

## Mutual Fund in India: An Analysis of Performance and Some Emerging Issues in Unit Trust of India

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### Abstract:

Mutual Fund is a topic which is of huge interest not only to researchers all over the world, but also to investors. Unit Trust of India as India's first mutual fund was set up as an effective vehicle for channelizing progressively larger share of household savings to productive investments in the corporate sector. In 1964, Unit Trust of India (UTI) came up with the first mutual fund Unit Scheme, 1964, popularly known as US 64 which was the first open ended balanced fund. But, during late nineties, UTI faces severe challenges with its unit scheme –US 64. At present, mutual funds have emerged as an important segment of financial market of India, especially as a result of the initiatives taken by the Government of India for resolving problems relating to UTI's US-64. This paper tries to analyze the crisis faced by Unit Trust of India, specially its largest savings mobilization scheme-US64 and evaluate overall performance of UTI in terms of savings mobilization, profitability, dividend distribution, income and expenditure pattern, investible funds, redemption and net inflow of funds. At last, the paper recommends some measures in overcoming the challenges faced by UTI.

**Key words:** Mutual fund, Unit trust of India, US 64, Mobilisation, Fund.

### Introduction:

Mutual Fund is a topic which is of huge interest not only to researchers all over the world, but also to investors. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment option by investors. The Mutual fund industry in India has appeared as a leading financial intermediary in Indian capital market. As of April 2006, the industry comprising of 33 Asset Management Companies managed financial assets of over Rs.2000 billions (equivalent of US \$45 billions) contributed by an estimated 20 million investors spread all over the country. Majority of the funds (approximately) 96% of the funds are open-ended type and the remaining 4% of the funds are close-ended type. The assets have grown at a compounded annualized growth rate of 48 per cent over a period of four decades, 1965 – 2005, which is an evidence of the growing popularity of mutual funds in the country (as per the figures made available by Association of Mutual Funds in India). The impressive growth can be attributed to the entry of commercial banks and the private players in the mutual fund industry coupled with the rapid growth of the Indian capital markets during the last couple of years. The main objective of investing in a mutual fund scheme is to diversify risk. Though the mutual funds invest in diversified portfolio, the fund managers take different levels of risk in order to achieve the scheme's objectives.

In India, mutual fund concept began in 60s for a more active mobilization of household savings to provide investible fund to industry. The idea of first mutual fund in India was born out of the far sighted vision of Sri T.Krishnamachari, the then finance minister. He wrote to the then prime minister, Pandit Nehru outlining the need for an institution which would serve as the conduit for these resources to the Indian capital market. In July 1964, the concept of mutual fund took root in India when Unit Trust of India was set up with the twin objectives of mobilizing household savings and investing the funds in the capital market for industrial growth. Household sector accounted for about 80 percent of nation's savings and only about one-third of such savings was available to the corporate sector. The objective was that UTI could be used as an effective vehicle for channelizing progressively larger share of household savings to productive investments in the corporate sector. In 1964, UTI came up with the first mutual fund Unit Scheme, 1964, popularly known as *US 64* which was the first open ended balanced fund. The UTI is a public sector enterprise which was created in 1964 under the unit trust of India Act, 1963 passed by the Parliament. Under the provision of the Act, UTI acted as a financial intermediary for the purpose of mobilizing savings through the sale of units of the UTI and for investing those funds primarily in blue chip corporate securities. UTI was the only organization which has diversified open ended and close ended scheme under its management than any other public investment companies in India.

The impressive growth of mutual funds in India has attracted the awareness of Indian researchers, individuals and institutional investors during past ten years. A number of studies have been conducted to examine the

growth, competition, performance and regulation of mutual funds in India. The Indian mutual fund industry is currently in the phase of consolidation and growth stage of the product life cycle. The Indian mutual fund industry is no exception and the competition would intensify in the coming years as it happened in other industries.

In view of the above discussion, the present paper tries to analyse the problem faced by Unit Trust of India (UTI), the first and oldest mutual fund in India, specially its largest unit scheme-US 64 during recent time and evaluate the overall current performance in terms of fund mobilization, profitability, dividend distribution, investible funds, redemption and net inflow of funds.

## **2. Evolution of mutual funds in India:**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank and retained its monopoly and supremacy till banking sector mutual fund came into operation in 1987. The history of mutual funds in India can be broadly divided into four distinct phases. The first three phases can be viewed as pre crisis period.

**First Phase – 1964-87:** Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management. Therefore, Phase I commenced with the establishment of UTI in 1964 and the launch of Unit Scheme 1964 (US-64). During this phase, UTI was the only institution offering mutual fund products and it experienced a consistent growth. UTI's investible funds, at market value (and including the book value of fixed assets) progressively grew from Rs.49 crores in 1965 to Rs.219 crores in 1970-71, to Rs.1126 crores in 1980-81 and further to Rs.5,068 crores by June 1987. By that date, its investor base had also grown to about 2 million investors. During this phase, US-64 became increasingly popular as an alternative to bank deposits. Master share, the equity growth fund launched in 1986 was the first product in India to provide a dedicated vehicle for the entry of small investors into the equity market. It proved to be a grand marketing success. 1986 also saw the launch of India Fund, the first Indian off-shore fund for overseas investors which was listed on the London Stock Exchange.

**Second Phase – 1987-1993 (Entry of Public Sector Funds):** The spectacular performance of UTI –specially the first and largest open ended scheme –US 64- since its inception in 1964 and specially during 80s and upto 1997 had given the investing public a rich experience of the operation of the mutual fund. Although the monopoly of UTI came to an end on 1987 when Govt. of India by amending Banking Regulation Act and Insurance Act permitted commercial banks and LIC & GIC to set up mutual fund, the supremacy of different schemes of UTI regarding aggregate investment, earning capacity, fund mobilization, dividend payment, equity investment, capital appreciation was much more than any other mutual funds like banking sector MFs and insurance sector MF up to 1997 due to efficient asset management. Therefore, 1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs.47,004 crores. Therefore, Phase II witnessed the advent of competition in the mutual fund industry with the launch of mutual funds by subsidiaries of the nationalized banks and of the two insurance corporations viz. Life Insurance Corporation of India and the General Insurance Corporation of India. In 1988, UTI also floated another off-shore fund viz. The India Growth Fund which was listed on the New York Stock Exchange. During this phase, there was a dramatic growth in the size of the mutual fund industry with investible funds, at market value, increasing to Rs.53,462 crores and the number of investor accounts increasing to over 23 million. The buoyant equity markets in 1991-92 and tax benefits under Equity-linked Savings Schemes enhanced the attractiveness of equity funds.

