RESEACH PAPER

MUTUAL FUND PERFORMANCE IN INDIA:

PRE COVID, DURING COVID, AND AFTER COVID

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ABSTACT

This study explores how mutual funds performed in three different times: before, during, and after COVID-19. Before COVID, the market unexpectedly went down, surprising many fund managers. But even with that, from January 2020 to March 31, 2021, equity funds did really well, making a market that went up unexpectedly. This research focuses on a Large Cap equity funds during this time. It checks 29 of these funds for the years 2019-20 (before COVID) and 2020-21 (during COVID). The results, found through a test, show that Blue Chip mutual funds did great in 2020-21, which was different from the year before.

- Before the COVID-19 pandemic, the Indian mutual fund business underwent a revolutionary period marked by rapid growth and increased investor participation. Between 2014 and 2020, the Average Assets Under Management (AUM) climbed substantially from ₹10 Lakh crores to an incredible ₹30 Lakh crores. Over a five-year period, this period saw a solid 20% growth rate, with equities AUM seeing a significant 25% increase. Increased awareness among investors led to a growing inclination for mutual funds, which cemented their status as the go-to option for people who are risk averse. At 15%, the AUM to GDP ratio suggested a substantial amount of unrealized potential, particularly when contrasted to the global average of 75%. To maintain mutual fund performance, however, fund managers faced difficulties navigating market swings and economic uncertainty, highlighting the necessity for solid strategy.
- the global economy reduced the value of mutual funds and had an impact on stock market prices This study examines Indian mutual funds' performance in-depth during the COVID-19 pandemic. Mutual funds and COVID-19 are related, as determined by correlation research. The study looks at how the epidemic has affected a variety of industries, including business, manufacturing, construction, and agriculture, in addition to the economy and investor behavior. At the completion of the study, surveys and other techniques are used to measure investor sentiment over whether to increase investments, hold onto current holdings, or take other action
- The study examines mutual fund performance following the epidemic in the After COVID period. Since the research closely examines the performance of mutual funds in 2021, it is aware of the significant issues facing the global financial markets. The three mutual fund schemes that produced the best returns out of 4,305 were the equity diversified fund (55%), sectoral fund (57%) and tax planning fund (58%). The research employs ordinary least squares (OLS) regression as a tool to analyze the relationship between several fund characteristics, including size, kind, and operation, and their profitability. Sectoral funds and tax planning are two examples of fund categories that perform significantly better than others. Our knowledge of the financial world is expanded by the research, which provides insight into how mutual funds are faring in the aftermath of the epidemic.

Introduction

Mutual funds function by combining the funds of several participants to buy bonds, equities, and other assets. A smart manager bases his or her decision on where to spend on the goals of the team. In the venture capital fundraising process in India, these funds have grown in significance They were able to show their value even in the middle of the COVID-19 pandemic. A clever manager distributes resources according to the team's objectives. These funds presently contribute much more to India's venture capital fundraising. They have shown their value even throughout the pandemic. Their assets under management (AUM) expanded from ₹10,00000 crores in 2014 to ₹38.200000 crores by October 2021.

After COVID-19, a lot of individuals favored mutual funds because of their seeming safety. Due to a poll, the amount they used jumped by 72% after the epidemic started. However, not every kind of fund fared well during this difficult period. Although there were difficulties, some performed better than others, such as tax planning, sectoral, and equity diversified funds. The analysis examines the performance of these funds throughout this challenging time, with a focus on those that invest in stocks. To determine if these funds performed better or worse than anticipated, it employs a few cunning techniques. Investors who are faced with unclear situations can benefit from the study's recommendations.

In India, mutual funds were already expanding rapidly prior to COVID-19. In 2014, they oversaw ₹10 Lakh crores; by 2020, they were managing ₹30 Lakh crores. That is a notable annual increase of 20% over the course of five years, particularly when considering the gain of 25% in assets allocated to stocks. Mutual funds were becoming more and more popular even before COVID.

