EVALUATING THE EFFECTIVENESS OF ELSS AND ULIP PROGRAMS FOR TAX PREVENTION

AUTHOR: Dr. S CHAND BASHA
ASSOCIATE PROFESSOR

GLOBAL INSTITUTE OF MANAGEMENT, HYDERABAD,TELANGANA,INDIA.

ABSTRACT

The explanation of disarray between the ELSS and ULIP plans has been seen that both make interests in value advertises and are charge saving instruments. Indeed, is that ELSS and ULIPs are two distinct items and these fill various needs. ULIP is a blend of disaster protection and venture presented by life coverage organizations while ELSS is a value reserve. This examination paper fundamentally centers around choosing the best plan presented by top common asset organizations working in India based on resource under administration and it has been discovered that ELSS is more alluring for an objective financial backer as far as sensible charges, higher straightforwardness, lock-in – period, tax reductions, unadulterated venture, and Easily Understating and financial backer cordial.

INTRODUCTON

To run a country, the public authority needs to gather charges from the residents, paying expenses to the government is a necessary piece of everybody's life, regardless of where we live. Presently, charges can be gathered in any structure, for example, state charges, local government charges, direct expenses, aberrant assessments, and substantially more. For your facilitate, how about we partitioned the kinds of tax collection in India into two classifications, viz. direct expenses and backhanded duties. This isolation depends on how the expense is being paid to the public authority. An expense is a compulsory expense or monetary charge required by any administration on an individual or an association to gather income for public works giving the best offices and framework. The gathered asset is then used to subsidize diverse public use programs. In case one neglects to settle the assessments or decline to contribute towards it will welcome genuine ramifications under the pre-characterized law.

Types of Taxes

Be it an individual or any business/association, all need to pay the separate duties in different structures. These expenses are further subcategorized into immediate and circuitous duties relying upon the way where they are paid to the tax collection specialists. Allow us to dive further into the two kinds of duty exhaustively:

Direct Tax

•The meaning of direct tax is concealed in its name which suggests that this duty is paid straightforwardly to the public authority by the citizen

•From the public authority's point of view, assessing charge profit from direct duties is moderately simple as it bears an immediate relationship to the pay.

Indirect Tax

•Indirect charges are somewhat not quite the same as immediate assessments and the assortment strategy is likewise somewhat unique. These charges are utilization based that are applied to labor and products when they are purchased and sold.

•The backhanded expense installment is gotten by the public authority from the dealer of merchandise/administrations.

•The vender, thusly, gives the assessment to the end-client for example purchaser of the great/administration.

•Thus the name backhanded expense as the end-client of the great/administration doesn't pay the assessment straightforwardly to the public authority.

•Some general instances of backhanded expense incorporate deals assessment, Goods and Services Tax (GST), Value Added Tax (VAT), and so on.

Understanding Tax Planning

Tax planning assumes a important part in the monetary development of each person as expense installments are mandatory for all people who fall under the IT section. With charge arranging, one will actually want to smooth out his/her duty installments that the individual will get good returns throughout a particular time frame implying least danger. Likewise, powerful duty arranging will help in diminishing an individual's assessment responsibility.

Tax Planning can be characterized into the accompanying:

•Permissive expense arranging: Tax arranging which falls under the system of the law.

•Purposive expense arranging: Tax arranging with a particular goal.

•Long-range/short-range charge arranging: Planning executed toward the start and towards the finish of the monetary year.

Features:

•Tax planning is the most common way of examining funds from an assessment point, with a plan to ensure tax efficiency.
•Considerations concerning charge arranging will incorporate planning of pay, timing of buys, getting ready for uses, and size.
•Tax planning is fundamental for little just as enormous organizations since it will be useful for accomplishing business-related objectives.

Investing in a Unit Linked Insurance Plan

Policyholders should submit an underlying single amount installment when they initial become tied up with a ULIP trailed by yearly, half-yearly or month to month premium installments. Albeit the superior installment commitments shift from one item to another, in all cases, they are relatively coordinated towards an assigned venture order.
The normal premium installments empower policyholders to efficiently develop head more rapidly than could be cultivated by trusting that profits will collect. What is more numerous ULIPs offer the choice of "besting up" or adding huge single amounts to the equilibrium.

Difference between ELSS and ULIPs

Particulars	**ULIP (Unit-Linked InsurancePlan)**	**ELSS (Equity-Linked SavingsScheme)**

Lock-in-period	ULIPs have an obligatory lock-in of 5 years	ELSS has a required lock-in of 3 years
Returns	The profits can differ on the grounds that a financial backer can pick any mix of value, obligation, mixture assets in his speculation.	Being market-connected, the profits rely upon the plan, yet a financial backer can expect a surmised return of 12%-14%.
Tax benefits	The contributed sum offers charge derivation under Section 80C, however gains are available.	LTCG under ELSS is charged at 10% far beyond Rs 1 lakh.
Charges applicable	There are perplexing and different charges like approach organization charges, premium allocation charges, mortality charges, and so on.	Exit load and fund management charges are determined in the SID plainly and are straightforward.
Liquidity	Assets can be accessible after the lock-in of 5 years subject to additional approach conditions.	Assets will be accessible after the lock-in of 3 years.

NEED OF THE STUDY

Being an Indian resident paying tax is one of our significant obligations. Be that as it may, tax paying is consistently a troublesome undertaking as it straightforwardly impacts on the remaining pay of the citizens. So every one of the financial backers(Investors) consistently attempt to decrease their expense risk by dealing with their monetary undertakings. This review helps investors who puts resources into charge saving ELSS and ULIPs plans to lessen the danger of paying duty by assessing the exhibition of those chose schemes.

By assessing the presentation of ELSS and ULIPs finances investors would come to realize which plan has better return throughout the long term and which is awesome to contribute their pay to decrease their expense obligation

OBJECTIVES:

- To evaluate the performance of both ELSS and ULIPs schemes.
- To study the investment pattern of investors regarding ELSS and ULIPs schemes.
- To identify the best investment option as wealth maximization of investors.

SCOPE:

The scope of the present study is to evaluating the performance of both the schemes by considering returns of different funds among those schemes. This study is based on the secondary data. To study the investment pattern of investors primary data is collected.

RESEARCH METHODOLOGY

The present study involves both primary and secondary data. Where secondary data iscollected from articles, taxation books, money control.com.

Primary data is collected from the questionnaire method which involves 80 investors.

Collected data will be analysed through averages, standard deviation, variance.

LIMITATIONS

- The period of the data is only 5 years.
- The sample size for questionnaire is limited to 80 members.
- Secondary Data collected for the study may not be accurate.
- Respondents may give false information.

