

## AN EVALUATION OF RETURNS FROM SELECTED SBI MUTUAL FUND SCHEMES IN KARNATAKA

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### **ABSTRACT**

*Mutual fund is an investment vehicle made up of a pool of funds collected from numerous investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. SBI Mutual Fund is one of India's largest and most trusted mutual fund houses. SBI Mutual fund savings create a confidence that can pool the investment of large number of investors who contribute to a general economic objective. The study focuses on evaluating the performance of selected SBI Mutual Fund schemes in Karnataka. The study uses a quantitative research design to analyse historical data from selected SBI Mutual Fund schemes. The study is based on primary and secondary data. Primary data through questionnaire and secondary data from financial databases, SBI Mutual Fund reports, and other relevant sources. The study found that SBI Long Term Equity Fund Direct Plan Growth and SBI Contra Direct Plan Growth offer investors the highest returns.*

**Keywords:** *Bonds, Investors, Money market, Performance, Returns,*

## **INTRODUCTION**

SBI Mutual Fund Trustee Company Private Limited was established as a trust under the Trust Act, 1882. This trust manages SBI mutual fund, one of the largest and oldest MFs in India. SBI Fund is a joint venture (joint venture) between State Bank of India, one of India's largest and most profitable banks.

SBI Mutual Fund was established on 29<sup>th</sup> June 1987 and registered on 7<sup>th</sup> February 1992. After the inception of Unit Trust of India in 1963. Amundi is a large asset management company formed by Crédit Agricole and Societe Generale. He has many first names. It was the first financial player in India to launch a 'Contra' fund known as SBI Contra Fund. In 2013, SBI Mutual Fund India acquired Daiwa Mutual Fund, part of Japan's Daiwa Group. SBI Mutual Fund is the first in India to launch ESG funds. Committed to the environment, community and management, the fund provides resources for sustainable investment in key markets.

In 2015, India Provident Fund invested Rs 5,000 Million in mutual funds in India for the first time through SBIMF Sensex ETFs or mutual funds. As of March 2024, SBI Fund manages assets worth Rs 9.14 million. It surpassed Aditya Birla and HDFC Mutual Funds in early 2019 to become India's third-largest mutual fund in terms of assets under management (AUM). SBI MF is registered with the Securities and Exchange Board of India or SEBI.

## **SBI MUTUAL FUND SCHEMES**

### **SBI Contra Direct Plan Growth**

Fund Performance: Annual returns were around 28.96% and 27.98% in the last 3 and 5 years. SBI Contra Fund falls under the Equity Funds category of SBI.

Investment Limit: The investment limit for SBI Contra fund is ₹5,000 and the investment limit for SIP is ₹500.

### **SBI Long Term Equity Fund Direct Plan Growth**

Fund Performance: The funds annualized returns for the past 3 years & 5 years has been around 27.18% & 23.64%. The SBI Long Term Equity Fund comes under the Equity category of SBI Mutual Funds.

Minimum Investment Amount: Lump sum minimum amount for SBI Long Term Equity Fund is ₹500 and for SIP, it is ₹500.

### **SBI Magnum Gilt Fund Direct Growth**

Fund performance: Annual returns for the last 3 and 5 years were around 27.18% and 23.64%. SBI Long Term Fund falls under the category of SBI Equity Funds. Investment Limit: The investment limit for SBI Long Share Fund is ₹500 and for SIP is ₹500.

### **SBI Gold Direct Plan Growth**

Fund performance: Annual returns in the last 3 and 5 years were around 13.24% and 16.41%. SBI Gold Fund falls under the other category of SBI mutual funds.

Investment Limit: The investment limit for SBI Gold mutual fund is ₹5,000 and for SIP it is ₹500.

### **SBI Retirement Benefit Fund Aggressive Plan Direct Growth**

Fund Performance: SBI Pension Fund falls in the solution-oriented category of SBI funds. Investment Limit: The investment limit for SBI Pension Fund is ₹5,000 and the investment limit for SIP is ₹500.

### **Advantages of mutual funds**

- Asset managers manage mutual funds professionally.
- Diversification helps reduce risk.
- Liquid Funds
- Mutual funds are affordable and offer tax advantages
- Safe and sound.

