

## Performance Evolution of Equity Linked Saving Scheme Funds - A Cue for Investment Decision

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**ABSTRACT:** Mutual funds in India, particularly Equity Linked Saving Schemes (ELSS), have witnessed remarkable growth and have become pivotal players in the Indian capital market. This research paper aims to assess the performance of the top six ELSS schemes offered by different mutual funds in India. By employing various analytical tools like Beta, Risk adjusted measures, Sortino ratio, Coefficient of determination ( $R^2$ ). This study endeavors with valuable insights to deliver the investors for the selection of suitable ELSS funds aligned with the individual's investment objectives. The study tells that the majority of ELSS funds have exhibited strong performance under metrics, consistently delivering appreciable returns.

**KEYWORDS:** ELSS Funds, Risk adjusted measures, Sortino Ratio, Beta, Coefficient of Determination, Average Return.

### INTRODUCTION

Savings can be distributed in a number of ways, such as deposited in a bank, building society or used to acquire assets, including financial assets such as shares and debt securities and physical assets such as property and gold. Investing in stocks or shares has emerged as a profitable option to get higher returns, although it comes with risks such as ignorance of stocks and market sentiment. To reduce these risks, mutual funds have become the most popular way to invest savings in shares, offering lower risk due to professional fund management.

The income drives from the investment fund is distributed among the unit owners as per their holding pattern. The Indian investment sector continues to evolve, offering versatility and expert management. Each ELSS fund scheme is guided by its unique investment objective, dominant asset allocation and investment strategy. The Mutual Fund portfolio is structured and maintained to meet the investment objective of Prospectus. They separate fund assets and try to generate capital gains or income for fund investors. The overall size of the Indian MF Industry has grown from ₹ 8.26 trillion as on 31st December 2013 to ₹ 50.78 trillion as on 31st December 2023, more than 6 fold increase in a span of 10 years. The number of investor folios has gone up from 8.03 Cr. folios as on 31-Dec-2018 to 16.49 Cr. as on 31-Dec-2023, more than 2 fold increase in a span of 5 years.

Tax planning is important for taxpayers whose goal is to reduce their tax liability on various income and capital gains.

As per Section 80 C of the Income Tax Act, 1961 allows the tax payers to exempt the tax up to Rs.1,50,000 per financial year by investing in eligible instruments, including Equity Linked Savings Schemes (ELSS). ELSS funds invest in stocks of various industries and market values to achieve attractive returns. Like equity funds, their performance depends on the price movement of the invested shares and the general market. ELSS fund has a lock-in period of 3 years from the date of investment. It is suitable for high risk profile investors as ELSS returns fluctuate with the stock market and there is no fixed return. ELSS schemes are open-ended scheme which means schemes are open till the end forever and can register here on working days. NAV or bottom price is reported every business day. There were following options when investing in ELSS:

- Growth option – In growth option, the income earned from the fund is not distributed to unit holders. Investors will not earn dividends; instead, the fund's return/profit is reflected in the net worth (NAV increases). When the investor sells their holdings, they realizes a long-term capital gain/loss.
- Dividend option - in this option, the fund distributes the income drives from the fund to investors in the form of dividends. However, if the fund's return is negative, it does not pay dividends. Tax implications of dividend is not taxable in the account of investors.
- Dividend reinvestment option - If the investor chooses this option, the distributed dividends will be reinvested in the same fund on behalf of investors, which would increase the unit of shareholding.

