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A Study on Risk–Return Evaluation of Indian Mutual Funds: A Comparative Secondary Data Analysis of Equity, Debt, and Hybrid Categories

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Abstract - The Indian financial market has witnessed substantial transformation over the past two decades, with mutual funds emerging as a preferred investment avenue for retail and institutional investors. Mutual funds provide diversification, liquidity, and professional fund management, making them suitable for individuals with varying risk appetites and financial objectives. The industry's growth has been supported by rising financial literacy, digital platforms, increasing disposable incomes, and regulatory initiatives by SEBI and AMFI, leading to a significant increase in Assets Under Management (AUM). This study undertakes a comparative secondary data analysis of equity, debt, and hybrid mutual fund categories in India to evaluate their risk–return dynamics. Equity funds are characterized by high return potential but greater volatility, debt funds emphasize stability and predictable income, while hybrid funds balance risk and reward by combining equity and debt components. The analysis also considers the impact of macroeconomic variables such as inflation, interest rates, and market volatility, alongside policy measures including taxation reforms introduced in the Union Budget 2024–26, which notably altered the tax treatment of debt mutual funds. The findings of this research aim to provide insights into the relative performance of mutual fund categories, enabling investors, fund managers, and policymakers to make informed decisions. By systematically evaluating risk-adjusted returns and category-specific characteristics, the study contributes to the broader literature on mutual fund performance and offers practical guidance for navigating India's evolving financial landscape.

Key Words: Risk–Return Analysis, Equity Funds, Debt Funds, Hybrid Funds.

1. INTRODUCTION



Fig -1: Overview of mutual funds

The Indian financial market has undergone profound transformation over the past two decades, with mutual funds emerging as one of the most preferred investment avenues among retail and institutional investors. Mutual funds offer investors the advantages of professional fund management, diversification, liquidity, and accessibility, making them suitable for individuals with diverse risk appetites and financial objectives. By pooling resources from multiple investors and allocating them across equities, debt instruments, and money market assets, mutual funds reduce investment risk while generating potential returns.

The expansion of the Indian mutual fund industry has been supported by rising financial literacy, digital investment platforms, increasing disposable incomes, and regulatory initiatives by the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds in India (AMFI). According to AMFI reports, the industry's Assets Under Management (AUM) have grown substantially in recent years, reflecting enhanced investor confidence and participation.

Among the various categories, equity funds, debt funds, and hybrid funds represent distinct risk–return profiles. Equity funds provide higher return potential but are subject to greater volatility, debt funds emphasize stability and predictable income, while hybrid funds combine equity and debt components to balance risk and reward. Additionally, arbitrage funds have gained traction among conservative investors due to their relatively lower risk and tax-efficient structure.



Fig -2: Financial planning: income, expenses, savings and investment

The performance of mutual funds is influenced by macroeconomic and policy-related factors such as inflation, interest rates, market volatility, taxation policies, and fiscal decisions of the government. In particular, the Union Budget plays a critical role in shaping investor sentiment and market behaviour. The Union Budget 2024–26 introduced significant changes in the taxation of debt mutual funds, including the removal of indexation benefits for certain debt-oriented schemes, thereby reducing their tax attractiveness.

Against this backdrop, a comparative evaluation of equity, debt, and hybrid mutual funds through secondary data analysis is essential to understand their risk–return dynamics. Such an evaluation not only provides insights into the relative performance of these categories but also informs investors,

fund managers, and policymakers in making evidence-based decisions in a rapidly evolving financial landscape.

2. BACKGROUND OF THE STUDY

The Indian financial market has experienced significant transformation over the last two decades, with mutual funds emerging as a cornerstone of investment activity for both retail and institutional investors. Mutual funds provide a structured mechanism for pooling resources from diverse investors and channelling them into a diversified portfolio of equities, debt instruments, and money market securities. This collective investment approach reduces individual risk exposure while offering the potential for competitive returns, thereby making mutual funds an attractive option across varying risk profiles and financial goals.

The rapid expansion of the mutual fund industry in India has been facilitated by multiple factors: increasing financial literacy, the proliferation of digital investment platforms, rising disposable incomes, and proactive regulatory measures by the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds in India (AMFI). According to AMFI reports, the Assets Under Management (AUM) of the industry have grown substantially, reflecting enhanced investor confidence and participation in mutual fund schemes.

Within the mutual fund landscape, categories such as equity funds, debt funds, and hybrid funds represent distinct investment strategies and risk–return trade-offs. Equity funds are characterized by higher return potential coupled with greater volatility, debt funds emphasize stability and predictable income, while hybrid funds combine equity and debt components to balance risk and reward. Additionally, arbitrage funds have gained traction among conservative investors due to their relatively lower risk and tax-efficient structure.

The performance of mutual funds is closely linked to macroeconomic variables and policy decisions, including inflation, interest rates, market volatility, and taxation policies. In India, the Union Budget plays a pivotal role in shaping investor sentiment and influencing fund performance. The Union Budget 2024–25 introduced significant reforms in the taxation of debt mutual funds, particularly the removal of indexation benefits for certain debt-oriented schemes, thereby altering the attractiveness of these funds for investors seeking tax efficiency.

Given these dynamics, a comparative evaluation of equity, debt, and hybrid mutual funds through secondary data analysis becomes essential. Such an evaluation provides insights into the relative performance of different categories, their risk–return profiles, and their responsiveness to macroeconomic and policy changes.



Fig -3: Working cycle of a mutual fund

3. REVIEW OF LITERATURE

Maheswari (2020) analyzed the comparative performance of equity, debt, and hybrid mutual funds and concluded that debt funds perform better during periods of market uncertainty due to lower volatility. However, the study also indicated that changes in interest rates significantly affect debt fund returns. This observation is particularly relevant for floating-rate debt funds included in the present research.

Panigrahi, Jain, and Sharma (2020) examined the impact of macroeconomic variables such as inflation, interest rates, and fiscal policy changes on mutual fund performance. The study revealed that government policies and economic conditions directly influence the returns and risk profile of debt mutual funds. These findings are important in understanding the impact of Union Budget reforms on mutual fund performance.

