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A STUDY ON RISK AND RETURN ANALYSIS OF DEBT MUTUAL FUNDS WITH RESPECT TO ICICI PRUDENTIAL MUTUAL FUNDS

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ABSTARCT

ICICI Prudential Debt Mutual Funds offer a range of fixed income investment options designed to provide stability and income potential to investors. This study aims to evaluate the risk and return characteristics of selected debt mutual funds offered by ICICI Prudential Mutual Funds. It seeks to provide a comprehensive assessment of these funds by employing well-recognized evaluation tools, including Treynor's Ratio, Standard Deviation, and Mean Return. The research findings are of significant importance to prospective investors and stakeholders in the financial industry, shedding light on the critical interplay between risk and return in the context of debt mutual funds from ICICI Prudential Mutual Funds.

KEYWORDS: ***Risk and return Analysis, Debt Mutual funds, risk-adjusted measures, Treynor Ratio, Standard Deviation and Mean Return.***

INTRODUCTION

ICICI Prudential Debt Mutual Funds have gained prominence among investors due to their focus on fixed income securities. These funds offer a broad spectrum of investment options, ranging from government bonds and corporate debt to money market instruments. By diversifying across these fixed income securities, ICICI Prudential Debt Mutual Funds aim to provide investors with a balanced and steady income stream while preserving their capital.

Investors in ICICI Prudential Debt Mutual Funds benefit from the expertise of professional fund managers who meticulously analyze market conditions, interest rate movements, and credit risk factors to make informed investment decisions. Additionally, investors can choose from various debt fund categories, such as liquid funds, ultra-short-term funds, and income funds, each catering to different risk profiles and investment horizons. Whether an investor seeks liquidity, short-term gains, or long-term wealth accumulation, ICICI Prudential Debt Mutual Funds offer a versatile range of options to align with their financial objectives. Evaluating historical performance, understanding expense ratios, and staying informed about economic trends are vital steps for potential investors in making prudent choices within this investment avenue.

NEED FOR THE STUDY

Understanding the performance of ICICI Prudential debt mutual funds is essential for investors and fund managers alike. Through a comprehensive analysis of these funds, managers can discern effective strategies and best practices, enabling informed decisions regarding asset allocation, security selection, and portfolio management. This information contributes to enhanced fund management practices, improved risk management, and greater investor satisfaction. This study focuses on performance evaluation within the context of ICICI Prudential debt mutual funds, exploring historical returns, risk-adjusted metrics, fund management techniques, asset allocation strategies, and the impact of market dynamics. The goal is to empower investors with the insights needed to make informed investment decisions and deepen their understanding of how ICICI Prudential debt mutual funds function within the investment landscape.

STATEMENT OF THE PROBLEM

Investors choose to invest into mutual funds for the benefits of variety and expert management. Mutual funds offer the ability to distribute risk over a portfolio of securities while also gaining access to the knowledge of fund managers, making them an appealing option for long-term investing goals.

The kind of the research on debt mutual funds with related to ICICI bank entails analyzing the performance, risk profile, and investment strategies of ICICI bank’s debt fund offerings. The study could also examining factors such as asset under management, expenses ratio, historical returns, credit quality of underlying securities, and overall market outlook for debt instruments.

Probable outcomes are it provides insight into the historical achievement of the funds, allowing investors to assess their potential returns and risk levels. The study could also identify any patterns or developments in the fund’s investment strategies and highlight the credit excellence of the underlying securities.

OBJECTIVES OF THE STUDY

- For explore the financial efficiency of the Debt mutual funds.
- To determine the highest return earning Debt mutual funds offered by ICICI Prudential Mutual Funds.

HYPOTHESES

Ho - There would be no significant connection between the Treynor ratios with Mean return of debt mutual fund.
H1 – There would be a significant connection between the Treynor ratios with Mean return of debt mutual fund.

