Research article Available online www.ijsrr.org ISSN: 2279–0543

International Journal of Scientific Research and Reviews

Fund Manager's Performance in Equity Linked Savings Schemes of Indian Mutual Funds Industry

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INTRODUCTION

Saving is that part of total income which is sacrificed today for some future reward. One may invest his/her savings into safer modes of investment like Bank Deposits, Government Securities etc. carrying a low return while as one may invest in stocks of companies where risk is high return's too are comparatively high. Meanwhile, there is another class of investor who invest primarily to save a part of their taxable income along with other objectives like Liquidity, Return etc. Therefore, every year Assesses consult tax professionals and portfolio managers to plan their income in most productive manner. But to average investors such services are Luxury to afford. These investors have now found a good abode under mutual fund tax saving schemes. Sec.80(c) of Income Tax Act 1961 provides an assesses deduction from his/her taxable income of Rs.1,50,000 by investing in various tax savings instruments like Public Provident Fund (PPF), National Saving Certificates (NSC) in bank deposits and tax savings, Mutual funds popularly known as "ELSS" (Equity Linked Saving Scheme) compared to other, ELSS has a shortest lock in period of 3 years while its 15 years for PPF and 6 years for NSC. ELSS invest majority of corpus in Equity market therefore is an "Indirect" route for investors to participate in stocks of High performing companies and certainty can provide better returns for longer period compared other forms of tax savings instruments. Moreover, Mutual funds are managed by Professional managers giving a feel of Relax or safety to the average investors. At the Same time, investing through the Mutual is less expensive as the benefits of economies of scale are passed on to the investor. Therefore, ELSS is a Mutual funds Tax Saving scheme which invests. Its major amounts of portion in equity shares of a company. Thus, allowing investors to trade in stock market without facing complexities. But Mutual funds do not give assured returns, their return are usually dependent upon the performance of the companies. If a company is doing well they get good return. if investments has been made in small cap companies or companies which are not doing well then certainty investors will get hick ups in their rational. If there are sudden new regulations in the industry that too will affect its returns and expose those to different risks like fund risk market risk etc.

Young Investors should definitely invest in the ELSS funds as they have the ability to take on higher risk. Ideally one should invest in them when the markets are down. These funds are now open all the year round. Therefore, investors can time their investment. The other way of investing in these funds could be a systematic investment, which essentially means investing a small sum regularly (monthly or quarterly).

In India as on now there have been 46 open ended ELSS of tax saving mutual funds are available. This study makes an attempt to evaluates the performance of tax saving mutual funds for the financial years of five years from 2014-15 to 2018-19**.** The study utilizes the benchmark index S&P CNX NIFTY to compare mutual fund performance.

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SCOPE OF THE STUDY

For the Purpose of the study different ELSS Mutual Fund Schemes for five years are considered. Through this attempt the tax saving community and investors' may take the informed decision. On the basis of results, investors' may analyze their own deployments and their returns. Further, through this information, investors' may protect themselves accordingly.

OBJECTIVES OF STUDY

1. To discuss the features and current status of tax saving Equity Linked Saving Schemes.
2. To compare Equity Linked Saving Schemes with other investment options eligible for deductions under Income Tax Act 1961.
3. To compare equity linked saving schemes with other traditional forms of tax saving scheme.
4. To help the investor to decide where and when to invest to avail maximum tax benefits.

STATEMENT OF THE PROBLEM

India by 2032 will become the third largest economy in the world, as reported by Goldman Sachs in their wealth report. India's domestic saving as a percentage of its GDP is 28%, one of the highest in the world. A significant proportion of this saving is in the form of investment avenues like gold, fixed deposits, insurance, mutual funds and capital markets. Investments in equities have shown better results and have the potential to grow in the long run which can be an ideal approach to adjust inflation and provide an opportunity for capital appreciation, provide the investors are high on risk. The study is undertaken to know the performance of ELSS.

REVIEW OF LITERATURE

Eugene F. Fama and Kenneth R. French identified five common risk factors in the returns on stock and bonds. There are three stock market factors such as overall market factor, its related to firm size and book-to-market equity. There are two bond-market factors, related to maturity and default risks. Stock returns are linked to both stock-market factors and bond market returns.

Hossein VaraminiSvetlana Kalash, made a this study to test the efficient market hypothesis for different market capitalization and investment styles of mutual funds. The results of the study for the entire period of 1994-2007 indicated that small cap funds have provided the highest risk-adjusted return for the entire period whereas growth funds have exhibited lower returns. The author found that the mutual funds market is not always efficient, which makes it possible for an investor or a mutual fund manger to earn excess return on a risk-adjusted basis.

John N. Sorros, evaluated the risk and return of 16 equity Mutual funds operating in the Greek Financial market over the period of 1995-1999. The study revealed that all sixteen mutual

funds showed lower total risk, and risk-return coefficient than the General Index of the Athens Stock Exchange (ASE) and there was a variation in return in all sixteen mutual funds.