### **Disadvantages of mutual fund:-**

- Costs
- Diversification of Funds
- Lock-in Period
- Fluctuating Returns

## **REVIEW OF LITERATURE**

**Bharti Godhwani (2024)**, explained on performance evaluation of selected (equity linked schemes) ELSS mutual funds. The purposes of the study are i) to analyse the performance of selected equity-linked saving schemes in India ii) to associate the performance of selected equity-linked saving schemes in India using performance tool like Sharpe ratio and Treynor ratio, Alpha iii) to evaluate the performance of Tax saving funds of various MF companies in India during 2021-2023. The study concluded that the ELSS schemes have been compared to

help investors choose an appropriate scheme based on the fund's risk and returns. As an investor, you should be aware of the risks connected with these ELSS schemes when compared to standard tax-saving choices like as PPF and NSC.

**Madhavi C (2019)**, have developed a research on performance and evaluation of SBI mutual Funds in India. The objective of the study is to analyse the performance of selected Equity/Growth and Income/Debt schemes of SBI Mutual Fund. The study is completely based on the secondary data. The study determined that the SBI Mutual Funds, Equity and Debt schemes have fared reasonably, by well, despite the decline in the NAVs, value addition, an increase in the expense and management ratios of certain of the selected schemes.

**Raju J K et.al (2018)**, a study on performance evaluation of selected Indian equity mutual funds. The study focuses on equity mutual funds offered by several fund houses in India for investment. The objective of the study is to evaluate the performance of selected equity mutual funds in India and to analyse risk-returns relationship. The study concluded that while making an investment decision, the first and most significant considerations are risk and return, followed by safety and liquidity. If investors desire a lower risk fund, they should go for one with a higher Treynor rank. Investors that want to diversify their funds and earn a higher rate of return should aim for a higher Sharpe rank. Investors must use the Jenson metric to evaluate the performance of funds and portfolio managers.

**Garvit Dhingra (2016)** conducted a study on “financial performance of SBI Mutual Funds”. The objectives of the study are i) to study the performance of selected mutual funds of SBI ii) to find out the Net Assets, Net Asset Value (NAV) of selected schemes of SBI mutual fund iii) To make the ratio analysis of SBI mutual funds. The present study attempts to provide an insight into the performance of various SBI mutual funds. The study concluded that Investors should not invest blindly in investments before going through the fact sheets, annual reports, etc. of the company because, according to the norms of the SEBI, the AMCs are obligated to provide all the relevant data that is necessary for the investment purpose by the investor.

**Gangaiah G (2015)** discussed on Performance evaluation of SBI mutual funds. The objective of the study is to evaluate performance of different SBI mutual fund schemes on the basis of risk-return parameters. The study concluded that mutual funds contribute significantly to the global financial system. Recently, the mutual fund industry has been promoting the equities market to attract new investors. Product innovation and new product combinations are

emerging in the Indian market. The Indian small investor's diverse investment habits have led to the creation of numerous mutual fund products.

### **OBJECTIVES OF THE STUDY**

The overall objective of the study is to evaluate the performance of selected mutual fund schemes of SBI in Karnataka.

### **SCOPE OF THE STUDY**

The present study attempts to provide an insight into the performance of following selected SBI mutual funds.

1. SBI Contra Direct Plan Growth
2. SBI Long Term Equity Fund Direct Plan Growth
3. SBI Magnum Gilt Fund Direct Growth
4. SBI Gold Direct Plan Growth
5. SBI Retirement Benefit Fund Aggressive Plan Direct Growth

### **LIMITATIONS OF THE STUDY**

- The sample size is limited to 110 respondents.
- The study is limited to Karnataka only.

### **RESEARCH METHODOLOGY**

#### **1) Sample Design:**

**Sample size:** The sample size is limited to 110 respondents.

**Sampling technique:** For the study, simple random sampling techniques were used.

**2) Data Collection:** Both primary and secondary data was used for the study. Primary data was collected through a structured questionnaire and secondary data was collected from books, journals and web sites.

**3) Tools for Analysis:** For analysing the collected data statistical tools such frequency, percentage, beta, Sharpe ratio, Treynor ratio, Alpha was used.

The beta value showed the variability of the fund's performance. A low beta indicates that the fund delivers the expected performance compared to funds of the same type in the market. The Sharpe ratio shows how much risk is taken to achieve returns. Average value means that the fund will provide a good return relative to the magnitude of risks involved. It is calculated

by subtracting the risk-free interest rate of issued as Indian government bonds from the fund and then dividing by the standard deviation. A fund's higher firm ratio will result in higher risk-adjusted exposure.

