

A Study on Performance of Selected Growth Schemes of SBI Mutual Funds

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Abstract—The Indian mutual fund industry has grown significantly, with growth schemes becoming a preferred choice for investors seeking capital appreciation. This study evaluates the performance of selected growth schemes of SBI Mutual Funds—SBI Blue-chip Fund, SBI Focused Equity Fund, and SBI Small Cap Fund—over a five-year period (2019-2024). The analysis focuses on risk-adjusted returns, volatility, Sharpe ratio, and benchmark comparison (Nifty 50, Nifty 200, and Nifty Small Cap 250). Findings indicate that SBI Blue-chip Fund delivered stable returns with lower risk, closely tracking the Nifty 50. The SBI Focused Equity Fund offered higher returns but with increased volatility, while the SBI Small Cap Fund showed high growth potential but significant risk, making it suitable only for aggressive investors. The Sharpe ratio confirmed that SBI Blue-chip Fund provided better risk-adjusted returns. Macroeconomic factors like inflation and GDP growth influenced performance, with large-cap funds demonstrating more resilience. The study concludes that investors should align their fund choices with risk tolerance and investment goals. Diversification and periodic reviews are essential for optimal returns. This research provides valuable insights for investors and financial advisors in selecting growth-oriented mutual fund schemes.

Keywords— SBI Mutual Funds, Growth Schemes, Performance Evaluation, Risk-Adjusted Returns, Sharpe Ratio, NAV, Benchmark Indices, Volatility, Capital Appreciation.

I. INTRODUCTION

The Indian mutual fund industry has experienced remarkable growth over the past decade, driven by increasing financial literacy, digital adoption, and investor confidence in market-linked instruments. Among the various types of mutual funds, growth schemes have gained significant popularity due to their potential for capital appreciation over the long term. These schemes primarily invest in equities of companies with high growth prospects, making them an attractive option for investors seeking wealth creation. However, the performance of such schemes is influenced by market volatility, economic conditions, and fund management strategies, necessitating a thorough evaluation before investment.

State Bank of India (SBI) Mutual Funds, one of India's largest and most trusted asset management companies, offers a diverse range of growth-oriented mutual fund schemes catering to different risk appetites. Some of its prominent growth schemes include SBI Blue-chip Fund, SBI Focused Equity Fund, and SBI Small Cap Fund, each targeting distinct market capitalizations and investment strategies. While large-cap funds like SBI Blue-chip Fund focus on stability and consistent returns, small and mid-cap funds such as SBI Small Cap Fund aim for higher growth but come with increased risk.

Assessing the performance of these schemes is crucial for investors to make informed decisions based on risk-return trade-offs.

This study seeks to evaluate the performance of selected growth schemes of SBI Mutual Funds by analysing key financial metrics such as returns, risk-adjusted performance (Sharpe ratio, Sortino ratio), volatility (standard deviation), and benchmark comparison over a five-year period (2019-2024). Additionally, the study examines the impact of macroeconomic factors such as interest rates, inflation, and GDP growth on fund performance. The findings will help investors understand which schemes align with their financial goals and risk tolerance while providing insights into the consistency and reliability of SBI's growth-oriented mutual funds.

II. REVIEW OF LITERATURE

The performance evaluation of mutual funds, particularly growth schemes, has been extensively studied at both international and national levels. Researchers have employed various financial models and metrics to assess risk-adjusted returns, volatility, and consistency in performance. This section reviews key studies conducted globally and in India, focusing on mutual fund performance, with specific attention to growth-oriented schemes.

International Studies:

1. Sharpe (1966) introduced the Sharpe Ratio, a fundamental metric for evaluating risk-adjusted returns by comparing excess returns over the risk-free rate to the fund's volatility. This model has been widely used in mutual fund performance analysis globally.
2. Jensen (1968) developed the Jensen's Alpha model, which measures a fund's excess return over its expected return based on the Capital Asset Pricing Model (CAPM). His study emphasized the importance of fund managers' ability to generate alpha, indicating superior stock selection skills.
3. Fama & French (1993) expanded the CAPM model by introducing the Three-Factor Model, incorporating market risk, size (SMB), and value (HML) factors. Their research highlighted that small-cap and value stocks tend to outperform large-cap and growth stocks over the long term, influencing mutual fund performance assessments.
4. Carhart (1997) extended this model by adding a momentum factor, showing that funds with strong past performance trends continue to outperform, which is particularly relevant for growth-oriented mutual funds.

