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TURNOVER (OR) ACTIVITY PERFORMANCE OF UNIT TRUST OF INDIA

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Abstract: *Mutual fund is a special type of institution which acts as an investment conduit. It is essentially a mechanism of pooling together the savings of a large number of investors for collective investments with an avowed objective of attractive yields and appreciation in their value. A mutual fund is a financial service organization that receives money from shares holders, invests it, earns returns on it, attempts to make it grow and agrees to pay the shareholder cash on demand for the current value of his investment". "Mutual fund – also called unit trust or open ended trust - a company that invests the fund of its subscribers in diversified securities and in turn issues units representing shares in those holdings The Present study relates to the turnover performance of the Unit Trust of India. This study is based on the annual reports of the company for the period of 5 years from 2010 to 2015. The present study does not cover the human resource practices employee performance, performance of mutual funds in the Indian stock market and the like. In order to measure the turnover performance of UTI, the following are the statistical tools like mean, standard deviation, co-efficient of variation; Multiple Regression Analysis and ANOVA was used. The main objective of this paper is to study the turnover performance of Unit Trust of India.*

Keywords: *Unit Trust of India, Turnover Performance, Mutual Fund*

INTRODUCTION

Mutual fund is a special type of institution which acts as an investment conduit. It is essentially a mechanism of pooling together the savings of a large number of investors for collective investments with an avowed objective of attractive yields and appreciation in their value. Such activities are undertaken, on different terms by agencies popular as unit trusts and 'investment companies' in U.K. and U.S.A. as per mutual fund fact book (published by investment company institute of the U.S.). "A mutual fund is a financial service organization that receives money from shares holders, invests it, earns returns on it, attempts to make it grow and agrees to pay the shareholder cash on demand for the current value of his investment". "Mutual fund – also called unit trust or open ended trust - a company that invests the fund of its subscribers in diversified securities and in turn issues units representing shares in those holdings. They make continuous offering of new shares at net asset value and redeem the shares on demand at net asset value determined daily by the market value of the securities they hold." Thomson Dictionary of Banking defines a Unit Trust "As a method of investment by which money subscribed by many people is pooling in a fund.

REVIEW OF PREVIOUS STUDIES

Parteek Motwani(2008)[1] examined the evolution of the Indian mutual fund industry and then progresses certain economic conditions like the savings of the people in the people in the initial phase and what it is today.

Mahabub Basha(2009)[2] Indian investors prefer to invest in safe securities. Among the various avenues mutual funds will have less risk and ore returns to the investors. According to the mutual fund industry is having safest image, investors are increasing day-by-day in this industry. In this paper, an attempt has been made to study performance of selected equity diversified schemes of mutual funds based on risk-return relationship models and various measures. The analysis has been made on the basis of Rate of Return, Standard Deviation, Beta, and Sharpe Ratio.

Sahil Jain (2012)[3]The last decade has seen a tremendous growth in the mutual fund industry. As per the latest data the assets under management in this industry is more than Rs 6.8 thousand billion. Today the Indian market is flooded with more than a thousand mutual fund schemes, promising better returns than others. In this paper an attempt has been made to analyze the performance of equity based mutual funds. A total of 45 schemes offered by 2 private sector companies and 2 public sector companies, have been studied over the period April 1997 to April 2012 (15 years). The analysis has been made using the risk-return relationship and Capital Asset Pricing Model (CAPM). The overall analysis finds that HDFC and ICICI have been the best performers, UTI an average performer and LIC the worst performer which gave below- expected returns on the risk-return relationship.

[1] Parteek Motwani (2008). "*Indian Mutual Fund industry: The Road ahead*". The International journal of business and finance, Vol.2.
[2] Mahabub Basha S(2009). "*Accounting Analyst*", Neovia Logistics services India Pvt Ltd., Bangalore, India. Performance Evaluation of UTI Mutual Funds(On selected Diversified Equity Schemes)
[3] Sahil Jain (2012), *"Analysis of Equity Based Mutual Funds in India"* IOSR Journal of Business and Management (IOSRJBM) ISSN: 2278-487X Volume 2, Issue 1 (July-Aug. 2012), PP 01-04.

