Performance analysis of Public Sector Banks of Equity Linked Savings Scheme (ELSS)

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Abstract: This research article "Performance analysis of public sector banks of Equity Linked Savings Scheme (ELSS)," main objective is to analyze the ELSS and to suggest investors on mutual fund investment. For the performance analysis all the 05 public sector banks are considered, and they are Bank of Baroda (BOB), Bank of India (BOI), Canara Bank, State Bank of India (SBI) and Union Bank of India. Secondary data is used for analysis and collected from the respective websites of the public sector banks and Association of Mutual Funds in India (AMFI). Simple Average, Standard Deviation (SD) and Coefficient of Variance (CV) are the main tools used for the analysis. The study finds a high average return from Canara Robeco Equity Tax Saver Fund (Direct-Growth) with low risk when compared with the other banks mutual fund schemes. Equity Linked Saving Scheme (ELSS) of different banks yielding high return with additional benefit of tax exemption under sec 80C up to 1.50 lakh when compared to other tax saving options like PPF, EPF, NSC and ULIP etc. Hence the rational investors can invest in ELSS schemes particularly by the employees of the public & private sector.
Keywords: Equity Linked Savings Scheme (ELSS), Investors, Investments, Mutual Fund Schemes, Performance and Assets under Management (AUM).

1. INTRODUCTION:

Everyone has a few financial goals for which they should have some sort of financial planning in place. The process of financial planning is one that is ongoing and will yield benefits over the long term if it is carried out with diligence and in a timely manner. Therefore, monetary objectives need to be distinctly defined, identified, prioritized, and stated, and they should be of a practical nature. The act of saving money and making investments is fundamental to the human experience. The financial goals of the future can be helped along by the savings and investments made in the present. Because it is uncertainty to know what will happen in the future, it is critical to formulate a proactive investment strategy. Savers in India have access to a diverse range of investment opportunities. The many different opportunities for financial investment include corporate securities, deposits in banks and non-banks, mutual fund schemes, deposits at post offices, government, and semi-government securities, and many more. There are some of them that can be put on the marketable, while others of them cannot be put on the marketable. Some of them come with a very high degree of danger. The investor must pick the right opportunities out of all of them based on his individual preferences, requirements, and tolerance for risk. Mutual funds are a type of investment vehicle that pools the capital of multiple investors and invests it in the financial markets in a manner that is consistent with the goals outlined in the fund's prospectus. The advantages of spending money in mutual funds include diversification of resources.

One of the most popular tax saving schemes in mutual fund is ELSS. This scheme provides dual benefits like more returns and tax benefits.

2. LITERATURE REVIEW

Garg and Gupta (2014)1 stated that a ground-breaking financial instrument is the Equity Linked Saving Scheme (ELSS) for tax savings. They said that under section 80C, the ELSS schemes offer tax savings. Mittal and Agarwal (2015)2 paper conclude that ELSS funds are growing but they still have a very marginal share of the Indian mutual fund market. Private sector mutual funds are found to be better than public sector mutual funds. HDFC tax savers and Birla sun life tax relief so on are some of the schemes that have been found to be successful in different perspectives. Sharma (2015)3 study found that the mutual fund's output is typically determined by risk and return. ELSS has proved that they are beneficial for small investors, particularly for tax benefits. Customer satisfaction led to ELSS purchase and repurchase. Kumar and Adhikary (2015)4 analyzed the performance of five tax savings schemes for a ten-year period (2004-05 to 2013-14). ELSS fund's net asset value was compared to the benchmark index. The study showed that private sector mutual funds are performed very well, and the public sector mutual fund tax saving schemes was not satisfactory. HDFC Tax Saver has the higher return in the private sector, with more risk and more volatile. It was noted that, the private sector was performed well while the public sector was not able to perform well in the market. Mohanasundari, et. al (2016)5 the investments in tax saving mutual funds was discussed in this paper. When measured against the S&P Sensex and the Nifty, the performance of the tax saving mutual funds are unsatisfactory. It has been discovered that equity funds have the potential for higher returns over the longer term. Liquidity, rate of return, and tax benefits are some of the most important aspects that play a role in the decision-making process regarding investments. It has also been stated that investors do not favor ELSS at the present time due to their underperformance. This is even though ELSS have been around for more than 20 years. CRISIL Research (2017)6 said that CRISIL-AMFI ELSS Fund Performance index) gave returns of 25% p.a. on average, in the three-year rolling period since June 2001 against 17% by Nifty 50 and S&P BSE Sensex over the same period.