REVIEW OF LITERATURE

Dr. M. Geetha (2021), have investigated the Performance assessment of Selected/specified Mutual funds with respect to UTI & ICICI This research helps the investigator understand the many sorts of mutual funds, the nature of a market, and the investment fund/mutual fund that has performed the best among a group of investment fund/mutual funds. This research is incredibly pertinent in the financial sector of today climate and will act as the basis for future assessments of the performance of mutual funds. **Shivam Tripathi (2020),** done Performance evaluation of selected equity mutual funds in India, This study uses a range of financial indicators, such as the standard deviation, beta, treynor, sharpe, and jensen, to examine the risk and return of several mutual funds and quantify the link between volatility and return. Understanding the relative success of equity, debt, and hybrid mutual fund schemes is also useful. Fund and index return correlation and information ratio.
Sharma Komal .B (2021), "A Comparative research on Performance assessment of Selected Debt, Equity and Hybrid Mutual Fund/investment fund Schemes in India. The primary goal of this article is to investigate the Risk & return components of specified mutual fund/investment fund schemes, and moreover to assessment/evaluate the performance of various debt, equity, and hybrid funds. Sharpe, Jensen, and Treynor ratios Risk-adjusted performance indicators are used as statistical tools in this investigation. This study concludes that the statistical instruments utilized are critical for the performance evaluator to catch on and realize the funds' the Performance.
Prof. V. Vanaja and Dr. R. Karrupasamy (2013) conducted research on performance of certain balanced mutual fund schemes in the private sector in India. The study's objective is to evaluate the achievement of particular balanced private sector programs depending on return and comparison to their benchmarks, additionally to evaluate the performance of various kinds of investments that employ risk-adjusted metrics proposed by Treynor, Sharpe and Jensen.
Prof. Sumanth L. Wachasundar (2018) study analyzed Liquid Debt Mutual fund schemes in India, exploring the relationship between volatility and return. The research used metrics like standard deviation, beta, Treynor Ratio, Sharpe Ratio, and Jensen's Alpha to assess risk and return. It also examined relative performance across different mutual fund categories and evaluated correlations and information ratios between fund and index returns.
This research aims to fill a gap in existing literature by focusing on debt mutual funds, providing valuable insights for investors considering investments in ICICI Mutual Fund and investment trusts in light of the ever-evolving financial markets.

SCOPE OF THE STUDY

This research aims to investigate ICICI Prudential debt mutual funds from diverse stakeholder perspectives, emphasizing features, performance, and investment strategies. It involves various groups to uncover insights and constraints related to these funds, benefiting investors, financial advisors, researchers, academicians, regulators, and policymakers alike. The primary focus of this study centers on ICICI's debt mutual funds, evaluating their performance over distinct timeframes, including 6 months, 1 year, and 3 years.

LIMITATIONS OF THE STUDY

- Data limitations can affect the accuracy of performance evaluation due to incomplete or unavailable historical data.
- The choice of an appropriate benchmark is crucial but challenging as it can significantly impact the assessment of relative fund performance.
- The time horizon considered for the study can influence findings, with short-term results potentially differing from long-term performance trends.

RESEARCH METHODOLOGY

The study falls under the category of descriptive research, a method used to describe observable characteristics of the subject under investigation. It is quantitative in nature, incorporating numerical data and statistics to facilitate conclusions through statistical tools and techniques.

In this sampling methodology, the focus is on Debt mutual funds, specifically those offered by ICICI. From the available options, the top 5 performing debt mutual funds have been selected. These funds' performance is observed over a span of 5 years.

Convenient sampling is employed to select a sample of ICICI debt mutual funds. This method involves the researcher's discretion in handpicking funds from the ICICI debt mutual funds population for inclusion in the study.

From the convenient sampling method, 5 schemes of ICICI debt mutual funds are chosen for a duration of 6 months, 1 year, and 3 years to evaluate their effectiveness for short-term and long-term investment durations. Techniques used for the present study are Treynor's Ratio, Standard Deviation and Mean Return.

