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A Comparative Study on Five Different Equity Linked Saving Schemes of Mutual Funds with NIFTY 50 Index

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Abstract: ELSS has evolved as a popular investment option in India for people seeking both tax savings and possible capital growth. The purpose of this study is to provide a comprehensive comparative assessment of five distinct ELSS offered by mutual funds, with an emphasis on their performance in comparison to the NIFTY 50 Index, a benchmark representing the performance of the top 50 firms listed on India's NSE. The study digs into a number of crucial aspects, including as historical returns, risk measures, portfolio diversification, expense ratios, and tax benefits, to assess the viability of each ELSS for investors looking to maximize their tax-saving investments while obtaining high returns. We also look at the performance of these funds to gauge their diversification and adherence to market trends. The findings of this study will assist investors in selecting ELSS funds for their investment portfolios.

Keywords: Alpha, Beta, Comparison of funds, Co-variance, Return, Risk, Sharp ratio.

I. Introduction

Equity Linked Saving Schemes (Growth Option)

The only mutual fund eligible for Section 80C deductions is the equity-linked savings plan, or ELSS. A diversified equities mutual fund called ELSS provides tax deductions worth up to Rs. 1.5 lakh per year. Compared to other tax-saving tools, ELSS has the potential to offer better returns. Tax savings are just one benefit of ELSS investing. If you invest for, say, five years (the term of a tax-saving FD), the power of compounding assures that your investment doubles. Furthermore, there is a three-year minimum lock-in time.

A. Benefits of Investing in an ELSS Scheme

- *Tax Savings:* Under section 80C of the Income Tax Act, the amount invested in an ELSS fund is eligible for a tax deduction up to a maximum of £150,000 for the current financial year. The only method that permits tax savings while generating large profits from stock fund investments is this one.
- *Lowest Lock-In Period Compared to Other Tax-Saving Investments:* ELSS has a lock-in period of only 3 years, whilst other tax-saving options have a minimum lock-in time of 5 years. In contrast to other tax-saving choices like a PPF's 15-year term or a fixed-deposit option's 5-year term, this time frame is the shortest. ELSS offers higher returns with the shortest lock-in period as a result.
- *Lower Tax on Gains:* An ELSS fund invests for at least three years. Therefore, any profits from selling ELSS funds are long-term in nature.The current law states that gains over one million rupees are subject to 10% taxation. In contrast, a 15% tax rate is applied to short-term capital gains. As a result, ELSS funds automatically result in decreased tax expenses.

B. The Benefit of Compounding

Equity fund investments should normally be made for a long time horizon of 5 to 10 years. By default, ELSS funds throughout the lock-in period result in a disciplined long-term investment. Long-term investors are helped by this technique to gain from the power of compounding.

- *Redemption Not Required After Three Years:* Investors may decide to continue if they are pleased with the returns from the particular ELSS fund. After three years, there is no longer a requirement for redemption. There is no maximum investment period; there is just a minimum investment period.

- *Higher Returns:* Since ELSS funds invest in equity schemes, the returns are higher (15-20%) compared to other tax saving options (generally, 7-10%). Over 3 years, the benefit of compounding coupled with returns from equity provides higher returns for investors. ELSS provides returns in the range of 15-20% generally. This is highest among other tax saving options such as PPF, and FD over 5 years, among others.

II. Literature Review

The researcher looked at the key elements that influence how investors view ELSS mutual funds. The primary factors that affect an investor's decision to invest in ELSS are liquidity, rate of return, and market share [1].

The performance of 18 ELSS funds with growth and dividend options was examined by the researcher. Using Sharpe, Treynor, Jensen, and Fama's metrics, returns of schemes were compared to benchmark index returns from 2005 to 2010. The investigation came to the conclusion that growth options outperformed dividends. Furthermore, it was found that most of the schemes underperformed the benchmark Index [2].