3. **Problem Statement**

According to the Literature Review, the ELSS scheme provides numerous advantages to investors, such as a short duration (three years), a higher return than other tax saving options, and dividends, etc. The investor is eligible for a variety of benefits kike the growth of their funds, particularly public sector funds, is not satisfactory. On the other hand, the performance of private sector funds is favourable. As a result, we are interested in researching the returns of ELSS open-ended tax-saving schemes offered by public sector funds such as Bank of Baroda (BOB), Bank of India (BOI), Canara Bank, State Bank of India (SBI), and Union Bank of India Mutual Funds. To find the solution for the problem statement the objectives are framed.

1. To evaluate and analyze the performance of selected public sector banks of ELSS.
2. To offer ideas, where and when to invest to achieve tax advantages and high returns.

4. **Research Methodology**

The scientific method is an essential instrument for attaining the goals of an overall research project. The aim of this research is to evaluate the performances of returns offered by public sector banks. An ELSS that has a statutory lock-in period of 3 years and tax benefits.

4.1 Sample selection

The Association of Mutual Funds in India oversees a total of 44 different mutual funds (AMFI). In the current research, each of the five public sector banks' mutual funds has been taken into consideration. As of the month of September 2019, these financial institutions have a share average asset under management (AAUM) totaling Rs. 3,53,901.41 crores. BOB, BOI, Canara Bank, SBI, and Union Bank of India are the names of these financial institutions.

4.2 Period of study

The current study will take place over the course of three years, beginning on April 1, 2016, and ending on March 31, 2019.

4.3 Source of Data

The current research work is on Net Asset Value (NAV) information has been acquired from various sources.

4.4 Tools and Techniques Used

In this research, the methods and tools utilized for analysis include descriptive statistics such as mean, SD, and CV. Absolute returns must also be calculated based on NAV to understand growth.

1. $\text{Absolute Return} = \frac{\text{Selling price} - \text{Purchase price}}{\text{Purchase Price}} * 100$

2. $\text{Mean} = \frac{\sum X}{n}$

3. $\text{SD} = \frac{\sqrt{\sum (y - \bar{y})^2}}{n}$

4. $\text{CV} = \frac{\text{SD}}{\text{Mean}} * 100$

5. **Limitations:**

Due to time constraints, the authors of this study only used quantitative methods for analysis. Unfortunately, they were unable to carry out qualitative analysis, which would have allowed them to go in a different direction with the research. This is one of the limitations of the study. Using the qualitative research methodology would not have allowed the researcher to investigate investors' perceptions of the financial performance of ELSS offered by mutual funds. In addition, the research relies solely on secondary sources, specifically the NAV reports of various banks that offer open-ended tax savings schemes (public sector banks).

6. Performance evaluation

We evaluated how well the ELSS of the public sector mutual funds are BOB, BOI, Canara Bank, SBI, and Union Bank of India performed over the past year. Apart from BOI and BOB, all the selected open-ended tax savings plans offer two different plans: the direct plan and the regular plan. The BOI scheme includes an additional plan with the names eco plan – growth as well as eco plan – dividend. In a similar fashion, the BOB scheme has two different plans, named Plan-A and Plan-B, and each plan has three different investment options, named Growth, Dividend, and Bonus. Only those investors can participate in the Direct plan who buy or subscribe to units in a scheme directly from the mutual fund. While participants in the Regular plan can choose to make their investments through any distributer, both the Direct and the Regular plans come with the Growth and Dividend Option.

