



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume3, Issue6)

Available online at www.ijariit.com

A Study on Performance of SBI Blue Chip Fund at SBI Mutual Funds in India

Dr. Nalla Bala Kalyan

Assistant Professor

Sri Venkateswara College of Engineering Karakambadi

Road, Tirupati

drnallabala@gmail.com

Dr. P. Subramanyam

Associate Professor and HOD

Annamacharya Institute of Technology & Sciences,

Rajampet, Kadapa

subbu_phd@yahoo.com

Abstract: A mutual fund comprising investments in blue-chip stocks, these funds are measured low risk since the underlying securities are from well established, stable companies with a history of paying dividends and maintaining value despite fluctuations in the adjoining market. Blue chip funds may be chosen as part of a conservative investment strategy. The manuscript highlights to identify risk and returns involved in the blue-chip fund. The most important objective of all mutual funds is to provide better returns to investors by minimizing risk associated with the capital market investment. State Bank of India Mutual Fund (SBI MF) is one of the largest mutual funds in the country with an investor base of over 5.4 million. With over 20 years of rich experience in fund management, State Bank of India Mutual Fund brings forward its expertise in consistently delivering value to its investors. The target of this paper is to evaluate the performance of State Bank of India blue chip fund comparing with a benchmark for the period of 2014-2016.

Keywords: Asset Management Company, Funds, India, the Mutual fund (MF), Performance, State Bank of India (SBI).

1. INTRODUCTION

SBI blue-chip fund aims to provide investors with opportunities for long-term growth in capital through an active management of investments in a diversified basket of equity stocks of companies whose market capitalization is at least equal to or more than the least market capitalized stock of S&P BSE 100 Index. Currently, the fund is a predominantly large cap with opportunistic allocations to high conviction midcaps (up to 20%). The fund is suitable for investors who want exposure to blue-chip Indian companies from a medium to long-term perspective. A Mutual fund is a pool of money that is managed on behalf of the investors, by a Professional fund manager. The manager uses the money to buy stocks, bonds, and other securities according to specific investment objective that has been established for the fund. A mutual fund is the best investment option for a common investor as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively lower cost. Mutual Funds in India are governed by the SEBI (Mutual Fund) Regulations 1996 as amended from time to time. Mutual funds play a crucial role in reducing risk and transaction cost while investing in the stock markets. They offer a more efficient route of investing. In the process of encouraging more investments, they help in realizing true prices of securities. This, in turn, helps to attract investments through the initial public offer route and mobilize the savings of Indian households.

1.1 SBI Mutual Fund –History

SBI Mutual Fund, the first bank-sponsored mutual fund in India, was incorporated on 29 June 1987 by SBI. The first scheme launched by the fund was 'Magnum Regular Income Scheme-1987'. The Fund has 26 schemes, out of which 21 are open-ended, with an AUM of Rs. 27,431 Core as on 30th November 2007. Until May 1993, SBI Capital Markets Limited (SBICAP), the investment banking subsidiary of SBI, was the investment Manager as well as the Trustee of the Fund. In December 2004, SBI entered into a joint venture agreement with society General Asset management and transferred 37% equity shares to them.

SBI Mutual Fund is one of the fastest growing mutual fund houses in India having launched 40 schemes with over Rs.20000 Cores as Assets under Management. We are currently experiencing growth in many areas with our investor base of over 35 lacks across India, a large network of over 100 points of acceptance, 26 Investor Service Centers, 28 Investor Service Desks and 42

District Organizers." 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\$ 500 Billion worldwide.

1.2 Growth of Mutual Funds in India

The Assets under Management (AUM) of the Indian mutual fund (MF) industry witnessed an exceptional growth of 42% in FY2017. According to Association of Mutual Funds in India (AMFI) data, AUM grew from Rs. 12.3 lakh crore in March 2016 to Rs. 17.5 lakh crore in March 2017. The Quarterly Average Assets under Management (QAAUM) also registered a QoQ growth of 8% in the last quarter of FY2017. The growth can be attributed to strong retail participation and overall market gains. FY2017 turned out to be a very good year for the mutual fund industry with investors pouring in Rs. 3.4 lakh crore across categories. The net inflows in Liquid, Income, and Equity (including Equity Linked Savings Schemes or ELSS) categories have been to the tune of Rs. 1.2 lakh crore, Rs. 0.96 lakh crore, and Rs. 0.70 lakh crore, respectively.