Kavitha Chavali and Shefali Jain, evaluated the performance of 16 equity-linked schemes using risk and return and compared their performance with its benchmark S&P CNX Nifty. It has been found in the article that majority of the investors were aware of mutual funds, its risk and return proportion.

Mukhopadhyay J.N. and Veena Viswanathan, examined whether mutual funds could Actually impart more value than the stock market and protect the interest of the investors during the downturn. It was found that during the sharp downturn the schemes not only gave negative returns but also underperformed the index.

Sitkin and Pablo, defined risk perception as risk assessment in uncertainty and it depends on the familiarity with organizational and management system. The authors also developed a model of determinants of risk behaviour and identified personal risk preferences and past experiences are the important risk factors and social influence also affects the individual's perception.

Viviane Y. Naimy, compared the return of eight different US equity funds with the NYSE composite Index for the period of 2000-2007 and found that both the returns are relatively moving together. The article also criticized that investors need to be aware of problems and issues of mutual funds and have to reconsider other investment alternatives for better returns.

William F. Sharpe , made an attempt to measure and predicts the performance of mutual funds by a simple measure like average return and risk and identified that good performance of funds is associated with low expense ratio.

Zakri Y. Belloexamined five factors namely default risk premium, term premium, monetary conditions, federal fund premium, market risk premium and confirms that mutual fund returns can be strongly predicted by analyzing these factors.

DATA

For the purpose of the study forty six Indian based tax saving mutual fund has been obtained. Daily returns of these funds are obtained from the last five financial years from 2014-15 to 2018-19. Average returns of these years are taken from money control and value research websites. The risk free rate has been taken as **7.5** per cent for the purpose of the study.

METHODOLOGY

Risk is measured using the parameters like Sharpe ratio, standard deviation, beta, multivariate statistical tool was used to cluster the funds into groups based on various parameters and analyzed. The secondary data were collected by visiting various websites of the asset management companies,

articles available on the web, investment magazines and fActs sheets of the asset management companies.

LIMITATIONS OF THE STUDY

i. The comparison of the fund was mainly dependent on the information collected from secondary data i.e., fact sheets of various funds and from websites like value research online. There could be possibility of error in the secondary data.

ii. The results are generalized to the entire Equity-linked saving scheme though the comparison was done for few schemes.

TOOLS APPLIED FOR ANALYSIS

i. Standard Deviation

ii. Beta

iii. Alpha

iv. Sharpe measure

v. Treynor Ratio

vi. Jensen ratio

DATA ANALYSIS AND INTERPRETATION

From the above Table 1, it is observed that the schemes performed well during the financial year 2017-19. Out of the 46 schemes 9 schemes performed more than the 18% average returns. Average return of all the schemes during the financial year from 2017-19 is higher than the risk free return i.e. 7.5%. About 7 schemes produced negative returns during the financial year 2014-15. Performance increased in the financial year 2016-17 (3 yr average return) and thereafter.

