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A Comparative Analysis of Performance of Equity Linked Saving Scheme (ELSS) & National Pension Scheme (NPS)

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Abstract: *Tax planning strategies are important for tax payers who aim at reducing their tax outgo on various types of income and capital gains. When it comes to tax-saving investments, National Pension Scheme (NPS), Public Provident Fund (PPF) and Equity Linked Savings Scheme (ELSS) can be considered as some of the smart options by the tax-savers. This paper focuses on two such investment options available to individuals—ELSS and NPS and finds out which is a better tax saving option.*

While there are several tax saving instruments that qualify under Section 80C of the Income Tax Act, 1961, Equity Linked Savings Scheme (ELSS) has a special significance. Among all tax saving instruments, it provides the least possible lock-in period besides offering equity asset investment exposure, thereby making it a good long-term tool for wealth creation. In order to encourage such an investment culture, the Government of India, in the year 1992, introduced mutual funds under the Equity Linked Savings Scheme (ELSS).

The National Pension Scheme (NPS) was introduced for Central Government employees joining the services after April 1, 2004, excluding the armed forces. Most of the state governments have also followed the NPS model and brought in their new recruits under the NPS. The National Pension Scheme (NPS) is a government-backed scheme in which people contribute during their working years in order to receive a pension after they retire. The NPS investments qualify for a tax exemption of Rs 1,50,000 under Section 80C of the Income Tax Act, as well as an additional Rs 50,000 deduction under Section 80CCD (1B).

This paper tries to analyze and compare the investment performance of the ELSS Growth Funds with National Pension Scheme Equity Funds (Pension Fund Tier-I) offered by different companies. It also compares the ELSS schemes with other traditional tax-saving instruments on the basis of their return. The time period covered for the study is 5 years, wherein top seven ELSS Growth Funds are compared with top seven Equity Pension Funds.

Key Words: *National Pension Scheme, Equity Linked Savings Scheme, Tax Planning and Investment*.

1. INTRODUCTION:

Tax planning involves the use of the best available tax exemption and tax deduction instruments to reduce the tax outgo and there by maximize income and capital gains in the hands of an assessee. A typical tax payer can use several provisions from Section 80C through 80U under the Income Tax Act, 1961 to reduce the income tax outgo. The tax planner's goal is to legally use various statutory provisions to reduce tax, thereby not indulging in tax evasion or tax avoidance. With proper tax planning, an individual's tax liability can be reduced, litigation with the tax department be minimized or even avoided, funds can be channelized into productive investments, thereby leading to fuel economic growth and stability.

The sustained economic development of an economy depends on capital formation and its allocation. The capital formation arises out of the investment of savings. Such allocation of savings can either be into risky assets or riskless assets. The investment into risky assets provides what is termed as risk capital. The risk capital, also known as equity capital, is a major source of finance for organized businesses.

The term 'saving' is defined as the proportion of a person's income that is left over after meeting expenses. The savings could be deposited in a bank, building society, etc. It can also be used for acquiring assets—financial assets (stocks, debt securities, etc.) and/or physical assets (property, gold, etc.) and further earning through returns. Investing in stocks (also called equity) has emerged as a very good option to earn higher returns, but there exist risks associated with lack of knowledge about stocks, market sentiment, etc. Due to these factors, mutual funds have emerged as a suitable route to investing savings in stocks as it carries a lower risk as compared to investing in individual stocks and the investor has experts managing his funds. The mutual funds are one of the important means of pooling small amount of savings from a large number of people and investing them into diversified pool of assets with varying degrees of risk. More particularly, the equity mutual funds are a good source of accumulating large amounts of risk capital. In order to encourage and incentivize small investors to invest into equity mutual funds, the Government of India introduced the

Equity Linked Savings Scheme (ELSS) in the year 1992. ELSS is a type of diversified equity mutual fund which provides an income tax incentive to the investor for the investment made. The incentive currently is in the form of a deduction from income under section 80C of the Income Tax Act, up to an amount of Rs 1,50,000, towards the investment made during the financial year. The ELSS mutual funds, as they provide a tax deduction, are subject to certain regulatory restrictions, which make them distinct from the regular diversified equity mutual funds [1].