DATA ANALYSIS AND INTERPRETATIONTABLE 1

Analysis of Return performance of best ELSS category 21 funds options as investmentfrom (2016-2021)

SCHEME NAME	Crisil Rank	AuM (Cr)	1y	2Y	3Y	5Y
DSP Tax Saver Fund - Direct Plan – Growth ELSS	4	9,674.96	67.76%	34.21%	21.68%	17.85%

BOI AXA Tax Advantage Fund - Direct Plan – Growth ELSS	5	512.07	67.16%	46.70%	25.36%	21.94%
IDFC Tax Advantage (ELSS)Fund - Direct Plan – Growth ELSS	5	3,338.88	71.24%	36.94%	18.64%	18.53%
Canara Robeco Equity Tax Saver - Direct Plan – GrowthELSS	5	2,679.66	60.47%	39.49%	23.45%	20.09%
Quant Tax Plan - Direct Plan – Growth ELSS	5	368.44	86.26%	61.12%	32.49%	24.75%
PGIM India Long Term Equity Fund - Direct Plan – GrowthELSS	4	358.4	63.16%	32.24%	18.86%	16.52%
Mahindra Manulife ELSS KarBachat Yojana - Direct Plan – Growth ELSS	4	409.09	67.13%	34.24%	18.48%	-
UTI Long Term Equity Fund (Tax Saving) - Direct	4	2,136.96	62.65%	35.11%	19.62%	16.48%
Plan –Growth ELSS						
Mirae Asset Tax Saver Fund -Direct Plan – Growth ELSS	4	9,400.59	64.80%	38.41%	24.05%	22.94%
DSP Tax Saver Fund - DirectPlan – Growth ELSS	4	9,674.96	67.76%	34.21%	21.68%	17.85%
L&T Tax Advantage Fund -Direct Plan – Growth ELSS	3	3,651.81	50.84%	27.95%	13.45%	14.43%
Union Long Term Equity Fund - Direct Plan – Growth ELSS	4	424.78	58.84%	34.96%	20.07%	15.47%

Aditya Birla Sun Life Tax Plan - Direct Plan – Growth ELSS	4	478.8	32.16%	21.41%	9.17%	12.67%
Kotak Tax Saver Scheme - Direct Plan – Growth ELSS	4	2,249.04	56.59%	32.23%	19.82%	16.97%
Principal Personal Tax Saver - Direct Plan ELSS	3	332.96	60.12%	31.01%	14.88%	12.83%
Axis Long Term Equity Fund - Direct Plan – Growth ELSS	3	33,871.43	63.37%	33.59%	20.62%	19.15%
ICICI Prudential Long Term Equity Fund (Tax Saving) -Direct Plan – Growth ELSS	3	9,825.37	63.26%	30.83%	16.82%	15.32%
Franklin India Tax shield Fund - Direct – Growth ELSS	3	4,876.56	65.84%	27.31%	14.80%	13.50%
India bulls Tax Savings Fund - Direct Plan – Growth	3	52.76	47.59%	24.69%	13.88%	-

ELSS						
Taurus Tax shield - Direct Plan – Growth ELSS	3	83.97	43.38%	26.39%	13.18%	14.90%
Baroda ELSS - 96 - Plan B (Direct) – Growth ELSS	3	212.99	63.23%	33.53%	16.87%	14.03%

CALCULATION OF MEAN, STANDARD DEVIATION AND VARIANCE

1Y-mean	(1Y-mean)^2	2Y-mean	(2Y-mean)^2	3y-mean	(3Y-mean)^2	5Y-mean	(5Y-mean)^2
6.64	44.0896	0.09	0.0081	2.73	7.4529	0.68	0.4624
6.04	36.4816	12.58	158.2564	6.41	41.0881	4.77	22.7529
10.12	102.4144	2.82	7.9524	-0.31	0.0961	1.36	1.8496
-0.65	0.4225	5.37	28.8369	4.5	20.25	2.92	8.5264
25.14	632.0196	27	729	13.54	183.3316	7.58	57.4564
2.04	4.1616	-1.88	3.5344	-0.09	0.0081	-0.65	0.4225
6.01	36.1201	0.12	0.0144	-0.47	0.2209	-17.17	294.8089
1.53	2.3409	0.99	0.9801	0.67	0.4489	-0.69	0.4761
3.68	13.5424	4.29	18.4041	5.1	26.01	5.77	33.2929
6.64	44.0896	0.09	0.0081	2.73	7.4529	0.68	0.4624
-10.28	105.6784	-6.17	38.0689	-5.5	30.25	-2.74	7.5076
-2.28	5.1984	0.84	0.7056	1.12	1.2544	-1.7	2.89
-28.96	838.6816	-12.71	161.5441	-9.78	95.6484	-4.5	20.25
-4.53	20.5209	-1.89	3.5721	0.87	0.7569	-0.2	0.04
-1	1	-	9.6721	-		-	

		3.11		4.07	16.5649	4.34	18.8356
2.25	5.0625	- 0.53	0.2809	1.67	2.7889	1.98	3.9204
2.14	4.5796	- 3.29	10.8241	- 2.13	4.5369	- 1.85	3.4225
4.72	22.2784	-	46.3761	-	17.2225	-	13.4689

		6.81		4.15		3.67	
- 13.53	183.0609	- 9.43	88.9249	- 5.07	25.7049	- 17.17	294.8089
- 17.74	314.7076	- 7.73	59.7529	- 5.77	33.2929	- 2.27	5.1529
2.11	4.4521	- 0.59	0.3481	- 2.08	4.3264	- 3.14	9.8596
	Sum=2420.9027		Sum=1367.0647		518.7066		800.6669
	Count=21		Count=21		21		21
	Var=121.045135		Var=64.098319		23.7003143		37.127
	Sd=11.0020514		Sd=8.00614258		4.86829686		6.093193

MEAN AND STANDARD DEVIATION OF TABLE:1

Mean	61.12	34.12	18.95	17.17
Std dev	11.00205	8.006143	4.868297	6.093193
Var	121.0451	64.09832	23.70031	37.127

INTERPRETATION:

- In the above table 21 ELSS tax saving schemes have given 17.17% annual average return in 5 years, 18.95% average return in 3 years, 34.12% in 2 years and 61.12% in the 1st year.
- Selected schemes have given 6.093% standard deviation in 5 years, 4.8682% in 3 years, 8.0061% in 2 years and 11.00205% in the 1st year.
- Variance of 37.127% in 5 years, 23.70031% in 3 years, 64.09832% in 2 years and 121.0451% in the 1st year.

