



PERFORMANCE EVALUATION OF ONE-RANKED ELSS IN INDIA

(Analyse the performance of ELSS Schemes during 2012-17)

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ABSTRACT

KEYWORDS:

ELSS schemes, investment, liquidity, average return, mutual funds

Mutual funds ELSS schemes in the most effective tools for those who want to tax saving and higher return advantage of his investment. the certain regulation is mandatory for the tax benefit of ELSS schemes in India which makes differ from other diversified Equity funds. In this research paper, an attempt has been made to evaluate the performance of four one-ranked ELSS schemes in India on daily basis. For this purpose, we compared the one-ranked return of ELSS schemes along with benchmark index return which indicates the performance of ELSS schemes. More than 80% one-ranked ELSS schemes have been better performance as compared to benchmark index return in the short-term. All the one-ranked ELSS schemes high performed as compared to benchmark index return in the medium-term. All the one-ranked ELSS schemes also performed better as compared to benchmark index return in the long-term.

INTRODUCTION

Each investor wants to the sacrifice of today's consumption to gain profitable returns in the future. Therefore, the Investors are very careful while making investment decision expects the higher return at lower risk. The taxpaying investors Prefer to invest their money which provides them an opportunity to avail some tax exemption apart from other objectives of investment like better return, safety on their investment, liquidity etc. These ELSS funds provide tax exemption of the income invested in them u/s 80(c) of Income Tax Act 1961 other than the attractive benefits of mutual fund investment higher returns at low risk, safety, minimum investment, professional management, and Transparency etc. Investment tax advantage up to 150000 in a financial year. ELSS funds have a lock-in period of 3 years. The evaluated the performance of one-ranked ELSS schemes for the last five years from April 2012 to March. 2017. DSPBR Tax Saver Fund Direct(G), Principal Tax Savings Direct, Principal Tax Savings are selected for the study. All the ELSS schemes have been categories on the basis of the ranked. These are schemes are related to only one ranked. The study uses the benchmark index return of NIFTY 500, S&P BSE 200, S&P BSE SENSEX to compare one-ranked ELSS scheme return. Evaluate the performance of the one ranked ELSS scheme who is best and worse performed among the selected schemes in the study period of time.

REVIEW OF LITERATURE

Santhi and Gurunathan (2011) evaluated the performance of all 32-growth-oriented open-ended equity linked savings schemes in India. Daily returns of these schemes were obtained from the first financial year 2006-07 to 2010-11. Five schemes performed well and produced more than two percent monthly average return. 11 schemes performed moderately, produced more than one percent monthly average return. 16 schemes underperformed and produced lesser than one percent monthly average return. Most of the schemes offered high return as compared to benchmark S&P CNX Nifty returns. **Mohanasundari, Vetrivel and Lavanya (2016)** analysed the various tax savings mutual fund investment avenues available to investors. The Indian mutual fund industry is in its growth phase and possesses a tremendous scope for development. The main reasons for the poor growth of mutual fund industry in India were the lack of awareness for mutual funds and lack of trust on mutual fund companies and policymakers. This study concluded that all the tax saving mutual funds were having volatility but not all the schemes volatility was lesser than the benchmark S&P CNX Nifty. **Mahajan and Sharma (2015)** evaluated the performance of mutual fund schemes, the yearly NAV of these schemes were collected for last five years and risks, as well as returns, were calculated. Franklin India Tax Shield ranked first as per Sharpe ratio and Treynor Ratio. It was also scored second as per Jensen Alpha. Hence the scheme was offering best risk-

adjusted return among top ten rank mutual fund schemes on the basis of an asset under management for the period under study. **Kadambat and Singh (2015)** studied the data pertains to a 13-year period from 1st April 2000 to 31st March 2013 and compared its performance with 12 top Diversified Equity Funds and 7 Benchmark Indexes. ELSS funds have underperformed 61% of the sample Diversified Funds and 45% of Benchmark Indexes. The underperformance of ELSS Funds considering Sortino Ratio is 64% as against Diversified Funds and 47% against Benchmark Indexes. The study also described that there is inconsistency in the performance of ELSS funds over time. **Paunikar (2014)** analysed equity-linked saving schemes as applicable to saving of income tax salaried class. It was observed that salaried class investor mostly contributes 20% to 30% of their income towards investment which was linked to tax. Once the limit of a rebate is crossed they divert their savings towards other investment option. As regards Mutual Fund investment 80 out of 86 (89%) have preferred ELSS while remaining 6 (11%) have the investment in other mutual fund/ Bonds. Salaried class prefers ELSS because their taxes deducted from source and as such obtaining tax rebate helps them in reducing their tax burden.

