

# Do Equity Mutual Fund Managers Possess efficient Stock Selection Skills?



Ravindra Sontakke, Anand Muley, Jaspal Gidwani

**Abstract:** With a primary and single intent, Investors want to take a position his hard earning money in such investment product which generate higher returns to him. Bunch of Investment options are there for Today's Investors in this financial world, starting from Equity Stock investments to Gold, from property to Fixed Deposit and From Mutual Funds to Investments in Commodities. Supported risk craving & return desire, Investors can select from these investment avenues. Lagging in knowledge, experience & resources for directly accessing the capital market, also investors generally don't have adequate time, they need to depend upon a mediator, which undertakes informed investment decisions & provides substantial benefits of professional proficiency. Therefore investment firm has been came with this plus point for such kind of investors through which they'll have also access to capital market indirectly. A mutual fund is that the best suited investment for the ordinary saver because it proposes a chance to take a position in a diversified, professionally managed hamper of securities at a moderately squat price. Usually, the main focus in evaluating the performance of a mutual fund has been on fund manager's skill available in stock selection. This paper is a pragmatic measurement of the performance of mutual fund managers in terms of "Stock selectivity", within the structure suggested by Eugene Fama (1972). The study examines the performance of 34 Equity Linked Saving Schemes. The reference period for the study is January 2015 to December 2019. Stock selection is that the nub within the investment administration & management process. It involves identifying and selecting undervalued securities which among other things requires the successful forecasting of the corporate specific events or a capability to predict the final behavior of security prices within the future. If the fund manager is in a position to spot and choose the undervalued securities for the portfolio, then it'll be possible for the fund manager to extend the returns of the schemes and vice versa. In practice fund managers are expected to produce advanced returns for unit holders Constantly as being professionals therefore possess superior skills to gather and analyze the information with the aim to pick the correct style of securities for the portfolio. In this research document stock selectivity skills of fund managers of Equity Linked Savings Scheme were dissected by using Jensen's Alpha and Fama's net selectivity measure. The upshot of the study reveal that bulk of the schemes has shown assenting alpha and most of the fund managers possess finer selectivity skills.

**Key Words:** Mutual Funds, Equity Linked Saving Schemes, Investment, Returns, stock selection.

## I. INTRODUCTION

After Globalization & Liberalization of 1991, enormous Investment opportunities came into existence for Indian Investors. These Investment opportunities provide attractive returns to the investors, at the identical time it carried huge risk to larger extent.

Investors have to understand how risky individual assets are and what their contribution to the full risk of a portfolio would be. At the similar time, allocations of wealth across different asset classes and specific investments became a challenging task for the investors, portfolio managers and with fund managers also. Essentially, investors participate in financial markets over time so as to share and diversify various risks, which arise in their investment decisions. Investors use financial markets not only to share risk but to form risk-return trade-off in a very better way. With the influx of Mutual funds which ultimately help the investors to Participate in optimal trading strategies that's economically feasible to mitigate the risk and optimise the return.

Ample of Mutual Funds are available where the investors can put their money. Before investing investors want to grasp which fund gives more return, which fund is performing well, which fund is more risky etc. of these may be discovered using certain key statistics. With the assistance of those key figures, an investor can analyze diverse mutual funds and locate his/her money within a fund which suits his/ her risk perception. Mutual fund returns can be compared using Arithmetic mean & Compounded Annual Growth Rate. Risk may be analyzed by looking for variance, Beta. Key ratios like Sharpe ratio and Treynor ratio are used for Risk-Return analysis. Funds are compared with a benchmark, industry average, and analysis of volatility and return per unit to seek out how well they're performing with regard to the market price.

These are the predictable measures which are considered usually for evaluating the performance of mutual fund schemes but now during this contemporary era, we even have to judge the fund Management because it also became one of the Parameter for the investors to compose their investment in a particular Mutual fund Scheme since the Professional Fund Management is predicted to reward the investors with higher returns for the risk the funds are exposed too. It's been observed that higher or excess return is that the results of Superior stock selection skills of the fund Manager.

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## II. EQUITY LINKED SAVING SCHEMES

### A. Introduction

Variety of Schemes has been introduced by Mutual fund houses from time to time. Plenty of investors have been aware or create aware about large cap funds, mid cap funds, small cap funds and various sectoral funds,

but not much is understood about Equity Linked savings schemes funds and their performance.

