COMPARATIVE STUDY OF DEBT AND EQUITY FUNDS IN INDIA

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ABSTRACT

The purpose of this study is to examine the features of debt and equity funds in the Indian financial market, including their suitability, liquidity, tax implications, risk-return profiles, and other relevant factors. Through the purchase of fixed-income assets such as government bonds, corporate bonds, and money market instruments, debt funds look for investments that have low volatility and consistent returns. Equity funds, on the other hand, have a significant amount of their assets invested in equities, which can result in increased volatility but may also result in higher returns over the long term. According to the findings of the study, equity funds have the potential for bigger returns, while debt funds have a lower risk profile. This is the conclusion reached after comparing the two types of funds. Furthermore, the study investigates the tax consequences of both types of funds, which is crucial because taxes play a large influence in the decisions that are made regarding investments. Debt funds are subject to the short-term capital gains tax if they are kept for a period of time that is shorter than three years. The tax rate on long-term capital gains, on the other hand, is twenty percent, and indexation advantages are included. For equities funds that have been held for more than a year, the tax rate is 10% without indexation on profits that exceed ₹1 lakh. However, the tax rate for gains that are held for a shorter period of time is 15%. This study also investigates liquidity, which is another important factor to consider. Due to the greater liquidity of debt funds in comparison to individual fixed-income instruments, investors have more flexibility to withdraw their money from debt funds when they require it. This is because debt funds have better liquidity. It is possible for the underlying stocks of an equity fund to have an effect on the liquidity of the fund. In general, large-cap funds have superior liquidity than small-cap funds or sector-specific funds. In addition, the various investor profiles and the ways in which debt and equity funds are incorporated into their portfolios are discussed. Those who are retired, conservatives who are looking for returns with a reduced level of risk, or investors who have time horizons that range from short to medium are suitable candidates for debt funds. On the other hand, equity funds are more suitable for long-term investors who are willing to take on a greater degree of risk in the expectation of potentially bigger returns. Additionally, they are an excellent choice for individuals who are interested in riding the stock market's growth wave. Although debt and equity funds are complementary additions to any investor's portfolio, they perform distinct functions and have distinct risk-return profiles. Nevertheless, they are both beneficial to the investor.
Prior to making decisions on investments, investors should do a comprehensive evaluation of their level of risk tolerance, investment horizon, and financial objectives. They ought to also give some thought to the possibility of diversifying their investments across a variety of asset classes. A comparative analysis

like this one will prove to be a very useful resource for individuals who are considering making investments in India's financial markets.

Keywords:- Debt funds, Equity funds, Risk-return profiles, Taxation, Liquidity, Investment suitability, Indian financial market.

INTRODUCTION

We have made an effort to compare and contrast the performance of equities funds and debt funds by using mutual funds as a measuring stick. A great deal of territory is covered by debt and equity funds. A useful method for determining the ratio of debt to equity in a financial institution is to use a mutual fund as a measurement tool. Equity funds and debt funds each have a subgroup that is comprised of dividend and growth funds, respectively. One of the most important aspects of the Growth fund is its ability to reinvest dividends, which enables it to beat its rivals over time. Additionally, this is supported by our OLS Model. The coefficient of determination, also known as R2, is a statistical measure that reflects the degree to which the independent variable X is responsible for explaining the entire variance in the dependent variable. The Ordinary Least Squares (OLS) Model has been used to equities and debt funds in an effort to disentangle the Sensex from these investments. Mutual fund companies reinvest these assets in the market through the BSE and NSE Sensex. Our goal is to decouple the Sensex from these investments. In general, these funds can be classified into two categories: debt, which carries a low risk, and equity, which carries a high risk. There is a correlation between the success of the funds and the volatility of the market. In order to gain a more in-depth understanding of the relationship that exists between equities funds and debt funds, I designed an ordinary least squares model with the Sensex serving as the dependent variable.