Research Problem

A number of studies have been conducted on the performance of ELSS Mutual funds compare with benchmark index. It is observed that in the previous studies only a single market index was used. Thus, a gap exists with regard to the empirical investment performance evaluation of ELSS schemes return as against the different benchmark Indexes return. Therefore, the present study is conducted to fill this lack of evidence.

OBJECTIVES OF THE STUDY

The main objective of the study is to performance of mutual fund schemes in India. for last 5 years with following explicit objective

1. To measure the stock price return of the selected one-ranked ELSS mutual fund schemes for short-term investment.

2. To measure the stock price return of selected one-ranked ELSS mutual fund schemes for medium-term investment.
3. To measure the stock price return of selected one-ranked ELSS mutual fund schemes for long-term investment.

RESEARCH METHODOLOGY

A sample of 4 one-ranked ELSS funds is taken for the study. The study is conducted for period beginning from April, 2012 to March, 2017. Data regarding NAVs of one-ranked ELSS mutual funds schemes have been taken from the websites **www.amfi.com** and **www.moneycontrol.com**. The market index values have been obtained from the official websites of National Stock Exchange of India (NSE) and Mumbai Stock Exchange (BSE). Index selection for comparative stock price return.

The following methodology is used for the study-

Computation of stock price return

Returns (R) are calculated on the basis of changes in the NAV on a regularly basis. Average of such regularly returns (R) is calculated on a yearly basis and for the entire period of study as follows:

The return on mutual fund schemes is computed by following equation

$$\text{Computation of stock price return} = \frac{(\text{NAV}_t - \text{NAV}_{t-1})}{\text{NAV}_{t-1}} \times 100$$

NAV_t = net asset value of schemes at the end of the year t

NAV_{t-1} = net asset value of schemes in the beginning of the year t-1

Computation of market price return

Market Return is calculated on the basis of the changes in the BSE and NSE Index on a daily basis. The market return is calculated as follows:

Computation of market price return =

$$\frac{(\text{Market Index} - \text{Market Index}_{-1})}{\text{Market Index}_{-1}}$$

Market Index = market index value of scheme at the end of the year t

Market Index-1 = market index value of scheme at the beginning of the year t-1

Table 1.1

LIST OF ONE-RANKED MUTUAL FUNDS SCHEMES STUDIED

S.N.	Mutual fund Scheme	Inception Date	Benchmark Index	AUM as on 2017
1	Principal Tax Savings Direct	Jan 01, 2013	S&P BSE 200	1,757.06
2	Principal Tax Savings	Mar 31, 1996	S&P BSE 200	287.63
3	DSPBR Tax Saver Fund Direct(G)	Jan 01, 2013	NIFTY 500	98.68
4	DSPBR Tax Saver Fund Direct(G)	Nov 27, 2006	NIFTY 500	3.1

Source: Compiled from www.moneycontrol.com

PERFORMANCE ANALYSIS OF ELSS SCHEMES

The performance of One-ranked Monthly return of ELSS scheme along with benchmark index return which indicates the relative performance of the ELSS scheme has been presented in the below table.