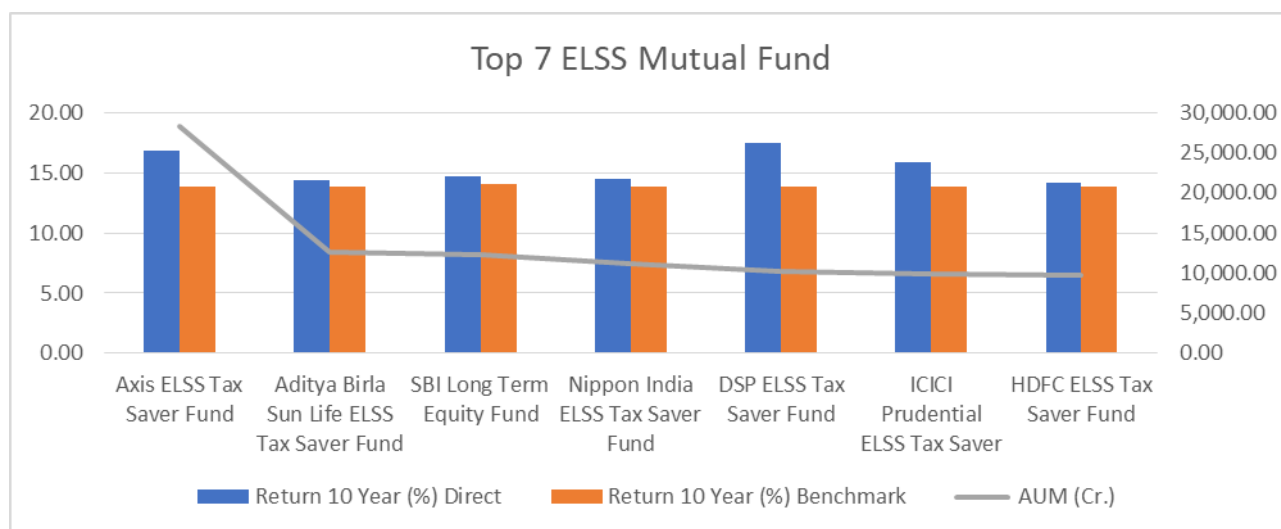


Figure 1 Top 7 ELSS Mutual Fund.

Source: AMFI

### OBJECTIVE OF THE STUDY

Present study aims to evaluate the ELSS fund performance with risk-adjusted measures with its benchmark based on fund size year-on-year basis for 5 years from 01.04.2018 to 31.03.2023, to suggest best investment avenue for investors. Hypotheses of the study is relationship between the performance of ELSS funds with its benchmark index, the size of the fund and with risk-adjusted measures.

### RESEARCH DESIGN

The research tools for evaluating the funds are Sharpe Ratio for evaluating risk-adjusted returns, Treynor Ratio for measuring returns per unit of market risk, Jensen alpha measures the excess returns relative to expected return, Sortino Ratio considers the downside risks, Standard deviation quantifies the dispersion of returns, Beta indicates the sensitivity of an investment to market movements, and Coefficient of determination indicates the dependency of fund return by benchmark the independent variables.

### SCOPE OF THE STUDY

This study evaluates the growth of six investment equity-linked savings systems (ELSS). ELSS fund uses NIFTY 500 TRI index as its benchmark. Key aspects that will be explored includes

- ✓ Progress of the Industry and Investor confidence.
- ✓ Tax planning and Accounting Significance.
- ✓ Asset allocation and aggressiveness.
- ✓ Benchmarking with NIFTY 500 Index.

### SAMPLING SIZE

This study the performance evaluation of ELSS Mutual funds is a descriptive type of research. The paper covers the sample of five years of data spanning from 1 April 2018 to 31 March 2023. The study incorporates a pool of the 6 open-ended tax-saving Equity Linked Saving Schemes. The selected companies have earned return for more than 10 years and having AUM of greater than or equal to the average of AUM 5166.46 Cr. All the selected schemes were under DIRECT PLAN- GROWTH option. The companies encompassed for the study are provided as follows along with its NAV & AUM as on 31.03.2023.

Table 1 Selected Scheme with NAV and AUM as on 31.03.2023

SCHEME NAME	NAV (Rs.)	AUM (Cr.)
Aditya Birla Sun Life ELSS Tax Saver Fund	42.21	12,630.50
Axis ELSS Tax Saver Fund	67.55	28,276.34
DSP ELSS Tax Saver Fund	87.19	10,178.52
HDFC ELSS Tax Saver Fund	849.28	9,814.85
ICICI Prudential ELSS Tax Saver	631.87	9,835.36
Nippon India ELSS Tax Saver Fund	83.44	11,157.56

Source: AMFI

## SECONDARY DATA ANALYSIS

Sampling method used for the study is secondary data analysis. The secondary data used different data from various websites including AMFI, FBIL, and NSE Indices. NIFTY 500 TRI has been taken from NSE Indices for performance evaluation of various schemes, which are used as benchmark by the ELSS funds. Risk free Rate (Rf) has been taken from FBIL – Overnight MIBOR rates of respective year end, for evaluating the portfolio performance.

## LITERATURE REVIEW

Perception:

**Inderjit Kaur (2018)** found that the investor's behavior towards mutual fund is influenced by the perception and knowledge of investor's previous experience in the investment. **Alpesh Chandulal Gajera, et al (2020)**, stated that lump sum investment is better option than Systematic Investment Plan [SIP] because lump sum investment have higher return than SIP having same level of risk. **Divya Mittal (2020)**, identified that the awareness of mutual fund industry has become so high, it acts as best investment form these days and it suits for the common person/ salaried person to invest their savings at regular intervals.