49 ELSS programs' effectiveness was assessed by the researcher between April 2008 and March 2013. It has been noted that LIC Nomura MF's ELSS strategy has produced superior returns. Jensen's Alpha Measure, the Sharpe ratio, the Treynor ratio, the Sortino ratio, and others were used to evaluate the performance of the sample schemes [3].

ELSS funds are a good option for the long term investor. ELSS funds mainly focus on the equity market, where as equity market is best instrument to get good return for the long term wise ELSS also in short term it helps to save tax for the investor [4].

ELSS funds have proven to be a fantastic investment opportunity under section 80C of the income tax act, where investors not only get tax benefits but also create wealth in medium to long term investments. This is evident from the extensive data analysis performed by the researcher, which shows that the chosen ELSS mutual funds scheme is generating higher average returns as compare to the market. Despite their excellent performance, ELSS mutual funds are not especially well-liked by novice investors [5].

ELSS has the shortest time frame agreeably in a tax saving option under Section 80C of the Income Tax Act, i.e., of three years. The Mutual funds' investment objectives mainly comprise pure growth scheme, balanced schemes, and tax saving schemes [6].

III. Objectives of the Study

- To compare 5 ELSS schemes of mutual funds with nifty 50 index.
- To Study, the risk-return involved in investments in ELSS schemes.
- To analyze the results based on the comparisons made.
- To know which scheme is better based on the comparisons made.

IV. Data Analysis

Table I

ABSL Tax Relief 96 Fund									
Year	NAV	Return (R)	(R-R1)	$(R-R1)^2$	Market	Rm	(Rm-Rm1)	$(Rm-Rm1)^2$	Rm*(R-R1)
2015	27.1530				7946.30				
2016	27.9197	2.8236	-6.5163	42.4623	8185.80	3.0140	-9.8691	97.3988	-19.6400
2017	34.3398	22.9949	13.6549	186.4573	10530.00	28.6374	15.7543	248.1990	391.0419
2018	39.0179	13.6230	4.2830	18.3444	10862.55	3.1581	-9.7249	94.5745	13.5263
2019	37.9946	-2.6226	-11.9626	143.1033	12168.45	12.0220	-0.8610	0.7414	-143.8146
2020	37.8070	-0.4938	-9.8337	96.7015	13981.75	14.9017	2.0186	4.0747	-146.5382
2021	49.1954	30.1225	20.7825	431.9135	17354.05	24.1193	11.2362	126.2530	501.2600
2022	48.6700	-1.0680	-10.4079	108.3248	18105.30	4.3290	-8.5541	73.1727	-45.0555
Total Return		**65.3796**		**1027.3070**		**90.1814**		**644.4140**	**550.7799**
Average Return		**9.3399**				**12.8831**			
Variance				**146.7581**				**92.0591**	
Standard Deviation				**12.1144**				**9.5947**	
Co-Variance									**78.6828**
Beta									**0.8547**
Sharp Ratio									**0.7648**
Alpha									**-1.2185**

Table II

DSP Tax Saver Fund									
Year	NAV	Return (R)	(R-R1)	$(R-R1)^2$	Market	Rm	(Rm-Rm1)	$(Rm-Rm1)^2$	Rm*(R-R1)
2015	31.9483				7946.30				
2016	34.1302	6.8295	-8.3160	69.1559	8185.80	3.0140	-9.8691	97.3988	-25.0643
2017	42.9904	25.9600	10.8145	116.9540	10530.00	28.6374	15.7543	248.1990	309.6999
2018	45.6425	6.1691	-8.9764	80.5762	10862.55	3.1581	-9.7249	94.5745	-28.3486
2019	47.7532	4.6244	-10.5211	110.6926	12168.45	12.0220	-0.8610	0.7414	-126.4845
2020	47.8630	0.2299	-14.9155	222.4734	13981.75	14.9017	2.0186	4.0747	-222.2662
2021	73.4157	53.3872	38.2417	1462.4271	17354.05	24.1193	11.2362	126.2530	922.3628
2022	79.8897	8.8183	-6.3272	40.0334	18105.30	4.3290	-8.5541	73.1727	-27.3902
Total Return		**106.0183**		**2102.3126**		**90.1814**		**644.4140**	**802.5089**
Average Return		**15.1455**				**12.8831**			
Variance				**300.3304**				**92.0591**	
Standard Deviation				**17.3300**				**9.5947**	
Co-Variance									**114.6441**
Beta									**1.2453**
Sharp Ratio									**0.8696**
Alpha									**3.551**

