



A Study on Mutual Fund as a Profitable Avenue of Investment with Special Reference to SBI MF

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Abstract: A mutual fund is a scheme in which several people invest their money for a common financial cause. The collected money is invested in the capital market and the money, which they earn, is divided based on the number of units, which they hold. The study of any subject is made by examining it in an organized pattern. This study consisted of interviewing the various investors and asset management companies (AMC's), and their responses against the questions put up. A mutual fund is a company that pools money from many investors and invests that money in stocks, bonds, short-term money market instruments and other securities or assets. It has various

advantages like diversification of risk, liquidity, management by skilled professionals, transparency, tax benefits which further makes it an appealing avenue of investment.

Keywords : SBI MF, Mutual Fund, BLUE CHIP.

Introduction:

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities, depending upon the objective of the scheme. These could range from share to debentures to money market instruments.

The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them.

It is a trust that collects money from a number of investors who share a common investment objective and invests the same in equities, bonds, money market instruments and/or other securities. And the income / gains generated from this collective investment is distributed proportionately amongst the investors after deducting applicable expenses and levies, by calculating a scheme's "Net Asset Value" or NAV. Simply put, the money pooled in by a large number of investors is what makes up a Mutual Fund as defined by Lalitha Thamaraipandy (2017), Mutual Funds: The Money Multiplier.

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Mutual funds are ideal for investors who either lack large sums for investment, or for those who neither have the inclination nor the time to research the market, yet want to grow their wealth. The money collected in mutual funds is invested by professional fund managers in line with the scheme's stated objective as discussed by D.V.Ingle (2013), Mutual Funds in India.

Objectives:

- To understand the concept of mutual fund.
- To study about mutual fund as a profitable avenue of investment.
- To ascertain the market trend of mutual fund investment.
- To ascertain the most preferred factor considered by investors of Patna while investing
- To identify the ratio of sector-wise investment by investors of Patna.
- To study the market share of SBIMF as compared to its competitors.

Methodology:

This research by and large is descriptive in nature. This research has utilized both primary and secondary data.

Primary Sources: The various sources of primary data are:

- (a) Respondents from KARVYII BROKING FIRM.
- (b) Respondents from BONANZA BROKING FIRM
- (c) Investors (Corporate, teaching staff, employees, businessmen).

Secondary Sources:

- (a) Business Standard
- (b) NSE website
- (c) SBI brochures/website
- (d) Books

Hypotheses:

- The preferences of respondents are based on age groups.
- The preferences of respondents are independent of their gender.
- The profitability of MF investment is higher as compared to other instruments like fixed deposits and recurring deposits.

Mutual Fund

- A mutual fund is a company that pools money from many investors and invests that money in stocks, bonds, short-term money market instruments, other securities or assets.
- The Securities & Exchange Board of India (SEBI) looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations

SBIMF

- State Bank of India (SBI) started its services of mutual fund about 28 years ago under the name SBIMF.
- SBIMF is a joint venture between SBI and AMUNDI, one of the world's largest asset management Companies. It has network of about 160 branches committed to be ethical and innovative and simplifying investment decision for investors.
- Fastest growing AMC in the industry with growth of 47% in fy17 compared to industry growth with 35%.

Mode of Investment in Mutual Fund:

While mutual funds offer various modes of investing, one should preferably consider his or her convenience while investing in mutual funds. Some of the key modes of investment offered by mutual funds are:

- Lump Sum or One Time Investment: A lump sum amount is defined as a single complete sum of money. A lump sum investment is of the entire amount at one go.
- Systematic Investment Plan (SIP) : In SIP (Systematic Investment Plans), a fixed amount of money is debited from the investor's bank accounts periodically and invested in a specified mutual fund.

Various Schemes of SBIMF

- SBI Corporate Bond Fund: It invests in corporate debt securities only. Corporate debt securities yield normally trade above government securities yields. The fund aims to provide investors with yield spread on corporate debt securities by cautiously managing the excess risk on its corporate investments. The fund follows an active credit quality management strategy.

- **SBI Magnum Tax Gain Scheme:** It aims to deliver the benefit of investment in a portfolio of equity shares, while offering tax deduction on such investments made in the scheme under Section 80C of the Income-tax Act, 1961. It also seeks to distribute income periodically depending on availability of distributable surplus. Investments in this scheme would be subject to a statutory lock-in of 3 years from the date of investment to avail benefit of Section 80C of the Income Tax Act.

Investors looking at dual advantage of saving taxes along with exposure to equity markets may invest in this fund. This portfolio is ideal for investors who would like to invest for long-term capital appreciation.

- **SBI Magnum Balanced Fund:** Aims to provide investors long term-capital appreciation, along with the liquidity of an open-ended scheme by investing in a mix of debt and equity. The scheme will invest in a diversified portfolio of equities of high growth companies and balance the risk through investing the rest in a relatively safe portfolio of debt (ref.- SBIMF brochure).
- **SBI Blue Chip Fund:** 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 CRISIL rating of the fund is five stars.