Each investor has their specific investment goals, risk profile and investment horizon. Equity Linked savings schemes are idyllic for investors who want to form returns without being exposed to market instability. The relatively less insistent investor may avoid risky large cap, Mid-cap & small-cap schemes and choose for Equity Linked savings schemes.

Equity Linked Savings Scheme (ELSS) is a kind of mutual fund scheme that principally invest in equity and equity related instruments to grab elevated returns.

ELSS is different from other equity mutual fund schemes in such the simplest way that investment up to Rs.1.5 lakh in ELSS is eligible for deduction from taxable income in a financial year. The scheme encompasses a legal lock-in period of 3 years for every SIP and it's the only mutual fund scheme that eligible for tax deduction under Section 80(C) of the IT Act.

### B. Benefits of Investing in ELSS

Arrive with many benefits, one of the main benefit that attract many investors are that these schemes offer high returns. Since Equity Linked Savings Scheme is basically an equity scheme, it's the potential to deliver exponential returns within the future. Although risky, investment in ELSS has the potential to deliver significantly higher returns in comparison to traditional tax saving instruments with all time low lock-in period comparatively.

Diversified portfolio of ELSS contains allocation to different asset classes like equity and debt securities. Besides this, numerous funds diversify within the equity category as well; allocating assets to diversified equity stocks. By means of ELSS, one can easily diversify their overall investment portfolio and effectively mitigate market risk.

As the investment portfolio is managed by proficient experts who are well-informed about the market attitude and working of capital markets, the investors' money is in secure hands. Whether or not investor don't have much knowledge about the working of financial markets or lack time to trace the market, still they will capitalize the returns from equity markets, via investment in ELSS.

## III. LITERATURE REVIEW

Jensen (1968) had investigated almost 115 mutual funds which were active from 1945 to 1964 by using an alpha pointer that he generated. His alpha indicator evaluates the selectivity skills of fund managers. Supported his outcome, it's been found that funds couldn't smash the market performance, revealing that fund managers, in general, failed to have selective capability.

Mazumdar & Sarkar (1995) evaluated financial performance of 5 close ended growth funds for the period February 1991 to August 1993. They concluded that the performance was

below average in terms of alpha values and statistically not significant and fund possessed high risk.

Bishnupriya .M & Sathy.S.D. (2006) examined the performance of 23 selected open-ended mutual funds, from 1996-1997 to 2004-2005. On the idea of returns they found that UTI fund schemes and Franklin Templeton schemes have performed remarkably well in public and private domain respectively.

Mohit Gupta & Navdeep Aggarwal (2007), "performance of Mutual funds in India- an empirical study". They conducted the study with the operation of factors like CAPM and FAMA French model and located that the worth addition of the fund depends on certain factors like excess market returns, size factor, value factor and suggest that returns earned by Mutual funds were in fact because of the spotlight of those factors only and fund managers failed to add any value.

Swinkels and Rzezniczak (2009) conducted a study on 38 Polish mutual funds covered the period of 7 years from February 2000 to April 2007 to analyze the manager's selectivity of equity funds, balanced funds and bond funds. The results came that fund managers display some positive but statistically insignificant selectivity skill, but there's no evidence of market timing skills in bonds and equity funds except balanced funds.

Mehta and Chander (2010) considered to empirically test the three factor model suggested by Fama and French on Indian stock exchange and to document the evidences on how firm characteristics are used as a much better thanks to explain the stock return behaviour. The findings indicated that the three factor model given by Fama and French is more influential, than its other variants of taking one or two factors in explaining the inconsistency within the returns of all six portfolios.

## IV. OBJECTIVES

1. To review the performance of Equity Linked Saving Schemes in terms of Jensen Alpha.
2. To measure the performance of Equity Linked Saving Schemes on the basis of stock selection skills of fund managers.

## V. NEED OF THE STUDY

On reviewing the literature it has been found that performance measures of mutual funds include rate of return, risk adjusted returns (Treynor and Sharpe's indices) 'Stock Selectivity' abilities and market timing skills of the fund managers. Lot of studies within the past has been conducted on performance of Indian funds right from doing evaluation on the returns earned & risk faced by varied sorts of Mutual fund schemes, but till date an empirical study on assessing performance of Mutual fund Managers of India are yet to be undertaken specifically on Equity Linked Saving Schemes. Hence, the study is an effort during this direction to judge the performance achieved by Indian fund Managers in terms of Stock Selection Skills and at the identical time want to look at that's there's an association between stock selection skills of fund managers and the performance or returns generated by these schemes.



