CHAPTER - II

ABOUT UNIT TRUST OF INDIA

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2:1 INVESTMENT TRUST IN INDIA: GROWTH AND FEATURES :

It was found that in most of the advanced countries the unit trusts have developed through the development of investment trusts. Infact, historical background of UTI is also examined with reference to the brief history and nature of investment trust in India.

GROWTH :

In India, the first investment trust known as Financial Association of India was formed in 1869. But the actual development of investment trusts started only after 1930. The slow growth of this movement in India was due the following factors;

1. There was limited field of investment on account of the restricted development of Joint stock Enterprises in India;

2. The failure of a number of Joint Stock companies in 1913-14 and 1921-22 had shaken the confidence of our conservative investing classes;

3. The proverbial shyness of India capital, particularly for industries; and

4.

4. the income of investment trust was rejected to super taxes.[1]

Thus, the effective development of investment trust companies started only after 1930, following the report of the Indian Central Banking Enquiry Committee, 1931. It observed that " an immeasurable benefit to India is bound to grow from the establishment of investment trusts and the assistance which they will give to the investory in the creation of intermediate securities which does not exist now in providing a channel for investment in industrial and other fields where the primary investors would too scared or too ignorant.[2]

Thus, the Minority Report of the committee had suggested that the government should encourage the de--velopment of investment in India. The investment trusts were established in India only in recent years.

The first investment trust in India, The Investment Trust Limited was started in Bombay in 1933 by the Well known firm of M/s Premachand Raychand & Sons. A number of investment trusts including the Investment Corporation of India Limited 1937 were established in the middle of 1930 due to the some important factots, they were the stability of stock prices during the recovery period that followed by the Great Depreciation of early thirties and the examption from super tax granted in 1933. But most of these investment trusts went into liquidation in 1937 as there was several fall in prices. It must be noted that the well known Managing Agency firm of Bird & Company of Calcutta had actually been the first in the field with two investment trust viz the Investment & Finance Company Limited which was registered as a Private Limited Company in 1896, and the General Investment and Trust Company Limited which was registered in 1908. Following the establishment of the Industrial Investment Trust in Bombay two important trusts were Set up in Calcutta in 1936 namely the New Indian Inve--stment Corporation Limited under the auspicious of M/s Ramdutt Ramkissend as and Birds Investment Limited(With which the Managing Agency firm of Bird & Company was associated). Various investment trusts have been established since then in Bombay, Calcutta, Madras and Some Centres in Northern India. Mostly the investment trust were started by the Industfial groups like Tata, Birla, Dalmia, Goenk J.K. Group etc. [3]The Tata promoted the Investment Corporation of India and Tata Investment Turst. The Birlas promoted the New India Investment Corporation & the Hindustan Investment Company. The Goenkas promoted the Jaipur Investment Company and Calcutta Investment Company Limited.

During the Second World War, the movement received further impetus because the important Managing Agency firms took initiative in forming new investment trusts. For Example- Tata, Birla, J.K.Group etc. started their own investment trust companies. But after passing of Companies Act,1956 Trust movement showed down further due to restrictions on development At the end of March 1957, there were 619 investment and trusts companies with a paid up capital of Rs, 37 Crores. From 1947-48 to 1955-56 number of investment companies increased from 465 with Paid up capital ofRs. 17.7 Crores to 626 with paid up capital of Rs. 36.9 Crores. At the end of 1957, the number investment trust companies decreased by 7 over the number of March 1956. This might have due to the restrictions laid down by the Companies Act, 1956, on investment.

According to RBI study ' Investment Trusts' published in RBI Bulletin, Oct 1960 there were 595 investment companies with paid-up capital of Rs.37.70 Crores in 1958-59 In Aug 1963 the Department of Company Affairs, Government of India, compiled for the first time a complete list of investment companies in an unpublished brochure entitled " Investment Companies at Work in India". According to this estimate 524 companies having a paid up capital of Rs. 42.28 Crores in 1960-61 might be classified as Investment companies [4] In 1973 Aradhava Investment Limited Bengal was formed, its capital is Rs. 60,00,000 in 6,00,000 Equity shares of Rs. 10 each. In 1974 Blue Horizon Investment Limited, Calcutta, Decan Finance Ltd 1980[5] were formed.

In India investment companies in the private sector are close-ended companies ; but most of them are often not genuine. Being closely associated with the Managing Agency houses, investment & trust companies in India have been made use of in many cases to finance or control companies in which these houses were interested. Most of these companies are really finance companies, for their main activity is financing. Other companies are also engaged in trading in shares, guaranting loans, mortgage lending debentures, hire-purchases etc.[6]

FEATURES -

-From The above the essential features of investment trust in India can be summerised as follows-

1. Investment trust companies are very few and most of them are small. These investment trusts are different-tiated from Ordinary companies.

2. The activities of Investment trust companies are confined to the purchasing of securities and maintaining the investment.

3. They rarely diversify their investment except in the purchase of securities of various concerns Managing by the same group of Managing agents.

4. Most of them do not function as investment trust

proper. Many of them do not follow the basic objective of an investment trust i.e. independent selection of investment purely on merit with due regard to safety and diversification.

5. Investment trust companies are not subject to special regulation.

6. In India, many of the investment trusts that have set up are associated or controlled by business or industrial groups. They have concentrated their investments in companies belonging to these groups. Therefore, they are known as finance companies or holding companies.

7. It is also to be noted that most of the investment trusts have been organised on the basis of Private Company and their shares are not also popular, Because, most of them do not regard it as their major function to mobilise the savings of a large section of the community and invest them in a large number of industrial securities, Infact, the general public is not provided an opportunity of owing shares in such investment companies.

After considering the growth of investment trusts in India the historical background and progress of UTI is studied as under.