- The level of return and risk is highest during 1st year and lowest during 3 and 5 years.
- It is found that ELSS category funds given consistent return in long term**.**

TABLE 2

Analysis of Return performance of best ULIP category 21 funds options as investmentfrom (2016-2021)

Insurer	Fund	Latest Nav	%Change	1Y	3Y	5Y
HDFC LifeInsurance	Growt hFund	182.57	-0.46%	7.30%	15.10%	13.90%
HDFC L ife Insurance	Growt hFund	175.17	-0.47%	7.20%	15.10%	13.80%
HDFC LifeInsurance	Equity Managed Fund	159.22	-0.50%	7.60%	15.20%	14.20%
HDFC LifeInsurance	Equity Managed Fund	152.21	-0.51%	7.40%	15.20%	14.20%
Bajaj Allianz Life Insurance	EQUITY MIDCAP PENSION	119.66	-0.13%	-5.50%	15.30%	19.40%
HDFC L ife Insurance	Balanced Managed Fund	114.69	-0.42%	5.90%	11.40%	11.90%
HDFC L ife Insurance	Balanced Managed Fund	113.82	-0.48%	5.60%	12.00%	12.60%
Bajaj Allianz Life Insurance	EQUITY PLUS PENSION	102.36	-0.32%	6.00%	15.60%	14.30%
Aditya Birla Sunlife Insurance	Group Growth Fund	98.22	-0.33%	6.90%	12.60%	11.60%

Bajaj Allianz Life Insurance	EQUITY PLUS FUND	96.26	-0.32%	6.00%	15.50%	14.10%
Bajaj Allianz Life Insurance	EQUITY MIDCAP PLUS	94.62	-0.10%	-5.70%	15.40%	16.60%
SBI Life Insurance	EQUITY FUND	92.34	-0.48%	--	--	--
HDFC LifeInsurance	Defensive Managed Fund	84.24	-0.39%	6.00%	9.80%	10.60%
Bajaj Allianz Life Insurance	EQUITY GAIN FUND	83.49	-0.33%	4.40%	13.80%	12.90%
Kotak LifeInsurance	Kotak Aggressive Growth	82.47	-0.53%	5.40%	14.40%	13.80%
Kotak LifeInsurance	Kotak Dynamic Growth	80.72	-0.48%	5.80%	12.80%	12.90%
Aditya Birla Sunlife Insurance	Group Stable Fund	79.49	-0.27%	7.00%	10.70%	10.60%
HDFC Life Insurance	Defensive Managed Fund	76.09	-0.38%	5.00%	9.60%	10.50%
Kotak Life Insurance	Kotak Group Balanced	69.84	-0.41%	6.40%	11.80%	12.50%
Aviva Life Insurance	Unit Linked Balanced fund	69.36	-0.37%	--	--	--
Bajaj Allianz Life Insurance	EQUITY INDEX FUND	69.3	-0.35%	10.10%	14.20%	10.60%

CALCULATION OF MEAN, STANDARD DEVIATION AND VARIANCE

1Y-mean	(1Y-mean)^2	3Y-mean	(3Y-mean)^2	5Y-mean	(5Y-mean)^2
2.1	4.41	1.65	2.7225	0.69	0.4761
2	4	1.65	2.7225	0.59	0.3481
2.4	5.76	1.75	3.0625	0.99	0.9801
2.2	4.84	1.75	3.0625	0.99	0.9801
-10.7	114.49	1.85	3.4225	-15980.6	255379576
0.7	0.49	-2.05	4.2025	-1.31	1.7161
0.4	0.16	-1.45	2.1025	-0.61	0.3721
0.8	0.64	2.15	4.6225	1.09	1.1881
1.7	2.89	-0.85	0.7225	-1.61	2.5921
0.8	0.64	2.05	4.2025	0.89	0.7921
-10.9	118.81	1.95	3.8025	3.39	11.4921
0	0	0	0	0	0
0.8	0.64	-3.65	13.3225	-2.61	6.8121
-0.8	0.64	0.35	0.1225	-0.31	0.0961
0.2	0.04	0.95	0.9025	0.59	0.3481
0.6	0.36	-0.65	0.4225	-0.31	0.0961
1.8	3.24	-2.75	7.5625	-2.61	6.8121
-0.2	0.04	-3.85	14.8225	-2.71	7.3441
1.2	1.44	-1.65	2.7225	-0.71	0.5041
0	0	0	0	0	0
4.9	24.01	0.75	0.5625	-2.61	6.8121

MEAN AND STANDARD DEVIATION OF TABLE:2

MEAN	5.20%	13.45%	13.21%
SD	3.5626368	1.60486611	3487.25301
Var	12.692381	2.57559524	12160933.6

INTERPRETATION:

- The selected ULIPs funds have given average return 13.21% in 5 years,13.45% in 3 years and 5.20% in the 1st year.
- SD in 5 years is 3487.25%, 1.60486% in 3 years and 3.5626% in the 1st year
- Variance is 12160933.6% in 5 years, 2.5755% in 3 years and 12.6923% in the1st year.
- The risk and return is high in 3,5 years and less in the 1st year.
- There will be consistent return in the starting year.

