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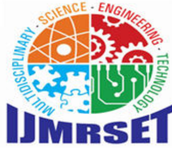

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Impact of Market Fluctuations on Debt and Equity Funds: A Study with Reference to ShareKhan

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ABSTRACT: The study investigates how market volatility affects the performance of debt and equity funds, with a particular focus on ShareKhan's investment products. It compares risk and return characteristics of selected funds, analyzing their sensitivity to market fluctuations. The researchuses tools like standard deviation, beta, Sharpe ratio, and Jensen's alpha to assess the performance of debt and equity portfolios over a five-year period.

KEY WORDS: Market volatility, Debt funds, Equity funds, ShareKhan, Risk-return analysis, Beta, Sharpe ratio

I. INTRODUCTION

The study is motivated by the need to understand how fluctuations in the market affect investment returns, particularly for retail investors who rely on platforms like ShareKhan for their trading activities. The study seeks to provide a comparative analysis of various debt and equity fund schemes available in India, focusing on their risk-return profiles during periods ofmarket volatility.

The objectives of the study Include assessing the impact of market volatility on fund performance, identifying the factors influencing equity and debt funds, and evaluating the relationship between these two types of investments. By employing statistical tools andtechniques, the study aims to fill existing gaps in the literature regarding the comparative analysis of debt and equity funds, thereby offering valuable insights for investors looking to navigate the complexities of the financial markets.

II. REVIEW OF LITERATURE

Nagaraju (2013) evaluated the performance of equity and debt funds of selected companies over a period of five years. The study utilized tools like standard deviation and the Treynor ratioto measure risk and return, concluding that equity funds are preferable from a return perspective, while debt funds are more favorable from a risk perspective. This analysisemphasizes the distinct factors influencing the performance of equity and debt funds, suggesting that investors must consider their risk tolerance and investment goals when choosing between these two types of funds. **Venugopal Reddy (2017)** conducted a comparative study on the performance of the top five mutual funds in India, focusing on equity-diversified, long-term debt, and hybrid funds over a five-year period. The study concluded that the selected mutual funds provided positive returns over this period, indicating that despite market volatility, certain funds can still yield favorable outcomes for investors. This research highlights the resilience of well-managed funds in the face of fluctuating market conditions and underscores the importance of selecting funds that can navigate volatility effectively. **Ms. Saranya K and Mr.Parthiban Thangavel (2018)** conducted a study aimed at identifying the risks and returns of value funds by comparing them to benchmark returns and peer funds. This research is intended to assist mutual fund investors in making better investment decisions by determining whether mutual fund assets can offer returns amidst fluctuation and volatility. The goal is to evaluate the investment performance of Indian equity mutual funds with risk adjustments, using theoretical parameters where the primary factors considered in investment decisions include return, followed by safety, liquidity, and taxability.

Statement of the Problem

The research aims to address how market volatility impacts the performance of selected debt and equity funds offered by ShareKhan. The study examines various factors, such as risk tolerance and returns, to help investors optimize their portfolios in fluctuating market conditions.

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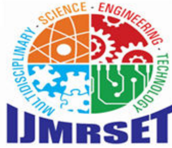

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III. OBJECTIVES OF THE STUDY

1. To identify the causes of Market volatility.
2. To understand the factors which impacts the equity and debt fund.
3. To analyses the equity and debt fund portfolio of selected companies in terms of riskand return.

IV. RESEARCH METHODOLOGY

Type of Research

The study adopts a descriptive research method, utilizing secondary data from ShareKhan's performance reports and financial databases such as NSE and MoneyControl. The analysisspans five years, focusing on selected equity and debt funds.

Sample Size

The analysis includes four equity and four debt funds from ShareKhan, selected to represent different risk and return characteristics.

Tools for Analysis

- Average Mean (Return)
- Standard Deviation (Risk)
- Beta
- Sharpe Ratio
- Jensen's Alpha

V. DATA ANALYSIS AND INTERPRETATION

Market volatility has a significant impact on both debt and equity investments, with each asset class responding differently to fluctuations in market conditions. In equity markets, higher volatility generally leads to increased risk, but it also offers the potential for higher returns. For instance, equity funds like the Reliance Small Cap Fund deliver substantial returns, but come with higher risk, making them suitable for aggressive investors. On the other hand, debt funds, such as the Reliance Medium Term Fund, offer more stability with moderate returns, appealing to conservative investors. Volatility in debt funds is typically lower compared to equity funds, though factors such as changes in bond prices and interest rates still affect their performance. The study emphasizes the importance of a diversified portfolio combining both debt and equity to mitigate risks while optimizing returns. Investors are advised to assess their risk tolerance and adjust their portfolios according to market trends and their financial goals

VI. FINDINGS

- Equity funds generally provide higher returns but are associated with higher risk compared to debt funds. Reliance Small Cap Fund offers high returns but at the cost ofsignificant volatility of 6.215.
- Reliance Medium Term Fund has the highest return (2.645) among the debt funds analysed but carries increased volatility with a standard deviation (risk) of 6.215. This indicates that while it offers higher returns, the risk associated with this fund is significantly higher.
- IDFC fund delivered an average return of 1.4597 with lower volatility (standard deviation of 3.9956), indicating it is less risky and offers moderate returns.
- The volatility in equity markets can be caused by factors such as interest rate changes,inflation, political instability, and economic performance. These factors influence corporate earnings, investor sentiment, and liquidity, driving price fluctuations in equitymarkets.
- Debt markets, while less volatile, are sensitive to changes in interest rates and inflation,which affect bond yields and prices.

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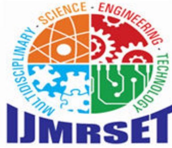

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VII. RECOMMENDATIONS

- Aggressive investors should consider equity funds like the Reliance Small Cap Fundfor high returns, provided they can tolerate the associated risk.
- Conservative investors should focus on stable debt funds, such as the Kotak IncomeOpportunities Fund, which offer minimal risk despite lower returns.
- A balanced portfolio, combining both equity and debt investments, may provideoptimal results, helping investors mitigate risks while achieving growth.

VIII. CONCLUSION

The study concludes that equity funds, though higher in risk, offer substantial returns and are suitable for aggressive investors. In contrast, debt funds are ideal for those seeking stable returns with lower risk. The analysis highlights the importance of understanding market volatility and its effects on different types of funds, guiding investors to make informed decisions based on their risk tolerance and financial objectives.

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