An ELSS is a diversified equity mutual fund which has a majority of the corpus invested in equities. Since, it is an equity fund; returns from the Equity-linked mutual funds reflect returns from the equity markets. This type of mutual funds has a lock-in period of 3 years from the date of investments. This means if you start a systematic investment plan in an ELSS, then each of your investments will be locked in for 3 years from the respective investment date. The investors can exit the ELSS after 3 years by selling it. Similar to other equity funds, the ELSS funds have both dividend and growth options. The investors get a lump sum after 3 years in growth schemes.

National Pension System (NPS) is a scheme designed to help create a retirement corpus in a systematic manner with the aim to build provisions for a regular income for your post-retirement life. Under the NPS framework, the pension fund invests your contributions into diversified portfolios that are made up of Government Bonds, Corporate Debentures and Equity Shares. National Pension Scheme (NPS) has been launched by the Government of India for the citizens of India for the long-term saving, which can give some support in older age, when they are not getting any source of income, to support the expenses incurred at the old age. The scheme facilitates people to invest with a minimum amount and allows them to invest as they wish. The citizens can access two types of accounts, one is Tier I and another is Tier II. Tire I account primarily aimed at only saving and the same can be utilized for the post retirement period, and it will not allow the citizen to withdraw the amount before 60 years of age. Tier II account is for the entire citizens as voluntary, it allows the account holder to withdraw the amount, whenever required. As Tier II is voluntary, it does not exempt one from the tax. An autonomous body set up by the Government of India to develop and regulate the pension market is called Pension Fund Regulatory and Development authority (PFRDA). The record keeping for all the NPS related activities are done by the National Securities Depository Limited (NSDL). After completion of the NPS investment paying period, the Annuity Service Provider (ASP) is the one who make sure the delivery of the pension for the account holder. The Pension Fund Regulatory and Development Authority (PFRDA) has appointed eight companies for operating the pension fund.

There is no difference in the NPS for central or state government employees when compared to the NPS for public or corporate employees. The NPS scheme for central government employees is also extended to central autonomous bodies (CAB) such as the RBI (Reserve Bank of India) or SEBI (Securities and Exchange Board of India). Similarly, the state government NPS is extended to state autonomous bodies (SAB) such as the NPTI (National Power Training Institute) under the Ministry of Power or the DDA (Delhi Development Authority).

2. OBJECTIVES OF THE STUDY:

The main focus of this study is to understand the performance of the various National Pension Scheme funds offered by different companies, over a period of time, since it has been established, and to compare their performance with equity-linked saving schemes. The objectives of the study are as follows:

- To understand the concept of ELSS and NPS in tax saving.
- To analyze and compare the investment performance of top ELSS Funds (Growth) Plan with Equity Pension Fund Tier- Account (NPS).
- To compare the ELSS schemes with other traditional tax-saving instruments on the basis of their return.
- To evaluate the benefits of the ELSS over other tax-saving schemes.

3. RESEARCH METHODOLOGY:

The research study is completely based on the secondary data. To gain an overview of ELSS schemes, NPS and other tax-saving instruments, the secondary data has been collected from various sources such as fact sheets, newspapers, journals, articles, books, periodicals, websites, etc.

Sample: The Study is restricted to a pool of top seven Equity Linked Saving Schemes (ELSS) of mutual funds and seven Pension Fund Schemes of Tier 1 (E) account.

4. LIMITATION OF THE STUDY:

As the objective of the study is to analyze the investment performance of the ELSS fund and equity pension, only growth option plans have been considered for analysis. Further, while comparing the ELSS fund with the equity pension fund, only Tier I account with investments in equity market instruments have been considered for the study. The performance evaluation is based on the Net Asset Value (NAV) of the fund units and, therefore, does not consider the costs, if any, incurred by the investor in the form of entry and exit loads and income tax on the gains. The following are the limitations of the present study:

- The study is limited to the Equity Linked Saving Scheme (ELSS) and National Pension Scheme – Equity Fund only.
- The Pension Fund Regulatory and Development Authority (PFRDA) has appointed eight companies for operating the pension fund, out of which seven companies are taken for study because one company has not yet completed five years.
- The data is restricted to a pool of top seven Equity Linked Saving Schemes (ELSS) of mutual funds.
- The study is considered investment in Tier 1(E) pension fund account only.
- Administration expenses are not accounted.
- The results are pertaining to the available data only.
- The study period covers only five years.
- The performance of the funds has been measured on the basis of the NAV of funds as on 25-June 2021.