**VI. SIGNIFICANCE OF THE STUDY**

Scrutinizing performance of any investment is important, per se it's applicable to mutual funds also, evaluating past performance of mutual funds is vital both for investors as well as for fund managers.

It allows an investor to calculate on what quantity return has been generated by the fund manager and what risk level has been taken in generating such returns. Further, an investor can even weigh up the comparative performance of various fund managers. Correspondingly fund managers would even be able to know their performance over time and also with regard to that of other competitors within the industry. The evaluation also provides a device for identifying force and flaws of fund managers within the investment process, which helps them to require corrective actions.

**VII. RESEARCH METHODOLOGY**

**A. Data**

To conduct this study 34 Equity Linked Saving Schemes being launched by assorted fund houses namely SBI, Sahara, Kotak, HDFC, ICICI, Reliance and Aditya Birla Sun Life has been selected on the premise of standard availability of data exclusively during the amount of January 2015 to December 2019. Annual Net Asset Value (NAV) data has been used and also the period of the information considered is from the date 1st January 2015 of the scheme till day, 2019.

**B. Period of Study**

The growth oriented Equity Linked Saving Schemes, which are floated by the chosen funds during the epoch January 2015 to December 2019, are considered for the aim of the study. Annual Net Asset Value (NAV) as declared by the relevant mutual funds from the January 1st 2015 of a selected scheme to 31st December 2019 has been used for the aim.

**C. Risk –free rate**

Risk free rate of return refers to its minimum return on investment that has no risk of losing the investment over which it's earned. For the present study, it's been marked as 7% (0.07) per annum

**D. Tools & Techniques**

For the rationale of Performance and market timing analysis, appropriate statistical and financial tools, i.e., Average Annualized Return, Jensen Alpha, and Fama's Net Selectivity are exercised and applied.

**VIII. DATA ANALYSIS AND INTERPRETATION**

**A. Jensen Model or Jensen Alpha**

Jensen model is one more risk-adjusted performance measure. This measure is built-up by Michael Jensen and sometimes referred as the differential return method. This measure involves evaluation of the returns that the fund has generated vis-à-vis the return actually expected of the fund given the extent of its systematic risk.

Usually, investors will aim to realize a high return with a minimum amount of risk. So if, as an example, two portfolios yielded equal returns, but one involved lower risk, the one with lesser risk would rationally be the more eye-catching alternative.

Jensen's Alpha can help determine if the return generated is appropriately supported with the amount of risk involved. If the return is over that predicted by the CAPM, the security or portfolio is alleged to possess a positive alpha (or an abnormal return).

Investors are always trying to find opportunities where a positive alpha is involved.

**Table 1 bestow Jensen Alpha & Scheme's Average Returns of Selected Equity Linked Saving Schemes:-**

SN	Scheme Name	Jensen Alpha	Rank	Average Return	Rank
1	Aditya Birla SL Tax Relief '96	2.2781	08	11.208	08
2	Aditya Birla SL Tax Plan- Regular	1.6277	11	10.556	12
3	Axis Long Term Equity Fund-Regular	3.5151	04	12.096	04
4	BNP Paribas Long Term Equity Fund	0.3145	20	9.42	18
5	BOI AXA Tax Advantage Fund-Regular	1.0567	13	11.076	09
6	Canara Rob Equity Tax Saver Fund-Regular	0.7147	16	9.134	19
7	DSP Tax Saver Fund-Regular	2.9947	06	11.674	05
8	Edelweiss Long Term Equity Fund -Regular	-0.3296	26	8.52	25
9	Edelweiss Tax advantage fund -Regular	-0.6850	28	8.042	27
10	Franklin India Tax shield	-0.3483	27	7.966	28
11	HDFC TaxSaver	-2.7000	30	6.376	30
12	HSBC Tax Saver Equity Fund	-0.1864	23	8.99	20