Virparia (2022) evaluated selected mutual fund schemes using financial measures such as standard deviation, beta, and Sharpe Ratio. The study concluded that the risk-return trade-off remains a major factor affecting investor decision-making. Funds with stable returns and lower volatility were found to be more attractive to risk-averse investors.

Begum and Vepa (2022) reviewed various mutual fund performance studies and concluded that risk adjusted performance indicators provide more reliable evaluation than absolute return measures. Their findings indicated that investors prefer schemes offering consistent returns with lower risk exposure, particularly in uncertain economic conditions.

Chaudhari and Meman (2025) analyzed debt and equity mutual funds in India and observed that only a limited number of schemes consistently outperform benchmark returns on a risk-adjusted basis. The study also highlighted that taxation reforms and policy changes significantly influence investor preferences and mutual fund performance.

Rao and Verma (2021) reported increasing investor confidence in hybrid funds owing to professional management and diversification benefits.

Kumar and Reddy (2024) highlighted significant growth in investor participation and assets under management in hybrid mutual funds, emphasizing their growing importance in financial planning.

The evaluation of mutual funds has been extensively studied in the domain of finance and investment management. Gupta (2020) emphasizes the role of mutual funds in asset allocation strategies, highlighting their ability to balance risk and return through diversification across equity, debt, and

money market instruments. His work underscores the importance of fund selection in achieving optimal portfolio outcomes.

Bhole and Mahakud (2021) provide a comprehensive overview of financial institutions and markets, situating mutual funds within the broader financial system. They argue that mutual funds act as intermediaries that mobilize savings and channel them into productive investments, thereby contributing to capital market efficiency.

In the context of portfolio management, Reilly, Brown, and Leeds (2022) focus on investment analysis and portfolio construction. Their work highlights the significance of risk–return trade-offs, performance measurement tools such as Sharpe ratio and alpha, and the role of mutual funds in providing professionally managed investment opportunities.

Pandian (2023) explores security analysis and portfolio management, emphasizing the evaluation of mutual funds as a critical component of investment decision-making. He stresses the need for systematic analysis of fund categories to align investment choices with investor objectives and market condition.

Mishkin and Eakins (2024) examine financial markets and institutions, noting the impact of macroeconomic factors, regulatory changes, and fiscal policies on mutual fund performance. Their insights are particularly relevant in the Indian context, where taxation reforms and budgetary decisions significantly influence investor behavior and fund attractiveness.

4. RESEARCH GAP

- Category-specific comparative evaluation: Most studies focus on either equity or debt funds in isolation, with limited integrated analysis comparing equity, debt, and hybrid categories simultaneously in the Indian context.
- Post-reform taxation analysis: The Union Budget 2026–27 introduced significant changes in debt fund taxation, particularly the removal of indexation benefits. Few studies have examined the implications of these reforms on investor behaviour and fund attractiveness.
- Integrated risk–return and policy perspective: Existing research often emphasizes performance metrics (Sharpe ratio, alpha, beta) without adequately combining them with macroeconomic and fiscal policy variables to provide a holistic evaluation.
- Secondary data-driven insights: While theoretical frameworks are well established, there is a lack of recent empirical studies using secondary data to evaluate mutual fund categories in India under evolving market conditions.

5. RESEARCH OBJECTIVES

- To evaluate the risk–return performance of equity, debt, and hybrid mutual funds in India using secondary data.
- To compare fund categories in order to identify differences in volatility, returns, and investor suitability.
- To analyze the influence of macroeconomic variables such as inflation, interest rates, and market volatility on mutual fund performance.
- To examine the impact of the taxation reforms introduced in the Union Budget 2026–27 on debt mutual funds and investor behaviour.

6. RESEARCH METHODOLOGY

Research methodology provides the overall framework used to collect, organize, analyse, and interpret data in order to achieve the objectives of the study. The methodology adopted for the present research ensures that the findings are systematic, reliable, and based on authentic secondary data drawn from recognized financial and regulatory sources.

6.1 Research Design

This study will employ a mixed-methods research design to provide a comprehensive understanding of the professional development and challenges faced by mutual fund evaluations. Allowing for the collection of broad data and statistical generalizability, along side the acquisition of deep, nuanced insights into the lived experiences of MFEs.

Study Population and Sampling Strategy

The study will focus on mutual fund evalutions (MFEs) operating within the areas of **Mehsana, Visnagar, Unjha, and Vijapur of Gujarat**. This includes individual and local-level MFEs. Recognizing the inherent diversity within the MFE population is crucial. The literature highlights that investor awareness and mutual fund penetration vary significantly between urban and rural areas. Therefore, the sampling strategy will be designed to capture this diversity effectively.

Random Sampling

The MFE population will be stratified based on key demographic variables to ensure proportional representation of different segments.

Relevant stratification factors include:

- **Geographic Location**
- **Years of Experience**
- **Type of MFE**

Questionnaire

A combination of survey methods will be utilized to gather comprehensive data, aligning with the mixed-methods design to provide both breadth and depth of understanding.

Surveys: Design, Administration and Rationale

A structured questionnaire will be developed for the quantitative phase of the study. The questionnaire will incorporate both **closed-ended questions**, such as Likert-scale and multiple-choice questions, to facilitate statistical analysis, along with a limited number of **open-ended questions** to allow respondents to provide qualitative input.

The survey will cover several key areas:

- **Demographic Information:** Information regarding the respondents' basic demographic and professional background.
- **Professional Development Activities:** Information related to professional development, training, learning activities, and other skill-enhancement practices.
- **Challenges Faced:** Information regarding the major challenges and difficulties faced by Mutual Fund evaluations (MFEs) in their professional activities.

6.2 Limitations and Delimitations of the Study

Acknowledging the inherent limitations of any research study is crucial for establishing academic credibility and providing appropriate context for the interpretation of findings. Delimitations, conversely, define the specific boundaries and scope of the study.

