



A COMPARATIVE ANALYSIS PERFORMANCE OF TATA MUTUAL FUND OF SBI MUTUAL FUND

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ABSTRACT:

Investors have a lot of options when picking which mutual fund to invest in. Although the three main options—equity, debt, and hybrid funds—seem straightforward enough, there are currently more than 2000 portfolios available in India for investors to pick from. This is because there are numerous subcategories within each of the three categories, and numerous fund companies provide funds that are similar to one another.

While having options is unquestionably a positive thing, having too many possibilities might make choosing a fund challenging. Additionally, as investing requires a long-term commitment with your hard-earned money, picking the best mutual fund is essential for reaching long-term objectives. This is where researching several mutual funds of various kinds will assist you in choosing the appropriate investment plans. Investors can choose plans that are in line with their investment goals and create investment portfolios that minimise overall risk and maximise return by having a clear understanding of how to compare mutual fund performance and other aspects. In this study, the performance of a debt mutual fund scheme and an equity mutual fund scheme is to be compared in terms of return and risk assessment.

A number of financial ratio analyses, including annual returns (of 1, 3, and 5 years), the Sharpe ratio, the Treynor ratio, Jensen's alpha ratio, and the beta ratio, were examined to complete the analysis. The results of the analysis were diverse and varied.

KEYWORDS: mutual Funds, Equity Funds, Jensen's Ratio, Sharpe ratio, Treynor ratio, Beta.

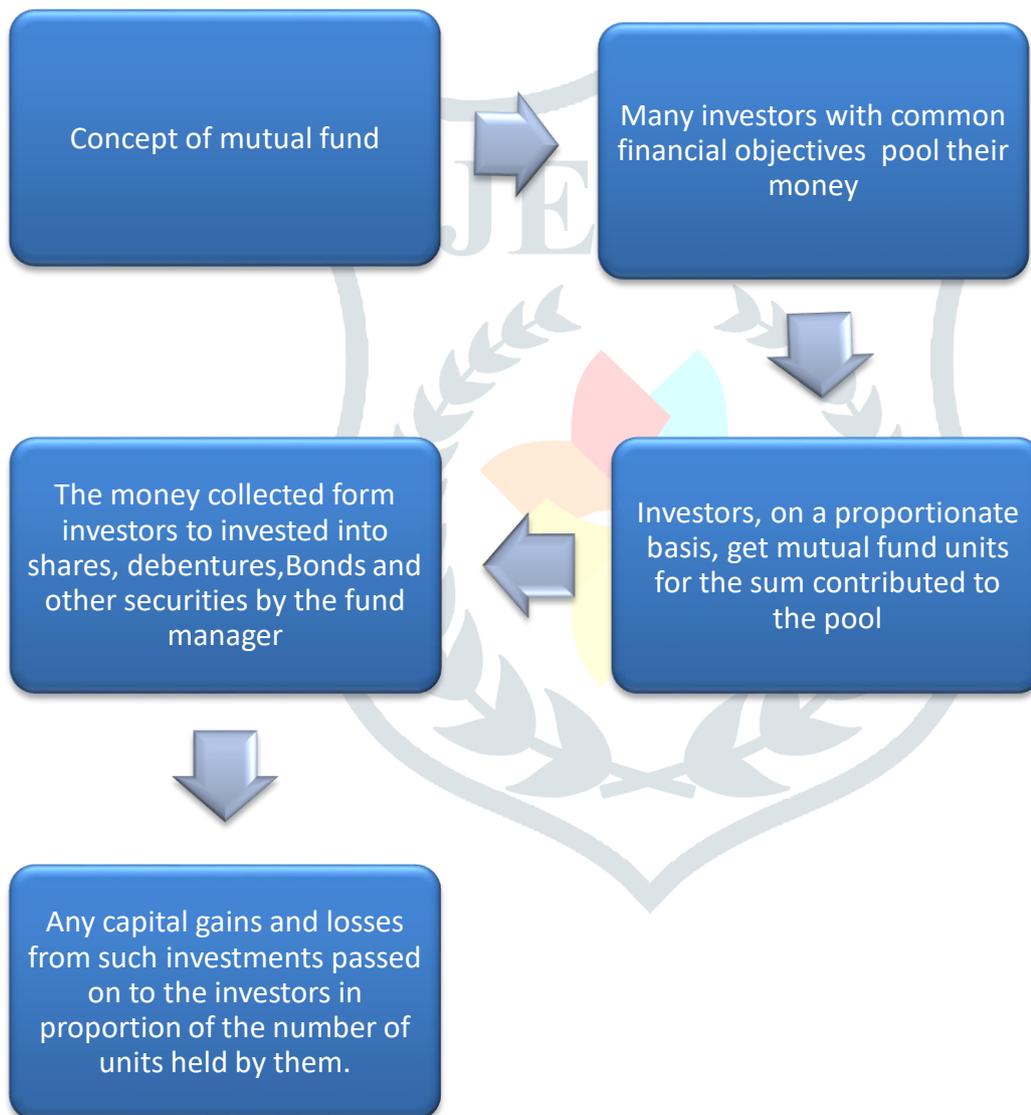
INTRODUCTION: A mutual fund is defined as "a fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments" by the Securities and Exchange Board of India Regulations, 1996.