Fund comparison:

**Joy Chakraborty, Ishani Roy and Arkaprabha Das (2019)**, concluded that the public sector fund had played superior performance of managing risk-return than private sector fund. **Gurmeet Singh and Lakshmi Padmakumari (2019)**, in their study examined that the MNC funds have significant relevance in the stock market participation and it performs better than market and other type of mutual funds in India. **Vinay Kumar (2019)**, concluded that the underrated mutual fund schemes generate good return where it is very volatile in nature whereas high rated mutual fund schemes generate little lower than other scheme but are stable in nature. **CA Jyoti J Patel (2020)**, described that the ELSS fund performed in high volatile market very well than low or moderate performing market. **Woraphon Wattanatorna, et al (2020)**, concluded that the funds schemes banking sector related mutual fund have liquidity timing ability and supporting information that was utilized superior information got from affiliated banks.

Portfolio construction:

**Inderjit Kaur, C P Gupta and K P Kaushik (2019)**, in their study said that the dynamic risk strategy have negative impact on mutual funds but has greater influence of mutual fund having positive performance. **Sumant Wachasundar (2019)**, in their research stated that in the ever-evolving market situation an investor while choosing wise option in the investment avenue, debt fund could not be ignored. **Hamdan, R. S. A. (2020)**, in their study investigated that the study has discussed about global crisis which affected the mutual fund

industry. It concluded that some funds have outperformed their benchmark, some underperformed and some funds could not able to perform in the market yields lower risk. On an average it is the manager's capability to earn higher or lower income and maintaining liquidity.

ELSS:

**Ashok panigrahi, et al (2020)**, in their analysis concluded that creating awareness about the advantage of getting tax benefit by investing in long-term funds, ELSS became a significant segment scheme in the growing industry. **K. Venkata Rami Reddy, Prof. A. Sreeram (2020)**, in their analysis described that the ELSS funds outperforms the market indexes in average returns and have aggressive relationship with market. **Neha Sharma, Dr. Ritika Moolchandani (2020)**, in their analysis concluded that ELSS fund was best tax saving alternative under section 80C, where ELSS fund over performed than other tax saving alternatives FD, NPS, PPF, LIC.,

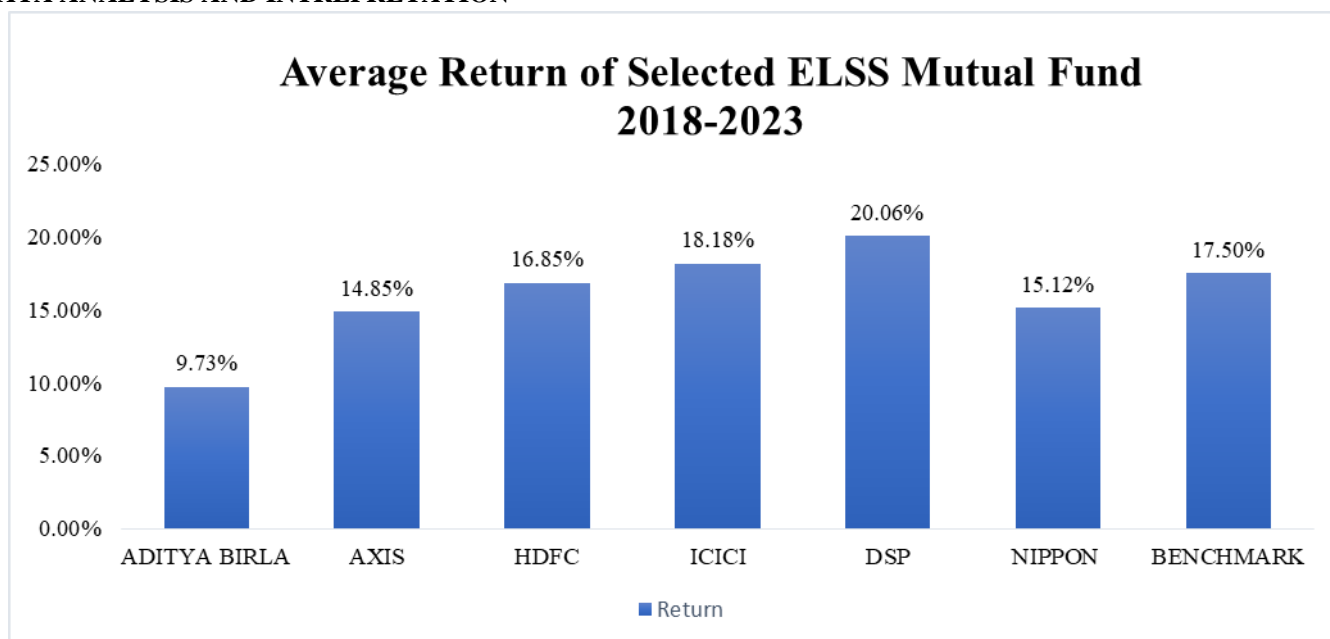
Performance Metrics:

**Shivam Tripathi (2020)**, suggested that usage of performance metrics, considering NAV and Total Return would assist the study of consistent performance of a mutual funds. **Vibhav Pratap, (2020)**, examined the fund performance where the selected mutual fund exceeded the market indexes by comparing it with the metrics risk adjusted measures. The over performance was due to efficient fund management by fund manager. **Tripathi.S., Japee.D.G. (2020)**, in their analysis stated that investor should consider fund's risk ratios before investing even though ELSS performs well in high volatile market. **Isha Roy Choudhary, Prof. Paheli Nigam, Prof. Ahmed Sayyed (2020)**, concluded that before investing investors should measure the fund's performance under different risk adjusted measures and beta which is helpful in assisting risk-adjusted performance.

Mutual Fund:

**Umi Widyastuti et al (2020)**, concluded that Sharia has played the role and have authority of a custodian bank for the entire Sharia mutual funds. This mutual fund follows the Islamic Principles were margin trading, short selling, hoarding and insider trading are prohibited because they laws includes non-interest transaction, providing halal products, no uncertainty, no element of gambling. **Saloni Chauhan, Dr. Suresh Kataria, Dr. Rakesh Dhand (2020)**, in the Analysis stated that non-disclosure of the information by AMFI, certain facts which are failed to discover by audit committee. The incomplete information of investment objective, regarding pricing, performance record, redemption provision, clearly in their advertisements regarding risk attached to it. **Zhang, Y. (2020)**, in their study of investigated that how mutual fund had perform exit decision in the U.S market and UK market. The study examined while during non-financial crisis why worse performing funds have not re-organized or removed.

**DATA ANALYSIS AND INTREPRETATION**



**Figure 2 Average Return of selected ELSS Fund**  
Source: AMFI

The Figure 2 Average Return of selected ELSS Fund compared with its common benchmark NIFTY 500 for the period of 5 years (01.04.2018 – 31.03.2023).ICICI Prudential ELSS tax saver fund and DSP ELSS tax saver fund have outperformed the benchmark by earning returns more than 17.50%. HDFC ELSS tax saver fund has underperformed the

benchmark with less than 0.65%. Axis ELSS tax saver fund and Nippon India ELSS tax saver fund has underperformed compared to benchmark with difference of 2.38 - 2.65%. Aditya Birla Sun Life ELSS tax saver fund has performed low compared to all other funds.

Table 2 Aditya Birla Sun Life Tax Saver Fund

ADITYA BIRLA SUN LIFE TAX SAVER FUND					
YEAR	2018-19	2019-20	2020-21	2021-22	2022-23
Sharpe Ratio	-3.9750	-15.4092	-3.1385	-4.3588	-9.9845
Treynor Ratio	-0.0351	-0.2626	-0.0431	-0.0459	-0.0953
Jensen Alpha	-0.0217	0.0320	-0.0066	-0.0059	-0.0142
Sortino Ratio	-0.9968	-0.9557	-0.9473	-0.9746	-0.9951
Beta	0.8045	0.8897	0.8121	0.8492	0.8177

Table 3 Value as on 31 Mar 2023.

AUM (In Cr.)	NAV
Rs.12,630.50	Rs. 42.21

Source: AMFI

The Table 2 Aditya Birla Sun Life Tax Saver Fund provides the information regarding the performance for the period 2018-2023 are as follows:

The investment showed the negative Sharpe Ratio which indicates that it is not generating yield more than risk-free rate, which results in incurring losses. The period of the study shows that Aditya Birla’s Sharpe ratio was negatively fluctuating indicating lack of measure of deviations..

The investment showed the negative Treynor Ratio which indicates that it is not generating more than accepted level of risk, which indicates that company not analyzed external factors and market condition.

The investment showed the negative Jensen Alpha which indicates that fund is underperforming, which shows the wrong prediction of fund manager. The fund does not generate adequate returns to compensate for the risk taken.

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The investment showed negative Sortino Ratio which indicates downside risk, where already stated in the Sharpe ratio, it does not measure deviations.

The investment’s beta which is popularly known as unsystematic risk, which measures the volatility comparative to the market. Beta higher than one indicates higher volatility whereas beta less than one indicates lower volatility. Aditya Birla’s beta values are consistently below the 1, indicating that it’s less volatile than the market.

Aditya Birla’s performance over the given years were consistently poor in terms of risk-adjusted returns, Sortino ratio also suggests downside risk were not managed effectively. Its investments tends to lower volatility than the market, as beta consistently below 1. Overall, Aditya Birla Sun Life ELSS tax saver fund has strong correlation with market return and it is influenced by the market conditions which have greater impact on their performance.