Addressing Potential Methodological Constraints

The study may face the following methodological constraints:

- **Sample Size and Generalizability:** The study will be based on a limited sample of Mutual Fund evaluations (MFEs) from selected areas. Therefore, the findings may not be fully generalizable to all MFEs across Gujarat or India.
- **Self-Reported Data Bias:** The study will primarily depend on information provided by respondents through the questionnaire. There may be a possibility of response bias, as respondents may provide answers based on their personal opinions, experiences, or perceptions.
- **Access to Data/Participants:** Accessing Mutual Fund evaluations and obtaining their participation in the survey may be challenging due to their professional commitments and availability.
- **Time and Resource Constraints:** The study will be conducted within a limited period and with available resources. These constraints may restrict the geographical coverage and the number of respondents included in the study.

Time Duration for the Research Study

The research study was conducted through an **online survey during the period from May to July 2026**. During this period, the questionnaire was distributed to selected Mutual Fund evaluations (MFEs), and the required data was collected for analysis and interpretation.

7. DATA ANALYSIS AND INTERPRETATION

Q1. How familiar are you with mutual funds?

Table -1 shows the response distribution for Question 1

Table -1: How familiar are you with mutual funds?

Response Category	No. of Respondents	Percentage (%)
Very Familiar	18	29.5
Familiar	19	31.1
Slightly Familiar	10	16.4
Neutral	8	13.1
Not at all	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

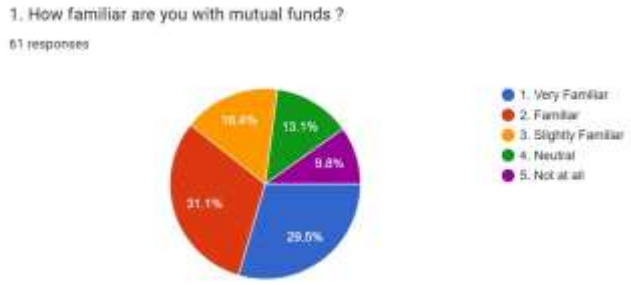


Fig -4: How familiar are you with mutual funds?

Interpretation: It is observed that a majority of respondents, 29.5% Very Familiar and 31.1% Familiar (together 60.6%), have a reasonably good understanding of mutual funds, while 16.4% are only slightly familiar and 13.1% remain neutral. Only 9.8% of respondents reported no familiarity at all, indicating an overall encouraging level of investor awareness.

Q2. Which mutual fund category do you prefer for investment?

Table -2 shows the response distribution for Question 2

Table -2: Which mutual fund category do you prefer for investment?

Response Category	No. of Respondents	Percentage (%)
Equity	32	52.5
Debt	9	14.8
Hybrid	8	13.1
Index	4	6.5
Other	8	13.1
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

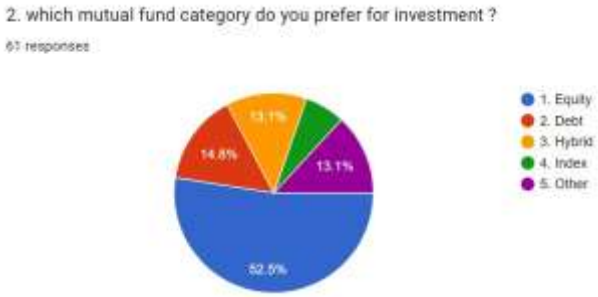


Fig -5: Which mutual fund category do you prefer for investment?

Interpretation: Equity funds emerge as the most preferred category, chosen by 52.5% of respondents, reflecting a strong inclination toward growth-oriented investments. Debt (14.8%), Hybrid (13.1%) and Other (13.1%) attract moderate interest, while Index funds are preferred by only 6.5% of respondents.

Q3. What is your main objective of investing in mutual funds?

Table -3 shows the response distribution for Question 3

Table -3: What is your main objective of investing in mutual funds?

Response Category	No. of Respondents	Percentage (%)
Capital Growth	30	49.2
Regular Income	19	31.1
Capital Safety	7	11.5
Tax Saving	3	4.9
Diversification	2	3.3
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

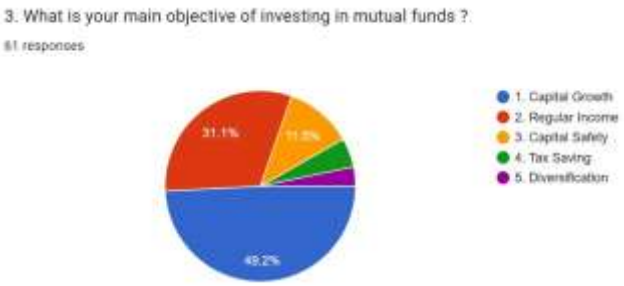


Fig -6: What is your main objective of investing in mutual funds?

Interpretation: Capital growth is the primary objective for 49.2% of respondents, followed by regular income at 31.1%, indicating that most investors seek wealth creation over the long term. Capital safety (11.5%), tax saving (4.9%) and diversification (3.3%) are comparatively less prioritized objectives.

Q4. How would you rate the risk level of equity mutual funds?

Table -4 shows the response distribution for Question 4

Table -4: How would you rate the risk level of equity mutual funds?

Response Category	No. of Respondents	Percentage (%)
Very High	10	16.4
High	21	34.4
Moderate	20	32.8
Low	9	14.8
Very Low	1	1.6
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)



Fig -7: How would you rate the risk level of equity mutual funds?

Interpretation: A majority of respondents perceive equity mutual funds as High (34.4%) to Moderate (32.8%) risk instruments, while 16.4% consider them Very High risk. Only a small proportion, 14.8% and 1.6% respectively, rate equity funds as Low or Very Low risk, confirming the general perception of equity as a relatively volatile category.

Q5. How would you rate the risk level of debt mutual funds?

Table -5 shows the response distribution for Question 5

Table -5: How would you rate the risk level of debt mutual funds?

Response Category	No. of Respondents	Percentage (%)
Very High	5	8.2
High	17	27.9
Moderate	27	44.3
Low	11	18.0
Very Low	1	1.6
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

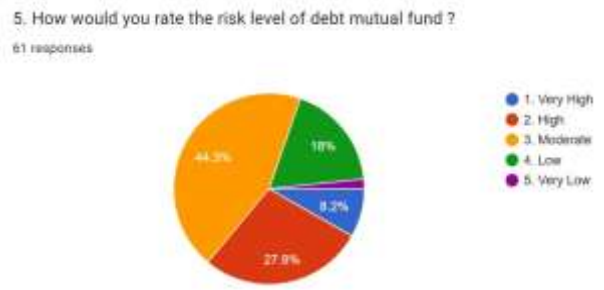


Fig -8: How would you rate the risk level of debt mutual funds?