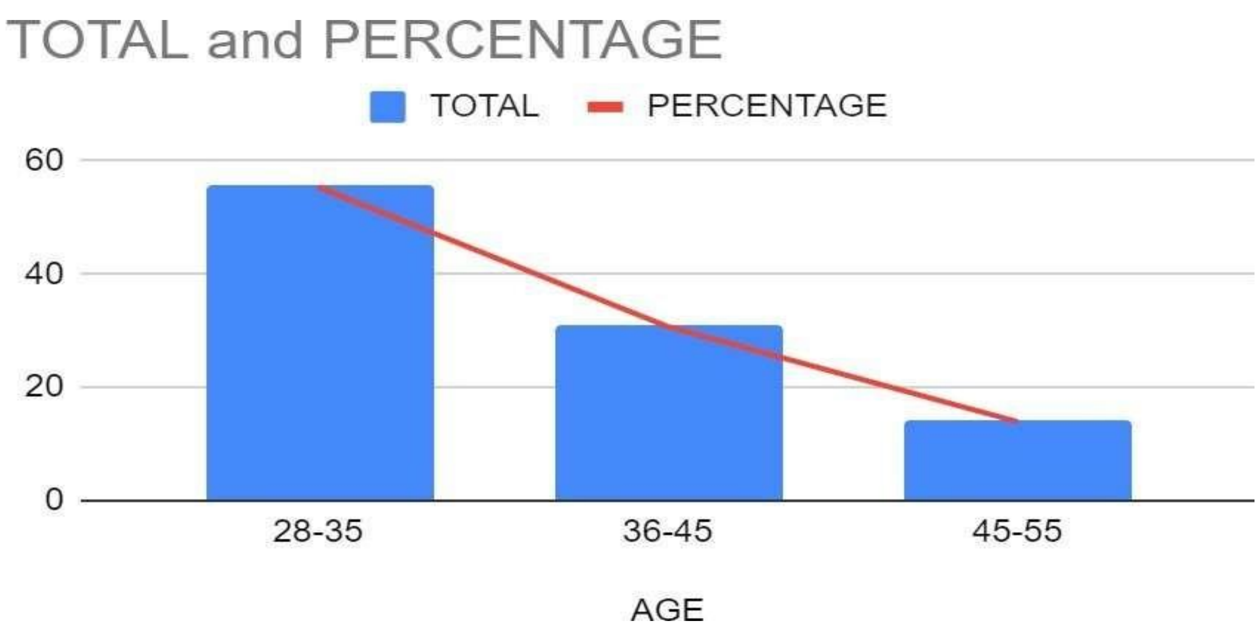
ANALYSING THE RESPONSES OF RESPONDENTS

TABLE 3

Age of the respondents

AGE	TOTAL	PERCENTAGE
28-35	56	55.44554455
36-45	31	30.69306931
45-55	14	13.86138614

GRAPH 3



INTERPRETATION

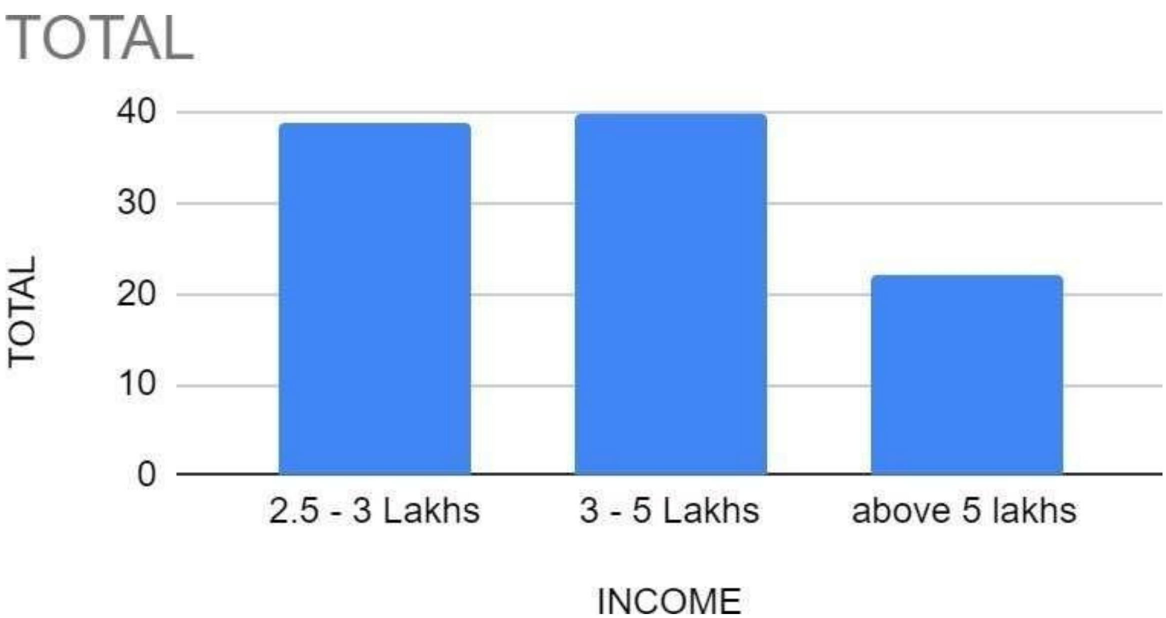
From the above graph and table we can observe that most of the respondents belongs to 28-35 age limit (55.4%) and (30.69%) belongs to 36-45 age and only (13.86%) belongs to 45-55 age limit.

TABLE 4

INCOME of the respondents

INCOME	TOTAL
2.5 - 3 Lakhs	39
3 - 5 Lakhs	40
above 5 lakhs	22

GRAPH 4



INTERPRETATION

The above table and graph shows 39 respondents are in 2.5-3lakh income limit, 40 respondents are in between 3-5 lakh income and 22 respondents belongs to above 5 lakh limit. So that we can say that most of the investors are from 3-5lakh income limit.