Table: 6.1

Absolute Returns based on NAV (%)

Tax Saving Funds/Plan or Options		BOI AXA Tax Advantage Fund	Canara Robeco Equity Tax Saver Fund	SBI Magnum Tax Gain Scheme	Union Long Term Equity Fund
Regular – Growth	2018-2019	-10.1542	12.5299	4.7696	4.7413
	2017-2018	27.0585	12.8616	7.4184	6.5116
	2016-2017	22.2827	18.6062	20.6860	15.6756
Regular –Dividend	2018-2019	-10.1952	3.8523	-3.8309	-0.7299
	2017-2018	-1.3868	4.4472	-2.0599	-7.5342
	2016-2017	-5.8051	9.3271	9.9811	8.2089
Direct – Growth	2018-2019	-9.1045	13.4653	5.5308	5.0000
	2017-2018	28.8325	13.7772	8.1644	7.7272
	2016-2017	24.1000	19.3636	21.4049	17.6470
Direct – Dividend	2018-2019	-9.1274	4.6630	-3.1367	5.0000
	2017-2018	13.9693	5.2163	-1.3269	7.7272
	2016-2017	23.5449	19.3349	10.6509	17.6470
Eco Plan – Growth	2018-2019	-9.4397	-	-	-
	2017-2018	15.1625	-	-	-
	2016-2017	23.1646	-	-	-
Eco Plan – Dividend	2018-2019	-29.0748	-	-	-
	2017-2018	13.5233	-	-	-
	2016-2017	-5.2264	-	-	-

Table: 6.1(a)

Absolute Returns based on NAV (%)

Baroda ELSS-96						
Year	Plan-A			Plan-B		
	Growth	Dividend	Bonus	Growth	Dividend	Bonus
2018-2019	-3.2829	-8.6282	-3.2829	-2.4671	-6.9393	-2.4671
2017-2018	7.9073	-2.9129	7.9073	9.0496	-0.1707	9.0496
2016-2017	25.7005	15.8968	25.7005	26.6282	18.0377	26.6282

Source: Secondary Data

Table 6.1 and 6.1 (a) shows absolute returns based on NAV of all banks. From the table out of different plans growth, dividend, eco plan and bonus, Growth plan is giving high returns when compared with other plans of all the banks. Between the banks all the plans of canara Robeco Equity tax saver fund giving high returns than other banks. Between growth and dividend, growth plan is giving high returns than dividend. Hence the investor can invest in canara Robeco Equity tax saver fund. All other banks are giving mixed returns. SBI Magnum Tax Gain Scheme is giving high returns in growth whereas Union Long Term Equity Fund giving high returns in dividend. BOI AXA Tax Advantage Fund is giving high returns in growth plan whereas Baroda ELSS-96 giving high returns in dividend. Hence among all the banks Canara Robeco Equity Tax Saver Fund is gave high returns compared to other banks.

