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A Study on Analysis of Equity Schemes in SBI Mutual Funds

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ABSTRACT

There are a large number of investment available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them marketable and liquid able while others are non-marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific needs, risk preferences, and expected. Some of the investment avenues can be broadly categized such has bank deposits, Fixed Deposits, PPF, NSC, post office saving, Govt. Securities, Equity Share Market, Life Insurance, Corporate Bonds and debentures, Real Estate, Gold and silver. A number of investment avenues in India depend on the size of investment and financial objectives. These avenues of investments should be wisely selected by an investor as we all know that saving and investing are the sole pillars of financial stability. A mutual fund is a scheme in which several people invest their money for a common financial cause. The collected money invests in the capital market and the money, which they earned, is divided based on the number of units, which they hold. The mutual fund industry started in India in a small way with the UTI Act creating what was effectively a small savings division within the RBI. Over a period of 25 years this grew fairly successfully and gave investors a good return, and therefore in 1989, as the next logical step, public sector banks and financial institutions were allowed to float mutual funds and their success emboldened the government to allow the private sector to foray into this area The advantages of mutual fund are professional management, diversification, and economies of scale, simplicity, and liquidity. The disadvantages of mutual fund are high costs, over-diversification, possible tax consequences, and the inability of management to guarantee a superior return. A code of conduct and registration structure for mutual fund intermediaries, which were subsequently mandated by SEBI. In addition, this year AMFI was involved in a number of developments and enhancements to the regulatory framework.

I. INTRODUCTION

There are a large number of investment available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them marketable and liquid able while others are non-marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific needs, risk preferences, and expected. Some of the investment avenues can be broadly categized such has bank deposits, Fixed Deposits, PPF, NSC, post office saving, Govt. Securities, Equity Share Market, Life Insurance, Corporate Bonds and debentures, Real Estate, Gold and silver. A number of investment avenues in India depend on the size of investment and financial objectives. These avenues of investments should be wisely selected by an investor as we all know that saving and investing are the sole pillars of financial stability. A mutual fund is a scheme in which several people invest their money for a common financial cause. The collected money invests in the capital market and the money, which they earned, is divided based on the number of units, which they hold. The mutual fund industry started in India in a small way with the UTI Act creating what was effectively a small savings division within the RBI. Over a period of 25 years this grew fairly successfully and gave investors a good return, and therefore in 1989, as the next logical step, public sector banks and financial institutions were allowed to float mutual funds and their success emboldened the government to allow the private sector to foray into this area The advantages of mutual fund are professional management, diversification, and economies of scale, simplicity, and liquidity. The disadvantages of mutual fund are high costs, over-diversification, possible tax consequences, and the inability of management to guarantee a superior return. A code of conduct and registration structure for mutual fund intermediaries, which were subsequently mandated by SEBI. In addition, this year AMFI was involved in a number of developments and enhancements to the regulatory framework.

EQUITY SCHEMES IN MUTUAL FUND

An equity fund is a mutual fund scheme that invests predominantly in equity stocks . In the Indian context , as per current SEBI mutual fund regulations, an equity mutual fund scheme must invest atleast 65% of the scheme's assets in equities and equity related instruments.

Asset Management Company (AMC)

A mutual fund is set up in the form of a trust, which has sponsor, trustees, AssetManagement Company (AMC) and custodian. The trust is established by a sponsor or more thanone sponsor who is like promoter of a company. The trustees of the mutual fund hold its propertyfor the benefit of the unitholders. AMC approved by SEBI manages the funds by makinginvestments in various types of securities. Custodian, who is required to be registered with SEBI,holds the securities of various schemes of the fund in its custody. The trustees are vested with the general power of superintendence and direction over AMC.They monitor the performance and compliance of SEBI Regulations by the mutual fund.SEBI Regulations require that at least two-thirds of the directors of trustee company or board oftrustees must be independent i.e. they should not be associated with the sponsors. Also, 50% ofthe directors of AMC must be independent. All mutual funds are required to be registered withSEBI before they launch any scheme.