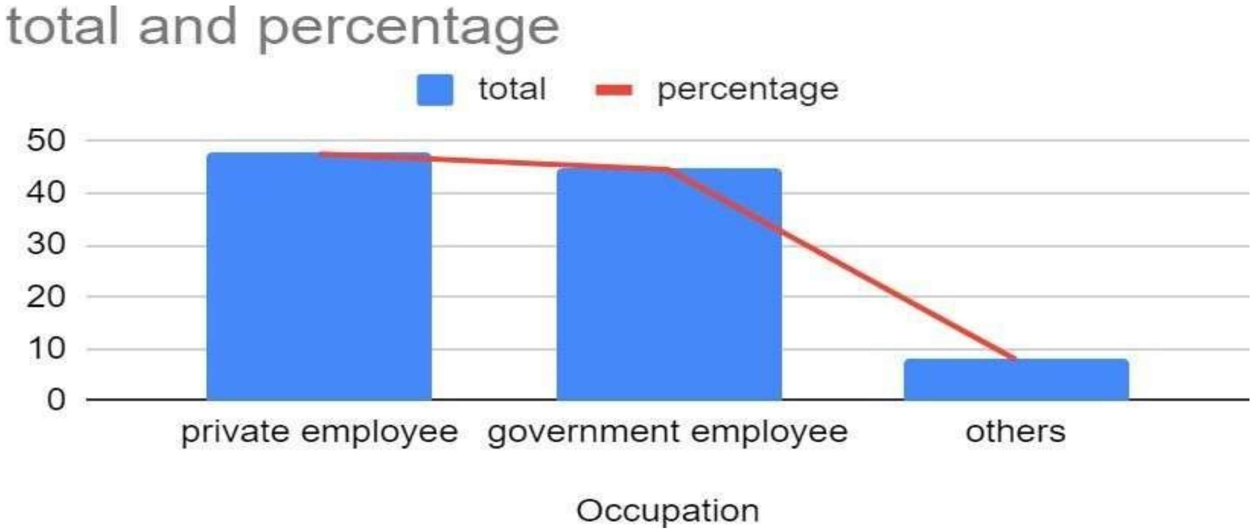
TABLE 5

Occupation of the respondents

Occupation	total	percentage
private employee	48	47.52475248

government employee	45	44.55445545
Others	8	7.920792079

GRAPH 5



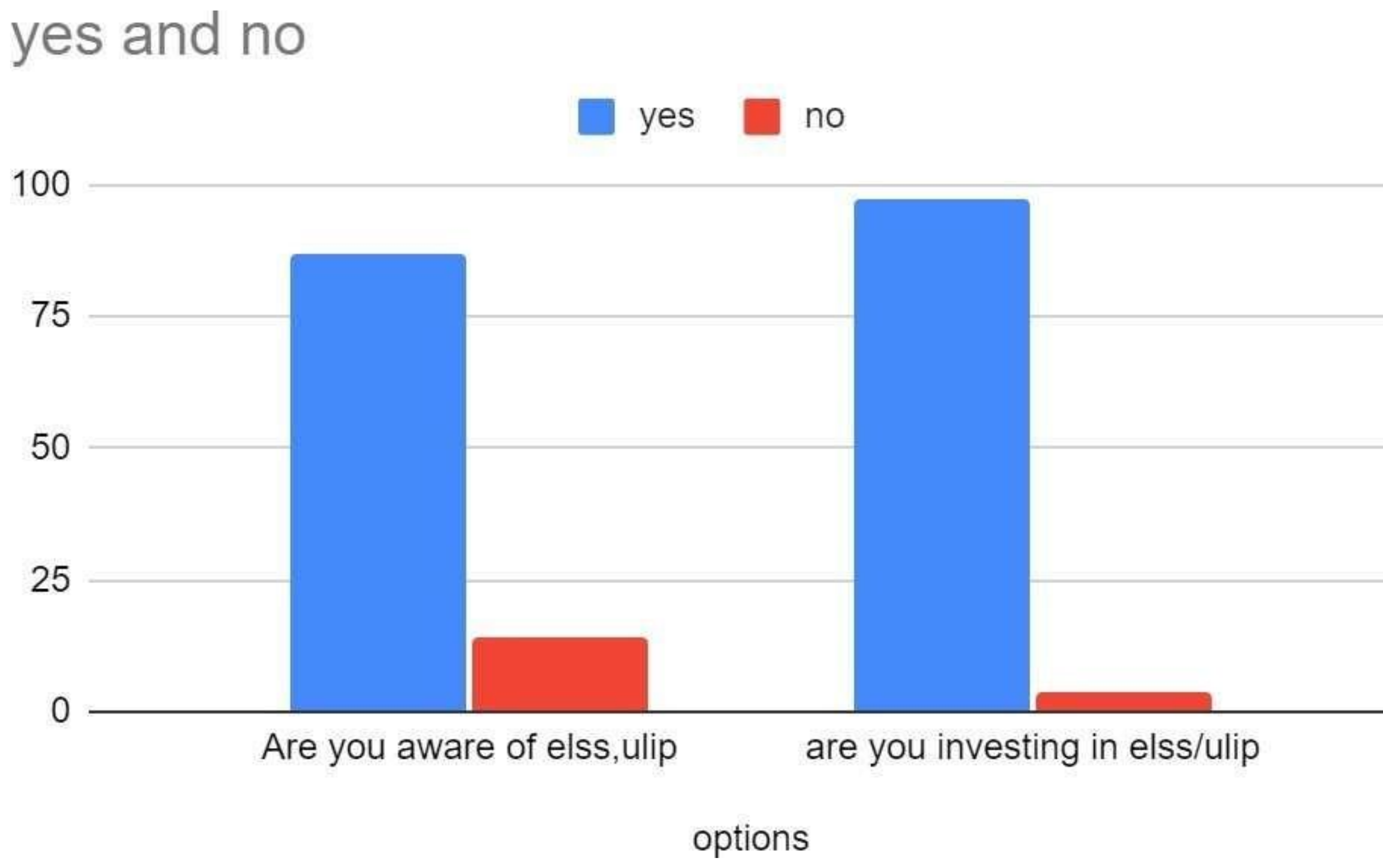
INTERPRETATION

From the above graph and table we can observe that from the total 100 respondents 48 are private employees, 45 are government employees and 8 respondents belongs to others category. So most the investors are private employees.

TABLE 6

AWARE AND INVESTING IN ELSS AND ULIPs

Options	yes	no
Are you aware of ELSS and ULIPs	87	14
are you investing in ELSS and ULIPs	90	4



INTERPRETATION

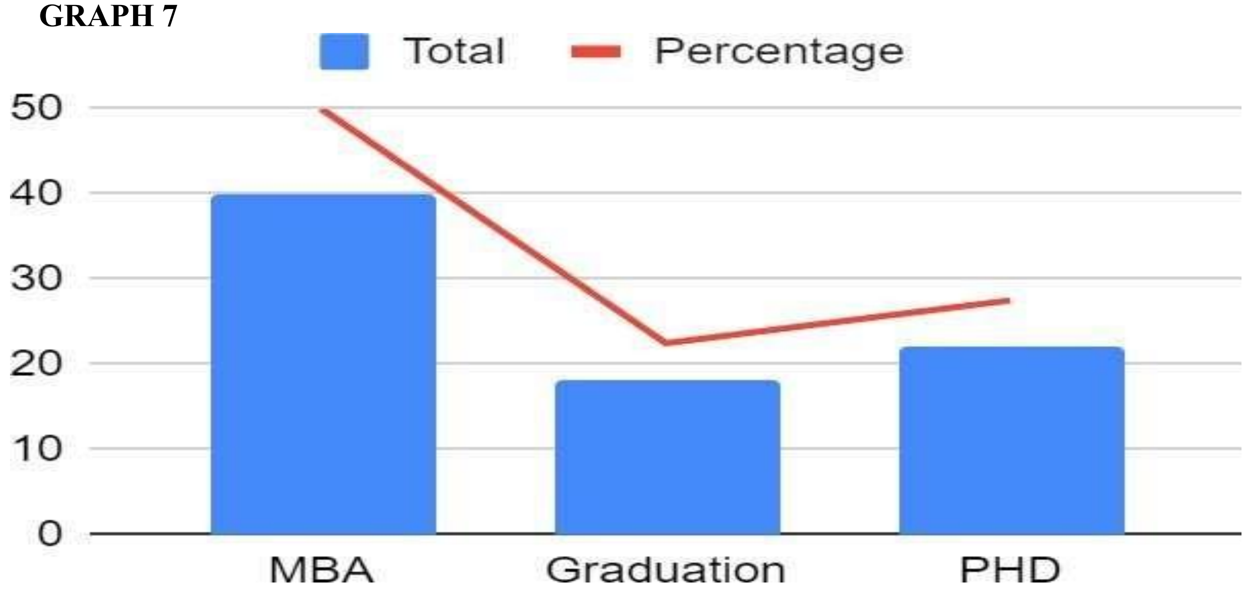
From the above graph and table we can observe that above 60% respondents are aware ofELSS and ULIPs schemes and are investing in ELSS or ULIPs schemes.