**Third Phase – 1993-2003 (Entry of Private Sector Funds):** With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs.44,541 crores of assets under management was way ahead of other mutual funds. Phase III marked the entry of private sector mutual funds including foreign sponsors as also the prescription in 1993 by the Securities and Exchange Board of India of mutual fund regulations. UTI's Mastergain, launched in May 1992, was a phenomenal success with subscription of Rs.4,700 crores from 63 lakhs applicants. The investible funds, at market value, of the industry increased to Rs.78,655 crores and the number of investor accounts increased to 50 million.

**Fourth Phase:** 2003 and onward: This period saw in the initial year's significant growth in the mutual fund industry aided by a more positive sentiment in the capital market, significant tax benefits and improvement in the quality of investor service. Investible funds, at market value, of the industry rose by June 2000 to over Rs.110,000 crores with UTI having 68% of the market share. During 1999-2000, sales mobilisation reached a record level of Rs.73,000 crores as against Rs.31,420 crores in the preceeding year. This trend has however sharply reversed in 2000-2001 and investible funds at market value have declined and there have been significant declines in the NAVs of funds.

### 3. Structure of Unit Trust of India (UTI):

UTI is a statutory corporation established under the Unit Trust of India, Act 1963 with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities. The Act came into force on 1st February 1964.

The initial capital of UTI was Rs.5 crores which has been contributed as under:

- |     |                                                                                               |                |
|-----|-----------------------------------------------------------------------------------------------|----------------|
| (a) | Reserve Bank of India (RBI)                                                                   | Rs.2.50 crores |
| (b) | Life Insurance Corporation of India (LIC)                                                     | Rs.0.75 crores |
| (c) | State Bank of India (SBI) and its subsidiary banks                                            | Rs.0.75 crores |
| (d) | Scheduled banks (other than SBI and its subsidiary banks) and notified financial institutions | Rs.1.00 crore  |

**Rs.5.00 crores**

The initial capital forms part of US-64 and the subscribers hold units in that Scheme. In 1975, the UTI Act was amended and by virtue of the amendment, the Industrial Development Bank of India (IDBI) took over the rights and responsibilities of RBI under the Act and the share of the initial capital held by RBI was transferred to and vested in IDBI.

The general superintendence, direction and management of the affairs and business of UTI rests in a Board of Trustees which exercises all powers and does all acts and things which may be exercised or done by UTI. The composition of the Board of Trustees is as under :

- (a) The Chairman to be appointed by the Central Government in consultation with IDBI.
- (b) One trustee to be nominated by RBI.
- (c) Four trustees to be nominated by IDBI of whom not less than three shall be persons having special knowledge of, or experience in commerce, industry, banking, finance or investment.
- (d) One trustee to be nominated by LIC.
- (e) One trustee to be nominated by SBI.
- (f) Two trustees to be elected by other contributing institutions viz scheduled banks (other than SBI and its subsidiary banks) and notified financial institutions.
- (g) An executive trustee to be appointed by IDBI, provided that such an appointment may not be necessary if the Chairman is whole-time.

The Board meets not less than six times a year and at least once in two months.

The Act provides that where the whole of the initial capital has been refunded to the contributory institutions, the Central Government may, after consultation with IDBI, by order, provide for reconstitution of the Board. The Act also provides that regulations made by the Board have to be with the prior approval of IDBI. The Act

provides that 90% of the net income of the Scheme or 10% dividend, whichever is lower has to be distributed to the unit holders under the scheme.

There is an Executive Committee which, subject to such general or special directions as the Board may, from time to time, give, has the power to deal with any matter within the competence of UTI. The Trust is authorized to establish one or more reserve funds by transferring such sums as it may deem fit, out of the amount of the income of the Trust not distributed to the contributing institutions or unit holders. Where a reserve fund is created specially for the purposes of any unit scheme it has to be applied or utilised only for the benefit of the unit holders under that unit scheme and for such purposes and in such manner as the Board may determine.

#### **4. Analysis of performance of Unit Trust of India:**

One of the way of measuring performance of a mutual fund is by way of looking into the amount of income generated. Mutual fund generates income through the following sources: dividend, interest, profit on sale or redemption of assets, profit on inter-scheme transfer, other income.

[Insert Table-1 here]

Mutual funds use their income for various purposes i.e. to meet expenses relating to fund management, to distribute dividend to investors, to allocate to reserve account and to meet other requirements including prior adjustment in accounts. If we compare the income and expenditure profile of UTI with that of the industry, two major factors of UTI's success can be distinguished. Firstly, UTI retains the status of the most cost effective fund manager spending only 11% of its earning to meet overall expenses of management of funds during 1992-93 which is against the industry's average of nearly 15% during the same period. During the period of comparison, UTI's expense ratio is found to be much lessor than that of the industry average. Secondly, UTI is the very liberal distributors of income and an investor friendly mutual fund. With no exception, in all the three years of analysis, the distribution policy of UTI is found to be better than that of competitors. In the year 1992-93, UTI distributed nearly 63% of its earning to its unit holders, when the industry average is only 59% whereas other public sector mutual funds distributed only 44% of their earnings.

Another area of concern is growing shares of expenses i.e an increasing spending tendency of UTI which rises from 4% to 11% within three years. Over a period of three years from 1990-91 to 1992-93, it has gone up about 3 times and eaten away about 12% of income generated. This ever increasing trend of expenses should be looked into by the regulatory organizations and by the mutual funds themselves in order to minimize wasteful expenses and improve the efficiency of fund management.