**Table 4 Axis ELSS Tax Saver Fund**

AXIS ELSS TAX SAVER FUND					
YEAR	2018-19	2019-20	2020-21	2021-22	2022-23
Sharpe Ratio	2.1177	-8.6784	51.0646	9.8973	-18.7948
Treynor Ratio	0.0192	-0.1493	0.6931	0.1061	-0.1912
Jensen Alpha	0.0248	0.1371	-0.1281	-0.0637	-0.0846
Sortino Ratio	-0.9957	-0.9541	-0.9329	-0.9652	-0.9923
Beta	0.8973	0.8906	0.9381	0.9743	0.9581

**Table 5 Value as on 31 Mar 2023.**

AUM (In Cr.)	NAV
Rs.28,276.34	Rs.67.55

Source: AMFI

The **Error! Reference source not found.** provides the information regarding the performance for the period 2018-2023 are as follows:

The sharpe ratio indicates better risk-adjusted performance. In this, case the fund performed exceptionally well in the year 2020-21 where it earns higher returns relative to the level of risk and in subsequent years it was negative, suggesting average risk-adjusted performance.

Treynor ratio indicates the excess return per unit of beta. In this case, a positive ratio signifies that fund has generated returns higher than that of market risk of risk-free rate. The fund had positive ratio in all years except in 2019-20 indicating, excess of risk is associated with the market.

Jensen Alpha measures the risk-adjusted excess return of fund relative to its expected return based on beta. In this case,

the fund has outperformed in 2018-19 and 2019-20. Unexpected event are not well managed by the company.

Sortino ratio indicates the risk-adjusted measures indicating only the downside risk (negative returns). In this case, Sortino ratios were negative in all the years, indicating the poor downside risk management.

Beta measures the volatility of the fund returns with respect to market returns. In this case, the fund’s beta is fluctuates slightly around 1 over the years, indicating a moderate correlation with market movements.

Axis ELSS tax saver fund exhibited a strong performance in these years. As the fund has moderate correlation with market movements, it manages its beta in all over the years. Before investing into the fund, investor should consider the metrics with fund’s objective and risk appetite when evaluating fund performance.

**Table 6 DSP ELSS Tax Saver Fund**

DSP ELSS TAX SAVER FUND					
YEAR	2018-19	2019-20	2020-21	2021-22	2022-23
Sharpe Ratio	1.9341	-15.8618	62.0236	21.6503	-6.7292
Treynor Ratio	0.0161	-0.2666	0.8185	0.2235	-0.0642
Jensen Alpha	0.0249	0.0349	-0.0108	0.0496	0.0346
Sortino Ratio	0.9953	0.9512	0.9328	0.9683	0.9940
Beta	1.0276	0.9516	0.9731	0.9524	0.8956

**Table 7 Value as on 31 Mar 2023.**

<b>AUM (In Cr.)</b>	<b>NAV</b>
Rs.10,178.52	Rs.87.19

**Source: AMFI**

Table 6 DSP ELSS Tax **Saver Fund** shows the performance for the past 5 years, which indicates the following:

The fund exhibited exceptionally good risk-adjusted returns during the year 2020-21 and 2021-22. However, it experienced negative Sharpe in 2019-20 and 2022-23, which indicates the subpar of risk-adjusted performance during those periods.

Despite the fluctuations, the fund had provided normally good returns, as it is found by positive Treynor Ratio.

The fund displayed a positive Jensen Alpha in most years, suggesting that fund had outperformed relative to expected returns based on systematic risk. Which indicates the predictions of fund manager yields goods returns except in 2020-21.

The fund consist of positive Sortino Ratio indicated, it effectively manages the downside risk throughout the years, suggesting that the fund mitigated the negative returns effectively.

The fund’s beta was around 1 over the years, indicating a moderate correlation with the market sentiments and economic conditions.

Overall, the DSP ELSS Tax Saver Fund exhibited strong performance in terms of risk-adjusted returns, particularly during the period of 2020-21 and 2021-22. Also, it demonstrated an effectiveness in managing a downside risk which reflected in its positive Sortino Ratios. While there were fluctuations in performance metrics, the fund generally provided a higher returns than the risk-free rate per unit of systematic or market risk. Fund has moderate correlations with market movements.

