Journal of Advances and Scholarly Researches in Allied Education
Vol. XII, Issue No. 23, October-2016, ISSN 2230-7540

Comparative Study of Performance of SBI Mutual Fund, HDFC Mutual Fund and Birla Sun Life Fund-Growth Schemes

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Abstract* – *The performance of mutual funds in India in the initial phase was not even closer to satisfactory level. People rarely understood, and of course investing was out of question. But yes, some 24 million shareholders were accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992. This good record of UTI became marketing tool for new entrants. The expectations of investors touched the sky in profitability factor. However, people were miles away from the preparedness of risks factor after the liberalization. Secondary data has been used for achieving the objectives of the study.

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INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as equities, debentures and other securities. The income earned through these investments and the capital appreciation realized (after deducting the expenses and profits of mutual fund managers) is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund strives to meet the investment needs of the common man by offering him or her opportunity to invest in a low cost. The small savings of all the investors are put together to increase the buying power and hire a professional manager to invest and monitor the money. Anybody with a surplus of as little as a few thousand rupees can invest in Mutual Funds.

MUTUAL FUNDS IN INDIA

In 1963, the day the concept of Mutual Fund took birth in India. Unit Trust of India invited investors or rather to those who believed in savings, to park their money in UTI Mutual Fund. For 30 years, it goaled without a single second player. Though the 1988 year saw some new mutual fund companies, but UTI remained in a monopoly position.

The performance of mutual funds in India in the initial phase was not even closer to satisfactory level. People rarely understood, and of course investing was out of question. But yes, some 24 million shareholders were accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992. This good record of UTI became marketing tool for new entrants. The expectations of investors touched the sky in profitability factor. However, people were miles away from the preparedness of risks factor after the liberalization.

The net asset value (NAV) of mutual funds in India declined when stock prices started falling in the year 1992. Those days, the market regulations did not allow portfolio shifts into alternative investments. There was rather no choice apart from holding the cash or to further continue investing in shares. One more thing to be noted, since only closed-end funds were floated in the market, the investors disinvested by selling at a loss in the secondary market.

The performance of mutual funds in India suffered qualitatively. The 1992 stock market scandal, the losses by disinvestments and of course the lack of transparent rules in the whereabouts rocked confidence among the investors. Partly owing to a relatively weak stock market performance, mutual funds have not yet recovered, with funds trading at an average discount of 1020 percent of their net asset value. The securities and Exchange Board of India (SEBI) came out with comprehensive regulation in 1993 which defined the structure of Mutual Fund and Asset Management Companies for the first time.

COMPANY PROFILE

1. HDFC Mutual Fund:-

HDFC Mutual Fund has been constituted as a trust in accordance with the provisions of the Indian Trusts

Act, 1882, as per the terms of the trust deed dated June 8, 2000 with Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited as the Sponsors / Settlers and HDFC Trustee Company Limited, as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund has been registered with SEBI, under registration code MF/044/00/6 on June 30, 2000.

2. SBI Mutual Fund:-

SBI Mutual Fund is India's largest bank sponsored mutual fund and has an enviable track record in judicious investments and consistent wealth creation. The fund traces its lineage to SBI - India's largest banking enterprise. The institution has grown immensely since its inception and today it is India's largest bank, patronized by over 80% of the top corporate houses of the country.

SBI Mutual Fund is a joint venture between the State Bank of India and Society General Asset Management, one of the world's leading fund management companies that manages over US$ 330 Billion worldwide.

In eighteen years of operation, the fund has launched thirty-two schemes and successfully redeemed fifteen of them. In the process it has rewarded it's investors handsomely with consistently high returns.

Today, the fund manages over Rs. 16500 crores of assets and has a diverse profile of investors actively parking their investments across 30 active schemes. The fund serves this vast family of investors by reaching out to them through network of 100 collection branches, 26 investor service centres, 28 investor service desks and 52 districts organize.