Net Asset Value (NAV)

The performance of a particular scheme of a mutual fund is denoted by Net Asset Value (NAV). Mutual funds invest the money collected from investors in securities markets. In simplewords, NAV is the market value of the securities held by the scheme. Since market value of securities changes every day, NAV of a scheme also varies on day to day basis.The NAV per unit is the market value of securities of a scheme divided by the total number ofunits of the scheme on any particular date. For example, if the market value of securities of a mutual fund scheme is INR 200 lakh and the mutual fund has issued 10 lakh units of INR 10 each to the investors, then the NAV per unit of the fund is INR 20 (i.e.200 lakh/10 lakh).NAV is required to be disclosed by the mutual funds on a daily basis. The NAV per unit of all mutual fund schemes have to be updated on AMFI"s website and the Mutual Funds" website by 9 p.m. of the same day. Fund of Funds are allowed time till 10 a.m. the following business day to update the information.

COMPANYPROFILE:

SBI Mutual Fund is a payment system introduced by State Bank of India (SBI) and incorporated in 1987 with its corporate head office located in Mumbai, India. SBIFMPL is a joint venture between the State Bank of India, an Indian public sector bank, and Amundi, a European asset management company. A shareholder agreement in this regard has been entered on April 13, 2011, between SBI & AMUNDI Asset Management. Accordingly, SBI currently holds 63% stake in SBIFMPL and the 37% stake is held by AMUNDI Asset Management through a wholly owned subsidiary, Amundi India Holding. SBI & AMUNDI Asset Management shall jointly develop the company as an asset management company of international repute by adopting global best practices and maintaining international standards.

HISTORY AND GROWTH OF MUTUAL FUNDS INDUSTRY

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases

First Phase - 1964-1987

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual

Fund was the first non-UTI Mutual Fund established in June 1987 followed by Can bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

Third Phase - 1993-2003 (Entry of Private Sector Funds

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs. 44,541 crores of AUM.

COMPETITORS

1. Birla Sun life Asset Management company Ltd.
2. HDFC Asset Management company Ltd.
3. ICICI Prudential Asset Management company Ltd.
4. IDBI Asset Management Ltd.
5. Reliance Capital Asset Management Ltd.
6. AXIS Asset Management company Ltd.
7. Sundaram Asset Management company Ltd.

II. REVIFW OF LITERATIIRE:

Dr. R. Perumal (2022), Investment decision making towards mutual funds by using Statistical tools and ratio analysis of mutual find schemes. The objective of this research work is to exploits the use of statistical tools and ratio analysis in terms of financial performance .The research findings are useful to the Mutual Fund Companies in terms of understand their performance among the mutual fund companies in the market.

Ayaluru, M.P. (2022) worked to evaluate the performance of ten open ended equity schemes of Reliance Mutual Fund. The study was related to period from Aug 2009 to July 2014. The study highlighted that all the selected funds performed above the selected benchmark return. Further, Jensen measure revealed that all the selected schemes showed positive alpha. According to beta values out of ten schemes, only four schemes showed high risk.

Rao,(2021) In this research work the performance of the fund will be evaluated using five portfolio performance measurement parameters like Beta, Standard Deviation, Sharpe Ratio, Treynor Ratio and Jensen's Alpha. The benchmark taken for this is CNX NIFTY Index.

Wadhwa. B.; Kaur .D&Vashist, A.(2021) studied the factors responsible for the selection of mutual fund as an investment option and also analyzed the impact of various demographic variables on investors attitude towards mutual fund by taking three hundred respondents from Delhi region. One third respondents had given positive response and half of them had neutral response towards mutual fund. The authors found significant association between attitude and demographic features of respondents such as: age, gender. income & occupation. It was also found that no significant association between education & attitude towards mutual fund.

Sowmya. G, (Jan2021). As studied Performance Evaluation of Mutual Funds in India. The objectives of this are to know the basic concepts and terminologies of the mutual funds in public limited companies and private limited companies- To analyze performance and growth of selected mutual funds schemes with their NAV and their returns. To identify there turn variance and to provide suggestions based on the analysis.