SOURCES OF DATA COLLECTION

The study is purely based on secondary data, Details was gathered from already completed projects, studies, theses, and authorized websites. The historical NAV data were acquired from the ICICI Debt Mutual Fund Company's factsheets, along with the websites of www.mutualfundindia.com, www.amfiindia.com, etmoney.com, and Economics Time

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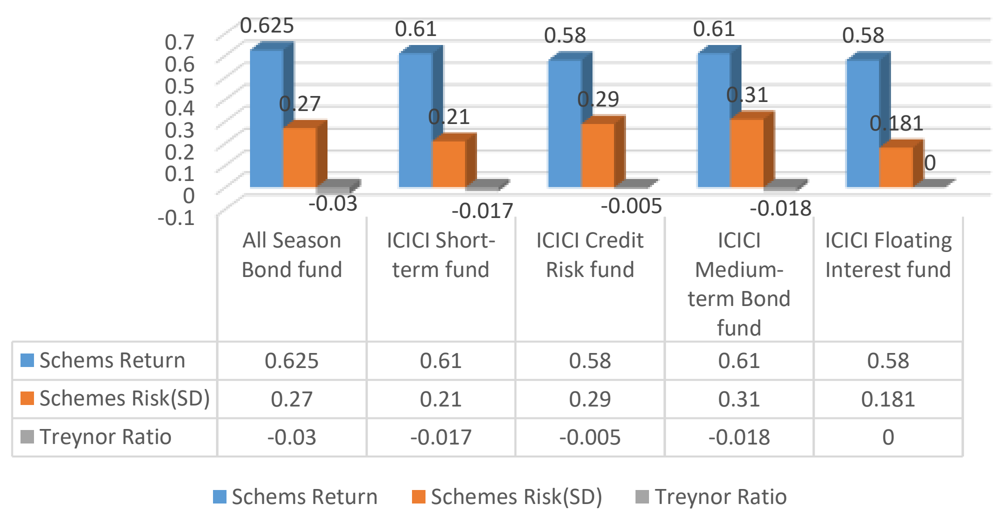
FINDINGS AND CONCLUSION

1. Table – Table showing the Top ICICI Debt mutual fund schemes return, standard deviation and Treynor ratio for the period of 6 months (JAN-JUNE 2023)

Schemes	Schemes Return	Standard Deviation	Treynor Ratio
All Season Bond fund	**0.625**	0.27	-0.03
ICICI Short-term fund	0.61	0.21	-0.017
ICICI Credit Risk fund	0.58	0.29	-0.005
ICICI Medium-term Bond fund	0.61	**0.31**	-0.018
ICICI Floating Interest fund	0.58	0.181	**0**

Fig 1



Interpretation

The "All Season Bond fund" offers the highest return but also carries the highest risk. Conversely, the "ICICI Floating Interest fund" presents the lowest risk, though with a more modest return, making it the least risky option among the schemes

2. Table – Table showing the Top ICICI Debt mutual fund schemes return, standard deviation and Treynor ratio for 1 Year (2022)

Schemes	Schemes Return	Schemes Risk(SD)	Treynor Ratio
All Season Bond fund	**0.46**	0.52	1.66
ICICI Short-term fund	0.448	0.32	1.6
ICICI Credit Risk fund	0.148	**1.02**	-6.64
ICICI Medium-term Bond fund	0.4	0.45	**2.7**
ICICI Floating Interest fund	0.44	0.46	2