**Table 8 ICICI Prudential ELSS Tax Saver Fund**

<b>ICICI PRUDENTIAL ELSS TAX SAVER FUND</b>					
<b>YEAR</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Sharpe Ratio</b>	2.3176	-18.9844	60.5440	22.7391	-10.3515
<b>Treynor Ratio</b>	0.0201	-0.3246	0.8063	0.2324	-0.0989
<b>Jensen Alpha</b>	0.0250	-0.0194	-0.0223	0.0573	0.0036
<b>Sortino Ratio</b>	-0.9962	-0.9543	-0.9331	-0.9696	-0.9939
<b>Beta</b>	0.8847	0.9070	0.9525	0.9418	0.9018

**Table 9 Value as on 31 Mar 2023.**

<b>AUM (In Cr.)</b>	<b>NAV</b>
Rs.9,835.36	Rs.631.87

**Source: AMFI**

Table 8 ICICI Prudential ELSS Tax Saver Fund provides the information regarding the performance for the period 2018-2023 are as follows:

The fund outperformed in two years and underperformed in two years, which shows the fund is volatile in nature. As Sharpe ratio deals with total risk i.e., measuring the volatility the fund with returns, the fund is volatile in nature.

Unlike risk-adjusted measures, it covers only the systematic risk. The fund generally provided returns higher than that of risk-free rate with per unit of market risk, which indicates the positive Treynor Ratio in the period of study.

Fund displayed a mixed performance in terms of alpha, having positive value in 2018-19, 2021-22, 2022-23, suggesting that the fund outperformed relative to expected returns based on market risk during all those years. However, it showed a negative alpha values in 2019-20 and 2020-21,

which indicates the underperformance relative to expected returns.

The fund had negative downside risk all over the years which shows ineffective management of downside risk and the fund is struggling to mitigate the negative returns.

The fund’s beta was around 1, which shows that the fund has been fluctuated all over the years having a moderate correlation with the market conditions.

Overall, the ICICI Prudential ELSS Tax Saver Fund demonstrated a strong performance in terms of risk-adjusted returns, particularly during the years 2020-21 and 2021-22. However, it struggled with the downside risk management, as reflected in its consistently negative Sortino Ratios. While the fund showed a mixed results in Jensen Alpha, it generally provided returns higher than the risk-free rate per unit of systematic risk, as it is indicated by positive Treynor Ratios. The fund had moderate correlation with the market

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movements which shows the fund would yield moderate returns along with market changes.

**Table 10 HDFC ELSS Tax Saver Fund**

HDFC ELSS TAX SAVER FUND					
YEAR	2018-19	2019-20	2020-21	2021-22	2022-23
Sharpe Ratio	-1.8703	-20.7627	51.5148	26.5960	2.5703
Treynor Ratio	-0.0162	-0.3576	0.6845	0.2730	0.0250
Jensen Alpha	-0.0075	-0.0529	-0.1383	0.0906	0.1087
Sortino Ratio	-0.9959	-0.9478	-0.9332	-0.9723	-0.9943
Beta	0.9208	0.9724	0.9528	0.8926	0.8504

**Table 11 Value as on 31 Mar 2023.**

<b>AUM (In Cr.)</b>	<b>NAV</b>
Rs.9,814.85	Rs.849.28

Source: AMFI

Table 10 HDFC ELSS Tax Saver Fund provides the information regarding the performance for the period 2018-2023 are as follows:

The fund exhibited negative Sharpe Ratios in 2018-19 and 2019-20 indicating the poor risk-adjusted performance during those years. However, the fund showed a high risk-adjusted returns in 2020-21 and 2021-22.

The fund displayed a mixed performance of Alpha where it shows negative alpha values in 2018-19, 2019-20 and 2020-21, indicating the underperformance relative to expected returns based on systematic risk during those years. However, it showed positive alpha values in 2021-22 and 2022-23,

suggesting outperformance relative to expected returns during those periods.

The consistent negative Sortino Ratio indicates the ineffectiveness of downside risk management throughout the years, suggesting that the fund struggled to mitigate negative returns.

The fund’s beta fluctuates around 1 over the years, indicating a moderate correlation with the market conditions.

Overall, the HDFC ELSS Tax Saver Fund exhibited a mixed performance in terms of risk-adjusted returns and alpha values. While it showed exceptionally high risk-adjusted returns in certain years, it struggled with negative risk-adjusted performance and underperformance relative to the expected returns in others. The fund has moderate correlations with market movements.

**Table 12 Nippon ELSS Tax Saver Fund**

NIPPON INDIA ELSS TAX SAVER FUND					
YEAR	2018-19	2019-20	2020-21	2021-22	2022-23
Sharpe Ratio	-6.1281	-19.8503	54.4648	21.7719	-6.6425
Treynor Ratio	-0.0581	-0.3538	0.7256	0.2212	-0.0625
Jensen Alpha	-0.0576	-0.0522	-0.1055	0.0509	0.0398
Sortino Ratio	-0.9924	-0.9385	-0.9239	-0.9647	-0.9929
Beta	1.1538	1.0323	1.0137	1.0231	0.9880

**Table 13 Value as on 31 Mar 2023.**

<b>AUM (In Cr.)</b>	<b>NAV</b>
Rs.11,157.56	Rs.83.44

Source: AMFI

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The Table 12 Nippon ELSS Tax Saver Fund provides the information regarding the performance for the period 2018-2023 are as follows:

The fund exhibited a negative Sharpe ratio in 2018-19 and 2019-20 indicating poor risk-adjusted performance during those years. However, it showed exceptionally high risk-adjusted returns in 2020-21 and 2021-22, with positive Sharpe Ratios yet remained negative in 2022-23.