Dr. K. Veeraiah and Dr. A. Kishore Kumar (Jan 2021), Conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyzes the performance of Lathan owned mutual

funds and compares their performance. The performance of these funds was analyzed using a five year NAVs and portfolio allocation. Findings of the study reveals that mutual funds out perrform naive investment. Mutual funds as a medium-la-long term investment option are preferred as a suitable investment option by investors.

Dr. R. Narayanasamy and V. Rathnamani (Apr 2020), Have done Performance Evaluation of Equity Mutual Funds .This study basically, deals with the equity mutual funds that are offered for investment by the various fund houses in Indian. This study mainly focused on the performance of selected equity mutual fund in terms risk- return relationship. The main objectives of this research work are to analysis financial performance of selected mutual funds scheme.through the statistical parameters such

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as (alpha, beta. standard deviation, r- squared, Sharpe ratio)

Kothari and Mindargi (June 2020) Found out that people lying in middle income group are more attracted towards mutual funds and are ready to bear risk though many investors do not invest in mutual funds due to lack of knowledge. There are investors who find government bonds a better option as compared to mutual funds. It was also found that most of the investors do not like to invest their money for a longer duration of time in mutual funds and they also expect higher return in shorter duration when compared to other investment options.

Bal and Paul (2020) Explained that the growth of mutual fund industry was hit hurted several times. He stated that the fiscal year 2008-09 was a challenging year for mutual fund industry in India as it passed through the financial Tsunami caused by world economy meltdown. But the study shows that the industry witnessed a robust growth in the fiscal year 2009-10 and thereafter due to strong governmental effort and SEBIs supportive regulations.

Joshi (2020) Revealed the various issues on risk management in mutual funds and suggested methods of effective risk management in mutual funds. Satya Swaroop (2019) explained the performance of 23 equity based mutual funds during the period April 1996 to March 2009. He used the Sharpe ratio, Treynor ratio and Jensen measure in his study and concluded that in the public sector UTI mutual fund schemes and in the private sector Franklin Temple ton schemes out- performed the market.

STATEMENT OF THEPROBLEM:

In today's upcoming world people have a higher thought of investing their salaries in various schemes of investment depending upon its future benefits. Mutual funds seems to be the most advanced upcoming investment needs has it depends upon the market value, which may furnish a higher as well as lower value of risk and return. At investors point of view, the complete detail analyzed was their perception towards it and how they face the growth and the risk-return involved in it. A mutual fund investors may invest his funds on the advice of the broker, agents or other banking or online fund institutions. People have to cogitate before funding their money in different schemes of mutual funds and should have a comparative analysis of which plan has a higher profit of risk and return in both past and future aspects.

OBJECTIVE OFSTUDY:

• To examine the performance of the selection funds in SBI Mutual Funds.
• To study the risk return performance of the investors
• To measure the risk return relationship and market volatility of the selection
SBI mutual funds.

SCOPE OF THESTUDY:

Thestudygivesaninformationaboutthevariousinvestmentopportunitiesinmutualfundsand helps to identify the top performing equity schemes among the following schemes SBI Small Cap Fund (Direct Plan - Growth), SBI Focused equity Fund(Direct Plan - Growth), SBI contra Fund (Direct Plan - Growth),SBI Large & Midcap Fund (Direct Plan - Growth),SBI Flexi cap Fund (Direct Plan - Growth),SBI Banking & financial services(Direct Plan - Growth) & SBI Magumagobal fund (Direct Plan - Growth) . The study focuses on comparison of risk and return of each equity scheme with its peers (6 funds) and benchmark index to identify outperforming and underperforming mutual fund scheme

III. RESEARC METHODOLOGY

Research methodology is a way to systematically solve the research problem. It not only talks about the research but also consider the logic behind the method used in the context of the research study and to explain in the research for using a particulars technique.