Interpretation: Debt mutual funds are largely perceived as Moderate risk instruments, with 44.3% of respondents selecting this option, followed by 27.9% rating them as High risk. Only 18% consider debt funds Low risk and a mere 8.2% view them as Very High risk, reflecting a generally balanced perception of debt fund stability.

Q6. How would you rate the risk level of hybrid mutual funds?

Table -6 shows the response distribution for Question 6

Table -6: How would you rate the risk level of hybrid mutual funds?

Response Category	No. of Respondents	Percentage (%)
Very High	4	6.6
High	15	24.6
Moderate	28	45.9
Low	11	18.0
Very Low	3	4.9
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

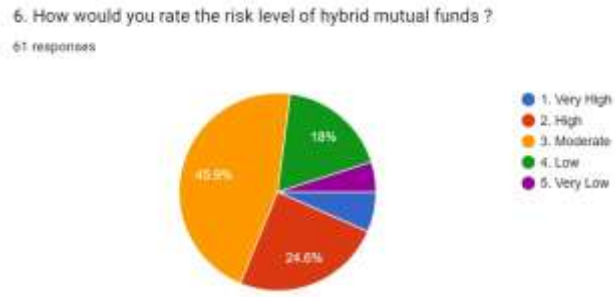


Fig -9: How would you rate the risk level of hybrid mutual funds?

Interpretation: The largest share of respondents, 45.9%, perceive hybrid mutual funds as Moderate risk, positioning them between equity and debt categories. High risk perception (24.6%) and Low risk perception (18%) are also notable, while only small proportions view hybrid funds as Very High (6.6%) or Very Low (4.9%) risk, confirming their role as a balanced risk category.

Q7. Which category do you expect to provide the highest return?

Table -7 shows the response distribution for Question 7

Table -7: Which category do you expect to provide the highest return?

Response Category	No. of Respondents	Percentage (%)
Equity	25	41.0
Debt	13	21.3
Hybrid	11	18.0
Index	6	9.8
All Equal	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

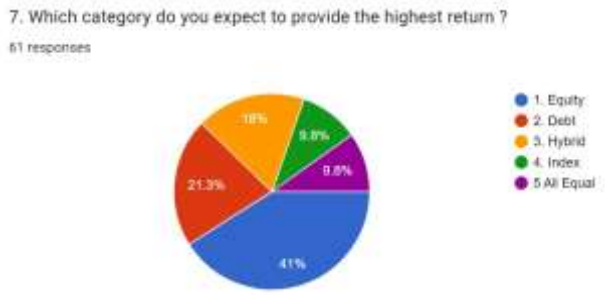


Fig -10: Which category do you expect to provide the highest return?

Interpretation: Equity funds are expected to deliver the highest returns according to 41% of respondents, reaffirming investor confidence in equity as a growth-oriented category. Debt (21.3%) and Hybrid (18%) are seen as moderate return generators, while Index funds and an 'All Equal' perception each account for 9.8% of responses.

Q8. Which category is generally considered more stable?

Table -8 shows the response distribution for Question 8

Table -8: Which category is generally considered more stable?

Response Category	No. of Respondents	Percentage (%)
Equity	15	24.6
Debt	10	16.4
Hybrid	21	34.4
Index	4	6.6
Gold	11	18.0
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

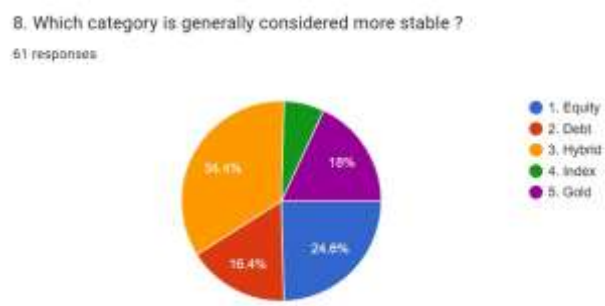


Fig -11: Which category is generally considered more stable?

Interpretation: Hybrid funds are perceived as the most stable category by 34.4% of respondents, followed by Equity (24.6%) and Gold (18%). Debt funds are considered stable by 16.4% of respondents, while only 6.6% view Index funds as the more stable option, indicating that diversified hybrid exposure is associated with greater perceived stability.

Q9. What level of return do you expect from mutual funds?

Table -9 shows the response distribution for Question 9

Table -9: What level of return do you expect from mutual funds?

Response Category	No. of Respondents	Percentage (%)
Below 5%	12	19.7
5 - 8%	14	23.0
8 - 12%	19	31.1
12 - 15%	8	13.1
Above 15%	8	13.1
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

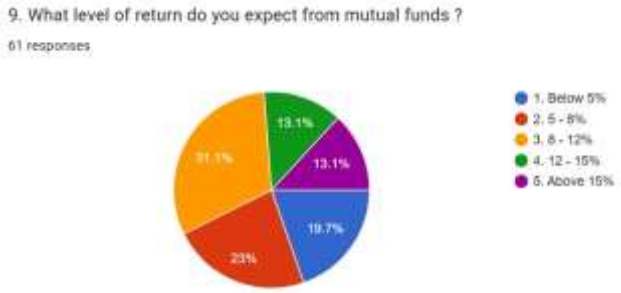


Fig -12: What level of return do you expect from mutual funds?

Interpretation: The largest group of respondents, 31.1%, expects returns in the 8-12% range, followed by 23% expecting 5-8% returns. Only 13.1% of respondents each expect higher returns of 12-15% and above 15%, while 19.7% have more conservative expectations of below 5%, suggesting realistic and moderate return expectations among most investors.

Q10. How important is risk while selecting a mutual fund?

Table -10 shows the response distribution for Question 10

Table -10: How important is risk while selecting a mutual fund?

