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Analysis of Performance of Public Sector Indian Mutual Fund Tax Saving Schemes (A Case Study of SBI Mutual Fund)

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ABSTRACT
Each person has some financial goals for which he should have financial planning. Savings and investments are an important part of human life. Today's savings and investments will help to achieve future financial objectives. The different avenues for investments are corporate securities, Deposits in banks and non-banking companies, mutual fund schemes, Post office deposits, Government and semi-government securities etc. Some of them are marketable and liquid while others are not marketable. Some of them are highly risky while some others are almost riskless. Based on his preferences, needs and ability to take risks, the investor has to choose the right avenues from among them. UTI is the country's oldest and biggest mutual fund. Mutual funds have been set up by several commercial banks and financial institutions. Mutual funds have also been set up in the private sector. The Assets under Management (AUM) of the Indian MF Industry has grown from ₹ 7.75 trillion as on 31st October, 2009 to ₹26.33 trillion as on 31st October, 2019, about 3½ fold increase in a span of 10 years. Many of the tax payers are looking for various options to save income tax u/s 80C. Equity Linked Saving Scheme (ELSS) or tax saving funds provide tax exemption u/s 80C along with higher returns compared to any other tax saving option. Investments in ELSS up to Rs 1.5 lakh bring in tax deduction under sec 80C. Thus the fund evaluation process helps the investors to know more about the ELSS and its performance.
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Keywords: Equity Linked Savings Scheme (ELSS), Net Asset Value (NAV), Performance, Assets under Management (AUM) and Association of Mutual Funds in India (AMFI).

1. Introduction

Each person has some financial goals for which he should have financial planning. Financial planning is an ongoing process to meet priorities and if performed carefully and in a timely manner, it will provide long-term benefits. Hence financial goals need to be clearly defined, identified, prioritized, stated and practical in nature.
Savings and investments are an important part of human life. Today's savings and investments will help to achieve future financial objectives. As the future still remains uncertain, systematic investment planning should be planned. In India, there are a many investment avenues for savers. The different avenues for investments are corporate securities, Deposits in banks and non-banking companies, mutual fund schemes, Post office deposits, Government and semi-government securities etc. Some of them are marketable and liquid while others are not marketable. Some of them are highly risky while some others are almost risk less.Based on his preferences, needs and ability to take risks, the investor has to choose the right avenues from among them. Mutual funds are instruments pooling the money of investors and positioning them on financial markets in line with the goals set out in the prospectus of the fund. The benefits of investing money in mutual funds include entrusting savings to skilled fund managers, diversification of resources, lower costs than direct investment, and exposure to global financial instruments and markets. UTI is the country's oldest and biggest mutual fund. Mutual funds have been

set up by several commercial banks and financial institutions. Mutual funds have also been set up in the private sector.

The total number of accounts (or folios as per mutual fund parlance) as on October 31, 2019 stood at 8.63 crore (86.3 million), the AUM of the Indian MF Industry has grown from ₹ 7.75 trillion as on 31st October, 2009 to ₹26.33 trillion as on 31st October, 2019, about 3½ fold increase in a span of 10 years. Many of the tax payers are looking for various options to save income tax u/s 80C. While there are several options to save tax, one of the attractive way is to invest in tax saving funds, technically known as ELSS. Equity Linked Saving Scheme (ELSS) or tax saving funds provide tax exemption u/s 80C along with higher returns compared to any other tax saving option. Investments in ELSS up to Rs 1.5 lakh bring in tax deduction under sec 80C.

2. Literature Review

Garg and Gupta (2014)[1]stated that a groundbreaking financial instrument is the Equity Linked Saving Scheme (ELSS) for tax savings. Under section 80C, the ELSS schemes offer tax savings and also provide capital appreciation. Risk-averse investors may complain about the volatility factor in ELSS, but the mandatory three-year lock in the period takes care of the same. Long-term capital gains from ELSS are tax-free and dividends on ELSS are also tax-free.

Mittal and Agarwal (2015)[2]paper concludes 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, Birla sun life tax relief, Franklin India tax shield and 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 asset management companies 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 revealed that private sector mutual fund tax saving schemes had outperformed, and the public sector mutual fund tax saving schemes was not satisfactory. HDFC Tax Saver has the higher return in the private sector, more risk and more volatile. In terms of relative performance between tax saving mutual fund after applying models of the Sharpe Index, Treynor Index, and Jensen Index, it was observed that, the private sector had performed well while the public sector was not able to perform well in the market. It was found that there was no linear relationship between the return of funds and the return of the economy.