3. Birla Sun Life Mutual Fund

Birla Sun Life Asset Management Company Ltd. (BSLAMC), the investment manager of Birla Sun Life Mutual Fund, is a joint venture between the Aditya Birla Group and the Sun Life Financial Inc. of Canada. The joint venture brings together the Aditya Birla Group's experience in the Indian market and Sun Life's global experience.

Established in 1994, Birla Sun Life Mutual fund has emerged as one of India's leading flagships of Mutual Funds business managing assets of a large investor base. Our solutions offer a range of investment options, including diversified and sector specific equity schemes, fund of fund schemes, hybrid and monthly income funds, a wide range of debt and treasury products and offshore funds. Birla Sun Life Asset Management Company has one of the largest team of research analysts in the industry, dedicated to tracking down the best companies to invest in. BSLAMC strives to provide transparent, ethical and research-based investments and wealth management services. The Aditya Birla Group is one of India's largest business houses. Global in vision, rooted in Indian values, the Group is driven by a performance ethic pegged on value creation for its multiple stakeholders.

LITERATURE REVIEW

Literature on mutual fund performance evaluation is enormous. A few research studies that have influenced the preparation of this paper substantially are discussed in this section.

Bhatt et al. 2011 said that Mutual funds are collective investment vehicles that pool money from investors to buy a bunch of securities. The popularity of these schemes is mainly due to the benefits of professional management and reduction of risks through portfolio diversification. In recent years, the study of causality between mutual funds investment flow and stock market returns has attracted the attention of researchers and academicians world over. But the existing empirical evidence on this issue is rather mixed. Furthermore, there exist a few studies that include the case of India. Thus, this article is an attempt to investigate the dynamics of the relationship between mutual funds investment flow and stock market returns in India for the period January 2000 to May 2010.

Mishra,et al. Vision 2011 measures have been applied to measure the risk-adjusted performance and along with these, different coefficients have been estimated to examine the selectivity, market-timing and diversification performances of the open-ended gilt schemes offered by Indian public & private sector mutual fund companies as well as the firms belonging to foreign private sector.

Joy et al. 2012 conclude that the Indian mutual fund industry is one of the fastest growing sectors in the Indian capital and financial markets. The Indian mutual fund industry has grown several folds in terms of size and operations during the past five decades of its existence. The common investors are facing the problem in choosing the suitable product from among the multiple institutions offering variety of products and multiple options attached with each product.

Suvarna, et al 2014 said that mutual fund is one of the best investment options among various available investment options. It is also attracting the rural people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives.

Goyal, et al 2015 conclude that mutual Fund is professionally managed trust that pools the money of various investors and further invests them into different securities like shares, bonds and short term securities like certificate of deposit, commercial paper etc. and commodities like precious metals. In India the origin of Mutual Funds industry can be traced since the enactment of UTI (Unit Trust of India) Act, 1963.

OBJECTIVES OF THE STUDY

1. "Comparative Study of SBI Mutual Fund, HDFC Mutual Fund, and Birla Sun Life Fund-Growth"

2. To analyse the return performance of selected schemes of SBI Mutual Fund, HDFC Mutual Fund, and Birla Sun Life Fund-Growth .

3. To analyse risk associated with the schemes of selected Mutual Funds.

4. To evaluate performance of selected Mutual Funds by using risk adjusted measures

Data collection:

The data required for the study has been collected through secondary sources. Secondary data sources include:

➢ Published material and annual reports of mutual fund companies

➢ Other published material of mutual funds.

➢ Research based online portals.

➢ Published sources also

Type of the Study

The study is generally descriptive in nature, as it studies the performances of three mutual fund schemes. The research has been done by using the following statistical techniques;

- **Compounded return:-**

Percentage change in NAV is an absolute measure of return, which finds the NAV appreciation between two points of time, as a percentage.

