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Risk and Return Analysis in Selected Equity Linked Savings Scheme in India: A Bibliographic Review

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***Abstract* - The paper analyse the various tax savings mutual fund investment avenues available to investors. Equity Mutual Funds are one of the important means of pooling risk capital from small investors. ELSS funds are open-ended, diversified equity schemes offered by mutual funds in India. They offer tax benefits under the Section 80C of Income Tax Act 1961. Like all investment, they also carry certain risks. In this paper an attempt has been made to analyse bibliographic review of the risk and return of various mutual fund schemes. For this purpose, performance measures suggested by Sharpe, Treynor and Jenson is being used. And the best performing ELSS scheme of mutual fund is being suggested.**
***Keywords:* Mutual fund, ELSS, Factors influencing buying behaviour, customer perception, Tax benefit schemes**

I.INTRODUCTION

Mutual funds are collections of stocks, bonds, and other financial assets that are owned by a group of investors and managed by a professional investment management company. Mutual funds provide many important benefits to investors; these benefits particularly apply to investors who are just beginning to invest. Since a mutual fund can include hundreds of different securities, the performance of the fund is not dependent on any single security: the risk is spread among the various securities.

The money collected is then invested in capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio management, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to taking the scrip that have under value and future will rising, then fund manager sell out the stock. Fund manager concentration on risk – return trade off, where minimize the risk and maximize the return through diversification of the portfolio. The most common features of the mutual fund unit are low cost.

A.*Origin Of Mutual Fund*

The history of mutual funds dates backs to 19th century when it was introduced in Europe, in particular, Great Britain. Robert Fleming set up in 1968 the first investment trust called Foreign and Colonial Investment Trust which promised to manage the finances of the moneyed classes of Scotland by spreading the investment over a number of different stocks. This investment trust and other investments trusts which were subsequently set up in Britain and the US, resembled today's close – ended mutual funds. The first mutual in the U.S., Massachustsettes investor's Trust, was set up in March 1924. This was the open – ended mutual fund.

The stock market crash in 1929, the Great Depression, and the outbreak of the Second World War slackened the pace of mutual fund industry, innovations in products and services increased the popularity of mutual funds in the 1990s and 1960s. The first international stock mutual fund was introduced in the U.S. in 1940. In 1976, the first tax – exempt municipal bond funds emerged and in 1979, the first money market mutual funds were created. The latest additions are the international bond fund in 1986 and arm funds in 1990. This industry witnessed substantial growth in the eighties and nineties when there was a significant increase in the number of mutual funds, schemes, assets, and shareholders. In the US, the mutual fund industry registered a ten – fold growth the eighties. Since 1996, mutual fund assets have exceeded bank deposits. The mutual fund industry and the banking industry virtually rival each other in size.

II.OBJECTIVES

1. The present study of bibliographic review focuses on the growth of Mutual Fund Industry in India.
2. The growth of the Mutual Fund Industry is studied using papers presented by various authors

III.DATA COLLECTION

1. The data required for the study has been collected from secondary sources.
2. The secondary sources include the official websites of Securities Exchange Board of India(SEBI), Association of Mutual Funds in India (AMFI), journals of various authors and the websites of the various Mutual Funds companies.

III.TYPES OF MUTUAL FUND SCHEMES

The objectives of mutual funds are to provide continuous liquidity and higher yields with high degree of safety to investors. Based on these objectives, different types of mutual fund schemes have evolved.