Mutual funds in India managed ₹38.20000 crores in October 2021, operating profitably even after the COVID-19 epidemic. They continued to expand during the epidemic, and by May 2021, there were 10 crores of investors. The post-pandemic performance of these funds is the primary subject of this study. It examines several mutual fund kinds and attempts to determine why some performed better than others. This aids in our understanding of the priorities for these funds in the post-pandemic environment.

Discussion

The study talks about how the COVID-19 pandemic really shook up the India’s economy. It explains that for a country to grow, it needs its industries to do well. The research helps us understand how moving money from regular people to big companies (called mobilization of funds) is super important for industry and overall economic growth. This is like understanding the gears that make an economy work. the study shows how collecting money from regular households and giving it to big companies is a key player in making industries and the economy strong. Knowing how this money movement works helps governments and decision-makers plan better for the country's growth.

The study checks how these investment funds performed before and after the COVID-19 pandemic. It's like comparing a player's performance before and after a big game. They use numbers to tell us if the funds did better or worse during the pandemic.The research even compares different types of investment plans that focus on growing your money. It's like comparing different strategies in a game to see which one is the most effective. They use numbers to show us which plans did well and which ones didn't during the pandemic. Also looks at how different funds are connected (correlation) and compares them to a standard measure (benchmark). It's like checking if players in a team are working well together and how they measure up to the best players in the game.

The discussion talks about what's happening in the whole world regarding investments. It mentions challenges like slower growth and changes in what investors want. It's like looking at the big picture to see what issues mutual funds face in India. It highlights how well the investment industry in India was doing before COVID-19 and how it faced problems during and after the pandemic. It's like telling a story about a team that was doing great, faced tough times, but is still determined to succeed.

Need and Significance of the Study:

In light of the COVID-19 epidemic, this analysis is very important for comprehending the performance dynamics of mutual funds in India. It is critical for the evaluation of the performance of mutual funds and durability of debt bond mutual funds due to the extraordinary fluctuations in the market that occur at various times. In order to navigate and make wise judgments in the constantly shifting financial landscape, investors, fund managers, and legislators may benefit greatly from the study. recognizing the post-pandemic performance variables affecting mutual funds in detail is necessary to optimize approaches to investing in the Indian market and boost financial literacy.

Statement of Problem:

The COVID-19 volatility affected mutual fund values and stock prices, making it tricky to select the right mutual fund. This study addresses the challenging job of selecting mutual funds via clear, understood analysis. Our research focuses on how debt category of mutual funds is affected by this pandemic. The study we are conducting focuses on the impact of the pandemic on various top-notch companies of mutual funds.

LITERATURE REVIEW

PRE COVID:

(Jensen, 1968) has seen continual growth in mutual fund industry, with increased assets under management and strong performance from top funds like ICICI, HDFC, Reliance, and Birla Sun Life. Regulatory measures by SEBI and AMFI have further reinforced investor confidence and awareness, fueling the industry's positive trajectory. (Mr. Sangisetti Manoj, 2020) analyzed that before COVID-19, the HSBC Large Cap Equity Fund and BNP Paribas Large Cap Fund were leading in terms of NAV (Net Asset Value), indicating better performance compared to other funds. LIC MF Large Cap Fund and

Canara Robeco Blue-chip Equity Fund seemed to have stood out during this period, offering higher returns to their investors.

In the literature, investigated mutual fund investments' service quality and loyalty aspects by using a sample of 100 people and questionnaires, it explored diverse schemes irrespective of age, income, or risk tolerance. He analyzed by percentage, graphs, chi square testing, factor analysis multiple linear regression (OLS) method confirming that the significant impact of scheme type, sponsor, service delivery, fund management, satisfaction, and staff involvement on service quality parameters. (Prakash Walavalkar, 2020). Another study to examine how mutual fund characteristics affect beta strategies. The findings revealed that trading strategy of mutual funds was impacted by factors such as age of funds, size of funds, expense ratio and portfolio. These insights carry significance for mutual fund investors as they can utilize historical risk adjusted one-year Carhart alpha to optimize their portfolio returns based on these strategies. (Kaur, 2018). Kumar highlighted that among various investment plans, investors predominantly prefer the SIP (Systematic Investment Plan) due to its low-risk nature and ease of regular management. Mutual funds, from an investor's viewpoint, hold importance because they allow investment with small amounts while potentially providing substantial profits in lump sums, catering to those seeking significant returns. (Kumar, 2018)