A mutual fund is a sort of trust that allows multiple individuals or groups to pool their resources in order to accomplish a common financial goal. Investing this amount is guided by a goal that has been established in advance. It may be deduced from this that each and every investor holds a "Mutual" ownership stake in the fund. Following the collection of cash, those funds are then invested in securities such as stocks, bonds, and other assets that are traded on the capital market. When it comes to these investments, the number of units that the unit holders own determines the amount of income and capital appreciation that they receive accordingly. Mutual funds are the greatest choice for the typical investor because they enable regular people to invest in a basket of assets that is professionally managed and has low costs. A fantastic approach for individual investors to have exposure to a wide range of securities, such as stocks, bonds, and other types of equities, is through the use of mutual funds. Every single shareholder is affected, regardless of whether the fund is profitable or not. For whatever reason, you are able to redeem units. rely on them. Calculations are performed on a daily basis in order to determine the NAV of the fund.

If you want to reduce the risk associated with investing in securities, one strategy is to diversify your holdings across a wide range of businesses and sectors. Diversification helps spread out risk because not

all stocks will grow or decrease by the same amount at the same time. This gives investors more options to choose from. The number of units that an investor will receive from a mutual fund is directly proportional to the amount of money that the investor invests in the fund. The individuals that invest in mutual funds are referred to as unit holders.

An investor who purchases units in a mutual fund will have a stake in the assets of the fund that is equivalent to the amount of money that they contributed to the fund's corpus. This is because the investor has contributed to the fund's assets. Individuals can participate in a mutual fund as either a shareholder, an investor, or a unit holder.

It is important to note that the Net Asset Value (NAV) of the scheme takes into account any fluctuations in the value of the investments that have been made into capital market instruments. These instruments include shares, debentures, and other items that are comparable. The net asset value (NAV) of a mutual fund scheme is calculated by subtracting the market value of its assets from the market value of its liabilities. The net asset value (NAV) of an investment scheme is calculated by dividing the asset market value by the total number of units that have been distributed to investors during the investment scheme.
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LITERATURE OF REVIEW

The researchers Sandeep Bansal, Deepak Garg, and Sanjeev K. Saini (2012) investigated the impact that Treynor's Ratio and the Sharpe Ratio had on a variety of mutual fund schemes during the course of their research. This paper examines the results of selected mutual fund schemes and comes to the conclusion that the overall risk profile of the universe of mutual funds can be captured by a simple market index that provides comparative monthly returns, liquidity, systematic and unsystematic risk, and thorough fund analysis. The Sharpe and Treynor's ratios are used as a point of comparison in this paper. Academics and scholars Karthik Veeraiah and A. Veeraiah Ph.D. In the month of January 2014, Kishore Kumar conducted an analysis of the returns of a number of different Indian mutual fund schemes. The primary objective of this study is to investigate the performance of mutual funds that are held by individuals identified as Indian. Using a five-year net asset value, we examined the performance of these funds as well as the allocation of those funds within the portfolio. Mutual funds have been found to outperform naïve investing, as indicated by the conclusions of the study. Mutual funds are considered by the vast majority of investors to be a viable alternative for long-term investments.
Dr. Yogesh Kumar Mehta conducted an analysis of tax funds in his article titled "Emerging Scenario of Mutual Funds in India," which was published in 2012. The findings of this study are derived from a representative sample of equity funds, which includes both public and private mutual funds. An impressive 2.87 million rupees, which is equivalent to 56.55 percent of all mutual fund net assets, is invested in the sector by corporate and institutional investors, despite the fact that they only account for 1.16 percent of all mutual fund investors. Additionally, the debt market did not favor mutual funds.

