

CHAPTER-I

- INTRODUCTION -

1.1 NATURE OF UNIT TRUST AND ITS IMPORTANCE :-

The Unit Trust is essentially a financial intermediary which pulls the financial resources of numerous subscribers, particularly the small investors and invest them into various types of securities on the stock exchanges, the purpose being to earn a safe and satisfactory return on such investment. The Unit Trust concept minimises this risk element for the individual investor because of two important factors, constant supervision of the investment portfolio and secondly, diversification of the large funds at its disposal over a large number of securities as a result of which the risk of investment is spread over a wide front.

In America, it is called 'Mutual Fund' or open-end investment trust or company. The activities of the trust are governed by the trust deed. Trust deed covers the functions and main aspects of the running of the trust.

The basic objective of the Unit Trust is to offer both small and large investors the means of acquiring shares in the widening prosperity resulting from the steady

industrial growth of the country. It combines the advantages of reasonable returns with minimum risk. It also helps the country by channeling savings into productive investment. ¹ The unit trust is, however, an open-end investment company, whose units are continuously on sale and which is always prepared to buy back its units or shares which it has issued at stated price. ² The sale and repurchase prices are determined according to the procedure laid down in the trust deed. These prices are published at regular intervals in leading newspapers.

The Unit Trusts are more popular in United Kingdom, United States of America, Australia, Canada, Japan, France, West Germany and Switzerland.

1.2 UNIT TRUST OF INDIA :-

Unit Trust of India was established by the Government of India, under the Unit Trust of India Act 1963. The main object of the Trust is to provide the facility of equity investment to savers, particularly belonging to the small and medium - income groups, thereby supplementing the efforts of savings institutions in mobilising the savings of the community for 'Nation - Building' activities. It channels these savings into

productive activities by investing its fund in the shares and debentures of industrial undertakings. The Unit Trust of India actually commenced operations with effect from July 1, 1964 with an initial capital of Rs. 5 Crores, contributed by Reserve Bank of India, State Bank of India, Life Insurance Corporation of India and certain other scheduled banks and specified financial institutions. The unit capital is collected through the sale of units under various schemes, and funds are invested in different industrial securities according to the provisions of Unit Trust of India Act 1963. ³

The Unit Trust of India has completed twenty four years of its operations. Now there is a need to study and examine its working about mobilisation of savings of the recent past. For this purpose the study of its mobilisation of savings is done during the period 1982-83 to 1986-87, because India has been playing very vital role in the development of various fields in this period at the same time industrial production was lunched at maximum level. In the development of Industrial growth, the greatest contribution made by unit trust of India. Collection of savings from all types of investors is the major function of unit trust

of India, and aforsed savings are invested in various securities which are issued by industries i.e. capital formation of industries unit trust of India's role is very helpful. ⁴ Reserve Bank of India has been conducting the study of "Investment Policy" of Unit Trust of India. Various experts and thinkers published their articles in various leading news papers and periodicals also. But mobilisation of savings is major function of unit trust of India and from the point of view of study a little attention is paid to this. Taking in to account the importance of mobilisation of savings, researcher has selected this above subject for the purpose of research study.

1.3 HYPOTHESIS :-

The present study is based on the hypothesis. Unit Trust of India plays an important role in the mobilisation of savings in the Indian Economy.

1.4 OBJECTS OF THE STUDY :-

The objective of the present study is to make a careful examination of the mobilisation of savings by unit trust of India during the period 1982-83 to 1986-87 with particular reference to the followings :-

- a) To study the nature and volume of household savings in units of the Unit Trust of India.
- b) To examine the role that the Unit Trust of India has played in mobilising domestic savings.
- c) To study the magnitude of savings collected by Unit Trust of India.
- d) To assess the performance of each Unit Scheme.
- e) To study the various sales promotion measures of Unit Trust of India.

1.5 SCOPE OF STUDY :-

This study is spread over the period of five years, i.e. from July 1982 to Jun 1987. Wherever possible up to date factual information and material are taken into consideration.

Unit Trust of India has several aspects to deal with such as growth, sale and repurchase of units, management, capital structure, employment of investable funds, dividend policy and operational results, sales promotion and publicity etc. However, this study confines its scope to the following vital aspects.

- 1) Mobilisation of savings by U.T.I.

- 2) Sales and Repurchases of units.
- 3) Sales promotion and publicity.

1.6 METHODOLOGY :-

Nearly all the work of this study is a library work. The study mainly relies on the secondary data. Therefore, for completing this study, the published data on Unit Trust of India and various annual reports and pamphlets of U.T.I. have been primarily used. For necessary reference material, some basic books on U.T.I. and U.T., investment trust have been referred. The statistical data represented through various tables in this dissertation are primarily drawn from annual reports of U.T.I. and Government publication such as Report on Currency and Finance, Reserve Bank of India Bulletin etc.

1.7 PLAN OF WORK :-

This study is divided in to six chapters. The contents of the Chapters are as follows :-

Chapter - I

deals with the introduction which states firstly the background of the study and then it states objects, scope, limitations and methodology of the study.

Chapter - II

explain the nature of savings and its determinates, motive for savings, pattern of domestic savings, household savings and media of savings of householders.

Chapter - III

deals mainly with the nature of investment trust and unit trust. The historical development of investment trust in India with their special features are outlined in short. The establishment of U.T.I. with special features also described.

Chapter - IV

deals mainly with the mobilisation of household savings through the sale of units under different unit schemes. Progress of saving plans and unit schemes of U.T.I. and comparison between U.T.I. and other agencies for collection of savings.

Chapter - V

deals with the sales promotion and publicity, method of selling units, importance of sales promotion, publicity measures of U.T.I. are also described.

Chapter - VI

is devoted to the summary and conclusions of study.

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4. Business World. Sept. 22, 1988. P. 37.

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