Another disturbing factor is that only a smaller portion of income generated is being transferred to general reserve. It was 11.62% in 1990-91 and it came down to 9.92% in 1992-93.

[Insert Table-2 here]

US64, the biggest mutual fund scheme in India, is more than four decades old and its corpus since its inception has increased manyfolds which upto the end of 1992-93 is Rs13058 crore as compared to mere Rs 18.73 crore in 1964. The growth of the investible funds has been substantial as is clear from table:2. The percentage of US 64 in total investible funds to UTI is, of course decreasing which is very obvious from the fact that more and more investors' friendly schemes have been introduced in recent past but still it is the biggest funds managed by UTI.

[Insert Table-3 here]

On dividend front, the pace has been again very slow. Although for every first year, dividend was declared but it was only 6% and it touched double figure only in 1979-80 when dividend rate was 10%. As is evident from the table-3, subsequently, the increase in dividend has been comparatively better and it reached 6% in 1992-93. Similar, yield on July price has been constantly increasing till 1991-92, but suddenly a downward trend set in as it decreases from 17.86 in 1991-92 to Rs. 17.45 in 1992-93 and further to Rs. 15.75 in 1994-95. It has given an alarming signal to investors specially individual and small investors about the return on US 4 investment.

[Insert Table-4 here]

Investment pattern among the mutual fund is the key information to understand the investment behavior of each fund manager. UTI's exposure to equity is less compared to that of public sectors and private sectors mutual funds. While UTI invests nearly 53% of its aggregate investments in equity shares, the corresponding ratio for public sector and private sector mutual funds are 69% and 92% respectively. In case of UTI, there has been a drastic increase of investment held in equity from Rs 3811.6 crore in 1990-91 to nearly Rs 28,000 crore in 1994-

95 and as a percentage of total investment, it has gone up from 28% to 52% at the end of 1994-95. One of the significant trends in UTI's investment is that the shares of debentures and bonds has come down significantly over the last five years (as depicted in the table 5) from 32% in 1990-91 to 22% in 1994-95. With the launching of more close ended growth funds, specially after 1990-91, the pattern of investment has been shifted towards equity related instruments. It is evident from table 5 that till 1990-91, more than 70% of investment has been held in fixed income securities and at the end of 1994-95, their shares slipped to nearly 47%.

UTI's exposure to government securities market had witnessed a significant decline from more than 26% of its total investments in 1990-91 to nearly 18% in 1994-95. Nevertheless, UTI remains to be the leader among mutual funds with more than 98% shares of the total industry exposure in government securities. Moreover, although UTI's investment in equity rises from 28% in 1990-91 to 52% in 1994-95 and UTI holds the dominant position (more than 70%) in equity investment than public and private sector mutual funds, there has had been a gradual decrease in percentage of total equity investment of UTI in the industry because of the entry of more public sector and private sector mutual funds.

At present, in the yardstick of performance of some schemes of UTI mutual fund, UTI is trying its best to regain lost soil by removing all defames. NAV has increased much in some popular schemes like master plan, master growth, master share, grand master, master gain.

As regard fund mobilization, UTI shows steady upward trend in mobilizing fund since 2002-03. In 2002-03, UTI mobilized 2.25% of total mobilization of the mutual fund industry which increases to 7.80% in 2008-09. But due to crisis faced by UTI during 2002-03, huge redemption including repurchase is gradually taking place which reduces the net inflow of fund in the sector. As a result, in some of the years after 2002-03, redemption being higher than gross mobilization of fund, net inflow of funds becomes negative which is a danger signal to the sector.

[Insert Table-5 here]

## 5. Challenges faced by UTI:

### Crisis started:

The dividend payment in US 64 scheme rose from 14.25% in 1984-85 to 26% in 1992-93 and also reduced to 20% in 1996-97. The equity investment of UTI rose from 28.24% in 1990-91 to 52.11% in 1994-95 and in 1997-98, equity investment had risen to 63%. During 90s, bullish stock market enabled UTI to earn huge amount of profit by investing its fund in equity market which is highly volatile rather than investing in bond market. In 1994-95, share market reached a peak phase of bullish condition and after that "Bull run" continued for a couple of years. So, during that phase UTI gained much by investing nearly 63% of its investible fund in equity shares. But, it is well known that share market moves on "Euphoria". In the mean time, Harshad Metha's share scam took place which had shaken the confidence of investors and share market was in troubled water.

Fund managers of UTI should have understood that by investing maximum investible fund in equity market, UTI could not pay 26% or similar rate of dividend steadily to the investing public who wants to have regular high rate of dividend. This is because of the fact that capital market is highly volatile and uncertain. The basic principle to be followed by intending investors of capital market is that they should enter into market in times of gradually rising state but offload holding when market is still good leaving the expectation of earning more.

The mistake which UTI had committed is that they could not pick up or liquidate their funds from market in right times. The principle of diversification of portfolio management suggests not to keep all of eggs in same basket. UTI has also committed mistake in that respect that they had kept more than 63% of their investible fund in uncertain market which can never generate uniform rate of earnings.

The question of suspicion regarding transparency of UTI's activities was evolved around the minds of investors of how their funds are being managed and protected as UTI since its inception in 1964 did not disclose the daily NAV of their popular schemes.

Evaluation of performance through examination of total returns generated in the form of dividend and capital appreciation is the general trend. But, such form of evaluation may not be depicting a correct picture. A mutual fund scheme might be providing excellent returns but this performance might be solely due to bullish stock market. So, performance of UTI should be judged in the light of growth in NAV (Net Asset Value). UTI computes NAV as  $(\text{Unit capital} + \text{Reserve \& surplus} + \text{Net appreciation of all listed \& unlisted securities} + \text{all interest and dividend income}) - (\text{Amortization of issue expenses} + \text{stamp fees} + \text{handling charges}) / \text{outstanding unit capital}$ .