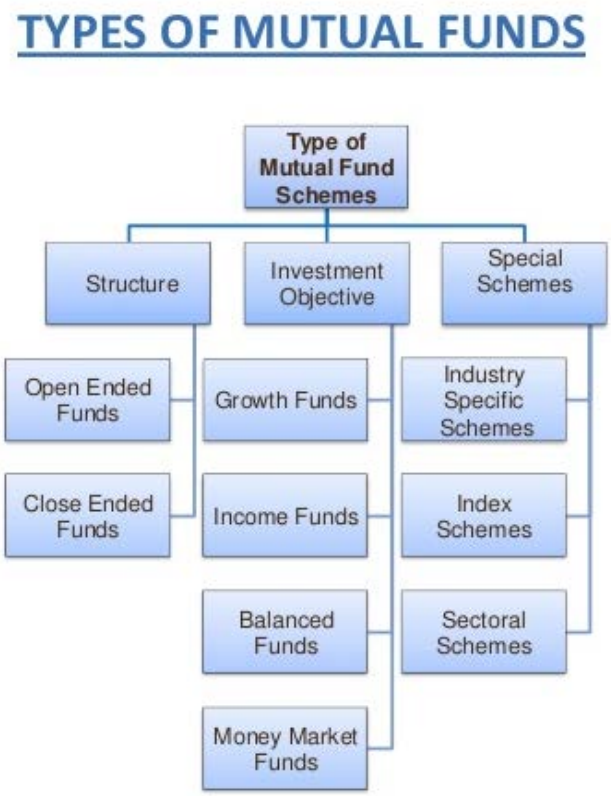

Fig.1 Types of mutual fund

TABLE- I COMPARISON OF INVESTMENTS IN BANK V/S MUTUAL FUNDS

Comparison of investment in Banks V/S Mutual Funds

PARTICULAR	BANKS	MUTUAL FUNDS
Returns	Low	Better
Administrative exp.	High	Low
Risk	Low	Moderate
Investment options	Less	More
Network	High penetration	Low but improving
Liquidity	At a cost	Better
Quality of assets	Not transparent	Transparent
Interest calculation	Minimum balance between 10th. & 30th. Of every month	Everyday
Guarantee	Maximum Rs.1 lakh on deposits	None

IV.MUTUAL FUND INDUSTRY IN INDIA

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases.

First Phase 1964-1987

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank

of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

Third Phase 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other mutual funds.

Fourth Phase since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs. 76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth

V. REVIEW OF LITERATURE

A.*Growth Of Mutual Fund Industry*

Anand Singh and Prof. C.P Mall (2008) focused on the growth of Mutual Fund Industry in India.The growth of the Mutual Fund Industry is studied under various parameters like Assets under Management (AUM), resource mobilized and the transactions done by the Mutual Fund Industry in the stock market. In the entire period of study, Assets under Management of the open-ended funds dominated the Assets under Management of the close-ended funds which signifies that the investors prefer open-ended funds to the close-ended funds. The mutual funds companies' net purchases in debt are always higher than the net purchases in equity which reemphasis that the investors are interested in the debt-oriented schemes over the equity-oriented schemes.

Dr.PratapM.Chauhan and Mr. Sunil M. Adhav(2015) assessed the latest trends in mutual fund industry in India and also compared the mutual fund industry in India with global mutual fund industry. The Indian mutual fund industry is in its growth phase and possesses a tremendous scope for development which is evident for the international comparison. The main reasons for poor growth of mutual fund industry in India is the lack of awareness for mutual funds and lack of trust on mutual fund companies and policy makers in investors. it is suggested that strong regulatory framework, greater transparency, increased innovations, better services to the investors, liquidity and higher returns could make mutual fund schemes more popular and investor friendly in India.

B.Study Relating To Investors Perception

Bhuvaneswari .C (2007) analysed the major factors that contribute towards investor's perception in the area of Equity/Tax saving Mutual Funds.The researcher had identified the following major parameters namely, Liquidity, Rate of Return and Market share.

Dr. Ravi Vyas(2012) studied mutual funds from a different angle, which is to focus on investor's perception and expectations and disclose the incognito parameters that are ascribed for their discontentment. This research paper focused attention on number of factors that highlights

investors' perception aboutmutualfunds.They have suggested for batter investing for investors that they should keep their investment for long time keeping in mind the level of risk involve and saving pattern, they should take help of private financialconsultants' to have investment portfolio so as to reduce risk in investment, they should not invest in high volatile funds, they should collect all possible information before investment, periodical review should be done for investment and risk analysis should be done regularly and properly, maintain proper records for each transaction.

Dr. K. Rakesh and Mr. V S M Srinivas (2013) microscopic analysis it is found that the research was conducted in the space of financial risk adjusted returns, financial planning, investor's behavior and so on. But there was no significant study was made to know the perceptions of the investor's in making the investments in selected portfolios. Hence there exists a gap in the research. There must be a proper study to be conducted to find out behavioral elements of the investors to identify their attitude towards their investments to fulfill the gap.He concluded that the investors belonging to the age group <35 years have a clear planning for investments and also prefer to take more risk to yield more returns.