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13	ICICI Prudential Long Term Equity Fund	0.5374	19	8.63	23
14	IDBI Equity Advantage Fund-Regular	-0.2168	25	8.43	26
15	IDFC Tax Advantage Fund-Regular	1.0133	14	10.598	11
16	Invesco India Tax Plan	2.1189	09	10.676	10
17	JM Tax Gain Fund	2.4316	07	11.466	07
18	Kotak Tax Saver Fund	1.6655	10	10.224	13
19	L&T Tax Advantage Fund-Regular	0.7978	15	9.834	16
20	LIC MF Tax Plan	0.7117	17	9.502	17
21	Nippon India Tax Saver Fund	-4.1793	34	5.428	33
22	Principal Personal Tax Saver	-2.5121	31	6.226	31
23	Principal Tax Savings Fund	0.6430	18	10.032	15
24	Quant Tax Plan	3.0568	05	11.566	06
25	Sahara Tax Gain	-2.7673	32	5.872	32
26	SBI Long term equity fund	-1.9632	29	6.684	29
27	SBI Tax Advantage Fund-Series -II-Regular	4.5430	02	13.82	02
28	SBI Tax Advantage Fund-Series -III-Regular	4.7043	01	13.868	01
29	Sundaram Diversified Equity -Growth	-0.1890	24	8.714	21
30	Tata India Tax Savings Fund-Regular	4.0492	03	13.134	03
31	Taurus Tax Shield Fund-Regular	1.3360	12	10.054	14
32	Union Long Term Equity Fund	-3.2662	33	5.128	34
33	UTI Long Term Equity Fund(Tax Savings)	-0.0751	22	8.522	24
34	UTI Master Equity Plan	0.1370	21	8.698	22

**Source: - Own Calculation**

Interpretation: - Table 1 depicts Performance in terms of Average Annualized returns of last 5 years i.e. from 2015 to 2019 of 34 Equity Linked Saving Schemes & their ranking.

The 3rd column of Table 1 shows the Jensen's alpha values. Superior alpha values point out enhanced performance. Among the over Equity Linked Saving Schemes, privileged alpha was found with SBI Tax Advantage Fund-Series -III-Regular, SBI Tax Advantage Fund-Series -II-Regular, Tata India Tax Savings Fund-Regular, Axis Long Term Equity Fund-Regular, Quant Tax Plan, while the schemes that showed inferior alpha values are Principal Personal Tax Savers, Sahara Tax Gain, Union Long Term Equity Fund & Nippon India Tax Saver Fund which indicates that as compared to risk commenced by the Fund managers, they are unable to generate ample returns for investors.

Schemes come very last in ranking since they grip to rule their Beta but unable to engender elevated returns, these schemes couldn't generate returns even higher than the risk free rate of return. This happens to most of the schemes as their beta is squat but their returns are not lofty, not superior to risk free rate of return which ultimately results into lower or negative Jensen Alpha.

On the Premise of research, we are going to pack up that scheme with higher average return show positive Jensen Alpha and contrariwise. Apart from analysis, we've to verify this statement; hence we are taking it as our hypothesis.

Null Hypothesis (H<sub>0</sub>):- There's an unconstructive Association between Jensen Alpha of Equity Linked Saving schemes and also the Performance of the schemes.

Alternate Hypothesis (H<sub>1</sub>):- There's a constructive Association between Jensen Alpha of Equity Linked Saving Schemes and also the Performance of the schemes.

### *Hypothesis Testing*

When analyzing data we'll review the output for 2 pieces of data that are critical for this purpose: the obtained statistic and also the probability (p) or significance value related to that statistic. A method to check the null hypothesis related to this study would be to perform an independent t test statistic. When the information analysis for this study has been completed, we'd review a t test statistic and its corresponding p value.

If the p value is extremely small (e.g.,  $p < .05$ ), we'll reject the null hypothesis. In order to check the hypothesis that whether there's a constructive Association between Jensen Alpha of Equity Linked Saving Schemes and also the Performance of the schemes, we've used spearman's Rank correlation coefficient.

We've calculate Rank coefficient of correlation, where we found correlation  $r = 0.9832$  which suggests constructive relationship between Average return & Jensen Alpha of the schemes but whether there's significant relationship is there or not, we've to test it & it may be well tested by reviewing a t test statistic and its corresponding p value at 5% level of significance (Two tailed test) where number of observations are 34 and degree of freedom is  $32(n-2)$ . By referring the row in the table for degree of Freedom (d.f.) = 32 and also the column at significance level of 0.05 it's found that the critical values for t test statistic is 2.037. As per our calculation which is shown in Table below t test statistic is 30.4642; here calculated value is over tabulated value. So, the null hypothesis is rejected and alternate hypothesis is accepted which suggests there exists a constructive Association between Jensen Alpha of Equity Linked Saving Schemes and also the Performance of the schemes.