2. REVIEW OF LITERATURE

- ✚ **Meyer's (1977)** findings based on stochastic dominance Model revalidated Sharpe's findings with the caution that it was relevant for mutual funds in the designated past, rather than for the future period.
- ✚ **Sahadevan S and Thiripalraju M (1997)** stated that mutual funds provided an opportunity for the middle and lower income groups to acquire shares. The savings of household sector constituted more than 75 percent of the GDS along with a shift in the preference from physical assets to financial assets and also identified that savings pattern of households shifted from bank deposits to shares, debentures and mutual funds.
- ✚ **Ramamurthy and Reddy (2005)** conducted a study to analyze recent trends in the mutual fund industry and drawn a conclusion that the main benefits for small investors are efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choice and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of the banking sector in a mutual fund, buying and selling of mutual funds through online.
- ✚ **S. Mohannan (2006)** in his article put emphasis on the Indian mutual fund industry which is one of the fastest growing sectors in the Indian capital and financial markets. Stating that the mutual fund industry has been dramatic improvements in quantity as well as the quality of product and service offerings. Results founded that mutual funds' assets under management grew by 96% between the end of 1997 and June 2003 and as a result, it increased from 8% of GDP to 15%.
- ✚ **Garg (2011)** examined the performance of top ten mutual funds that were selected on the basis of previous years return. The study analyzed the performance on the basis of return, standard deviation, beta as well as Treynor, Jensen and Sharpe indexes. The study also used Carhart's four-factor model for analyzing the performance of mutual funds. The results revealed that Reliance Regular Saving Scheme Fund (RRSSF) had achieved the highest final score and Canara Robeco Infra fund had achieved the lowest final score in the one-year category.

3. NEED FOR THE STUDY

- Blue chip companies are typically large businesses, with substantial market share & leadership in their respective industries.
- They historically have shown successful growth, high visibility and reach, good credit ratings and greater brand equity amongst the public. Investing in such companies brings relative consistency to a portfolio.
- The fund is suitable for investors who want exposure to blue-chip Indian companies from a medium to long-term perspective.

4. SCOPE OF THE STUDY

- The study is confined to only Blue chip fund scheme in SBI Mutual funds.
- The study will also be helpful to predict the performance of the Bluechip in future.
- Considers performance evaluation of Blue chip fund scheme based on measures-Mean, Standard Deviation, and Beta.

5. OBJECTIVES OF THE STUDY

- To examine the growth of mutual fund in India.
- To identify risk and returns involved in Blue chip fund.
- To evaluate the performance of SBI Blue chip fund comparing with a benchmark for the period 2014-16.

6. RESEARCH METHODOLOGY

DATABASE

The present study is based on both primary and secondary data. The primary data collected through personal interviews with executives of mutual fund organizations. The secondary data collected from the relevant publications and records of State Bank of India funds Management Private Limited, RBI bulletin, Internet, books, magazines, Journals. Publications of various research agencies like AMFI, SEBI Handbook, RBI Report, UTI Annual Report, etc.

Type of Study: Descriptive

Tools Used: The tools used to compare the fund performance with benchmark are Mean, Standard deviation and Beta.

Financial Tools

Mean

The average of a set of n data x_i

$$\bar{x} = \frac{\sum x_i}{n}$$

Standard Deviation: The following formula is used for calculating the standard deviation of Returns on assets or securities using historical returns:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n - 1}}$$

Calculation of Beta: A measure of risk commonly advocated is beta. The beta of a portfolio is computed the way the beta of an individual security is computed, to calculate the beta of a portfolio, regress the rate or return of the portfolio on the rate of return of a market index. The slope of this regression line is the portfolio beta. Remember that reflects the systematic risk of the portfolio.

$$Beta(\beta) = \frac{n \sum XY - (\sum X * \sum Y)}{n \sum X^2 - (\sum X)^2}$$

Correlation: Pearson r correlation is the most widely used correlation statistic to measure the degree of the relationship between linearly related variables

