A Study on comparative analysis of SBI and HDFC Bank mutual funds schemes

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Abstract-*This paper the comparative analysis of schemes using daily closing and opening NAV of different schemes to calculate the return of the selected mutual funds schemes. The selected scheme was evaluated on the basis of Sharpe, Treynore, and Jensen measure. The result will be useful for the investor taking better investment. Mutual fund ensures the minimum risk and maximum return to the investors. The objective of this paper is to analyze the return and provide understanding towards better investment decision.*

Keywords-Truss, Tendon, Prestressing ,Staad pro.

I. INTRODUCTION

Investment is the very important part of the modern economic world. Mutual fund is one of the most attractive financial investments of in India. Now a day’s mutual fund play a vital role in the economy of a country. There are many investments alternatives in India. But mutual fund provides opportunity for the investors. Mutual fund industry was introduce in India 1963 with the formation of the Unit Trust Of India (UTI).many years later in 1987 introduce non UTI mutual fund in India. SBI mutual fund is became a first non UTI mutual fund. Last few years many changes have been seen in the mutual fund industry. The information and awareness is raising more people investing the mutual fund and enjoying the benefits. The need for analyze the performance of mutual fund schemes to see the mutual fund schemes are outperforming or underperforming the benchmark. This paper analyzes the open ended equity schemes of selected mutual funds.

II. MUTUAL FUND

Mutual fund is the collective investments that pools money from many investors. The collections of money invest in stocks, short- term money market instrument, and other securities. Value of the mutual fund known as net asset value (NAV).This calculates based on total value of the fund divided by the number of shares currently issued.

The securities and exchange board of India (mutual funds) regulation 1993 defines mutual fund as “a fund established in the form of a trust by a sponsor to raise moneys by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulation”.

III. INVEST IN MUTUAL FUNDS

Professional Management and Informed Decision Making: The biggest advantage that mutual funds offer is greater expertise on the markets, be it the stock market or debt market. The AMC, with its well organized and structured pool of talent, tracks the economy, companies and stock market happenings on a day-to-day basis, and investment decisions are made on the basis of this research. It would be far more difficult for a retail investor to undertake research of the same magnitude. They have better access to information than individual investors.

Investment Flexibility: Mutual fund houses offer various categories of schemes (equity, debt, hybrid etc) with a good number of options such as growth, regular income and so on. You can pick and choose as per your risk appetite; return expectations and overall investment objective.

Affordability and Liquidity: To start with, one can invest just Rs. 500-1000 to buy a mutual fund scheme. Further, systematic investment plans allow investors to invest even with as low as Rs. 50, Rs. 100 or Rs. 500. Likewise, Mutual funds are easy to redeem. You can redeem your liquid fund within 24 hours and other funds upto three days.

Diversification: With a comparatively small capital investment in a mutual fund scheme, you can gain exposure to a large variety of instruments. In fact, some instruments which form part of a mutual fund‘s portfolio, especially in the debt segment, are totally out of the reach of a retail investor due to the high threshold investment limits. Hence the Mutual Funds make investments in a number of stocks and sectors, the resultant diversification reduces risk.

Transparency and Safety and well regulated: No mutual fund guarantees returns but they are transparent in their operations, since they are subject to stringent disclosure norms. SEBI regulates all mutual funds operating in India, setting uniform standards for all funds. In addition, thanks to its three tier structure – clear cut demarcation between sponsors, trustees and AMCs, conflict of interests can be promptly checked. Lastly, the Association of Mutual Funds in India works towards promoting the interests of mutual funds and unit holders. It also launches Investor Awareness Programs aimed at educating investors about investing in mutual funds.

Tax Benefits: Generally, income earned by any mutual fund registered with SEBI is exempt from tax. However, income distributed to unit holders by a debt fund is liable to a dividend distribution tax. Capital gains tax is also applicable in the hands of the investor, depending on the type of scheme and the period of holding (See section Tax Benefits and implications of investing in mutual funds).

IV. REVIEW OF LITERATURE

The present paper deals with the review of literature on analysis the performance of selected mutual fund d schemes(Dr.R.Narayanasamy, 2013) Analyze the performance of selected equity large cap mutual fund schemes in terms of risk-return relationship. Analyze financial performance of selected mutual fund schemes through the statistical tools. The findings of this research study will be help full to investors for his future investment decisions.

(N.Bhagyasree, 2016)Analyze the performance of open ended growth oriented equity schemes. Daily closing NAV of different schemes have been used to calculate the returns of the mutual funds schemes. The result showed which mutual fund scheme is underperformed and which scheme providing return greater than risk free rate.
(Solanki, 2016)Evaluate the performance of reliance open-ended equity schemes with growth option. The period of study is 1st April 2007 to march 2016. To evaluate the schemes monthly returns are compared with benchmark of BSE and SENSEX returns. This paper analysis the performed well in the reliance mutual fund schemes.

(Dr.G.Brindha, 2014)This paper is Mutual fund investment has changed lot of changes last few years. The investor expectation is changing and considers the risk adjusted return they well aware about their investment risk and return. A fund track record is used for evaluates the performance of mutual fund schemes to knew the how valuable investment to the investor. The various statistical tools for used for analyze the performance and guided to the investor for make valuable investment.