A skilled and experienced Fund Manager oversees a mutual fund, which is a collective reservoir or pool of funds. It is a trust that manages investments in stocks, bonds, money market instruments, and other assets using money from a group of participants who share a common investment objective. After deducting pertinent costs and fees, the income produced by this combined portfolio is allocated equally among the participants by determining a scheme's "Net Asset Value," or NAV. Simply put, a mutual fund system distributes the money gathered by many investors in the form of units. This pooled capital invested in stocks, bonds, or short-term securities will increase or decrease depending on how well these assets perform. The value of NAV will be impacted by this. According to the types of securities they invest in, their investment goals, and the kinds of returns they seek, mutual funds are divided into a

variety of categories. Disbursement ratio and, in some situations, commission are alleged annual fees by mutual funds, which might have an impact on their overall revenue. Mutual funds receive a resounding majority of the monies invested in company-sponsored retirement plans.

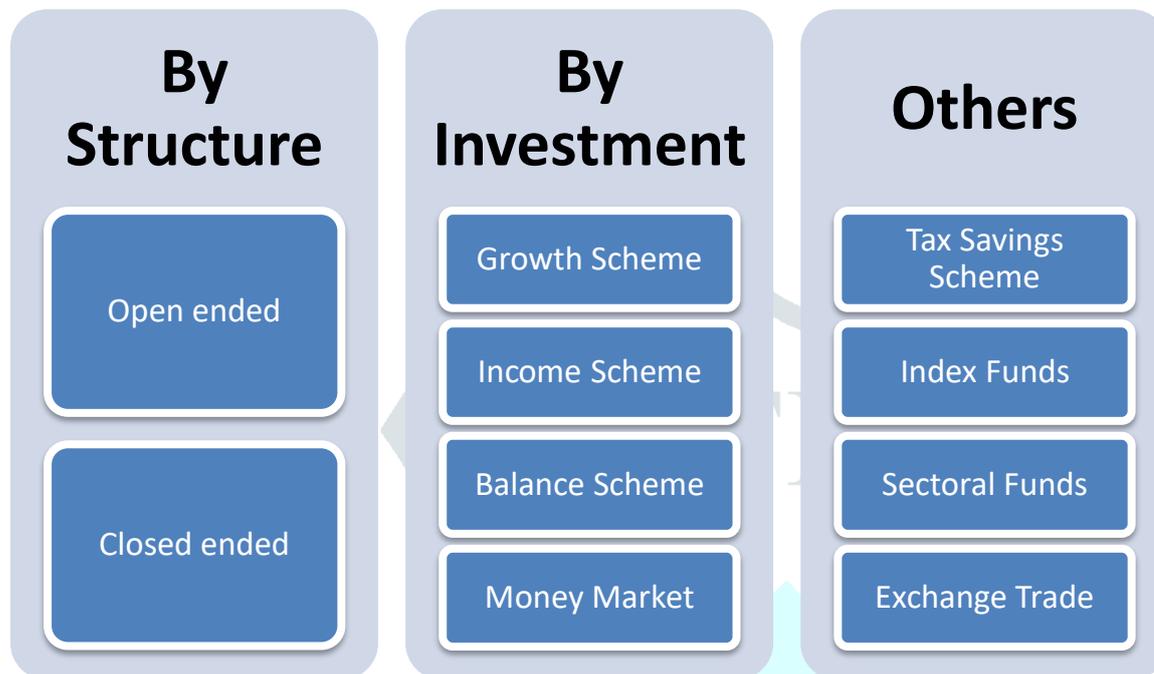
NET ASSET VALUE (NAV)- NAV is the current market value of a fund's holdings, usually expressed as a per-share amount for most funds, the NAV is determined daily after the close of trading on some specified financial exchanged, but some funds update their NAV multiple times during the trading day.

Calculation of NAV – The important of the calculation is the valuation of the assets Owed by the funds. The NAV is simply the Net Value of Assets divided by the numbers of units outstanding.



There are many types of mutual funds schemes in India. The mutual fund schemes are:

Mutual Fund Schemes



SBI Mutual Fund

The State Bank of India (SBI) introduced the SBI Mutual Fund payment system, which was established in 1987 and has its corporate headquarters in Mumbai, India. SBIFMPL is a partnership between the European asset management firm Amundi and the Indian public sector bank State Bank of India. On April 13, 2011, SBI and Amundi Asset Management signed a shareholder agreement about this. As a result, SBI presently owns 63% of SBIFMPL, and AMUNDI Asset Management owns 37% of the company through its fully owned subsidiary, Amundi India Holding. By implementing worldwide best practises and upholding international standards, SBI and AMUNDI Asset Management will work together to transform the business into an asset management firm of renown on a global scale.

According to the fund house, as of September 2019, 212 branches in India were serving 5,809,315 different investors. The overall AUM as of September 2021 is Rs. 579318.29 crores.

TATA MUTUAL FUND

TMF, Tata Mutual Fund The Tata Group, one of India's greatest industrial giants, includes the 1994-founded Tata Asset Management Limited, which enjoys a solid reputation and a high level of confidence both in the domestic and international markets. It has been managing investments for more than 20 years and looks after Tata Mutual Funds' investments.