2.2 : FINDINGS OF SHROFF COMMITTEE AND RBI STUDY-

The Shroff Committee on Finance for Private Sector, 1954, recommended the case for the establishment of unit trust in India. The report of the Committee says " Unit Trust are eminently suited for catering for the middle and poorer classes, whose individual savings may not be large enough to facilitate direct operations on the stock exchanges. Also since each unit represents a fraction of a number of securities, the risk undertaken by an investor in a unit is spread over a number of securities and is thus minimised It is also advantageous in as much as the actual operations in buying and selling securities are conducted by the specialised management company on behalf of unit holders. In view of these advantages, such institutions seem to be particularly suitable in India where in order to increase capital available to industries, small savings have to be drawn into the investment trust.[7]

A Study of R.B.I also pointed out " Investment Trusts in India hve not so far played any significant role either in the promotion of savings or in the channeling of such savings into investment.[8] The need was also felt necessary to have a fairely large organisation on a country wide basis on the lines of the net work of organisation and selling techniques of the U.S. Some of more prominent indu- -strial houses, brokers, firms and insurance companies would seen to be appropriate agencies to organise and sponsor unit trust in India.

It was also though that apart from the mobilisation of savings of the relatively small investor, the formations of unit trusts would also contribute to the demonstration of industrial ownership similarly, in the task of mobilisation of large resources for progressively bigger plans, the need was felt for the creation of new financial intermediaries wh--ich will appeal to the various interests and preferences of the investigg public.

Relying on the recommendation made by the above said committees the Government of India decided to mobilise the Savings of people into productive investment so as to give trust to industtial growth in the country. Thus the establishment of unit trust in India was felt long before 1963 And the dream was materialised when Unit Trust of India was duly established in 1964.

2.3 : SITUATION (BACKGROUN) BEFORE ESTABLISHMENT OF UTI- UTI ACT -

Unit Trust of India was established in Feb 1964. And it started its working from 1st July 1964. The circumstances under which it started were as follows-

1. The earlier boam phase since 1958 had ended with Chinese aggression in 1962. Therefore, the capital

market had yet to recover from the set back it had suffered after the Chinese aggression.

2. Investmes confidence was also shaken with the result there was no investors support in the new issue market.

3. Even well established companies were finding it diff--icult to raise fresh capital. They found it necessary to resort to institutional underwriting for their issues.

4. The collection under the small saving schemes of the Central Government did not come up to the expections. It was an era of small investors. They were willing t and able to participate in the industrial expansion of the country.

Thus, from the above it is clear that UTI started its working in a critical situation.

2.4: OBJECTIVES AND SPECIAL FEATURES OF UTI -

OBJECTIVES -

The basic objectives for which UTI was established will be clear from the following.

While inagurating the sale of units, the then finance Minister, Mr.Krishnamachari observed that, " the basic idea behind the setting up of Unit Trust was to promote savings and investment habits among the people "[1] Similarly, while introducing a bill for Unit Trust of India, in November 1963

The Union Finance Minister also pointed out that the basic idea underlgying the creation of Unit Trust, as with similar trust in other countries, is to offard the small savers a means of acquiring a share ~~through~~ in widening prosperity based on steady industrial growth of the country through providing facilities for investment which combines the benefits of wide diversification, a reasonable return and expert services of Management talent.[10]

From the above, its twin objeectives are ;

1. It mobilises the savings of the country and channelise them into productive investment. By promising savers triples benefits of safety, liquidity and profitability of investments. the ' Trust'encourages individual savings.

2. It gives every one a chance to indirectly own shares and debentures in a large number of select companies and thus provides an opportunities to investors to share in the widening prosperity of industrial growth.

The objectives are achieved by the UTI through the following means;

1. By selling units of the trust amongs many investors as possible in different parts of country and Non-resident Indians and other persons resident outside India through its branches, agents and all banks.

2. By investing the sale proceeds of the Units and also the intial capital funds of Rs. 5 Crores in Industrial and corporate securities i.e. shares and debentures.

3. By paying dividends to those who have brought the units of the trust out of the income of its investment.

It also aims at inculcating the habits of savings and investments among the people.

FEATURES :

Most of the unit trusts in the World are mutual soc--ieties and they are working in the field of pool the savings from small investors. They are established in the private sector. The UTI was formed on U.K. and U.S.A. Pattern of Unit Trusts. It has its own special features. Which are mentioned briefly as follows.

1. The UTI is the first financial institution established in the public sector under the Parliament Act in the world.

2. It did not maintain separation between management and the trustees. It combines the management and trustee functions in one body. The management of the UTI, is run by a Board of Trustees, consisting of specialists in industry, banking, finance and

investment, manages the affairs of the Trust. The Chairman of the Board is a appointed by the Central Government while other members are appointed by Industrial Development Bank of India, Reserve Bank of India, Life Insurance Corporation of India, State Bank of India, Commercial Banks and certain other financial institutions who have contributed to the initial capital of the Turst.

The Head Office of UTI is in Bombay, and four Regional Offices are set up in Bombay, Calcutta, Madras and New Delhi. The UTI has opened Branch Offices in all over the country in order to provide effective and quick services to unit holders and probable investors. These offices are located at Ahmedabad, Bangalore, Bhubaneshwar, Cochin, Guwhati, Hyderabad, Indore, Jaipur, Kanpur, Ludhiana, New Bombay Patna, Trichur, Vijaywada, in respect of sale and repurchase operations and distribution of unit certificates, dividend warrants etc.

3. The initial capital of the UTI was Rs. 5 Crores, which was contributed by- RBI (transfer in favour IDBI from 1976)

	2.50
LIC	0.75
SBI	0.75
Scheduled Banks and other financial institutions	1.00
Total	5.00

There is a provision in the UTI Act, 1963, for refunding the initial capital when sufficient unit capital is collected through the sale of units to the public.