Table 1 Annualized Monthly Average Return Of Elss Of Indian Mutual Fund

S.NO.	MUTUAL FUND SCHEME	Average Return (in %)		
		1 yr	3yrs	5yrs
1	DSP Tax Saver Fund - Direct (G)	8.17	16.41	18.99
2	Axis Long Term Equity - Direct (G)	9.05	15.06	19.58
3	Kotak Tax Saver - Direct (G)	9.9	16.06	18.59
4	Axis Long Term Equity Fund (G)	7.97	13.83	18.2
5	ICICI Pru Long Term Equity-Tax Saving-DP-G	9.28	14.72	16.93
6	Kotak Tax Saver - Regular (G)	8.7	14.53	17.16
7	Invesco India Tax Plan - DP (G)	8.96	16.52	19.74
8	ICICI Pru Long Term Equity (Tax Saving)-G	8.26	13.4	15.69
9	JM Tax Gain Fund -Direct (G)	6.72	17.64	18.46
10	Franklin (I) Tax Shield -Direct (G)	8.45	12.45	17.21
11	Taurus Tax Shield - Direct (G)	6.93	17.6	15.87
12	Invesco India Tax Plan (G)	7.28	14.65	17.83
13	JM Tax Gain Fund (G)	5.92	16.17	16.95
14	Franklin India Tax Shield (G)	7.43	11.34	16.13
15	Taurus Tax Shield (G)	6.25	16.78	14.95
16	LIC Tax Plan - Direct (G)	6.34	15.16	15.58
17	ABSL Tax Relief '96 (G)	4.28	15.96	19.76
18	BNP Paribas Long Term Equity-DP (G)	5.55	11.21	15.85
19	LIC Tax Plan (G)	5.12	13.89	14.5
20	Union Tax Saver - Direct (G)	4.99	10.24	11.19
21	BNP Paribas Long Term Equity (G)	4.36	10.09	15.85
22	IDBI Equity Advantage -Direct (G)	2.59	11.95	18.4
23	Union Tax Saver Scheme (G)	4.36	9.32	10.4
24	SBI Magnum Tax Gain - Direct (G)	4.56	11.36	14.25
25	Quant Tax Plan - Direct (G)	4.8	16.04	21.11
26	SBI Magnum Tax Gain (G)	3.8	10.61	13.54
27	Quant Tax Plan (G)	4.18	15.76	20.66
28	IDBI Equity Advantage - Reg (G)	0.91	10.27	16.99
29	Edelweiss LT Equity Fund - Direct (G)	1.63	12.38	14.61
30	HDFC Tax Saver - Direct (G)	4.75	15.04	15.31
31	HDFC Tax Saver (G)	3.99	14.23	14.59
32	Sundaram Diversified Equity -Direct (G)	1.91	13.66	15.62
33	Edelweiss LT Equity Fund (G)	0.07	11.09	13.58
34	Sundaram Diversified Equity (G)	1.4	13.07	15.11
35	Principal Tax Savings - Direct	1.65	16.89	17.53
36	Principal Tax Savings	0.75	16.26	16.91
37	HSBC Tax Saver Equity -Direct (G)	1.31	14.18	15.32
38	IDFC Tax Adv. (ELSS) -Direct (G)	0.65	17.08	18.58
39	L&T Tax Advantage -Direct (G)	-1.61	14.71	16.27
40	HSBC Tax Saver Equity Fund (G)	0.6	13.37	14.51
41	IDFC Tax Advantage (ELSS)-RP (G)	-0.6	15.72	17.13
42	L&T Tax Advantage (G)	-2.24	13.88	15.48
43	BOI AXA Tax Advantage - Direct (G)	-7.84	13.76	14.97
44	BOI AXA Tax Advtg -RP (G)	-8.94	12.21	13.39
45	Reliance Tax Saver(ELSS)-Direct (G)	-5.01	9.86	16.12
46	Reliance Tax Saver (ELSS) (G)	-5.87	8.86	15.15
Benchmark - Nifty 100		**2**	**14.7**	**12.6**

Source: Secondary data

Table 2comparison Of Return Of Various Elss Funds With Risk Free Rate

S.No.	MUTUAL FUND SCHEME	Average Return (in %)			sd	beta	alpha	risk free
		1 yr	3yrs	5yrs				
1	DSP Tax Saver Fund - Direct (G)	8.17	16.4	18.99	15	1.05	0.5	7.5
2	Axis Long Term Equity - Direct (G)	9.05	15.1	19.58	13.8	0.93	0.44	7.5
3	Kotak Tax Saver - Direct (G)	9.9	16.1	18.59	13.9	0.98	1.19	7.5
4	Axis Long Term Equity Fund (G)	7.97	13.8	18.2	13.8	0.92	-0.64	7.5
5	ICICI Pru Long Term Equity-Tax Saving-DP-G	9.28	14.7	16.93	12	0.8	0.61	7.5
6	Kotak Tax Saver - Regular (G)	8.7	14.5	17.16	13.9	0.97	-0.13	7.5
7	Invesco India Tax Plan - DP (G)	8.96	16.5	19.74	13.6	0.97	1.44	7.5
8	ICICI Pru Long Term Equity (Tax Saving)-G	8.26	13.4	15.69	12	0.8	-0.55	7.5
9	JM Tax Gain Fund -Direct (G)	6.72	17.6	18.46	14.9	1.01	1.89	7.5
10	Franklin (I) Tax Shield -Direct (G)	8.45	12.5	17.21	12.1	0.84	-1.21	7.5
11	Taurus Tax Shield - Direct (G)	6.93	17.6	15.87	13.5	0.94	2.52	7.5
12	Invesco India Tax Plan (G)	7.28	14.7	17.83	13.6	0.96	-0.18	7.5
13	JM Tax Gain Fund (G)	5.92	16.2	16.95	14.8	1	0.63	7.5
14	Franklin India Tax Shield (G)	7.43	11.3	16.13	12.1	0.84	-2.21	7.5
15	Taurus Tax Shield (G)	6.25	16.8	14.95	13.4	0.94	1.83	7.5
16	LIC Tax Plan - Direct (G)	6.34	15.2	15.58	14.4	0.99	0.18	7.5
17	ABSL Tax Relief '96 (G)	4.28	16	19.76	13.6	0.91	1.54	7.5
18	BNP Paribas Long Term Equity-DP (G)	5.55	11.2	15.85	14.1	0.97	-3.56	7.5
19	LIC Tax Plan (G)	5.12	13.9	14.5	14.4	0.99	-0.93	7.5
20	Union Tax Saver - Direct (G)	4.99	10.2	11.19	13	0.91	-3.82	7.5
21	BNP Paribas Long Term Equity (G)	4.36	10.1	15.85	14.1	0.97	-4.58	7.5
22	IDBI Equity Advantage -Direct (G)	2.59	12	18.4	13.8	0.87	-1.78	7.5
23	Union Tax Saver Scheme (G)	4.36	9.32	10.4	12.9	0.91	-4.67	7.5
24	SBI Magnum Tax Gain - Direct (G)	4.56	11.4	14.25	13.6	0.96	-2.93	7.5
25	Quant Tax Plan - Direct (G)	4.8	16	21.11	13.9	0.92	1.53	7.5
26	SBI Magnum Tax Gain (G)	3.8	10.6	13.54	13.6	0.96	-3.61	7.5
27	Quant Tax Plan (G)	4.18	15.8	20.66	14	0.92	1.28	7.5
28	IDBI Equity Advantage - Reg (G)	0.91	10.3	16.99	13.8	0.86	-3.28	7.5
29	Edelweiss LT Equity Fund - Direct (G)	1.63	12.4	14.61	13.5	0.94	-2.65	7.5
30	HDFC Tax Saver - Direct (G)	4.75	15	15.31	14.7	0.99	0.34	7.5
31	HDFC Tax Saver (G)	3.99	14.2	14.59	14.7	0.98	-0.36	7.5
32	Sundaram Diversified Equity -Direct (G)	1.91	13.7	15.62	15.5	1.07	-1.2	7.5
33	Edelweiss LT Equity Fund (G)	0.07	11.1	13.58	13.5	0.94	-3.77	7.5
34	Sundaram Diversified Equity (G)	1.4	13.1	15.11	15.5	1.07	-1.71	7.5
35	Principal Tax Savings - Direct	1.65	16.9	17.53	16.2	1.13	0.79	7.5
36	Principal Tax Savings	0.75	16.3	16.91	16.2	1.13	0.24	7.5
37	HSBC Tax Saver Equity -Direct (G)	1.31	14.2	15.32	15.4	1.07	-1.73	7.5
38	IDFC Tax Adv. (ELSS) -Direct (G)	0.65	17.1	18.58	14.4	0.99	1.36	7.5
39	L&T Tax Advantage -Direct (G)	-1.61	14.7	16.27	13.5	0.93	0.27	7.5

