

A Comparative Study on Selected ELSS Mutual Fund Schemes

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Abstract- *Equity Linked Saving Schemes (ELSS) are popular tax-saving mutual fund instruments that provide investors with the dual benefit of tax deduction under Section 80C of the Income Tax Act, 1961 and potential long-term capital appreciation. This study aims to conduct a comparative analysis of selected ELSS mutual fund schemes to evaluate their performance in terms of risk and return. The analysis is based on secondary data collected from reliable sources such as AMFI, NSE, BSE, and financial websites. Various performance evaluation tools including Average Return, Standard Deviation, Beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha were used to assess the efficiency of the selected schemes. The findings reveal variations in performance among the schemes, indicating that some funds provide higher returns with increased risk, while others offer stable risk-adjusted returns. The study concludes that ELSS mutual funds are suitable for investors seeking tax benefits along with long-term wealth creation, provided the investment choice aligns with the investor's risk appetite.*

Keywords - *ELSS, Mutual Funds, Risk and Return, Performance Evaluation, Tax Saving*

I. INTRODUCTION

Mutual funds have emerged as one of the most preferred investment avenues for individual and institutional investors due to their professional management, diversification, and affordability. They pool money from various investors and invest in a diversified portfolio of securities such as equities, bonds, and money market instruments. Among the different types of mutual fund schemes available in India, Equity Linked Saving Schemes (ELSS) occupy a significant position as they combine the benefits of tax savings and wealth creation.

ELSS mutual funds are tax-saving schemes that qualify for deductions under Section 80C of the Income Tax Act, 1961, subject to the prescribed limit. These schemes primarily invest in equity and equity-related instruments and carry a mandatory lock-in period of three years, which is the shortest among all tax-saving investment options. The lock-in period

encourages long-term investment discipline and allows fund managers to focus on long-term growth opportunities.

The performance of ELSS mutual fund schemes is influenced by various factors such as market volatility, fund management efficiency, portfolio diversification, and economic conditions. Since ELSS schemes involve equity exposure, they carry a certain level of risk along with the potential for higher returns. Therefore, it becomes essential for investors to evaluate the performance of ELSS schemes based on risk and return parameters before making investment decisions.

This study aims to conduct a comparative analysis of selected ELSS mutual fund schemes using various performance evaluation tools such as average returns, standard deviation, beta, Sharpe ratio, Treynor ratio, and Jensen's alpha. The analysis helps in identifying schemes that offer better risk-adjusted returns and assists investors in selecting suitable ELSS funds based on their investment objectives and risk appetite.

II. RESEARCH METHODOLOGY

Mutual funds have emerged as one of the most preferred investment avenues for individual and institutional investors due to their professional management, diversification, and affordability. They pool money from various investors and invest in a diversified portfolio of securities such as equities, bonds, and money market instruments. Among the different types of mutual fund schemes available in India, Equity Linked Saving Schemes (ELSS) occupy a significant position as they combine the benefits of tax savings and wealth creation.

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III. RESULTS AND DISCUSSION

The present study evaluates and compares the performance of five selected Equity Linked Saving Scheme (ELSS) mutual funds, namely Franklin India ELSS Tax Saver Fund, HDFC ELSS Tax Saver Fund, Kotak ELSS Tax Saver Fund, Motilal Oswal ELSS Tax Saver Fund, and TATA ELSS Tax Saver Fund, using various risk and return parameters.

Return Analysis

The analysis of average returns reveals that HDFC ELSS Tax Saver Fund (16.40%) and Motilal Oswal ELSS Tax Saver Fund (16.34%) recorded the highest average returns during the study period. Kotak ELSS Tax Saver Fund (12.40%) and Franklin India ELSS Tax Saver Fund (12.38%) showed moderate returns, while TATA ELSS Tax Saver Fund (12.06%) recorded the lowest average returns among the selected schemes.

Risk Analysis

In terms of standard deviation, which measures volatility, Motilal Oswal ELSS Tax Saver Fund

(13.71) exhibited the highest risk, indicating higher fluctuations in returns. Franklin India ELSS Tax Saver Fund (11.84) and Kotak ELSS Tax Saver Fund (11.58) showed moderate volatility. HDFC ELSS Tax Saver Fund (9.70) recorded the lowest standard deviation, indicating stable and consistent performance.

Market Sensitivity (Beta)

The beta values show that Motilal Oswal ELSS Tax Saver Fund (1.30) was the most sensitive to market movements, followed by Franklin India ELSS Tax Saver Fund (1.13) and Kotak ELSS Tax Saver Fund (1.11). TATA ELSS Tax Saver Fund (1.03) showed near-market-level sensitivity, while HDFC ELSS Tax Saver Fund (0.89) was the least sensitive to market fluctuations.

Risk-Adjusted Performance

The Sharpe Ratio indicates that HDFC ELSS Tax Saver Fund (0.97) delivered the best risk-adjusted returns among all schemes. Franklin India, Kotak, and TATA ELSS Tax Saver Funds recorded similar Sharpe ratios around 0.46–0.47, while Motilal Oswal ELSS Tax Saver Fund (0.09) showed lower risk-adjusted performance despite higher returns.

The Treynor Ratio further highlights that HDFC ELSS Tax Saver Fund (10.59) performed exceptionally well in managing systematic risk. Motilal Oswal ELSS Tax Saver Fund (7.19) ranked second, followed by Kotak (4.87), TATA (4.91), and Franklin India (4.78).

Jensen's Alpha

The Jensen's Alpha values indicate that Motilal Oswal ELSS Tax Saver Fund (9.08) generated the highest excess returns over the market benchmark, reflecting superior fund management. HDFC ELSS Tax Saver Fund (6.57) also showed strong positive alpha. Kotak (1.86), Franklin India (1.79), and TATA (1.77) recorded relatively lower alpha values.

Overall Ranking

Based on the combined ranking of all risk and return parameters, Motilal Oswal ELSS Tax Saver Fund secured the first position with the lowest total rank score of 12, followed by HDFC ELSS Tax Saver Fund (15). Kotak ELSS Tax Saver Fund (19) ranked third, Franklin India ELSS Tax Saver Fund (21) ranked fourth, and TATA ELSS Tax Saver Fund (23) ranked last.

IV. CONCLUSION

The study evaluated the performance of selected ELSS mutual funds—Franklin India, HDFC, Kotak, Motilal Oswal, and TATA—using risk and return measures. The results show that Motilal Oswal ELSS Tax Saver Fund performed best overall with higher returns, while HDFC ELSS Tax Saver Fund delivered superior risk-adjusted performance and stability. The study concludes that ELSS funds are suitable for tax saving and long-term wealth creation, and investors should select schemes based on their risk appetite and investment objectives.

V. APPENDIX

Appendix – I: List of ELSS Mutual Fund Schemes Selected for the Study

1. Franklin India ELSS Tax Saver Fund
2. HDFC ELSS Tax Saver Fund
3. Kotak ELSS Tax Saver Fund
4. Motilal Oswal ELSS Tax Saver Fund
5. TATA ELSS Tax Saver Fund

Appendix – II: Financial Performance Parameters Used

1. Average Returns
2. Standard Deviation
3. Beta
4. Sharpe Ratio
5. Treynor Ratio
6. Jensen's Alpha

Appendix – III: Sources of Secondary Data

1. Association of Mutual Funds in India (AMFI)
2. Bombay Stock Exchange (BSE)
3. National Stock Exchange (NSE)
4. Moneycontrol
5. Investing.com

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