4. The Government of India give tax concessions in respect of income tax and wealthex tax exclusively applicable to investment in units. Such tax concession facilities are not available in other form of investment trusts in the world.

5. Units of the UTI are sold at the price prevalent on the day. For which, the bank, the post office or the Offices of the Tmust, branches of selected co-operative banks accept completed applications and money.

6. Units of UTI have face value of Rs. 10 each (under unit scheme 1964) Units of Unit Trust in UK have no such face value. There, a unit simply represents a participation in the total equity of the trust.

7. The Unit holders of the UTI has an equal right in dividend income from investments and in beneficial ownership of the assets of the trust.

After considering the nature of UTI, its progress is studied as under:

2.5: PROGRESS OF UTI:

UNIT SCHEME AND SAVINGS PLANS OF UTI:

The various motives for saving affects the saving habit of an individual through the change in desire to save. Thrift depends upon individual persons income range. his age and social status etc. People from higher income group, who have a surplus income over expenditure can invest their savings in securities, durable assets, and in purchasing various luxrious goods. People from small and medium income group they cannot save money, because majority income of such people is spent in current consumption. But it is not necessary to make rational provision for the future. The Unit Trust of India has to mobilise savings, particuarly from this class of people. Section 21(1) of the Unit Trust of IndiaAct 1963, provides that, " for the purpose of providing facilities for participation in income, profit and gains arising out of the acquisition holding management or disposal of securities by the Trust, the Board may make one or more unit schemes" In order to create the habit of savings various efforts are made by Unit Trust of India. It is a useful means for capturing the savings, and also creates the desire to save by offering different unit schemes and savings plans to the investing public.

Motives for savings and investment preferences of each individual investors are different, Therefore, in order tc to cater to varicus needs of different investors, the Unit Turst of India has formulated the following important unit schemes and saving plans.

Unit schemes -

OPEN-ENDED UNIT SCHEMES-

1. Unit scheme, 1964

2. Unit scheme, 1971

3. Unit scheme for charitable and Religious Trusts and Registered sogiceties 1981

4. Capital Gain Unit scheme, 1983

5. Childern's Gift Growth fund Unit Scheme, 1986

6. Parents' Gift and Growth Fund Unit scheme, 1987.

CLOSING-ENDED UNIT SCHEMES -

1. Monthly Income Unit scheme.

2. Growth and Income Unit scheme 1983

3. Income Unit scheme, 1985,(Cumulative and Non-Cumulative

4. Growing Income Unit scheme(Cumulative & Non-Cumulative)

5. Mutual Funds(Subsidiary) Unit scheme, 1986.

6. Indian Fund Unit scheme, 1986.

SAVINGS PLANS -

Under the Unit schemes, 1964 the trust has formulated following saving plans:

1. The Re-investment Plan - 1966

2. The voluntary savings Plan- 1969(This was terminated from 30th June 1974)

3. The chilcern's Gift Plan -1970(This was terminated from 1st July 1986)

The important features of these unit schemes and saving plans are studied hereto know the special attractions provided to investors under eath of them.

1. Unit scheme, 1964 -

This is the general scheme introduced on 1st July 1964, The primary aim of this scheme is to provide to the Unit holders a regular and growing income, easy encashability and xx a reasonable capital appreciation. The main features of this scheme are:

1. The face value of each unit is Rs. 10.

2. Units are sold in multiplies of 10 with a minimum of 10 units.

3. Units can be brought by any adult individuals, jointly by more than one individual with a maximum of four persons, a company or other body corporate, guardian on behalf of their minors or by non-resident.

4. There is no maximum limit for the purchase of units by resident.

5. Units under this scheme are easily transferable from one person to another.

For providing the various investment facilities and for making the unit scheme more popular amongst the people, the Trust formulated some new savings plans under this scheme [12] The important features of each of the above said saving plans are as follows:

Re-investment Plan, 1966

This plan under Unit Scheme 1964 was introduced on 1st July 1966. All persons who hold or supply for units of Unit Scheme 1964 are eligible to participate in the plan. It provides for automatic re-investment of the annual dividend in further units. Unit holder can also terminate his membership of the plan at his will. The reinvestment of annual dividend is done at the July Price which is the lowest. Since units of the 1964 Schemes can be purchased only in multiplies of ten, unit holders joining the plan are required to pay differences, if any, for allotment of units in multiplies of ten.

Childern's Gift Plan 1970

The Childern's Gift plan was introduced in 1970 as a part of Unit scheme, 1964, was designed for people who wanted to give a special gift to childern. It provides an efficient opportunity to an adult individual to built up safe investment in the interest of child. Any adult whether a parent, a relative or a family friend can give a child below the age of 15 any member of units 50 upwards in multiples of 10 as a gift. The child then becomes the sole owner of them units so giften under the plan. The dividend income on the outstanding units each year is automatically reinvested in favour of the donee child, who is automatically paid the outstanding value of units on his/her attaining the age of 21 years and not before. But this plan was terminated from July 1, 1986 due to the fact that the progress made under the plan since its inception has not been satisfactory.

2. Unit Schme 1971 -

Unit Trust of India formulated its second unit scheme in association with the Life Insurance Corporation of India and the General Insurance Corporation of India. Some of the benefits of this plan are high return, maturity bonus, safety of capital, life cover, accident and cover tax benefits.