40	HSBC Tax Saver Equity Fund (G)	0.6	13.4	14.51	15.4	1.07	-2.44	7.5
41	IDFC Tax Advantage (ELSS)-RP (G)	-0.6	15.7	17.13	14.3	0.99	0.21	7.5
42	L&T Tax Advantage (G)	-2.24	13.9	15.48	13.5	0.93	-0.47	7.5
43	BOI AXA Tax Advantage - Direct (G)	-7.84	13.8	14.97	16.8	1.1	-2.31	7.5
44	BOI AXA Tax Advtg -RP (G)	-8.94	12.2	13.39	16.8	1.1	-3.66	7.5
45	Reliance Tax Saver(ELSS)-Direct (G)	-5.01	9.86	16.12	17.1	1.15	-5.5	7.5
46	Reliance Tax Saver (ELSS) (G)	-5.87	8.86	15.15	17.1	1.15	-6.4	7.5

Source: Secondary data

The scheme with higher standard deviation is higher risk. Table 2 revealed standard deviation of all selected tax saving mutual funds. The scheme with lowest standard deviation is ICICI Prudential Long Term Equity (Tax Saving) with the standard deviation value of 11.98 and the scheme with highest standard deviation is Reliance Tax Saver (ELSS)-Direct (G) with the standard deviation of 17.11. It can be noted that many mutual funds volatility is higher than the stock market volatility. The above data has been used for the analysis of Sharpe, Treynor and Jensen measure for the study purpose.