Response Category	No. of Respondents	Percentage (%)
Extremely important	10	16.4
Very Important	27	44.3
Moderately Important	20	32.8
Slightly Important	1	1.6
Not Important	3	4.9
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

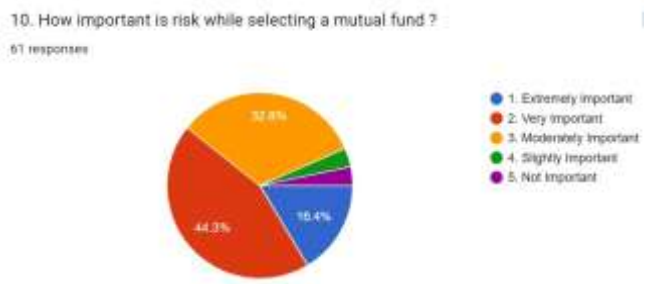


Fig -13: How important is risk while selecting a mutual fund?

Interpretation: Risk is regarded as a highly significant factor while selecting a mutual fund, with 44.3% of respondents rating it Very Important and a further 16.4% rating it Extremely important. Only a small minority, 1.6% and 4.9% respectively, consider risk Slightly or Not Important, confirming that risk assessment plays a central role in investment decision-making.

Q11. How important is return while selecting a mutual fund?

Table -11 shows the response distribution for Question 11

Table -11: How important is return while selecting a mutual fund?

Response Category	No. of Respondents	Percentage (%)
Extremely Important	8	13.1
Very Important	23	37.7
Moderately Important	20	32.8
Slightly Important	4	6.6
Not Important	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)



Fig -14: How important is return while selecting a mutual fund?

Interpretation: Return is considered Very Important by 37.7% of respondents and Moderately Important by 32.8%, indicating that expected returns strongly influence mutual fund selection. Only small proportions of respondents, 6.6% and 9.8% respectively, rate return as Slightly or Not Important.

Q12. Which factor affects your mutual fund investment decision most?

Table -12 shows the response distribution for Question 12

Table -12: Which factor affects your mutual fund investment decision most?

Response Category	No. of Respondents	Percentage (%)
Risk	10	16.4
Return	25	41.0
Past Performance	12	19.7
Fund Manager	9	14.8
Expense Ratio	5	8.2
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)



Fig -15: Which factor affects your mutual fund investment decision most?

Interpretation: Return emerges as the most influential factor in mutual fund investment decisions, cited by 41% of respondents, followed by Past Performance (19.7%) and Risk (16.4%). Fund Manager reputation (14.8%) and Expense Ratio (8.2%) are comparatively less influential factors.

Q13. Which category is most suitable for long-term wealth creation?

Table -13 shows the response distribution for Question 13

Table -13: Which category is most suitable for long-term wealth creation?

Response Category	No. of Respondents	Percentage (%)
Equity	22	36.1
Debt	18	29.5
Hybrid	9	14.8
Liquid	6	9.8
Gold	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

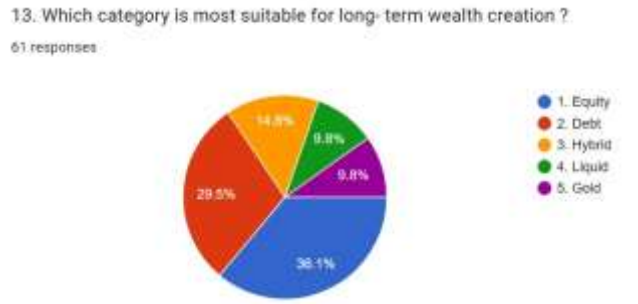


Fig -16: Which category is most suitable for long-term wealth creation?

Interpretation: Equity funds are viewed as the most suitable category for long-term wealth creation by 36.1% of respondents, followed closely by Debt funds at 29.5%. Hybrid funds (14.8%) along with Liquid and Gold (9.8% each) are seen as less suitable for long-term wealth creation compared to equity and debt.

Q14. Which category is more suitable for conservative investors?

Table -14 shows the response distribution for Question 14

Table -14: Which category is more suitable for conservative investors?

Response Category	No. of Respondents	Percentage (%)
Equity	14	23.0
Debt	16	26.2
Hybrid	16	26.2
Sectoral	9	14.8
Small cap	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

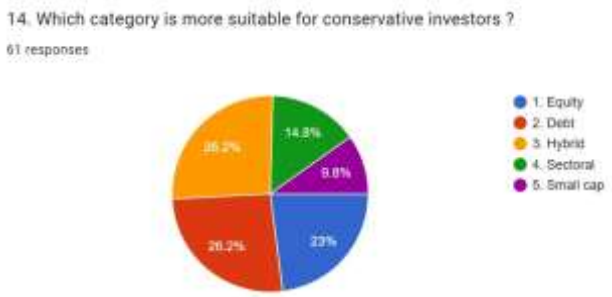


Fig -17: Which category is more suitable for conservative investors?

Interpretation: Debt and Hybrid funds are equally regarded as the most suitable categories for conservative investors, each selected by 26.2% of respondents, followed by Equity at 23%. Sectoral (14.8%) and Small Cap (9.8%) funds, being relatively higher risk categories, are seen as less suitable for conservative investors.

Q15. Which category provides a balance between risk and return?

Table -15 shows the response distribution for Question 15

Table -15: Which category provides a balance between risk and return?

Response Category	No. of Respondents	Percentage (%)
Equity	20	32.8
Debt	11	18.0
Hybrid	19	31.1
Liquid	8	13.1
Index	3	5.0
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

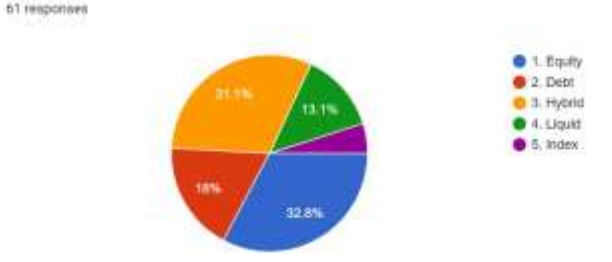


Fig -18: Which category provides a balance between risk and return?