Table III

TATA India Tax Saver Fund									
Year	NAV	Return (R)	(R-R1)	$(R-R1)^2$	Market	Rm	(Rm-Rm1)	$(Rm-Rm1)^2$	Rm*(R-R1)
2015	11.8103				7946.30				
2016	12.6171	6.8313	-7.1646	51.3317	8185.80	3.0140	-9.8691	97.3988	-21.5940
2017	15.8656	25.7468	11.7509	138.0829	10530.00	28.6374	15.7543	248.1990	336.5142
2018	17.2405	8.6659	-5.3300	28.4091	10862.55	3.1581	-9.7249	94.5745	-16.8328
2019	17.9735	4.2516	-9.7443	94.9518	12168.45	12.0220	-0.8610	0.7414	-117.1466
2020	17.5904	-2.1315	-16.1274	260.0933	13981.75	14.9017	2.0186	4.0747	-240.3250
2021	25.3595	44.1667	30.1708	910.2752	17354.05	24.1193	11.2362	126.2530	727.6977
2022	28.0072	10.4407	-3.5553	12.6400	18105.30	4.3290	-8.5541	73.1727	-15.3906
Total Return		**97.9716**		**1495.7839**		**90.1814**		**644.4140**	**652.9229**
Average Return		**13.9959**				**12.8831**			
Variance				**213.6834**				**92.0591**	
Standard Deviation				**14.6179**				**9.5947**	
Co-Variance									**93.2747**
Beta									**1.0132**
Sharp Ratio									**0.9523**
Alpha									**1.5841**

TABLE IV

Canara Robeco Equity Tax Saver									
Year	NAV	Return (R)	(R-R1)	$(R-R1)^2$	Market	Rm	(Rm-Rm1)	$(Rm-Rm1)^2$	Rm*(R-R1)
2015	49.2130				7946.30				
2016	45.1962	-8.1620	-22.0389	485.7124	8185.80	3.0140	-9.8691	97.3988	-66.4248
2017	53.9075	19.2744	5.3975	29.1331	10530.00	28.6374	15.7543	248.1990	154.5706
2018	60.1854	11.6456	-2.2313	4.9788	10862.55	3.1581	-9.7249	94.5745	-7.0468
2019	64.4081	7.0162	-6.8607	47.0693	12168.45	12.0220	-0.8610	0.7414	-82.4797
2020	68.7233	6.6998	-7.1771	51.5112	13981.75	14.9017	2.0186	4.0747	-106.9511
2021	105.0677	52.8851	39.0082	1521.6358	17354.05	24.1193	11.2362	126.2530	940.8492
2022	113.2412	7.7793	-6.0976	37.1810	18105.30	4.3290	-8.5541	73.1727	-26.3964
Total Return		**97.1384**		**2177.2216**		**90.1814**		**644.4140**	**806.1212**
Average Return		**13.8769**				**12.8831**			
Variance				**311.0317**				**92.0591**	
Standard Deviation				**17.6361**				**9.5947**	
Co-Variance									**115.1602**
Beta									**1.2509**
Sharp Ratio									**0.7826**
Alpha									**3.1424**

