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1.1 Introduction

The present study is an enquiry into the Financial Institution, The Unit Trust of India. The study primarily focuses on the analysis of the performance of Unit Trust of India. A point of view of Unit holder of UTI finds place in this work. In order to provide a greater insight into the issues, certain opinions on Unit Trust of India have been presented. This chapter is introductory in nature, present significance of the study, objectives, scope of the study, methodology, sources of data, design of the sample, instruments of data collection and limitations of the study.

❖ UTI Mission Statement:

To meet investors' diverse income and liquidity needs by creation of appropriate & schemes; to act as his one-window investment institution; to offer best possible returns on his investment and render him prompt and efficient service, beyond normal customer expectations. To keep the common man into sharper focus; to encourage saving and investment habits among them, to bring to the common man the prosperity of the capital market at minimum risk, through the habit of investing in Units. To pursue excellence in performance in all areas relating to sale Units, investment of funds and service to investors, to having abiding concern...
and utmost care for the saving of investors. To develop in each and every member of UTI, the highest degree of self-esteem and pride that we are fortunate to be in this Institution to offer our best service to investor.”

(Source : UTI hand book)

Set up by an Act of Parliament passed in 1963. Unit Trust of India (UTI) commenced its operations from 1st July, 1964, “with a view of encouraging investment and participation in the income profits and gains accruing to the corporation from the acquisition, holding, management and disposal of securities.”

Different provision of the UTI. Act laid down the structure, the management, the scope of business, power and function of the Trust as well as the accounting, disclosures and regulation requirements for the Trust.

The price at which the Trust sells the Units is known as sale price and the price at which the Trust buys back the units is called the Repurchase price. The trust fixes the sale and repurchase prices under the various schemes from time to time. Whenever these prices are changed they are published in leading newspapers.
A key measure to accelerate development in any society is to raise the rate of savings, which in turn finances additional investments in industry, agriculture, services and human skills. Higher savings are crucial for development and India’s savings rate has shot up from 12.7% in 1965 to 24% today. The UTI can claim only a part of the credit for this and many other institutions have helped to promote savings. But by enabling small savers, to combine safety with a higher return than they could have obtained from bank fixed deposits, UTI played a significant role in raising India’s savings rate, sowing the seeds of greater economic growth.

An individual investor cannot have any access to money markets instruments, since the minimum amount of investment stipulated is out of his reach. On the other hand, Mutual funds keep the money market active by investing money in the money market instruments. In fact the availability of more money market instruments itself is a good sign for a developed money market, which is very essential for the successful functioning of the Central Bank in the country.

1.2 The Present Study:

Individual, authors, associates and institutions at national or international level have done many research works on different problems and financial aspects of the mutual funds. Several studies in profitability, liquidity
trend etc. were also studies. But no research work has been concluded on performance and analysis of the Unit Trust of India. Hence for the first time researcher has tried to emphasize on “An indepth study of the financial performance of Unit Trust of India.”

1.3 (i) Objective of The Study:

Unit Trust of India’s contribution to the society was perceived by most segments to be in the areas of stock Market development and investor enlightenment. Housing was another area where almost 20% of the individual respondents (users and non-users) felt Unit Trust India had contributed. Little was known about its forays into other areas of contribution to society.

This study is planned to develop a suggestive framework to improve the functioning of the forums. The comprehensive objectives of this proposed research work are as follows:

1) To examine how well the UTI has fulfilled its objectives with which it was set up under Unit Trust of India Act, 1963

2) To assess the fund deployment pattern of Unit Trust of India.
3) To explore and find out the strong and organized distribution machinery through which it undertakes the sales activity of the Units all over the country.

4) To identify the critical factors in the workings of UTI as a financial institution.

5) To examine the contribution of the UTI to the growth of financial sector, the capital market and stock exchanges.

6) To find out the range and utility of various UTI schemes and their financial performance.

7) To analyse and find out, how much high return the Unit investment gives and also the tax benefit provided to the corporate investors.

8) To assess the relative weakness in the areas of grievance redressal and the answering of queries.

9) To examine the various schemes undertaken by UTI and their achievements.

10) To analyse and find out the hitherto neglected areas. (region-wise and industry wise).

11) To examine the role UTI has been playing to increase the country’s rate of savings.
12) To compare and contrast the assistance provided to the new enterprises with the assistance provided to the existing undertakings by the UTI.

1.3 (ii) Hypothesis

Broader hypothesis would be as under:

H1) There would be no significant difference in financial performance in the selected years of Unit Trust of India.

H2) There would be no significant difference in profitability trends in selected sample units.

H3) There would be no co-relation between investor’s behaviour and profitability.

H4) There is no any significant role of a particular Unit Scheme of UTI and the financial performance of UTI as a whole.

H5) There is no any significant co-relation in investors’ knowledge and profitability.

1.4 Overview of the Study:

The entire study has been presented in six chapters. First chapter deals with the objectives, scope of the study, methodology, sources of data, sample design, investments of data collection and limitations of the study.
Second chapter deals with the mutual funds industry of India, benefits limitations and the overall development of mutual funds industries in India.

In the third chapter, brief reviews of literature on Unit Trust of India are presented.

The fourth chapter outlines brief history of Unit Trust of India its various schemes and its performance.

The fifth chapter reveals the evaluation of the financial performance of Unit Trust of India. Profitability and financial efficiency related ratio and analysis are included in this chapter.

Conclusion, summary, suggestions and findings are included in the last chapter i.e. sixth chapter.

