

## THE STRUCTURE AND DEVELOPMENT OF PRIVATE INVESTMENT TRUST COMPANIES IN INDIA\*

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THERE IS AT PRESENT no clearly recognized category of investment trust companies in India. It is true that certain official and non-official publications class some companies in the category of "investment trusts" or "investment companies."<sup>1</sup> A closer examination of these classifications revealed that they include a mass of heterogeneous companies engaged in such diverse financial businesses as hire-purchase, general financing, mortgage and other lending, trading and speculation in shares or land, investing in shares and immovable property, and managing agency.

In a study published in 1960, the Reserve Bank of India attempted to survey the working of the investment trusts in India.<sup>2</sup> This study brought forth hardly any significant data on the subject. Its main shortcoming was its failure to distinguish clearly the genuine investment trust companies from the other financial enterprises. The study was stated to be based on information from the annual reports of 82 public limited investment companies. Only a few of these were genuine investment trusts. The study makes available no aggregate data about the selected companies except citing a few examples, not all of which represented examples of genuine investment trust companies.

Within the group of companies which have been loosely described as investment and finance companies, one may distinguish at least three types :

(1) *Investment-trust-type* : The distinguishing feature of this type is a high degree of diversification of the securities portfolio.

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<sup>1</sup> See, for instance, the industrial classification of companies in the publications of the Board (formerly Department) of Company Law Administration, or in stock exchange year books and the Daily Official List of the Bombay Stock Exchange.

<sup>2</sup> *RBI Bulletin*, October, 1960, pp. 1445-68.