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Case Study NJFPM

A Comparative Study of Selected ELSS Mutual Funds in T15 Cities and B15 Cities

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Abstract

The mutual fund sector in India has been growing recently. Between 2013 and 2018, the average asset under managed rose by more than thrice (AMFI, 2018). The study period consist from April 2015 to March 2018. The prime aim of the study is to a compare the return, risk and asset under management of selected ELSS mutual funds in T15 cities and B15 cities. Some funds have displayed moderate growth, with gradual increases in returns over the years. This category includes Birla Sun Life Capital Tax Relief '96, HDFC Long Term Advantage Fund, ICICI Tax Plan, SBI Magnum Tax Gain Scheme, and Sundaram Tax Saver. While these funds may not have achieved the same level of returns as the top-performing funds, they still offer steady growth potential. Certain ELSS funds in B15 cities have displayed limited growth, with relatively lower returns compared to their counterparts. Birla Sun Life Tax Plan, BNP Paribas Tax Advantage Plan, BOI Axa Tax Advantage, Kotak Tax Saver Scheme, and Religare Invesco Tax Plan fall into this category. On the other hand, funds like Boi Axa Tax Advantage, HDFC Taxsaver, IDFC Tax Advantage (ELSS) Fund, Kotak Tax Saver Scheme, and Reliance Tax Saver Fund have demonstrated comparatively higher risks. These funds may appeal to investors seeking potentially higher returns but who are willing to accept a greater level of risk.

Keywords: ELSS, Top 15 cities, beyond the top 15 cities, mutual fund, investment

INTRODUCTION

In India, ELSS funds are tax-saving mutual funds that provide tax benefits under Section 80C of the Income Tax Act. [1]. These funds have a three-year lock-in period and invest largely in equities and equity-related securities [2]. The T-15 cities account for 87% of the nation's total AUM. Kumar (2016) discovered that the top five cities (Mumbai, Delhi, Chennai, Kolkata, and Bangalore) provide 85% of total AUM at the T-15 level, or 74% of overall AUM in the country [3]. The top 15 cities account for 87% of all assets managed by mutual fund companies in the country [4].

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Following are the considerable factors while comparing ELSS funds:

- **Fund Performance:** Evaluate the historical performance of ELSS funds. Compare their returns across various time periods, such as one year, three years, or five years. Compare the performance against benchmark indices and peer funds also [5].
- **Fund House Reputation:** Consider the history of strong performance, experienced fund managers and consistent investment strategies [6].
- **Cost Ratio:** Examine the expenditure ratios of several ELSS funds. Lower expenditure ratios can boost total returns since they lower the cost of investment.

- **Risk Profile:** Evaluate the fund's volatility, portfolio diversification and assess the risk profile of the ELSS funds and exposure to different sectors and market capitalizations. When comparing funds, keep your risk tolerance and investing goals in mind [7].
- **Asset under Management (AUM):** Consider the size of the AUM and larger AUM generally indicates investor confidence and the fund's ability to manage investments effectively.

LITERATURE REVIEW

The Indian mutual fund industry provides a diverse range of mutual fund (MF) products for investors of all income levels [8]. Empirical studies suggest that characteristics of funds such as age, fund size and, management fee of fund have influence on performance of the fund. These fund characteristics have impact on the investor's decision making of mutual funds. The lack of investor awareness and financial sophistication among investors outside of T-15 cities was an important point of concern [9]. study found that in comparison to the market return, the tax-saving mutual fund schemes in the private sector have outperformed. However, the public sector's tax-saving mutual fund schemes didn't perform well [10].

Objective of the study

The prime aim of the study is to a compare the return, risk and asset under management of selected ELSS mutual funds in T15 cities and B15 cities.

RESEARCH METHODOLOGY

The study's sample consists of the 17 equity linked saving schemes under the open-ended equity oriented funds with a growth option of direct plan. The study period consist from April 2015 to March 2018. To prepare the dataset, monthly data of average asset under management (AAUM) and net asset value (NAV) is taken to measure fund's return and fund's risk. The sample data was gathered from the Association of Mutual Funds in India and Asset Management Companies of India websites. To calculate risk of funds standard deviation was used.

Analysis

Interpretation of Table 1

In the Top 15 cities segment, several funds have demonstrated consistent growth over the years, with notable returns in 2017 and 2018. Axis Long Term Equity Fund, Franklin India tax shield, HDFC TaxSaver, and Reliance Tax Saver Fund are a few examples. These funds have shown the potential for generating significant returns within the specified time period. Some funds have displayed moderate growth, with gradual increases in returns over the years. This category includes Birla Sun Life Capital Tax Relief '96, HDFC Long Term Advantage Fund, ICICI Tax Plan, SBI Magnum Tax Gain Scheme, and Sundaram Tax Saver. While these funds may not have achieved the same level of returns as the top-performing funds, they still offer steady growth potential. Certain funds have shown limited growth, with relatively lower returns compared to their counterparts. Examples include Birla Sun Life Tax Plan, BNP Paribas Tax Advantage Plan, BOI Axa Tax Advantage, and Kotak Tax Saver Scheme. These funds may be considered for investors who prioritize stability over high growth potential.

