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ELSS mutual fund inflows down 27%

BY [SHIVANI BAZAZ](#), ET ONLINE | JAN 15, 2019, 12.09 PM IST

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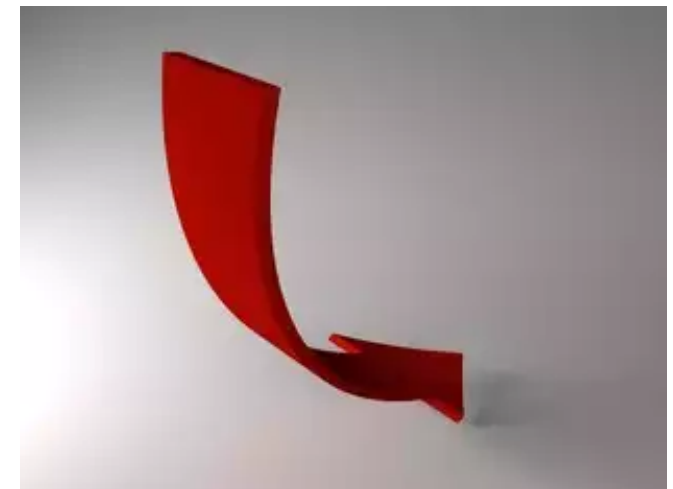
The uncertainties and volatility in the stock market has adversely impacted inflows into Equity Linked Saving Schemes or [tax saving](#) mutual fund schemes this [December](#), say mutual fund advisors.

According to data from [AMFI](#), the net inflow into the [ELSS](#) category in December 2017 was Rs 1,166 crore. The inflows this year have come down around 27 per cent to Rs 841 crore in December 2018.

These advisors say that the enthusiasm towards ELSS [mutual funds](#) might be dampened by the negative returns that the category is posing in the last one year.

“The kind of market performance that we have seen last year, many investors want to stay away from equity schemes at this point. This is primarily because of recency bias and the fact that most investors look at the past performance while investing. The correction in 2018 would be a road block for many who wanted to save taxes via ELSS,” says Suresh Sadagopan, Founder, Ladder7 Financial Advisories.

Mostly, the dip in the inflows is being seen as a direct outcome of negative returns given by the ELSS category in the last one year. “Last year in the tax season, investors came in at a time when the indices were up 27 to 28 per cent. This year the Sensex seems flat at the moment and the mid and smallcaps have fallen around 15 per cent,” says Suresh Sadagopan. “Investors generally look at the returns

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and decide whether they have to invest or not,” adds Suresh Sadagopan.

Another reason for the dip in AUM of tax saving mutual funds might be the rise in FD rates. “There was a rise of around half a per cent in FD rates in the last one year. This is not a huge raise but with the ELSS returns coming down, this raise seems relatively higher. Investors do think about the amount of risk they are taking for such a small difference,” says Vishal Dhawan, Founder, Plan Ahead Wealth Advisors.



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Dhawan also believes that there might be a positive story behind the low numbers this year. “The SIP penetration has gone up in many cities compared to last year. So, there are chances of investors putting in money in ELSSs in 12 SIPs rather than putting lumpsum at the end of the year,” says Dhawan.