Table: 6.2

Ranking of Funds based on Average Return, SD, and CV

S. No	Plans/Options	Average Returns (%)	Over all Rank	SD (%)	Over all Rank	CV (%)	Over all Rank
1	Baroda ELSS-96 Plan-A (G)	10.1083	9	11.934	15	118.0647	12
2	Baroda ELSS-96 Plan-A (D)	1.4519	16	10.477	13	721.6298	20
3	Baroda ELSS-96 Plan-A (B)	10.1083	9	11.934	15	118.0647	12
4	Baroda ELSS-96 Plan-B (G)	11.0702	6	11.964	16	108.0712	10
5	Baroda ELSS-96 Plan-B (D)	3.6425	14	10.547	14	289.5569	17
6	Baroda ELSS-96 Plan-B (B)	11.0702	6	11.964	16	108.0712	10
7	BOI AXA Tax Advantange Fund (R-G)	13.0623	4	16.532	19	126.5619	13
8	BOI AXA Tax Advantange Fund (R-D)	-5.7657	19	3.596	4	-62.0464	7
9	BOI AXA Tax Advantange Fund (D-G)	14.63093	3	18.879	20	115.5369	11
10	BOI AXA Tax Advantange Fund (D-D)	9.4622	11	13.714	17	144.932	15
11	BOI AXA Tax Advantange Fund (Eco Plan-G)	9.6291	10	13.874	18	144.0816	14
12	BOI AXA Tax Advantange Fund (Eco Plan-D)	-6.9259	20	17.432	21	-251.692	16
13	Canara Robeco Equity Tax Saver Fund (R-G)	14.6659	2	2.7099	2	19.0203	2
14	Canara Robeco Equity Tax Saver Fund (R-D)	5.8755	13	2.7895	3	41.739	3
15	Canara Robeco Equity Tax Saver Fund (D-G)	15.5353	1	2.4526	1	17.4438	1
16	Canara Robeco Equity Tax Saver Fund (D-D)	9.738	9	6.7897	10	69.7237	9
17	SBI Magnum Tax Gain Scheme (R-G)	10.958	7	6.9632	12	63.5445	8
18	SBI Magnum Tax Gain Scheme (R-D)	1.3663	17	6.1363	8	450.0662	19
19	SBI Magnum Tax Gain Scheme (D-G)	11.7	5	6.946	11	59.3681	6
20	SBI Magnum Tax Gain Scheme (D-D)	2.6024	15	6.1177	7	296.6274	18
21	Union Long Term Equity Fund (R-G)	8.9761	12	4.972	5	53.3861	4
22	Union Long Term Equity Fund (R-D)	-0.0184	18	6.4467	9	-35036.7	21
23	Union Long Term Equity Fund (D-G)	10.1247	8	5.4343	6	53.6737	5
24	Union Long Term Equity Fund (D-D)	10.1247	8	5.4343	6	53.6737	5

Table 6.2 we can observe that Canara Robeco Equity Tax Saver Fund (D-G) stood first with average return of (15.53 percent) with low risk (2.45 percent) and Volatility also low (17.44 percent). BOI AXA Tax Advantage Fund (Eco Plan-Dividend) has secured low rank with average return of (-6.92 percent) with risk (17.43 percent) and CV is (-251.692 percent). It is also found that Canara Robeco Equity Tax Saver Fund (R-G) also giving high average return of (14.66 percent) with low risk (2.70 percent) with CV (19.02 percent). Canara Robeco Equity Tax Saver Fund (R-D) giving low average returns of (5.87 percent) with low risk (2.78 percent) and with high volatility (41.73 Percent). BOI AXA Tax Advantage Fund (D-G) is giving hi gh average return of (14.63 percent) but risk (18.87 percent) and with CV (115.53 percent). SBI Magnum Tax Gain Scheme (D-G), SBI Magnum Tax Gain Scheme (R-G) giving high average returns of (11.7 percent and 10.95 percent) respectively with low risk (6.94 percent and 6.96 percent) respectively with moderate CV (59.36 percent and 63.54 percent) respectively. Union Long Term Equity Fund giving moderate average return of (10.12 percent) with low risk (5.43 percent) with moderate CV (53.67 percent). Baroda ELSS-96 (A-G) and (B-G) also giving moderate average return of (10.10 percent and 11.07 percent) respectively with high risk (11.93 percent and 11.96 percent) respectively and more CV (118.06 percent and 108.07 percent) respectively. Hence by different plans of selected banks by using ranking method Canara Robeco Equity Tax Saver Fund are giving more returns to investors.

8. Suggestions

1. The public sector banks mutual funds providing high returns with low risk and volatility also low. Hence for small, risk averse and tax benefits investor in investment in public sector banks mutual funds is another avenue.
2. In general among the public sector banks mutual funds Canara Robeco Equity Tax Saver Fund is giving more returns with low risk. Particularly Canara Robeco Equity Tax Saver Fund (D-G) is giving more average returns with low risk and volatility also low. Hence investor can invest in Canara Robeco Equity Tax Saver Fund (D-G).
3. For employees those who are working in both private and public sector, since public sector mutual funds also giving high return and dividends, they can invest in public sector mutual funds.
4. When associated with other tax saving schemes of public sector under sec 80C such as PPF, NSC, EPF, other tax Saving options and so on, mutual funds of public sector are giving high returns.

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