The fund displayed a mixed performance in Alpha. It showed negative alpha values in 2018-19, 2019-20 and 2020-21, indicating underperformance relative to expected returns based on systematic risk during those years. However, it showed positive alpha values in 2021-22 and 2022-23, suggesting outperformance relative to expected returns during those periods.

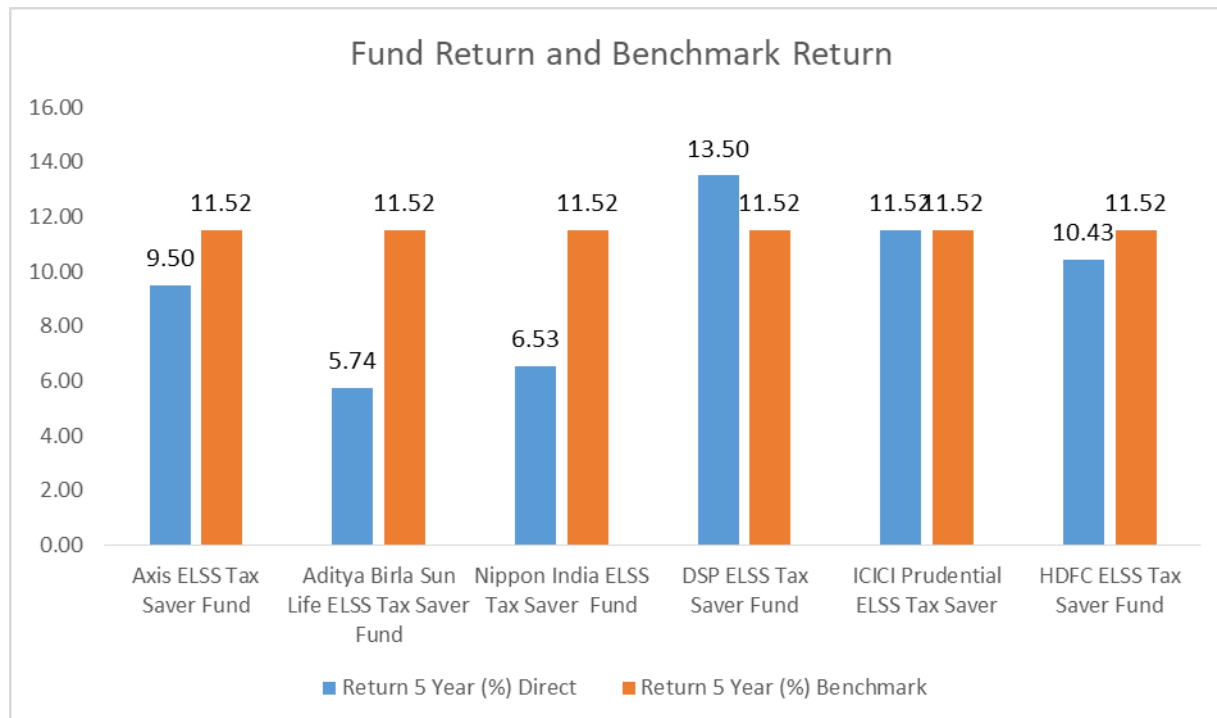
The consistent negative Sortino Ratios indicate ineffective downside risk management throughout the years, suggesting that the fund had struggled to mitigate the negative returns.

The fund’s beta fluctuates around 1 over the years, indicating a moderate to high correlation with the market sentiments and economic conditions.

Overall, the Nippon India ELSS Tax Saver Fund exhibited a mixed performance in risk-adjusted returns and alpha values. While it showed exceptionally high risk-adjusted returns in certain years, it struggles with the negative risk-adjusted performance along with the underperformance relative to expected returns in others. The fund had moderate to high correlation with the market movements which shows the fund would yield moderate to high returns along with market changes.

**Table 14 Coefficient of Determination**

COEFFICIENT OF DETERMINATION R <sup>2</sup> FOR THE PERIOD 2018-2023	
YEAR	2018-2023
Aditya Birla	0.894
Axis	0.858
Nippon India	0.888
DSP	0.942
ICICI Prudential	0.920
HDFC	0.914



**Figure 3 Fund Return and Benchmark Return**

Source: AMFI



Table 14 Coefficient of **Determination** shows the dependency of fund schemes on benchmark NIFTY 500.