7. DATA ANALYSIS & INTERPRETATION

Table 1

Performance of SBI Bluechip Fund by Using Mean & Standard Deviation

Date	Opening	Closing	Returns(R)
Jan-14	17.87	17.54	-0.01596
Feb-14	17.38	18.12	0.033067
Mar-14	18.05	19.13	0.05574
Apr-14	19.13	19.19	0.003136
May-14	19.22	20.93	0.090672
Jun-14	24.24	22.5	0.075012
Jul-14	227.7	22.99	0.021778
Aug-14	22.78	24	0.043932
Sep-14	24.28	24.67	0.027917
Oct-14	24.58	25.63	0.038914
Nov-14	25.59	26.54	0.035505
Dec-14	26.49	26.34	-0.00754

Source: www.mutualindia.com

Mean:

$$\bar{x} = \frac{\sum x_i}{n}$$

$$= 0.03351$$

Standard Deviation:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n - 1}}$$

$$= 0.0314$$

Table 2
Correlation and Beta for 2014

Month	Index	Returns(i)	Returns (r)
Jan-14	6089.5	-0.034026015	-0.015963512
Feb-14	6276.95	0.030782494	0.033067275
Mar-14	6704.2	0.068066497	0.055739514
Apr-14	6696.4	-0.00116345	0.003136435
May-14	7229.95	0.07967714	0.090672225
Jun-14	7611.35	0.052752785	0.075011945
Jul-14	7721.3	0.014445532	0.021777778
Aug-14	7954.35	0.030182741	0.043932144
Sep-14	7964.8	0.001313747	0.027916667
Oct-14	8322.2	0.044872439	0.03891366
Nov-14	8588.25	0.03196871	0.035505267
Dec-14	8282.7	-0.035577679	-0.007535795

Source: www.nseindia.com

$$\text{Beta: } \text{Beta}(\beta) = \frac{n\sum XY - (\sum X * \sum Y)}{n\sum X^2 - (\sum X)^2}$$

$$= -0.81235$$

Correlation: =0.9425

$$r = \frac{N \sum xy - \sum (x)(y)}{\sqrt{N \sum x^2 - \sum (x^2)} [N \sum y^2 - \sum (y^2)]}$$

