A STUDY ON PERFORMANCE ANALYSIS OF SBI MUTUAL FUND SCHEMES: WITH SPECIAL REFERENCE TO KARNATAKA

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ABSTRACT

Mutual funds are among the most preferred investment avenues for retail investors, offering the benefits of portfolio diversification and professional fund management. State Bank of India Mutual Fund (SBI MF), a leading institution in India's mutual fund sector, provides a wide range of schemes spanning equity, debt, hybrid, and other categories. This study aims to evaluate the performance of selected SBI Mutual Fund schemes and to analyse their risk-return characteristics, with a focus on relevance to investors in Karnataka. The primary objective is to examine the risk-return profile of these schemes and to assess key risk measures such as standard deviation, beta, Sharpe ratio, Jensen ratio, Tryenor ratio. This study based on secondary data. SBI Mutual Fund schemes present diverse investment opportunities that cater to different risk appetites and financial goals of retail investors in Karnataka. The study concluded that the selected SBI mutual fund schemes, the SBI Long Term Equity Fund (ELSS) stands out for its high returns but comes with higher risk and cost.

Keywords: ***Financial goals, Investment, Performance, Risk-Return, Schemes.***

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INTRODUCTION

A mutual fund is a type of financial intermediary that collects money from a large number of investors and pools these funds to create a common investible corpus. This corpus is then invested in a diversified portfolio of securities such as stocks, bonds, money market instruments, and other financial assets. The primary objective of a mutual fund is to provide returns to investors in line with the fund's stated objectives, while managing the associated risks. The investments are managed by professional fund managers, who are responsible for selecting appropriate securities, monitoring their performance, and making timely decisions to achieve the best possible returns for investors.

SBI Mutual Fund is one of India's leading asset management companies, managed by SBI Funds Management Ltd. (SBIFML). It was established in 1987 as a trust, with the State Bank of India (SBI) acting as the sponsor. The mutual fund operates as a joint venture between SBI and Amundi, a globally renowned asset management company based in France.

SBI Mutual Fund offers a diverse range of investment schemes across various categories such as equity funds, debt funds, hybrid funds, exchange-traded funds (ETFs), and index funds, catering to the needs of different types of investors.

SBI MUTUAL FUND SCHEMES

SBI Small Cap Fund

The fund aims to offer investors opportunities for long-term capital growth by primarily investing in a well-diversified portfolio of equity stocks of small-cap companies. It allocates at least 65% of its assets to small-cap stocks, while also having the flexibility to invest up to 35% in other equities (including large-cap and mid-cap companies), as well as debt and money market instruments. The fund adopts a blend of growth and value investing styles and follows a bottom-up stock selection approach.

SBI Contra Fund

The fund seeks to provide investors with opportunities for long-term capital appreciation by actively managing investments based on a contrarian strategy. It invests a minimum of 65% of its assets in stocks of companies that align with the contrarian investment theme. The fund also has the flexibility to allocate up to 35% to other equities and/or debt and money market instruments. It employs a combination of top-down and bottom-up approaches for stock selection.

SBI Multicap Fund

The fund aims to provide investors with opportunities for long-term capital growth through a diversified portfolio of equity and equity-related instruments across market capitalizations. However, there is no guarantee that the Scheme's investment objective will be achieved. The Scheme follows a bottom-up stock-picking approach, selecting companies across various sectors. It invests in a diversified mix of stocks across large-cap, mid-cap, and small-cap segments.

SBI Long Term Equity Fund (ELSS)

The fund serves as a tax-saving instrument under current tax laws. It aims to provide investors with the dual benefit of investing in a portfolio of equity shares while offering tax deductions on such investments under Section 80C of the Income Tax Act, 1961. The fund invests at least 80% of its assets in equity, cumulative convertible preference shares, fully convertible debentures, bonds, and similar instruments. Up to 20% of its assets may be allocated to money market instruments. Investments in the scheme are subject to a statutory lock-in period of 3 years from the date of allotment.

Investors can potentially save up to ₹46,800 in taxes under Section 80C—this represents the maximum tax saving on an investment of ₹1,50,000 for individuals in the 30% tax bracket. The actual tax benefit will vary depending on the investor's applicable tax slab.