DURING COVID:

(Dr.Bodla, 2021) studies show that during the 2019–20 pandemic, large size equity funds saw losses (-21.65% for direct and -20.87% for regular). They experienced a notable resurgence in 2020–21 (62.78% direct, 64.50% regular). Although the economic situation was eased by government measures, performance of mutual funds may still be impacted by sporadic lockdowns and economic swings. (Mr. Sangisetti Manoj, 2020) analyzed mutual fund performance before and during COVID-19 in India. They noticed a decline in returns during the pandemic period through rankings and Sharpe and Treynor index. Their conclusion highlighted a clear impact of COVID-19 on fund returns.

A Study about large, mid, and small cap schemes which were impacted by COVID-19. Their findings highlighted a greater impact of the pandemic on large-cap schemes compared to mid and small-cap schemes by using econometric regression. (Gaurav Ajmera, 2021). Peter found that during COVID-19, most active funds underperformed, with around 58% below their benchmarks (returns between -2% to 11%). However, certain funds outperformed, reaching 14% annualized returns based on the FTSE benchmark. They concluded that five-star rated funds outpaced one-star rated funds by around 23% annually (Pástor, 2020)**.**In the previous decade Indian Mutual Fund industry has outperformed the market since 2012, with the help of various statistical tool like standard deviation, r squared, alpha, beta and sharpe ratio had observed outperformance of mutual fund schemes over the benchmark. There was a comparative study analyzing the mutual fund system of Axis Fund and Kotak Fund. The study concluded that Axis' fund system is more disruptive in small cap equity systems and Kotak's fund system is effective in index funds. (G.S.S, 2020)

POST COVID:

(Anitha Kumari, 2011)research conducted on 4,217 mutual fund schemes in India. Better risk-adjusted performance was shown by index, balanced, equity, and pension funds. Following the pandemic, only bond funds exceeded benchmarks. Lower tracking error stock and sectoral funds should be taken into consideration by investors. (BAZAZ, 2022) shows that mutual funds investors advised the investors to select and choose products that have been around in the market for a while and have gone through several market cycles.

Mutual funds of a few financial intermediaries were analyzed for performance. They found that since ICICI Fund has been placed in the top ten by Treynor ratio, Sharpe ratio and Jensen ratio and investments can be made by investors in it(Kashyap, 2021). Newly surveyed that most growth-oriented funds, barring HDFC Midcap Opportunity and ICICI's multi-asset fund, underperformed against benchmarks. Despite high diversification reducing portfolio risk for these funds, superior performance isn't guaranteed. The study's limitation lies in its small sample size—only the top 12 funds over 10,000 crores AUM against a single benchmark. Future research could benefit from larger and varied fund samples, alongside developing risk-return models to explore these relationships further. (Shekhar Sawant, 2023)

Research Gap:

People have looked into mutual funds before, but there's a missing piece in what we know. Past studies checked only a small group, and they didn't really focus on what's happening now, especially during COVID-19. The way people invest their money in mutual funds might be different now, and we need to understand those changes. The studies we have are more about the past, and we're not catching up with what's happening today. Also, there's not enough information about what people should know when they invest in mutual funds, especially with all the different options available in the market. We need to fill in these gaps to help people make better choices in their investments, especially after all the changes caused by the pandemic.

METHODOLOGY

Objectives of the study:

The study mainly focuses on the following objectives:

- To analyze the performance of debt mutual funds by using mutual funds returns and CRISIL 10-year gilt Index pre covid, during covid and post covid-19 impact on the top-rated debt category mutual funds of India through statistical tools followed by thematic analysis.
- To provide recommendations and insights to the investors in making informed decisions through Direct Plans in Indian mutual fund market.

