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Performance Analysis of Select Tax Savings Mutual Fund Schemes in India

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Abstract
Tax-saving mutual funds, also referred to as "Equity Linked Saving Schemes" (ELSS), have the potential to yield respectable returns in addition to tax advantages. Understanding the concept of equity-linked saving schemes, analyzing the ELSS's performance using risk-return parameters, comparing the ELSS's performance to the benchmark, and assessing the ELSS's level of diversification are the goals of this empirical study, which used secondary data and examined seven ELSS between December 2009 and December 2019. According to the results, all of the schemes had sufficient diversification, and the Axis Long Term Equity Fund continued to be the top performer.

Keywords: Diversification, ELSS, Mutual Funds, Risk-Return, Tax Benefits.

1. Introduction

The "Sustainable Development" of a country's economy is contingent upon the creation of capital. Individuals' saving and investing habits and behaviors are very important to capital accumulation. Governments all over the world frequently provide tax advantages for specific financial products in order to entice individuals and cultivate them into disciplined savers and investors. Certain financial products with tax benefits are included in Section 80C of the Income Tax Act, 1961 in India as well. However, as tax deductions are not available under the new tax system, an individual can only receive a tax benefit of up to Rs.1,50,000 every financial year if they choose to pay taxes under the previous regime. Most of these instruments are fixed-interest bearing instruments like Public Provident Fund (PPF), Fixed Deposit, National Saving Certificate (NSC), Traditional Insurance Plan etc. The equity option is limited under section 80C. Equity Linked Savings Schemes (ELSS) are one such option which have the potential to deliver decent returns over a period of time besides providing tax benefits. Assets under Management (AUM) of ELSS funds as on 31st December 2019 stood at Rs. 99,817.35 crores whereas the corresponding figures for 31st December 2018 and 31st December 2017 were Rs. 88,152 crore and Rs. 80,981 crores. The figures are indicative of the fact that participation in ELSS has been continuously increasing over time. In its Circular on October 6, 2017, the categorization and rationalization of mutual fund schemes were announced by the SEBI. According to this Circular, mutual fund schemes can be broadly categorised into five categories, namely, equity schemes, debt schemes, hybrid schemes, solution-oriented schemes and other schemes. Further, equity schemes can be divided into ten types: Multi-Cap Fund, Large Cap Fund, Large & Mid Cap Fund, Mid Cap Fund, Small cap Fund, Dividend Yield Fund, Value Fund, Contra Fund, Focused Fund, Sectoral/ Thematic Fund and Equity Linked Savings Scheme (ELSS). Tax-saving mutual funds are commonly called “Equity Linked Saving Schemes (ELSS)” in India. ELSS are mutual funds with exposure of a minimum of 80% to equity or equity-related instruments. These schemes have a mandatory lock-in period of three years which is shorter than PPF (15 years) and Tax-saving Fixed Deposit (5 years). Further, there is no compulsion of redemption even at the end of the lock-in period of three years. Investors can remain invested in ELSS for as many years as they wish to reap the advantage of long-term returns. Two things went well for the Indian mutual fund industry in general and ELSS in particular: (1) increased penetration beyond the metros and top 15 cities; and (2) the success of systematic investment plans (Vidhyadharan, 2018). The introduction of the Long Term Capital Gain (LTCG) tax

on the returns generated from mutual funds may hurt the inclination of the retail investors towards ELSS.

2. Review of Literature

A brief review of select literature dealing with ELSS is presented below.