- Berk & van Binsbergen (2015) studied the skill of mutual fund managers and found that while some actively managed funds generate value, most fail to outperform passive benchmarks after fees, raising questions about the cost-efficiency of active growth funds.

National (Indian) Studies:

- Sehgal & Jhanwar (2008) analysed the performance of Indian equity mutual funds and found that while some funds outperformed benchmarks, a majority failed to generate consistent alpha, particularly during market downturns. Their study emphasized the impact of market cycles on fund performance.
- Tripathy (2010) evaluated growth funds in India and concluded that large-cap funds tend to be more stable, while small and mid-cap funds exhibit higher volatility but offer greater returns in bullish markets.
- Gupta & Gupta (2014) examined risk-adjusted returns of Indian mutual funds using the Treynor Ratio and Sharpe Ratio, finding that diversified equity funds, including growth schemes, provided better risk-adjusted returns compared to sector-specific funds.
- Rao & Srivastava (2017) conducted a comparative study of SBI Mutual Funds with other AMCs and found that SBI's large-cap growth funds, such as SBI Blue-chip Fund, consistently delivered competitive returns with moderate risk, while small-cap funds were more sensitive to market fluctuations.
- Mehta & Chander (2020) studied the impact of macroeconomic variables on mutual fund performance and found that GDP growth and inflation significantly influence equity fund returns, with growth funds performing better during economic expansions.
- SEBI's Annual Mutual Fund Reports (2021-2023) highlighted the increasing preference for Systematic Investment Plans (SIPs) in growth funds, with SBI Mutual Funds witnessing substantial inflows due to their strong track record in large and mid-cap categories.

Research Gap:

While several studies have analysed mutual fund performance, few have specifically focused on SBI Mutual Funds' growth schemes in different market conditions. Additionally, recent post-pandemic market trends and changing investor behaviour necessitate an updated evaluation of these funds' risk-return dynamics. This study aims to bridge that gap by providing a detailed performance analysis of selected SBI growth schemes using the latest data (2019-2024).

III. METHODOLOGY OF THE STUDY

The mutual fund industry in India has grown significantly, with investors increasingly opting for growth-oriented schemes to achieve long-term capital appreciation. SBI Mutual Funds, being one of the largest asset management companies in India, offers various growth schemes catering to different risk appetites. However, investors often face challenges in selecting the right scheme due to:

- Variability in performance across market conditions.
- Lack of clarity on risk-adjusted returns compared to benchmarks.
- Inconsistent fund performance due to macroeconomic fluctuations.

Despite the availability of multiple studies on mutual fund performance, there is a need for an updated, focused analysis on SBI's growth schemes to evaluate their consistency, risk-return trade-offs, and suitability for different investor profiles.

Scope of the Problem:

This study focuses on:

- Three selected growth schemes of SBI Mutual Funds:
 1. SBI Blue-chip Fund (Large Cap)
 2. SBI Focused Equity Fund (Multi Cap)
 3. SBI Small Cap Fund (Small Cap)
- Performance evaluation based on risk-adjusted returns, volatility, and benchmark comparison.
- Timeframe: 2019–2024 (covering pre-pandemic, pandemic, and post-pandemic market phases).
- Data sources: NAV data, SEBI reports, and AMFI publications.

Objectives of the Study:

1. To evaluate the risk-adjusted performance of selected SBI growth schemes using financial metrics (Sharpe Ratio, Sortino Ratio, Alpha, Beta).
2. To compare the returns of these schemes against their respective benchmark indices (Nifty 50, Nifty 200, Nifty Small Cap 250).
3. To assess the impact of macroeconomic factors (GDP growth, inflation, interest rates) on the performance of these schemes.

Hypotheses:

1. H₀: There is no significant difference in the risk-adjusted returns of SBI's growth schemes and their benchmarks. H₁: SBI's growth schemes generate significantly higher risk-adjusted returns than their benchmarks.
2. H₀: Macroeconomic factors do not influence the performance of SBI's growth schemes.
3. H₁: Macroeconomic factors (GDP growth, inflation, interest rates) significantly impact the performance of SBI's growth schemes.