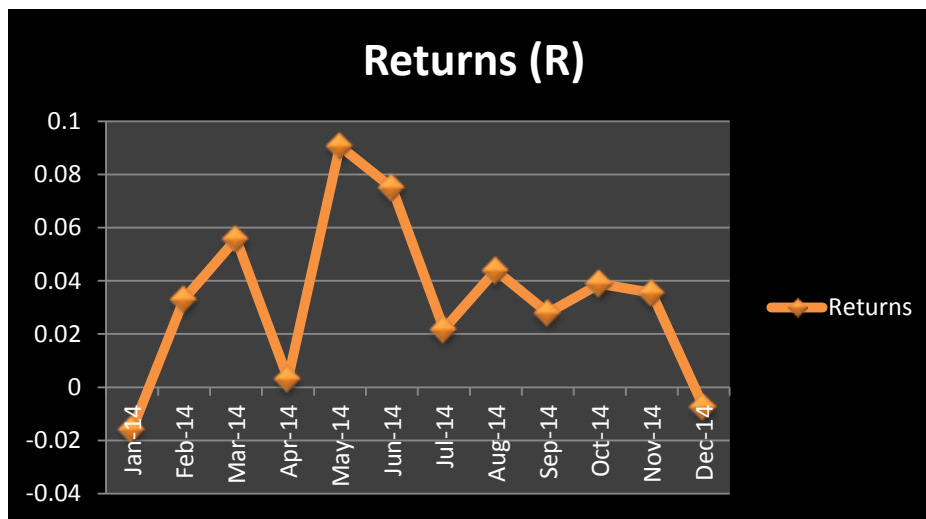


Figure 1
Mean Returns for the year 2014

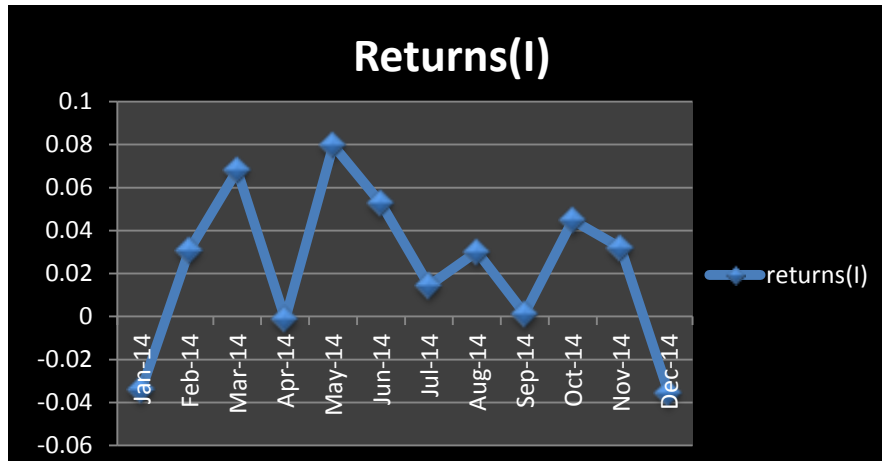


Figure 2
Index Return for the year 2014

Interpretation: Average mean for the year 2014 is 0.033514 and highest returns is in the month of May are and more negative returns are from January. Volatility is 0.031406 from the expected normal returns. Beta is < 1 i.e; 0.8124 so risk level is under control. Correlation is 0.942531.

Table 3
Performance of SBI Blue chip Fund by Using Mean & Standard Deviation
Calculation of Mean & Standard Deviation of Selected Scheme for the Period 2015

Month	Opening	Closing	Return (R)
Jan-15	26.37	27.98	0.062263
Feb-15	27.98	28.36	0.013581
Mar-15	28.94	28.38	0.000705
Apr-15	28.7	27.56	-0.02889
May-15	27.83	28.29	0.026488
Jun-15	28.17	28.44	0.005302
Jul-15	28.72	29.39	0.033404
Aug-15	29.4	27.8	-0.0541
Sep-15	27.3	27.44	-0.01295
Oct-15	27.86	28.26	0.029883
Nov-15	28.25	28.23	-0.00106
Dec-15	28.24	28.45	0.007793

Source: www.nseindia.com

Mean:

$$\bar{x} = \frac{\sum x_i}{n}$$

$$= 0.006868$$

Standard Deviation:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}}$$

$$= 0.03489$$

Table 4
CALCULATION OF CORRELATION AND BETA FOR 2015

Month	Index	Return (I)	Returns (R)
Jan-15	8808.9	0.063530008	0.062262718
Feb-15	8901.85	0.010551828	0.013581129
Mar-15	8491	-0.046153328	0.000705219
Apr-15	8181.5	-0.036450359	-0.028893587
May-15	8433.65	0.030819532	0.026487663
Jun-15	8368.5	-0.007725006	0.005302227
Jul-15	8532.85	0.019639123	0.033403657
Aug-15	7971.3	-0.065810368	-0.054100034
Sep-15	7948.9	-0.002810081	-0.01294964
Oct-15	8065.8	0.014706437	0.029883382
Nov-15	7935.25	-0.016185623	-0.001061571
Dec-15	7946.35	0.001398822	0.007793128

Source: www.nseindia.com

$$\text{Beta: } \text{Beta}(\beta) = \frac{n\sum XY - (\sum X * \sum Y)}{n\sum X^2 - (\sum X)^2}$$

$$= 0.7908$$

Correlation:

$$r = \frac{N \sum xy - \sum (x)(y)}{\sqrt{N \sum x^2 - \sum (x^2)} [N \sum y^2 - \sum (y^2)]}$$