RESEARCH DESIGN

Descriptive Research has been used because the research has no control over the variables. Report can be prepared based on what has happened or what is happening. In Analytical Research. DESCRIPTIVE RESEARCH

• Descriptive research is a type of research that describes a population, situation, or phenomenon that is being studied. It focuses on answering the how, what, when, and where questions If a research problem, rather than the why
• Descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both, often within the same study.
• The term descriptive research refers to the type of research question, design, and is data analysis that will be applied to a given topic.
• Descriptive statistics tell what is, while inferential statistics try to determine cause and effect.
• Descriptive research can be either quantitative or

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qualitative.
POPULATION
The population of the study is Equity MUTUAL FUNDS.
SAMPLINGSIZE
The sample size is 07 schemes of SBI Mutual Funds.

SCHEMES/FUNDS	NO OF SCHEMES
EQUITY	07

EQUITY SCHEME:

1. SBI Small Cap Fund (Direct Plan -Growth)
2. SBI Focused equity Fund.(Direct Plan -Growth)
3. SBI contra Fund. (Direct Plan -Growth)
4. SBI Large & Midcap Fund (Direct Plan -Growth)
5. SBI Flexi cap Fund (Direct Plan -Growth)
6. SBI Banking & financial services (Direct Plan -Growth)
7. SBI Magumagobal fund (Direct Plan -Growth)

TOOLS USED FOR DATACOLLECTION
1. Published journal
2. Reports
3. AMFI
4. Yahoo Finance
5. Money control

TOOLS USED FOR DATAANALYSIS
The Various measures used to evaluate the performance of mutual funds are,
1. The Sharpe Ratio
2. The Treynor Ratio
3. The Jenson Ratio(Alpha)

STATISTICALS TOOLSUSED
The Sharpe Ratio
The Sharpe ratio was developed by Nobel laureate William F. Sharpe and is used to help investors understand the return of an investment compared to its risk. The ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Volatility is a measure of the price fluctuations of an asset or portfolio.
1. The Sharpe ratio adjusts a portfolio's past performance—or expected future performance— for the excess risk that was taken by the investor.
2. A high Sharpe ratio is good when compared to similar portfolios or funds with lower returns.
3. The Sharpe ratio has several weaknesses, including an assumption that investment returns are normally distributed.

SHARPE RATIO
(Si) = (Ri – Rf)/Si
Where,
Ri – Return on fund
Rf – Risk free rate of return
Si– Standard Deviation

The Treynor Measure
The Treynor Index measures the risk-adjusted performance of an investment portfolio by analyzing a portfolio's excess return per unit of risk.In the case of the Treynor Index, excess return refers to the return earned above the return that could have been earned in a risk-free investment.
Treynor's Index
(Ti) = (Ri – Rf)/Bi
Where,
Ti – Treynor Index
Ri – Return on fund
Rf – Risk free rate of return
Bi – Beta of fund

Jenson Model
Jensen's measure, or Jensen's alpha, developed by Michael Jensen in 1968, is used to calculate the return on a portfolio in excess of its theoretical expected return. The idea behind this ratio is that any investment that performs better than its projected or expected risk-adjusted return shows that the manager is able to extract more mileage from his investments.In other words, Jensen's Alpha is the difference between actual returns of a fund and those that could have
been earned on a benchmark portfolio with the same amount of market risk (e.g. the same Beta). Jensen's Alpha measures the return earned by a portfolio above or below that demanded by the market for its risk class.
Jenson ratio:
Ri = Rf + Bi (Rm – Rf)
Where,
Rm – Average Market Return during the given period.
Rf – Risk free rate of return.
Ri – Return on fund
Bi – Beta of fund

DATA ANALYSIS AND INTERPRETATION
List of table and charts for the following schemes
1. SBI Small Cap Fund (Direct Plan -Growth)
2. SBI Focused equity Fund.(Direct Plan -Growth)
3. SBI contra Fund. (Direct Plan -Growth)
4. SBI Large & Midcap Fund (Direct Plan -Growth)
5. SBI Flexi cap Fund (Direct Plan -Growth)
6. SBI Banking & financial servies (Direct Plan