Academics and scholars You, Dr. When Sandeep Bansal and Surender Kumar Gupta visited the mutual funds Reliance and Birla Sunlife in July 2012, they investigated the debt packages offered by each of these companies. Following the computation of Net Asset Values and Standard Deviation, the study offers a summary of the performance of the debt scheme of the mutual funds owned by Reliance and Birla Sunlife. The study makes use of the Sharpe Index. In accordance with the information gathered over the course of the previous five years, the returns on debt schemes are almost equivalent to the benchmark returns (4.34% for the Crisil Composite Debt Fund Index) and the risk-free returns (6% on average). (on average). An investigation into the performance of a number of balanced category mutual fund schemes in India's private sector was carried out by Professor V. Vanaja and Dr. R. Karrupasamy in the year 2013. AUMs would be able to construct better portfolios and improve underperforming schemes with the assistance of this study of performance evaluation, which would also assist investors in selecting the best schemes that are now available. Utilizing the risk-adjusted criteria that were proposed by Sharpe, Treynor, and Jensen, the primary objective of the study is to conduct an analysis of the various types of funds that are available. In addition to this, it will evaluate the returns of certain balanced schemes in the private sector in comparison to industry standards. The auto-regressive integrated moving average, often known as the AriMA, was utilized by E. in order to investigate the net asset values of Indian mutual funds. Priyadarshini and A. Chandra Babu worked together in 2011. ARIMA, which stands for Box-Jenkins autoregressive integrated moving average, is the methodology that is utilized in this work to model a few Indian mutual funds. Through the utilization of traditional statistical approaches, we have been able to forecast the future NAV values of the mutual funds and validate the correctness of our projections. Drs. have conducted research on the topic of investing money in mutual funds for rural and suburban areas. Ranjit Singh, Anurag Singh, and H. Ramananda Singh constitute the members of the squad that was formed in August of 2011. Investments in mutual funds are becoming increasingly popular among those who live in urban areas. A result of this is that the market in metropolitan areas has reached its maximum capacity. Mutual fund businesses are investigating the possibility of operations in places with a lower population density in an effort to increase the size of their pool of prospective investors. However, in order to attract investors in these regions, mutual funds need to make adjustments to their marketing strategies. It is necessary for a product to satisfy the requirements of investors in a number of different ways in order to attract them. The product must be well-known to the investors, easily accessible, and reasonably priced. This piece addresses each and every one of these concerns. When it comes to making judgments about investments, it defines the extent to which investors in rural and suburban areas are impacted by factors such as accessibility, affordability, acceptability, and awareness.

A comparison was made between the approaches that were utilized by academics from several Indian colleges in order to evaluate the success of mutual fund schemes that were managed by various corporations. In July of 2012, Mahesh K. Patel and Kalpesh P. Prajapati were the authors. The purpose of this dissertation is to evaluate and contrast the relative performance of Indian mutual funds by utilizing a number of measures, such as risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure, and Fama's measure. Each day, the NAVs are closed. AMFI, which is an acronym that stands for the Association of Mutual Funds in India, is the source of the information that can be found in their online database. The years 2007 through 2011 are included in the scope of the research and analysis. On the basis of the performance indicators, it would appear that the majority of the mutual funds generated profits between the years seven and eleven.
The authors are denoted by the letter C. It was in February of 2014 when Srinivas Yadav and Hemanth N. C. conducted an empirical investigation on the performance of particular equity growth mutual funds in India. The research was conducted between June 1, 2010, and May 31, 2013. A number of performance evaluation methodologies, including the Treynor and Sharpe measures, are utilized in this research project in order to ascertain which growth equity funds in India are the most effective. From the top ten asset management companies (AMCs) based on assets under management (AUM), fifteen equity growth schemes (NAV) were selected for the three-year period beginning on June 1, 2010, and ending on May 31, 2013. The S&P CNX NIFTY was utilized as the benchmark for this decision.

This is Navdeep Sharma and N. According to K. Pandya (2013), a comprehensive overview of investing in mutual funds has been provided. The fundamentals of mutual funds, such as how they operate, how to calculate their net asset value (NAV), and how to evaluate mutual fund investments in comparison to other types of investments, will be discussed in length in this article. It is discussed in this article how the perspectives of investors on mutual funds shift depending on a variety of demographic parameters. It has been demonstrated that pie charts are an efficient instrument for measuring a variety of phenomena and carrying out data analysis that consistently give conclusions that can be relied upon.

Additionally, this strategy has been utilized to investigate the factors that influence investments in mutual funds. Through the month of May in 2013, Anuradha Garg, Dr. Sanjay Singla, and Rahul Singal conducted an analysis of the performance of a growth mutual fund. This article takes a look at the ways in which twenty-five different growth mutual fund strategies have either been successful or unsuccessful. Between the years 2004 and 2008, for example. Specifically, the beta test, the sharpe ratio, and the Treynor ratio are the three ratios that are utilized for this precise reason. These data are used to determine rank, and when compared to other methods, the differences are often not that significant.

Researchers DhimenJani and Dr. Rajeev Jain conducted an investigation of the function of mutual funds in December of 2013. Mutual funds are an important vehicle for the mobilization of capital within India's monetary system. This study makes an attempt to evaluate whether or not there is a correlation between the amount of money that mutual fund companies have raised and the expansion of India's gross domestic product by using data that has been picked to cover the years 1998-1999 to 2016-2017. After that, the correlation coefficient is calculated by employing Kendall's tau b and Spearman's rho correlation ship.

