

CHIT FUND AS AN INVESTMENT OPTION: A STUDY WITH SPECIAL REFERENCE TO KERALA STATE FINANCIAL ENTERPRISES LTD, MANNARKKAD

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ABSTRACT

Every investor's invest their savings for a minimum expected return. Other than the factor of minimum expected return, there are several factors which determine the decision of an investor to choose the investment option. Every investor is unique and that is why their preference over different investment options varies based on the factors like risk perception, expected return, liquidity and so on. This study aims to measure the investors' preference and attitude towards different investment avenues and specially to ascertain the investor's attitude towards chit fund with special reference to KSFE Mannarkkad, Palakkad District. To achieve these objectives the primary data has been collected through structured questionnaires and the secondary data collected from books, magazines and from other published data. For measuring various phenomena and analyzing the collected data effectively and efficiently and to draw sound conclusions, percentage analysis and Likert scale is used.

Keywords: Investment avenues, Chit funds, KSFE.

INTRODUCTION

Process of sacrificing the present value of an asset for an expected future cash flow or benefits from it is known as investment. An investor refrains from consumption in the present in hopes of a greater return in the future. Investment may be influenced by rates of interest, with the rate of investment rising as interest rates fall, but some other factors which are more difficult to measure may also be important.

The chit fund business is administrated by the respective State Government through the offices of the Registrar of Chits. The chit fund companies are exempted from the requirement of registration under the RBI Act. However, the deposit acceptance activities of these companies are regulated under the Miscellaneous Non-Banking Companies (MNBCs) directions and those relating to the advertisement for soliciting deposits are governed by the Non-Banking Financial Companies and Miscellaneous Non-Banking Companies (Advertisement) Rules, 1977 framed by the Government of India under the Section 58A of the Companies Act 1956.

KSFE at a glance

Kerala State Financial Enterprise Limited is a non-banking financial company based in Thrissur city, Kerala, India. It started functioning on November 6, 1969, with Thrissur city as its headquarters. It started with a capital of Rs.200000, 45 employees and 10 branches. It has now 470 branches and 7 regional offices at Trivandrum, Kollam, Kottayam, Ernakulam, Kozhikode and Kannur.

KSFE is a miscellaneous NBFC and is fully owned by the Government of Kerala. KSFE is the only chitty company owned by the Government in the whole of India. It is one of the most profit making public sectors of the state. It was created by the Government of Kerala with the objective of providing an alternative to the private chit promoters in order to bring in social control over the chit fund business, so as to save the public from the clutches of unscrupulous fly-by-night chit fund operators.

REVIEW OF LITERATURE

Shri. K. M. Balavenkataraman (2013) studied about progenitor *Mooy Murai*. *Mooy* means call money pooled and *Murai* means custom. It was a sahanidhi, with a strong element of co-operative spirit. The principle of chit funds was known to rural India for a fairly long time.

C.P.S Nair (2011) had tried to place the role of chit funds in proper financial perspective. The study emphasized the need to regulate the activities of chit funds and at the same time, perceived their role as active mobilizers of savings of the community and as a useful complement to other financial institutions.

Karthikeyan, (2006) has conducted research on Small Investor's Perception and the study found that majority of investors of both semi urban and urban areas were very much willing to invest in small savings schemes in future, provided they have more for savings.

Somasundaram, (1998) has found that bank deposits and chit funds were the best known mode of savings among investors. Attitudes of investors were highly positive ad showed their intention to save for better future.

Arangasami, (1992) has observed that more and more dependence on mobilization of resources through small savings will ensure and promote self-reliance. He concluded that Central Government should give proper assistance and encouragement to the small savings agencies, which will be useful not only in mobilization of funds but also for the economic development.

Tamilkodi, (1983) has stated that small savings schemes have a psychological appeal and it provides an opportunity for ordinary men, women, and even youngster to park their savings. It reaches a large number of people and covers a wide range of areas. She also suggested that efforts should be taken to simplify small savings schemes to suit the needs of illiterate and socially downtrodden people.

OBJECTIVES OF THE STUDY

- ❖ PRIMARY OBJECTIVE:
 - To study the investor's perception of chit fund as an investment option.
- ❖ SUBSIDIARY OBJECTIVES
 - To study the awareness level of the respondents on various investment options.
 - To know the satisfaction level among different criteria of investment like safety, return etc for chit funds.

RESEARCH METHODOLOGY

The study is attempted to analyze the preference and attitude of investors towards different investment options especially towards CHIT FUND WITH SPECIAL REFERENCE TO KERALA STATE FINANCIAL ENTERPRISES LTD, MANNARKKAD.

This research study is a descriptive research. It is related to the analysis of attitude of investors towards chit funds. The sample size is limited to 50 investors. Both primary and secondary data are used for the study.