Sukhwinder Kaur, Dr.G.S.Batra and Dr.BimalAnjum (2013**)** is an attempt to know the investors perception towards selection of mutual funds. Moreover this study is also attempted to give suggestions to investors for making investment in mutual funds. Both primary and secondary data has been used in the study. The above study has shown that investors prefer mutual funds rather than stock market. They consider mutual funds as flexible mode for investment. Moreover they think that Asset Management Companies (AMCs) acts very efficient to track the market. Investment in stock market is complex and risky. As far as suggestions to investors are concerned investors should, consider not only the returns but also the risks associated with these returns. Investors should consider size of the fund, charges charged by funds, change in the corpus of funds and comparison with peer schemes as well as with benchmark.

Seema Sharma(2014) find out the perception of investors towards Equity Linked Savings Scheme mutual funds with special consideration towards the satisfaction level of the investors through grievance redressal, after-sales services and time taken to redeem the scheme. This study also tries to explore the part of behavioral finance, as the attributes used here explain the human (investor) psychology during the financial investment being executed in the financial market. The fluctuations in the economy and uncertainty in the financial market worldwide has intensified the competition and created a lot of pressure on the mutual fund industry to perform.It is found out that there is a positive relationship between service quality, perceived value and customer loyalty.

C.General Studies to identify factors influencing fund performance

Dr. Sandeep Malu and Dr. Rahul Deo (2015) aimed to check various investment patterns of tax saving mutual fund scheme based on their attributes which mutual fund investment in any of the category, effect on their returns specifically considering a relative long investment horizon. On the basis of considered parameters for high return and risk savvy Asix Long Term Equity and Reliance Tax Saver fund suits comfortably. Investors who prefer less volatility and relatively stable or good returns should consider BNP Paribas Tax Saver fund. They concluded that a long horizon and disciplined or regular investment gives all season fruits and especially tax benefit in terms of tax free dividend income and long term capital gain tax advantage.

Krishna Kumar Kadambat, Raghavendra T S and B M Singh (2015) analysed the investment performance of the population of ELSS Funds for 13 a year period starting from 2000-01 to 2012-13 and comparing its performance with 12 top Diversified Equity Funds and 7 Benchmark Indexes. It is found out that ELSS funds over more than 20 years of its existence has not been very popular with the retail investors as a tax saving investment option. One of the reasons for its non popularity could be its investment underperformance. This study with the data set considered, shows that ELSS funds,overall has underperformed both against sample Diversified Equity Funds and Benchmark Indexes on a risk adjusted basis.

Ajay Mittal and Dr. V. K. Agarwal (2015) evaluated the growth rate in ELSS (tax saving mutual funds) of Public and Private Sector and Indian Mutual Fund Industry. The growth rate in ELSS was more in starting years but with depression of 2008 the growth rate becomes negative for some years and then there was no consistency in growth rate.

Arathy B, Aswathy A Nair, Anju Sai P and Pravitha N R (2015) evaluated the factors affecting investment decision on mutual funds and its preference over retail investors. They have concluded that major factors influencing the investment decision of retail investors are tax benefits, high return, price and capital appreciation.Equity based schemes are the most preferred among retailers.

D.Studies relating to Performance of specific category of funds

Syed Husain Ashraf and Dhanraj Sharma(2014) an attempted - to analyses the performance of equity mutual funds industry against risk free rate and benchmarks return over the five years. The samples consists 10 growths oriented- open ended- equity mutual fund schemes belong to 5 public and 2 private mutual fund companies. The analysis shows that Indian Asset Management Company has been able to beat their benchmarks on the average. One of the lacunas of this study is that only open ended growth

oriented equity schemes have been analyzed for the sample mutual funds.

Dr.Namita Srivastava(2014) tried to determine the determinants of ELSS funds performance and also to examine the nature of relationship of fund return with fund risk and market risk.He concluded that Sample ELSS Fund's are able to provide better return than any return on risk free securities but unable to outperform the benchmark portfolio in terms of average return. The results confirm that efficient management and diversification of fund investment as well as stock market trends and movement plays an important role in defining ELSS fund performance.

Dr.RupeetKaur(2012) examined the comparative performance of open-ended tax oriented growth and dividend schemes in India. To evaluate the performance of funds a sample of 18 schemes has been selected on the basis of monthly returns compared to benchmark returns. It is found that only 44 percent growth schemes performed better according to Sharpe, Treynor and Jensen measures. On the basis of R2, the schemes are well diversified which reduced the unsystematic risk. It is concluded that the performance of growth schemes is better than the dividend schemes. The empirical results show that on the basis of total risk, the dividend schemes are more volatile than the growth schemes.