5. REVIEW OF LITERATURE:

Equity Linked Saving Scheme (ELSS) is a type of mutual fund, which invests the corpus in equity and the equity related products. These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax Act 1961, and their growth opportunities and risks are like any other equity-oriented schemes. The ELSS is open-ended; hence it can be subscribed to and exited from at any point of time. **Sharma (2015)** studies the perception of investors towards equity linked saving 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 [2].

Mohanasundari, et al. (2016) examine the risk and return analysis in selected equity linked saving schemes in India. They observe that the past performance of the funds does not reflect in future. There are certain schemes that outperform the benchmark index with positive risk return relation. Most of the schemes perform well in the initial period. They also found that ELSS funds which have over more than 20 years of its existence are still not been very popular with the retail investors as a tax saving investment option [3].

Krishna Kumar et al. (2015) analyze the investment performance of ELSS Funds for a period of 13 years and compare its performance with 12 top diversified equity funds and 7 benchmark indexes. The ELSS funds have underperformed both against sample diversified equity funds and benchmark indexes on a risk adjusted basis. The study also shows that there is inconsistency in the performance of the ELSS funds over time [4].

Kumar and Adhikary (2015) examine the performance of tax-saving schemes of five Asset Management Companies (AMCs) for a period of ten years from 2004-05 to 2013-14. The study reveals that the private sector tax-saving mutual fund schemes have outperformed in terms of its market return and the performances of public sector tax saving mutual fund schemes were not satisfactory. They also observed that ELSS fund return and market return have a non linear relationship between each other [5].

Mittal and Agarwal (2015) evaluate the growth rate in the ELSS (tax saving mutual funds) of public and private sectors and Indian Mutual Fund Industry. The growth rate in the ELSS was more in starting years but with depression of 2008 the growth rate becomes negative for some years and then there is no consistency in growth rate [6].

Pathak (2018) observes that the ELSS –Growth funds are outperforming the benchmark index and doing quite well. Moreover, there are funds like Axis long term equity funds, IDFC Tax advantage, Franklin Templeton tax saver which have been giving good average returns and also giving excess return as compared to government bonds [7].

The existence of pension funds is needed in particular to provide welfare benefits to employees when they retire. In the United States of America, the provision of pension benefits made through a company's defined benefit pension plans, defined contribution pension plan, as well as hybrid or mixed pension plan **(Clark, 2004)** [8]. The pension funds are one of the most important supporting institutions to provide social protection to the majority of citizens (**Emmerson, 2003)** [9].

In the assessment of performance, especially in the pension fund industry, the elements of pension fund have the potential to diminish the interests of employees **(Riza, 2003**) [10]. He interests or rights of employees take the form of payment of pension benefits in a timely, easy-to-access information, particularly with respect to transparency in the management of pension funds as well as the types of rights of others.

Barik (2015) analyses the Mutual Fund Pension Schemes & National Pension Scheme (NPS) for retirement planning. He studies various retirement funds and schemes and evaluates the returns on mutual fund pension schemes & NPS.[11]

Hooda and Chhikara (2018) analyze the role of the NPS in the economy and capital market in terms of accumulation of institutional capital, development of capital market through creation of demand for financial instruments, support to improve financial market research, risk rating standard, corporate governance etc. They conclude that the investment in the NPS not only gives a momentum to growth but also add to the economic development of the country.[12]

6. EQUITY LINKED SAVING SCHEME (ELSS):

The Equity Linked Saving Scheme is a kind of tax- saving scheme. Provided by mutual funds in India, they offer tax benefits under section 80C of Income Tax Act, 1961, and the ELSS can be invested using both SIP (systematic investment plan) and lump sum investment option. There is a three-year lock-in period and better liquidity compared to other options like NSC, Public Provident Fund and NPS. The earnings once made with the lock-in period are 100% tax free. This is an equity diversified fund and investors enjoy both the benefits of capital appreciation as well as tax benefits. It has both dividend and growth options. For tax purposes, returns from an ELSS scheme are tax free up to Rs 1 lakh. It is also considered as one of the best taxes saving instrument. It is suitable for investors having a high-risk profile as returns in the ELSS fluctuate depending upon the equity market and there are no fixed returns. The ELSS schemes are open-ended, that is, investors can subscribe to the fund at any day. The NAV or the price of the fund is declared on every business day.