TABLE V

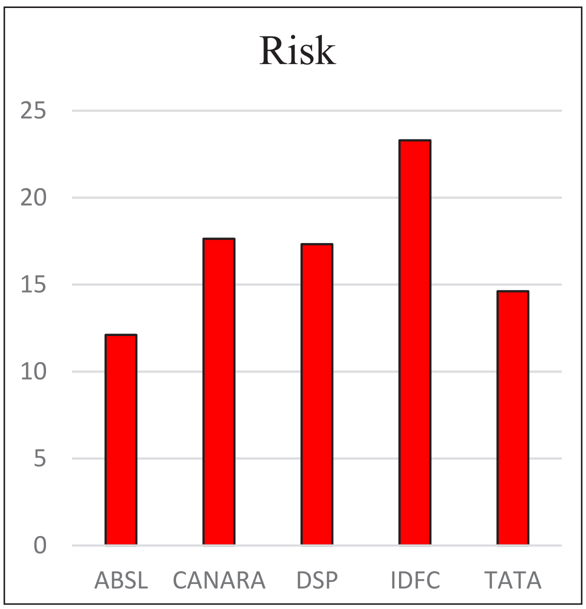
IDFC Tax Advantage									
Year	NAV	Return (R)	(R-R1)	$(R-R1)^2$	Market	Rm	(Rm-Rm1)	$(Rm-Rm1)^2$	Rm*(R-R1)
2015	39.1399				7946.30				
2016	38.6185	-1.3321	-17.2120	296.2518	8185.80	3.0140	-9.8691	97.3988	-51.8765
2017	49.9729	29.4012	13.5214	182.8273	10530.00	28.6374	15.7543	248.1990	387.2166
2018	56.5942	13.2499	-2.6300	6.9169	10862.55	3.1581	-9.7249	94.5745	-8.3058
2019	53.9076	-4.7471	-20.6270	425.4720	12168.45	12.0220	-0.8610	0.7414	-247.9783
2020	51.3975	-4.6564	-20.5363	421.7380	13981.75	14.9017	2.0186	4.0747	-306.0242
2021	85.0660	65.5061	49.6262	2462.7606	17354.05	24.1193	11.2362	126.2530	1196.9493
2022	96.7519	13.7375	-2.1424	4.5898	18105.30	4.3290	-8.5541	73.1727	-9.2743
Total Return		**111.1591**		**3800.5563**		**90.1814**		**644.4140**	**960.7068**
Average Return		**15.8799**				**12.8831**			
Variance				**542.9366**				**92.0591**	
Standard Deviation				**23.3010**				**9.5947**	
Co-Variance									**137.2438**
Beta									**1.4908**
Sharp Ratio									**0.6783**
Alpha									**6.1762**

TABLE VI

Fund	Risk	Return	Co-Variance	Beta	Sharp Ratio	Alpha
ABSL	12.1144	9.3399	78.6828	0.8547	0.7648	-1.2185
DSP	17.33	15.1455	114.6441	1.2453	0.8696	3.551
TATA	14.6179	13.9959	93.2747	1.0132	0.9523	1.5841
IDFC	23.301	15.8799	137.2438	1.4908	0.6783	6.1762
CANARA	17.6361	13.8769	115.1602	1.2509	0.7826	3.1424

TABLE VII

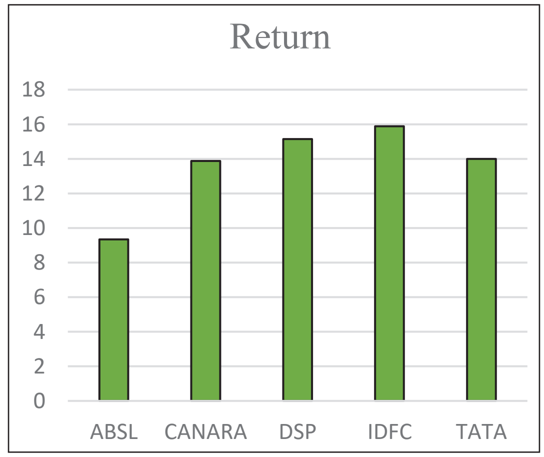
Row Labels	Risk
ABSL	12.1144
CANARA	17.6361
DSP	17.33
IDFC	23.301
TATA	14.6179



The risk here is calculated by using the standard deviation formula. The above chart indicates the risk involved in investing in 5 different ELSS mutual fund schemes.