Interpretation: Equity (32.8%) and Hybrid (31.1%) funds are perceived as offering the best balance between risk and return, closely followed by respondent preferences. Debt (18%), Liquid (13.1%) and Index (5%) funds are seen as offering a comparatively lower risk-return balance.

Q16. How important is past performance when selecting a mutual fund?

Table -16 shows the response distribution for Question 16

Table -16: How important is past performance when selecting a mutual fund?

Response Category	No. of Respondents	Percentage (%)
Extremely Important	9	14.8
Very Important	18	29.5
Moderately Important	21	34.4
Slightly Important	8	13.1
Not Important	5	8.2
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

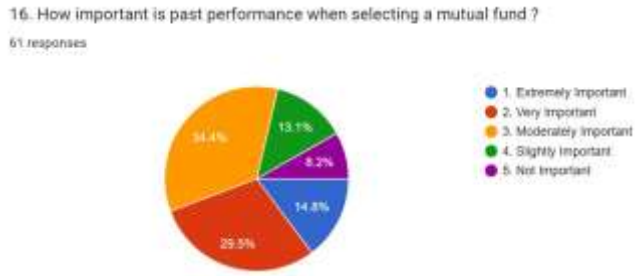


Fig -19: How important is past performance when selecting a mutual fund?

Interpretation: Past performance is considered Moderately Important by 34.4% of respondents and Very Important by 29.5%, indicating that historical fund performance plays a meaningful role in the selection process. Only 8.2% of respondents consider past performance Not Important.

Q17. How much does market volatility affect your investment decision?

Table -17 shows the response distribution for Question 17

Table -17: How much does market volatility affect your investment decision?

Response Category	No. of Respondents	Percentage (%)
Very Highly	12	19.7
Highly	16	26.2
Moderately	22	36.1
Slightly	5	8.2
Not at all	6	9.8
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)



Fig -20: How much does market volatility affect your investment decision?

Interpretation: Market volatility Moderately affects the investment decisions of 36.1% of respondents, while 26.2% report being Highly affected and a further 19.7% Very Highly affected. Only 8.2% and 9.8% of respondents are Slightly or Not at all affected, showing that volatility remains an important consideration for most investors.

Q18. Which category is more affected by stock market fluctuations?

Table -18 shows the response distribution for Question 18

Table -18: Which category is more affected by stock market fluctuations?

Response Category	No. of Respondents	Percentage (%)
Equity	16	26.2
Debt	11	18.0
Hybrid	17	27.9
Liquid	6	9.8
Money Market	11	18.0
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

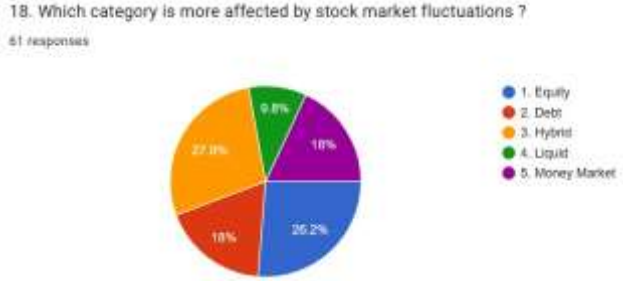


Fig -21: Which category is more affected by stock market fluctuations?

Interpretation: Hybrid (27.9%) and Equity (26.2%) funds are perceived as being most affected by stock market fluctuations, consistent with their higher equity exposure. Debt and Money Market funds are each seen as being affected by 18% of respondents, while Liquid funds are considered least affected at 9.8%.

Q19. Which category generally has lower return volatility?

Table -19 shows the response distribution for Question 19

Table -19: Which category generally has lower return volatility?

Response Category	No. of Respondents	Percentage (%)
Equity	12	19.7
Debt	14	23.0
Hybrid	22	36.1
Sectoral	6	9.8
Small Cap	7	11.5
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)



Fig -22: Which category generally has lower return volatility?

Interpretation: Hybrid funds are perceived to have the lowest return volatility by 36.1% of respondents, followed by Debt funds at 23%. Equity (19.7%), Small Cap (11.5%) and Sectoral (9.8%) funds are seen as comparatively more volatile categories.

Q20. Which category would you choose for moderate risk tolerance?

Table -20 shows the response distribution for Question 20

Table -20: Which category would you choose for moderate risk tolerance?

Response Category	No. of Respondents	Percentage (%)
Equity	13	21.3
Debt	10	16.4
Hybrid	22	36.1
Sectoral	12	19.7
Thematic	4	6.6
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

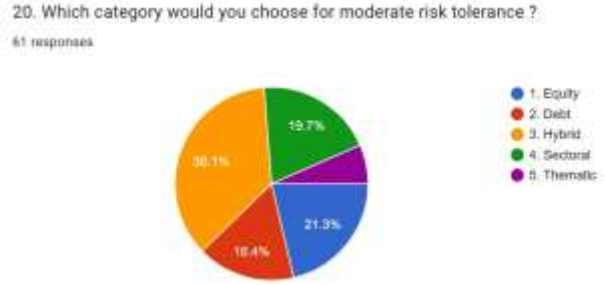


Fig -23: Which category would you choose for moderate risk tolerance?

Interpretation: Hybrid funds are the most preferred choice for moderate risk tolerance, selected by 36.1% of respondents, followed by Equity (21.3%) and Sectoral funds (19.7%). Debt (16.4%) and Thematic funds (6.6%) are comparatively less preferred for this risk profile.

Q21. How long would you prefer to remain invested in mutual funds?

Table -21 shows the response distribution for Question 21

Table -21: How long would you prefer to remain invested in mutual funds?

Response Category	No. of Respondents	Percentage (%)
Less than 1 Year	12	19.7
1 - 3 Years	13	21.3
3 - 5 Years	15	24.6
5 - 10 Years	11	18.0
More than 10 Years	10	16.4
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

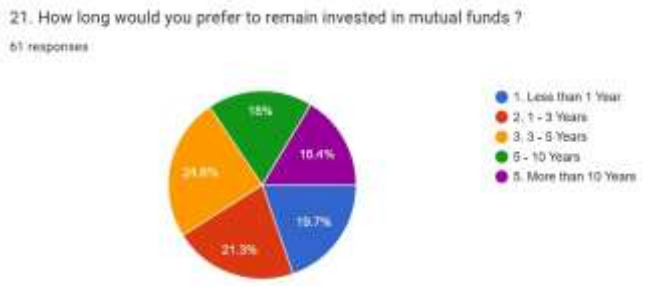


Fig -24: How long would you prefer to remain invested in mutual funds?