- **Standard Deviation: -**

The square root of the variance in a series. It shows how the data are spread out. A measure of the dispersion of a set of data from its mean. The more spread apart the data is, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility (risk). Formula for calculating standard deviation

$$SD = \frac{\Sigma\ (X-u)^2}{N}$$

- **BETA:-**

Beta describes the relationship between the securities return and the index. A measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole is known as "beta coefficient". While standard deviation determines the volatility of a fund according to the disparity of its returns over a period of time, beta another useful statistical measure, determines the volatility, or risk, of a fund in comparison to that of its index or benchmark. A fund with a beta very **close to 1** means the fund's performance closely matches the index or benchmark. A beta **greater than 1** indicates greater volatility than the overall market, and a **beta less than 1** indicates less volatility than the benchmark.

Formula for Beta calculation

$$\beta = \frac{N\sum xy - \sum x \sum y}{\sum x^2 - (\sum x)^2}$$

- **Treynor Measure/ Ratio**

According to Jack Treynor, systematic risk or beta is the appropriate measure of risk, as suggested by Capital Asset Pricing Model CAPM. The Treynormeasure of portfolio performance relates the excess return on a portfolio to the portfolio beta.

$$\text{Treynor Measure} = \frac{\text{Excess Return on Portfolio (Fund)}}{\text{Beta of Portfolio (Fund)}}$$

$$= \frac{\text{Avg. Rate of Return on Fund} - \text{Avg. Rate of Return on a Risk-Free Investment}}{\text{Beta of Fund}}$$

- **Sharpe Measure/ Ratio;**

The Sharpe Measure is similar to the Treynor Measure except that it employs Standard Deviation, not beta, as the measure of risk. Thus

$$\text{Sharpe Measure} = \frac{\text{Excess Return on Portfolio (Fund)}}{\text{Standard Deviation of Portfolio (Fund)}}$$

$$= \frac{\text{Avg. Rate of Return on Fund} - \text{Avg. Rate of Return on a Risk-Free Investment}}{\text{Standard Deviation of Portfolio (Fund)}}$$

ANALYSIS AND INTERPRETATION

A. Returns: The return yielded by various schemes is shown in the following tables.

$$\text{Formula} = \frac{\text{Absolute change in NAV}}{\text{NAV at the beginning}}$$

Table 4.1: Return of SBI Magnum Equity Fund-Growth during 2014and 2015

Date	NAV	Return
1-1-2014	50.51	
31-12-2014	72.10	42.74
31-12-2015	73.85	2.43

Table 4.2 HDFC Equity Fund-Growth during 2014and 2015

Date	NAV	Return
1-1-2014	304.88	
31-12-2014	468.46	53.65
31-12-2015	444.61	- 5.09

Table 4.3 Birla Sun Life Fund-Growth during 2014and 2015

Date	NAV	Return
1-1-2014	296.84	
31-12-2014	462.75	55.89
31-12-2015	476.32	1.78

Interpretation

From the above it has been found that 2014 and 2015 SBI Magnum Equity Fund-Growth is having higher return as compare to that of Birla Sun Life Fund-Growth and also higher return HDFC Equity Fund-Growth

B. Risk: - The risk by various schemes is shown in the following tables.

Table 4.4 SBI Magnum Equity Fund-Growth during 2014and 2015:-

Standard Deviation	0.902780663
Beta	0.075520063

Table 4.5 HDFC Equity Fund-Growth during 2014and 2015:-

Standard Deviation	1.095291845
Beta	0.102417942

Table 4.6 Birla Sun Life Fund-Growth during 2014and 2015:-

Standard Deviation	0.960912586
Beta	0.094200288

Interpretation

In the above case the Magnum Equity Fund-Growth is having 0.902780663 as a Standard deviation as compare to that of HDFC Equity Fund-Growth and Birla Sun Life Fund-Growth which is having Standard Deviation of 1.095291845 & 0.960912586 so here we can conclude that Magnum Equity Fund-Growth is having less fluctuation so there will be less risk.