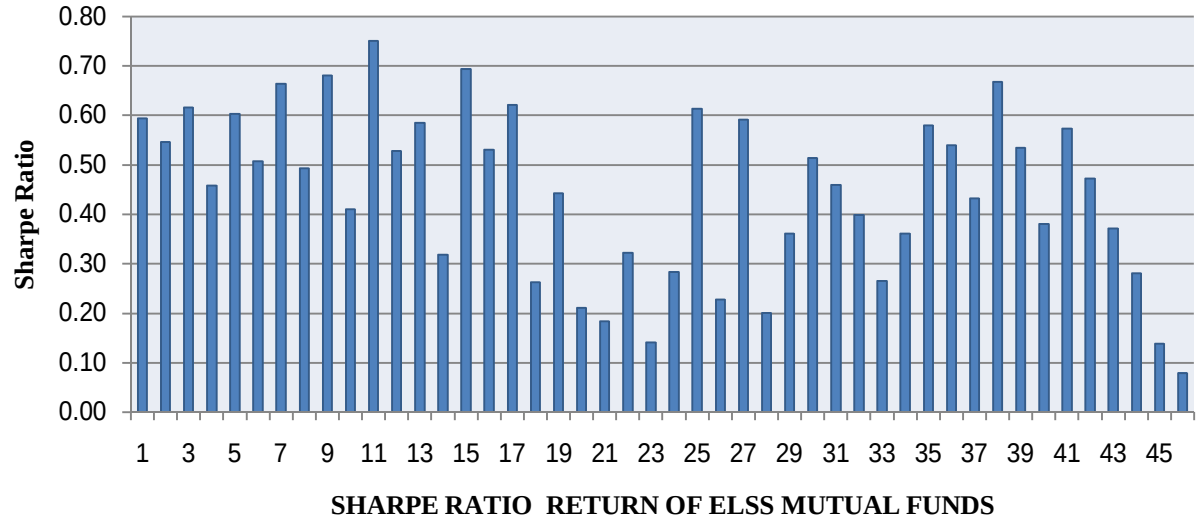
TABLE 3 SHARPE RATIO RETURN OF ELSS MUTUAL FUNDS

S.NO.	SCHEME	Sharpe ratio Return
		3yrs
1	DSP Tax Saver Fund - Direct (G)	0.59
2	Axis Long Term Equity - Direct (G)	0.55
3	Kotak Tax Saver - Direct (G)	0.62
4	Axis Long Term Equity Fund (G)	0.46
5	ICICI Pru Long Term Equity-Tax Saving-DP-G	0.60
6	Kotak Tax Saver - Regular (G)	0.51
7	Invesco India Tax Plan - DP (G)	0.66
8	ICICI Pru Long Term Equity (Tax Saving)-G	0.49
9	JM Tax Gain Fund -Direct (G)	0.68
10	Franklin (I) Tax Shield -Direct (G)	0.41
11	Taurus Tax Shield - Direct (G)	0.75
12	Invesco India Tax Plan (G)	0.53
13	JM Tax Gain Fund (G)	0.58
14	Franklin India Tax Shield (G)	0.32
15	Taurus Tax Shield (G)	0.69
16	LIC Tax Plan - Direct (G)	0.53
17	ABSL Tax Relief '96 (G)	0.62
18	BNP Paribas Long Term Equity-DP (G)	0.26
19	LIC Tax Plan (G)	0.44
20	Union Tax Saver - Direct (G)	0.21
21	BNP Paribas Long Term Equity (G)	0.18
22	IDBI Equity Advantage -Direct (G)	0.32
23	Union Tax Saver Scheme (G)	0.14
24	SBI Magnum Tax Gain - Direct (G)	0.28
25	Quant Tax Plan - Direct (G)	0.61
26	SBI Magnum Tax Gain (G)	0.23
27	Quant Tax Plan (G)	0.59
28	IDBI Equity Advantage - Reg (G)	0.20
29	Edelweiss LT Equity Fund - Direct (G)	0.36
30	HDFC Tax Saver - Direct (G)	0.51
31	HDFC Tax Saver (G)	0.46

32	Sundaram Diversified Equity -Direct (G)	0.40
33	Edelweiss LT Equity Fund (G)	0.27
34	Sundaram Diversified Equity (G)	0.36
35	Principal Tax Savings - Direct	0.58
36	Principal Tax Savings	0.54
37	HSBC Tax Saver Equity -Direct (G)	0.43
38	IDFC Tax Adv. (ELSS) -Direct (G)	0.67
39	L&T Tax Advantage -Direct (G)	0.53
40	HSBC Tax Saver Equity Fund (G)	0.38
41	IDFC Tax Advantage (ELSS)-RP (G)	0.57
42	L&T Tax Advantage (G)	0.47
43	BOI AXA Tax Advantage - Direct (G)	0.37
44	BOI AXA Tax Advtg -RP (G)	0.28
45	Reliance Tax Saver(ELSS)-Direct (G)	0.14
46	Reliance Tax Saver (ELSS) (G)	0.08
	Benchmark Nifty 100	**0.61**

Source : Secondary data

FIGURE 1



Sharpe ratio measures the total risk of the funds on the basis of return per unit of total risk. While a high and positive Sharpe ratio shows a superior risk adjusted performance of a fund, a low and negative Sharpe ratio shows a superior risk adjusted performance of a fund, a low and negative Sharpe ratio is an indication of unfavorable performance.

According to the table 3 Sharpe ratio of selected equity linked savings schemes of mutual funds. It is generally assumed that people will prefer for 'more return' and 'less risk'. Risk in the context of the Sharperatio is return volatility. An investor would rank portfolios by their Sharpe ratios. Portfolios with higher sharp and lower volatilities are preferred than portfolios with lower Sharpe and higher volatilities.

In Table 3 all the funds has given positive Sharpe value during the period. The highest Sharpe measure obtained (0.75) is by Taurus Tax Shield - Direct (G), the lowest Sharpe measure obtained (0.14) is by Reliance Tax Saver (ELSS)-Direct (G) and Union Tax Saver Scheme (G). This table has revealed that no fund has given negative Sharpe value.