7. BENEFITS OF ELSS OVER OTHER TAX SAVING SCHEMES:

Some benefits of investing in an ELSS mutual fund are:

- **Shorter Lock-in Period:** In comparison to other tax savings instruments like the National Savings Certificate (NSC), tax savings bank deposit or Public Provident Fund (PPF), the lock-in period is much lower for an ELSS fund. While NSC, tax- saving FD, PPF and NPS require a lock-in time frame of 6 years, 5 years and 15 years respectively, an ELSS fund has a lock-in period of only 3 years. In comparison with others, the ELSS funds are far more convenient as you have faster access to the funds for re-investment or spending purposes as these investments can be made and redeemed online.
- **Yields High Return on Investment (ROI):** As ELSS is an investment which is made in the equity markets, you can expect higher returns in comparison to many other tax-saving investment options, from the perspective of a long-term investor. Thus, not only do they help save tax, but they also enable you to make a bigger profit on your investment. It is however recommended that investments in an ELSS fund be made over the medium to long term in order to derive maximum benefits from your investment. While fixed deposits and PPF and NPS provide returns in the range of around 8%-9%, the ELSS schemes have historically generated returns of 12% and higher over a 10-year period.
- **Offers Tax Benefits:** The ELSS funds qualify for tax exemptions under 80C of the IT Act where investments of up to Rs.1,50,000 can be claimed as tax deduction in each financial year. Furthermore, capital gains up to Rs 1 lakh earned on the maturity amount or the earnings accrued through ELSS investments are tax-free. This is why ELSS is a much-preferred savings option, and not only from the tax-savings perspective.
- **Inculcates Financial Discipline:** Through SIP Mutual funds generally offer a systematic investment plan (SIP) facility, wherein you can invest a fixed amount every month, just as you would in case of a recurring deposit. The ELSS funds also provide this facility, where your earnings can be deployed into your ELSS fund

periodically (weekly/monthly). This proves to be a great advantage as it reduces the strain of having to invest a lump sum amount at a time, thus reducing the strain on your monthly budget.

- **Protects from Inflation:** The ELSS funds also help earn returns that are able to beat inflation. While bonds and fixed deposits might offer returns that may be in line with the pace of inflation over a period of time, in reality, the real returns are quite low. Since ELSS funds are equity-based and returns are tax-free, they provide higher gains as compared to other investment options, which are in line with the increase in inflation.
- **Long-Term Investment option:** There is a general misconception that in the case of the ELSS, funds need to be withdrawn or re-invested elsewhere, once the lock-in period has been crossed. This is not the case with ELSS funds, there is no need to do so if the fund is performing well. The ELSS funds provide investors with the choice of continuing to stay invested beyond the lock-in period, if they desire. If the ELSS fund is a well-diversified scheme, it is in fact advised that it be considered more as a long-term investment.
- **Affected Minimally by Market Volatility:** Traditionally, the ELSS mutual funds have shown themselves to be considerably less volatile as compared to other equity investments. Thus, many experts suggest that investors make ELSS investments in order to prevent being affected by the volatility of traditional stock market investments.

8. COMPARING EQUITY LINKED SAVING SCHEME (ELSS) WITH OTHER TAX SAVING INVESTMENT OPTIONS:

Besides ELSS, the other popular tax saving investment instruments available in the market u/s 80c are Public Provident Fund (PPF), NPS, FD, and NSC. Table 1. presents the comparison between NPS and other tax- saving instruments.

Table-1.

Tax Saving Investment Options	Average Annual Compound Growth Rate (CAGR) (Last 5 Years) as on 25th June 2021.	Lock-in Period	Tax on Returns
NPS	14.44%	Till Retirement	Yes (Partially)
ELSS	21%	3 Years	Capital Gain Tax above ₹ 10,0000
PPF	7.60% (guaranteed)	15 Years	No
FD (Fixed Deposits)	6.5 -7.5%	5 Years	Yes
NSC (National Saving Certificate)	7-8%	5 Years	Yes

https://www.mymoneysage.in/blog/best-tax-saving-option/

9. NATIONAL PENSION SCHEME (NPS):

The NPS was initially meant for government employees, and was later extended to all citizens of India. The National Pension Scheme has been issued by the Government as a social security initiative. A pension is a sum of money that is created during your employment years by regular contribution. Once you retire, you receive periodic payments from this fund. Hence, you can live a financially independent life despite having no employment. The NPS is offered to people working in all sectors of the economy — private, government, unorganized, etc. Under the NPS scheme, you invest a fixed amount every year towards your pension fund and receive a monthly pension post-retirement. Your pension account can be ported across jobs and locations. Once you deposit the money to the NPS account, the fund manager of the NPS invests the corpus into different asset classes like equities, debt, etc. You receive returns based on the performance of the fund.