Statistical Analysis and Data Collection

Data Collection::

- Primary Data: None (purely analytical study).
- Secondary Data:
 - NAV data (2019–2024) from SBI Mutual Fund website.
 - Benchmark indices data from NSE India.
 - Macroeconomic indicators from RBI and World Bank reports.

Data Analysis Techniques:

1. Descriptive Statistics: Mean, Standard Deviation, Annualized Returns.
2. Risk-Adjusted Performance Metrics:
 - Sharpe Ratio (excess return per unit of risk).

- Sortino Ratio (downside risk-adjusted returns).
 - Jensen’s Alpha (performance against expected CAPM returns).
 - Beta (volatility relative to the market).
3. Comparative Analysis:
 - Fund returns vs. benchmark returns.
 - Performance during bullish/bearish phases.
 4. Regression Analysis:
 - Impact of GDP growth, inflation, and interest rates on fund returns.

Period of Study:

2019–2024 (5 years) to capture pre-COVID market trends, Pandemic-induced volatility and post-pandemic recovery and economic shifts.

Significance of the Study:

1. Investors: Helps in making informed decisions based on historical performance and risk factors.
2. Fund Managers: Provides insights into improving portfolio strategies.
3. Academic Contribution: Adds to existing literature on mutual fund performance in emerging markets.
4. Regulatory Insights: Assists SEBI/AMFI in assessing fund categorization and disclosures.

Limitations of the Study

1. Limited to SBI Mutual Funds – Findings may not apply to other AMCs.
2. Historical Data Dependency – Past performance does not guarantee future results.
3. Exclusion of Behavioural Factors – Investor psychology and market sentiment are not considered.
4. Macroeconomic Data Lag – Official economic indicators may have reporting delays.

Performance Evaluation:

This section evaluates the performance of selected SBI growth schemes (SBI Blue-chip Fund, SBI Focused Equity Fund, and SBI Small Cap Fund) based on the three key objectives of the study.

Objective 1: Risk-Adjusted Performance Evaluation

Methodology

- Metrics Used: Sharpe Ratio, Sortino Ratio, Jensen’s Alpha, Beta.
- Benchmark: Compared against Nifty 50 (Large Cap), Nifty 200 (Multi Cap), and Nifty Small Cap 250 (Small Cap).
- Risk-Free Rate: 10-year Government Bond Yield (~6.5% p.a.).

Findings:

| Fund | Sharpe Ratio | Sortino Ratio | Jensen’s Alpha (α) | Beta (β) |
|--------------------|--------------|---------------|-----------------------------|------------------|
| SBI Blue-chip Fund | 0.85 | 1.12 | 1.8% | 0.92 |
| SBI Focused Equity | 0.78 | 0.95 | 1.2% | 1.05 |
| SBI Small Cap Fund | 0.65 | 0.82 | -0.5% | 1.28 |

Interpretation

- SBI Blue-chip Fund performed the best with the highest Sharpe (0.85) and Sortino (1.12) ratios, indicating superior risk-adjusted returns.
- SBI Focused Equity Fund had moderate performance, with a Beta of 1.05, suggesting slightly higher volatility than the market.
- SBI Small Cap Fund underperformed with negative Alpha (-0.5%), indicating it failed to beat the benchmark after adjusting for risk.

Objective 2: Benchmark Comparison (2019–2024) Annualized Returns (%)

| Fund | 5-Year Return | Benchmark Return | Outperformance (+)/Underperformance (-) |
|--------------------|---------------|-----------------------------|---|
| SBI Blue-chip Fund | 14.2% | 13.8%(Nifty 50) | +0.4% |
| SBI Focused Equity | 16.5% | 15.1% (Nifty 200) | +1.4% |
| SBI Small Cap Fund | 18.3% | 19.0% (Nifty Small Cap 250) | -0.7% |

Key Observations

- Large & Multi-Cap Funds Outperformed:
 - SBI Blue-chip and Focused Equity Funds marginally beat their benchmarks.
- Small Cap Fund Lagged:
 - Despite high absolute returns (18.3%), it underperformed its benchmark by 0.7%.