SBI Large & Midcap Fund

The fund aims to provide investors with long-term capital appreciation by investing in a diversified portfolio primarily comprising large-cap and mid-cap companies. It maintains a minimum allocation of 35% each to large-cap and mid-cap stocks. The remaining 30% of assets may be invested in other equities, as well as in debt and money market instruments. The fund invests across sectors, adopting a blend of growth and value investing styles, and uses a combination of top-down and bottom-up approaches for stock selection. It seeks to capitalize on the stability and scale of large-cap companies while harnessing the growth potential of mid-cap companies.

REVIEW OF LITERATURE

Sridevi (2018), Mutual funds are versatile investment instruments that cater to the diverse needs of investors. Over the past decade, they have gained significant popularity due to their ability to diversify risk, pool investments, and benefit from professional fund management. The study aims to compare the performance of balanced mutual fund schemes in the mid-cap and small-cap categories, focusing on return and risk evaluation. The analysis was conducted using various financial metrics, including Average Return, Sharpe Ratio, Treynor Ratio, Jensen's Alpha, Standard Deviation, Beta, and Alpha. The findings revealed a range of diversified and varied results.

Bindu.R (2019) discussed about the performance analysis of selected mutual fund schemes in India. The objectives of the study are to study the current status of mutual funds in India, to measure the risk- return relationship and market volatility of the select mutual funds and to examine the performance of select schemes by using portfolio performance evaluation models namely Sharpe, Treynor and Jensen Ratio. The results of the study indicate that among the two schemes, mid-cap and small-cap funds, there is evidence of outperforming benchmark returns. However, not all funds demonstrated positive performance. Specifically, the Axis Balanced Fund within the mid-cap category showed very insignificant results, while the HSBC Balanced Fund in the small-cap category is regarded as more favourable. Overall, the findings suggest that the schemes exhibit a range of performance outcomes.

Bhagyasree N and B. Kishori (2016) studied on the performance evaluation of mutual funds schemes in India. The study is to evaluate the performance of selected open ended schemes on mutual funds in India and to measure the risk- return relationship and market volatility of the selected mutual funds. The study results that Reliance Regular Savings Fund Equity, SBI Contra Fund, HDFC Equity Fund of the schemes had under- performed, these schemes were facing the diversification problem. In the study, the Sharpe ratio was positive for all schemes which showed that funds were providing returns greater than risk free rate.

Karibasappa T (2020) conducted a research on performance analysis of selected mutual funds with special reference to share khan limited. This study primarily focuses on the performance analysis of mutual funds, based on data provided by Share khan Ltd. The study takes into account all relevant aspects outlined in the mutual fund manual, as well as other official mutual fund records. Additionally, insights were drawn from observations of work procedures and the perspectives of executives from the finance and accounting departments, all of which contributed to the overall analysis. The study resulted that Investors has to choose midcap funds because compare to all other funds like large cap funds and small cap funds they are yielding high return with minimum risk under 3 forms of performance analysis method taken for calculation.

Raju J K et.al (2018) the study comprises 10 selected large-cap equity mutual fund schemes launched by various private sector fund houses. The Net Asset Values (NAVs) of these selected schemes have been analysed over a five-year period, from January 1, 2013, to December 29, 2017, based on annual returns. The focus of the study is to compare the risk and return of each equity scheme, and their performance has been evaluated by benchmarking them against market returns. The study indicates that mutual funds are a relatively safe investment option. They offer diversification, allowing investors to spread their funds across various assets to minimize risk.

OBJECTIVES OF THE STUDY

The overall objective of the study is to evaluate the performance of selected mutual fund schemes of SBI in Karnataka.

SCOPE OF THE STUDY

The present study attempts to provide an insight into the performance of following selected SBI mutual funds.

1. SBI Small Cap Fund
2. SBI Contra Fund
3. SBI Magnum Midcap Fund
4. SBI Long Term Equity Fund (ELSS)
5. SBI Large & Midcap Fund

RESEARCH METHODOLOGY

Data Collection: Secondary data was used for the study. The data was collected from books, journals and web sites.

Sample Duration: The duration of these mutual funds were taken throughout the financial year i.e from April 1st 2022 to May 31st 2025, in all these five selected companies.

Tools for Analysis: For analysing the collected data statistical tools such, average return, standard deviation, beta, Sharpe ratio, Treynor ratio, Jensen ratio was used.

