A Study on Comparative Analysis of SBI and HDFC Bank Mutual Funds Schemes

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Abstract-*Indian financial system was rejuvenated with the introduction of financial institutions, financial services and financial instruments in the post LPG era. One such institution was mutual funds. Many a number of private bank have started mutual funds immediately after government. Amount the first entrants the HDFC mutual funds is one and it has significant contributions to the mutual fund services. In the current study performing schemes offered by HDFC mutual funds are selected to make a comparative study on the risk and return offered by these funds. From the study is HDFC bank fund is considered as high risk with high returns.*

Keywords-Mutual funds, HDFC and SBI, Risk, Return.

I. INTRODUCTION

A mutual fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders. A mutual fund is a mediator that brings together a group of people and invests their money in stocks, bonds and other securities. Each investor's owns share represent a portion of the holdings of the fund. Thus, a mutual fund is one of the most viable investment options for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

II. BENEFITS OF INVESTING IN MUTUAL FUNDS

Investing in a mutual fund offers a number of benefits. Some of them are as under:

- *Small investments***:** With mutual fund investments, our money can be spread in small bits across varied companies. In this way we can reap the benefits of a diversified portfolio with small investments.
- *Professionally managed***:** The pool of money collected by a mutual fund is managed by professionals who possess considerable expertise, resources and experience. Through analysis of markets and economy, they help us to choose favorable investment opportunities.
- *Spreading risk****:*** As mutual fund spreads the money in companies across a wide spectrum of industries. So this diversifies the risk and also helps to take benefits of the position it holds.
- *Transparency and interactivity:* Mutual funds clearly present the investment strategy to their investors and regularly provide them with information on the value of their investments. And a complete portfolio, disclosing the investments made by different schemes along with the proportion invested in each asset type is also provided.
- *Liquidity:* Closed ended funds can be bought and sold at their market price as they have their units listed at the stock exchange. In addition to this, units can be directly redeemed to the mutual fund as and when they announce the repurchase.

III. TYPES OF SCHEMES

- Schemes according to Maturity period: A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.
- Open-ended Fund/ Scheme: An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.
- Close-ended Fund/ Scheme: A close-ended fund or scheme has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic

repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through hlisting on stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

Schemes according to Investment Objective:

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemesas described earlier. Such schemes may be classified mainly as follows:

- **Growth / Equity Oriented Scheme:** The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.
- **Income / Debt Oriented Scheme:** The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.
- **Balanced Fund:** The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% inequity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.
- **Money Market or Liquid Fund:** These funds are also income funds and their aim is to provide easy liquidity, preservation of capitaland moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.
- **Gilt Fund:** These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.
- **Index Funds:** Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE50 index (Nifty), etc. These schemes invest in the securities in the same weight age comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme. There are also exchange traded index funds launched by the mutual funds which are traded on the stock exchange

IV. OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows:

- To evaluate the performance of selected Public and Private sector Mutual Funds.
- To evaluate the performance of selected mutual funds by using Sharpe, Treynor and Jensen

V. REVIEW OF LITERATURE

MRS P.ALEKHYA(2012) study has attempted to evaluate the comparative performance of public and private sector mutual fund schemes t he Indian Mutual fund Industry has witnessed a structural transformation during the past few years. Therefore it becomes important to examine the performance of the mutual fund in the changed environment. This paper has evaluated the performance of Indian Mutual fund equity scheme of 3 years past data from 2009 to 2011.To examine the funds sensitivity to the market fluctuations in terms of beta.

GARVIT DHINGRA(2016) A study was mutual fund is a pool of money from various investors who wish to save or make money. Investing in a mutual fund can be more easier than buying and selling individual stocks and bonds on our own. Investors can sell their shares when they want. The main objective of this paper is to analyze the financial performance of SBI mutual funds.But one can minimize risk by distributing his investments among various financial instruments, industries and many more options.

DR.SARITA BAHL AND MEENAKSHI RANI (2012) The paper investigates the performance of 29 open-ended, growth-oriented equity schemes for the period from April 2005 to March 2011 (six years) of transition economy. Monthly NAV of different schemes have been used to calculate the returns from the fund schemes. BSE-sensex has been used for market portfolio. The historical performance of the selected schemes were evaluated on the basis of Sharpe, Treynor, and Jensen's measure whose results will be useful for investors for taking better investment decisions.