OBJECTIVE OF THE STUDY:-

So that you can have an understanding of the relationship between equity funds and debt funds.

The impact of risk on the performance of the funds is a fundamental question.

The link between risk and return plays a significant role in influencing the decisions that investors make.

By utilizing this study, it is possible to have a deeper understanding of the preferences of customers with regard to the firm, portfolio, investment method, return option, and other related characteristics.

It is possible that the findings of this research could make a contribution to the future planning and strategy of the company.

As a result of this research, the customer will get a more comprehensive grasp of the numerous aspects that pertain to equity and debt funds.

RESEARCH METHODOLOGY

Descriptive and analytical research methods will be utilized throughout the course of the investigation. The data included in this research comes from both primary and secondary sources. The ability of research methodology to assist in the identification of the problem, the collection of the necessary information and data, the analysis of that information, and the provision of an alternative solution to the problem is among the most important applications of research methodology.It also assists in collecting the crucial information that is necessary by the top management in order to assist them in making better decisions, whether they are day-to-day decisions or critical decisions.

Sampling:-

A sample is a limited portion of a statistical population, the characteristics of which are investigated in order to acquire knowledge about the entire population. In the context of interaction with individuals, it is possible to define it as a group of respondents (individuals) chosen from a broader population for the aim

of conducting a survey.

A population is a group of individual persons, objects, or items from which samples are taken for measurement for example a population of presidents or professors, books or students.

Sample Size:-

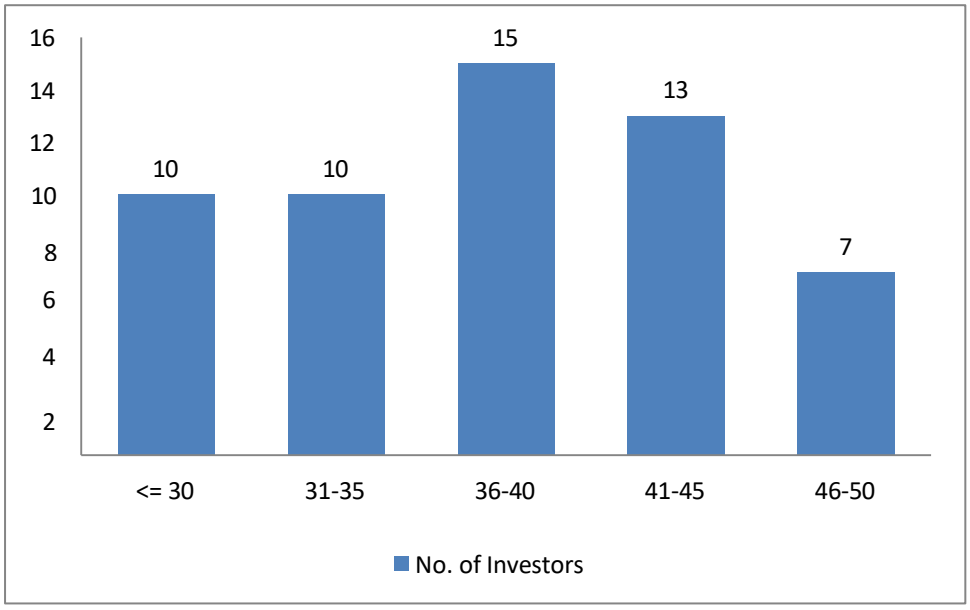
The primary data will be collected from a sample size of fifty-five individuals from a variety of financial institutions. In addition to that, some secondary financial data has been utilized.