The variety of mutual funds offered by Tata Asset Management Limited, including debt, equity, hybrid, and many more, enables investors to select the one that best suits their financial goals, stage of life, and risk tolerance. Additionally, it offers portfolio management and advice services to investors in India and abroad. Tata Investment Corporation Limited owns the remaining shares, with Tata Sons holding the remaining 679.11%. Tata Asset Management Ltd. offers more than 200 schemes and has assets under management totalling more than Rs. 62,000 crores as of March 2021.

The Tata group, one of India's largest and most prestigious industrial conglomerates known for its dedication to corporate principles, includes the Tata Mutual Fund.

LITERATURE REVIEW:

Friend, et al (1962) on a ground-breaking study of mutual funds in the USA was 152 mutual funds. According to the analysis, there isn't much of a correlation between fund return, turnover, and expenditure ratios.

Sharpe (1966) they concentrated their analysis on 34 open ended mutual funds from 1944 to 1963. According to the study's findings, a low expenditure ratio, rather than fund size, is what makes for strong performance. He believes that the performance of a fund's expense ratio and performance is inversely related.

Jensen (1968) In terms of stock picking skills, he assessed 115 fund managers' abilities. Due to the fund managers' poor stock picking skills, he comes to the conclusion that the performance of mutual funds was not sufficient.

Gupta (1974) The performance of the mutual fund industry during the years 1962 to 1971 was examined in their study using the Sharpe, Treynor, and Jensen metric. All funds outperformed performance, he discovered.

Sahadevan and Thiripalraju (1997) Using the BSE as the market index, they analysed the performance of mutual funds for the public and private sectors for the years 1995 to 1996. The analysis found that private sector mutual funds fared better than public sector mutual funds.

Singh (2001) they identified various anomalies in the way mutual funds operated in their study and came to the conclusion that it was because of these inconsistencies that mutual funds failed to perform effectively during the previous few years.

Satya Swaroop (2009) 23 equity-based mutual funds' performance from April 1996 to March 2009 was examined. In his research, he used the Treynor ratio, Jensen measure, and Sharpe ratio. He came to the conclusion that UTI mutual fund schemes and Franklin Templeton schemes outperformed the market in the public and private sectors, respectively.

Jain, (2012), The primary focus of this research study, which spanned 15 years from April 1997 to April 2012, was on the performance analysis of 45 equity mutual fund schemes offered by two public sectors companies and two private ownership companies. The CAPM model has been utilised for performance analysis with a focus on the risk-return connection.

Guru Nathan, (2013), The study concentrated on the fact that the expansion of large cap mutual funds has been followed by cutting-edge products and service techniques. Regulators will need to strike a delicate balance between properly controlling risks and avoiding the imposition of needless regulation.

Rao, (2015), In this research project, five portfolio performance measurement metrics—Beta, Standard Deviation, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha—will be used to assess the fund's performance. The CNX NIFTY Index is used as the benchmark in this.

Jana Hili, Desmond Pace and Simon Grima, (2016), in their research, they concentrated on two key points: first, making major contributions to the literature, and second, the research's practical application. It goes without saying that academics and researchers have concentrated their efforts on analysing the actions of fund managers who are predominantly based in developed and more efficient economies, leaving the rising region mostly unexplored in this regard.

Priyan, (2018), they examine the investment strategy of large-cap equity mutual funds using Sharpe's style-exposure analysis (1992). From January 2011 to April 2015, the study used the constrained quadratic optimisation factor model. A rolling-period exposure style study of the funds has been performed using a 36-month rolling-period window in order to evaluate the dynamic drift in the style of a fund. The study's findings demonstrate that the fund managers have a capacity for appropriate selection as well as some amount of active management.

Mohammed Mujahed Ali (2019) to assess the performance of a chosen five Indian large size mutual funds. The results indicate that four of a chosen group of five large cap mutual funds beat market returns and served as the foundation for recommending to investors the potential of mutual funds in terms of returns. Comparative Performance Analysis of Selected Large Cap Indian Mutual Funds

RESEARCH METHODOLOGY: The structured approach of conducting research is referred to as research methodology. Research design, data collection, and data analysis are generally seen as being included under the term "methodologies," which refers to a wide range of different approaches employed in various forms of research. Data collection is an essential component of any research studies. Inaccurate data collecting can affect a study's findings and eventually provide unreliable findings. The two data sources that served as the foundation for this study's data collecting are as follows:

PRIMARY DATA: Primary data comes from a variety of sources, including as surveys, opinion polls, and interactions with policyholders.

SECONDARY DATA: The research included secondary data that was gathered from a variety of apex body publications and reports, asset management company publications, technical and trade periodicals, books, magazines, and reports from numerous associations related to the funds.

Sampling Technique and Size: The sample needed for the study was chosen using the random sampling approach from the two asset management businesses' list of available funds. A sample of six mutual fund plans, including equities and debt funds, has been selected.

OBJECTIVES OF THE STUDY:

The following objectives are the focus of the current study:

1. To evaluate the performance of the mutual funds offered by TATA and the State Bank of India by comparing their annual returns, expense ratios, and beta.
2. To compare the Sharpe, Treynor, and Jensen portfolio performance evaluation models in order to assess the performance of both mutual funds.
3. To provide a brief overview of the advantages of investing in mutual funds.