(Lohana, 2013) In India the last eight years the mutual fund is growing well. The retail investor fund gathering and investing diversified into securities. The modern investor is aspires to diversify their investment from the savings ,stock market is more challenging one the gain or loss is unpredictable so for some techniques used for evaluates the past track record for the fund and make investor stable income reduces the fluctuation in changes in stock prices.

V. 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 comparative analysis of selected mutual funds by using Sharpe, Treynore and Jensen measure.

VI. RESEARCH METHODOLOGY

The present paper of evaluate the comparative analysis of mutual fund schemes 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 five year Net Asset Value in bank website**.**

Performance analysis tools for mutual fund

- Sharpe ratio
- Treynore ratio
- Jensen ratio

Sharpe ratio

The Sharpe ratio was developed by **William F. Sharpe**. The Sharpe ratio is measure for calculating risk adjusted return. This ratio has become the industry standard for such calculation.
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).

$$\text{Sharpe ratio} = \frac{\text{portfolio Average Return (Rp)} - \text{Risk Free Rate of Return (RF)}}{\text{Standard Deviation of the portfolio Return}}$$

Treynore ratio

The Treynore ratio was developed by **Jack Treynore.** It's extended the work of William Sharpe by formulating Treynore ratio. It measure the returns earned in excess of that which could have been earned on investment that has no diversifiable risk. It is also known as treynor measure or reward to volatility ratio. It measures the performance of an investment by adjusting it for systematic risk. Beta is used as as a measure of volatility.

$$\text{Treynore Index} = \frac{\text{Portfolio Average Return (Rp)} - \text{Risk Free Rate of Return (RF)}}{\text{Beta Coefficient of portfolio}}$$

Jensen ratio

Jensen ratio was first used to measure in the evaluation of mutual fund by Michael Jensen. It measures the risk-adjusted performance of a security or portfolio in relation to the expected market return. This ratio is also known as Jensen alpha. Jensen measure is risk adjusted measure that represents average return on a portfolio that is predicted over and above the Capital Assets Pricing Model (CAPM) which is indicated by portfolio Alpha.

$$\text{Alpha (a)} = (Rx - RF) - B\,(Rm - RF)$$

A. Inference

The table –I represents the result of return, risk, Beta of selected schemes. It shows the competency of these schemes to make the strong case for investment. The maximum return 1.1033 was from the SBI pharma fund and minimum return was 0.1378 HDFC index fund.

S.NO	SCHEMES	RETURN	RISK	BETA
1	SBI BLUE SHIP FUND	0.5102	0.0425	0.5949
2	SBI CONTRA FUND	0.2942	0.0245	0.4426
3	SBI MAGNUM EQUITY FUND	0.1673	0.0139	0.3265
4	SBI INFRASTRUCTURE FUND	0.8531	0.0710	0.7027
5	SBI PHARMA FUND	1.1033	0.0919	0.9619
6	SBI PSU FUND	0.5213	0.0434	0.5925
7	SBI MAGNUM MULTICAP FUND	0.8091	0.0674	0.6851
8	HDFC GROWTH FUND	0.8426	0.0702	0.6875
9	HDFC SMALL CAP FUND	0.6573	0.0547	0.6354
10	HDFC INDEX FUND	0.1378	0.0114	0.2600
11	HDFC INFRASTRUCTURE FUND	0.9092	0.0757	0.6916
12	HDFC ARBITRAGE FUND	0.3308	0.0275	0.4477
13	HDFC EQUITY SAVINGS FUND	0.7240	0.0603	0.6285

B. inference

Table –II represents the result of Sharpe, Treynore, and Jensen ratios. It is observed from higher positive value of Sharpe ratio found in SBI pharma fund. In this study the Sharpe ratio is positive value for all schemes. Top performer of Treynore ratio is axis long term equity fund. Top performer of Jensen ratio is SBI pharma fund.

S.NO	SCHEMES	SHARPE	TREYNOR	JENSEN
1	SBI BLUE SHIP FUND	1.4452	0.7861	0.9384
2	SBI CONTRA FUND	0.8125	0.6094	0.5361
3	SBI MAGNUM EQUITY FUND	0.4583	0.4696	0.3127
4	SBI INFRASTRUCTURE FUND	2.3800	1.1128	1.5624
5	SBI PHARMA FUND	3.0164	1.0514	2.3067
6	SBI PSU FUND	1.4693	0.8064	0.9538
7	SBI MAGNUM MULTICAP FUND	2.2009	1.0825	1.4808
8	HDFC GROWTH	2.2326	1.1234	1.5412

	FUND			
9	HDFC SMALL CAP FUND	1.7046	0.9482	1.2099
10	HDFC INDEX FUND	0.3418	0.4858	0.2552
11	HDFC INFRASTRUCTURE FUND	2.2753	1.2050	1.6632
12	HDFC ARBITRAGE FUND	0.8127	0.6773	0.6062
13	HDFC EQUITY SAVINGS FUND	1.7011	1.0558	1.3260

VII. CONCLUSION

This study is an attempt to understand the "Performance of the Equity Funds with respect to SBI". Mutual fund schemes must try not only to concentrate on the High net worth individuals and institutional/non- institutional investors. 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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