Table 4 Treynor Ratio Return Of Elss Funds

S.NO.	SCHEME	Treynor Ratio Return
		3yrs
1	DSP Tax Saver Fund - Direct (G)	8.49
2	Axis Long Term Equity - Direct (G)	8.13
3	Kotak Tax Saver - Direct (G)	8.73
4	Axis Long Term Equity Fund (G)	6.88
5	ICICI Pru Long Term Equity-Tax Saving-DP-G	9.03
6	Kotak Tax Saver - Regular (G)	7.25
7	Invesco India Tax Plan - DP (G)	9.30
8	ICICI Pru Long Term Equity (Tax Saving)-G	7.38
9	JM Tax Gain Fund -Direct (G)	10.04
10	Franklin (I) Tax Shield -Direct (G)	5.89
11	Taurus Tax Shield - Direct (G)	10.74
12	Invesco India Tax Plan (G)	7.45
13	JM Tax Gain Fund (G)	8.67
14	Franklin India Tax Shield (G)	4.57
15	Taurus Tax Shield (G)	9.87
16	LIC Tax Plan - Direct (G)	7.74
17	ABSL Tax Relief '96 (G)	9.30
18	BNP Paribas Long Term Equity-DP (G)	3.82
19	LIC Tax Plan (G)	6.45
20	Union Tax Saver - Direct (G)	3.01
21	BNP Paribas Long Term Equity (G)	2.67
22	IDBI Equity Advantage -Direct (G)	5.11
23	Union Tax Saver Scheme (G)	2.00
24	SBI Magnum Tax Gain - Direct (G)	4.02
25	Quant Tax Plan - Direct (G)	9.28
26	SBI Magnum Tax Gain (G)	3.24
27	Quant Tax Plan (G)	8.98
28	IDBI Equity Advantage - Reg (G)	3.22
29	Edelweiss LT Equity Fund - Direct (G)	5.19
30	HDFC Tax Saver - Direct (G)	7.62
31	HDFC Tax Saver (G)	6.87
32	Sundaram Diversified Equity -Direct (G)	5.76
33	Edelweiss LT Equity Fund (G)	3.82
34	Sundaram Diversified Equity (G)	5.21
35	Principal Tax Savings - Direct	8.31
36	Principal Tax Savings	7.75
37	HSBC Tax Saver Equity -Direct (G)	6.24
38	IDFC Tax Adv. (ELSS) -Direct (G)	9.68
39	L&T Tax Advantage -Direct (G)	7.75
40	HSBC Tax Saver Equity Fund (G)	5.49
41	IDFC Tax Advantage (ELSS)-RP (G)	8.30
42	L&T Tax Advantage (G)	6.86
43	BOI AXA Tax Advantage - Direct (G)	5.69
44	BOI AXA Tax Advtg -RP (G)	4.28
45	Reliance Tax Saver(ELSS)-Direct (G)	2.05
46	Reliance Tax Saver (ELSS) (G)	1.18
Benchmark Nifty 100		**7.2**