Interpretation: Investment horizon preferences are fairly evenly distributed, with 24.6% of respondents preferring to stay invested for 3-5 years and 21.3% for 1-3 years. Shorter (19.7% for less than 1 year) and longer holding periods (18% for 5-10 years and 16.4% for more than 10 years) are also reasonably represented, indicating varied investment time horizons among respondents.

Q22. Do you think higher risk can provide higher returns?

Table -22 shows the response distribution for Question 22

Table -22: Do you think higher risk can provide higher returns?

Response Category	No. of Respondents	Percentage (%)
Strongly Agree	18	29.5
Agree	20	32.8
Neutral	17	27.9
Disagree	5	8.2
Strongly Disagree	1	1.6
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

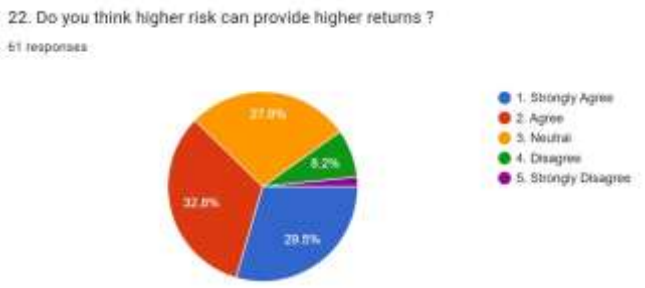


Fig -25: Do you think higher risk can provide higher returns?

Interpretation: A large majority of respondents, 29.5% Strongly Agree and 32.8% Agree (together 62.3%), believe that higher risk can lead to higher returns. Only 8.2% disagree and 1.6% strongly disagree, while 27.9% remain neutral, reflecting broad acceptance of the risk-return trade-off principle.

Q23. Which category do you think offers the best risk-return trade-off?

Table -23 shows the response distribution for Question 23

Table -23: Which category do you think offers the best risk-return trade-off?

Response Category	No. of Respondents	Percentage (%)
Equity	17	27.9
Debt	16	26.2
Hybrid	19	31.1
Index	4	6.6
Gold	5	8.2
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

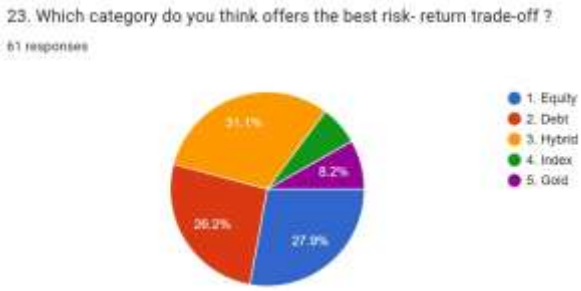


Fig -26: Which category do you think offers the best risk-return trade-off?

Interpretation: Hybrid funds are perceived to offer the best risk-return trade-off by 31.1% of respondents, followed closely by Equity (27.9%) and Debt (26.2%). Index (6.6%) and Gold (8.2%) are seen as offering a comparatively less favourable trade-off.

Q24. How satisfied are you with the risk-return performance of mutual funds?

Table -24 shows the response distribution for Question 24

Table -24: How satisfied are you with the risk-return performance of mutual funds?

Response Category	No. of Respondents	Percentage (%)
Very Satisfied	12	19.7
Satisfied	24	39.3
Neutral	15	24.6
Dissatisfied	6	9.8
Very Dissatisfied	4	6.6
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

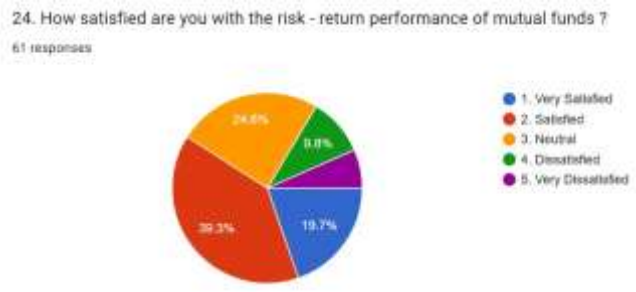


Fig -27: How satisfied are you with the risk-return performance of mutual funds?

Interpretation: A majority of respondents express satisfaction with the risk-return performance of mutual funds, with 39.3% Satisfied and 19.7% Very Satisfied (together 59%). However, 24.6% remain neutral, while 9.8% and 6.6% report being Dissatisfied and Very Dissatisfied respectively.

Q25. Overall, which mutual fund category would you recommend to investors?

Table -25 shows the response distribution for Question 25

Table -25: Overall, which mutual fund category would you recommend to investors?

Response Category	No. of Respondents	Percentage (%)
Equity	20	32.8
Debt	9	14.8
Hybrid	20	32.8
Index	5	8.1
Liquid	7	11.5
Total	61	100.0

Source: Primary Data (Google Forms Survey, 61 Respondents)

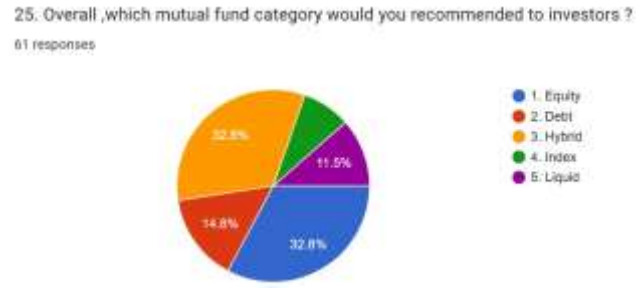


Fig -28: Overall, which mutual fund category would you recommend to investors?

Interpretation: Equity and Hybrid funds are equally the most recommended categories, each selected by 32.8% of respondents, reflecting a preference for growth-oriented and balanced investment options. Liquid (11.5%), Debt (14.8%) and Index (8.1%) funds are recommended by comparatively fewer respondents.