TABLE VIII

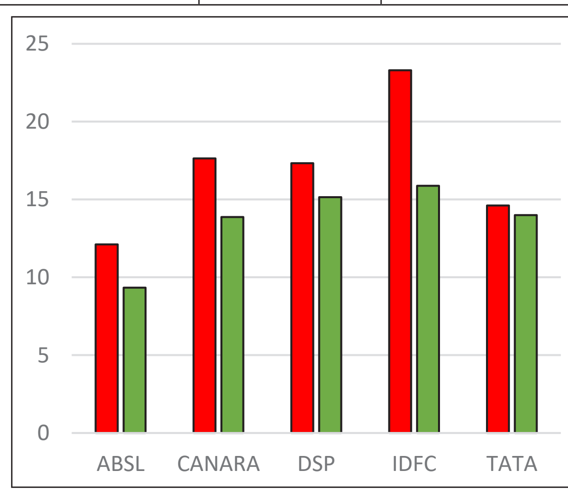
Row Labels	Return
ABSL	9.3399
CANARA	13.8769
DSP	15.1455
IDFC	15.8799
TATA	13.9959



The above table and figure state the average returns of 5 different mutual fund schemes

TABLE IX

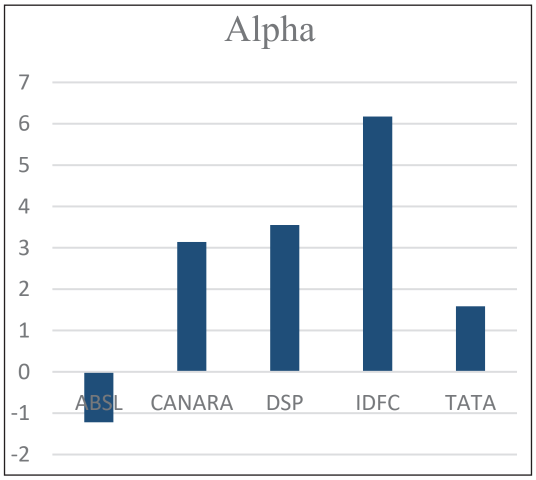
Row Labels	Risk	Return
ABSL	12.1144	9.3399
CANARA	17.6361	13.8769
DSP	17.33	15.1455
IDFC	23.301	15.8799
TATA	14.6179	13.9959



The above table and chart compare the sum of risk and return of different ELSS mutual fund schemes.

Table X

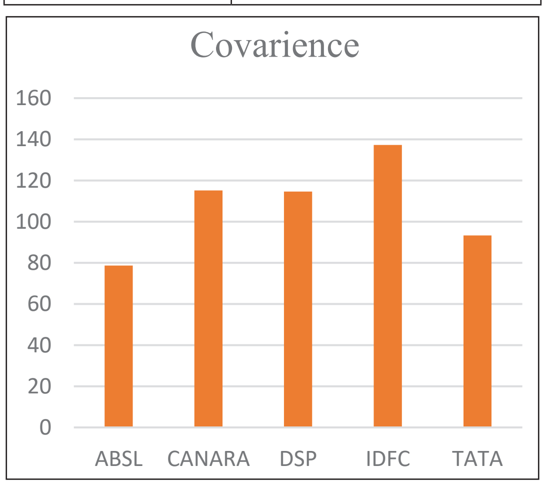
Row Labels	Alpha
ABSL	-1.2185
CANARA	3.1424
DSP	3.551
IDFC	6.1762
TATA	1.5841



The above table and chart have the data of calculated alpha i.e., the ability to achieve a higher return than expected, at a given risk level.