Similarly, in table below we've calculate corresponding p value together with t test statistic for further testing and it's been found that p value is extremely small than the extent of significance i.e. 5% or 0.05 .Hence if p value is smaller than significance level , Null hypothesis must be rejected & accept alternate hypothesis . Supported this, we proved our alternate Hypothesis (H1) & accept it that there's a major relationship between Average Returns and Jensen Alpha of the Schemes .Below Table shows t-test & p value of Equity Linked Saving Schemes:-

	At 5% level of significance (Two-tailed test)
Degree of freedom(df)	32
t test statistic	30.4642
P value	0.0001

**B) Fama's Net Selectivity:-**

**Table 2 present Fama's Net Selectivity & Scheme's Average Returns of Selected Equity Linked Saving Schemes:-**

SN	Scheme Name	Fama's Net Selectivity	Rank	Average Return	Rank
1	Aditya Birla SL Tax Relief '96	2.1866	08	11.208	08
2	Aditya Birla SL Tax Plan- Regular	1.5411	11	10.556	12
3	Axis Long Term Equity Fund-Regular	3.4225	04	12.096	04
4	BNP Paribas Long Term Equity Fund	0.1489	20	9.42	18
5	BOI AXA Tax Advantage Fund-Regular	0.9884	13	11.076	09
6	Canara Rob Equity Tax Saver Fund-Regular	0.6587	17	9.134	19
7	DSP Tax Saver Fund-Regular	2.9215	05	11.674	05
8	Edelweiss Long Term Equity Fund -Regular	-0.4202	27	8.52	25
9	Edelweiss Tax advantage fund -Regular	-0.7212	28	8.042	27
10	Franklin India Tax shield	-0.3663	26	7.966	28
11	HDFC TaxSaver	-2.7377	31	6.376	30
12	HSBC Tax Saver Equity Fund	-0.2167	23	8.99	20
13	ICICI Prudential Long Term Equity Fund	0.5288	19	8.63	23

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14	IDBI Equity Advantage Fund-Regular	-0.2431	24	8.43	26
15	IDFC Tax Advantage Fund-Regular	0.9083	14	10.598	11
16	Invesco India Tax Plan	2.0963	09	10.676	10
17	JM Tax Gain Fund	2.4146	07	11.466	07
18	Kotak Tax Saver Fund	1.6461	10	10.224	13
19	L&T Tax Advantage Fund-Regular	0.7546	15	9.834	16
20	LIC MF Tax Plan	0.6860	16	9.502	17
21	Nippon India Tax Saver Fund	-4.2552	34	5.428	33
22	Principal Personal Tax Saver	-2.5432	30	6.226	31
23	Principal Tax Savings Fund	0.5893	18	10.032	15
24	Quant Tax Plan	2.8993	06	11.566	06
25	Sahara Tax Gain	-2.7958	32	5.872	32
26	SBI Long term equity fund	-2.0040	29	6.684	29
27	SBI Tax Advantage Fund-Series -II-Regular	4.4359	02	13.82	02
28	SBI Tax Advantage Fund-Series -III-Regular	4.6005	01	13.868	01
29	Sundaram Diversified Equity -Growth	-0.2441	25	8.714	21
30	Tata India Tax Savings Fund-Regular	3.9020	03	13.134	03
31	Taurus Tax Shield Fund-Regular	1.3224	12	10.054	14
32	Union Long Term Equity Fund	-3.3125	33	5.128	34
33	UTI Long Term Equity Fund(Tax Savings)	-0.0993	22	8.522	24
34	UTI Master Equity Plan	0.1287	21	8.698	22

**Source: - Own Calculation**

*Interpretation:* - Table 2 also portrays Performance of ELSS Schemes in terms of Average Annualized returns of last 5 years i.e. from 2015 to 2019 of 34 Equity Linked Saving Schemes & their ranking.

Table 2 also depicts value of Fama's Net selectivity within the 3rd Column. Positive value of the Fama's Net selectivity measure shows superior stock selection skill of the fund manager & if the fund manager chooses best & superior stock in his portfolio, mostly fund manager can beat the market & generate over market return.

Result shows Fama's Net selectivity measure of SBI Tax Advantage Fund-Series -III-Regular, SBI Tax Advantage Fund-Series -II-Regular, Tata India Tax Savings Fund-Regular, Axis Long Term Equity Fund-Regular, Quant Tax Plan, are having high positive value that indicates the superior stock selection ability of Fund managers of these schemes. Whereas the Schemes that show low positive values of Fama's Net Selectivity are Sahara Tax Gain, Union Long Term Equity Fund & Nippon India Tax Saver Fund which suggests that stock selection ability of Fund managers of these schemes don't seem to be up to the mark.