NPS is a pension system that was launched by the Government of India on 1 April 2004 and was regulated by the Pension Fund Regulatory and Development Authority (PFRDA), created by an Act of the Parliament of India. It was launched to fulfill the following objectives:

- To provide old age income.
- Reasonable market-based returns over long run.
- Extending old age security coverage to all citizens.

The scheme was initially designed for government employees only, it was opened up for all citizens of India between the ages of 18 to 60 in 2009. The Permanent Retirement Account Number (PRAN) are allotted to each subscriber upon joining the NPS. An investor in NPS has two choices to invest in, namely Auto choice and Active choice. In the auto choice, the allocation of assets is done as predetermined formula based on the age of investor. The allocation is made in three assets classes, namely:

• **Asset Class E** are investments in equity market instruments. This is the high-risk return asset class. The contributions are invested in index funds that replicate the portfolio of a particular index. The maximum investment in this class is 50 percent of total contribution.
• **Asset Class G** are investments fixed income instruments, mostly central government bonds. This is the low-risk return asset class.
• **Asset Class C** are investments in fixed income instruments issued by state governments, municipal bodies, state government PSU/PSE like electricity boards, and private corporations. This is the medium risk return asset class.

Types of NPS Accounts

The NPS subscribers are issued with a Permanent Retirement Account Number (PRAN), which rests unchanged throughout the length of the scheme. The NPS accounts are designed as Tier 1 and Tier 2 based on the withdrawal norms.
• **Tier 1 Accounts:** It is also known as Pension account. This account does not allow premature withdrawals unless the member has completed 15 term years. These withdrawals are repayable advances and are allowed only in case of an emergency. Tier 1 accounts of government employees are subjected to investment in government and corporate bonds, while that of other citizen are invested in fixed deposits and liquid funds as well. Minimum annual contribution required for this account is Rs 1000.
• **Tier 2 Accounts:** It is known as investment account. It was launched by government in the year 2009. It offers much flexibility than Tier 1 accounts. The account holders can withdraw their amount without any withdrawal charges. It offers the investor an option to invest either in government bonds, fixed income instruments, or equity funds. NPS Tier 2 accounts do not have locking periods and are not exempted from tax under section 80 C of the Income Tax Act.

Benefits of Investing in NPS

Investing in the NPS has its own benefits:

Portable: The NPS offers seamless portability across various jobs and locations. As opposed to a lot of pension schemes in India, the NPS offers hassle-free arrangement for individuals upon moving to a new job.
Well-regulated: The NPS is regulated by the Pension Fund Regulatory and Development Authority (PFRDA) which ensures transparent investment norms, performance reviews, and regular monitoring of fund managers through the NPS Trust.
Dual Benefit: The Pension wealth accumulation grows till the period of retirement with the compounding effect. Since the account maintenance charges are low, investors benefit significantly from the accumulated pension wealth.
Ease of Access: Your NPS account can be managed online. It can also be easily opened via the eNPS portal.

10. DATA ANALYSIS AND INTERPRETATIONS:

Table 2: Top Performing Equity-Linked Saving Scheme (ELSS) as on 25th June 2021

Sl. No.	Scheme Name	NAV (Rs)	Returns Since Inception	Returns 1 Year	Returns 3 Years	Returns 5 Years
1.	SBI Tax Advantage Fund – Series III – Regular Plan – Growth Less	27.40	26%	83%	29%	24%
2.	SBI Tax Advantage Fund – Series II – Regular Plan – Growth ELSS	38.76	26%	82%	27%	24%
3.	Quant Tax Plan – Growth ELSS	194.38	38%	108%	29%	23%
4.	Mirae Asset Tax Saver Fund – Regular Plan – Growth ELSS	28.092	20%	68%	20%	22%
5.	BOI AXA Tax Advantage Fund – Regular Plan – Growth ELSS	90.17	20%	71%	17%	19%
6.	Canara Robeco Equity Tax Saver – Regular Plan – Growth ELSS	104.01	18%	65%	20%	18%