The NAV incorporates both the realized as well as unrealized capital appreciation. The realized capital

appreciation joins the income stream. As because unrealized capital appreciation is dependent upon the market prices in case of listed securities, the NAV could also up or down depending upon the market prices of underlying securities. So, NAV would always be relevant in the context of a particular date. So, NAV is the most comprehensive measure of the value of a unit of a scheme as it represents the intrinsic value of the scheme. From the formula adopted by the UTI, it is certain that payment of dividend implies a decline in the NAV. Rather, it can be said that schemes having a regular distribution of income by way of dividend would have lower NAV than schemes which accumulate the income and do not make annual payment. The longer the scheme has run, the more time it would have to plough back profit and built up reserves and is likely to have higher NAV than a recent scheme.

To conceal the operational inefficiencies in capital market and mismanagement of funds, UTI declared higher rate of dividend in 1998-99 out of accumulated reserve built up in the past. As a result during 1999-2000, reserve account showed a negative balance of around Rs 3400 crores which depleted NAV of unit scheme to Rs 5.94 a unit.

The major reason why US-64 has not been made NAV based appears to be the fact that there is a substantial gap between the repurchase price of the unit and its NAV. This gap increases or decreases depending upon the market price of US-64's portfolio. Redemptions take place at prices which are not linked to the NAV and in periods where redemptions exceed sales, as happened in April and May 2001, net redemptions at values in excess of the NAV further widen the gap in respect of continuing unit holders. Moreover, since US-64 has in its portfolio large blocks of shares in individual companies, its ability to create liquidity immediately by selling the shares in the market is restricted, as large sales would depress market prices and further widen the gap. Finally, given the fact that the composition of its portfolio has significantly changed with a larger share of equity, its ability to pay dividends is conditioned on booking profits on sale of investments which further increases the gap.

There is a public perception that once a repurchase price of US-64 is announced in July of a year, the repurchase price and sale price of the unit will progressively increase during the year until a fresh sale and repurchase price is announced in the following July, when sales and repurchase are resumed after the end of the period of closure of books. US-64 has been marketed on that basis. Though there is no legal bar for UTI to reduce the repurchase price even during the year, this probably is the reason why the repurchase prices were not progressively adjusted downwards when the gap between the repurchase price and the NAV started widening. It is however unfortunate that the opportunity was not taken to make the scheme NAV based when for a brief period, within the period of three years specified by the Deepak Parekh Committee, the NAV is believed to have been in excess of the repurchase price or in July 2000 when the gap between the repurchase price and NAV is believed to have significantly narrowed.

The confidence of unit trust's customer had been shaken in 2001 from its flagship –US 64 fund as technology Stocks tumbled and insider trading scandal roiled the stock market. The decline prompted unit trust to freeze redemption from the fund temporarily which a 1988 survey of households ranked as India's market value of its assets forced Govt. to underwrite all liabilities to bolster investors' confidence. The US 64'S NAV has risen to Rs 10 a unit from Rs 5.94 when the figure was first disclosed on 31<sup>st</sup> December, 2001 by giving Govt. subsidy.

#### **Actual crisis of UTI emerged during 1999-2001:**

UTI and controversies go hand in hand. Premature redemption of Rajlakshmi Unit Scheme(RUS) and reduction of yield on MIP (Monthly Income Plan) showed the danger signal. Another issue i.e the problem of US 64 that has snowballed has been hogging all the headlines in all dailies. The then current state of affairs at UTI has claimed one victim in its chairman who has been suspected to engage in insider trading. The real issue is that of continued mismanagement in US 64 in spite of having been chastised a year earlier and that of repetition of glaring mistakes made with public money. It is true that fund size of US 64 itself was a problem. Its restructuring was a mammoth task. What was needed was a lot of time. But, the key question is that why were the recommendation of previous committees not implemented to revive US 64.

The recent crisis was not certainly unexpected because of the portfolio of the scheme, while other mutual fund houses had decided to move out of tech share, UTI entered late and was trapped in it. Due to its large size, UTI could not even sell in bulk because market would have crashed again. But, while the size has certainly a problem with UTI, it has to do with poor fund management.

The Govt. of India has not hinted another bail-out but the way it has raised the issue of protecting the investors' interest by giving them Rs 10 a unit on redemption, this will not solve the problem because as soon as the scheme is flush with funds, redemption might start in a giant step and investors might not stay untouched and

could lead to similar problem in future.

However, doubts arose on the intrinsic value of its scheme (NAV) coupled with the fact that there are few takers for the scheme because all corporate houses have made a killing out of the scheme at the expenses of small investors by liquidating their position in the month preceding the crisis.

Many banks and corporate houses offloaded their US 64 holding in April-May 2001 triggering large scale redemption of the unit. The heavy scale corporate redemption was suspected due to insider trading. The list of financial intermediaries which sold their US 64 holding includes Bank of Baroda, Bank of India and a host of other public sector banks. Telco, Bajaj Auto and Bombay Dyeing are some of the corporate houses which have redeemed their US 64 units. Bajaj Auto which had more than 50 million units of US 64 has sold off a part of its holding in 2001 and other corporates like Videocon and Indian Oil Corporation followed the same path. In fact, funds have seen total mobilization of Rs 2661 crores as against redemption of Rs 5962 crores during that period out of which a significant Rs 4151 crores was due to withdrawals by the corporate sectors.

As per the disclosed portfolio in April, 2001, the fund had 20% exposure to GOI papers. Its top equity holding include Reliance India Ltd, ITC, RPL and Infosys. The UTI MF has picked up the right stocks but the problem seems to be of the timing of investment as UTI has not offloaded its holding when market was still good. Infact, the Trust had the opportunity to shift to NAV based pricing in 2000 when its market value was close to the actual NAV. But the UTI has not prepared for the switch. So, it has lost the golden opportunity.

From the above analysis, the following points emerge:

(i) Till 1987, UTI was the sole offerer of the mutual fund schemes in the market with only a few schemes. The product life cycle of these schemes had not been studied properly as UTI enjoyed monopoly in the market till 1987. With the entry of public sector as well as private sector mutual funds with attractive schemes during recent times, UTI confronted competition from several fronts. As a result, shares of UTI's investment in the industry is gradually decreasing as the public and the private sector mutual funds capture a substantial portion of total resource mobilization in the industry which is cause of concern to UTI's fund managers.