AMANJOT KAURJODHI,SIMRAN WARAICH (2016) Fundamental analysis can help the shareholders by providing relevant information in terms of profitability and growth which can, in turn, help them to take informed investment decisions. With the help of fundamental analysis, investors can track the past performance, recent changes and future prospects of the banking sector. This research paper analyses the fundamentals of selected banking companies using independent financial parameters.

GARVIT DHINGRA (2016) When we talk about mutual funds, putting all our eggs in a single basket is never a wise decision. This is due to the market volatility and the risks involve in it. But one can minimize risk by distributing his investments among various financial instruments, industries and many more options. Here the intent is to maximize returns by investing in diversified areas, where each would react differently to the same event. This not only buffers the impact of a market downturn, but also allows for more potential rewards by offering a broader exposure to various stocks and sectors. A mutual fund is a pool of money from various investors who wish to save or make money. Investing in a mutual fund can be more easier than buying and selling individual stocks and bonds on our own. Investors can sell their shares when they want. The main objective of this paper is to analyze the financial performance of SBI mutual funds.

(N.BHAGHYASREE & MRS.B.KISHORI, 2016) Mutual Fund is a trust that pools money from investors by selling shares of the fund like any other type of company that sells stock to the public. The raised money is used in different securities like stocks, bonds, money markets & commodities. Each mutual fund has common financial goal and the money is invested in accordance with the objective. Fund is managed by a professional fund manager

VI. METHODOLOGY

The present paper Of evaluate the performance of private and public sector banks in india. The analysis the fundamental of the top ten banks of the first two banks SBI and HDFC bank Secondary data has been used for the purpose of this study. The data collected is last year Net Asset Value in bank website.

a. Sharpe ratio: It is also known as sharpe index, reward to variability ratio, shapre measure. It measures the performance of an investment by adjusting the risk (standard deviation).

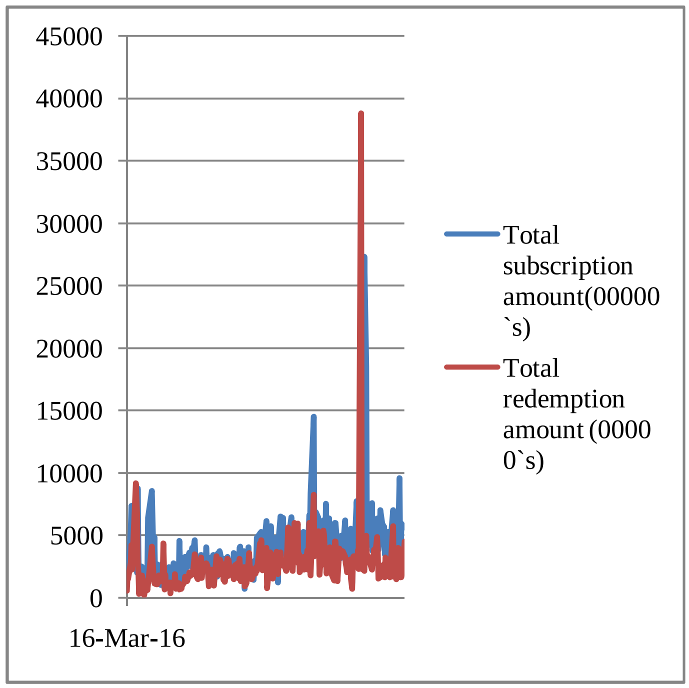

Table 1: Net asset value of SBI

VII. CONCLUSION

This study is an attempt to understand the "Performance of the Equity Funds with respect to SBI". Mutual fund Companies must try not only to concentrate on the High net worth individuals and institutional/non-institutional investors, but also pitch their products to a range the investors who. The Companies would have to shape products suitable for the investors and market them effectively by increasing the awareness of investors. SBI Mutual Funds (Sectoral) are performing very Good as compared to HDFC mutual funds.

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