This is a contractual savings plan which any resident in India who is above 18 years but below 50 years and 6 months can join either for 10 years or 15 years, contributing 1/10 the or 1/15 of the target amount every year respectively However, person can join the plan for a target savings amount between Rs. 3000 to Rs.40,000 contributed in equal half yearly annual instalments over the period of savings. A nominal amount from the contribution is paid to LIC for providing Life Insurance Cover. The rest is invested in units. There is no medical examination. but only a declaration of goods health by the applicant, accident insurance cover is also provided under arrangement with General Insurance Corporation of India. Irrespective of the target amount, one is entitled for the cover of Rs. 7,500 to 15,000 depending on the nature of injuries. In case of members death before the completion of the plan period, his legal heir (or the second named person in the case of joint participation) will be entitled to units to his credit and the amount of the insurance cover from the Turst.

Under this scheme, trust has been paying growing dividends, In addition, Trust also pays one time maturity Bonus on the target amount for 10 years or 15 years plan respectively.

3. Unit schemes for Charitable and Religious Trusts and Register societies (CRTS) 1981 -

This is a special scheme introduced exclusively for the benefit of Charitable & Religious Trusts and Registered Societies. Unit Trust of India introduced this scheme in

October 1981. This scheme differs from the earlier schemes in one ~~xxxx~~ very significant aspect. It assures a minimum dividend of 12% per annum. The face value of each unit under this scheme is Rs. 100 Application can be made for a minimum of 100 Units and in multiple of 10 units thereafter. There is no maximum limit Investment under the scheme should be held for a period of atleast 5 years. However, after the third year, unit holders will be entitled to partially resell their units to Unit Trust in a regulated manner. After the fifth year, the investor will be free to withdraw the investment.

4. Capital Gain Unit Scheme, 1983 -

The Unit Turst of India introduced this scheme in Dec. 1, 1983 as provided in section - 53 E(i) of the Income Tax Act, 1961, under which investment of a part or the whole of the net consideration on transfer of long-term capital assets qualified for exemption of tax on capital gains. Assessee would be able to invest ~~the~~ the net consideration received or acquiring as a result of the transfer of long term capital assets or part thereof in units under the schemes for claiming exemption. Units of the face value of Rs. 10 were sold subject to a minimum of 500 units and multiple of 10 units thereof at a price to be fixed by the trust form time to time. There would be no re-purchase of the units under the scheme for 3 years from the date of sale. The trust would allow repurchase at a price fixed from time to time. Dividend would be declared in July for each year and the rate would depend upon income earned from the investment made under the scheme.

5. Childerns' Gift Growth fund unit Scheme. 1986 -

The childern's Gift Growth fund unit scheme 1986 was introduced by Unit Trust of India in 14th April 1986. Under this scheme an irrivocable investment can be given by a parent, a grand parent, relative, or any other friend or person-to any child under 15 years of age, Application are to be made in multiple of 10 units with a minimum 50 units of the face value of Rs. 10 each. There is no maximum ceiling on holding. Units will be sold at part at Rs. 10 throughout the year. The investment remains with the Trust till the child-attains 21 years of age. However, there is an option of withdrawing from the scheme at 18. Till the scheme matures, there is an assured dividend of 12.5% per annum. Which is automatically re-invested in further units, so the investment grows at a compound rate. For instance, a gift of 100 units to a new born baby, would grow to become approximately 1,200 units at the age of 21 years. There is another extra a bonus dividend every five year.

CLOSE-ENDED UNIT SCHEMES-

Under this group the following main unit schemes are included which are introduced from time to time.

1. Monthly Income Unit scheme (Eighth series)

The Unit Trust of India has launched eight different series under this scheme since March 1983. This scheme is meant exclusively for individuals above 55 years of age, widows, physically handicapped, mentally handicapped, eligible institutions. Each series is of five years duration and the dividend is payable on a monthly basis at the rate of 12% per annum. Under the scheme individual can invest in units upto a maximum of Rs, One lakh and the minimum limit is Rs. 5,000. The sixth and seventh, and eighth series provides for a minimum capital appreciation of 2% at the end of the 5th year, besides bonus dividend at the end of fourth year.

2. Growth and Income Unit scheme, 1983 -

This scheme was introduced on 15th April, 1983 for the benefit of the lower and middle income groups of people. The UTI fixed a minimum limit of Rs. 3,000/- and the maximum of Rs. 15,000. per application for participation in the new scheme. Under the scheme, investors would be able to sell back their units to the UTI at par every year between October and June Unit holders withdrawing from the scheme before the maturity period of 5 years would not be allowed any appreciation on their investments. The scheme promises payment of 1^ % dividend rate per annum. The scheme was on tap from May 2, 1983 to June 30,1983.

3. Income Unit Scheme, 1985(cumulatiwe and Non.cumulative).

This scheme was introduced by UTI from January 1985 This is a five year closed ended unit scheme, which carries a growing dividend rate 12% for the first five year, 12.5% for the next two years and 13% for the last two years. The minimum Units will be 20 units and maximum units will be 1,000 Units. The face value of each unit is Rs.100. There will be however, restrictions on multiple applications. The scheme provides for two options;

1) The Unit holder can get dividend policy every six months June and December.
2) The Unit holder can get Rs. 185 at the end of the fifth year per unit of Rs. 100 Units will be sold during January and February 1985 only.

The scheme is open to resident individuals, minors, eligible institutions, widows, and physically and mentally handicapped persons.

4. Growing Income Unit Scheme (Cumulative and Non-Cumulative)

The Trust has introduced four series under this scheme. The most recent series, GIUS(III) is of five years and 9 months duration and offer growing rate of dividend from 12.% to 13% per annum payable at Half yearly under the Non cumulative scheme or get dividend automatically re-invested half yearly under cumulative scheme. Every Rs.100 invested under the cumulative scheme would double to Rs. 200 at the end of 5 years and 9 months. Encashment is allowed after three years. Transfer under the current series allowed. Individuals, Minors and eligible institutions are eligible to join the scheme.