DSP ELSS Tax Saver Fund has the highest R<sup>2</sup> value of 0.942. This indicates that the model used to analyze DSP's dependency on Benchmark NIFTY 500.

ICICI Prudential and HDFC have R<sup>2</sup> value of 0.92 and 0.914, suggesting that they dependent on Benchmark on the level of 92% and 91.4 %.

Aditya Birla and Nippon India have R<sup>2</sup> values of 0.894 and 0.888, shows that they followed Benchmark up to the level of 89% remaining they constructed a portfolio on their own.

Axis ELSS Tax Saver Fund has the lowest r<sup>2</sup> value of 0.858, suggesting that the AMC did not rely on benchmark for 15%. R<sup>2</sup> suggesting that a higher proportion of the variance in the dependent variable is predictable from the independent variables. Figure 3 Fund Return and Benchmark Return shows that almost all the funds have followed same pattern of investment as like benchmark NIFTY 500, but the DSP ELSS Tax Saver Fund has highest R<sup>2</sup> and Axis ELSS Tax Saver Fund has the lowest R<sup>2</sup>.

#### FINDINGS

The data were interpreted using various tables and charts presenting the study of Performance Evaluation of Equity Linked Saving Scheme (ELSS) funds. The study aims to provide insights for the investors to make informed investment decisions. Benchmark index NIFTY 500 TRI was used to compare the performance of the fund with benchmark. The findings of the study are as follows:

All the selected fund were Direct Plan-Growth, all funds have attained a growth level in five years. On an average, the performance beta indicates a close correlation with market fluctuations, resulting in high volatility among all the schemes. However, among six funds, two funds outperformed and other three funds' performance was near to benchmark and one fund had performed lower than all funds. All funds exhibits positive beta which have less than one or equal to one, indicates that funds are constructed with lower risk compared to the market. R<sup>2</sup> which are close to 1, signifying a high level of portfolio diversification. This leads to better management during economic downturns. Notably, the DSP ELSS Tax Saver Fund has exhibited 0.9 during the 5 years and other funds have around 0.9 in 2022-23. Six out of Five ELSS fund schemes show good performance when assessed using risk-adjusted measures, with that DSP ELSS Tax Saver Fund and ICICI Prudential ELSS Tax saver performing the best among them. The only fund which have positive Sortino ratio, having better movement with market is DSP ELSS Tax Saver Fund which shows that the fund has taken the downside risk measures into consideration for fund allocation.

#### SUGGESTIONS

The objective of paper is to provide a best investment option in tax saving ELSS funds to the investors who are seeking to get tax benefit from investing in ELSS Mutual Funds. Among the 6 selected funds, DSP ELSS Tax Saver Fund is best investment option because of its positive beta near 1 and in some years beta was above 1, having positive Sortino ratio, and outperformed the benchmark index and ICICI Prudential ELSS Tax Saver Fund is second best option because the fund has positive beta around 1, outperformed the benchmark index.

#### CONCLUSION

The analysis of the data indicates that the ELSS Mutual Fund Schemes have delivered attractive returns throughout the study period, made them desirable investment platform. This is prudent that from the substantial current Average Asset Under Management (AUM) of this category of funds, which stands at 81,893.13 Cr. as on 31.03.2024.

Furthermore, tax benefit associated with investing in ELSS, which allows for a income tax deductible up to Rs. 1,50,000 per financial year, which increases the application of this investment product. The research suggested that several opportunities and underscore the significance of the mutual fund industry in our economy.

The research outcomes could potentially lead to business opportunities for various sub-functions within the ELSS mutual funds ecosystem, including portfolio management service providers, fund managers who all are independent, institutions providing professional training and individuals considering a career in this field. The study also recommend that firms responsible for monitoring these funds on a daily basis allocate their assets prudently, adjusting them as needed to achieve optimal outcomes.

Moreover, encouraging the tax payers to consider investing in the ELSS and advocating for potential restructuring of Section 80C of the Income Tax Act, 1961 by the government could foster greater involvement from the tax public.

#### FUTURE SCOPE

The current study solely focuses in the six ELSS funds and their performance over a 5-year period from 01.04.2018 to 31.03.2023. There is potential for expansion by including more ELSS funds and extending the time duration. Additionally, research could broaden its scope to encompass diverse mutual fund categories, comparing results to identify distinctions. Incorporating factors such as risk related to interest, business and foreign exchange. Furthermore, utilizing additional performance ratios and diverse comparative methods could foster the further refinement and development in the analysis.

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