Table 1.2

One-ranked Monthly return of ELSS schemes

S. N.	Mutual Fund Schemes	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	1.9	0.1	1.8	Overperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	1.8	0.1	1.7	Overperformed
3	Principal Tax Savings Direct	S&P BSE 200	2.5	0.1	2.4	Overperformed
4	Principal Tax Savings	S&P BSE 200	2.4	0.1	2.3	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.1 show the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that all the selected schemes are offering return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (2.5) has offered the highest return as compare to benchmark S&P BSE 200 (0.1) return. Principal Tax Savings - growth (2.4) has offered the next

highest return as compare to the benchmark S&P BSE 200 (0.1) return Principal Tax Savings Direct (G), Principal Tax Savings (G) are the best performer among the all monthly average return of one-ranked schemes. All of the schemes (100%) have overperformed as compare to benchmark index return of one-ranked schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S.N.	Performance	No. of the scheme	Highest/lowest Scheme
1	Overperformed	04	Principal Tax Savings Direct
2	Underperformed	NIL	NIL
	Total	04	

The analysis of monthly performance of one-ranked mutual fund growth schemes indicated that all the selected schemes are offering return higher as compared to benchmark index return. Principal Tax Savings Direct - Growth (2.5) scheme has offered the highest return as compare to benchmark S&P BSE 200 (0.1) return. So, it may be concluded

that all the monthly return of one-ranked schemes has been better as compare to index return.

The performance of One-ranked quarterly return of ELSS scheme along with benchmark index return which indicates the relative performance of the ELSS scheme has been presented in the below table.

Table 1.3**One-ranked quarterly return of ELSS scheme**

S. N	Mutual Fund Schemes	Benchmark Index	Scheme Return (%age)	Index return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	7	6.1	0.9	Overperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	6.6	6.1	0.5	Overperformed
3	Principal Tax Savings Direct	S&P BSE 200	10.4	5.3	5.1	Overperformed
4	Principal Tax Savings	S&P BSE 200	10.3	5.3	5	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.2 shows the diversified ELSS funds which are performing above and below the selected benchmark index return. It is observed from the above table that all the selected schemes are offering higher return as compare to benchmark index return. Principal Tax Savings Direct - growth (10.4) has offered the highest return as compare to benchmark S&P BSE 200 (5.3) return. Principal Tax Savings - growth (10.3) has

offered the next highest return as compare to the benchmark S&P BSE 200 (5.3) return. Principal Tax Savings Direct (G), Principal Tax Savings (G) are the best performer among the all monthly average return of one-ranked schemes. All of the schemes (100%) schemes have overperformed as compared to benchmark index return of one-ranked schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of The Scheme	Highest/lowest Scheme
1	Overperformed	04	Principal Tax Savings Direct
2	Underperformed	NIL	NIL
	Total	04	

The analysis of quarterly performance of one-ranked mutual fund growth schemes indicated that all the selected schemes are offering return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (10.4) has offered the highest return as compare to benchmark S&P BSE200 (5.3) return. So, it may be concluded that all the

quarterly return of one-ranked schemes has been high as compare to index return.

The performance of One-ranked half-yearly return of ELSS scheme along with benchmark index return which indicates the relative performance of the ELSS scheme has been presented in the below table:

Table 1.4**One-ranked half-yearly return of ELSS scheme**

S. N.	Mutual fund Scheme	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	19.2	20.6	-1.4	Underperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	18.4	20.6	-2.2	Underperformed
3	Principal Tax Savings Direct	S&P BSE 200	25.1	19.1	6	Overperformed
4	Principal Tax Savings	S&P BSE 200	24.9	19.1	5.8	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.3 shows the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that out of 4 schemes 2 schemes are

offering return higher as compare to benchmark index return and 2 schemes are offering lower return as compare to benchmark index return. Principal Tax Savings Direct - growth (25.1) has offered the highest return as compare to benchmark

S&P BSE 200 (19.1) return. Principal Tax Savings - growth (24.9) has offered the next highest return as compare to the benchmark S&P BSE 200 (19.1) return. DSPBR Tax Saver Fund Direct -growth (18.4) has offered the lowest return as compare to benchmark NIFTY 500 (20.6) return. DSPBR Tax Saver Fund Direct- growth (19.2) has offered the next

lowest return as compared to benchmark NIFTY 500 (20.6) return. Around (50%)of the schemes have overperformed as compare to benchmark index return of one-ranked half-yearly schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of the Scheme	Highest/lowest Scheme
1.	Overperformed	02	Principal Tax Savings Direct
2.	Underperformed	02	DSPBR Tax Saver Fund Direct
	Total	04	