TABLE 7:

Qualification of the respondents

Qualification	Total	Percentage
MBA	40	50
Graduation	18	22.5
PHD	22	27.5

GRAPH 7



INTERPRETATION:

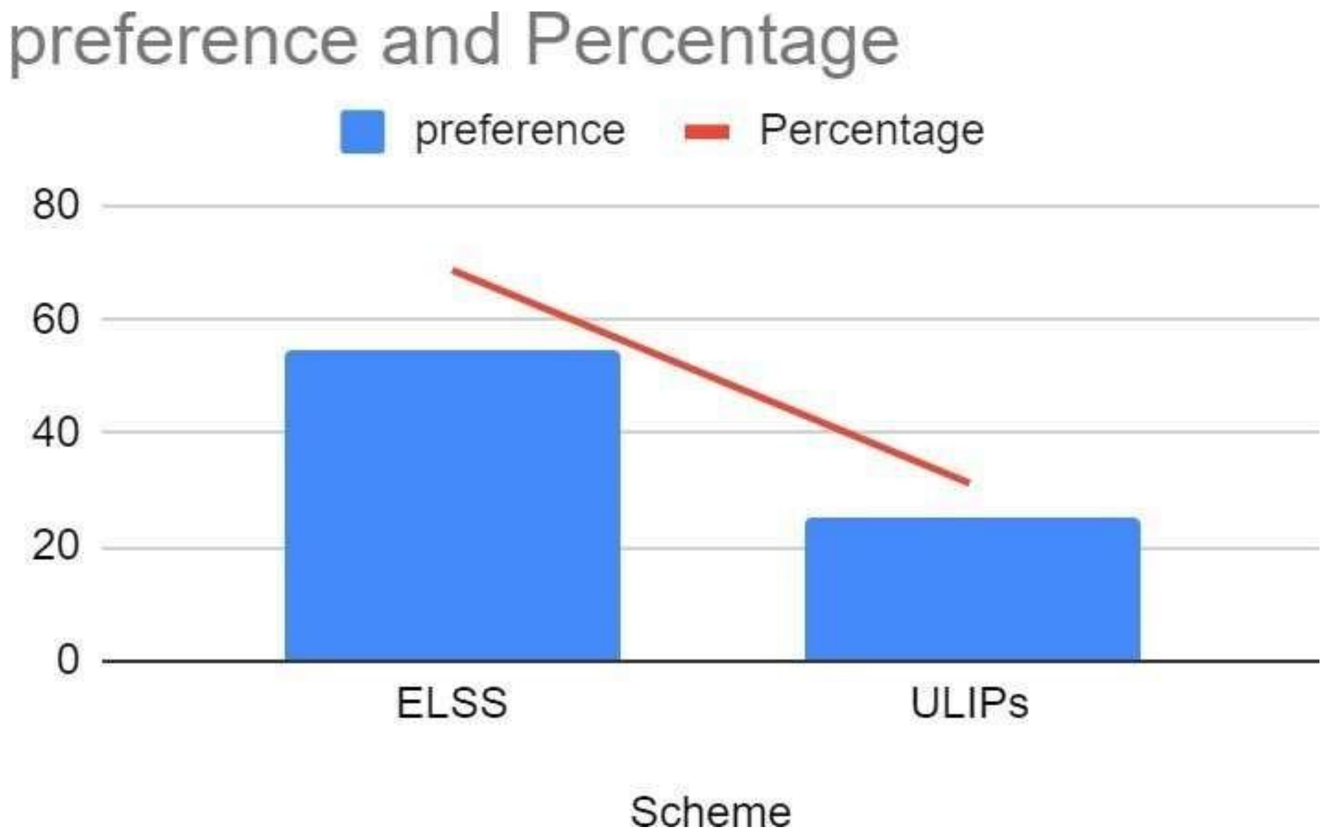
The above table 1 and graph shows the qualification of the respondents. Most of the respondents are from MBA with 40 members (50%), and (22.5%) are from Graduation with 18 members and (27.5%) are from PHD with 22 members.

TABLE 8:

PREFERENCE REGARDING SCHEMES

Scheme	**Preference**	**Percentage**
ELSS	55	68.75
ULIPs	25	31.25

GRAPH 8



INTREPRETATION:

In the above table and graph we can observe that most of the respondents prefer ELSS scheme that is 55 members with 68.75% and 25 members prefer ULIPs scheme that is 31.25%.

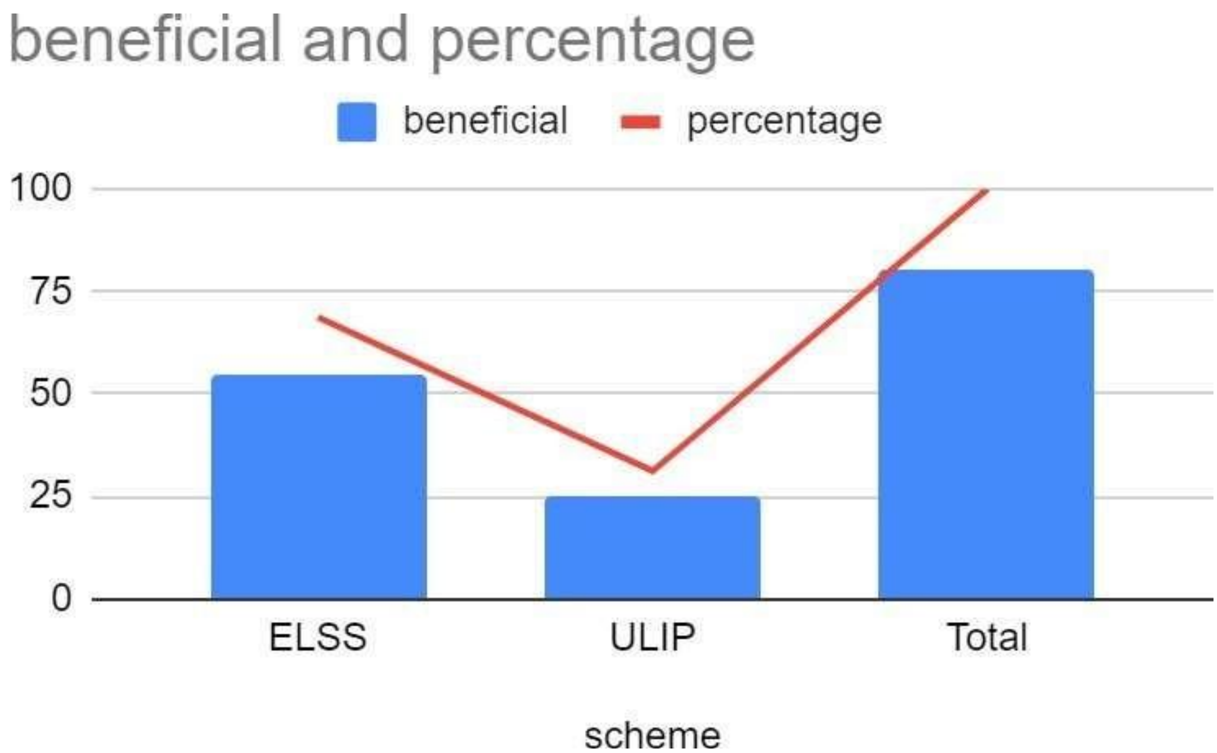
TABLE 9:

WHICH IS MORE BENEFICIAL

scheme	Beneficial	percentage
ELSS	55	68.75
ULIP	25	31.25

Total	80	100

GRAPH 9:



INTREPRETATION:

From the above table and graph we can observe that 55 respondents (68.75%) among 80 respondents feel ELSS schemes are more beneficial than ULIP schemes and 25 respondents (31.25%) feel ULIP schemes are more beneficial than ELSS .

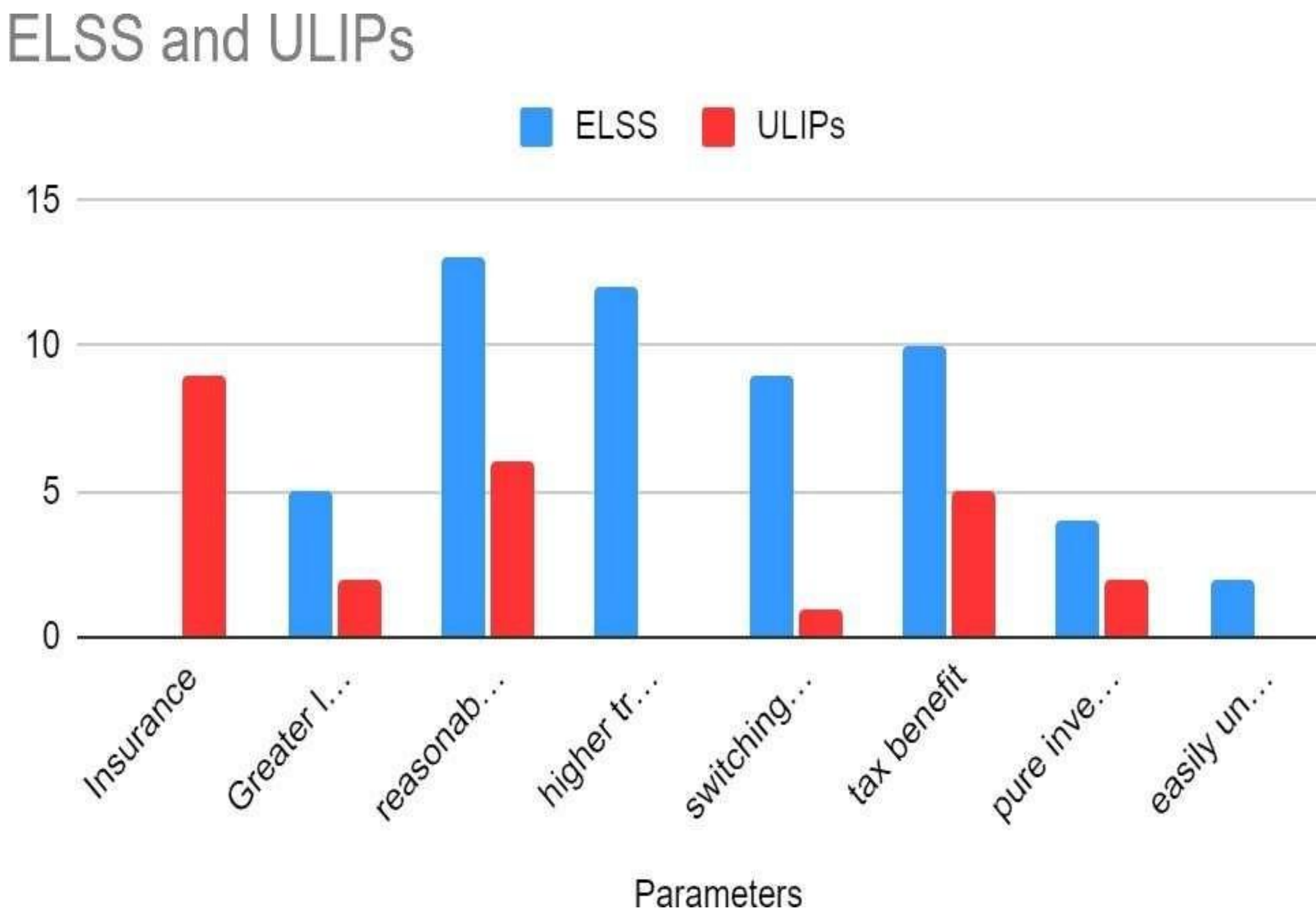
TABLE 10:

WHAT ARE THE PARAMETERS TO SELECT SCHEMES

Parameters	ELSS	ULIPs
Insurance	0	9
Greater lock in period	5	2

reasonable charges	13	6
higher transparency	12	0
switching option	9	1
tax benefit	10	5
pure investement	4	2
easily understandable	2	0

GRAPH 10:



INTERPRETATION:

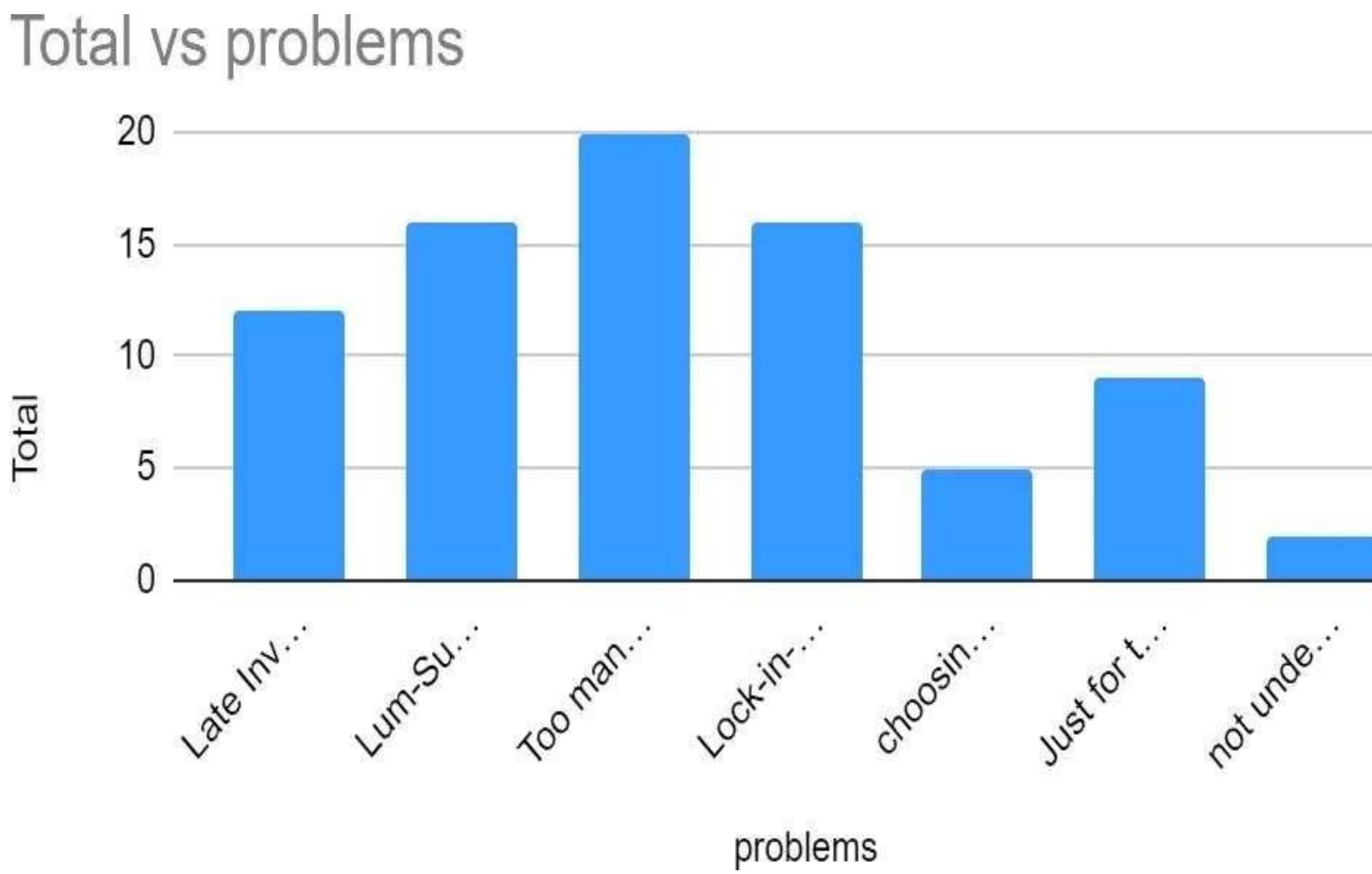
the above graph shows insurance, reasonable charges are key parameters to select ULIP schemes while reasonable charges, higher transparancy, tax benefit and switching option are key parameters in case of selection of ELSS scheme in the selected respondents point of view.

TABLE 11:

WHAT ARE THE PROBLEMS

PROBLEMS	Total	percentage
Late Investments	12	15
Lum-Sum investment	16	20
Too many funds	20	25
Lock-in-period	16	20
choosing dividend option	5	6.25
Just for tax savings	9	11.25
not understanding	2	2.5
Total	80	100

GRAPH 11:



INTERPRETATION:

The above graph and table shows that 15% pays late investments and 20% Lum sum investments in the end of the financial year. We can observe that 25% respondents invest in too many funds which is harmful to them. 20% respondents believe that lock-in-period is a problem to them. 11.25 percent investments are just made for tax savings and 2.5 percent are not understanding the nature of funds.

FINDINGS

- It can be observed that ELSS option has more returns than the ULIPs option.
- ELSS tax saving schemes have given 17.17% annual average return in 5 years, 18.95% average return in 3 years, 34.12% in 2 years and 61.12% in the 1st year.

- In case of ELSS option the level of return and risk is highest during 1st year and lowest during 3 and 5 years.
- It is found that ELSS category funds given consistent return in long term.
- The selected ULIPs funds have given average return 13.21% in 5 years,13.45% in 3 years and 5.20% in the 1st year.
- In case of ULIPs the level of risk and return is high in 3,5 years and less in the 1st year.
- Majority of the respondents prefer ELSS investment option than ULIPs option.
- Most of the respondents are in between 3-5 lakh income and private employees.
- The majority of the respondents prefer insurance, reasonable charges, tax benefit in case of ULIPs schemes and higher transparency, reasonable charges and tax benefit in case of ELSS option.
- The main problem of the respondents is investing in too many funds which is more harmful.

SUGGESTIONS

- Plan your taxes based on your financial goals at the beginning of the year
- Make the priority list while investing
- Awareness of tax saving schemes among individuals is necessary
- Investment is done based on the options return and risk

CONCLUSION

From the above study we can say that more investors prefer ELSS investment option than ULIPs investment option because ELSS investment options gives more return when compared to the ULIPs investment option. These are two different options which serve different purposes. Both are preferrable tax saving instruments with no similarity.

References

[i]. Garg M, Gupta SL (2014) An Empirical Study of performance evaluation of selected ELSS of India. International Journal

of Research in IT and Management 4: 32-48.

[ii]. Namita S (2014) Performance Indicators of Equity Linked Saving Schemes in India: An Empirical Analysis. International

Journal for research in applied science and engineering technology 2: 2321-9653

[ii]. Chandrakumarmangalam S, Govindasamy P (2011) Study on ELSS Fund and its performance analysis with reference

to Karvy Stock Broking Ltd. International Journal of Human Resource Management & Research 1: 43-61.

[iv]. Babu J,Vasu (2012) Performance of Tax Saving Funds of selected Asset Management Companies: A comparative

analysis. International Journal of Research in Commerce & Management 3: 60-61.

[v]. Dr Naveen Prasadula A Review of Literature on A study on performance evaluation of tax saving elss and ulips schemes

[vi]. Khurana, A., Goyal, K. (2010). ‘Exploration & Analysis of Structure and Growth Performance of Selected ULIPs’

Book, Bharat Law House Pvt. Ltd. Publication, New Delhi.