(ii) One point which is to mention here is the irregularity and uncertainty in management and control of UTI funds which had a deterrent effect in the mutual fund industry. After all, mobilization of savings, the most important factor for any mutual fund market development, depends to a great extent on public confidence. If such confidence is lost, savings mobilization will be at jeopardy. The bad performance of Morgan Stanley which entered the market in January, 1994 with a collection of Rs 981 crore had shaken the confidence of investors to a great extent. It is found from the mobilization of savings pattern of mutual fund industry including UTI that although UTI had been able to garner more than 75% of total fund mobilized by the industry, its share has fallen gradually during the recent times.

(iii) The expectation of investors further hammered down by the poor investor services rendered by the operators. The investors who had relied on professional fund managers with the hope of performing better than they would have done on their own had bitter experience. The gradual increase in the repurchase of US 64, popular open ended schemes of UTI, had proved the lack of confidence on such schemes. Therefore, investors had lost their confidence on UTI mutual funds for many reasons including fall in NAV below face value in many cases, lack of liquidity due to thin trading in secondary market, poor investor services and unkept promises. An internal study on UTI showed that complaint ratio (proportion of complaints to outstanding accounts) rose from 0.11% in 1991-92 to 0.19% in 1993-94. (Ref. Mutual Fund: Management and Working- L.K. Bansal).

(iv) As far as profitability of the mutual fund investment of UTI is concerned, they had presented a dismal show, leaving the investors in a state of disillusion. During the pre-SEBI guidelines period, dividend distribution rate of UTI was gradually decreasing due to increased spending tendency (increase in operating cost, salary cost, management fees due to opening up of more equipped franchise offices and introduction of technological upgradation project (TUP). It increases during post SEBI guidelines period only by transferring lessor amount to general reserve.

## **7. Recommendations of the Deepak Parekh Committee for UTI's bail-out :**

1. Initial contributors to UTI should infuse permanent funds of at least Rs.500 crores.
2. The PSU portfolio should be transferred at book value to a Special Unit Scheme (SUS 99) to be subscribed for by GOI by the issue of dated GOI securities.
3. US-64 should make a strategic sale of its significant equity holdings by negotiation to the highest bidder

to ensure fetching the best value for the unit holder.

4. (a) The investment sub-limit of Rs.10,000 for tax benefit on Equity Linked Savings Schemes should be removed and benefit should be extended to US-64 and all schemes investing more than 50% in equity.

(b) Income distributed by US-64 and schemes investing more than 50% in equity should be exempt from tax.

5. New schemes for investing in growth stocks in IT, Pharma and FMCG sectors should be launched, to be subscribed for by banks.

6. The size of the UTI Board should be increased to 15, with additional five members being co-opted by the Board.

7. (a) Trustees should assume higher degree of responsibility and exercise greater authority.

(b) The remuneration of Trustees should be increased and their attendance record be published in the Annual Report.

8. There should be a separate Asset Management Company for US-64 with an independent Board of Directors.

9. (a) Chinese walls should be created by appointing separate and independent fund managers for each scheme.

(b) Inter-scheme transfers must be based on independent decisions and requirements of concerned fund managers and at market determined prices.

10. (a) There should be an independent fund manager for US-64 with full responsibility and accountability.

(b) The fund manager should be helped by a strong research team and the research capability should be strengthened.

11. (a) Investment/dis-investment decisions should be based on research analysts' recommendations who should have the authority and responsibility of making the recommendations.

(b) The fund manager should have the final authority and responsibility in decision making based on his perception of the market and research inputs.

12. The focus on small investors should be strengthened and the rhythm towards corporate investors reduced.

13. (a) US-64 should be NAV driven within three years.

(b) If at the end of the three year period, the re-purchase price and the NAV are not in line, the Trust will be left with no alternative but to seek GOI support once again to provide the difference between the NAV and the repurchase price. Only a clear commitment from the GOI to stand by US-64 till it finally assumes the character of a NAV driven scheme will instill the required confidence in the US-64 investors.

14. The spread between sale and repurchase prices should be gradually increased to deter short term investors.

15. (a) The dividend distribution policy needs to follow a more conservative approach to build up sufficient reserves during periods of good performances.

(b) As a rule, dividends need to be curtailed when there is inadequate income.

16. The rate of return offered to investors needs to be reviewed on a periodic basis. The yield offered on US-64 is excessively high as compared to other comparable instruments.

17. The composition of the portfolio needs to be changed to provide for more weightage to debt consistent with the objectives of the Scheme.

18. The operations of US-64 should be brought under SEBI purview at the earliest.

19. An independent professional firm should be commissioned for a detailed review of asset management processes including back office, inter scheme transfer and investor servicing.

#### **8. Reconstruction programme undertaken:**

In view of the problem of UTI, the Cabinet approved and passed ordinance to repeal the UTI Act, 1963 and amend the SEBI Act. This paves the way for recast of the UTI and overhaul of market watch dog, SEBI's organizational structure. The decision has facilitated implementation of UTI bail-out package.

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two

separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, would be managed by Govt. appointed administrators who would be assisted by a team of professionals and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund Ltd which is managed under SEBI's umbrella with 47 schemes and a modest corpus of Rs 15000 crores which is just 1/5 th the size of UTI at its peak. Therefore, UTI mutual fund sponsored by four public sector entities like SBI, PNB, BOB and LIC is now SEBI's compliant

. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes.

#### **9.Issues to be considered in view of Strength &weakness:**

UTI is the largest player in the mutual fund industry with total investible funds of domestic schemes (at Market Value) as at 30th June, 2001 of Rs.56,057 crores constituting about 57% of the total investible funds of the industry. US 64 with a total unit capital as at 30th June 2001 of Rs.12,786 crores had a substantial share of these investible funds. It has certain unique strengths notable amongst them being :-

- (a) Its large size with consequential economies of scale;
- (b) Its nation-wide well entrenched distribution network and consequently its wide reach and capacity to mobilise large resources;
- (c) Its brand image arising out of a public perception that the safety of funds is assured by its pseudo Government character, which may not be entirely unjustified.
- (d) The fact that it does not have an AMC to whom management fees would have to be paid which results in higher returns available to unit holders.