Objective 3: Impact of Macroeconomic Factors

Regression Analysis (GDP Growth, Inflation, Interest Rates)

| Factor | Impact on SBI Blue-chip Fund | Impact on SBI Focused Equity | Impact on SBI Small Cap Fund |
|----------------|-----------------------------------|------------------------------------|---------------------------------|
| GDP Growth | Moderate Positive ($\beta=0.6$) | Strong Positive ($\beta=0.8$) | Highly Positive ($\beta=1.1$) |
| Inflation | Low Negative ($\beta=-0.3$) | Moderate Negative ($\beta=-0.5$) | High Negative ($\beta=-0.9$) |
| Interest Rates | Low Impact ($\beta=0.2$) | Moderate Impact ($\beta=0.4$) | High Impact ($\beta=0.7$) |

Hypothesis Testing Results

1. H_1 Accepted:
 - SBI Blue-chip and Focused Equity Funds outperformed benchmarks (p -value < 0.05).
 - Small Cap Fund failed to reject H_0 (no significant outperformance).
2. H_1 Accepted:
 - Macroeconomic factors (GDP, inflation, interest rates) significantly impact fund performance (p -value < 0.01).

Final Performance Summary

| Fund | Risk-Adjusted Performance | Benchmark Comparison | Macroeconomic Sensitivity | Overall Rating |
|--------------------|---------------------------|------------------------|---------------------------|---------------------------------|
| SBI Blue-chip Fund | ★★★★☆ (Best) | Outperformed (+0.4%) | Low Sensitivity | Best for Conservative Investors |
| SBI Focused Equity | ★★★☆☆ (Good) | Outperformed (+1.4%) | Moderate Sensitivity | Balanced Risk-Reward |
| SBI Small Cap Fund | ★★☆☆☆ (Weak) | Underperformed (-0.7%) | High Sensitivity | High |

Findings

1. Risk-Adjusted Performance:
 - SBI Blue-chip Fund exhibited the best risk-adjusted returns (Sharpe Ratio: 0.85, Sortino Ratio: 1.12) with low volatility (Beta: 0.92).
 - SBI Focused Equity Fund showed moderate performance (Sharpe Ratio: 0.78, Beta: 1.05).
 - SBI Small Cap Fund underperformed (Negative Alpha: -0.5%, High Beta: 1.28), indicating higher risk and lower consistency.
2. Benchmark Comparison:
 - Large & Multi-Cap Funds Outperformed:
 - SBI Blue-chip Fund (+0.4% over Nifty 50).
 - SBI Focused Equity Fund (+1.4% over Nifty 200).
 - Small Cap Fund Underperformed:
 - SBI Small Cap Fund (-0.7% vs. Nifty Small Cap 250).
3. Macroeconomic Impact:
 - GDP Growth: Strongly influenced small-cap funds ($\beta=1.1$).
 - Inflation & Interest Rates: Negatively impacted small-cap funds the most ($\beta=-0.9$).
 - Large-Cap Funds: Remained stable across economic cycles.

Suggestions:

1. For Conservative Investors:
 - Prefer SBI Blue-chip Fund for stable returns with lower risk.
2. For Moderate Risk-Takers:
 - SBI Focused Equity Fund offers a balanced risk-reward proposition.
3. For Aggressive Investors:
 - SBI Small Cap Fund can be considered during economic expansions but avoided in high-inflation/rising interest rate scenarios.
4. Diversification Strategy:
 - Combine large-cap and multi-cap funds to optimize returns while mitigating risk.
5. Monitoring Economic Indicators:
 - Track GDP growth, inflation, and interest rate trends before investing in small-cap funds.

IV. CONCLUSION

This study evaluated the performance of three SBI growth-oriented mutual funds from 2019 to 2024. Key findings indicate:

- SBI Blue-chip Fund is the most consistent performer with low volatility.
 - SBI Focused Equity Fund provides moderate growth but with higher market sensitivity.
 - SBI Small Cap Fund, while offering high returns, carries significant risk and underperforms its benchmark.
- Macroeconomic factors significantly influence fund performance, particularly for small-cap funds. Investors should align their choices with risk tolerance and economic conditions. Diversification across large and multi-cap funds is recommended for optimal portfolio performance.

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