The analysis of half-yearly performance of one-ranked mutual fund growth schemes indicated that out of 4 schemes 2 schemes are offering return higher as compared to benchmark index return and 2 schemes are offering lower return as compared to benchmark index return. Principal Tax Savings Direct - growth (25.1) has offered the highest return as compare to benchmark S&P BSE 200 (19.1) return. DSPBR

Tax Saver Fund Direct -growth (18.4) has offered the lowest return as compared to benchmark NIFTY 500 (20.6) return. So, it may be concluded that the average return of one-ranked schemes has been more as compare to index return.

The performance of One-ranked yearly return of ELSS schemes along with benchmark index return which indicate the relative performance of the ELSS schemes has been presented in the below table:

Table 1.5

One-ranked yearly return of ELSS schemes

S. N	Mutual fund Scheme	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	33.8	23.3	10.5	Overperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	32.4	23.3	9.1	Overperformed
3	Principal Tax Savings Direct	S&P BSE 200	38.1	21.5	16.6	Overperformed
4	Principal Tax Savings	S&P BSE 200	37.6	21.5	16.1	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.4 show the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that all the selected schemes have offered better return as compare to benchmark index return. Principal Tax Savings Direct - growth (38.1) has offered the highest return as compare to benchmark S&P BSE 200 (21.5) return. Principal Tax Savings - growth (37.6) has offered the next

highest return as compare to the benchmark S&P BSE 200 (21.5) return. Principal Tax Savings Direct (G), Principal Tax Savings (G) are the best performer among the all monthly average return of one-ranked schemes. All of the schemes (100%) have overperformed as compare to benchmark index return of one-ranked yearly schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of the Scheme	Highest/lowest Scheme
1	Overperformed	04	Principal Tax Savings Direct
2	Underperformed	NIL	NIL
	Total	04	

The analysis of yearly performance of one-ranked mutual fund growth schemes indicated that all the selected schemes are offering higher return as compare to benchmark index return. Principal Tax Savings Direct - Growth (38.1) has offered the highest return as compare to benchmark S&P BSE 200 (21.5) return. So, it may be concluded that all the

performance of yearly return of one-ranked schemes has been high as compare to index return.

The performance of One-ranked two-yearly return of ELSS schemes along with benchmark index return which indicate the relative performance of the ELSS schemes has been presented in the below table:

Table 1.6

One-ranked two-yearly return of ELSS schemes

S. N.	Mutual fund Scheme	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	16.2	12.7	3.5	Overperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	15.3	12.7	2.6	Overperformed
3	Principal Tax Savings Direct	S&P BSE 200	15.1	11.4	3.7	Overperformed
4	Principal Tax Savings	S&P BSE 200	14.6	11.4	3.2	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.5 show the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that all the selected schemes are offering return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (15.1) has offered the highest return as compare to benchmark S&P BSE 200 (11.4) return. DSPBR Tax Saver Fund Direct - growth (16.2) has offered

the next highest return as compare to the benchmark NIFTY 500 (12.7) return. Principal Tax Savings Direct (G), DSPBR Tax Saver Fund Direct (G) are the best performer among the all monthly average return of one-ranked schemes. All of the schemes (100%) have overperformed as compare to benchmark index return of one-ranked 2-yearly schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of the Scheme	Highest/lowest Scheme
1	Overperformed	04	Principal Tax Savings Direct
2	Underperformed	NIL	NIL
	Total	04	

The analysis of two-yearly performance of one-ranked mutual fund growth schemes indicated that all the selected schemes are offering return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (15.1) has offered the highest return as compare to benchmark S&P BSE 200 (11.4) return. So, it may be concluded that all the two-

yearly return of one-ranked schemes has been better as compare to index return.