METHOD AND TOOLS OF ANALYSIS THE DATA:

The analysis of the research makes use of secondary data. For the analysis of the performance of the mutual funds, two asset management firms—the State Bank of India Mutual Fund Company and TATA Mutual Fund Company—were chosen. Statistical methods like beta, Sharpe's, Treynor, and Jensen's ratios are used to evaluate both parties' performances. On an Excel spreadsheet, all calculations are completed. The indicator of performance:

- ❖ 1 year, 3 year, and 5 year annual returns.
- ❖ **Sharpe ratio:** The systematic risk in the Sharpe measure is the variance explained by the index, while the unsolved variance is referred to as the unsystematic risk. Sharpe suggested calculating a fund's systematic and unsystematic risk as follows:

$$\text{Sharpe} = \frac{R_p - R_f}{\text{standard deviation}}$$

Where:

R_p =Average fund return

R_f =Risk free rate

- ❖ **Treynor ratio:** The return to volatility ratio, which is based on systematic risk, is a Treynor-recommended index for portfolio staging. T_p is a symbol that stands for "risk premium," which is the excess return over the risk-free rate for each unit of systematic risk.

$$T_p = \frac{R_p - R_f}{\beta_p}$$

Where:

T_p =treynor ratio

R_p =Average fund return

R_f =Risk free rate

β_p =Beta of the fund

- ❖ **Jensen's ratio:** The mathematical difference between the portfolio's return and the return of a portfolio on the Securities market line with the same beta is known as the Jensen's alpha. The difference between the actual return on a portfolio for any given holding period and the projected returns is how Jensen defines his metric for measuring portfolio performance.

$$\text{Alpha} = R_p - [R_f + B_p \times (R_m - R_f)]$$

Where:

R_p= the realized return of the portfolio or investment

R_f=the risk-free rate of return for the time period

R_m=the realized return of the appropriate market index

B_p=the beta of the portfolio of investment with respect to the chosen market index

- ❖ **Beta:** The volatility of a fund is measured in relation to a benchmark. When a fund's performance is compared to a standard, it shows how much it might swing. In other words, a fund with a beta of 1 will move in tandem with the benchmark and vice versa.

$$\text{Beta} = \text{covariance} / \text{variance}$$

DATA ANALYSIS AND INTERPRETATION

1. Comparison of Equity Scheme of SBI mutual fund and TATA mutual funds:

(a) Annual returns:

Name of scheme	1 year	3 year	5 year
SBI Large & Midcap Fund	14.57%	22.41%	14.35%
Tata Large & Mid Cap Fund	16.20%	20.03%	14.61%

Table 1(a)

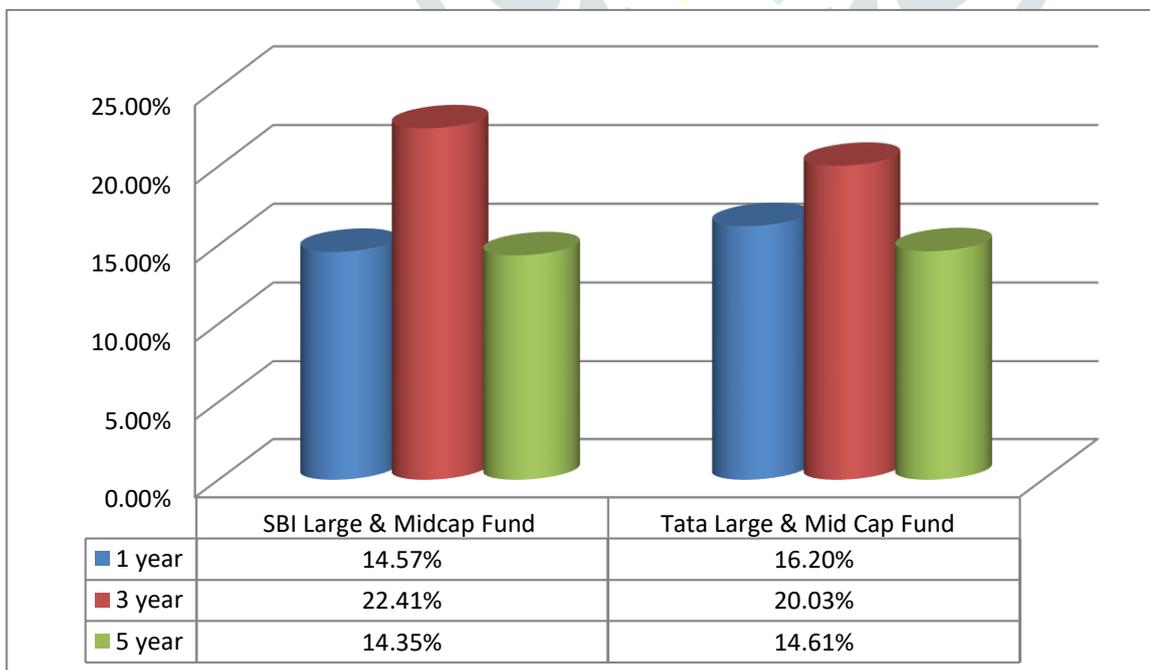


Figure 1(a)

Interpretation: The above table and chart show the annual returns for TATA and SBI Large & Midcap mutual funds over the course of one year, three years, and five years. Tata Mutual Fund's return over a year was higher than SBI mutual funds', coming in at 14.57% versus 16.20%. Both the 22.44% and the 20.03% returns in the third year are decreasing. Both growths in the past five years have been declining rapidly, with SBI down by 14.35% and TATA declining by 14.61%. This shows 3years return that SBI Large & Midcap Mutual Fund offers a higher return than TATA Large & Midcap Fund, which enables a person to choose SBI Large & Midcap Fund while investing their money.