Measurement Of Scale:

In order to satisfy the study's objectives data has been collected from secondary sources by fetching data with the help of various Indian sources including Bombay Stock Exchange, Securities Exchange Board of India, through the record maintained on the websites of National Stock Exchange, Money Control and Funds India, Association of Mutual Funds in India, and others.

Sampling method:

Target population

For the satisfaction and the fulfillment of the current objectives the study has its focus on Indian Investment Market, which contains 44 functioning mutual funds companies. The objective of the study was to analyze top 5 debt category mutual funds of top ranked Indian Mutual Funds Companies based on the direct plans returns, considering their returns through NAVs (net asset value). The companies selected are ICICI Prudential Banking & PSU Debt Fund, HDFC Banking & PSU Debt Fund, Baroda BNP Paribas Dynamic Bond Fund, Aditiya Birla Sunlife floating rate fund and Invesco India Credit Risk Fund.

Sampling method and sample size

To examine the impact of various variables such as market index returns, interest rates and inflation rate of INDIA on the funds return examined over a period of 7 years from January 2017- December 2023 on a quarterly basis. The study uses linear multiple regression analysis and correlation analysis followed by thematic analysis to form a comparative relationship between the variables. The regression analysis will help in identifying significant independent variables which has affected mutual funds returns during COVID 19 pandemic whereas correlation will help to identify the relation of independent and dependent variables and whether they moved in the similar direction during the COVID 19 or not. The base model of the regression is given in the equation (1):

Where R represents the returns of the mutual funds

$$R = \alpha + \beta_1 C + \beta_2 T + \beta_3 AT + \beta_4 TE + \varepsilon,$$

during 2023. Slope or coefficient of independent variable is represented by B. The alpha represents the constant term, Scheme of fund category is denoted by C,Scheme type is denoted by T and tracking error of the mutual funds is denoted by TE. The return of the each funds are to be compared with various market and economic factors such as market index returns, inflation and bond yield offered by governments on these funds in order to have in depth analysis of the performance of mutual funds during the period of COVID 19 evaluate if the Indian mutual fund market has recovered from the repercurssions of pandemic or not.

Limitation Of The Study

Only CRISIL 5 Star and 4 star rated Mutual Funds schemes have been taken into analysis. There are more than 44 Asset Management Companies In India and large number of schemes offered by financial and non financial companies. It is not poosible to compare all the funds. The study carried out in the paper is restricted to 7 years (1^{st} jan 2017- 21^{st} dec 2023) due to availability of data in these time frames. The comparision of mutual funds return is done with respect to 10 years benchmark index and economic indicators only. Hence, the results are subjective in nature. Thus the results may get manipulated if other dynamics of comparisions are used such as expense ratios, portfolio turnover ratio and information ratios are used.

Statistical analysis AND FINDINGS

Correlation analysis

	AVERAGE Y VARIABLE	CRISIL 10 Year Gilt Index
AVERAGE Y VARIABLE RETURN	1	
CRISIL 10 Year Gilt Index	0.738944069	1

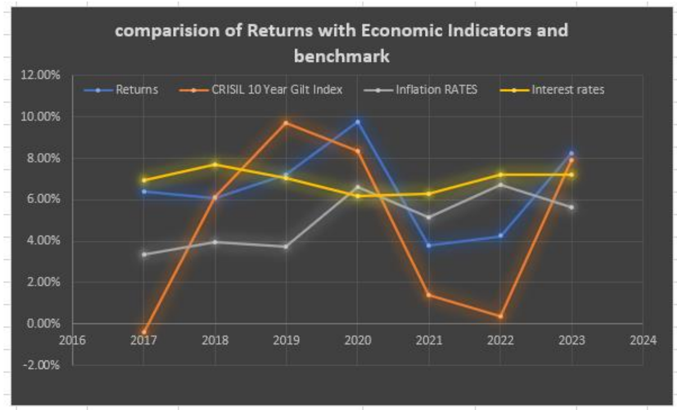
In order to assess the performance of mutual funds this study has used correlation analysis. The correlation technique has evaluated the relationship between funds return(Y) with independent variable(X) CRISIL 10-year gilt Index which is a benchmark in India to assess the performance of debt mutual funds category and analyse whether the returns were according to the benchmark or not. The correlation between CRISIL Index and fund's return is 0.74 Indicating strong positive correlation between the two variables as one returns are moving in the same direction as the CRISIL Index whether Increasing or decreasing with slight change.