Tej singh and priyanka(2015)[4] Mutual funds are the significant financial intermediary collecting funds mainly from small investors and investing them in financial market securities. Thus, the mutual funds industry offer several benefits to the investors like diversification, professional management, tax benefits, transparency, liquidity, flexibility, choice of schemes and low cost etc. The paper tries to find out the performance of mutual funds in public sector in respect of four parameters i.e. mobilization of funds, redemption / repurchase, cumulative net assets position and net inflow / outflow with the help of trend analysis, Growth rate, fixed-base index, link-relative index, coefficient of correlation, 't' test and coefficient of determination. The paper found that there is a good sound position in the public sector mutual fund with mobilization of funds and redemption / repurchase during the study period. Further, the study indicates that there is a divergent trend is observed in respect of the cumulative net assets position and inflow / outflow of the funds.

SCOPE OF THE STUDY

The Present study relates to the turnover performance of the Unit Trust of India. This study is based on the annual reports of the company for the period of 5 years from 2010 to 2015. The present study does not cover the human resource practices employee performance, performance of mutual funds in the Indian stock market and the like.

OBJECTIVES OF THE STUDY

The objectives of the present study are

1. To study the turnover performance of Unit Trust of India.
2. To offer suggestion to improve the turnover performance of Unit Trust of India.

HYPOTHESIS

Ho: There is significant difference in the values of turnover ratio of the selected Unit Trust of India.

Ho: There is no significant difference in the values of turnover ratio during the different years.

METHODOLOGY

The present study is based on secondary data. The related data were collected from annual reports of UTI Auditors' reports, Internet, books, journals, magazines and the like. The

[4] Dr.Tej Singh , MS. Priyanka, "*Performance Evolution of Unit Trust of India mutual Funds*", Research Journal of Finance and Accounting, vol.6, No.5,2015

period of study was confined to five years from 2010-11 to 2014-15. In order to measure the turnover performance of UTI, the following are the statistical tools like mean, standard deviation, co-efficient of variation; Multiple Regression Analysis and ANOVA was used.

ANALYSIS AND INTERPRETATION OF DATA

Activity Ratios also known as turnover ratios measure the efficiency of a firm or Company in generating revenues by converting its production into cash or sales. Generally a fast conversion increases revenues and profits. It shows how frequently the assets are converted into cash or sales and, therefore, are frequently used in conjunction with liquidity ratios for a deep analysis of liquidity. Some Important Activity Ratios are, Fixed Assets Turnover Ratio, Asset Turnover Ratio, Working Capital Turnover Ratio and Sales to Capital Employed Ratio

FIXED ASSETS TURNOVER RATIO

This ratio will be analyzed further with ratios for each main category of asset. This is a difficult set of ratios to interpret as asset values are based on historic cost. An increase in the fixed asset figure may result from the replacement of an asset at an increased price or the purchase of an additional asset intended to increase production capacity. Fixed assets turnover ratio is calculated with the following formula

Fixed Assets Turnover Ratio = Sales / Fixed Assets

Table 1 Fixed Assets Turnover Ratio (Rs. In millions)

Year	**Sales**	**Fixed Assets**	**Ratio(Times)**
2010-11	4204	2029.4	2.07
2011-12	3883.7	1968.7	1.97
2012-13	4278	1920.2	2.23
2013-14	4568.1	1940.6	2.35
2014-15	5790	9379.9	0.62
Mean	4544.76	3447.76	1.84
S.D	737.469662	3316.42	0.70
C.V	0.16226812	0.96191	0.37

Regression equation of Y on X_1 and X_2

Required equation model is 0.428235 + 0.000558 X_1 -0.00032 X_2

Where Y= Fixed Assets Turnover Ratio ; X_1: Sales ; X_2: Fixed Assets

Result of Regression Analysis

Variable	Co-efficients	Standard Error	t -Statistics	P-value
Constant	0.428235	0.333482	1.284131	0.327762
X_1	0.000558	8.69E-05	6.425591	0.023374
X_2	-0.00032	1.93E-05	-16.7825	0.003532

Source: Annual Reports of UTI Asset Management Company Limited

Table 1 shows the fixed assets turnover ratio of Unit Trust of India. The mean value was 1.848 times, the standard deviation was 0.7018 times, the co-efficient of variation was 0.37976 times. Regression equation model depicted that, both turnover position and growth in turnover in terms of the company have been good during the period of the study. The results of regression analysis show that the fixed assets turnover ratio contributes significantly to the increase in the turnover position of a company. The co-efficient for fixed assets turnover ratio is highly significant at the 5 per cent level.