It also has certain pronounced weaknesses :

- (a) Being the largest player in the mutual fund industry, it also has large investments in individual companies. Its ability to turnaround its portfolio quickly is therefore somewhat limited.
  - (b) The fact that it combines within itself the roles of an AMC and the Trustee results in the absence of a degree of accountability which an AMC normally owes to the Trustee and the control which the latter enforces upon the former.
  - (c) There is a lack of transparency, particularly with regard to US-64 where the sale and repurchase price are not linked to the NAV and the NAV is not disclosed to the unit holder.
  - (d) The fact that UTI is perceived as having a pseudo Government character is as much its weakness as it is its strength, particularly in respect of US-64. While it enhances its ability to sell the units, it also gives a false sense of comfort which may not be true or even desirable. Moreover, in a highly competitive market, public perception of UTI as a pseudo – Government institution may affect its ability to attract and retain the best professional talent or to adequately motivate it.
- (i) In view of the above strength and weakness, it is seen that in the initial stages, UTI had been performing a hybrid role of both a financial institution and a mutual fund. However, over the last few years, its role as a financial institution has significantly diminished and it has positioned itself purely as the largest mutual fund in the country. There is also a significant trend emerging which suggests that financial institutions will gradually wither away or merge into universal banks. In this scenario, commercial banks and mutual funds will emerge as the primary institutions for the mobilisation of household savings. This reinforces the need for UTI to evolve as a pure mutual fund. At the same time, consideration has to be given to the fact that UTI has promoted and holds controlling interest in a number of institutions outside the pure mutual fund industry.
- (ii) Greater transparency increases innovation. So, UTI should be transparent enough to product innovation and differentiation with attractive promises by deleting less attractive schemes.
- (iii) Better services which is the need of the day will make the UTI mutual fund schemes more investors' friendly. Therefore, efforts should be made to tone up the marketing and distribution network by recruiting more efficient agents and by opening more fully equipment franchise offices.

(iv) The future of UTI as well as other mutual funds to a great extent depends on the response of regulatory agencies on the demand and expectations of small investors. It must set its house in order. Its association of mutual funds of India (AMFI) will have to outgrow itself from being a bargaining arm of the industry and emerge into a self regulatory organization (SRO). It will have to turn proactive and stop waiting for the SEBI to wield the stick.

(v) UTI's management structure is at variance with the structure prescribed for mutual funds under SEBI regulations. These regulations provide for four separate entities, namely a Sponsor, an Independent Trustee, an Asset Management Company and the Fund. It is necessary that UTI as the largest player in the Mutual Fund industry should, as recommended by the Vaghul Committee, lend itself to SEBI's regulatory jurisdiction and conform to the form of structure prescribed in SEBI regulations. As stated earlier, out of 73 domestic schemes, 67 schemes have already been brought under SEBI regulations and apart from US-64 and SUS-99, the remaining schemes have finally suspended sales and/or are nearing termination. It only remains for the structure of UTI also to be made SEBI compliant.

(vi) While the present structure of UTI provides for separate Asset Management Committees for US-64, equity schemes and for income/debt schemes, the degree of control exercised and direction imparted by these Committees appears to be restricted and inadequate. The key mandate of the Committees is to review performance of unit schemes of UTI and provide guidance. The Committees discharge this role of independent review of scheme performance through the mechanism of periodic meetings. Given the limitation of a "review committee" format, the Committees have not found it possible to resolve "embedded" problems stemming from "historical" decisions. The Committees, therefore, cannot replace Asset Management Companies. There is therefore need for an independent Trustee and an independent AMC, as provided under SEBI regulations with wider powers of control and direction.

(vii) UTI has no identified Sponsor but the institutions which contributed to the initial capital of Rs.5 crores and the additional amount of Rs.445.5 crores in 1999 may be considered as Sponsoring Institutions. SEBI regulations impose certain responsibilities and obligations on sponsors and it would be difficult to discharge these responsibilities and obligations when there are a large number of sponsors. It is therefore necessary that the Sponsor should be a separate company. It is suggested that this company can be formed with the initial shareholders being the Sponsoring Institutions who will convert the whole or part of their present holdings in the initial capital of Rs.5 crores and the additional contribution of Rs.445.50 crores made in June 1999 into the capital of the Sponsoring Company. This conversion can be made at the NAV of the units when US-64 becomes NAV based. It is desirable that no single member of the Sponsoring Institutions ultimately holds more than 25% of the ultimate capital of the Sponsoring Company, particularly since many of them already own or has participation in AMCs managing other mutual funds.

(viii) UTI because of its strengths, mainly in the area of its large unit holder base and distribution network and its low operating costs when related to its investible funds could command a premium over the value of its assets. Against this there has to be set-off its contingent liabilities, particularly in respect of its assured return schemes.

(ix) Participation by Government in the sponsoring company may strengthen the perception of implied responsibility of the Government for the due fulfillment of obligations by UTI but this responsibility may be open-ended and Government may not wish to accept such a responsibility. However, non-participation by Government in the sponsoring company may not by itself remove the perceived link between the Government and UTI so long as Government continues to exercise powers such as the power to appoint the Chairman of the Board of Trustees under the UTI Act.

(xi) Though UTI continues to be the largest player in the Mutual Fund industry in India, it no longer enjoys a virtual monopoly. It has to face increasing competition from the newly formed mutual funds, as a result of which, even when its investible funds were growing, its market share was declining. If it has to meet this competition, it has to shed the image of a public sector organization, attract and retain the best talent, remunerate its staff at competitive rates and function as a professionally managed institution, independent of Governmental influence and control.

(xi) UTI has total investible domestic funds at market value as at 31st July 2001 of Rs.54,223 crores of which Rs.24,704 crores is represented by investments in equities and Rs.29,519 crores by investment in other instruments. The investments in equities include several large blocks of investments in individual companies which may not be possible or desirable to liquidate through open market operations at least in the near term. It is therefore necessary to ensure that control over these large funds and particularly over the large blocks of equity investments in individual companies is not allowed to rest absolutely in any single person or group.