	AVERAGE Y VARIABLE RETURN	Interest rates
AVERAGE Y VARIABLE RETURN	1	
Interest rates	-0.058705031	1

The second correlation is between average returns of top 5 Debt fund companies of India Interest rates in order to analyse and assess mutual fund's performance during and after the time of covid 19. The correlation between the two variables -0.059 indicating weak negative return which means either interest rates either had no impact on the mutual funds or the interest rates and the funds returns were moving in the opposite direction as indicated by the negative or inverse relationship.

	AVERAGE Y VARIABLE RETURN	INFLATION RATES
AVERAGE Y VARIABLE RETURN	1	
INFLATION RATES	-0.002805057	1

The third correlation is between the fund's return and the inflation rates in order to assess the impact of inflation rates on the funds return during 2019-2023. The correlation between the funds return and inflation rates is -0.0028 indicating weak negative correlation which again interprets that either interest rates had no impact on the movement of Funds return or the fund's returns and inflation rates were moving in opposite direction as one variable was Increasing the other was decreasing imposing an Inverse relationship.



The correlation results can be seen by the trend shown in the above graph with relevant performance interpretation of Mutual Fund's performance pre Covid, during Covid and Post Covid.

PRE COVID-PHASE (2017-2019):

During 2017-2018 the fund's returns have outperformed the benchmark by a huge margin of around 7% as the market benchmark is -0.38%. While Interest rates and Inflation rates were Increasing during 2017-2018 from 6.92% to 7.70% the fund's returns were decreasing slightly from 6.40% to 6.09% proving the weak negative correlation with the funds return of both variables. The slight decrease in funds returns was because of Increase in inflation rates increase from 3.35% to 3.97% in which people were attracted towards saving rather than spending therefore the demand of mutual funds declined negatively impacting the returns. The increase in interest rates were making people invest in other profitable fixed income securities other than mutual funds in which the return is certain. Although the mutual fund's return decreased but at a slight rate but still managed to outperform the market Index benchmark (-0.38% to 6.13%) Indicating strong performance during 2017-2018. Thus, this specifies that there exists positive correlation between funds return and benchmark Index as although the benchmark was negative but It was Increasing and recovering between 2017-2018 and the funds return was also Increasing moving in the similar direction.

The weak negative correlation during 2018-2019 can be experienced between the funds return and inflation and interest rates. As the inflation and interest rates fell from 7.70% to 7.02% the funds returns rose from 6.09% to 7.18% as the people were encouraged to invest more instead of saving their money in order to earn returns and make income out of it owing to lower inflation rates which fell from 4% to 3% .The interest rates fell from 7.7% to 7.01% during 2018-2019 people again started Investing In mutual funds as other fixed income Investments became less attractive due to deteriorating returns and Invested their money in mutual funds as debt mutual funds are less volatile and caters to the needs of risk averse investors aiming for regular Income leading to Increased demand stimulating higher returns. Although the returns Increased due to lower inflation and interest rates but still underperformed the market Index Indicating slight underperformance as funds managers allocation might be significantly different from the benchmark or possibility of lack of skill of management.