1.5 Significance of The Study:

In this modern world many more financial Institutions are mushrooming very fast and on the other hand, we hear daily the scams in the financial Institutions, as a consequence of this, the common-man lost their hard-earned money and shattered their dreams of their lives. In this situation,
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the common man is not in a position to take a decision where can he invest his hard earned money with safety and profitability.

This study is enquiring into the various investment schemes of UTI and analyse the pros and cons of it. This study is throwing light on the UTI’s financial performance.
1.6 Need for the Study:
In the capital based corporate democracy, the investors are considered uncrown kings. Individual Investors are of strategic importance as households account for the lion’s share of gross savings in the country. But majority of investors have unsatisfactory experience of equity investing. An investor’s success in minimising investment risk, really depends on him, provided he gets proper guidance. The researcher will give to such investor, the proper guidance and suggestions as the research work is on the financial performance of Unit Trust of India.

1.7 Scope of The Study:
The present study deals with the financial performance of Unit Trust of India. The performance of various schemes of Unit Trust of India are taken into consideration as the analysis of the performance of each Unit schemes have done in detail.

1.8 Research Methodology:
This part explains the scope, data and methodology on which the analysis will be carried out. The research design being exploratory in nature, personal interviewing of executives of various banks, financial
Institutions, the personnel of Unit Trust of India of various cities as well as the main important group i.e. the Unit –holders.

1.9 The Sample :

In order to conduct the interview, it is necessary to identify the sample. This sample consist of the working staff of various finance companies including the Unit Trust of India belong to different regional, social, economic categories. Since the selection of the interviewee is as per the stratified sampling method, the sample chosen for the study has been highly representative.

1.10 The Sample Design :

The sample is stratified one as the selection is made of the personnel of the various Finance Companies including “Unit Trust of India” operating in & around Gujarat and also beneficiaries belong to the different categories say different education, income, rural and urban group.

The sample consists of the total of hundred persons say. Executives of various finance companies including the Unit Trust of India as well as hundred Unit holders of the UTI of Gujarat. This is done to gain better insights into the subject.
Having chosen the sample, it becomes necessary to design the questionnaire systematically and also in detail.

The questionnaires were discussed with a group of experts for determining their relevance and validity. The questions were edited for technical accuracy and composition.

1.11 The Survey Method:

Survey is the principal procedure, which could be adopted for the study. The survey procedures are used mainly to collect information regarding the mutual funds industry, the "Unit Trust of India" in particular and also its beneficiaries.

Through this procedure the researcher can know the complete detail of the beneficiaries and in which class of the society they belong to.

Subsequently a small questionnaire can be designed and administered to the executives of various mutual fund industry, to get more details pertaining to their function and also the views regarding the beneficiaries of their companies. The main objectives of doing so is to find out / To get a clear picture of the insight of personnel involved.
1.12 Period of The Study & Data Collection:

The period of the study is 4 years starting from 1998-1999 to 2001-2002. As started earlier, Indian economy switched over to open economy from closed economy since July, 1991. The study related post-perform process.

The Study is based on secondary data taken from published annual reports of the Unit Trust of India. In addition to that, financial literature, government and non-government documents, published articles, books on the related aspect are also included. Out of many mutual find industries in operation in our country, the Unit Trust of India has been selected for the study.

The data are also collected from PROWESS data-base, which is the corporate data base from center for monitoring Indian Economy Mumbai. The researcher has taken some data and information from data-base manages by capital line – 2000. and also the researcher has collected some required data from The Unit Trust of India Institute of capital market, New Mumbai, vashi. In addition to this, the researcher has also organised personal unstructured interviews and meetings of the key personalities of the mutual funds industry especially UTI for the reliability of the data.
1.13 Tools and Techniques Used:

During the process of research, the researcher has used various tools for the measurement of financial performance like ratio analysis, trend analysis, variance analysis etc. The collected data were duly edited, classified and analysed using all type of relevant statistical techniques and employing the most appropriate parametric and parametric test. The data were presented through simple classification and with help of percentage, average dispersion, ANOVA, the data were analysed and the hypothesis were tested at 5 % level of significance by employing mean, standard Deviation, co-efficient, Krushal Wallies one way analysis of variance test etc.

1.14 Interview Techniques:

The researcher can use interview technique for obtaining various informations regarding the different individual’s approaches to mutual funds industry and their experience with it especially the Unit Trust of India.

This technique is used with a view to verify the data obtained through the questionnaire. It should be a structured interview so that the researcher could obtain a valid and reliable response of the financiers to the planned
sequence of questions. The researcher will be using the structured interview which will be shared with a few experts as a preliminary to its standardization. The content of the interview format will be predetermined in line with the objectives of research which will be undertaking.

1.15 Limitations of Study:

Every live or non-alive factor has its own limitation, which restricts the usability of that factor. The same rule applies to this research work also. The major draw backs of the present study are as under:

1) This study is based on secondary data taken from published annual reports of Unit Trust of India and its findings depend entirely on the accuracy of such data.

2) There are different methods to measure the financial performance of any mutual funds, in this connection views of experts differ from one another.

3) The researcher has also modified some of the formula used for the study so its conclusion depends upon a formulated ratio.

4) The present study is largely based on ratio analysis and it has its own limitations, which also applies to the study.
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5) The analysis of the financial performance gives diagnostic indicators. Researches being outside external analyst obviously has no assessed to internal data. Therefore inside views of the mutual fund could not characterize in the study.