5. Mutual Fund Unit Scheme 1986 (Master Shares)

The Mutual fund unit scheme 1986 was launched on 19th September 1986 by Mutual Fund dividion of UTI which is to be converted into a subsidiary of UTI, with a view to providing an opportunity for the investors to participate in the growing equity market, the Trust introduced a novel unit scheme under the name of master shares.

The scheme provides for a long term capital appreciation in addition to modest dividend to the small investors who might not have adequate knowledge, experience, resources or access to the capital market directly. The funds mobilised through Master shares are invested in a basket of equities spread over a wide range of industries, thus giving the benefit of diversification and spread of risk to the common investor.

The scheme was opened for subscription from September 19, 1986 to October 18, 1986 for a total issue of Rs. 50 Crores. The Master shares received overwhelming response from the public in as much as subscription method to Rs.158 crores as against the issue of Rs. 50 crores. With the approval of the central Government, the Trust retained Rs.150 Crores. The Master shares are listed on all the stock-exchanges thus ensuring marketability and liquidity. The UTI releases the Net Asset Value (NAV) of the fund every week and the same is published in the leading news papers.

6. Indian Fund Unit Scheme 1986 -

The Trust launched India fund scheme in July, 1986 in association with the " Merrill Lynch Capital Markets" a renowed international financial services institutions. The object is to providing an unique opportunity to non-resident Indians and persons of Indian origin residing abroad and individuals an institutions resides outside India to invest in the securities market of India.

PROGRESS OF ALL UNIT SCHEMES -

The Unit Trust of India is trying to mobilise savings of the people from different community by introducing the different unit schemes to serve the needs of various investors. The extent at which the trust has mobilised the savings from them is examined with reference to the magnitude of sales and repurchases of various unit schemes during the period from 1983-84 yto 1987-88.

Progress of Unit scheme- 1964 Unit Scheme- 1971 Unit Scheme for Charitable and Religious Trust and Registered Societies 1981, Capital gains Unit Scheme 1983, Childern's Gift Growth fund Unit Scheme 1986, parents' gift and Growth fund Unit Scheme 1987, Monthly

Income Unit scheme(Eight Series), Growth and Income Unit Scheme 1983, Income Unit Scheme (Cumulative and Non-Cumulative) Mutual Fund Unit Scheme- 1986, Indian Unit Scheme 1986 are examined with reference to:

1. Gross sales of all unit schemes.
2. Sales & Repurchases of all unit schemes.
3. Ratio of Re-purchase of Unit to outstanding units.

1. Gross sales of Unit Schemes-

Gross Sales of all unit schemes from July 1983 to 1988 are shown in Table 2.1

Table 2.1

Gross Sales of All Unit Schemes

(1983-84 to 1987-88) Rupees in crores

Year	Gross Sales	Increase or Decrease over previous year	Cumulative Sales
	Rs.	Rs	Rs.
1	2	3	4
1983-84	330.16	-	330.16
1984-85	756.19	426.03	1086.35
1985-86	891.75	135.56	1978.10
1986-87	1261.06	369.31	3239.16
1987.88	2059.42	798.36	5298.58

* Excludes convertions from MIS (1-5) effected as sales under MISG (8) 87

Souce: Compiled from Annual Reports of UTI

The data given in Table 2.1 reveals the following facts:

1. Gross Sales of units during the perion under review aggregated Rs. 5298.58 Crores, and the annual average sales was Rs. 1.059.72 Crores.

2. From the cumulative sales in column number four, it is clear that gross sales in the year 1983-84 were Rs. 330.16 Crores. which increased upto Rs. 5298.58 Crores at the end of 1987-88. This shows that the total gross sales of units increased by Rs. 4,968.42 Crores. It was the largest increased in sales during the whole period under review.

3. Sales of all Schemes together amounted to Rs.330.16 Crores in 1983-84 Crores, Rs. 756.19 Crores in 1984-85, Rs. 891.75 Crores in 1985-86 Rs. 1261.06 Crores & Rs.2059.42 Crores in 1986-87 and in 1987-88.

This show that the progress of all unit schemes are rather satisfactory.

2. Sales and Repurchase of All Unit Scheme -

The gross sales under all schemes donot indicate the net inflow of savings because there, the repurchases of units by the trust are not considered. Therefore, in the tanle 2.2 Trust's gross sales, repurchases, net sales and unit outstanding are considered to assess the effective savings that the trust has mobilised under all unit schemes during the period from 1983-84 to 1987-88.

Table 2.2 Sales, Repurchases, and outstandings under All Unit Schemes- 1983-84 to 1987-88

Rupees in Crores

Years	Sales Rs.	Repurchases Rs.	Net Sales Rs	Outstanding Rs.
1983-84	330.16	15.74	314.42	1,021.33
1984-85	756.19	20.22	735.97	1,757.30
1985-86	891.75	62.66	829.09	2,586.39
1986-87	1021.06	121.34	1,139.72	3,726.11
1987-88	2059.42	291.76	1,767.66	5,449.58

Soufce : Compiled from Annual Reports of UTI

The figures given in the Table 2.2 shows the following things:

1. It was notable thing that in the year 1983-84, there was a good response from the public because in that year gross sales amounted to Rs. 330.16 Crores and net Sales Rs. 314.42.

2. The trends in Sales of Units show that there was

highly increase in sales Rs. 756.19 Crores in 1984-85, Rs. 891.75 Crores in 1985-86, Rs. 1,261-06 Crores in 1986-87 Rs. 2059-42 Crores in 1987-88, such an increase in Sales of units was due to important measures taken by the Trust such as the stepping up of dividend rate from 14% in 1983-84 to 16.50% in 1987-88.