Table XI

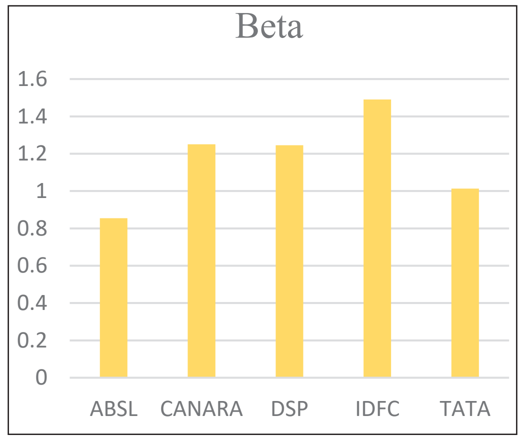
Row Labels	Co-Variance
ABSL	78.6828
CANARA	115.1602
DSP	114.6441
IDFC	137.2438
TATA	93.2747



The above table and chart show the data of the covariance of mutual fund schemes when compared with the market of the Nifty 50 index.

Table XII

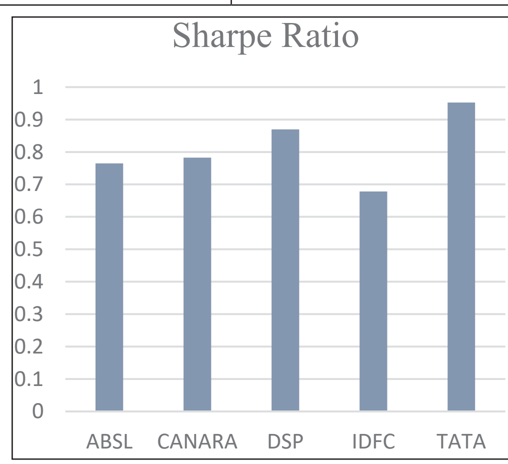
Row Labels	Beta
ABSL	0.8547
CANARA	1.2509
DSP	1.2453
IDFC	1.4908
TATA	1.0132



The above table and chart show the beta of ELSS mutual fund schemes when compared with the Nifty 50 index. Here the beta refers to the volatility of this scheme's performance and fluctuations in the market. For a basic understanding, if the beta is more than 1, it means that the scheme is more volatile in the market.

Table XIII

Row Labels	Sharpe Ratio
ABSL	0.7648
CANARA	0.7826
DSP	0.8696
IDFC	0.6783
TATA	0.9523



The above table and chart show the Sharpe Ratio of ELSS mutual fund schemes when compared with the Nifty 50 index.

Sharpe ratio is considered to know the excess returns relative to volatility.

V. Findings

The following are the findings from the study conducted related to the comparison of 5 different ELSS mutual fund schemes with the Nifty 50 index:

- According to (Table VII), when the risk factor was considered and the interpretations and the comparison were done between these schemes, the IDFC tax saver scheme had the highest risk involved and the ABSL tax relief Fund has the lowest risk involved in it.
- According to (Table VIII), when the return factor was considered and the interpretations and the comparison were done between these schemes, the IDFC tax saver scheme has the highest returns followed by the DSP tax saver scheme, Tata India tax saver scheme, Canara Robeco tax saver scheme, and ABSL Tax Relief Fund.
- According to (Table IX), when the risk and return were simultaneously considered and compared, the IDFC tax saver scheme has the highest risk involved and also provides better returns when compared with other schemes, but when we look into the Canara Robeco scheme the sum of risk involved is more and returns are less. Similarly, when we compare the risk and return of the Tata India tax saver scheme, there is a balanced ratio of the sum of risk involved and the returns of the scheme, ABSL tax Relief Fund gives the lowest returns as well as has the lowest amount of risk involved when compared with the other 4 schemes.
- According to (Table X), by considering the calculations we can see that ABSL tax Relief Fund has a negative alpha value, which means the scheme has underperformed when compared to its risk level, IDFC tax saver scheme has the highest alpha value, which means that this scheme can achieve more than the expected return.
- According to (Table XI), the covariance analysis, when the schemes were compared with the market with the past 8 years of data, the IDFC tax saver fund has the highest covariance and the ABSL tax relief fund has the lowest Covariance.
- According to (Table XII), ABSL tax Relief Fund has average volatility with a beta of 0.8547, and other schemes are having a beta of more than 1, which means that these schemes are more volatile in nature with reference to the market.
- According to (Table XIII), the Tata India tax saving scheme has the highest Sharpe ratio of 0.9523 when compared with other schemes, followed by the DSP tax saver scheme, Canara Robeco tax saver scheme, ABSL Tax relief fund, and IDFC tax saver fund. Research then we can conclude that the Tata India tax saving scheme has excess returns related to volatility in the study conducted.