TOTAL ASSET TURNOVER RATIO

This Ratio indicates the number of ties total assets are being turned over in a year. The higher the ratio indicates overtrading of total assets, while a, low, ratio indicates idle capacity. Total asset turnover ratio is calculated with the following formula

Total Asset Turnover Ratio = Sales / Total assets

Table 2 Total Asset Turnover Ratio (Rs. In millions)

Year	Sales	Total assets	Ratio (Times)
2010-11	4204.0	6859.4	1.81
2011-12	3883.7	11387.9	0.34
2012-13	4278.0	1271.3	0.34
2013-14	4568.1	13909.2	0.33
2014-15	5790.0	16032.2	0.36
Mean	4544.76	9892.0	0.636
S.D	737.469662	5907.43	0.65638
C.V	0.16226812	0.59719	1.03204

Regression equation of Y on X_1 and X_2

Required equation model is 1.370041 -0.00011 X_1 -2.3E-05 X_2

Where Y= Total Asset Turnover Ratio; X_1: Sales ; X_2: Total assets

Result of Regression Analysis

Variable	Co-efficients	Standard Error	t -Statistics	P-value
Constant	1.370041	2.942345	0.465629	0.687266
X_1	-0.00011	0.000736	-0.15037	0.894271
X_2	-2.3E-05	9.19E-05	-0.25404	0.823199

Source: Annual Reports of UTI Asset Management Company Limited

Table 2 shows the total asset turnover ratio of Unit Trust of India. The mean value was 0.636 times, the standard deviation was 0.65638 times, the co-efficient of variation was1.03204 times. From the Regression equation model it is found that, both turnover position and growth in turnover in terms of the company have been good during the period of the study. The results of regression analysis show that the total asset turnover ratio contributes significantly to the increase in the turnover position of a company. The co-efficient for total asset turnover ratio is highly significant at the 5 per cent level.

WORKING CAPITAL TURNOVER RATIO

The working capital turnover ratio is also referred to as net sales to working capital. It indicates a company's effectiveness in using its working capital. This ratio indicates the extent of working capital turned over achieving of the firm. Working capital turnover ratio is calculated with the following formula

Working Capital Turnover Ratio = Sales / Working capital

Table 3 Working Capital Turnover Ratio (Rs. In millions)

Year	Sales	Working capital	Ratio (Times)
2010-11	4204	244.1	17.22
2011-12	3883.7	4180.5	0.93
2012-13	4278	3860.6	1.11
2013-14	4568.1	5504.5	0.83
2014-15	5790	5092.1	1.14
Mean	4544.76	3776.36	4.246
S.D	737.469662	2083.56	7.25381
C.V	0.16226812	0.55174	1.70839

Regression equation of Y on X_1 and X_2

Required equation model is $9.534787 + 0.001808 X_1 - 0.00358 X_2$

Where Y= Working Capital Turnover Ratio ; X_1: Sales ; X_2: Working capital

Result of Regression Analysis

Variable	Co-efficients	Standard Error	t -Statistics	P-value
Constant	9.534787	8.535201	1.117113	0.380141
X_1	0.001808	0.00203	0.890696	0.467073
X_2	-0.00358	0.000719	-4.97745	0.038073

Source: Annual Reports of UTI Asset Management Company Limited

Table 3 shows the working capital turnover ratio of Unit Trust of India. The mean value was 4.246 times, the standard deviation was 7.25381 times, the co-efficient of variation was 1.70839 times. From the regression equation model it is found that, both turnover position and growth in turnover in terms of the company have been good during the period of the study. The results of regression analysis show that the working capital turnover ratio contributes significantly to the increase in the turnover position of a company. The co-efficient for working capital turnover ratio is highly significant at the 5 per cent level.