3. From 1983-84 to 1987-88 the net sales flactuated in the range between Rs. 330 to 1,767 Crores. The net sales in 1987-88 amounting to Rs. 1,767.66 Crores recorded the highest figure during the whole period.

4. There was an increasing amount of Rs. 15.74 Crores in 1983-84, Rs. 20.22 Crores in 1984-85, Rs. 60.66 Crores in 1985-86, Rs. 121.34 Crores in 1986-87, Rs. 291.76 Crores in 1987-88 which stood the highest figure during the entire period under review.

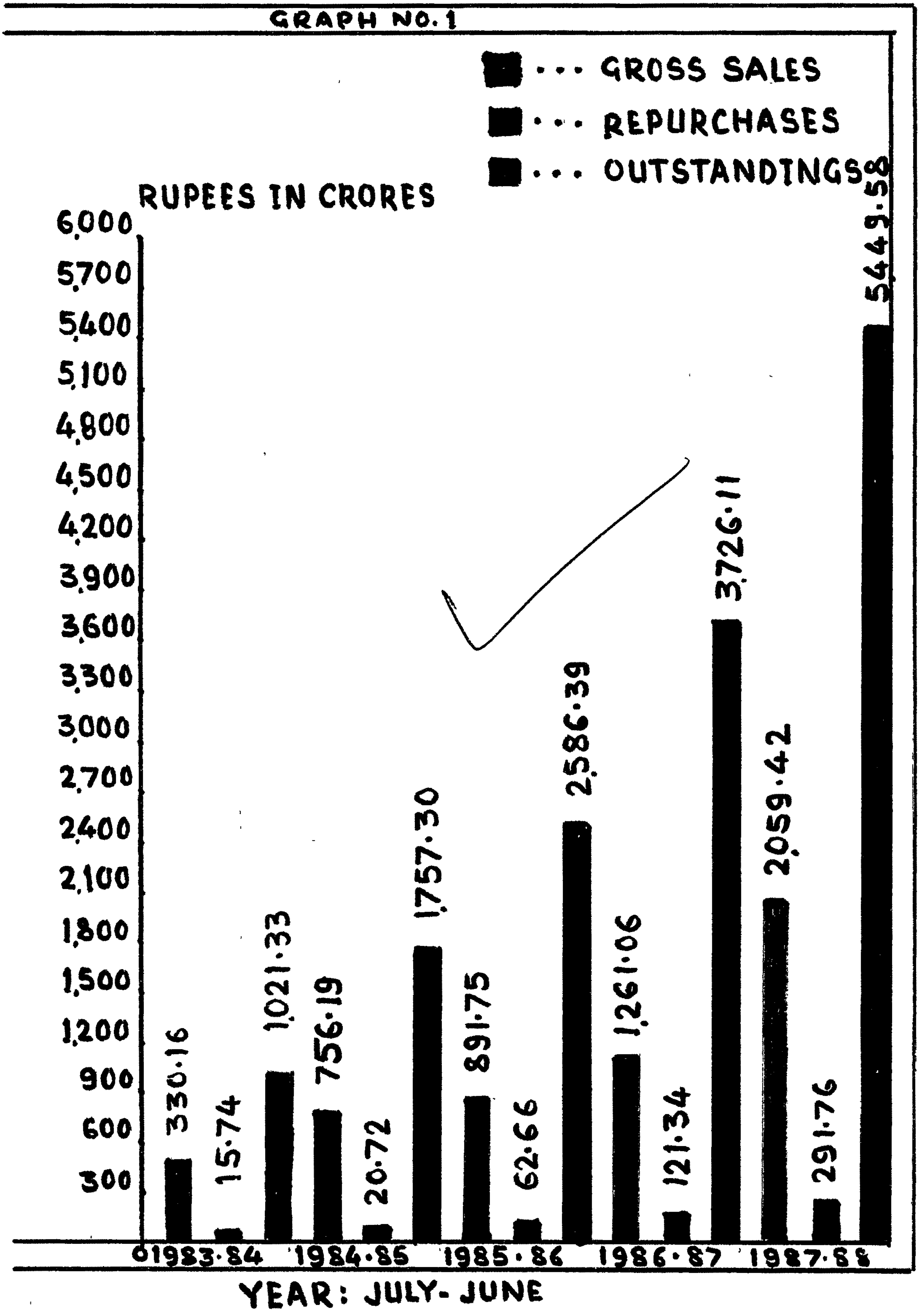
5. Adjusting the total repurchases Rs. 511.72 Crores the aggregate net sales of the trust amounted to Rs.4786.86 Crores during the whole period.

6. At the end of 1983-84 the outstanding amount of units sold was Rs. 1,021-33 Crores which increased upto Rs. 2,586.39 Crores in 1985-86 and Rs. 3,726.11 Crores in 1986-87 and it reached Rs. 5449.58 Crores at the end of ~~Rx~~ 1987-88.

The nature of gross sales, repurchases and outstanding under all unit schemes during the same period is also clear from the Graph No.1.

~~Grx~~

RAPH SHOWING SALES, REPURCHASES AND
UTSTANDINGS OF UNITS (ALL UNIT SCHEMES)



Graph No.1 shows that the height of line showing gross sales in increasing every year from 1983-84 to 1987-88. In 1987-88 the line has the maximum height indicating the highest sales throughout the period.

The highest of line showings repurchases is continuously increasing from 1983-84 to 1987-88. In 1987-88 the lines has maximum height indicating the highest repurchase throughout the period.

The same graph shows that the height of repurchases line as compared to sales line is very low upto 1985-86, but the line in 1987-88 grow up as compared to previous years. The height of line showing outstandings is increasing every year during the period 1983-84 to 1987-88.

