Unit Trust of India: Objectives, Functions and Schemes!

Unit Trust of India (UTI) is a statutory public sector investment institution which was set up in February 1964 under the Unit Trust of India Act, 1963. UTI began operations in July 1964. It provides opportunity for small-savers to invest in areas where their risk is diversified. The Unit-holders, if necessary, can sell their units to UTI at the prices determined by UTI. One of the attractions is that the investment in UTI has an income-tax rebate and the income from the UTI is exempted; from income-tax subject to certain limits.

Objectives:

The primary objectives of the UTI are:

(i) To encourage and pool the savings of the middle and low income groups.

(ii) To enable them to share the benefits and prosperity of the industrial development in the country.

Organisation and Management:

UTI was established with an initial capital of Rs. 5 crore, contributed by the RBI, LIC, SBI and its subsidiaries and scheduled banks and financial institutions. The initial capital of Rs. 5 crore was divided into 1,000 certificates of Rs. 50,000 each. To supplement its financial resources, the trust can borrow from the Reserve Bank of India, the amount being repayable on demand' or within a period of 18 months.

UTI is managed by a Board of Trustees, consisting of a chairman and four members nominated by Reserve Bank of India, one member nominated by LIC, one member nominated by the State Bank of India, and two members elected by the contributing institutions.

Functions of UTI:

The UTI functions are discussed below:

(i) To accept discount, purchase or sell bills of exchange, promissory note, bill of lading, warehouse receipt, documents of title to goods etc.,

(ii) To grant loans and advances.

(iii) To provide merchant banking and investment advisory service.

(iv) To provide leasing and hire purchase business.

(v) To extend portfolio management service to persons residing outside India.

(vi) To buy or sell or deal in foreign exchange dealings.

(vii) To formulate unit scheme or insurance plan in association with or as agent of GIC.

(viii) To invest in any security floated by the Central Government, RBI or foreign bank.

Activities of UTI:

The UTI can sell and purchase the units issued by it, investing, acquire, hold or dispose off securities. Keep money on deposit with the scheduled banks and undertake related functions incidental or consequential to that. All the units issued by the UTI are of the value of Rs. 10

each. These units were put on sale at face value and thereafter at prices fixed daily by the UTI. Units can be purchased in ten or multiples of ten.

Schemes of UTI:

The familiar schemes of UTI are given below:

(i) Unit scheme—1964.

(ii) Unit Linked Insurance Plan—1971.

(iii) Children Gift Growth Fund Unit Scheme—1986.

(iv) Rajyalakhmi Unit Scheme—1992.

(v) Senior Citizen’s Unit Plan—1993.

(vi) Monthly Income Unit Scheme.

(vii) Master Equity Plan—1995.

(viii) Money Market Mutual Fund—1997.

(ix) UTI Growth Sector Fund—1999.

(x) Growth and Income Unit Schemes.

Advantages of Unit Trust:

The advantages of Unit Trust are:

(i) The investment is safe and the risk is spread over a wide range of securities.

(ii) The Unit-holders will be getting regular and good income, as 90 percent of its income will be distributed.

(iii) Dividends up to Rs. 1,000 received by the individual are exempt from income-tax.

(iv) There is a high degree of liquidity of investment as the units can be sold back to the trust at any time at prices fixed by trust.