7.	IDFC Tax Advantage (ELSS) Fund – Regular Plan – Growth ELSS	85.82	29%	81%	14%	17%
	Average Compound Annual Growth Rate (CAGR)		25.14%	79.71%	22.29%	21.00%

https://www.moneycontrol.com/mutual-funds/performance-tracker/returns/elss.html

It is observed from Table 2. that all top ELSS Schemes have performed very well in the last one year (79.71%) in comparison to the last five years (21%) on the basis of average compound annual growth rate (CAGR) due to the best performance of the equity market. Average compound annual growth rate of all top seven ELSS schemes since inception have been recorded at 25.14%. So it has been analyzed from the above table that, to take a long term investment decision, we should consider the CAGR of five or more years, not the return of a single year. On the basis of the long term CAGR, we can ensure stability and consistency needed for constant performance and returns on the investment.

Table 3: Top Performing Tier-I Account (NPS) Equity Plan as on 25th June 2021

Sl. No.	Scheme Name	NAV (Rs)	Returns Since Inception	Returns 1 Year	Returns 3 Years	Returns 5 Years
1.	Birla Sun Life Pension Scheme	16.89	13.51%	49.29%	13.34%	NA
2.	HDFC Pension Fund	31.40	15.57%	54.78%	14.68%	15.86%
3.	ICICI Prudential Pension Fund	41.40	12.44%	57.07%	14.03%	14.50%
4.	Kotak Pension Fund	38.18	11.68%	54.40%	13.99%	14.39%
5.	LIC Pension Fund	26.26	12.95%	57.63%	13.28%	13.24%
6.	SBI Pension Fund	34.59	10.78%	52.47%	13.05%	14.10%
7.	UTI Retirement Solutions	41.03	12.37%	57.33%	13.62%	14.58%
	Average Compound Annual Growth Rate (CAGR)		12.75%	54.57%	13.71%	14.44%

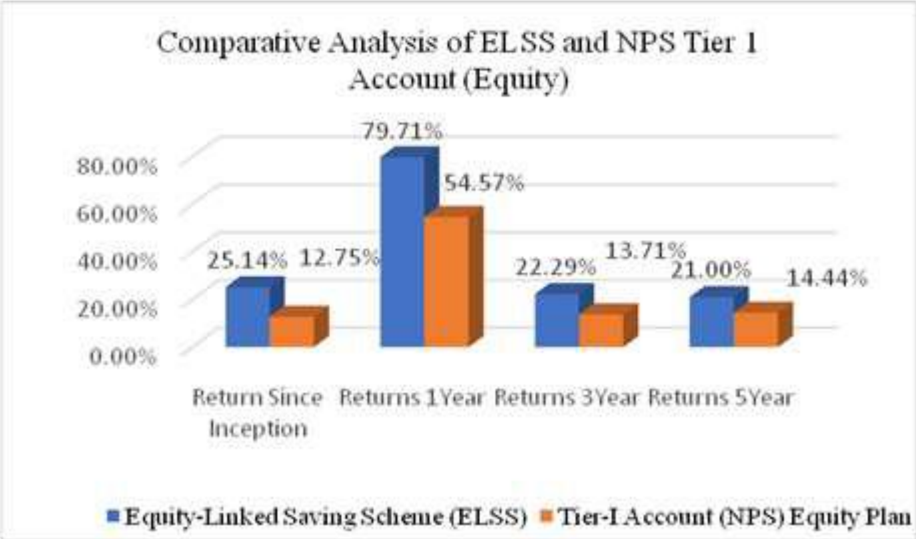
http://www.npstrust.org.in/return-of-nps-scheme

It is observed from Table 3. that all seven Pension Fund Schemes have performed very well in the last one year (54.57%) in comparison to the last five years (14.44%) on the basis of the average compound annual growth rate (CAGR). Average compound annual growth rate of all top seven ELSS schemes since inception have been recorded at 12.75 %. So it has been analyzed from the above table that, to take a long term investment decision, we should consider the long term CAGR to ensure constant performance and returns on the investment. The researchers are eyeing the returns during five years and since inception for taking the investment decision.

