



Performance Appraisal of SBI Mutual Funds With Special Reference to Gujarat State

KEYWORDS

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INTRODUCTION

A bank is an institution, which deals with money and credit. It accepts deposits from the public makes the funds available to those who need them, and help in the remittance of money from one place to another. The role of banks in economic development and presently of nation does not need any emphasis. Banks are not merely dealers in money but also manufacturers of money. According to Crothers, a bank "collects money from those who have it to spare or saving it out of their incomes and it lends this money to those who require it" (G. Crothers, An outline of Money "1958 PP 22-23) Banking Regulation Act defines banking as "the accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdraw able by cheque, draft, order or otherwise" (Banking Regulation Act. 1949). the role of Banks in rural reconstruction elimination of poverty and illiteracy, establishment of primary health centers and the like are considerable.

The modern Commercial Bank in India was originated during the 19th century, mainly due to the development of foreign trade. The first Bank established in India was known as Exchange Banks'. The main business was to finance foreign trade. During 1950's the Indian Banks began to dominate in the field of banking. The commercial banking system in India consisted of 287 scheduled commercial Banks and two- non-scheduled Banks at the end of 1966.

The commercial banking in India has been experiencing radical changes both quantitatively and qualitatively. The Banking Industry has grown geographically over the length and width of the country. The banks have taken new responsibilities of serving National Plans and parotids for economic development.

MUTUAL FUNDS

Mutual funds are one of the important segments of the financial system of the country. The financial system comprises of financial institutions, banks, investment bodies, capital market and money market intermediaries, mutual funds are the instruments used in the capital and money market through which money resources are mobilized from savers of funds to users of funds. Economic as it offers an opportunity to invest a diversified, professionally managed basket of securities at a relatively low cost.

STATEMENT OF THE PROBLEM

Mutual funds industry is of recent origin in India and still in its infancy. Over the last few years "mutual funds have emerged as major payers in savings mobilization, Investors have been showing keen interest by subscribing to various mutual fund schemes anticipating higher returns and capital gains. The increasing popularity of investment and the mushrooming growth of investment avenues have taken the investors to point, where investors are left with the question of 'where to invest' Due to political instability, the state of the market and the undesirable practices of mutual funds like inter-scheme adjustment of funds have lead to the poor performance of mutual funds.

CONCEPT OF MUTUAL FUND

A mutual fund is a common pool of money into which inves-

tors place their contributions that are to be invested in accordance with a stated objective. The ownership of the fund is thus joint of mutual; the fund belongs to all investors. An investor's ownership of the fund is in the same proportion as the amount of the contribution made by him. A mutual fund is an investment vehicle, a company or a Trust that pools the resources of thousands of its shareholders or unit holders and invests on behalf of them in diversified securities to achieve the objectives of the scheme.

The establishment of the Reserve Bank of India as the Central Bank of the country in 1935 ended the quasi-central banking role of the imperial Bank. The latter ceased to be the banker to the Government of India and instead became agent of the Reserve Bank for the transaction of government business at centers at which the central bank was not established. But it continued to maintain currency chests and small coin depots and operate the remittance facilities scheme for other banks and the public on terms stipulated by the Reserve Bank. It also acted as a banker's bank by holding their surplus cash and granting those advances against authorized securities. The management of the bank clearing houses also continued with it at many places where the Reserve Bank did not have offices. The bank was also the biggest tenderer at the Treasury bill auction conducted by the Reserve Bank on behalf of the government. Reserve Bank made certain amendments to the constitution of imperial Bank converting into purely commercial bank. The bank was permitted to undertake foreign exchange business and executor and trustee business for the first time.

The imperial Bank during the three and half decades of its existence recorded an impressive growth in times of offices, reserves, deposits, investment and advance. The high standard of integrity in its operations inspired confidence in its depositors and enabled the imperial Bank to acquire a pre-eminent position in the Indian banking industry and also to secure a vital place in the country's economic life.

The State Bank of India was thus born with a new sense of social purpose aided by 480 offices comprising branches, sub-offices and three Local Head Offices inherited from the imperial Bank. The concept of banking as mere depositories of community's savings and lenders to creditworthy parties was soon to give way to the conspectus of purposeful banking by serving the growing and diversified financial needs of planned economic development.

The management of the SBI is under the control of a Central Board of Directors consisting of twenty members. It consists of a chairman and a Vice chairman who are to be appointed by the Central Government in consultation with Reserve Bank. Two Managing Directors are to be appointed by the Central Board with approval of the Central Government, Six directors are to be elected by the private shareholders, and eight directors are to be nominated by the Central Government in consultation with the Reserve Bank to represent territorial and economic interests. One director is to be nominated by the Central Government and one to be nominated by the Reserve Bank.

ECONOMIC PROFILE OF GUJARAT

Gujarat unique features when compared to the other states

of India. It ranks very high in terms of quality of life index. Literacy level, reach of print media, education medical facilities, sanitation, banking facilities, access to NRI funds and rate of household savings the state appears to be particularly equipped to develop a very large constituency of investors in corporate securities. Gujarat which means the 'land of coconuts' and recently described as 'Gods Own Country' as situated in the southwestern tip of India with the Arabian sea on the west and the western Ghats in the east. The state is divided into three regions- the Coastal lowlands, the fertile midlands and the highlands. Blessed with abundance of monsoons, Gujarat is a lovely state with sparkling streams, shimmering backwaters and palm – fingered coastal areas. For millions of people around the world, this state has come to mean a land of lush green lagoons and sonic – backwaters. Gujarat is blessed with abundance of natural resources and human resources. It has the largest resources of beach sands in India containing the richest concentration of limonite and monazite in the world. It has also the highest density of science and technology personal in India and a good communication network.

Gujarat has unique cropping pattern. It accounts for 92 percent of India's number, 70 percent of coconut, and 60 percent

of tapioca and almost 100 percent of lemon grass oil Gujarat is the single largest producer of a number of other crops like banana and ginger besides tea and coffee in abundance. Coir and cashew are two of the largest traditional industries in the state. Handloom and bamboo based industries are well developed. Gujarat accounts for about one third of India's main exports in 1991 the state announced a new industrial policy of liberalization for private entrepreneurs.

Gujarat is the state having the highest illiteracy rate. According to the census of housing and employment there are lakes of people who are working in other states in India. More than 15 lacs Malaya less work in gulf counties above We have the highest NRI remittances of Rs.7000 cores in the banks. Gujarat is the State having the maximum number of non- resident Indians.

CAPITAL MARKET ENVIRONMENT IN GUJARAT

The state of Gujarat offers tremendous opportunity for the rapid development of the capital market. Because of the following reasons High literacy rate if properly marketed equity culture will spread faster. Lots of people have experience in working with serial sophisticated markets in the world Very to credit deposit depots (CD) ratio among the banks of the state.

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