SBI BLUE CHIP FUND

- The investors basically aim for long-term capital appreciation while investing in the scheme. Investment in equity shares of companies whose market capitalization is at least equal to or more than the least market capitalized stock of S&P BSE 100 index to provide long-term capital growth opportunities. The fund is managed by Sohini Andani.
- The investment perspective is for medium or long term while the ideal minimum investment

period suggested by experts is four years. The total ASSET UNDER MANAGEMENT is Rs. 15250.38 Cr as on 30 Jul 2017. It was initiated on February 14, 2006. The exit load is 1% if one exits before one year of the date of allotment.

In our research, with the help of table No.1 and graph No.1, we prove that mutual fund gives a higher return than the fixed deposit and the recurring deposit. Hence the hypothesis Mutual Fund is one of the most lucrative avenues of investment stands proved.

Data Analysis and Interpretation :

A set of 212 respondents were taken out of which only 180 were considered as they were aware of mutual fund and its operations.

Fig.1.1 and table 1.1 show the age group of people inclined towards investment in Mutual Fund. Here 81 people within the age group of 36-49 form the majority followed by 63 people in the age group 22-35, 22 belonging to less than 21 yrs. and the lowest with merely 14 people belonged to above 50 age group.

Here the knowledge about financial market instrument in general and about Mutual Fund is more in the age group 36-49, that is why investors in this age bracket are keener on investing in Mutual Fund. Next to them are investors between the age group 22 and 35. Old age people have very low risk appetite. They are more concerned about the safety of their funds. That is why their preference goes to bank's fixed deposit and other fixed deposit instruments like post office's NSC and time deposit.

Hence the hypothesis, 'The preferences of respondents are based on their age group' is PROVED.

Fig.2.1 and table 2.1 show the number of male and female investing in mutual funds. Here the number of male investors is 130 compared to only 50 female investors.

In our society, mostly male members are the sole bread earners hence, their decision on investment is final. Owing to more exposure to the corporate world, they are well aware of various avenues of investment and their benefits. But, the society is changing and young women have come up in the financial market with equal knowledge and expertise. That's why it is

assumed that since the ratio of the number of women to men is lower that is why there is a lesser number of women to men who have responded. With this view in mind our null **hypothesis** was '**The preferences of respondents are independent of their gender.**'

ANALYSIS 1: Since Chi-Square calculated was found more than Chi-Square Tabular, we came to the conclusion that the preferences of the respondents are dependent of their gender.

Fig.3.1 and table 3.1 show the return from investment in Mutual Fund and fixed deposit. Here the initial investment is taken as Rs. 100000. This amount has been invested in Mutual Fund and fixed deposit for a span of 4 years. The returns from Mutual Fund and fixed deposit respectively are 116.65% and 42.762%.

Fig 4.1 and table 4.1 show the return from investment in Mutual Fund and recurring deposit. Here the investment is Rs. 1000 for a span of 36 months in SIP and recurring deposit. The return from Mutual Fund is 30.39% and in recurring deposit is 11.49%, respectively in 3 years, they shall get better return than fixed deposit, and recurring deposit. **Hence the hypothesis 'Mutual Fund is a profitable avenue of investment as compared to fixed return instruments like fixed deposit and recurring deposit, stands proved.'**

So, in long-term, Mutual Fund gives better return than fixed rate instruments like fixed deposit and recurring deposit if the time horizon is beyond 3 years.

Conclusion:

- After extensive interaction with various stock brokers of Patna and collated information from AMCs, it has been concluded that there has been a significant growth in Mutual Fund investors of Patna in the past 2-3 years. The approximate figure is (20-25%) growth.
- After extensive groundwork and interaction with cross-section of people it is concluded that mutual funds are still not very much popular among investors of Patna. However, slowly but steadily mutual funds are gaining popularity.
- If the older generations, who are the owners of large chunk of savings, are convinced, MFs will see a surge in their portfolio.

- Housewives who are better savers can help MFs grow at a faster pace.
- Gradual decline in interest rate of banks is paving the way for Mutual Fund industry.
- Thus, there is a very bright future for Mutual Fund industry.

Suggestions:

- In today's falling interest rate scenario banks and post offices deposits are becoming less lucrative. Hence every active investor should explore better avenues of investment. The search for better avenue stops at mutual funds which are safer than direct equity investment. There is the benefit of the expertise of professional fund managers almost at no cost to even small investors as defined by Larry J. et al.
- There is a need to popularize Mutual Fund among new generation and make them aware of the benefits of these excellent financial instruments.
- MF industry should try to spread awareness among the masses by organizing road shows, seminars in educational institutions, together with banks and corporate offices.
- MF apps should be created to educate and inform the unaware but potential investors in order to instill the crave for MF investments.
- Kiosks should be put up at the market and other public places to clear the doubts in the minds of prospective investors, regarding risk factors in MF investment.
- Awareness about existing mobile apps should be generated amongst investors. For e.g. "My Cams" is a mobile app for Mutual Fund investors but hardly known by most of them.
- SIP Calculators should be made popular among MF investors so that the power of compounding in Systematic Investment Plan could be made understandable to MF investors and that the investors could see whether investing in MF is fulfilling their goals or not in the long term.