Mohanasundari, et. al (2016)[5]The paper primarily discussed the investment options of the tax savings mutual funds. The tax saving fund schemes were considered to be unstable relative to the S&P Sensex and Nifty benchmarks. Equity funds have been found to have greater potential for longer-term returns. Liquidity, rate of return, tax benefits, high return, cost, capital appreciation, and market share are some of the major factors that affect investment decision-making.It is also stated that at present, investors do not favor ELSS even though their existence is more than 20 years due to their under performance.

CRISIL Research (2017)[6] finds that ELSS funds (represented by the CRISIL-AMFI ELSS Fund Performance index) returned 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.

SrivastavaSurbhi (2017)[7] observed that ELSS funds create wealth in the long term and in the short term it helps in saving tax. It offers returns higher than traditional products like fixed deposits, it has a moderate lock-in period of three years, and though the risk element is present, most ELSS schemes have been delivering good returns.

Aashish Jain (2017)[8] made an attempt to analyze the performance of a few selected private sector Growth schemes selected on the basis of their NAVs and returns recorded for the period of three years starting from 1 April 2014 to 31 march 2017. The study used Treynors ratio, Sharpe and Jensen ratios for evaluating the performance of selected schemes like Kotak tax saver (g), reliance tax saver (g), dsp-br tax fund,axis long term equity fund and Franklin India tax shield. The study concluded that reliance tax saver (g) gave highest return while dsp - br tax saver fund (g) gave excess return with respect to total portfolio and it's also less risky amongst the selected schemes. overall, dsp-br tax fund was the best tax saving mutual fund scheme among the all.

Dr. Khalid Ashraf Chisti and Mr. Amir Rahman (2018)[9]Analysed the overall performance of ELSS with benchmark index of nifty 50. The investigation infers that all ELSS funds have beaten the market index as far as the average return; all the funds' assets except of Aditya Birla sun life have performed more than benchmark index.

3. Problem Statement

From the Literature Review it is clear that ELSS scheme offering multiple benefits to investors like short duration (3years), high return than other tax saving schemes and dividend etc. Even though the investor has multiple benefits but their growth is not satisfactory particularly public sector funds whereas the private sector funds are performing well. Hence we would like to study the performance of public sector fund known as SBI Mutual Fund open ended tax saving schemes. With the following objectives.

1. To evaluate and analyze the performance of SBI Mutual Fundopen ended tax-saving schemes.
2. To offer suggestions to decide where and when to invest in order to obtain tax advantages and high returns.

4. Research Methodology

Methodology of science is a vital tool for achieving overall research objectives. This research paper aims at analyzing the performance of SBI Magnum Tax gain scheme (an open-ended Equity Linked Saving Scheme with a statutory lock-in period of 3 years and tax benefits).

4.1 Sample selection

Among the 44 mutual funds in the Association of Mutual Funds in India (AMFI), SBI Mutual Fund is considered for the current study because it has the highest assets under management (AUM) as on March 2019in crores Rs. 283,807 compared to other public sector mutual funds

4.2 Period of study

The timeframe for the current study is 1 April 2013 to 31 March 2018.

4.3 Source of Data

Secondary data is the primary source for the current research work, where all the Net Asset Value (NAV) information has been obtained from various sources such as https://www.amfiindia.com and https://www.sbimf.com/en-us.

4.4Tools and Techniques Used

Tools and techniques used for the analysis for the current study are descriptive statistics such as mean, variability measures (such as standard deviation (SD)) and variance coefficient (CV)has been used. To know the growth absolute returns also calculated.

1. Absolute Return = $\frac{\text{Selling price} - \text{Purchase price}}{\text{Purchase Price}} * 100$
2. Mean = $\frac{\sum X}{n}$
3. SD = $\sqrt{\frac{\sum (y - \bar{y})^2}{n}}$
4. CV = $\frac{SD}{Mean} * 100$

5. Limitations

There are certain restrictions that limit the scope of this research even after making such diligent and hard efforts. The authorsused the quantitative techniques due to time constraints but unable to conduct qualitative analysis, which could have taken the research a different direction. The researcher could not explore investor's perception on financial performance of SBI mutual fund open ended tax saving schemes by using qualitative research methodology.The study is also based entirely on secondary sources such as SBI Mutual Fund (Public Sector) NAV report.

6. Profile of SBI Mutual Fund

SBI Funds Management Pvt have 30 years of rich fund management experience. It had a strong and proud legacy that traces back to India's State Bank (SBI), the largest bank in India. SBI-AMUNDI (France) joint venture, one of the world's leading fund management firms.