From the above discussion, itm may be concluded that a schemes which looks attractive as its initial stage may fail to get the same response during the same subsequent stage due to change in economic and political conditions, changes in the rate of interest in the money market, wide gape between the sales and repurchases price, block offer price policy etc. The trust, on the contrary, is trying to increase the sale of units by taking effective measures.

3. Ratio of Repurchases of Units to Outstanding Units -

It is observed from Table 2.2 that amount of repurchases of units affected the net sales of units. The nature of repurchases of units will clear if they are compared with gross sales in each year and the amount of outstanding units at the end of each year. Therefore, the data about the ratio of repurchases of units to gross sales and to the amount of outstanding units at the end of each year from 1983-84 to 1987-88 is furnished in Table 2.3

Table 2.3 Ratio of Repurchases of Units to Gross Sales & Outstanding Units -

All Unit Schemes -

(Rupees in Crores)

Year 1	Amount of Gross Sales Rs. 2	Amount of outstanding Units at the end of year 3 Rs.	Amount of Re-purch -ases Rs. 4	Column(4) as % of column(2) 5	Column(4) as % of column(3) 6
1983-84	330.16	1021.33	15.74	4.7	1.5
1984-85	756.19	1757.30	20.22	2.6	1.1
1985-86	891.75	2586.39	62.66	7.0	2.4
1986-87	1261.06	3726.11	121.34	9.6	3.3
1987-88	2059.42	5449.58	291.76	14.2	5.4

Source: Compiled from Annual Reports of UTI

The data in the Table 2.3 reveals that during the period from 1983-84 to 1987-88 the ratio of amount repurchases to gross sales of units was flactuated. In 1983-84 4.7% in 1984-85 2.6% in this period the ratio of repurchases was decreased, but next years 1985-86 to 1986-87 the ratio increased by 7% to 9.6% and in 1987-88 the ratio reached near 14.2% This is the highest ratio during the period. At the end of year 1987-88 the amount of outstanding units (5.4%) recorded the highest ratio during the whole period under review. It was due to excess repurchases of units over the gross sales of the units in that year.

It is also clear from the same table that during the period 1983-84 to 1987-88 an average ratio of pepurchases to gross sales was 7.6% But the average outstanding units during the same period was 2.7%.

Table 2.4 : Total Investible Funds, Gross Income & Gross Expenditure

All Unit Scheme

(Rupees in Crores)

Year	Total Investi-ble Funds	Increase or Decrease over Previ-ous year	Total Gross Income	Increase of Decrease over previ-ous year	Total Gross Expen-diture	Increase or Decrease over previous year
1983-84	1261.33	-	142.64	-	6.61	-
1984-85	2209.61	948,28	257,05	114.41	11.77	5.16
1985-86	3218.34	1008.73	389.97	132.92	15.39	3.62
1986-87	4563.68	1345.34	524.58	134.61	22.21	6.82
1987-88	6738.81	2175.13	840.90	316.32	41.36	19.15

Source: Compiled from Annual Reports of UTI

The data in the Table 2.4 Shows that total investible funds, gross income and gross expenditure of the Trust under all the Units Schemes rase to Rs. 6,738.81 Crores, Rs. 840.90 Crores and Rs. 41.36 Crores at the end of June 1988. From Rs. 1261.33 Crores, Rs. 142.64 Crores and Rs. 6.61 Crores at the end of June 1984. There was an increase in total investible funds, gross income and gross expenditure in every year. But the total gross expenditure decreased from Rs. 5.16 Crores at the end of June 1985 to Rs. 3.62 Crores at the end of June 1986.

all the Unit Schemes during the period [illegible] end of June 1988 is shown in Table 2.5

Scheme-wise Dividend Distribution (Percentage of Unit Capital)

Unit Scheme	1983-84	1984-85	1985-86	1986-87	1987-88
Unit scheme 1964	14.00	14.25	15.25	16.00	16.50
Unit scheme 1971 (ULIP)	11.50	12.00	12.50	13.25	13.50
Unit scheme 1981 (CRTS)	13.00	13.25	13.75	14.50	14.75
Unit scheme 1982 (IIS)	12.50	12.50	13.00	13.00	-
Unit scheme 1983 (MIS)	12.00	12.00	12.00	12.00	12.00
Unit scheme 1983 (GIS)	10.00	10.00	10.00	10.00	10.00
Unit scheme 1983 (MIS.2)	12.00	12.00	12.00	12.00	12.00
Unit scheme 1983 (CGS)	8.00	8.25	8.75	9.50	9.60
Unit scheme 1984 (MIS.3)	-	12.00	12.00	12.00	12.00
Unit scheme 1985 (IUS)	-	12.00	12.00	12.00	12.00
Unit scheme 1985 (MIS.4)	-	12.00	12.00	12.00	12.00
Unit scheme 1985 (MIS.5)	-	-	12.00	12.00	12.00
Unit scheme 1986 (GIUS)	-	-	12.00	12.00	12.00

Unit scheme 1986 (MISG.6)	-	-	12.00	12.00	12.00
Unit scheme 1986 (CGGS)	-	-	12.50	12.50	12.50
Unit scheme 1986 (IFUS)	-	-	x2x50	2.50	2.25
Unit Scheme 1986 (MFUS)	-	-	-	8.00	12.00
Unit Scheme 1987 (MISG.7)	-	-	-	12.00	12.00
Unit Scheme 1987 (GIUS)	-	-	-	12.50	12.50
Unit Scheme 1987 (MISG.8)	-	-	-	12.00	12.00
Unit Scheme 1987 (GIUS.11)	-	-	-	-	12.50
Unit scheme 1987 (GIUS III)	-	-	-	-	12.00
Unit Scheme 1987 (MISG ,9)	-	-	-	-	12.50
Unit Scheme 1987 (P GGF)	-	-	-	-	12.50
Unit Scheme 1988 (MISG 10)	-	-	-	-	12.00

Source: Compiled from Annual Reports of UTI

The data in the Table 2.5 shows that the percentage of dividend on Unit Capital of the Trust under Unit Scheme 1964, Unit Scheme 1971(ULIP), Unit Scheme 1981(CRTS) and Unit Scheme 1983(GS) rose to 16.50 percent, 13.50 percent, 14.75 percent and 9.60 percent at the end of June 1988 from 14 percent, 11.50 percent, 13 percent and 8 percent at the end of June 1984. There was an increase in dividend percentage in every year.