Treynor ratio shows how much profit is earned for each unit of risk taken. A higher value indicates that the fund is able to generate good returns for the amount of risk taken. It is calculated by subtracting the risk-free interest rate, defined as an Indian government bond, from the fund's return of and then dividing by the beta of the interest rate. A high Treynor ratio indicates that the fund is the best in its category because it will provide the most risk-adjusted returns.

Alpha indicates how well a fund returns compared to its benchmark. A fund with high alpha is generally considered good because it provides a different return than other funds in the same sector.

## DATA ANALYSIS AND INTERPRETATION

**Table No. 1: Demographic Profile of the Respondents**

Sl. No	Particulars	No. of Respondents	Percentage
1.	Age		
	a) Between 20 – 30 Years	27	24.54
	b) Between 30 to 40 Years	55	50.00
	c) Above 40 Years	28	25.46
	<b>Total</b>	<b>110</b>	<b>100</b>
2.	Gender		
	Male	75	68.18
	Female	35	31.82
	<b>Total</b>	<b>110</b>	<b>100</b>
3.	Educational qualification		
	a) Under Graduate	16	14.55
	b) Graduate	48	43.63
	c) Post graduate	32	29.09
	d) Others	14	12.73
	<b>Total</b>	<b>110</b>	<b>100</b>

4.	Marital status		
	a) Married	45	40.90
	b) Unmarried	55	50.00
	c) Widow	10	09.10
	<b>Total</b>	<b>110</b>	<b>100</b>
5	Income		
	a) Below 10000	20	18.18
	b) 10000 to 20000	34	30.91
	c) 20000 to 30000	23	20.91
	d) 30000 to 40000	18	16.36
	e) Above 40000	15	13.64
	<b>Total</b>	<b>110</b>	<b>100</b>

**Table No. 1.** Represents the demographical profile of respondents on performance evaluation of selected SBI mutual fund schemes in Karnataka. Based on age pattern more number of respondents is between 30 to 40 years, more male respondents are invested in SBI mutual fund when compare to female respondents, more number of graduates are invested in different SBI mutual fund schemes, the context of marital status more respondents are unmarried and more number of investors are invested money in mutual fund of their income between Rs.10000 to Rs.20000.

**Table No. 2: Returns from selected SBI mutual fund schemes based on year**

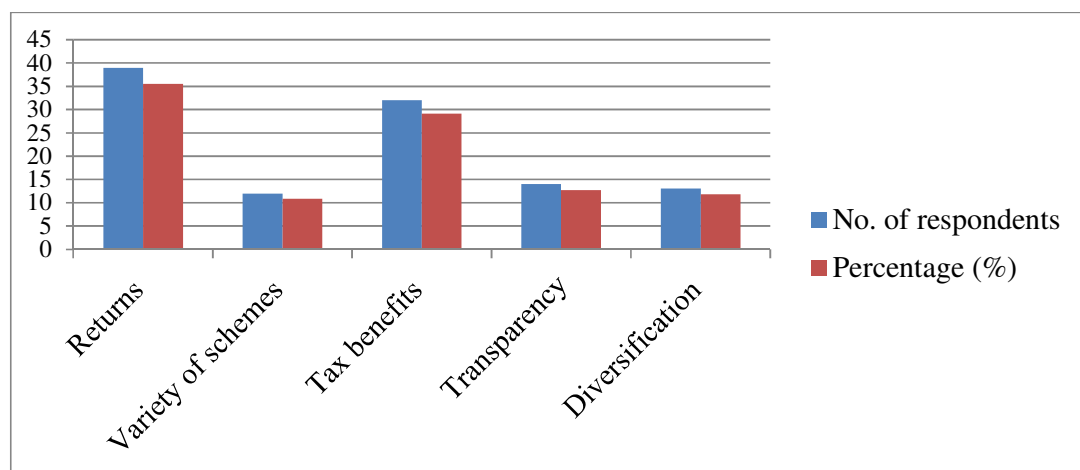
Category	1 year	2 year	3 year	5 year
SBI Contra Direct Plan Growth	48.43%	39.95%	29.77%	28.76%
SBI Long Term Equity Fund Direct Plan Growth	59.90%	46.91%	29.02%	25.19%
SBI Magnum Gilt Fund Direct Growth	8.02%	8.97%	6.59%	7.94%
SBI Gold Direct Plan Growth	19.18%	17.27%	13.98%	15.99%
SBI Retirement Benefit Fund Aggressive Plan Direct Growth	34.52%	31.58%	23.21%	0.00%

(Secondary data)

**Table No. 2.** Represents the returns from selected SBI mutual fund schemes. Based on year-to-date returns, SBI Long Term Equity Fund Direct Plan Growth and SBI Contra Direct Plan Growth offer investors the highest returns. SBI Magnum Gilt Fund Direct Growth offers lowest returns to investors.