(b) Financial ratio:

Name of scheme	Sharpe's ratio	Trey nor ratio	Jensen's ratio
SBI Large & Midcap Fund	0.81%	0.18%	1.70%
Tata Large & Mid Cap Fund	0.70%	0.16%	3.01%

Table 1(b)

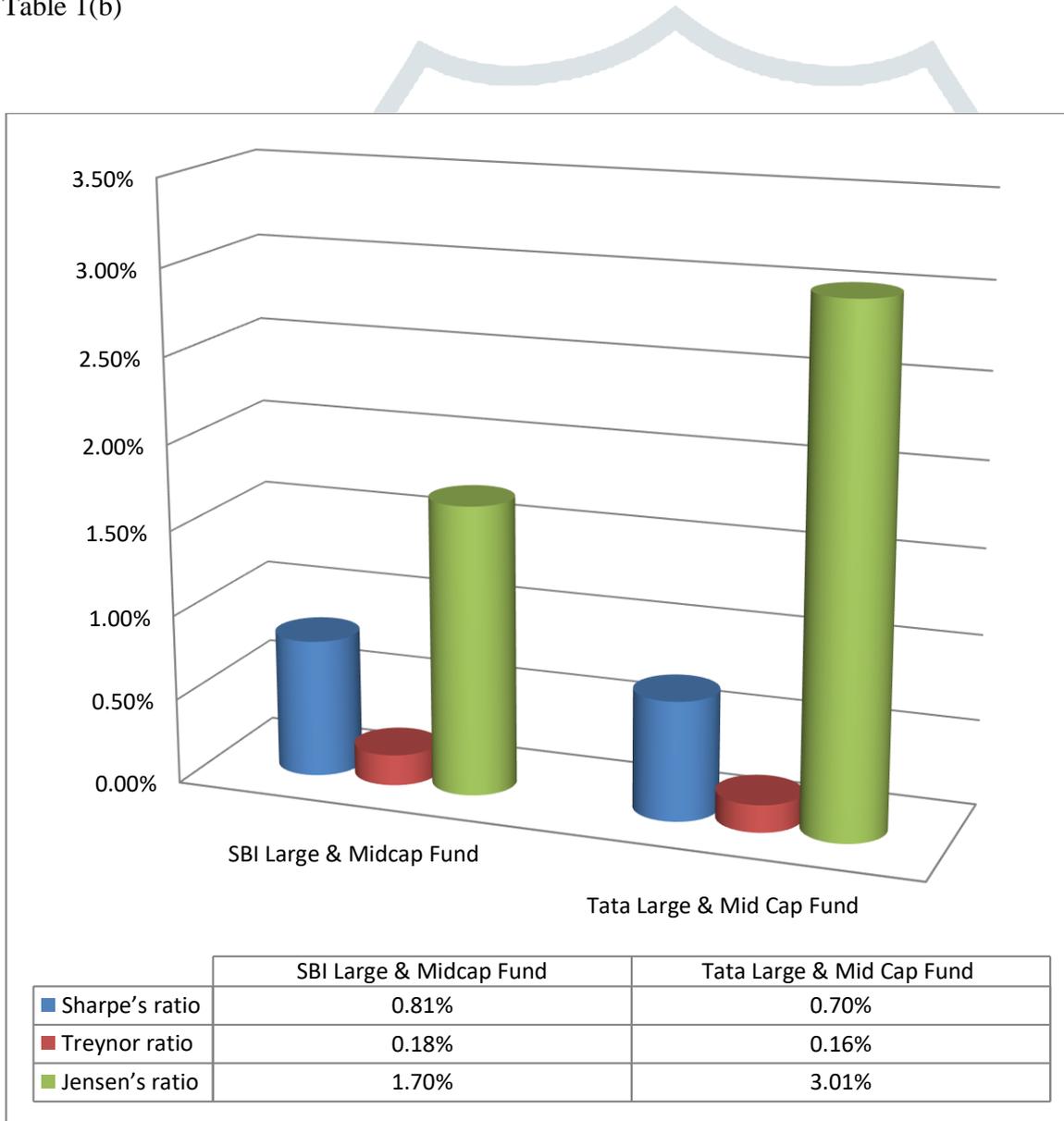


Figure 1(b)

Interpretation: From the above table and chart we analyse the financial ratio through which we can result out to invest in this fund or not. According to Sharpe ratio we can find out about which fund gives more returns in less risk, the SBI Sharpe ratio is 0.81% and TATA Sharpe ratio is 0.70%, here SBI is gives more return in comparison to TATA with less risk. According to Trey nor ratio we find out which fund have higher market risk so that we get high return, the SBI fund gives high return with high market risk i.e.0.18% in comparison with TATA fund i.e.0.16%. According to Jensen’s ratio we can find out difference between actual return and prediction of returns, the SBI Jensen’s ratio is 1.70% and TATA have 3.01% so TATA shows high Jensen’s ratio as compared to SBI Large & midcap fund Jensen’s ratio. So according to analysis we have to invest in SBI Large & Midcap fund. Ratios.