DURING COVID (2019-2021)

When COVID hit in 2019, the whole world went into recession due to the lockdown and slowdown of economic activities which led to rise in Inflation in India from 3.71% to 6.63% which is significantly high. Inorder to curtail the inflation the government decreases the interest rate so that people would increase borrowing and reduce their savings in order to boost economic activity from 7.02% to 6.16%.Implying the weak negative correlation between funds return and interest rates people were encouraged to pull out their money from risky investments (stocks and equity market) owing to low interest rates and invest in mutual funds that increased the demand of mutual funds leading to higher returns from 2019 to 2020 that is 7.18% to 9.74% outperforming the market index which was declining from 9.72% to 8.32%. This can be proven by around 20% increase. From ₹10 Lakh crores to an incredible ₹38. Lakh crores between 2014 and 2020, the Average Assets Under Management (AUM) grew significantly. This five-year period had a strong growth rate of 20%, with a notable 25% gain in equities AUM. As investor awareness grew, so did the preference for mutual funds, solidifying their position as the preferred choice for risk-averse individuals.

During 2020 to 2021 as the market index declined sharply from 8.32% to 1.39% due to destructive effects of covid 19 on world's economy thus the mutual funds good returns by mutual funds during the last year. The interest rates remained stable on 7.19% inorder to reduce spending and money supply thereby Increasing cost of financing curtailing the inflationary pressures during 2023 stabilizing the economy and reducing the inflation from 6.7% to 5.62% in 2023 which has increased during returns also declined sharply from 6.63% to 5.14% as the fund managers anticipated poor performance of funds followed by drastic decline in market index returns thus took right decision at the right time and pulled out money from mutual funds to Invest in other fixed income securities owing to Increased interest rates from 6.16% to 6.26% in order to earn higher returns. Therefore, despite 0f falling inflation from 6.63% to 5.14% the mutual funds demand and returns did not Increase owing to weak negative correlation between the both variables as at times declining Inflation had no improving impact on funds returns due to variability of several other factors and economic indicators. Although the funds returns declined but still outperformed market Index as market Index had severely deteriorated than the funds actual returns.

AFTER COVID (2021 to 2023)

During 2021 to 2022 the economy of India was recovering from the repercussions of COVID 19. The inflation rate rose from 5.14% to 6.7%. In order to curtail the inflation, the government raised the interest rate from 6.26% to 7.19%. The returns Increased from 3.78% to 4.25% which is a slight Increase as the Investors were regaining confidence in the mutual fund market after the downfall of funds' performance during 2020-2021 and were slowly pulling out their money from risky fixed income investments owing to high interest rates of 6.7% offering higher returns than mutual funds proving the negative correlation of interest rates having inverse effect on returns which are increasing at a decreasing rate due to high interest rate. Although the returns showed a slight Increase it still outperformed the market benchmark which was offering much lower returns at lowest 0.38% as compared to markets actual returns which stood at 4.25%.

During 2022 to 2023 the returns had risen sharply from 4.25% to 8.25% together with the benchmark returns from 0.38% to 7.19% indicating strong positive correlation leading to Indian mutual funds market recovery from Covid 19 and regaining of investors' confidence in the mutual fund market due to provision of the phase of covid 19 due to decreased interest rates in order to boost economic activity. Thus, mutual fund returns again outperformed the market index proving to be promising investment option for investors in after recovery phase of covid

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Regression analysis

Regression Statistics	
Multiple R	0.74985866
R Square	0.56228801
Adjusted R Square	0.519928785
Standard Error	0.016037164
Observations	35

The main purpose of regression is to create a model for a dependent variable(Y) Funds returns by using three independent variables: CRISIL 10 years index, inflation rates and interest rates.

- The **Multiple R** is 0.75 which indicates a moderately strong relationship between dependent variable (funds returns) and independent variables (CRISIL 10-year GILT index, interest rates and Inflation rates).
- The **R Square** value indicates that approximately 0.56 of the variability in the dependent variable can be accounted for by the independent variables.
- However, the **Adjusted R square** is similar to R square but adjust according to numbers of predictors, helps in accounting potential overfitting.
- The **standard error** shows the average difference of actual values and the forecasted values by model is 0.016.