Tripathy (2005) has found inadequate market timing skills of the fund managers in the study of select ELSS from 1994-95 to 2001-2002. Bondyopadhyay (2008) has noticed that equity-linked saving schemes delivered better returns than assured return schemes. Chandrakumarmangalam and Govindasamy (2011) have observed better performance of the selected ELSS in comparison to the market. Santhi and Gurunathan (2011) have found that investors in Tamil Nadu prefer instruments like Fixed Deposits, Insurance and Postal Deposits and their participation in ELSS is very little. Roy and Ghosh (2012) have observed that the chosen ELSS failed to deliver superior risk-adjusted returns during the financial turmoil of 2008-09. Further, the fund managers could not show skills as to stock-picking and market-timing. Garg and Gupta (2014) have noticed that the selected equity-linked saving schemes performed better than the market in terms of absolute returns during the period between 2008 and 2013. Das (2014) observed that the chosen ELSS are defensive, adequately diversified, have generated superior risk-adjusted returns, exhibited superior stock picking skills from the fund managers and generated satisfactory returns from the "Systematic Investment Plan (SIP)". Ghosh (2014) observed that 3 out of 9 selected ELSSs performed better in comparison to the benchmark index. Sharma (2015) has found that grievance redressal mechanism, after-sales service and transparency have a great impact on customer satisfaction and favourably affect the perception of investors towards ELSS. Kadambat *et al*. (2015) noticed that the chosen ELSS performed better than both diversified equity funds and benchmark indices on a risk-adjusted basis. However, inconsistency was observed in the performance of ELSS over time. Srivastava (2017) has opined that ELSS can be a good option for investors having little or no knowledge about the stock market in the sense that it can provide the dual benefit of tax saving and healthy return. Pathak (2018) has suggested that investors should invest in Axis Long Term Equity Fund because it generated decent returns and it had a low expense ratio. The researcher has also stated that investors may opt for investment in Franklin India Tax Shield and IDFC Tax Advantage Fund. Pareek (2018) suggested that one should have an ideally diversified portfolio across the entire gamut of tax saving schemes but include ELSS in the portfolio. Chisti and Rahman (2018) found that all the chosen ELSS outperformed the market index and generated average returns well above the market return. Panigrahi *et al* (2020) observed that the selected ELSS performed well in terms of risk-adjusted return. Research Desk (2022) has suggested that it would not be unwise for the investors to get out of their comfort zone and invest a slice of their corpus in ELSS since fixed-return instruments like PPF underperformed ELSS by a huge margin.

3. Research Gap

There is no dearth of literature on mutual funds. But in-depth research on ELSS is negligible. As such, the present study attempts to analyse the performance of select ELSS in detail from the perspective of return and risk by taking into consideration various parameters. That apart, the study has broken down the time into different intervals of 1-year, 3-year, 5-year, 7-year and 10-year to judge consistency in performance. The chosen benchmark (Nifty 500 TRI) is another new thing because most of the earlier studies considered benchmark indices like Sensex, Nifty, BSE 200, NSE 500 etc. As a result, the study will give a holistic view because the Price Return Indices like Sensex, Nifty, BSE 200 etc. can only capture the capital appreciation part and ignore the dividend payment part. But the Total Return Index (TRI) takes into consideration both the components (capital appreciation and dividend). This study endeavours to highlight the key factors where the investors should concentrate before choosing a particular ELSS.

4. Research Questions

The present study attempts to address the following research questions:

1. Do the chosen ELSS provide a superior return in comparison to the benchmark?
2. Do the selected schemes outperform the benchmark in terms of total risk?
3. Whether the chosen ELSS generate a better risk-adjusted return than the benchmark index?
4. Are the selected schemes aggressive or defensive?
5. How is the ability of the fund managers of the chosen ELSS in picking quality stocks?
6. Whether the objective of 'diversification' has been achieved by the selected schemes?
7. How is the overall performance of the chosen schemes?

5. Objectives of the Study

The objectives of the study include:

a) To have an understanding of the concept of equity-linked saving schemes;
b) To analyse the performance of the chosen ELSS on the basis of risk-return parameters;
c) To compare the performance of the selected ELSS with that of the chosen benchmark; and
d) To judge whether the chosen ELSS succeed in achieving diversification.