Table 1. Fund's average asset under management.

ELSS Fund (Direct Plan)	2015	2016	2017	2018
	T15 Cities	*T15 Cities*	*T15 Cities*	*T15 Cities*
Axis Long Term Equity Fund	72.37	215.34	441.74	659.96
Birla Sun Life Capital Tax Relief '96	17.43	35.35	101.08	244.56
Birla Sun Life Tax Plan	2.61	6.80	17.42	34.23
Bnp Paribas Tax Advantage Plan	2.03	3.18	5.38	6.28
Boi Axa Tax Advantage	1.24	1.33	1.96	6.37
Dspbr Tax Saver Fund	8.44	14.04	111.03	255.32

Franklin India Tax shield	42.36	81.75	152.35	201.45
Hdfc Long Term Advantage Fund	20.40	26.94	45.97	62.52
HDFC TaxSaver	91.60	119.27	200.89	248.37
ICICI Tax Plan	50.59	78.23	140.20	173.64
IDFC Tax Advantage (ELSS) Fund	5.69	9.79	15.94	70.06
Kotak Tax Saver Scheme	1.85	3.06	6.78	12.47
L&T Tax Advantage Fund	20.27	26.52	42.11	74.80
Reliance Tax Saver Fund	85.47	117.54	227.00	320.11
Religare Invesco Tax Plan	2.48	5.39	9.80	13.83
SBI Magnum Tax Gain Scheme	50.55	70.54	112.04	148.18
Sundaram Tax Saver	8.16	10.99	19.78	28.97

Source: *Authors' Calculation*

Interpretation of Table 2

Among the ELSS funds in B15 cities, several funds have demonstrated consistent growth and generated significant returns during the specified time period. Funds such as Axis Long Term Equity Fund, DSPBR Tax Saver Fund, HDFC TaxSaver, ICICI Tax Plan, Reliance Tax Saver Fund, and SBI Magnum Tax Gain Scheme have consistently delivered notable returns, indicating their strength in capturing investment opportunities in B15 cities. Some funds have shown moderate growth, gradually increasing their returns over the years. Examples include Birla Sun Life Capital Tax Relief '96, Franklin India tax shield, HDFC Long Term Advantage Fund, L&T Tax Advantage Fund, and Sundaram Tax Saver. These funds may appeal to investors seeking relatively steady and consistent growth in B15 cities. Certain ELSS funds in B15 cities have displayed limited growth, with relatively lower returns compared to their counterparts. Birla Sun Life Tax Plan, BNP Paribas Tax Advantage Plan, BOI Axa Tax Advantage, Kotak Tax Saver Scheme, and Religare Invesco Tax Plan fall into this category. These funds may be more suitable for investors who prioritize stability and are willing to accept lower potential returns.

Table 2. Fund's average asset under management.

ELSS Fund (Direct Plan)	**2015**	**2016**	**2017**	**2018**
	B15 Cities	***B15 Cities***	***B15 Cities***	***B15 Cities***
Axis Long Term Equity Fund	33.10	130.22	274.61	448.42
Birla Sun Life Capital Tax Relief '96	14.00	27.82	80.64	212.73
Birla Sun Life Tax Plan	1.80	4.40	11.91	25.48
Bnp Paribas Tax Advantage Plan	0.59	0.94	1.66	2.04
Boi Axa Tax Advantage	0.69	0.75	1.34	6.35
Dspbr Tax Saver Fund	4.46	7.13	68.91	179.71
Franklin India tax shield	22.02	46.63	92.20	124.08
HDFC Long Term Advantage Fund	12.49	16.72	28.57	38.41
HDFC TaxSaver	63.90	86.84	152.35	195.18
ICICI Tax Plan	37.52	60.14	111.45	144.18
IDFC Tax Advantage (ELSS) Fund	3.69	6.87	11.56	56.04
Kotak Tax Saver Scheme	1.23	2.28	6.05	11.55
L&T Tax Advantage Fund	7.36	9.45	15.32	37.57
Reliance Tax Saver Fund	59.43	88.41	175.25	270.56
Religare Invesco Tax Plan	1.79	4.04	7.65	10.71
SBI Magnum Tax Gain Scheme	39.12	57.91	97.83	141.87
Sundaram Tax Saver	4.54	6.87	13.24	19.88