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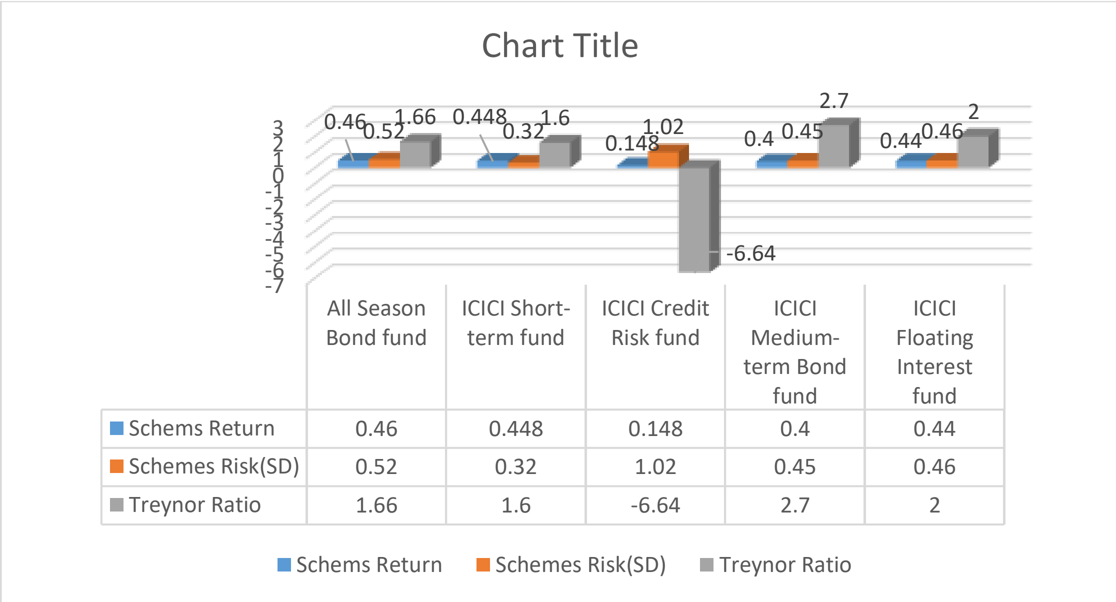
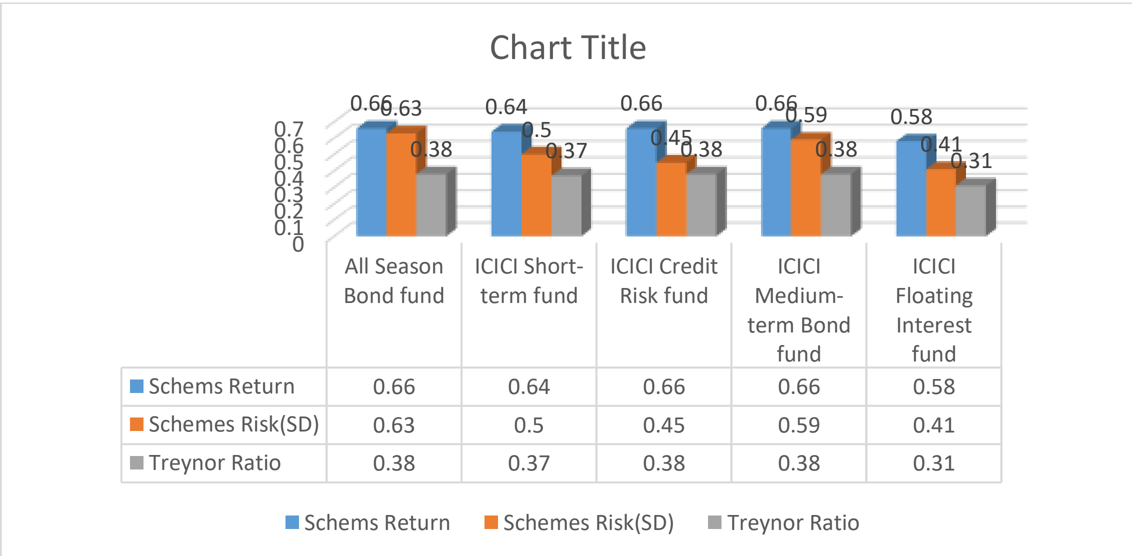


Interpretation

The "ICICI Medium-term Bond fund" performs the best with a solid return, moderate risk, and a strong Treynor Ratio. Conversely, the "ICICI Credit Risk fund" ranks the least favorably due to its low return, high risk, and negative Treynor Ratio, indicating poor risk-adjusted performance.