DATA ANALYSIS

It is necessary to perform data analysis, which is a complicated procedure, in order to gain insights and make judgments that are well-informed from raw data. In order to begin the process of data gathering, the first step is to collect relevant information from a wide variety of sources. Following the completion of data collecting comes the process of data cleaning, which is a crucial procedure for correcting errors, conflicts, and missing values. Following that, we make use of exploratory data analysis (EDA) in order to gain knowledge about the data, discover patterns within it, and examine how everything is connected to one another with the assistance of diagrams and statistical summaries. After the EDA process, the data can be transformed into a format that is suitable for analysis or modeling by undergoing transformations such as normalization, encoding, or feature engineering. This is followed by the utilization of statistical analysis procedures such as analysis of variance (ANOVA), hypothesis testing, and regression in order to discover links and arrive at findings. For predictive modeling, it is frequently necessary to make use of machine learning algorithms that have been developed and evaluated. The interpretation of the data, followed by validation and iteration, is a key step in ensuring the correctness and dependability of the results. Because the findings are properly presented through reports or presentations, stakeholders are finally able to make decisions based on data-driven insights. This is because the findings are effectively shared.

1. (a) Age distribution of the Investors of Gr. Noida

Age Group	<= 30	31-35	36-40	41-45	46-50
No. of Investors	10	10	15	13	7

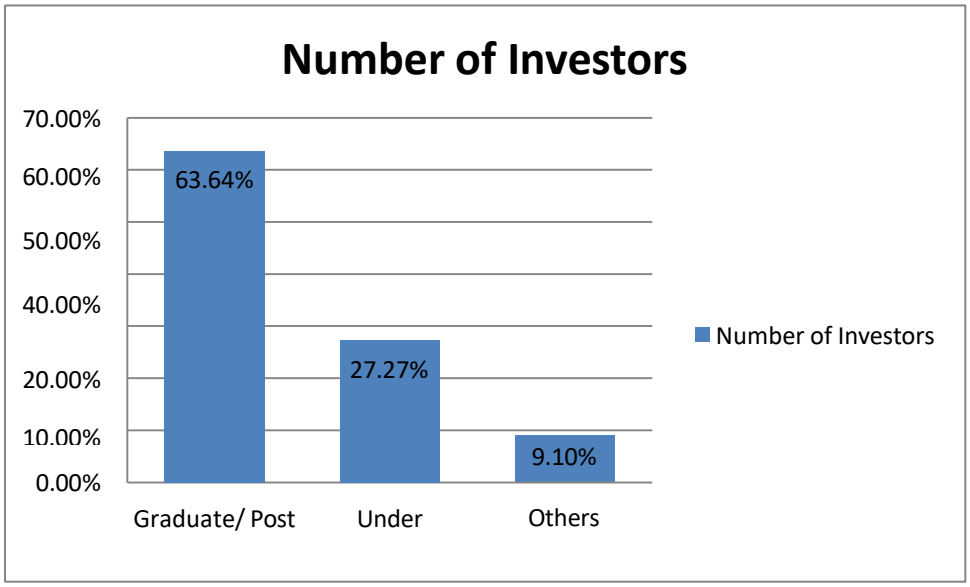


Interpretation:

According to this figure, the majority of the 55 investors in mutual funds belonging to the Greater Noida area are between the ages of 36 and 40 years old. A total of 27.27% of investors are in the age category of 41-45 years old, which accounts for 23.63% of the total, while the age group of above 45 years old accounts for the least amount of investors.

(b). Educational Qualification of investors ofGr. Noida

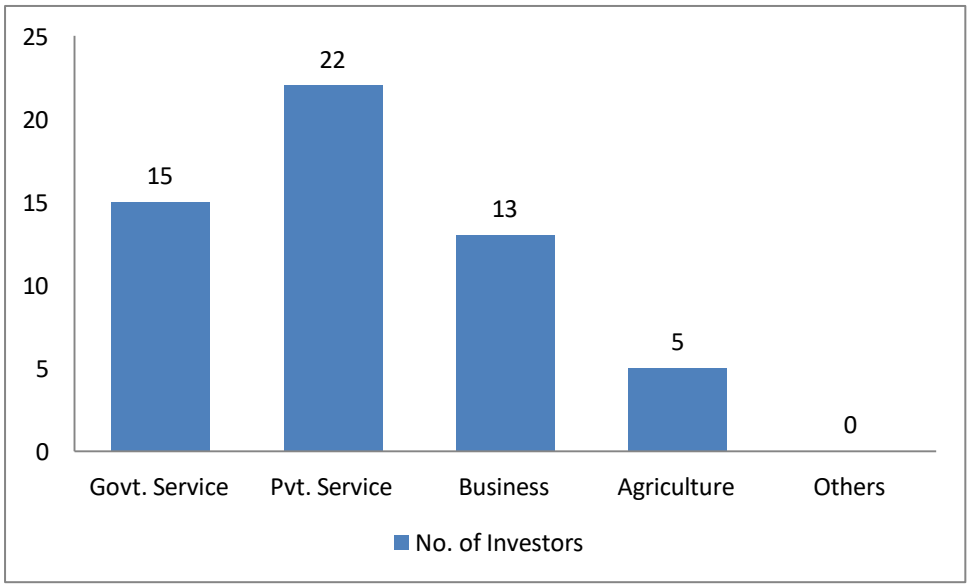
Educational Qualification	Number of Investors
Graduate/ Post Graduate	35
Under Graduate	15
Others	5
Total	55