LIST OF TABLES

Table No. 1.1. Age Group of People Investing in Mutual Fund

Age Group	Less than 21	22-35	36-49	50 and above	Total
Total number of respondents investing in mutual fund	22	63	81	14	180
%age	12.26%	34.90%	44.80%	8.00%	100%

Table No. 2.1. Gender of People Investing in Mutual Fund

Gender	No. of respondents investing in mutual fund	Percentage
Men	130	72.00%
Women	50	28.00%
Total	180	100.00%

Table No. 3.1. Comparison of Return from SBI BLUE CHIP Fund and Fixed Deposit

Initial investment	Rate of return	Return (in rupees)	Return % (with initial investment)
MUTUAL FUND Rs. 100000	Change in N.A.V from 1 st April 2013 to 5 th April 2017 = 35.12 – 16.21 = rupees 18.91	Number of Units Bought = $\frac{\text{Investment}}{\text{N.A.V as on 1st April 2013}}$ $\frac{100000}{16.21} = 6169 \text{ units}$ Return = 6169 units * 18.91 Return = 11665	116.65%
FIXED DEPOSIT Rs. 100000	9%	Rupees 42762 (as per R.d. calculator)	42.762%

Table No. 4.1. Comparison of Return of SBI BLUE CHIP Fund and Recurring Deposit

Total initial investment (36 months * rupees 1000)	Rate of return	Maturity value (in rupees)	Return maturity value- initial invest-	Return % (with initial investment)
MUTUAL FUND Total investment up to September 2017 = Rs. 36000	Value of investment as on 1 st September 2017 = Rupees - (Data as per valueresearch.com)	46941.	46941	30.39%
RECURRING DEPOSIT Total investment up to September 2017 = Rs. 36000	7.5%	40137 (as per R.d. Calculator)	40137 – 36000 = 4137	11.49%

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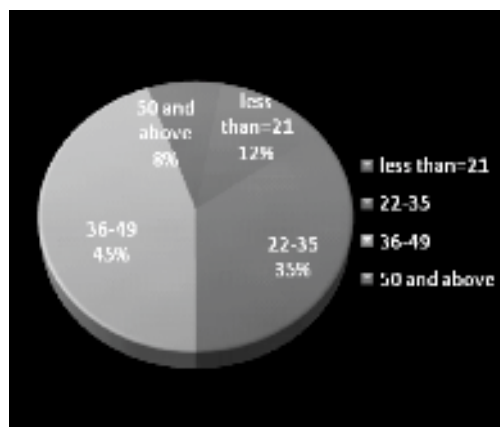


Fig.1.1. Age Group of People Investing in Mutual Fund

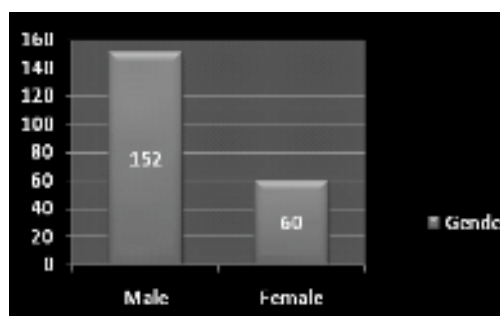


Fig. 2.1. Gender of People Investing in Mutual Fund

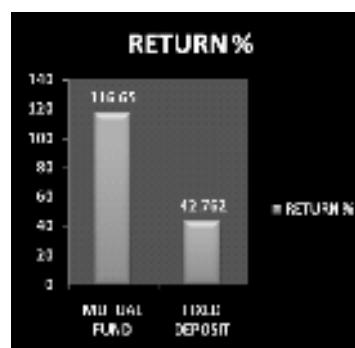


Fig. 3.1. Comparison of Return from SBI BLUE CHIP Fund and Fixed Deposit

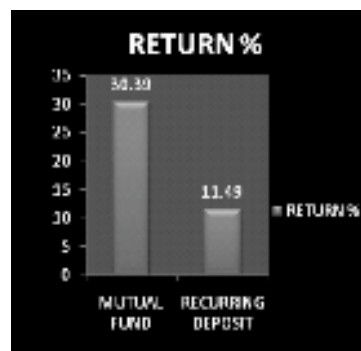


Fig. 4.1. Comparison of Return of SBI BLUE CHIP Fund and Recurring Deposit

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