It has network of more than 222 acceptance points across India, delivering value and cultivate the confidence of vast and diverse investor community.

Different schemes introduced bySBI Funds Management Pvt as under

Based on Structure	No. of Schemes
Open Ended Schemes	51
Closed Ended Schemes	197
Total	248

Source: https://www.sbimf.com/en-us/navs

Scheme Name	Open Ended Schemes	Closed Ended Schemes	Total
SBI Magnum Tax Gain Scheme	01	00	01
SBI Tax Advantage Fund - Series I, II and III	00	03	03
Total	01	03	04

Source: https://www.sbimf.com/en-us/navs

A total of 248 schemes are available and of which 04 are tax savings schemes i.e. ELSS

Assets managed by SBI Funds Management Pvtin the Tax Saving Schemes as on 31 Oct 2019 as under

Scheme Name	Assets Under Management (AUM) in Crores
SBI Magnum Tax Gain Scheme	7355.91
SBI Tax Advantage Fund - Series I, II and III	47.48
Total	7403.39

Source: https://www.sbimf.com/en-us/equity-schemes/

Nearly Rs.7356 crores of Investment in SBI Magnum Tax Gain Scheme.

7. Performance evaluation

Weanalysed the performance of the open-ended tax saving scheme of the public sector fund known as the SBI Mutual Fund. It has the highest Assets under management (AUM) of Rs. 7355.91croresas on 31 Oct 2019.

SBI Magnum Tax Gain Scheme has two plans known as Direct plan and Regular Plan.

Direct plan is only for investors who buy/subscribe units in a scheme directly with the Mutual Fund. WhereasinRegular plan the investors invest their investment through any distributer, both the plans have Growth & Dividend Option.

Table: 1

Absolute Returns on NAV

Plans/Options	Years	Cumulative Returns (%)
Regular – Growth	1	7.4184
	2	30.6184
	3	18.5503
	4	76.8613
	5	118.2692
Regular –Dividend	1	-2.0599
	2	8.5292
	3	-11.2365
	4	17.9342
	5	32.1646
Direct – Growth	1	8.1644
	2	32.3171
	3	20.8185
	4	81.1062
	5	124.5387
Direct – Dividend	1	-1.3269
	2	10.0144
	3	-9.5412
	4	20.335
	5	49.1872

Source: Secondary Data

Table 1shows the absolute return of the ELSS for both Regular and Direct plans. In both the plans the cumulative growth rate for 5 years of growth option is more than the dividend option it is 118.27 percent and 124.54 percent for Regular-Growth plan and Direct-Growth plan respectively, whereas the cumulative growth is 32.16 percent and 49.19 percent for Regular-Dividend and Direct-Dividend plans respectively. Hence the investor can invest in Regular-Growth and Direct-Growth plans. Among them Direct-Growth plan is giving high returns.

Plans/Options

Mean, SD and CV calculations based on the above cumulative returns to evaluate the performance of the SBI Magnum Tax Gain Scheme (an open-ended Equity Linked Saving Scheme).

Table: 2

Mean, Standard Deviation and CV of SBI Magnum Tax Gain Scheme (%)

Plans/Options	Mean	Risk (SD)	CV
Regular-Growth	50.3435	41.3808	82.1969
Regular-Dividend	9.0663	15.1555	167.163
Direct-Growth	53.3889	43.3143	81.1297
Direct-Dividend	13.7337	20.4103	148.6147

Source: Secondary Data

Table 2 shows Mean, Standard Deviation (SD) and Coefficient of Variance (CV) of both the plans Regular and Direct. From the above table under Growth option both Regular and Direct plans yielded high returns with high risk with less variability in returns. Whereas under Dividend option plans Regular and Direct are giving less returns with less risk with more variability. If the investor is risk taker he can invest in Regular and Direct plan with Growth option. If the investor is risk averse he can invest in Regular and Direct plans with option Dividend. Hence SBI Magnum Tax Gain Scheme providing returns according to risk taking ability of the investor.

8. Suggestions

The following are suggestions:

1. For small, risk averse and tax benefit investors SBI magnum Tax Gain Scheme is right choice. Investor can invest any of the plans Regular or Direct or both.
2. The public sector mutual funds also providing high returns like private sector mutual funds. But in private sector mutual funds risk is more hence return also more.
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 compared with other tax saving schemes of public sector under sec 80C such as PPF, NSC, EPF, Tax Saving deposits and so on, mutual funds of public sector are giving high returns.

9. Conclusion

The investors who are risk averse should consider investment in public sector mutual funds and good way for all salaried employees to utilize their savings and to get tax benefits. There no chance of default in these funds.

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