N.S.Santhiand Dr. K. BalanagaGurunathan (2010) evaluated the risk-adjusted performance of tax saving mutual funds in india. Analyzing the seasonality of funds return and benchmark return volatility in terms of the mean adjusted. This study analysis shows all the tax saving mutual funds is having volatility but not all the schemes volatility is lesser than the benchmark s&pcnx nifty. They concluded that Investors' interest and keen updation of the market will help them to attain their expected return from the equity linked savings schmes of tax saving mutual funds.

M.S.Annapoorna and Pradeep K. Gupta (2013) evaluated the performance of mutual fund schemes ranked 1 by CRISIL and compare these returns with SBI domestic term deposit rates. Considering the interest of retail investors simple statistical techniques like averages and rate of returns are used. The results obtained from the study clearly depicts that, in most of the cases the mutual fund schemes have failed even to provide the return of SBI domestic term deposits. It can also be concluded that equity mutual fund schemes have the potential to provide greater returns in long term.

J. Lilly and Dr.D.Anusuya (2014) analysed the performance of 49 open-ended tax saving ELSS schemes for the period between April 2008 to March 2013. It is found that out of the 49 schemes selected for the study, LIC Nomura MF growth and dividend schemes has the highest return.The performance of the selected schemes was evaluated using Sharpe ratio, Treynor ratio, Sortino ratio and Jensen's Alpha Measure. It was concluded that LIC Nomura MF growth and dividend schemes has outperformed the market and are risk borne when compared to other schemes.

Dr.Chhaya Mishra, Prof.Deepesh Mahajan (2014) measured the performance of Mutual Funds in terms of return per unit of risk, so that to find if sample Mutual Funds that provide the highest return per unit of risk to Benchmark Index Portfolio as the best performer. As a concluding remark of the research it can be said that one time growth investment Portfolio is suitable for those investor who can invest at a time for long term whereas SIP mode is suitable for investors who cannot contribute in one time mode. Reinvestment of dividend under SIP mode and growth model gives almost same returns so it remains only a matter of financial convenience to choose between the two.

E.Studies relating to Bibiliographic Review in Mutual Funds

N. Venkatesh Kumar and Dr.Ashwini Kumar BJ (2012**)** carried out a bibliographic review to examine the market related attributes and fund related attributes, which determines the performance of tax saver funds. It was evident from the review that Treynor's model considers only the systematic risk component to measure the fund performance and it fails to identify the impact of firm-specific risk. Sharpe‟s model considers the total risk and arrives at the performance on risk-adjusted basis. The Sharpe, Jensen, Fama& French and Carhart models explain only the sensitivity factor with respect to various benchmarks and do not explain the sensitivity of the fund specific characteristics.

VI.FINDINGS AND CONCLUSIONS

1. It is found out that the past performance of the funds does not reflect in future. There are certain schemes that outperform than the benchmark index with positive riskreturn relation. Most of the schemes performed well in the initial period. This study analysis shows all the tax saving mutual funds is having volatility but not all the schemes volatility is lesser than the benchmark s&pcnx nifty.
2. In most of the cases the mutual fund schemes have failed even to provide the return of SBI domestic term deposits. It can also be concluded that equity mutual fund schemes have the potential to provide greater returns in long term.
3. The major parameters namely, Liquidity, Rate of Return, tax benefits, high return, price,capital appreciation and Marketshare plays a vital role in investors buying decision.
4. ELSS funds over more than 20 years of its existence has not been very popular with the retail investors as a tax saving investment option. One of

the reasons for its non popularity could be its investment underperformance.

5. Mutual fund investment in any of the investment pattern category, a long horizon and disciplined or regular investment gives all season fruits and especially tax benefit in terms of tax free dividend income and long term capital gain tax advantage.

VII.CONCLUSION

The Indian mutual fund industry is in its growth phase and possesses a tremendous scope for development. The main reasons for poor growth of mutual fund industry in India is the lack of awareness for mutual funds and lack of trust on mutual fund companies and policy makers. The fluctuations in the economy and uncertainty in the financial market worldwide has intensified the competition and created a lot of pressure on the mutual fund industry to perform. Hence, the scope of mutual fund can be properly utilised through proper education of mutual fund investors.

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