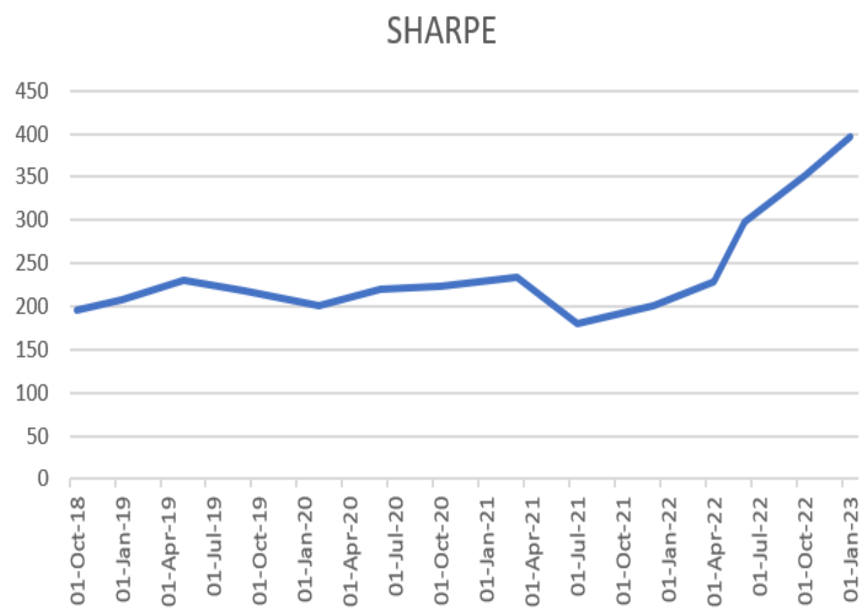
-Growth)
7. SBI Magumagobal fund (Direct Plan -Growth)

SBI LARGE & MIDCAP FUND -DIRECT PLAN –Growth

TABLE FOR THE SHARPE RATIO CALCULATION

DATE	PRICE	SHARPE RATIO
15-Oct-18	195.4503	0.806
21-Jan-19	208.0004	0.046
01-May-19	230.233	0.029
14-Sep-19	218.599	0.752
26-Feb-20	200.2231	0.028
08-Jun-20	219.7059	0.049
22-Oct-20	223.0603	1.077
06-Mar-21	233.158	0.109
13-Jul-21	179.181	0.120
18-Dec-21	201.1124	0.055
13-Apr-22	229.2925	1.358
22-Jun-22	297.6156	0.022
06-Oct-22	352.3773	0.073
17-Jan-23	396.5941	0.047

CHART FOR THE SHARPE RATIO CALCULATION



Interpretation:
The above table and chart shows the SHARPE RATIO Obtained by selected EQUITY FUNDS for a period of 5 years. From the table it can be seen that **SBI LARGE & MIDCAP FUND**. During the5 years daily data we taken 90 days calculation for the analysis the data to identifiers the difference. The High value return in the SHARPE RATIO as on 13-APR-2022 price is 1.358 ,Medium value of the fund is 0.109 as on 06-MAR-2021 and finally the last value is as on 17-JAN-2023 of 0.047 it Show the lowest value of the select equity funds.