$$= 0.9161$$

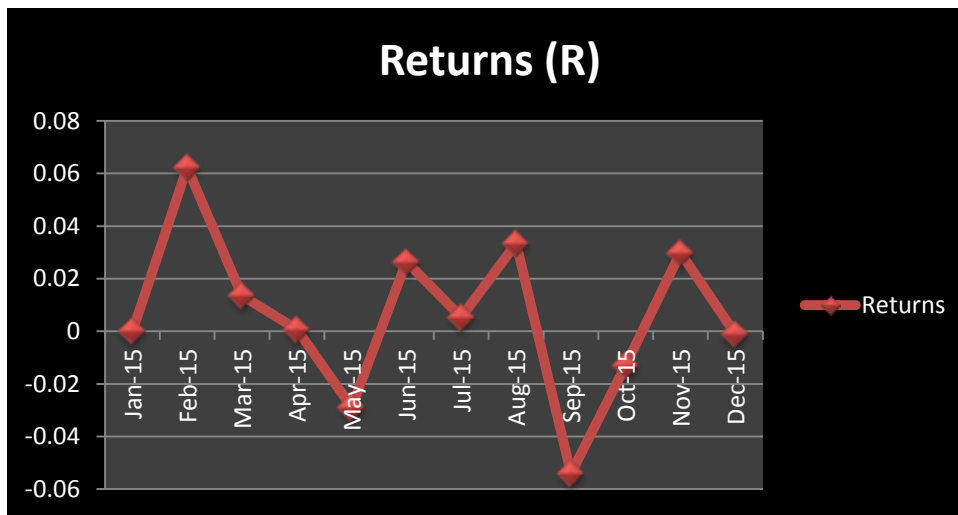


Figure 3
Mean Returns for the year 2015

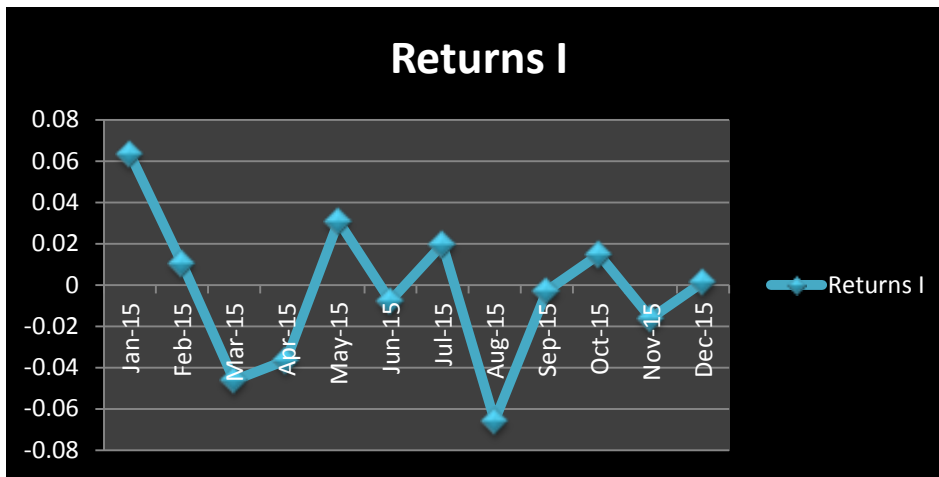


Figure 4
Index Returns for the year 2015

Interpretation: Average mean for the year 2015 is 0.006868 and highest returns is in the month of February and more negative returns are from September. Volatility is 0.03489 from the expected normal returns. Beta is < 1 i.e. 0.7908 so risk level is under control. Correlation is 0.91616.

Table 5
Performance of SBI Bluechip Fund by Using Mean & Standard Deviation of Selected Scheme for 2016

Month	Index	Return (I)	Returns (R)
Jan-16	28.54	27.42	-0.0362
Feb-16	27.41	25.33	-0.07622
Mar-16	26.07	27.92	0.10225
Apr-16	27.82	28.5	0.020774
May-16	28.72	29.74	0.043509
Jun-16	29.75	30.16	0.014122
Jul-16	30.37	31.81	0.054708
Aug-16	31.95	32.29	0.01509
Sep-16	32.14	32.13	-0.00496
Oct-16	32.73	32.39	0.008092
Nov-16	32.4	30.46	-0.05959
Dec-16	30.32	29.82	-0.02101

Source: www.nseindia.com

Mean:

$$\bar{x} = \frac{\sum x_i}{n} = 0.0050$$

Standard Deviation:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}} = 0.0496$$

Table 6
Calculation of Correlation and Beta For 2016

Month	Index	Return (I)	Returns (R)
Jan-16	7563.55	-0.048173061	-0.036203866
Feb-16	6987.05	-0.076220822	-0.076221736
Mar-16	7738.4	0.107534653	0.102250296
Apr-16	7849.8	0.014395741	0.020773639
May-16	8160.1	0.03952967	0.043508772
Jun-16	8287.75	0.015643191	0.014122394
Jul-16	8638.5	0.042321499	0.054708223
Aug-16	8786.2	0.017097876	0.015089594
Sep-16	8611.15	-0.019923289	-0.004955094
Oct-16	8625.7	0.00168967	0.008092126
Nov-16	8224.5	-0.046512167	-0.059586292
Dec-16	8185.8	-0.004705453	-0.021011162