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	3	0.010242057	0.003414019	13.27428	9.57687E-06
Residual	31	0.007972909	0.000257191		
Total	34	0.018214967			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.033142931	0.041223625	0.803979053	0.427532	-0.050933207	0.1172191	-0.05093321	0.117219069
Crisil 10 year index	0.59292332	0.094291152	6.288218016	5.42E-07	0.400615248	0.7852314	0.400615248	0.785231393
Inflation rates	0.118055801	0.200310658	0.589363553	0.559888	-0.29048048	0.5265921	-0.29048048	0.526592082
Interest rates	-0.353045603	0.53155323	-0.664177326	0.511487	-1.437155562	0.7310644	-1.43715556	0.731064357

The adjusted R Square=0.56 represents 56% of in of confidence of investors in the expected total return of the mutual fund. The R square value is used to measure the variability in the outcome by predictor variable leading to the conclusion that 56% of the variance is confident about total returns. P value is of great significance in the regression model as the value which is greater than 0.05 will be statistically insignificant for the analysis having very less impact on the Y variable which is funds return. Thus, the CRISIL 10-year gilt Index is statistically significant in analyzing the funds return and performance with the market benchmark as the p value 5.42E-07 is lesser than 0.05 which indicates that a unit increase in the CRISIL Index is associated with an increase of approximately 0.59 units in the dependent variable funds returns holding other variables constant. Thus, indicates that the funds return of the top Five mutual funds companies of India has in cases outperformed or performed in accordance with the market benchmark giving tough competition to other mutual fund categories as debt funds are considered to be least risky than equity funds and all the other types of funds winning investors' confidence thereby hedging risk. Therefore, the mutual fund market has outperformed from 2017 to 2023 phase in comparison with its benchmark due to diversified portfolios and fund managers aim to surpass the market index by employing strategies like sector rotation, fund selection and timing market movement. The inflation rates and interest rates are not statistically significant as their P values are greater than 0.05. A one unit increase in in Interest rates associates -0.35 decrease in mutual funds returns and a unit increase in inflation is associated with a minor 0.12 increase in returns indicating lesser impact of the economic indicators on the funds return and establishing strong growth of funds which remains unbeatable even in the crisis of Covid 19 when even the market benchmark was not performing well thereby outperforming the market in the times of Covid boosting Investors' confidence in the market by 56% as Indicated by the R Square. In conclusion the CRISIL 10 years index reflects positively to funds returns although inflation has minor positive effect and interest rates have negative effect. The F-statistics shows that model fits the data well.

Conclusion

The financial markets volatility has increased globally since the outbreak of covid 19. Investment avenues performance such as mutual funds because of the pandemic was disrupted worldwide leading to the eruption of economic crisis. However, in order to analyse the pandemic scenario, this research paper has examined 5 debt category mutual funds in India using OLS regression and correlation. The statistical results showed the in the pre covid phase the mutual funds outperformed the market benchmark but during COVID the mutual funds reruns declined together with the market returns as a result of economic downturn leading to a progressive drop in investor income levels and unemployment rate, worldwide saw an average return of 8% prior to the pandemic, but they saw a -26% decrease during the lockdown period worldwide. Despite of the falling returns the Indian mutual funds still managed to outperform the market returns which declined at an even sharper rate than the Indian mutual funds return. After the pandemic, the mutual fund market In India and all over the world recovered from the repercussions of the COVID 19 and Investors regained their confidence in the mutual funds market which again outperformed the market Index. The debt market did, however, experience notable growth following the recovery phase, with mutual fund schemes averaging a 55% return. There has been no discernible decline in the mutual fund business in India as a result of COVID-19. The Reserve Bank and Ministry of Finance have offered stimulus packages that have enticed investors to sell their capital market holdings. For average investors, the industry's future seems promising.

Investing in a variety of securities with a specified goal determined by asset allocation and performance is what a mutual fund does. The way these securities perform affects how well the fund performs. Turbulence in the market can have an impact on a heavily invested equities portfolio. Nonetheless, you can lessen the impact of a market slump by diversifying your investments across industries and regions. The performance of the fund's securities heavily influences the fund's performance. A high degree of exposure to one sector can yield favorable returns since different industries or sectors may be impacted by policy changes in different ways.

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