VI. Recommendations/Suggestions

- From the risk point of view, I would like to suggest investors to invest in less risky funds or medium-risk funds such as the ABSL tax relief fund, where their risk is minimal when compared to other funds. I would like to recommend that investor to stay out of highly risky funds such as the IDFC tax saver fund.
- From the Average returns point of view, investments can be made in the schemes which provide the highest returns such as the IDFC tax saver fund, I would like to recommend investors not to invest in the ABSL tax relief fund as this fund is not giving much returns as compared to the other schemes.
- When risk and return are considered, the TATA India tax saver scheme is recommended as this scheme has both risks and returns in an equal form, or there is not much difference between the risk and return of the scheme.
- IDFC tax saver fund has the highest risk but also provides better returns so investors who are willing to take risks can invest in this fund.
- According to the study done, the IDFC tax saver fund can achieve more than expected returns as its alpha value is more. So, this scheme is much recommended if the risk is ignored by the investor and focused on the returns part.
- If the volatility of the scheme is considered with the market by the investor, then ABSL tax relief fund is recommended as this scheme has an average beta value less than 1.
- When the volatility as well as returns in the market is considered by the investor then the TATA India tax saver scheme is it commended as this scheme is volatile in nature but can provide better returns to the investor.

VII. Conclusion

In conclusion, the study provides valuable insights into the potential benefits and drawbacks of investing in these financial instruments. ELSS and the Nifty 50 Index both have their own unique characteristics, and the comparison of their performance can help investors make informed investment decisions.

It is important to note that ELSS is a type of mutual fund that invests primarily in equities, while the Nifty 50 Index is a stock market index that tracks the performance of the 50 largest companies listed on the National Stock Exchange of India.

The research has shown that ELSS and the Nifty 50 Index have different risk-return profiles and can provide different outcomes for investors depending on their investment goals and risk tolerance. While ELSS offers tax benefits, the Nifty 50 Index provides a broader representation of the Indian stock market.

Investors should consider their individual financial goals, risk tolerance, and investment horizon when deciding whether to invest in ELSS or the Nifty 50 Index. It is also recommended that investors consult with a financial advisor to understand the suitability of these investment options for their specific financial circumstances.

This project of 60 days has been a great learning exposure. I had an opportunity to learn various aspects of the mutual fund. How mutual fund work and also how the risk analysis is done, which helps the investors to acquire knowledge regarding, whether to invest in a particular fund or not.

To conclude it's a very interesting and dynamic field wherein daily we understand one or the other value addition in the market. Thus, imparting a great value addition to my knowledge.

Annexure

Table XIV: Yearly Average NAV of Mutual Fund Schemes

Year	ABSL	DSP	TATA	IDFC	CANARA
2015	11.8103	31.9483	11.8103	39.1399	49.2130
2016	12.6171	34.1302	12.6171	38.6185	45.1962
2017	15.8656	42.9904	15.8656	49.9729	53.9075
2018	17.2405	45.6425	17.2405	56.5942	60.1854
2019	17.9735	47.7532	17.9735	53.9076	64.4081
2020	17.5904	47.8630	17.5904	51.3975	68.7233
2021	25.3595	73.4157	25.3595	85.0660	105.0677
2022	28.0072	79.8897	28.0072	96.7519	113.2412

Table XV: Closing Balance of Nifty 50 Index of the Year

Year	Market
2015	7946.30
2016	8185.80
2017	10530.00
2018	10862.55
2019	12168.45
2020	13981.75
2021	17354.05
2022	18105.30

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