The ~~persent~~ of dividend on Unit Capital of Unit Scheme 1983 (MIS) and Unit Scheme 1983 (GIS) remained constant of 12 percent and 10 percent during the whole period (1983-88)

2.8 : POsition of Assets & Liabilities of UTI -

The position of assets and liabilities of UTI during four years period is shown in the following comparative Balance Sheets of the Trust.

Table 2.6 Comparative Analysis of Balance Sheet at the end of June 1984 to 1988 All Unit scheme

Rupees in lakhs

Liabilities	1983	1984	1987	1988	Assets	1983	1984	1987	1988
Capital	71192.22	102633.07	282465.15	409589.14	Investments	51111.21	76342.44	238988.32	388889.80
Reserve & Surplus	7902.56	11997.04	43561.10	68.524.04	Deposits & Other Inve -stments	33579.97	47309.15	120800.42	143549.96
Dividend Equ ilisation Reserve	-	-	-	3500.00	Fixed Assets	322.49	426.17	1892.44	3200.70
Development Reserve fund -	-	42.12	525.86	863.73	Other Current assets	5191.77	6342.52	16691.40	38874.29
					Expenditure	234.19	259.93	728.89	1330.82
Development Reserve (Off Share Scheme)	-	-	122x00	132.00	320.20				
Current Lia bilities & Provisions	11344.85	16007.98	52417.36	93048.46					
Total	90439.63	130680.21	379101.47	575845.57	Total	90439.63	130680.21	379101.47	575845.57

Source: Compiled from Annual Reports of UTI

The Table 2.6 Shows the growth of balance sheet items during the period from 1983-84 to 1987-88 in following aspects:

i) The Table 2.6 shows that the Capital increased from Rs. 71,192.22 lakhs at the end of June 1983 to 1,02,633.07 lakhs at the end of June 1984 and it reached to Rs.408889.14 lakhs at the end of June 1988. During the period it increased four times more. Reserve & Surplus increased from Rs. 11,997.04 lakhs at the end of June 1984 to Rs. 68,524.04 lakhs at the end of June 1988. It shows that Trust tries to strengthen the financial position and to provide sound base to its operation. From the beginning of July 1987 to the end of June 1988, Dividend Equilisation Reserve was adopted in order to maintain stable dividend rate.

ii) Development Reserve fund was adopted from 1984, and it increased from Rs. 41.12 lakhs at the end of June 1984 to Rs. 863.73 lakhs at the end of June 1988 From 1986-87 Development Reserve(Off Share Scheme) fund was adopted.

iii) The Table 2.6 also shows that Current Liabilities and provisions increased from Rs. 16,007.98 lakhs at the end of June 1984 to Rs. 93,048.46 lakhs at the end of June 1988.

iv) Investments during the period (1983-88) increased from Rs. 51,111.21 lakhs to Rs. 2,88,889.80 lakhs. Thus, Trust's total investments increased five times more.

v) Deposits and other investments increased from Rs. 1,20,800.42 lakhs at the end of June 1987 to Rs. 1,43,549.96 lakhs at the end of June 1988.

vi) Other Current Assets also increased from Rs.6,340-52 lakhs at the end of June 1984 to Rs. 38874.29 lakhs at the end of June 1988.

vii) The data regarding Fixed Assets & Deferred Revenue expenditure during the period (1983-88) varied between Rs. 300 to 3,200 lakhs & Rs. 200 to 1,300 lakhs.

2.9: Position About Region, Union Terriroty Chief Representatives etc.

The progress of total regions, union territory, districts and number of representative in the field of sale of units is given in the following table.

Table 2.7: Comparative Analysis of Progress of Total Regiona & State/Union Territory, Districts/Union Territory& Number of Chief Representatives

(1983-84 to 1987-88)

YEAR	Total Region & State/ Union Territory	Total Districts/ Union Territory	Total Number of Chief Representatives
1983-84	19	101	64
1984-85	20	130	91
1985-86	24	176	130
1986-87	24	229	176
1987-88	24	268	216

Source: Compiled from Annual Reports of UTI

The data in the Table 2.7 Shows that the number of Regional & State/Union Territory, District/Union Territory and number of Chief Representatives increased from 19,101 and 64 at the end of June 1983 to 24,268 & 216 at the end of June 1988 respectively shows that the Trusts making efforts to increase the marketability for its Units.

2.10: Progress of UTI Branches

At the end of June 1984 the Trust had four Regional Offices & Six Branches. The Regional Offices were situated in Bombay,Calcutta,Madras,and New Delhi, and similarly Branch offices were in Ahmedabad, Gauhati, Kanpur,Ludiana, Trichur and Vijayawada.

At the end of June 1985 Trust opened two more Branch offices dne at Bhubaneshwar and another at Jaipur.

The Trust's Branch Offices were increased to 10 at the end of June 1986 from 8 at the end of June 1985 and it reached to 11 at the end of June 1987 and to 14 at the end of June 1988.

This within three years(1985-88) 6 Branches were set up by UTI. These six branches were opened in Bangalore, Patna, Hyderabad, Cochin, Indore & New Bombay.

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