Source: Secondary data

FIGURE 2

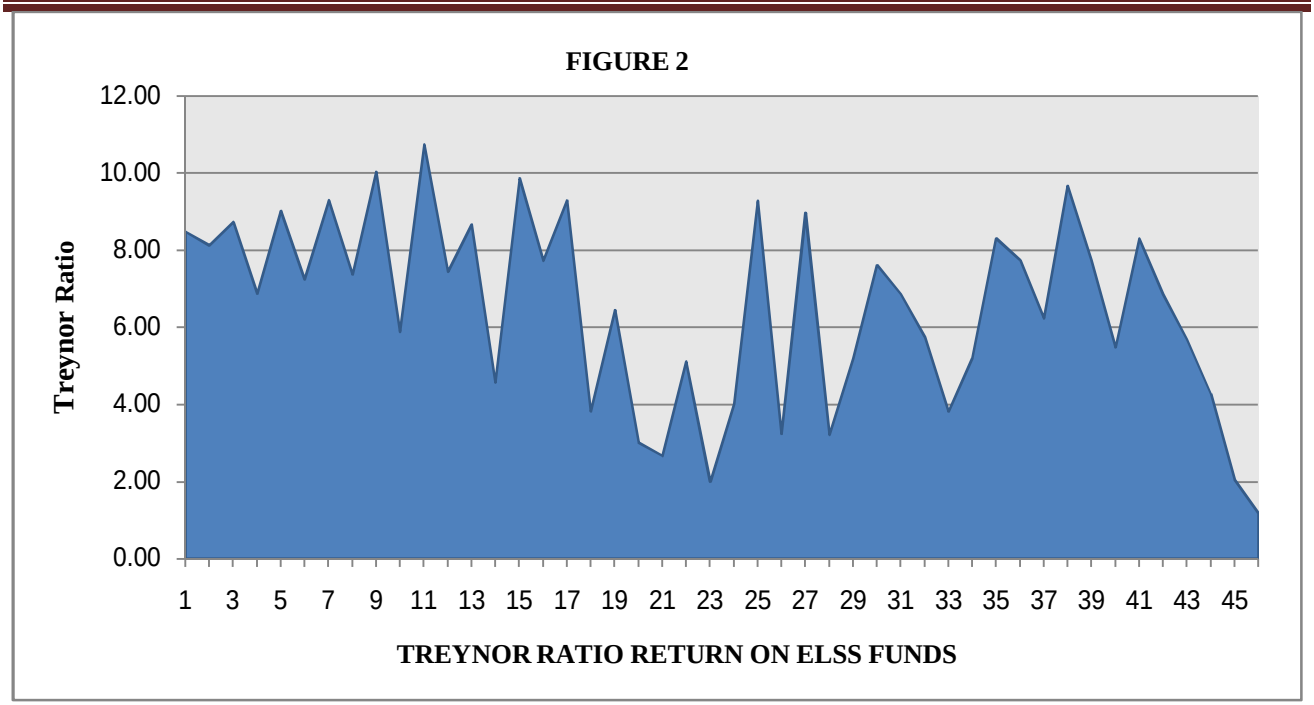


Table 4 shows Treynor measure of equity linked tax saving fund. The higher the Treynor ratio, the better the performance under analysis. From the above table it is analyzed that all the schemes have performed well during the entire period of study.The data analysis shows that the Taurus Tax Shield - Direct (G) has a highest Treynor's ratio which is 10.74% which means it gives best risk adjusted return whereas, Reliance Tax Saver (ELSS) (G) has a lowest Treynor's ratio which is 1.18%.Treynor ratio is a measure of returns earned in excess of the risk-free return at a given level of market risk. It highlights the risk-adjusted returns generated by a mutual fund scheme.

TABLE 5

JENSEN' S RATIO OF ELSS FUNDS

S.NO.	SCHEME	Jensen's ratio
		3yrs
1	DSP Tax Saver Fund - Direct (G)	16.40
2	Axis Long Term Equity - Direct (G)	15.38
3	Kotak Tax Saver - Direct (G)	16.53
4	Axis Long Term Equity Fund (G)	14.22
5	ICICI Pru Long Term Equity-Tax Saving-DP-G	14.51
6	Kotak Tax Saver - Regular (G)	15.13
7	Invesco India Tax Plan - DP (G)	16.70
8	ICICI Pru Long Term Equity (Tax Saving)-G	13.35
9	JM Tax Gain Fund -Direct (G)	17.47
10	Franklin (I) Tax Shield -Direct (G)	13.01
11	Taurus Tax Shield - Direct (G)	17.54
12	Invesco India Tax Plan (G)	15.00
13	JM Tax Gain Fund (G)	16.13
14	Franklin India Tax Shield (G)	12.01
15	Taurus Tax Shield (G)	16.85
16	LIC Tax Plan - Direct (G)	15.60
17	ABSL Tax Relief '96 (G)	16.32
18	BNP Paribas Long Term Equity-DP (G)	11.70
19	LIC Tax Plan (G)	14.49
20	Union Tax Saver - Direct (G)	10.96
21	BNP Paribas Long Term Equity (G)	10.68
22	IDBI Equity Advantage -Direct (G)	12.68
23	Union Tax Saver Scheme (G)	10.11
24	SBI Magnum Tax Gain - Direct (G)	12.25
25	Quant Tax Plan - Direct (G)	16.39
26	SBI Magnum Tax Gain (G)	11.57
27	Quant Tax Plan (G)	16.14
28	IDBI Equity Advantage - Reg (G)	11.10
29	Edelweiss LT Equity Fund - Direct (G)	12.37
30	HDFC Tax Saver - Direct (G)	15.76
31	HDFC Tax Saver (G)	14.98
32	Sundaram Diversified Equity -Direct (G)	14.86
33	Edelweiss LT Equity Fund (G)	11.25
34	Sundaram Diversified Equity (G)	14.35
35	Principal Tax Savings - Direct	17.33
36	Principal Tax Savings	16.78
37	HSBC Tax Saver Equity -Direct (G)	14.33
38	IDFC Tax Adv. (ELSS) -Direct (G)	16.78
39	L&T Tax Advantage -Direct (G)	15.21
40	HSBC Tax Saver Equity Fund (G)	13.62

41	IDFC Tax Advantage (ELSS)-RP (G)	15.63
42	L&T Tax Advantage (G)	14.47
43	BOI AXA Tax Advantage - Direct (G)	13.99
44	BOI AXA Tax Advtg -RP (G)	12.64
45	Reliance Tax Saver(ELSS)-Direct (G)	11.20
46	Reliance Tax Saver (ELSS) (G)	10.30
	Benchmark Nifty 100	**14.23**