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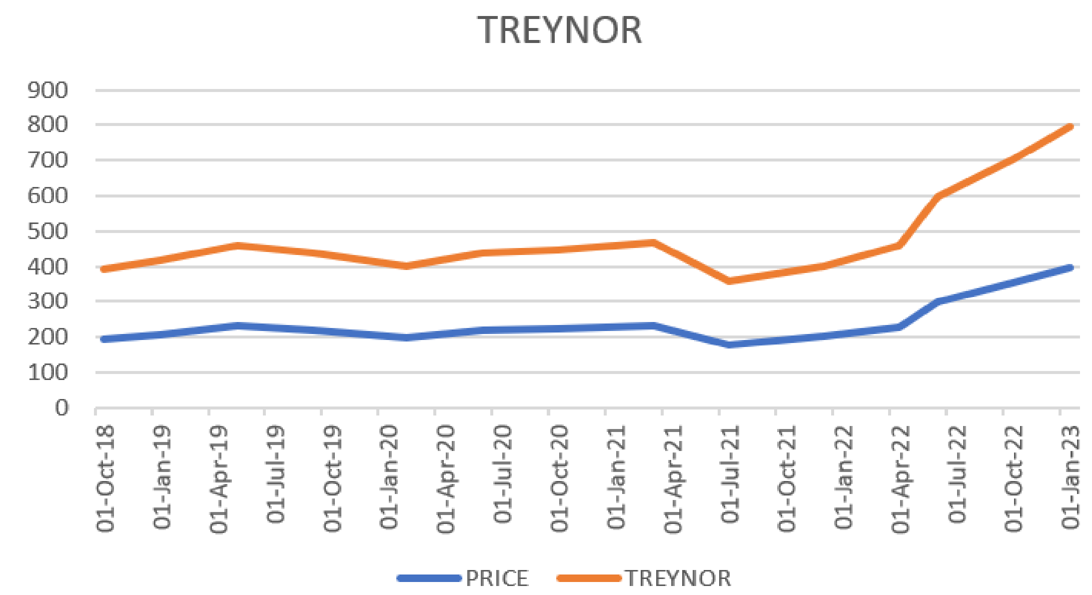
TABLE FOR THE TREYNOR RATIO CACLULATION

DATE	PRICE	TREYNOR
15-Oct-18	195.4503	194.787
21-Jan-19	208.0004	208.292
01-May-19	230.233	230.195
14-Sep-19	218.599	218.842
26-Feb-20	200.2231	200.848
08-Jun-20	219.7059	219.779
22-Oct-20	223.0603	223.415
06-Mar-21	233.158	234.001
13-Jul-21	179.181	179.858
18-Dec-21	201.1124	199.478
13-Apr-22	229.2925	228.970
22-Jun-22	297.6156	299.910
06-Oct-22	352.3773	352.532
17-Jan-23	396.5941	397.348

CHART FOR THE TREYNOR RATIO CALCULATION



Interpretation :

The above table and chart shows the TREYNOR RATIO Obtained by selected
EQUITY FUNDS for a period of 5 years. From the table it can be seen that SBI LARGE & MIDCAP FUND. During the 5 years daily data we taken 90 days calculation for the analysis the fund is 223.41as on 22-Oct-2020. and finally the last value is as on 13-APR-2022 on the data to identifies the difference. The TREYNOR RATIO as on 17-Jan-2022 price is 397.34, medium value of the fund is 223.41 as on 22-Oct-2020, and finally the last Value is on 13-Jul-2021 of 0.047 it shows the lowest value

of the selected equity funds.
FINDINGS AND SUGGESTIONS
SBI LARGE & MIDCAP FUND -DIRECT PLAN –Growth
SHARPE RATIO:
From the Table 3.1 the High value in the SHARPE RATIO as on 13-Apr-2022 price is
1.358
From the Table 3.1 the lowest valves of SHARPE RATIO as on 17-Jan-2023 of 0.047

TREYNOR RATIO:
From the Table 3.2 the High value in the TREYNOR RATIO as on 17-Jan-2023 price is 397.34
From the Table 3.2 the lowest valves of TREYNOR RATIO is as on 13-Apr-2022 of 0.047.

IV. CONCLUSION

The study has identified the best scheme among the equity funds of SBI Mutual Funds for the investors who prefer to invest in Mutual Funds. The schemes are analyzed based on their risk and return. The risks are classified based on the values of Standard deviation and Beta while the return is classified based on the average annual returns and alpha.

These results help the investors to invest in diversified schemes and also help them in gaining confidence about their return on investment. The results of the project also help the company in maintaining their current portfolio, analyzing the existing funds and also to keep the value to minimum in order to reduce the risks in portfolio.