Even Beta value of the Magnum Equity Fund-Growth is less i.e. 0.750390035 as compare to that of HDFC Equity Fund-Growth and Birla Sun Life Fund-Growth which is 0.102417942 And 0.094200288 so we can say that the Magnum Equity Fund-Growth is less varying with that of HDFC Equity Fund-Growth and Birla Sun Life Fund-Growth

C. The PERFORMANCE MEASURES:-

- **Sharpe Measure/ Ratio;**

Formula;

$$\text{Sharpe Measure} = \frac{\text{Excess Return on Portfolio (Fund)}}{\text{Standard Deviation of Portfolio (Fund)}}$$

$$= \frac{\text{Avg. Rate of Return on Fund} - \text{Avg. Rate of Return on a Risk-Free Investment}}{\text{Standard Deviation of Portfolio (Fund)}}$$

Table 4.7 SBI Magnum Equity Fund-Growth during 2014and 2015:-

Standard Deviation of Portfolio (Fund)	0.902781
Avg. Rate of Return on Fund	0.08211174
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.08211174 – 0.04

0.902781

= 0.04664668 or 4.66%

Table 4.8 HDFC Equity Fund-Growth during 2014and 2015:-

Standard Deviation of Portfolio (Fund)	1.095291845
Avg. Rate of Return on Fund	0.083524843
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.0835248 – 0.04

1.095292

= 0.039738 or 3.97%

Table 4.9 Birla Sun Life Fund-Growth during 2014and 2015:-

Standard Deviation of Portfolio (Fund)	0.960912586
Avg. Rate of Return on Fund	0.101782081
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.101782081– 0.04

0.960912586

= 0.064295 or 6.24%

Interpretation

We can see that Birla Sun Life Fund-Growth is 6.24% comparatively having good excess return than the Magnum Equity Fund-Growth or HDFC Equity Fund-Growth is 4.66% and 3.97%

❖ **Treynor Ratio;**

Formula

Treynor Measure = Excess Return on Portfolio (Fund)

Beta of Portfolio (Fund)

=Avg. Rate of Return on Fund – Avg. Rate of Return on a Risk-Free

Beta of Fund

Table 4.10 SBI Magnum Equity Fund-Growth during 2014and 2015:-

Beta of Fund	0.075520063
Avg. Rate of Return on Fund	0.08211174
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.08211174– 0.04

0.075520063

= 0.55762317 or 55.76%

Table 4.11 HDFC Equity Fund-Growth during 2014and 2015:-

Beta of Fund	0.102417942
Avg. Rate of Return on Fund	0.083524843
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.083524843– 0.04

0.102417942

= 0.424972836 or 42.50%

Table 4.12 Birla Sun Life Fund-Growth during 2014and 2015:-

Beta of Fund	0.094200288
Avg. Rate of Return on Fund	0.101782081
Avg. Rate of Return on a Risk-Free Investment	0.04

= 0.101782081– 0.04

0.094200288

= 0.655858734 or 65.59

Interpretation

we can see that Birla Sun Life Fund-Growth is 65.59 comparatively having good excess return than the

Magnum Equity Fund-Growth or HDFC Equity Fund-Growth is 55.76% and 42.50%

CONCLUSIONS

From the project report we can conclude that Magnum Equity Fund-Growth is having less risk with high returns compare to HDFC Equity Fund-Growth and Birla Sun Life Fund-Growth. Magnum Equity Fund-Growth is more volatile than that of HDFC Equity Fund-Growth and Birla Sun Life Fund-Growth. Birla Sun Life Fund-Growth is having less risk with high returns compare to HDFC Equity Fund-Growth and Performance ratios show the excess return of the schemes over and above risk free rate of return and here we can see that Birla Sun Life Fund-Growth is comparatively having good excess return than the Magnum Equity Fund-Growth and HDFC Equity Fund-Growth

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