SALES TO CAPITAL EMPLOYED RATIO

Sales - to- Capital - Employed Ratio measure of a firm's asset turnover, which expresses the firm's sales revenue as a ratio of its size to measure the amount of sales revenue generated by each pound's worth of assets employed in the business. This ratio is ascertained by dividing sales with capital employed. This ratio indicates efficiency in utilization of capital employed in generating revenue. Sales to capital employed ratio is calculated with the following formula

Sales to Capital Employed Ratio = Sales / Capital Employed

Table 4 Sales to Capital Employed Ratio (Rs. In millions)

Year	**Sales**	**Capital Employed**	**Ratio (Times)**
2010-11	4204	8489.7	0.49
2011-12	3883.7	10775.6	0.36
2012-13	4278	11927.3	0.36
2013-14	4568.1	13144.9	0.35
2014-15	5790	14731.6	0.39
Mean	4544.76	11813.8	0.39
S.D	737.469662	2367.79	0.05788
C.V	0.16226812	0.20043	0.14841

Regression equation of Y on X_1 and X_2

Required equation model is 0.421352 + 9.4E-05 X_1 - 3.9E-05 X_2

Where Y= Sales to Capital Employed Ratio ; X_1: Sales ; X_2: Capital Employed Ratio

Result of Regression Analysis

Variable	Co-efficients	Standard Error	t -Statistics	P-value
Constant	0.421352	0.029571	14.24891	0.004889
X1	9.4E-05	1.03E-05	9.132892	0.011778
X2	-3.9E-05	3.21E-06	-12.1082	0.006752

Source: Annual Reports of UTI Asset Management Company Limited

Table 4 shows the sales to capital employed ratio of Unit Trust of India. The mean value was 0.39 times, the standard deviation was 0.05788 times, the co-efficient of variation was 0.14841times.From the Regression equation model it is found that, both turnover position and growth in turnover in terms of the company have been good during the period of the study. The results of regression analysis show that the sales to capital employed ratio contribute significantly to the increase in the turnover position of a company. The co-efficient for sales to capital employed ratio is highly significant at the 5 per cent level.

TEST OF SIGNIFICANCE - TURNOVER RATIO

Table 5 gives the relevant details whether the Turnover ratio of the Unit Trust of India differed for the five years. Two ways ANOVA was used.

Two Sets of Null Hypothesis

Set- 1: Ho: There is significant difference in the values of turnover ratio of the selected Unit Trust of India.

Set-2: Ho: There is no significant difference in the values of turnover ratio during the different years.

Table 5 ANOVA – Turnover Ratio

Source of Variation	Sum of Square	Degree freedom	Mean Square	F ratio
Columns	1.12335	2	0.561675	90.47114
Rows	0.0296	3	0.009867	1.589262
Error	0.03725	6	0.006208	
Total	1.1902	11		

Source: Computed Data

Set-1: Ho: The Table value of 'f' at 5% for V_1 = 2, V_2 = 6 is 5.14. Since the calculated value is more than the table value the null hypothesis is accepted. Hence there is significant different between the company.Set-2: Ho: The Table value of 'f 'at 5 % for V_1= 3, V_2 = 6 is 4.35. The calculated value less than the table value, so the Ho is rejected. The value of turnover ratio there is no different among the years.

SUGGESTION AND CONCLUSION

The overall activity or turnover position of Unit Trust of India was satisfied during the year 2010, 2012, 2013, 2014 but it was not good in the year 2015. It is suggested that the company should maintain the turnover performance are at satisfactory level in the future of the company. It is concluded from the study of the Unit Trust of India was it has achieved greater growth when compared to other mutual fund companies. The mutual fund companies play a meaningful role in India's development. In this present study the researcher has identified through the analysis of turnover performance of the company and it takes more efforts to attain higher growth. The researcher has found that, Unit Trust of India has higher turnover growth during this study period.

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