**Table No. 3:** Reason of Investment in SBI mutual fund schemes

Reasons	No. of respondents	Percentage (%)
Returns	39	35.50
Variety of schemes	12	10.90
Tax benefits	32	29.10
Transparency	14	12.70
Diversification	13	11.80
Total	110	100



**Table No. 3.** Represents the reason of investment in SBI mutual fund schemes. Based on investment reason 39 respondents are returns purpose, followed by 32 respondents are tax benefit, 14 respondents are transparency, 13 respondents are diversification, 12 respondents are variety of schemes. Most of the respondents are invested in SBI mutual fund schemes for getting more returns.

**Table No. 4:** Performance analysis of selected SBI mutual fund schemes (from June 2021 to June, 2024)

Fund	Return	Standard deviation	Beta	Sharpe ratio	Treynor ratio	Jenslon's alpha
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SBI Contra Direct Plan Growth	29.77%	13.12	0.86	1.53	0.23	9.35
SBI Long Term Equity Fund Direct Plan Growth	29.02%	13.72	0.92	1.35	0.20	7.14
SBI Magnum Gilt Fund Direct Growth	6.59%	1.96	2.7	-0.41	-	2.9
SBI Gold Direct Plan Growth	13.98%	11.06	-0.04	0.65	-1.9	7.53
SBI Retirement Benefit Fund Aggressive Plan Direct Growth	23.21%	12.73	0.84	1.06	0.16	3.15

The above table is based on the data of past 3 years from June 2021 to June 2024. On the basis of standard deviation SBI Magnum Gilt Fund Direct Growth has the lowest standard Deviation that there is more predictability of return in this fund.

Among the above five schemes of different AMC, The beta value of SBI Magnum Gilt Fund Direct Growth is lowest with 1.96 so it means that there are more chances in this fund of given same returns as of past, volatility will be less in it.

**The Sharpe ratio** is highest in SBI Contra Direct Plan Growth among all as it is 1.53, this is risk adjusted return.

**The Treynor ratio** of SBI Contra Direct Plan Growth is 0.23 which is highest among all five schemes.

**Alpha** is highest in SBI Contra Direct Plan Growth it is 9.35 which shows the returns as compared to benchmark thus it shows the this fund has given 9.35 percent returns more than the benchmark.

## **FINDINGS**

- SBI Long Term Equity Fund Direct Plan Growth and SBI Contra Direct Plan Growth offer investors the highest returns.
- SBI Magnum Gilt Fund Direct Growth offers lowest returns to investors.
- Most of the respondents are invested in SBI mutual fund schemes for getting more returns.
- The beta value of SBI Magnum Gilt Fund Direct Growth is lowest with 1.96
- The Sharpe ratio of SBI Contra Direct Plan Growth is 1.53
- The Treynor ratio of SBI Contra Direct Plan Growth is 0.23

## **SUGGESTIONS**

- Choose your favourite SBI mutual fund or own investment shares in Karnataka. Consider equity, debt, hybrid, and thematic funds to cover a broad spectrum.
- Use risk adjusted parameters such as Sharpe ratio, Sorting ratio, and alpha to evaluate risk-adjusted returns. This provides insights into how efficiently the fund manager has managed risk to achieve returns.
- Compare the performance of each scheme against appropriate benchmarks like Nifty 50, Nifty Midcap, or category-specific indices. This helps in understanding how well the funds have performed relative to the market.
- Assess investor returns by factoring in the impact of expenses, entry/exit loads, and tax implications.

## **CONCLUSION**

The study concluded that each SBI Mutual Fund scheme in Karnataka has its unique characteristics and performance metrics, a comprehensive evaluation provides investors with a clear understanding of their suitability based on risk appetite, investment horizon, and financial goals. Continuous monitoring and adaptation to changing market conditions are essential for optimizing investment outcomes in the dynamic mutual fund landscape.

Performance analysis helps investors make informed decisions about stock investments by looking at the quantitative and qualitative factors that contribute to long-term success. Regular evaluation of investment strategies and adjustment according to these evaluations is important for improving investment performance in a dynamic financial system.

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