Source: www.nseindia.com

$$\text{Beta: } \beta = \frac{n \sum XY - (\sum X \sum Y)}{n \sum X^2 - (\sum X)^2}$$

$$= -0.9963$$

Correlation:

$$r = \frac{N \sum xy - \sum (x)(y)}{\sqrt{N \sum x^2 - \sum (x^2)} [N \sum y^2 - \sum (y^2)]}$$

$$= -0.9802$$

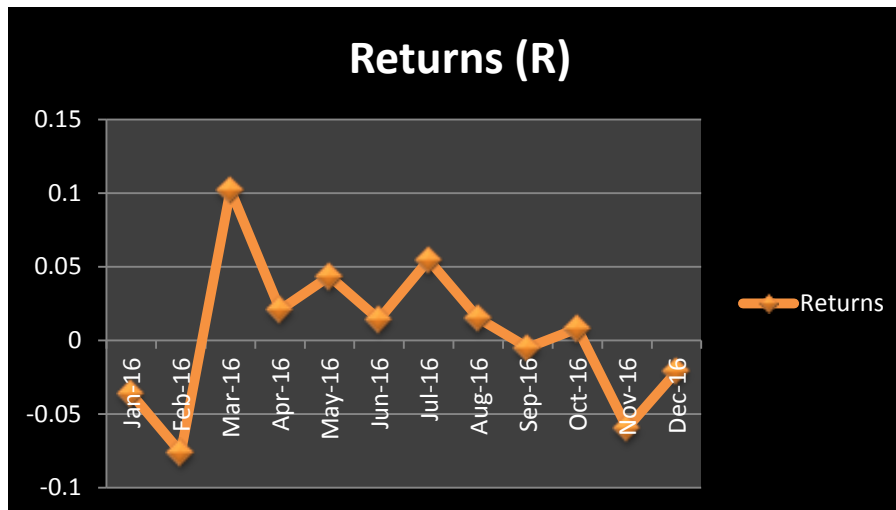


Figure 5
Mean Returns for the year 2016



Figure 6
Index Returns for the year 2016

INTERPRETATION

The average mean for the year 2016 is 0.005047 and highest returns are in the month of March and more negative returns are from February. Volatility is 0.0496 from the expected normal returns. Beta is < 1 i.e; 0.9963 so risk level is under control. Correlation is 0.9802.

FINDINGS

- Mean: SBI Blue chip fund is yielding high returns in the year 2014 (0.03351) and low returns in the year 2016 (0.0050)
- Standard Deviation: SBI Blue chip fund is having high risk in the year 2016 (0.0496) and low risk in the year 2014 (0.0314)
- Beta: SBI Blue chip fund is having high risk compared to market returns in the year 2016 (0.9963) and low risk in the year 2015 (0.7908)

SUGGESTIONS

- SBI Blue chip fund is having low risk, and there are more chances to get high returns.
- SBI Blue chip fund has to be revised the portfolio to increase fund returns and provide to the investors a more secure investment option.
- It should take more efforts on spreading awareness about Blue chip mutual funds as these investment instruments provide a higher return compared to other schemes.
- A mutual fund is one of the ways to get the investment just double or triple in a very short period of time.
- Since investment in mutual fund depends upon the Market share condition, there forgetting more return, it is necessary to have an investment in best schemes.

CONCLUSION

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. Mutual funds are one of the best options to invest the hardcore savings of the investors. SBI Blue Chip Fund is one of the best plans for Investors. It is performing well but it yields low returns in 2015 and 2016 compared to 2014 due to many external factors and it is having a moderately low risk. Even though, it is the best scheme suggestible to the investors who are interesting to invest in Blue Chip companies. Mutual Funds clearly have a significant role to play in the financial development of a developing economy like India. The resources mobilized by mutual funds in India have recorded a two-fold increase during the study period. Sector-wise analysis revealed that the share of private sector mutual funds in the resources mobilized was as high as 82 percent. While the assets under management of public sector mutual funds had recorded a sharp decrease, that of private sector mutual funds have recorded an increase. This indicates the dominant role played by the private sector in the Indian mutual fund industry. The recent trends of consolidation of mutual funds in Indian industry have given a new boost to the industry in terms of increased market share of mutual funds. A mutual fund is an investment company or trust that pools the resources from number of investors, who share common investment goal, and then diversifies its investment into the securities of different industrial sectors and companies in order to realize potential returns with reasonable safety. In the era of globalization, rapid price fluctuations are occurring in financial assets like equity shares, bonds and also in physical assets like real estate, gold silver etc.

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