(c) Beta:

Name of scheme	Beta
SBI Large & Midcap Fund	0.88%
Tata Large & Mid Cap Fund	0.86%

Table 1(c)

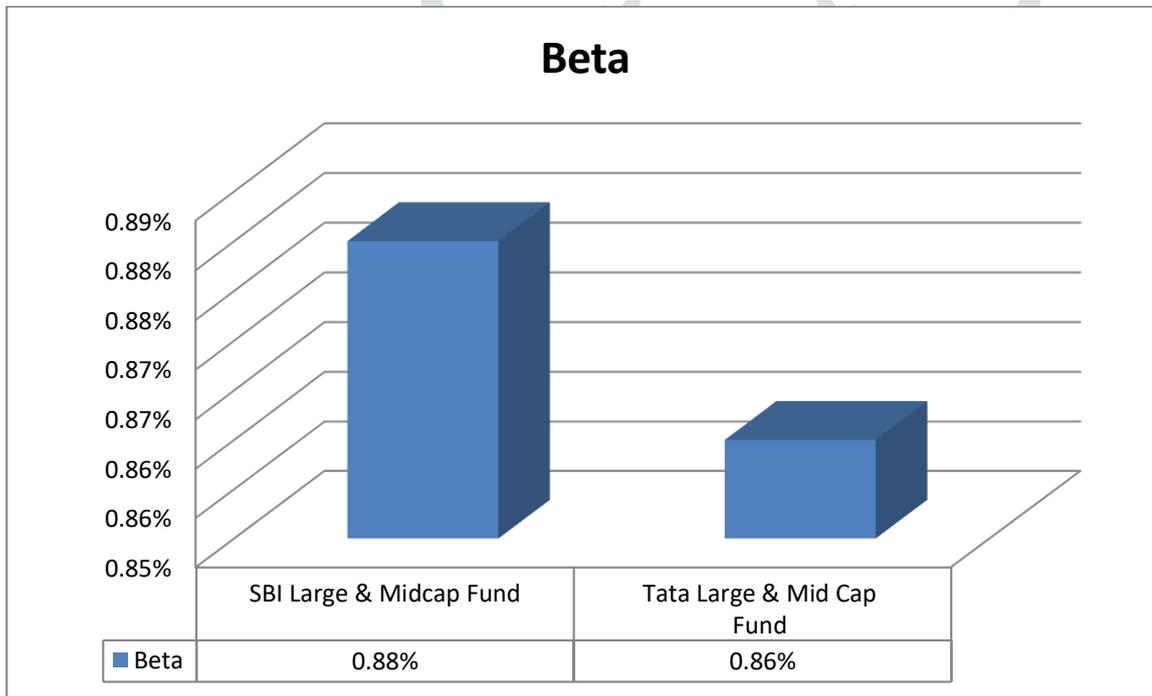


Figure 1(c)

Interpretation: The risk of the fund can be examined from the above table using the security's beta value. The SBI Large & Midcap funds are more risky and offer higher returns, as can be seen in the diagram, where they have a beta value of 0.88% compared to the TATA Large & Midcap fund's beta value of 0.86%. Therefore, based on the information we have, when the time comes to invest in securities, a person or investor must do so in SBI Large & Midcap mutual fund.

2. Comparison of Hybrid Scheme of TATA mutual fund and SBI mutual fund:

(a) Annual returns:

Name of scheme	1 year	3year	5 year
SBI Equity Savings Fund	3.95%	10.09%	8.58%
Tata Equity Saving Fund	6.30%	9.31%	7.91%

Table 2(a)