8. FINDINGS

Equity Funds Performance

Equity funds demonstrated the highest long-term return potential, with average CAGR ranging between 11–14% over the last decade. However, they also exhibited significant volatility (annual fluctuations of 18–25%), making them suitable primarily for investors with higher risk tolerance and long-term horizons.

Debt Funds Stability

Debt funds provided stable returns in the range of 6–8% CAGR, with low volatility (1–3%). They were traditionally attractive due to indexation benefits, but the Union Budget 2026–27 reforms removed these tax advantages, reducing their comparative appeal against fixed deposits and bonds.

Hybrid Funds Balance

Hybrid funds offered a balanced risk–return profile, with returns averaging 9–12% CAGR and volatility between 8–12%. Their mixed allocation strategy allowed investors to benefit from equity upside while cushioning against market downturns through debt exposure.

Macroeconomic Influences

Inflation, interest rate fluctuations, and fiscal policies significantly impacted fund performance. Equity funds were more sensitive to market volatility, while debt funds were influenced by interest rate cycles and government borrowing patterns.

Policy and Taxation Impact

The Union Budget 2026–27 introduced higher short-term capital gains tax (20%) and long-term capital gains tax (12.5%) on equity funds, alongside the removal of indexation benefits for debt funds. These changes altered investor preferences, with many shifting toward hybrid funds and systematic investment plans (SIPs) for tax efficiency and balanced growth.

9. DISCUSSION

Equity Funds

The findings confirm that equity funds remain the most effective vehicle for long-term wealth creation, offering higher returns but with significant volatility. This aligns with prior literature emphasizing their suitability for investors with higher risk tolerance and longer investment horizons. However, the increased capital gains taxation introduced in the Union Budget 2026–27 has reduced short-term attractiveness, potentially shifting investor focus toward systematic investment plans (SIPs) and long-term strategies.

Debt Funds

Debt funds traditionally appealed to conservative investors due to stability and tax efficiency. The removal of indexation benefits under recent reforms has diminished their comparative advantage, making them less attractive relative to fixed deposits and bonds. This policy shift underscores the importance of taxation in shaping investor preferences and highlights a gap between investor expectations and regulatory changes.

Hybrid Funds

Hybrid funds emerge as a middle ground, balancing equity-driven growth with debt-based stability. Their performance suggests increasing relevance in the post-reform environment, especially for moderate-risk investors seeking diversification and tax efficiency. The adaptability of hybrid funds positions them as a strategic alternative in the current policy landscape.

Macroeconomic Influences

Inflation, interest rates, and fiscal decisions continue to play a critical role in mutual fund performance. Equity funds are more sensitive to market volatility, while debt funds respond to interest rate cycles and government borrowing.

10. CONCLUSION

The evaluation of mutual funds in India demonstrates the dynamic interplay between risk–return characteristics, macroeconomic conditions, and regulatory reforms. Equity funds continue to be the most effective vehicle for long-term wealth creation, offering high returns but accompanied by significant volatility. Debt funds, while traditionally valued for stability and tax efficiency, have lost some attractiveness following the Union Budget 2026–27 reforms that removed indexation benefits. Hybrid funds emerge as a balanced alternative, appealing to moderate-risk investors by combining equity growth with debt stability.

The findings highlight that mutual fund performance is not solely determined by market forces but is also shaped by fiscal policies, taxation structures, and investor sentiment. This underscores the importance of aligning investment decisions with both risk appetite and the evolving policy environment.

From a research perspective, this study bridges critical gaps by providing a comparative secondary data analysis of equity, debt, and hybrid funds in the Indian context, integrating risk–return metrics with macroeconomic and policy variables. The insights generated are valuable for investors seeking optimal fund selection, fund managers designing competitive products, and policymakers aiming to sustain investor confidence in the mutual fund industry.

11. SUGGESTIONS / IMPLICATIONS

For Investors

- Align fund selection with risk appetite and investment horizon.
- Consider equity funds for long-term wealth creation despite short-term volatility.
- Reassess debt fund investments in light of taxation reforms; explore alternatives such as hybrid funds or systematic investment plans (SIPs).
- Diversify portfolios across categories to mitigate risks from macroeconomic fluctuations.

For Fund Managers

- Innovate product offerings that balance risk and tax efficiency, especially in hybrid categories.
- Enhance transparency in performance reporting using risk-adjusted metrics (Sharpe ratio, alpha, beta).
- Strengthen investor education initiatives to build confidence in equity and hybrid funds post-reform.

For Policymakers

- Recognize that taxation reforms directly influence investor behaviour and fund attractiveness.
- Consider complementary measures to sustain confidence in debt-oriented schemes, such as incentives for long-term savings.
- Continue promoting financial literacy and digital access to broaden participation in mutual funds.

Broader Implications

This evaluation underscores that mutual fund performance is shaped not only by market dynamics but also by macroeconomic factors and policy decisions. A holistic approach—integrating risk–return analysis with regulatory and fiscal perspectives—can guide investors, managers, and policymakers in strengthening India's mutual fund industry.

12. LIMITATIONS

- Secondary Data Dependence: The study relies on secondary data sources, which may not fully capture real-time market fluctuations or investor-specific experiences. Data accuracy depends on the reliability of published reports and databases.
- Time-Bound Analysis: Mutual fund performance is dynamic and influenced by changing macroeconomic conditions. Findings reflect the period under study and may not generalize to future market scenarios.
- Policy Sensitivity: The Union Budget 2026–27 introduced taxation reforms that significantly altered debt fund attractiveness. As policies evolve, the relevance of these findings may diminish over time.
- Category Scope: The study focuses on equity, debt, and hybrid funds. Other categories such as sectoral funds, index funds, and arbitrage funds were not included, limiting the comprehensiveness of the evaluation.
- Investor Behaviour Factors: Psychological and behavioural aspects of investor decision-making (e.g., risk perception, herd behaviour) were not directly measured, though they play a crucial role in fund selection.
- Macroeconomic Variables: While inflation, interest rates, and fiscal policies were considered, external shocks such as geopolitical events or global crises were beyond the scope of this study.

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