The performance of One-ranked three-yearly return of ELSS schemes along with benchmark index return which indicate the relative performance of the ELSS schemes has been presented in the below table:

Table 1.7

One-ranked three-yearly return of ELSS schemes

S.N.	Mutual fund Scheme	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	20.4	11.6	8.8	Overperformed
2	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	19.5	11.6	7.9	Overperformed
3	Principal Tax Savings Direct	S&P BSE 200	17.5	10.8	6.7	Overperformed
4	Principal Tax Savings	S&P BSE 200	16.9	10.8	6.1	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.6 show the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that all the selected schemes are offering return higher as compare to benchmark index return. DSPBR Tax Saver Fund Direct - growth (20.4) has offered the highest return as compare to benchmark NIFTY 500 (11.6) return. DSPBR Tax Saver Fund Direct - growth (19.5) has

offered the next highest return as compare to the benchmark NIFTY 500 (11.6) return. DSPBR Tax Saver Fund Direct (G), DSPBR Tax Saver Fund Direct (G) are the best performer among the all monthly average return of one-ranked schemes. All of the schemes (100%) have overperformed as compare to benchmark index return of one-ranked three yearly schemes in the study. The important conclusion regarding the performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of the Scheme	Highest/lowest Scheme
1	Overperformed	04	DSPBR Tax Saver Fund Direct
2	Underperformed	NIL	NIL
	Total	04	

The analysis of three-yearly performance of one-ranked mutual fund growth schemes indicated that out of 4 schemes 4 schemes are offering return higher as compare to benchmark index return. DSPBR Tax Saver Fund Direct - growth (20.4) has offered the highest return as compare to benchmark NIFTY 500 (11.6) return. So, it may be concluded that all the three-

yearly return of one-ranked schemes has been high as compare to index return.

The performance of One-ranked five-yearly return of ELSS schemes along with benchmark index return which indicate the relative performance of the ELSS scheme has been presented in the below table:

Table 1.8

One-ranked five-yearly return of ELSS schemes

S.N.	Mutual fund Scheme	Benchmark Index	Scheme Return (%age)	Index Return (%age)	Diff.	Scheme Performance
1	DSPBR Tax Saver Fund Direct(G)	NIFTY 500	22.9	16.1	6.8	Overperformed
2	Principal Tax Savings	S&P BSE 200	23	15.4	7.6	Overperformed

Source: Compiled from www.moneycontrol.com

Table 3.7 show the diversified ELSS funds that some of the schemes have performed better than index return which some of the schemes have underperformed. It is observed from the above table that all the selected schemes are offering

return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (23) has offered the highest return as compare to benchmark S&P BSE 200 (15.4) return. DSPBR Tax Saver Fund Direct - growth (22.9) has offered the next

highest return as compare to the benchmark NIFTY 500 (16.1) return. Principal Tax Savings Direct (G), Principal Tax Savings (G) are the best performer among the all monthly average return of one-ranked five yearly schemes. All of the schemes

(100%) have overperformed as compare to benchmark index return of one-ranked five yearly schemes in the study. The important conclusion regularly performance of mutual funds schemes is given in the summarized table.

Summarized Table

S. No	Performance	No. of the Scheme	Highest/lowest Scheme
1	Overperformed	02	Principal Tax Savings Direct
2	Underperformed	NIL	NIL
	Total	02	

The analysis of five-yearly performance of one-ranked mutual fund growth schemes indicated that all the selected schemes are offering return higher as compare to benchmark index return. Principal Tax Savings Direct - growth (23) has offered the highest return as compare to benchmark S&P BSE 200 (15.4) return. So, it may be concluded that all the five-yearly return of one-ranked schemes has been high as compare to index return.

CONCLUSION

This paper evaluated the performance of one-ranked ELSS schemes. All the one-ranked ELSS schemes has been performed well as compare to benchmark index return except the performance of half-yearly ELSS schemes. The selected ELSS schemes has been well performed in the medium -term. One-ranked ELSS schemes also perfume better in the long-term. Principal Tax Savings Direct - growth (38.1) has offered the highest return as compare to benchmark S&P BSE 200 (21.5) yearly return among the all period of time. DSPBR Tax Saver Fund Direct -growth (18.4) has offered the lowest return as compare to benchmark NIFTY 500 (20.6) half-yearly return of all period of time.it is concluded that all the ELSS schemes performed better as compare to benchmark index return except half-yearly return of ELSS schemes.

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