6. Data and Methodology

The study is both exploratory and empirical. The exploratory part of the study is based on the current literature in the form of articles published in dailies, periodicals, reports, journals, and web resources. The study uses secondary data. The study covers the period from December 2009 to December 2019. The impact of 'Entry Load', 'brokerage' and 'Exit Load' has not been taken into account. Nifty 500 TRI has been chosen as the benchmark index for the study. The average annualised risk-free rate of return is taken as 8.2675%. It is the average rate of the Public Provident Fund (PPF) scheme between December 2009 and December 2019. The study considers the "Regular Plan" of open-ended ELSS and not the "Direct Plan". This study takes into consideration 7 (seven) ELSS from 7 (seven) Asset Management Companies (AMCs), namely, Aditya Birla Sun Life, Axis, DSP, HDFC, ICICI Prudential, SBI and Nippon. The schemes which are in existence for more than 10 (ten) years and have Assets under Management (AUM) of more than Rs.5000 crores as on 31st December 2019 are considered for the study. All the schemes satisfying these norms are chosen. These schemes are Aditya Birla Sun Life Tax Relief 96 (ABSLTR), Axis Long Term Equity (AXISLTE), DSP Tax Saver (DSPTS), HDFC Tax Saver (HDFCTS), ICICI Prudential Long Term Equity (ICICIPLTE), Nippon India Tax Saver (NIPPONITS) and

SBI Magnum Taxgain (SBIMTG) (now SBI Long Term Equity). AXISLTE has the largest AUM as on 31st December, 2019 (Rs.21,473 crore), followed by NIPPONITS (Rs. 10,814 crore), ABSLTR (Rs. 10,029 crore), HDFCTS (Rs. 7,454 crore), SBIMTG (Rs. 7,370 crore), ICICIPLTE (Rs. 6,707 crore) and DSPTS (Rs. 6,260 crore). The present study considers the "Growth" option and not the "Dividend" option. To look into the details as to the consistency in performance, the period of study has been segregated into different periods of 1-year, 3-year, 5-year, 7-year, and 10-year. The selected time witnessed many bull and bear phases. The month-end Net Asset Values (NAVs) of the ELSS have been obtained from the official websites of the AMCs. The month-end closing values of the benchmark index have been obtained from the official website of the National Stock Exchange (NSE). The monthly returns of the chosen ELSS (Rp) and that of the benchmark (Rb) have been computed as follows:

$$R_p = [(NAV_t - NAV_{t-1}) / NAV_{t-1}] * 100$$
$$R_b = [(Value_t - Value_{t-1}) / Value_{t-1}] * 100$$

Where, NAV_t = Closing NAV of the ELSS for month t, NAV_{t-1} = Closing NAV of the ELSS for the preceding month (t-1), $Value_t$ = Closing Value of the Benchmark Index for month t, $Value_{t-1}$ = Closing Value of the Benchmark Index for the preceding month (t-1). Likewise, annualised Standard Deviation of the chosen ELSS (SD_p) and benchmark (SD_b) have been computed for measuring the total risk. Measures like Compound Annual Growth Rate (CAGR), Standard Deviation (SD), Sharpe Ratio, Beta, Jensen alpha and R-squared (R^2) or the coefficient of determination have been employed. So far as ranking is concerned, the scheme having the highest value under a parameter is ranked 1. However, in the case of standard deviation, the scheme having the least value is ranked 1. Rankings of the ELSS under 5 different measures or parameters (CAGR, SD, Sharpe Ratio, Alpha and RSQ) for 5 different periods (1-year, 3-year, 5-year, 7-year and 10-year) are added to find out the total rank score of the chosen ELSS and then the averages of the total rank score have been taken by dividing the total rank score by 25 (5 different measures or parameters X 5 different periods). Lastly, the scheme with the lowest average rank score is ranked 1 and so on.

7. Results and Discussion

Table 1 presents the Compound Annual Growth Rate of the chosen ELSS and Benchmark.

Table 1: Compound Annual Growth Rate (CAGR) of the ELSS and Benchmark Index

ELSS	CAGR (%)					RANK				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	4.27	12.53	9.97	15.32	11.46	5	4	3	3	5
AXISLTE	14.83	17.46	11.42	18.72	17.28	2	1	1	1	1
DSPTS	14.84	13.07	10.92	15.41	13.17	1	3	2	2	2
HDFCTS	3.73	8.60	5.26	11.35	10.15	7	6	7	8	6
ICICIPLTE	8.81	11.28	8.36	13.87	12.42	4	5	5	4	3
NIPPONITS	1.50	5.55	3.53	12.30	11.81	8	8	8	6	4
SBIMTG	4.00	8.24	5.97	11.43	9.49	6	7	6	7	8
BENCHMARK	8.97	13.65	9.11	12.34	9.85	3	2	4	5	7