Interpretation:
A total of 55 investors in mutual funds are located in Greater Noida. Of these investors, 63.64% are graduates or postgraduates, 27.27% are undergraduates, and 9.10% are among the other investors.

c). Occupation of the investors of Gr. Noida

Occupation	No. of Investors
Govt. Service	15
Pvt. Service	22
Business	13
Agriculture	5
Others	0



Interpretation:
In Occupation group out of 55 investors, 40% are Pvt. Employees, 23.64% are Businessman, 27.27% are Govt. Employees, 9.1% are in Agriculture and 0% are in others.

CONCLUSION

The age of data-driven decision-making calls for this item to serve as a core component. As a result of its all-encompassing methodology, which encompasses data gathering, interpretation, and communication, it makes it possible for individuals and organizations to get useful insights from complex and extensive information. By embarking on the road of data analysis, stakeholders have the potential to unlock a multitude of opportunities, including the optimization of operational efficiency, the detection of new trends, and the prediction of future outcomes, to name just a few of these prospects. The first step in conducting data analysis is to collect relevant information from a wide range of sources, such as structured databases and unstructured text documents. As a result of the fact that the success of the

subsequent studies is directly proportional to the depth and correctness of the data that was obtained, this is an extremely important first step. A comprehensive cleaning and preprocessing of the data is performed once it has been collected in order to correct any errors, inconsistencies, or values that are missing. In order to conduct trustworthy analysis, the first step that is absolutely necessary is to guarantee the integrity and consistency of the dataset. The purpose of exploratory data analysis, often known as EDA, is to discover insights and patterns in data that were already unknown to the researcher. With the assistance of statistical summaries and visualisations, data analysts are able to gain a deeper understanding of the characteristics of the data, identify trends, and analyze various linkages. Due to the fact that it provides stakeholders with essential background information and assists in directing additional studies and hypothesis testing, EDA is an essential initial step. Throughout the entirety of the investigation, statistical approaches are utilized in order to make conclusions, put hypotheses to the test, and get valuable insights from the data. It is possible for analysts to discover patterns and connections that might not be immediately apparent when looking at the data if they use these strategies. Regression analysis, hypothesis testing, and analysis of variance (ANOVA) are some of the methods within this category. Due to the fact that statistical rigour ensures the validity and dependability of the findings, decisions that are based on the analysis can be taken with complete assurance. In situations when predictive modeling is required, machine learning algorithms offer a comprehensive collection of tools that have the capability of identifying patterns and trends within data. Training and evaluation methods for models

grant analysts the ability to develop trustworthy predictive models that are capable of classifying data or predicting future events. Machine learning algorithms are able to leverage the processing power of computers to sift through vast datasets in search of complex patterns. With the assistance of these algorithms, organizations are able to better prepare for the future and respond to unforeseen developments. In spite of this, the process of data analysis is not finished until the results are successfully communicated to those individuals who have a vested interest in the outcome. In order to transform complicated analytical findings into insights that can be put into practice, it is necessary to provide reporting that is both clear and succinct, together with visualisations and narratives. By presenting findings in a manner that is understandable to audiences who are not technically oriented, analysts make it possible for stakeholders to make decisions that are driven by data. It is a game-changer for both individuals and organizations to have the ability to analyze data and use it for strategic planning and making decisions based on accurate information. By completely embracing the principles of data analysis, stakeholders in today's data-driven world have the ability to capture new possibilities, decrease risks, and fuel innovation. In order to successfully manage the complexity of the digital world, we will continue to rely on data analysis. If we follow this path, we will arrive at a future in which our success will be determined by our insights, innovations, and informed decision-making.

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