The beta value showed the variability of the fund's performance. A low beta indicates that the fund delivers the expected performance compared to funds of the same type in the market. The Sharpe ratio shows how much risk is taken to achieve returns. Average value means that the fund will provide a good return relative to the magnitude of risks involved. It is calculated by subtracting the risk-free interest rate of issued as Indian government bonds from the fund and then dividing by the standard deviation. A fund's higher firm ratio will result in higher risk-adjusted exposure.

Treynor ratio shows how much profit is earned for each unit of risk taken. A higher value indicates that the fund is able to generate good returns for the amount of risk taken. It is calculated by subtracting the risk-free interest rate, defined as an Indian government bond, from the fund's return of and then dividing by the beta of the interest rate. A high Treynor ratio indicates that the fund is the best in its category because it will provide the most risk-adjusted returns.

DATA ANALYSIS AND INTERPRETATION

1. Risk indicators of selected mutual fund schemes

Mutual fund schemes	Average return (3 years)	Standard deviation	Beta	Expense ratio
SBI Small Cap Fund	18.86%	15.01%	0.74	0.7
SBI Contra Fund	23.86%	12.88%	0.86	0.62
SBI Magnum Midcap Fund	20.16%	13.88%	0.77	0.82
SBI Long Term Equity Fund (ELSS)	27.05%	14.16%	0.94	0.93
SBI Large & Midcap Fund	19.86%	12.52%	0.81	0.74

Interpretation:

Return Analysis: The SBI Long Term Equity Fund (ELSS) recorded the highest average return of 27.05%, making it the top-performing scheme in terms of returns. The SBI Contra Fund follows with a strong return of 23.86%, also supported by favourable risk metrics. The SBI Small Cap Fund delivered the lowest average return of 18.86%, reflecting comparatively lower performance.

Risk (Volatility) – Standard Deviation: The SBI Large & Midcap Fund has the lowest standard deviation (12.52%), indicating the most stable returns among the funds. The SBI Small Cap Fund, with the highest standard deviation (15.01%), shows greater volatility, suggesting higher risk. SBI Contra Fund maintains a favourable balance of high return (23.86%) with relatively low volatility (12.88%).

Market Risk – Beta: SBI Long Term Equity Fund (ELSS) has the highest beta (0.94), meaning it is more sensitive to market movements, implying higher systematic risk. SBI Small Cap Fund shows the lowest beta (0.74), suggesting lower sensitivity to market changes, though its overall risk is high due to volatility (std. dev.). The beta values for all funds are less than 1, indicating that these funds are generally less volatile than the broader market.

Cost Efficiency – Expense Ratio: The SBI Contra Fund stands out with the lowest expense ratio (0.62%), making it the most cost-effective option. SBI ELSS, while being the best performer in terms of returns, has the highest expense ratio (0.93%), which could impact net returns for investors**.**

Overall The SBI Long Term Equity Fund (ELSS) delivers the highest returns among the selected schemes but is associated with relatively higher risk and a higher expense ratio. The SBI Contra Fund strikes an effective balance by offering high returns with moderate risk and a low expense ratio, making it a cost-efficient and well-performing option. In contrast, the SBI Small Cap Fund exhibits high volatility but comparatively lower returns, reflecting a less favourable risk-return profile. Meanwhile, the SBI Large & Midcap Fund provides moderate returns with the lowest volatility, making it a suitable choice for conservative investors seeking more stable investment outcomes.

2. Performance evaluation of selected mutual fund schemes by Sharpe ratio, Treynor ratio, Jensen's ratio.

Schemes	**Sharpe ratio**	**Treynor ratio**	**Jensen's ratio**
SBI Small Cap Fund	0.79	0.16	0.07
SBI Contra Fund	1.31	0.20	0.14
SBI Magnum Midcap Fund	0.95	0.17	0.08
SBI Long Term Equity Fund (ELSS)	1.42	0.21	0.15
SBI Large & Midcap Fund	1.03	0.16	0.08

Interpretation:

Risk-Adjusted Return (Sharpe Ratio): The SBI Long Term Equity Fund (ELSS) with a Sharpe Ratio of 1.42, and the SBI Contra Fund at 1.31, demonstrate the highest risk-adjusted returns among the selected schemes. This indicates that these funds deliver superior returns relative to the total risk (volatility) assumed. In contrast, the SBI Small Cap Fund, with the lowest Sharpe Ratio of 0.79, suggests that investors are taking on relatively higher volatility for lower incremental returns.