Source: Computed by the Researchers

It is evident from Table 1 that AXISLTE was the only ELSS which outperformed the benchmark throughout the study period. At the same time, AXISLTE remained the best performing ELSS on 4 out of 5 occasions, the exception being 1-year when it stood second after DSPTS. DSPTS performed better than the benchmark in 1-year, 5-year, 7-year and 10-year. In the 10-year, 6 out of 7 funds outperformed the benchmark. On the other hand, NIPPONITS was the worst performer in 1-year, 3-year and 5-year; whereas HDFCTS remained the worst performing ELSS in 7-year and SBIMTG in 10-year. Further, SBIMTG underperformed the benchmark during the entire study period. In terms of consistency (taken the rank of 1-year, 3-year, 5-year, 7-year and 10-year together), AXISLTE was the best performer followed by DSPTS (2nd) and ABSLTR (3rd). These three funds outperformed the benchmark index consistently.

Table 2 depicts the total risk of the chosen ELSS and Benchmark Index. Standard Deviation (SD) is used to measure the total risk. The lower value of SD denotes lower risk and vice versa.

Table 2: Annualised Standard Deviation (SD) of the ELSS and Benchmark Index

ELSS	SD					RANK				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	12.19	12.88	13.64	14.29	14.12	3	3	3	5	4
AXISLTE	12.21	12.84	13.16	13.75	13.61	5	2	2	1	1
DSPTS	12.20	13.51	14.52	14.96	14.84	4	6	6	6	5
HDFCTS	13.77	13.71	15.04	16.41	16.19	7	7	7	7	7
ICICIPLTE	12.31	11.41	12.70	13.85	13.66	6	1	1	2	2
NIPPONITS	19.47	17.54	17.70	20.14	19.84	8	8	8	8	8
SBIMTG	11.72	12.94	13.72	14.19	14.03	2	4	4	4	3
BENCHMARK	11.62	12.97	13.72	14.18	15.65	1	5	5	3	6

Source: Computed by the Researchers

Table 2 shows that all the chosen ELSS underperformed the benchmark in 1-year in terms of the total risk. Amongst the funds, ICICIPLTE remained the best performer in 3-year and 5-year; whereas AXISLTE stood first in 7-year and 10-year. Most ELSS outperformed the benchmark index in 3-year (4 ELSS), 5-year (4 ELSS) and 10-year (5 ELSS). On the other hand, most funds (5 ELSS) underperformed the benchmark index in 7-year. NIPPONITS remained the worst performer since it occupied the last position throughout the study period. From the viewpoint of consistency, AXISLTE remained the least risky ELSS followed by ICICIPLTE (2nd), SBIMTG (3rd) and ABSLTR (4th). These four funds outperformed the benchmark index consistently.

Table 3 presents risk-adjusted return of the chosen ELSS and Benchmark Index. Sharpe Ratio measures the risk-adjusted return. Sharpe Ratio of an ELSS and the benchmark index are expressed as follows:

$SR_p = (R_p - R_f) / SD_p$
Where SR_p = Sharpe Ratio of the ELSS,
R_p = CAGR of the ELSS,
R_f = Average Risk-free Return,
SD_p = Annualised Standard Deviation of the ELSS

$SR_b = (R_b - R_f) / SD_b$
Where SR_b = Sharpe Ratio of the benchmark,
R_b = CAGR of the benchmark,
R_f = Average Risk-free Retur
SD_b = Annualised Standard Deviation of the benchmark

Sharpe Ratio of the Benchmark is Expressed as:

Table 3: Risk-adjusted Return (RAR) of the ELSS and Benchmark Index

ELSS	SHARPE RATIO					RANK				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	-0.328	0.331	0.125	0.493	0.226	5	4	3	2	4
AXISLTE	0.538	0.716	0.239	0.760	0.663	2	1	1	1	1
DSPTS	0.539	0.355	0.183	0.477	0.330	1	3	2	3	2
HDFCTS	-0.330	0.024	-0.200	0.188	0.116	6	6	7	8	6
ICICIPLTE	0.044	0.264	0.007	0.404	0.304	4	5	5	4	3
NIPPONITS	-0.348	-0.155	-0.267	0.200	0.179	7	8	8	7	5
SBIMTG	-0.364	-0.002	-0.168	0.223	0.087	8	7	6	6	8
BENCHMARK	0.061	0.415	0.062	0.287	0.101	3	2	4	5	7