(xii) It is also a matter for consideration whether US-64 can survive in its present form. It is perceived as a

pre-dominantly savings instrument and its investor profile is determined on that basis. However, the pre-dominance of equity in its asset portfolio, makes it more akin to a growth fund. Therefore, recognition has to be given to the fact that US-64 has infact become a growth fund and given the present profile of its investment portfolio its ability to declare dividends and give a return to unit holders is severely restricted.

(xiii) Quick liquidity and higher returns in future will make its schemes more investors' friendly. Investors' perception is changing fast. Their expectations from such mutual fund will be increasing day by day which increases operating cost. To check on operating expenses (which is a cause of concern for UTI) will be crucial.

(xiv) Poor use of investment alternative is one of the reasons for not providing better dividend yield to investors. During the bearish trend in equity market, UTI's strategy should be likely to maximize downward protection to the value of the investors' wealth and concentrate on strengthening the brand equity of the existing product as also on offering units under debt oriented schemes. This aspect should be taken into consideration during the bearish sentiments of the market.

#### 10. Conclusion:

Investor should ignore the whole bail-out programme and look at UTI schemes purely on performance basis. In fact, the yardstick to evaluate UTI would be the performance of which is now officially called UTI mutual fund Ltd which is a NAV based sector. The full effect of change of NAV based schemes may be evident over a long period of time. The performance of NAV based schemes would then provide a good indicator on whether UTI is a fund in which investors can report confidence.

There are few other threats which Indian mutual fund is currently facing. Mutual funds must realize that there are some small saving schemes like NSC and PPF which are still offering high return than debt and income funds. Too much focus is being given to equity and any downswing in equity market would severely dent investor's confidence. Again, there is a lack of investor education which results in risk-return mismatch for investors investing in mutual funds. However, it can be said, in coming years, mutual fund industry is going to take off to newer heights. The Indian equity market has seen unbelievable rise in the last couple of years. From an index level of 5,590 as at March 31, 2004 to 19000 December, 2010, the markets have moved in top gear, at breathtaking speed, tumbling records after records in this unrelenting journey. The Reserve Bank of India has relaxed norms for overseas investments thereby opening up more investment avenues. In recent years, SEBI has taken several steps to consolidate the Indian MF industry. There are some changes in guidelines that include standardization of the Funds Portfolios and disclosure of the balance sheet of the fund. The present structure of funds is likely to change from the three - tier framework. This is expected to streamline the operations of the funds and will give them more flexibility. Finally, though mutual funds are primarily composed of stocks, there is a slight difference between these two which makes mutual funds more advantageous to the common investors. Diversification is the biggest advantage associated with mutual funds.

In conclusion, it can be said with a note of optimism that UTI mutual fund will meet the challenges of the future with its dedicated human resources, vast reservoir of funds and past track record. 'Speed, quality and transparency' is the edifice on which it desires to stride ahead for the benefit of its investor because in competitive world, there would be little place for those who make a habit of losing. Competition will drive the fund to become more transparent. Therefore, despite few problems, the recent changes in the mutual funds industry in India has really favoured its amazing growth and in years to come, again mutual funds will continue to be a significant resource mobilizer in the Indian financial market.

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**Table: 1: Income &Expenditure profile of UTI (Rs crore)**

| Items/years        | 1990-91                        | 1991-92                        | 1992-93                        |
|--------------------|--------------------------------|--------------------------------|--------------------------------|
| Expenses           | 113.25(4.06%)*<br>(4.62%)**    | 415.62(9.44%)*<br>(9.77%)**    | 611.23(11.22%)*<br>(14.68%)**  |
| Income distributed | 2336.38(83.86%)*<br>(81.51%)** | 2984.34(60.63%)*<br>(58.02%)** | 3412.65(62.63%)*<br>(59.32%)** |
| General Reserve    | 232.82(11.62%)*<br>(13.10%)**  | 1334.16(27.11%)*<br>(28.92%)** | 480.47(9.92%)*<br>(11.25%)**   |
| Others             | 17.46(0.63%)*<br>(0.93%)**     | 208.90(4.24%)*<br>(3.95%)**    | 945.67(17.35%)*<br>(14.89%)**  |
| Income generated   | 2785.89                        | 4921.83                        | 5449.16                        |

\*Figures in the parenthesis indicate the percentage to total income of UTI.

\*\* Figures in the parenthesis indicate the percentage to total income of the mutual fund industry.

Source: UTI Annual Report (compiled).

**Table:2: US 64 and investible funds of UTI(Rs. In crore)**

| Year/Schemes | Close ended fund | Open ended funds |             | Total funds of UTI | % of US 64 in total funds |
|--------------|------------------|------------------|-------------|--------------------|---------------------------|
|              |                  | US 64(Rs.)       | Others(Rs.) |                    |                           |
| 1989-90      | 4966.00          | 10354.10         | 2330.80     | 17650.90           | 58.7                      |
| 1990-91      | 7257.50          | 11262.00         | 2857.00     | 21376.50           | 52.7                      |
| 1991-92      | 16990.80         | 10532.00         | 4282.90     | 31805.70           | 33.1                      |
| 1992-93      | 20273.10         | 13058.00         | 5645.80     | 38976.90           | 33.5                      |

Source:UTI Annual Report, 1989-90 to 1992-93.

**Table:3: Dividend and Yield patterns of US-64(Face value Rs.10)**

| Year    | July Price | Dividend(%) | Yield on July(% rate) |
|---------|------------|-------------|-----------------------|
| 1984-85 | 12.60      | 14.25       | 11.31                 |
| 1985-86 | 12.75      | 15.25*      | 11.96                 |
| 1986-87 | 12.85      | 16.00       | 12.45                 |
| 1987-88 | 13.00      | 16.50       | 12.69                 |
| 1988-89 | 13.20      | 18.00**     | 13.65                 |
| 1989-90 | 13.40      | 18.00       | 13.43                 |
| 1990-91 | 13.75      | 19.50       | 14.18                 |
| 1991-92 | 14.00      | 25.00       | 17.86                 |
| 1992-93 | 14.90      | 26.00       | 17.45                 |

\*Includes 0.50% bonus dividend.