3. Table – Table showing the Top ICICI Debt mutual fund schemes return, standard deviation and Treynor ratio for 3 Years (2019-2021)

Schemes	Schemes Return	Schemes Risk(SD)	Treynor Ratio
All Season Bond fund	**0.66**	**0.63**	**0.38**
ICICI Short-term fund	0.64	0.5	0.37
ICICI Credit Risk fund	**0.66**	0.45	**0.38**
ICICI Medium-term Bond fund	**0.66**	0.59	**0.38**
ICICI Floating Interest fund	0.58	0.41	0.31



Interpretation

The "ICICI Floating Interest fund" ranks the least favorably with a moderate return, moderate risk, and a lower Treynor Ratio. The "All Season Bond fund," "ICICI Short-term fund," "ICICI Credit Risk fund," and "ICICI Medium-term Bond fund" all perform similarly, offering higher returns with comparable risk and Treynor Ratios, making them the better choices for potential investments.

HYPOTHESES TESTING

Ho - There would be no significant connection between the Treynor ratios with Mean return of debt mutual fund.
H1 – There would be a significant connection between the Treynor ratios with Mean return of debt mutual fund.

Schemes	6 Months		1 Year		3 Years	
	Mean Return(X)	Treynor Ratio(Y)	Mean Return(X)	Treynor Ratio(Y)	Mean Return(X)	Treynor Ratio(Y)
All Season Bond fund	0.625	-0.03	0.46	1.66	0.66	0.38
ICICI Short-term fund	0.61	-0.017	0.448	1.6	0.64	0.37
ICICI Credit Risk fund	0.58	-0.005	0.148	-6.64	0.66	0.38
ICICI Medium-term Bond fund	0.61	-0.018	0.4	2.7	0.66	0.38
ICICI Floating Interest fund	0.58	0	0.44	2	0.58	0.31
Correlation of XY	**0**		**0.19**		**4.4**	

Interpretation

In the 6-month period, the positive number indicates that calculating either the Mean Return or the Treynor Ratio would be no similar results, leading to the acceptance of the null hypothesis H0 and rejection of the alternative hypothesis H1. However, for the 1-year and 3-year periods, the positive number suggests a significant connection in the performance of the Debt mutual fund scheme, leading to the acceptance of the alternative hypothesis H1 and the rejection of the null hypothesis H0.

CONCLUSIONS

According to the report, one of the most well-liked investment possibilities right now is the worldwide mutual fund sector. It is crucial to a country's economic growth. If the market does well, it will produce significant profits, and vice versa. The majority of the schemes provide big profits at high risk. The ICICI All Season Bond Debt Mutual Fund has performed admirably during the past few years, it may be noted. Financial advisors can look at a variety of criteria, such as Sharpe's, Beta, and Treynor's, and assist investors in selecting the best debt diversified funds to obtain risk-adjusted returns. A debt mutual fund investment provides investors with a long-term capital gain, the security of their funds, and a modest ownership part in the business. The findings of this research indicate that mutual funds are a secure tool for speculating. MF are frequently the only way for investors to diversify their investments intellectually.

SUGGESTIONS

- The investors who are ready to take risk can invest in ICICI All Season Bond fund which is yielding high returns with more risk. The investors also can invest in ICICI Credit Risk fund which is yielding second high returns with more risk. Investors not yet prepared to take risk they can invest in ICICI Floating Interest Fund with moderate return.

- The fund manager needs to take the required actions to manage risk. To obtain growth returns, the fund manager should take a proactive role in the investment scenarios.

REFFEENCE

Website

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