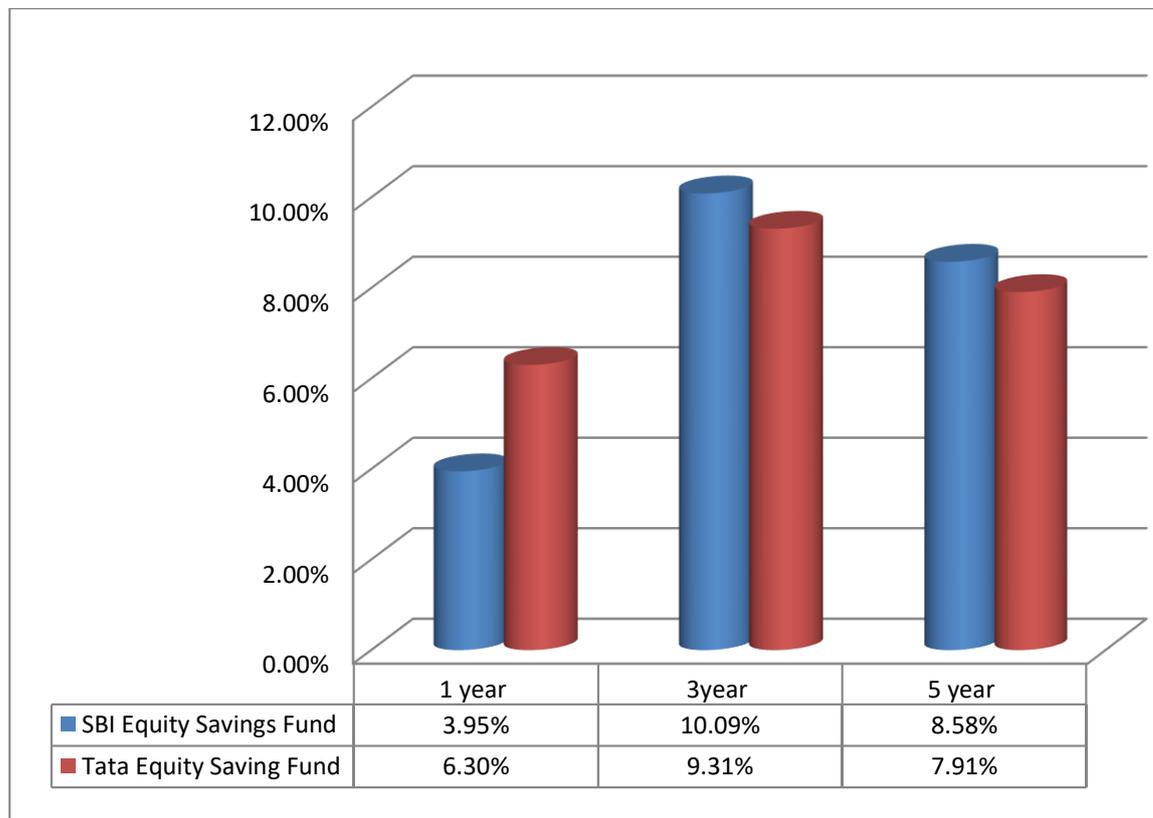


Figure 2(a)

Interpretation:

The above table and chart show the annual returns for TATA and SBI hybrid mutual funds over the course of one year, three years, and five years. In the first year, both funds' returns are positive, but TATA's mutual fund has slightly higher results than SBI's (6.30% vs. 3.95%), increasing returns in the second and third years while maintaining high returns (9.31% vs. 10.09%) in the fifth year. In the first year, both funds' returns are positive, but SBI's increase by 8.58% and TATA's increase by 7.91%. As a result, one should choose the TATA hybrid mutual fund while investing their money because the SBI hybrid mutual fund offers lower returns than the TATA hybrid mutual fund.

(b) Financial ratio:

Name of scheme	Sharpe ratio	Trey nor ratio	Jensen's ratio
SBI Equity Savings Fund	0.38%	0.04%	-0.93%
Tata Equity Saving Fund	0.30%	0.07%	-1.58%

Table 2(b)

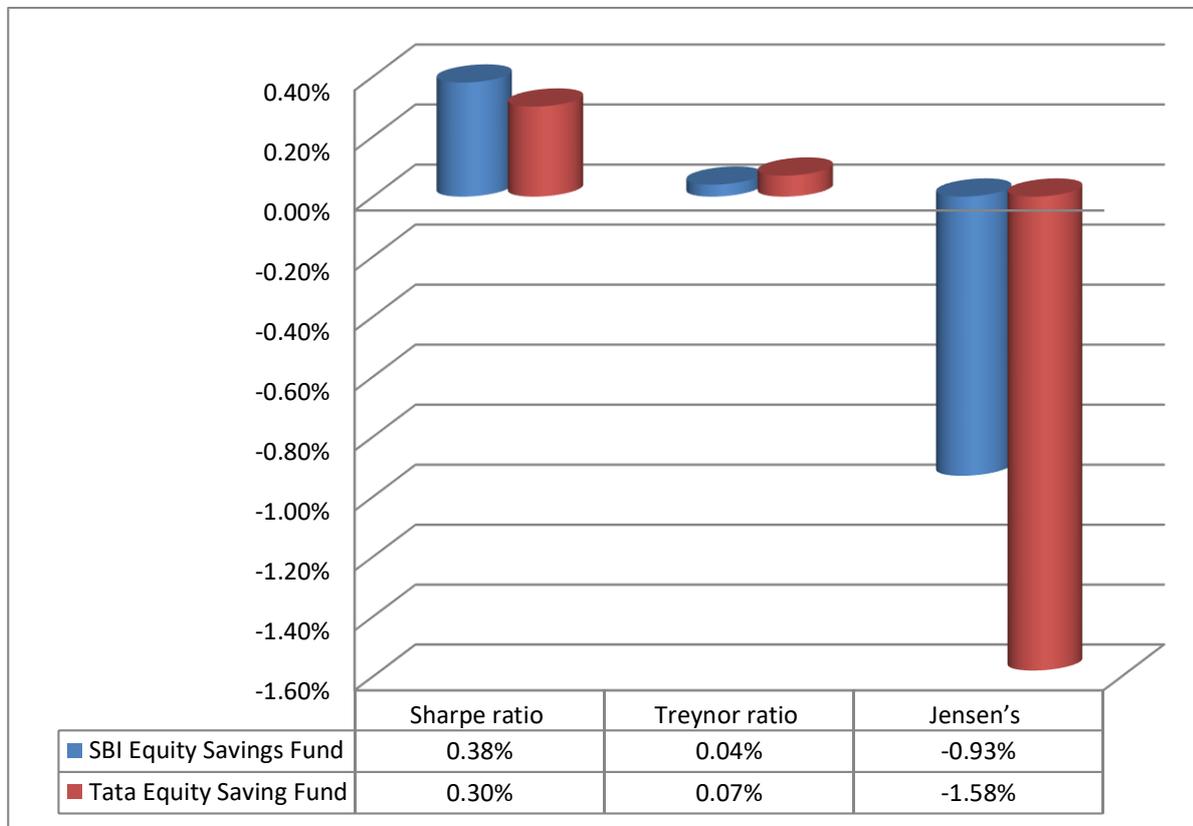


Figure 2(b)