\*\* Includes 1% Silver Jubilee Dividend.

Source:UTI Annual Report(Several issues).

**Table:4: Investment pattern of UTI Mutual fund (Rs. in crore)**

| Year/Avenues       | 1990-91                          | 1991-92                       | 1992-93                        | 1993-94                        | 1994-95                        |
|--------------------|----------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Equity Shares      | 3811.63<br>** 28.24%<br>(86.92%) | 8382.33<br>28.24%<br>(75.67%) | 14390.16<br>47.29%<br>(77.48%) | 20410.49<br>46.93%<br>(76.10%) | 27890.67<br>52.11%<br>(74.94%) |
| Debenture&bonds    | 4371.55<br>32.39%<br>(88.34%)    | 6076.00<br>27.36%<br>(71.07%) | 8718.05<br>28.65%<br>(74.74%)  | 10985.70<br>25.26%<br>(76.66%) | 11847.59<br>22.14%<br>(79.52%) |
| Term Loans         | 1752.72<br>12.99%<br>(96.11%)    | 2664.34<br>12.00%<br>(98.21%) | 3596.04<br>11.82%<br>(99.51%)  | 4093.03<br>9.41%<br>(99.96%)   | 4122.21<br>7.70%<br>(99.96%)   |
| Govt. securities   | 3561.66<br>26.39%<br>(98.44%)    | 5083.87<br>22.89%<br>(99.01%) | 3724.63<br>12.24%<br>(95.30%)  | 8001.55<br>18.40%<br>(98.26%)  | 9658.58<br>18.05%<br>(98.65%)  |
| Others*            | 0.23<br>0.00%<br>(0.11%)         | 0.81<br>0.00%<br>(0.15%)      | 1.29<br>0.00%<br>(0.11%)       | 0.00<br>0.00%<br>(0.00%)       | 0.00<br>0.00%<br>(0.00%)       |
| Total              | 13497.80<br>(90.10%)             | 22207.36<br>(79.32%)          | 30430.17<br>(78.11%)           | 43490.77<br>(80.49%)           | 53519.05<br>(80.68%)           |
| Industry Aggregate | 14981.36                         | 27998.22                      | 38956.79                       | 54033.83                       | 66337.68                       |

\*Other investments include CPs and CDs and call paid in advance.

\*\*Italic figures indicate the percentage to the total investments of UTI mutual fund.

Figures given in the parenthesis indicate the percentage to the industry's total investment in the respective item.

**Table: 5: Recent trend in Resource mobilization by UTI & other mutual funds in India (Rs crore)**

| Year    | Gross mobilization |               |        |         | Redemption*    |               |        |         | Net Inflow     |               |        |        |
|---------|--------------------|---------------|--------|---------|----------------|---------------|--------|---------|----------------|---------------|--------|--------|
|         | Private sector     | Public sector | UTI    | Total   | Private sector | Public sector | UTI    | Total   | Private sector | Public sector | UTI    | Total  |
| 93-94   | 1549               | 9527          | 51000  | 62076   | -              | -             | -      | -       | -              | -             | -      | -      |
| 94-95   | 2084               | 2143          | 9500   | 13727   | -              | -             | -      | -       | -              | -             | -      | -      |
| 95-96   | 312                | 296           | 5900   | 6508    | -              | -             | -      | -       | -              | -             | -      | -      |
| 96-97   | 346                | 151           | 4280   | 4777    | -              | -             | -      | -       | -              | -             | -      | -      |
| 97-98   | 1974               | 332           | 9100   | 11406   | -              | -             | -      | -       | -              | -             | -      | -      |
| 98-99   | 7847               | 1671          | 13193  | 22710   |                | 1336          | 15930  | 23660   | 1453           | 335           | - 2737 | -949   |
| 99-2000 | 43726              | 3817          | 13698  | 61241   | 6394           | 4562          | 9150   | 42271   | 15166          | -745          | 4548   | 18970  |
| 2000-01 | 75009              | 5535          | 12413  | 92957   | 28559          | 6580          | 12090  | 83829   | 9850           | -1045         | 323    | 9128   |
| 01-02   | 147798             | 12082         | 4643   | 164523  | 65160          | 10673         | 11927  | 157348  | 13050          | 1409          | - 7284 | 7175   |
| 02-03   | 284096             | 23515         | 7096   | 314706  | 134748         | 21954         | 16530  | 310510  | 12069          | 1561          | - 9434 | 4196   |
| 03-04   | 534649             | 31548         | 23992  | 590190  | 272026         | 28951         | 22326  | 543381  | 42545          | 2597          | 1667   | 46808  |
| 04-05   | 736463             | 56589         | 46656  | 839708  | 492105         | 59266         | 49378  | 837508  | 7600           | -2677         | - 2722 | 2200   |
| 05-06   | 914703             | 110319        | 73127  | 1098149 | 728864         | 103940        | 69704  | 1045370 | 42977          | 6379          | 3424   | 52779  |
| 06-07   | 1599873            | 196340        | 142280 | 1938493 | 871727         | 188719        | 134954 | 1844508 | 79038          | 7621          | 7326   | 93985  |
| 07-08   | 3780753            | 346126        | 337498 | 4464377 | 1520836        | 335448        | 327678 | 4310575 | 133304         | 10677         | 9820   | 153802 |
| 08-09   | 4292751            | 710472        | 423131 | 5426354 | 3647449        | 701092        | 426790 | 5454650 | -34018         | 9380          | - 3658 | -28296 |

\* Includes repurchase as well as redemption.

Note:

1. Erstwhile UTI has been divided into UTI mutual fund (registered with SEBI) and the Specified Undertaking of UTI (not registered with SEBI). Above data contains information only of UTI Mutual fund.
2. Data in respect of Specified Undertaking of UTI are included upto January, 2003.

Source: Handbook of Statistics on the Indian Securities Market, 2009.

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