

Weekly Notes

Unit Investment Trusts

THE proposal to set up one or more unit trusts for encouraging investment in shares by small investors is reported to be under consideration. The suggestion has often been made before but could not be acted upon, owing to a number of difficulties. There are many investment companies in the country but most of them exist only in name, and generally help their promoters to gain control over other companies, to speculate and to avoid taxes. The number of genuine investment companies which act as co-operative agencies for buying and selling of securities in order to diversify investments and thereby reduce risks for a large number of small beneficiaries is very small. In some other countries, there is special legislation for the regulation of investment companies, but in India, they are subject only to the provisions of the Companies Act, the latest amendment to which attempts to restrict their operations in some

A unit investment trust generally differs from other investment companies. It is constituted by a trust agreement or indenture which provides for the sale of 'units' in small denominations, indicates the securities in which investments can be made within specified limit, the period for which the trust will exist and fixes a ceiling on expenses of management. etc. Its main advantage is that it enables an investor, through a single commitment, to diversify his investments and spread them over a large number of securities and to secure the services of investment and management experts.

The widening of the ranks of investors and the growing popularity of investment in shares now make it necessary that investors should at least be better informed about the working of stock exchanges, operation of companies and investment prospects. The type of investors is reported to be changing fast; instead of dealing with a limited number of very prosperous clientele, share brokers are now receiving enquiries from a class of people many of them quite small men—who are quite unfamiliar with investment practices. The time is therefore opportune for an organised ef-

fort to collect the small bits of savings in their hands, savings which are liable to be squandered or misdirected, unless means of safe investment are made available to them. Stock exchange authorities and share broking firms could supply more, and better information than they do today. The regulations of the stock exchanges prohibiting publicity on the part of their members and even dissemination of investment advice have become completely out of date. In this respect, the enterprising share brokers are handicapped by a code of conduct which was devised at a time when they had to deal with an altogether different type of clientele. It is only after this educative task has been performed that public confidence can be created and maintained in new institutions like unit trusts.

Investment In Shares

ARE more people investing in shares now than before? If so, how far has the investment habit spread? Some light has been thrown on these interesting questions in the December issue of the Reserve Bank Bulletin. Analysing the data on assessment of dividend income in the *All-India Income-Tax Revenue Statistics*, the *Bulletin* confirms that there has, in fact, been some broadening of investment in shares in recent years, especially among the salary-earning classes. On the whole, however, the increase in dividend income has merely kept pace with the increase in income from other sources.

The increase in the number of shareholders (other than companies) can be taken as indicating the spread of the investment habit. Tax assessment data for the years 1955-56 to 1958-59 show that the number of such shareholders rose by 26 per cent, from 110,605 in 1955-56 to 139,077 in 1958-59. Individual shareholders accounted for 89 per cent of the total and their number increased from 99,948 in 1955-56 to 125,099 in 1958-59, or by 25 per cent. Among individual shareholders, the number of salary-earners increased more (39 per cent) than that of non-salary earners (21 per cent).

How does the increase in the number of shareholder assessee compare

with that of assessee deriving income from sources other than dividends? The latter increased by 57 per cent between 1955-56 and 1958-59 against the increase of 25 per cent only in the case of those earning dividend income. It is clear from this that the increase in the number of dividend earners has not been as high as in the case of the rest. In the income brackets below Rs 1 lakh, the increase in the number of salary-earner shareholders was 39 per cent compared to 41 per cent for those deriving income from other sources. It would, therefore, be wrong to conclude that there has been a rapid growth of the investment habit. In the case of salary-earners, though, the increase in the number of shareholders has been quite impressive, perhaps, due partly to the diversion of investment from agricultural land.

Viscounts Grounded

THE grounding of Viscount aircraft, though only for a short period and for the purpose of a technical check, will bring back to mind Major General Sokhey's bitter complaint against buying planes from countries which have, not developed metallurgy to the point of making high speed planes fully proof against metal fatigue. The technical check on the Viscounts is being carried out by the manufacturers as a precautionary measure, following the detection of a minor crack in the wing of a plane of this make operated by an African airline.

The Viscount is an exceptionally fine aircraft which is being used extensively in Western Europe. The energetic and quick precautionary step taken by Vickers Armstrong, manufacturers of the plane, shows a concern for and alertness in the maintenance of the aircraft produced by them, which is really remarkable, and no one will cavil at I A C for going in for this particular aircraft. One cannot say the same, however, about the purchase of Herons. Was that a mistake in judgment?

If Herons were a wrong choice there has been nothing to complain about their technical performance. The aircraft that was grounded and