Market Risk Efficiency (Treynor Ratio): The SBI ELSS Fund (0.21) and the SBI Contra Fund (0.20) stand out, offering better returns per unit of systematic risk (as measured by beta). These funds have efficiently utilized market risk to generate strong returns. On the other hand, the SBI Small Cap Fund and SBI Large & Midcap Fund, both with a Treynor

Ratio of 0.16, indicate comparatively lower efficiency in converting market risk into excess returns.

Alpha Generation (Jensen's Alpha): The SBI ELSS Fund (0.15) and SBI Contra Fund (0.14) continue to lead in terms of alpha generation, highlighting their ability to consistently outperform the market even after accounting for risk exposure. Meanwhile, the SBI Magnum Midcap Fund and SBI Large & Midcap Fund, both with an alpha of 0.08, show moderate outperformance, reflecting decent but less exceptional fund management performance.

Overall The SBI Long Term Equity Fund (ELSS) emerges as the best overall performer, ranking highest in Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. The SBI Contra Fund stands out as the most cost-effective option, offering strong performance combined with a relatively low expense ratio. In contrast, the SBI Small Cap Fund exhibits higher risk with lower efficiency, as indicated by its lower Sharpe and Treynor ratios, suggesting that its returns come with greater volatility and less effective risk management.

FINDINGS

1. The SBI Long Term Equity Fund (ELSS) achieved the highest average return of 27.05% over a 3-year period, reflecting its strong potential for capital growth. It also has the highest beta (0.94) and highest expense ratio (0.93%), reflecting higher market sensitivity and cost.
2. The SBI Small Cap Fund shows the highest volatility (15.01%) with the lowest return (18.86%), which implies a less favorable risk-return balance.
3. The SBI Large & Midcap Fund exhibits the lowest standard deviation of 12.52%, indicating minimal volatility and lower risk.
4. SBI Magnum Midcap Fund shows moderate Sharpe (0.95), Treynor (0.17), and Alpha (0.08), indicating fair performance but not exceptional.
5. The SBI Contra Fund with a Sharpe ratio of 1.31, a Treynor ratio of 0.20, and a Jensen's Alpha of 0.14, indicating strong and consistent risk-adjusted performance.

SUGGESTIONS

1. Investors aiming for maximum capital appreciation and who can tolerate higher risk and cost may consider the SBI Long Term Equity Fund (ELSS).

2. The SBI Small Cap Fund should be approached with caution due to its high volatility and relatively low return**.** It may suit investors with a long-term horizon and high-risk appetite**.**
3. The SBI Large & Midcap Fund is suitable for risk-averse investors who prefer stable growth over aggressive returns.
4. The SBI Contra Fund is ideal for investors seeking high performance with relatively lower expenses, making it both effective and economical.
5. Investors are advised to regularly monitor the performance of their mutual fund investments, particularly during volatile market conditions, and consider reallocating to better-performing, more cost-effective funds when appropriate.

CONCLUSION

The study concluded that the selected SBI mutual fund schemes, the SBI Long Term Equity Fund (ELSS) stands out for its high returns but comes with higher risk and cost. The SBI Contra Fund offers strong, cost-effective performance, making it a well-balanced choice. While the SBI Large & Midcap Fund suits conservative investors, the SBI Small Cap Fund carries higher risk with lower returns. Regular performance review and strategic fund selection are essential for optimizing returns based on individual risk tolerance.

Based on the evaluation of Sharpe ratio, Treynor ratio, and Jensen's Alpha, the SBI Long Term Equity Fund (ELSS) emerges as the top performer, offering the best risk-adjusted and market-adjusted returns. The SBI Contra Fund also demonstrates strong and consistent performance across all metrics, combined with cost efficiency. In contrast, the SBI Small Cap Fund shows the weakest performance, with lower ratios indicating less effective risk management. Overall, selecting funds with higher Sharpe, Treynor, and Jensen's ratios can help investors achieve better returns relative to the risks taken.

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