Source: Computed by the Researchers

A look at Table 3 reveals that AXISLTE was the only ELSS which outperformed the benchmark index throughout the study period. Most ELSS outperformed the benchmark index in 7-year (4 ELSS) and 10-year (6 ELSS). DSPTS performed better than the benchmark in 1-year, 5-year, 7-year and 10-year. AXISLTE remained the best performing ELSS in 3-year, 5-year, 7-year and 10-year; whereas DSPTS stood first in 1-year. SBIMTG was the only ELSS which underperformed the benchmark index during the entire study period. NIPPONITS and HDFCTS underperformed the benchmark on 4 out of 5 occasions, the exception being the 10-year. In terms of consistency, AXISLTE stood first followed by DSPTS (2nd) and ABSLTR (3rd). These three funds outperformed the benchmark index consistently in terms of risk-adjusted return.

Table 4 shows the aggressiveness or defensiveness/conservativeness of the selected ELSS with respect to the benchmark index. Beta measures the aggressiveness or defensiveness of the chosen ELSS. Beta value > 1 denotes aggressiveness and beta value < 1 indicates defensiveness. The value of beta for the benchmark index is one (1).

Table 4: Aggressiveness/Defensiveness of the ELSS and Benchmark Index

ELSS	BETA					AGRRESIVE/DEFENSIVE				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	1.01	0.91	0.93	0.95	0.94	A	D	D	D	D
AXISLTE	0.88	0.90	0.87	0.89	0.85	D	D	D	D	D
DSPTS	1.03	1.00	1.02	1.02	0.97	A	N	A	A	D
HDFCTS	1.15	0.99	1.03	1.09	0.98	A	D	A	A	D
ICICIPLTE	1.02	0.82	0.87	0.91	0.91	A	D	D	D	D
NIPPONITS	1.60	1.25	1.20	1.30	1.17	A	A	A	A	A
SBIMTG	0.98	0.97	0.97	0.97	0.92	D	D	D	D	D
BENCHMARK	1.00	1.00	1.00	1.00	1.00	XXXXXXXXXXXXXXX				

Source: Computed by the Researchers

It is observed from Table 4 that AXISLTE and SBIMTG were the defensive ELSS throughout the study period. On the other hand, NIPPONITS remained the aggressive ELSS during the entire study period. ABSLTR and ICICIPLTE remained defensive on 4 out of 5 occasions barring 1-year. HDFCTS and DSPTS were aggressive in 1-year, 5-year and 7-year.

Table 5 depicts the stock-picking ability of the fund managers of the selected ELSS. Alpha is used to measure the skill of the fund managers in picking quality stocks. Alpha is expressed as:

$Alpha = R_p - [R_f + Beta * (R_b - R_f)]$

Where,

Alpha = Differential return earned by the ELSS out of the ability of the fund manager in selecting correct stocks,

R_p = ELSS Return,
R_f = Average Risk-free Return,
R_b =Benchmark Return,
Beta= Systematic risk of the ELSS.

Table 5: Stock-picking Ability of the Fund Managers of the Chosen ELSS

ELSS	ALPHA					RANK				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	-0.369	0.015	0.12	0.28	0.171	4	2	3	2	4
AXISLTE	0.543	0.393	0.272	0.58	0.668	1	1	1	1	1
DSPTS	0.421	-0.043	0.133	0.213	0.278	2	4	2	3	2
HDFCTS	-0.506	-0.362	-0.309	-0.145	0.049	6	5	6	6	6
ICICIPLTE	-0.018	0.007	0.037	0.207	0.267	3	3	4	4	3
NIPPONITS	-0.954	-0.848	-0.549	-0.239	0.06	7	7	7	7	5
SBIMTG	-0.374	-0.376	-0.224	-0.039	0.031	5	6	5	5	7

Source: Computed by the Researchers

Table 5 shows that AXISLTE was the best ELSS throughout the study period and it generated positive alpha during the entire study period. ABSLTR, DSPTS and ICICIPLTE generated positive alpha on 4 out of 5 occasions. On the other hand, HDFCTS, NIPPONITS and SBIMTG generated negative alpha on 4 out of 5 occasions. From the point of view of consistency, AXISLTE stood first followed by DSPTS (2nd) and ABSLTR (3rd).