Table 4.
Comparative Analysis of Average Annual Compound Growth Rate (CAGR) of ELSS and NPS Tier1 Account as on 25 June 2021

Sl. No.	Average Compound Annual Growth Rate (CAGR)	Equity-Linked Saving Scheme (ELSS)	Tier-I Account (NPS) Equity Pension Fund	Difference	ELSS Return over NPS Tier 1Equity Pension Fund
1	Return since Inception	25.14%	12.75%	12.39%	97.18%
2	Returns 1Year	79.71%	54.57%	25.14%	46.07%
3	Returns 3Year	22.29%	13.71%	8.58%	62.58%
4	Returns 5Year	21.00%	14.44%	6.56%	45.43%

Chart . 1



From Table 4. it has been inferred that the Equity-Linked Saving Scheme (ELSS) provides a better return comparison to the NPS Tier 1 Equity Pension Fund. Since inception, the ELSS provides (25.14%) whereas the NPS Equity Schemes provides (12.75%) on the investment. While comparing performance of five years the ELSS provides (21%) whereas the NPS Equity Scheme provides (14.44%) return on the investment. Further, it has been noticed that the ELSS provides 45-97 percent more return in comparison to the NPS Pension Fund. As a researcher we are focusing on returns during five years and since inception for taking the investment decision. So, on the basis of analysis of above data, we can conclude that the investment in the Equity-Linked Saving Scheme (ELSS) is a better tax- saving option in comparison to the NPS Tier 1 Equity Scheme from tax- saving point of view.

The above chart shows a comparative analysis between returns given by selected top performing ELSS funds in the growth category and returns given by the NPS Tier 1 Equity Plan. From the above chart, it is seen that the ELSS has superior returns i.e. 21% as compared to the NPS Equity Pension Fund having returns of 14.44%.

11. SUGGESTIONS:

- The investors should invest in top performing ELSS growth funds on the basis of their compound annual growth rate (CAGR) of five or more years as they are giving very high returns.
- Before investing in the ELSS funds, the investors should look into expense ratio as it tells us about the fees charged by the mutual fund houses.
- The investors should avoid investing in funds having negative average return or return below NPS Equity Pension Funds.
- Risk averse investors should avoid funds which are risky as well as with high beta.
- Both ELSS and NPS Tier1 Schemes are tax-saving instruments that qualify for a tax exemption of Rs 1,50,000 under Section 80C of the Income Tax Act, 1961, as well as an additional Rs 50,000 deduction under Section 80CCD (1B) is also available on NPS. After 1 April 2004, it was made compulsory for new recruits of the Central Government and State Government Employees to contribute to the NPS Pension Fund Tier 1 account. They do not have any option to refuse to contribute to the NPS Pension Fund. So, to ensure a better return on tax saving schemes, one should invest Rs 50,000 under section 80CCD (1B) in the NPS Tier 1 account and Rs 1,50,000 in the Equity-Linked Saving Scheme (ELSS). Further, it is suggested that an investor should have a diversified portfolio with investments made across the entire gamut of tax- saving schemes.
- To maximize the returns on tax-saving schemes, one should definitely include the ELSS funds in their investment portfolio.

12. CONCLUSION:

The analysis of the data reveals that the ELSS schemes have offered attractive returns over the period of study making them an attractive investment option for investors. As, after 1 April 2004, it was made compulsory to Central Government and State Government Employees to contribute to the NPS Pension Fund Tier 1 account, the employees do not have any option to refuse to contribute to the NPS Pension Fund even if the NPS Pension Fund yields a negative return. So, to maximize returns on tax- saving schemes, the employees should diversify their portfolios and definitely include the ELSS funds in their investment portfolios. It is concluded that the Equity-Linked Saving Scheme (ELSS) provides a better return in comparison with the NPS Tier 1 Equity Pension Fund. Further, it has been found that the ELSS provides 45-97 percent more returns as compared to the NPS Pension Fund. So, on the basis of the analysis of the above data, we can conclude that the investment in the Equity-Linked Saving Scheme (ELSS) is a better tax-saving option as comparison to the NPS Tier 1 Equity Scheme. However, it is always suggested that one should ideally have a diversified portfolio with investments made across the entire gamut of tax- saving and profit-maximization schemes.

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