Source: *Authors' Calculation.*

Interpretation of Table 3

The provided data presents the returns and risks associated with ELSS funds (Direct Plan) for the years 2015 to 2018. Analyzing the findings, several observations can be made regarding the performance and risk levels of these funds. In terms of returns, most of the ELSS funds have shown positive performance throughout the four-year period Axis Long Term Equity Fund, Birla Sun Life Capital Tax Relief '96, Birla Sun Life Tax Plan, BNP Paribas Tax Advantage Plan, DSPBR Tax Saver Fund, Franklin Long Term Equity Fund, Franklin Long Term Equity Fund India tax shield, ICICI Tax Plan, IDFC Tax Advantage (ELSS) Fund, Kotak Tax Saver Scheme, L&T Tax Advantage Fund, Reliance Tax Saver Fund, Religare Invesco Tax Plan, SBI Magnum Tax Gain Scheme, and Sundaram Tax Saver have all generated positive returns. However, it is essential to recognize the hazards involved. Risk levels vary across the funds, as indicated by the provided risk values. While all investments entail some amount of risk, investors should evaluate the risk-return tradeoff and choose funds that match their risk tolerance. Certain funds have displayed relatively lower risks compared to others, such as Axis Long Term Equity Fund, Birla Sun Life Capital Tax Relief '96, Birla Sun Life Tax Plan, Franklin India tax shield, Hdfc Long Term Advantage Fund, Icici Tax Plan, Religare Invesco Tax Plan, and Sundaram Tax Saver. These funds have maintained a balance between returns and risks, making them potentially suitable for risk-conscious investors. On the other hand, funds like Boi Axa Tax Advantage, HDFC Taxsaver, IDFC Tax Advantage (ELSS) Fund, Kotak Tax Saver Scheme, and Reliance Tax Saver Fund have demonstrated comparatively higher risks. These funds may appeal to investors seeking potentially higher returns but who are willing to accept a greater level of risk.

Table 3. Fund's return and risk analysis.

ELSS Fund (Direct Plan)	**2015**		**2016**		**2017**		**2018**	
	Return	***Risk***	***Return***	***Risk***	***Return***	***Risk***	***Return***	***Risk***
Axis Long Term Equity Fund	0.66	2.92	-0.07	2.69	0.16	3.12	0.22	2.10
Birla Sun Life Capital Tax Relief '96	0.61	2.97	-0.07	3.21	0.18	3.11	0.26	2.35
Birla Sun Life Tax Plan	0.59	2.96	-0.07	3.15	0.18	3.04	0.26	2.37
Bnp Paribas Tax Advantage Plan	0.56	3.06	-0.09	3.59	0.11	3.49	0.20	2.78
Boi Axa Tax Advantage	0.46	2.88	-0.10	3.23	0.18	3.83	0.35	3.12
Dspbr Tax Saver Fund	0.50	3.59	-0.06	3.64	0.27	3.29	0.18	2.32
Franklin India tax shield	0.54	2.61	-0.05	3.20	0.17	2.76	0.14	1.80
Hdfc Long Term Advantage Fund	0.34	3.36	-0.09	3.47	0.26	2.60	0.21	2.26
HDFC Taxsaver	0.43	4.41	-0.15	4.20	0.28	2.85	0.18	2.73
ICICI Tax Plan	0.45	3.67	-0.07	3.00	0.23	3.05	0.13	2.04
IDFC Tax Advantage (ELSS) Fund	0.56	2.98	-0.12	3.39	0.23	3.40	0.32	2.57
Kotak Tax Saver Scheme	0.59	3.12	-0.09	3.63	0.27	3.38	0.14	2.35
L&T Tax Advantage Fund	0.42	3.04	-0.07	3.58	0.26	2.97	0.25	2.68
Reliance Tax Saver Fund	0.72	4.53	-0.14	4.26	0.24	3.19	0.22	3.15
Religare Invesco Tax Plan	0.59	2.76	-0.07	3.41	0.20	2.88	0.22	2.01
SBI Magnum Tax Gain Scheme	0.48	3.35	-0.10	3.52	0.17	2.97	0.17	2.51
Sundaram Tax Saver	0.44	3.30	-0.08	4.12	0.25	3.76	0.18	2.40

Source: *Authors' Calculation*

RESTRICTIONS OF THE STUDY

The selection of schemes for the research is a tough undertaking since each selected category has a large range of plans. As a result, the analysis is limited to asset management organizations' selected plans.

CONCLUSIONS

There are few reviews in this topic, and the mutual fund sector is currently a popular research area for finance scholars. The researcher has concentrated primarily on top schemes in this study so that the results may be presented to existing and future mutual fund investors, as it is a psychological belief that investors focus on top schemes. The study's findings are limited to the market's current situation., Because the Indian market is so volatile, future elements of mutual funds may alter significantly from those studied.

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