Source : Secondary data

FIGURE 3

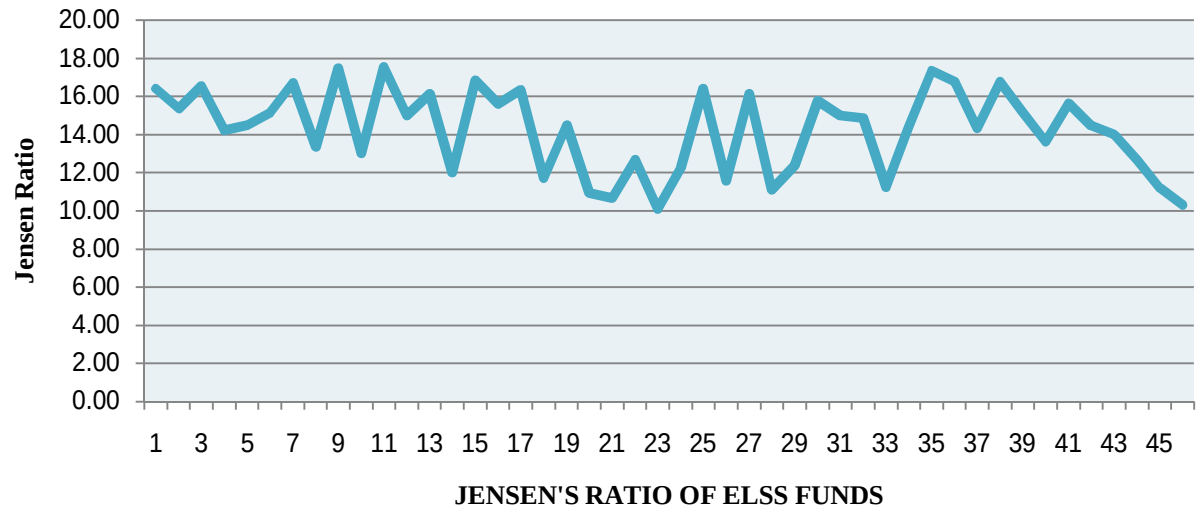


Table 5 presents Jensen alpha which indicates whether the portfolio has earned excess return over the benchmark return predicted via beta, higher the value of beta better its. The data analysis shows that Taurus Tax Shield - Direct (G) has the highest Jensen alpha of 17.54while asUnion Tax Saver Scheme (G)has a lowest alpha which is 10.11. A closer look at the table shows that all the selected schemes have a positive alpha which means they provide excess return over the expected return.

FINDINGS

The present study has evaluated the performance of selected ELSS funds spread over the period of five years. The following findings have been made during his study.

1. Out of the 46 schemes 9 schemes performed more than the 18% average returns. Average return of all the schemes during the financial year from 2017-19 is higher than the risk free return i.e. 7.5%. About 7 schemes produced negative returns during the financial year 2014-15. Performance increased in the financial year 2016-17 (3 yr average return) and thereafter.
2. The scheme with lowest standard deviation is ICICI Prudential Long Term Equity (Tax Saving) with the standard deviation value of 11.98 and the scheme with highest standard deviation is Reliance Tax Saver (ELSS)-Direct (G) with the standard deviation of 17.11. It can be noted that many mutual funds volatility is higher than the stock market volatility.
3. The highest Sharpe measure obtained (0.75) is by Taurus Tax Shield - Direct (G), the lowest Sharpe measure obtained (0.14) is by Reliance Tax Saver (ELSS)-Direct (G) and Union Tax Saver Scheme (G). This table has revealed that no fund has given negative Sharpe value.
4. The higher the Treynor ratio, the better the performance under analysis. From the above table it is analyzed that all the schemes have performed well during the entire period of study.The data analysis shows that the Taurus Tax Shield - Direct (G) has a highest Treynor's ratio which is 10.74% which means it gives best risk adjusted return whereas, Reliance Tax Saver (ELSS) (G) has a lowest Treynor's ratio which is 1.18%.
5. Taurus Tax Shield - Direct (G) has the highest Jensen alpha of 17.54 while as Union Tax Saver Scheme (G) has a lowest alpha which is 10.11. A closer look at the table shows that all the selected schemes have a positive alpha which means they provide excess return over the expected return.

CONCLUSION

ELSS funds are a good option for a long term investor. It helps create wealth in the long term by participating in the equity market and in the short term it helps you save tax. It offers returns higher than traditional avenues like fixed deposits, it has a moderate lock-in period of three years, and though the risk element is prominent, history has shown that most ELSS schemes have been safe and investors have rarely lost their money. Investors in 20% or 30% tax bracket should invest in ELSS, in order to maximize their post-tax returns. Young investors too can opt for ELSS, since they usually have high risk tolerance and a sufficiently long time horizon to ride out the volatilities associated with equity investments. Equity investments normally outpace inflation in the long run.

The following concluding remarks can be made:

1. It is very important for the investor to evaluate the fund portfolio before investing in ELSS.

2. Investors who have no or little knowledge about the stock market should invest through ELSS in order to maximize their return and avail tax benefits.
3. The combination of ELSS with SIP gives the chance to an investor to average out market fluctuations.
4. ELSS is very beneficial for both small and large investors. Growth option and dividend option gives an investor a chance to opt for scheme according to their convenience and choice.

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