Analysis of the table reveals that the majority of the schemes have Positive Fama Ratio & fewer among above show negative values. It's found that 62 % (21 schemes out of 34) depicts Positive Fama Ratio whereas 38% (13 out of 34 schemes) show negative Fama Ratio.

Some schemes couldn't generate returns even above the risk free rate of return. This happens to most of the schemes as their risk is low but their returns aren't high, not above than

risk free rate of return which ultimately results into lower or negative Fama Ratio. On the premise of research, we are going to pack up that scheme with higher average return show positive Fama Ratio and contrariwise. Apart from analysis, we've to verify this statement; hence we are taking it as our hypothesis. Null Hypothesis (H0):- There's an unconstructive Association between stock selection skills of Fund managers of Equity Linked Saving Schemes and also the Performance of the schemes.

Alternate Hypothesis (H1):- There's a constructive Association between stock selection skills of Fund managers of Equity Linked Saving Schemes and also the Performance of the schemes.

### *Hypothesis Testing*

When analyzing data we'll review the output for 2 pieces of data that are critical for this purpose: the obtained statistic and also the probability (p) or significance value related to that statistic. A method to check the null hypothesis related to this study would be to perform an independent t test statistic. When the information analysis for this study has been completed, we'd review a t test statistic and its corresponding p value. If the p value is extremely small (e.g.,  $p < .05$ ), we'll reject the null hypothesis. In order to check the hypothesis that whether there's a constructive Association between stock selection skills of Fund managers of Equity Linked Saving Schemes and also the Performance of the schemes, we've used Pearson's correlation coefficient.

We've calculate Rank coefficient of correlation, where we found correlation  $r = 0.9813$  which suggests constructive relationship between Average return & Fama ratio of the schemes but whether there's significant relationship is there or not, we've to check it & it may well be tested by reviewing a t test statistic and its corresponding p value at 5% level of significance (Two tailed test) where number of observations are 34 and degree of freedom is  $32(n-2)$ .

By referring the row within the table for degree of Freedom (d.f.) = 32 and also the column at significance level of 0.05 it's found that the critical values for t test statistic is 2.037. As per our calculation which is shown in Table below t test statistic is 28.8866; here calculated value is over tabulated value. So, the null hypothesis is rejected and alternate hypothesis is accepted which suggests there exists a constructive Association between stock selection skills of Fund managers of Equity Linked Saving Schemes and also the Performance of the schemes.

Similarly, in table below we've calculate corresponding p value together with t test statistic for further testing and it's been found that p value is extremely small than the extent of significance i.e. 5% or 0.05 .Hence if p value is smaller than significance level , Null hypothesis must be rejected & accept alternate hypothesis . Supported this, we proved our alternate Hypothesis ( $H_1$ ) & accept it that there's a major relationship between Average Returns and Fama ratio of the Schemes .Below Table shows t-test & p value of Equity Linked Saving Schemes:-

	At 5% level of significance (Two-tailed test)
Degree of freedom(df)	32
t test statistic	28.8866
P value	0.0001

### IX. LIMITATIONS OF THE STUDY

For the evaluation of stock selection skills of Fund Managers, those schemes are selected which are operating since last 5 years. Equity Linked Saving Schemes are considered for the study purpose which too open ended schemes are taken. The study has been conducted and analyzed supported set of accessible information, which is governed by time factor.

### X. CONCLUSION

Taking that into reflection and analyzing different Equity Linked Saving Schemes, the conclusions are often made that out of the total schemes studied, all schemes showed extraordinary Performance. Schemes like SBI Tax Advantage Fund-Series -III-Regular, SBI Tax Advantage Fund-Series -II-Regular, Tata India Tax Savings Fund-Regular, Axis

Long Term Equity Fund- Regular, Quant Tax Plan has performed better than the opposite schemes as compared of Jensen alpha & Fama's Net Selectivity which indicates that investors who invested in these schemes enjoyed well diversified portfolio, Great Stock Selection skills & ability of Fund manager and hence received attractive return.

The analysis also finds that Sahara Tax Gain, Union Long Term Equity Fund & Nippon India Tax Saver Fund show

poor below-average performance when measured on the basis of Jensen & Fama's Decomposition models during the study period.

On this center of analysis & hypothesis testing, it can be conclude that Equity fund Managers are capable enough to select the stocks and earn attractive returns for their Investors.

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