Interpretation:

Ratio is 0.38%, where TATA provides a lower return than SBI Mutual. We examine the financial ratio from the aforementioned table and chart to determine whether or not to invest in this fund. The Sharpe ratio, which is 0.30% for SBI and TATA, allows us to determine which funds offer higher returns with lower risk. We can determine which fund carries a greater market risk using the Treynor ratio in order to receive a higher return. We find out which fund have higher market risk so that we get high return, the TATA fund gives high return with high market risk i.e.0.07% in comparison with SBI fund i.e.0.07%.The difference between actual return and expected return can be determined using the Jensen's ratio. SBI fund's Jensen's ratio is -0.93%, while TATA mutual fund's is -1.58%, making TATA's ratio slightly more negative than SBI funds. We must therefore invest in the SBI hybrid mutual fund, per analysis:

(c) Beta

Name of scheme	Beta
SBI Equity Savings Fund	0.93%
Tata Equity Saving Fund	0.33%

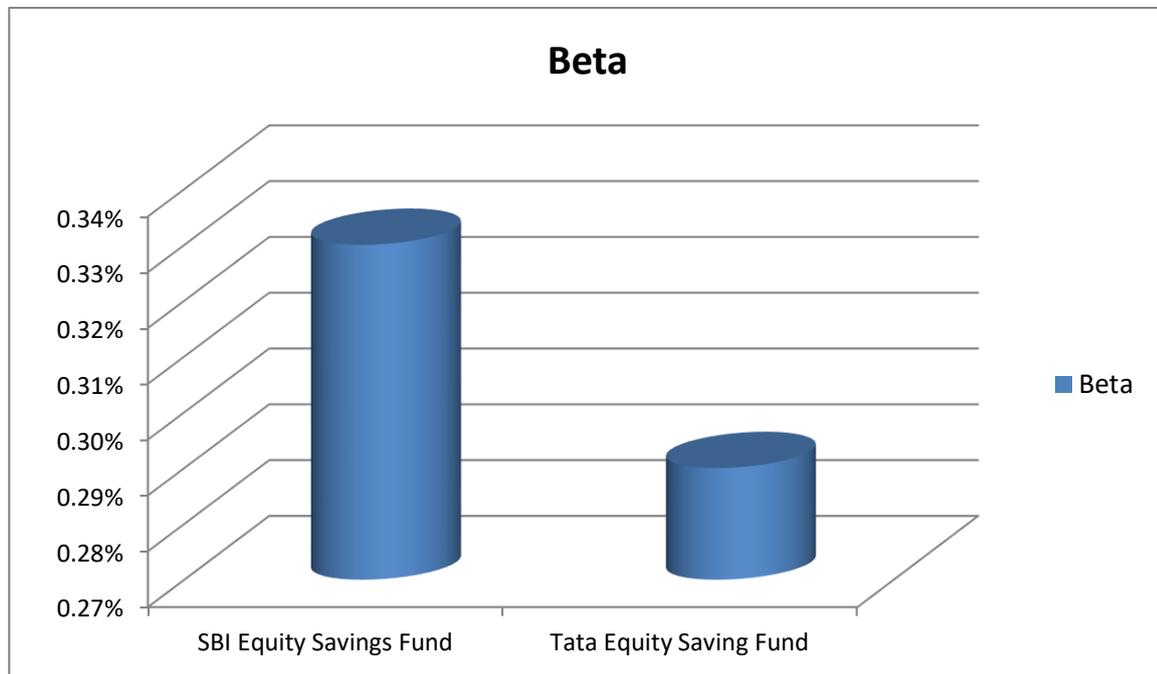


Table 2(c)

CONCLUSION

As a result of their low acquisition costs, tax advantages, profit diversification, and risk mitigation, mutual funds are a very profitable investment tool. The study compared various State Bank of India and TATA Asset Management Company equity mutual funds, debt mutual funds, and balanced mutual funds, mid cap funds, small cap funds, and multi cap funds. Various tables and charts are used to present the results' summary. General investors in India have access to an infinite number of mutual fund schemes, making it difficult for them to choose the best one. In order to assist common investors in making thoughtful investment decisions and allocating their income to the appropriate mutual fund scheme, this study offers some insight into the performance of mutual funds. Annual returns, financial ratios, and beta of State Bank of India and TATA mutual fund schemes made up the data gathered for the study. The performance of equity and debt mutual funds over a five-year period is examined in this paper. To determine which scheme generates returns, we use annual returns for the first, third, and fifth years. The performance of the chosen schemes was assessed using the Sharpe ratio, Treynor ratio, and Jensen's alpha ratio measure, the results of which will help investors make better investment choices. According to the study's findings, Management Company has demonstrated that it can outperform the benchmark return on two different types of assets. Not all of the funds have shown gains in value. According to the study mentioned above, the outcomes of the plans are varied.

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