Table 6 indicates the extent or degree of diversification of the chosen ELSS. RSQ or coefficient of determination is used to measure diversification. The value of RSQ lies between 0 and 1. The nearer the value to 1 the better diversified the fund is.

Table 6: Diversification of the Chosen ELSS

ELSS	RSQ					RANK				
	1Y	3Y	5Y	7Y	10Y	1Y	3Y	5Y	7Y	10Y
ABSLTR	0.9213	0.846	0.879	0.88	0.907	4	6	4	4	3
AXISLTE	0.694	0.824	0.829	0.838	0.869	7	7	7	7	6
DSPTS	0.964	0.931	0.925	0.937	0.937	1	2	2	2	2
HDFCTS	0.94	0.876	0.878	0.89	0.887	3	4	5	3	5
ICICIPLTE	0.9208	0.879	0.88	0.863	0.901	5	3	3	5	4
NIPPONITS	0.907	0.854	0.865	0.839	0.844	6	5	6	6	7
SBIMTG	0.943	0.945	0.948	0.943	0.946	2	1	1	1	1

Source: Computed by the Researchers

It is evident from Table 6 that chosen ELSS are well diversified. SBIMTG remained the best performer in 3-year, 5-year, 7-year and 10-year; whereas DSPTS stood first in 1-year. AXISLTE remained the worst performing ELSS in 1-year, 3-year, 5-year and 7-year; whereas NIPPONITS was the worst performer in 10-year. In terms of consistency, SBIMTG performed the best followed by DSPTS (2nd) and ICICIPLTE (3rd).

Table 7 presents the overall ranking of the selected ELSS.

Table 7: Overall Rank of the Chosen ELSS

ELSS	SUM OF RANK POINT OF 1, 3, 5, 7 AND 10 YEAR					TOTAL (6) [(1)+(2)+(3)+(4)+(5)]	AVG (7) [(6)/25]	RANK (8)
	CAGR (1)	SD (2)	Sharpe Ratio (3)	Alpha (4)	RSQ (5)			
ABSLTR	18	16	16	15	21	86	3.44	4
AXISLTE	6	10	6	5	34	61	2.44	1
DSPTS	9	23	10	13	9	64	2.56	2
HDFCTS	30	30	29	29	20	138	5.52	6
ICICIPLTE	18	11	18	17	20	84	3.36	3
NIPPONITS	30	35	31	33	30	159	6.36	7
SBIMTG	29	15	30	28	6	108	4.32	5

Source: Computed by the Researchers, AVG: Average

It is observed from Table 7 that AXISLTE was the best performing ELSS followed by DSPTS (2nd) and ICICIPLTE (3rd). On the other hand, NIPPONITS remained the worst performing ELSS.

Conclusion

Based on the research questions, the findings are as follows:

1. In terms of return (CAGR), the majority of the selected ELSS outperformed the benchmark index over the long

run (7-year and 10-year). The benchmark index was continuously surpassed by three ELSS (AXISLTE, DSPTS, and ABSLTR) (Table 1).
2. In terms of overall risk, the majority of the selected ELSS beat the benchmark index over the course of three, five, and ten years. All of the chosen ELSS, however, fared worse than the benchmark after a year. Most of the ELSS (AXISLTE, ICICIPLTE, SBIMTG, and ABSLTR) outperformed the benchmark index in terms of consistency (Table 2).
3. Majority of the chosen ELSS performed better than the benchmark index in the long term (7-year and 10-year) in terms of risk-adjusted return (Sharpe Ratio). Three ELSS (AXISLTE, DSPTS and ABSLTR) consistently outperformed the benchmark index (Table 3).
4. Beta values exhibit a mixed result. AXISLTE and SBIMTG were the defensive ELSS throughout the study period. On the other hand, NIPPONITS remained the aggressive ELSS during the entire period of study. ABSLTR and ICICIPLTE remained defensive on 4 out of 5 occasions barring 1-year. HDFCTS and DSPTS were aggressive in 1-year, 5-year and 7-year (Table 4).
5. Alpha values exhibit a mixed result as well. AXISLTE was the only ELSS which generated positive alpha during the entire study period. ABSLTR, DSPTS and ICICIPLTE generated positive alpha on 4 out of 5 occasions. On the other hand, HDFCTS, NIPPONITS and SBIMTG generated negative alpha on 4 out of 5 occasions. From the point of view of consistency in performance, AXISLTE stood first followed by DSPTS (2nd) and ABSLTR (3rd) (Table 5).
6. The value of RSQ ranges between 0.694 and 0.964. SBIMTG remained the best performer in 3-year, 5-year, 7-year and 10-year; whereas DSPTS stood first in 1-year. AXISLTE remained the worst performing ELSS in 1-year, 3-year, 5-year and 7-year; whereas NIPPONITS was the worst performer in 10-year. On the whole, the chosen ELSS succeeded in minimising the unsystematic risk satisfactorily. As such, the chosen ELSS were well diversified.
7. Overall ranking reveals that AXISLTE remained the best performing ELSS and NIPPONITS was the worst performer. It requires collaborative efforts from the regulators, AMCs, distributors and others. Investors should keep in mind that investing in ELSS can be a very good option for tax saving, wealth creation and beating inflation. However, choosing the right ELSS is very important. The task of identifying the right ELSS is not simple because of the existence of many such schemes and selecting only on the basis of recent past returns will not be a wise one. Factors like risk, return, diversification, aggressiveness, risk-adjusted return and the track record of the fund managers should be considered together before taking a call in this regard. At the same time, the national political environment, global economic outlook, the role of regulators and the performance of the industry concerned are significant factors as well. To attract retail investors and to ensure that they remain invested, the chosen ELSS must provide decent returns consistently without taking unnecessary risks.

Suggestions

Some of the policy suggestions are given below:

1. Investors wishing for earning more should be encouraged to invest in open-ended ELSS.
2. Regulator (SEBI) should seek an explanation from the Fund Houses for the continuous underperformance of ELSS.
3. It is necessary to prevent corporate frauds and scams to build the confidence of the investors.
4. Speedy grievance redressal should be ensured.
5. AMCs should focus on expanding their geographical reach to broaden their investor base.
6. Training and educating mutual fund distributors should be the important agendum for preventing mis-selling of ELSS.
7. Awaring investors regularly by organizing seminars, conferences, workshops etc. should be on the priority list of the regulator.

Limitations of the Study

The limitations of the present study are stated below.

1. The study considers only seven ELSS while the Indian mutual fund industry has more such schemes managed by different AMCs.
2. The study has taken into consideration a few measures to analyse the performance of the chosen ELSS. However, there are other measures as well with their specific interpretations to assess the performance.
3. Mergers and Acquisitions (M&A) between the chosen ELSS and the same between the Fund Houses are not considered.
4. The outcome of change in fund managers is not taken into account.
5. The impact of brokerages, entry load, exit load, taxes, and inflation are not taken into consideration.

Significance of the Study

The results of the present study should provide a basis for understanding the performance of the open-ended ELSS chosen for the study. Moreover, the findings of the study should support and encourage researchers and organizations to undertake similar or different studies for the benefit of all stakeholders.

Scope for Further Research

Similar or different research may be carried out in the following areas:

1. Research may be conducted to compare the performance of actively managed equity funds with that of passively managed equity funds.
2. An in-depth study may be made on the impact of the expense ratio and other costs on fund performance.
3. Comparative study between ELSS and “Flexi Cap Funds” may be carried out.
4. Research may be conducted to analyse the performance of sector-specific and thematic funds in India.
5. Research can be conducted on the investors’ perception of investment in ELSS.
6. Examining the performance of different tax-saving instruments in India may be an area of research.

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