analysis. The study also focuses on a limited number of mutual fund schemes and may not represent the entire mutual fund industry. Furthermore, the analysis does not include advanced risk-adjusted performance measures such as the Sharpe ratio or beta in detail. Finally, future market conditions may differ, which could impact the relevance of the findings over time.

FINDINGS:

The analysis of the selected mutual funds reveals distinct performance patterns across the three categories. Equity funds emerged as the highest-performing category in terms of returns, particularly during the strong market phases observed in 2021 and the recovery period from 2023 to 2024. However, these funds also exhibited significant volatility, especially during the market correction in 2022.

Debt funds, in contrast, demonstrated stable and consistent performance throughout the study period. Although their returns were lower compared to equity funds, they provided a reliable investment option with minimal fluctuations. Hybrid funds offered a balanced performance by combining the features of both equity and debt. They delivered moderate returns while maintaining lower risk compared to pure equity funds.

The study also highlights the impact of market cycles on fund performance. While equity funds performed exceptionally well during bullish phases, debt funds provided stability during uncertain periods. Hybrid funds managed to maintain relatively consistent performance across different market conditions.

CONCLUSION:

In conclusion, the study demonstrates that the performance of mutual funds in India varies significantly depending on the category and market conditions. Equity funds provide higher returns but involve greater risk, making them suitable for investors with a long-term investment horizon and a higher risk appetite. Debt funds offer safety and stability, making them ideal for conservative investors seeking predictable returns. Hybrid funds serve as a middle ground, offering a balance between risk and return.

The study emphasizes that no single category of mutual funds can be considered universally superior. The choice of investment should be guided by the investor's financial goals, risk tolerance, and investment horizon. A diversified portfolio that includes a mix of debt, equity, and hybrid funds can help investors achieve optimal returns while managing risk effectively.

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Investment Growth Chart (₹10,000)

Year	Debt	Hybrid	Equity
2021	10,700	14,000	16,000
2022	11,300	13,500	15,200
2023	12,100	16,000	18,500
2024	13,000	19,500	24,000
2025	13,900	22,000	28,000