Primary data is collected through an interview with the Deputy Manager of KSFE Mannarkkad Branch. Essential secondary data is collected from Internet and previous works done in the same field. The tool used for data collection is questionnaire.

ANALYSIS AND INTERPRETATION

1. Table showing the types of investment.

TYPES OF INVESTMENT	RESPONDENTS	PERCENTAGE
CHITTY	28	56%
PRECIOUS METALS	6	12%
REAL ESTATE	1	2%
MUTUAL FUND	2	4%
SHARE/COMODITY	10	20%
OTHERS	3	6%
TOTAL	50	100%

As per above table almost 56% of respondents opts chit fund as an investment option; 20% of people prefers shares and only 12% and 4% of people prefers precious metals and mutual funds respectively. Only a few prefer real estate for their investment. Thus it can be clearly stated as most of the respondents prefer chit funds as it is a safe and risk free option.

2. Table showing the factors which affects the investment choices

FACTORS	RESPONDENTS	PERCENTAGE
Capital appreciation	7	14
Return on Investment	8	16
Risk	10	20

Maturity	5	10
Liquidity	20	40
Total	50	100

Above table clearly states that most of the respondents consider Liquidity as the prime factor when they think about investments. While 40% people consider liquidity as the prime factor, 20% of people consider risk associated with the investment option as the major deciding factor. 14% and 16% of respondents consider capital appreciation and return on investment as the deciding factors. Only few people consider maturity period of investment options as the prime factor.

3. Table showing association between occupation and attitude towards investor's awareness of chit funds

OCCUPATION	SATISFIED	NEUTRAL	DISSATISFIED	TOTAL	PERCENTAGE
PRIVATE JOB	22(78%)	4(14.3%)	2(7.2%)	28	56%
GOVT JOB	10(83.3%)	1(8.33%)	1(8.33%)	12	24%
BUSINESS	5(50%)	3(30%)	2(20%)	10	20%
TOTAL	37	8	5	50	100%

In the survey conducted 56% of respondents are engaged in private jobs among them 78% are satisfied; 14.3% have neutral attitude whereas 7.2% of people have negative attitude.

24% of respondents are engaged in Govt jobs among them 83.3% are satisfied; 8.3% have neutral attitude whereas 8.3% of people have negative attitude.

20% of respondents are engaged in business among them 50% are satisfied; 30% have neutral attitude whereas 20% of people have negative attitude.

It can be concluded that in all categories of occupation people are satisfied in investing in chit funds.

4. Table shows how the investors came to know about chit fund schemes

MODE	RESPONDENTS	PERCENTAGE
Advertisements	18	36%
Friends	2	4%
Internet	5	10%
KSFE Agents	25	50%
Total	50	100%

Almost 50% of the respondents came to know about chit funds from KSFE agents whereas 36% came to know about it from advertisements. 10% and 4% of people have information about chit funds from internet and friends respectively.

5. Table shows preference of choosing chit fund.

SL. NO	FACTORS	HIGHLY SATISFIED (5)	SATISFIED (4)	NEUTRAL (3)	DISSATISFIED (2)	HIGHLY DISSATISFIED (1)	SUMMATE D SCORE
1	Safety	25	17	5	3	-	214
2	Return	23	20	3	3	1	211
3	Easy Formalities	30	10	10	-	-	220
4	Simplesurety requirements	30	15	5			225
5	Proximity	28	12	3	3	4	207
6	Cordial Staff	25	15	5	4	1	209

Range

Max. Score, $30 \times 5 = 150$ (Highly Satisfied)

Avg. Score, $30 \times 3 = 90$ (Neutral)

Min. Score, $30 \times 1 = 30$ (Highly Dissatisfied)

Most of the respondents says that they prefer chit funds more because of it requires simple surety requirements to get into it and that's why they have given the highest summated score to the factor *simple surety requirements*. And the second most important factor is the *easy formalities* associated with chit funds. Other important factor is *safety* which has a summated score of 214 and fair *return* is another reason for people who choose KSFE chit funds. Next important factor is the presence of *cordial staff* and then it is *proximity*.

FINDINGS

The study aimed at identifying the level of attitude towards the chit funds.

- There is a higher positive attitude towards the chit funds in the occupation category (private job).
- Most of the investors knew about KSFE CHITTY through the KSFE AGENTS, i.e., 25 investors out of 50 knew in this way.
- The unique strength of the KSFE is chitty.
- Return and safety are most important reason for investing in chit fund.
- As KSFE is concentrating in providing services, the attitude and response of employees have greater impact in their business.

SUGGESTIONS

- ✓ As the majority of respondents are having private job, this is the core area to be concentrated on.
- ✓ Chit Funds are the core product of KSFE. So measures must be taken to improve chit business through initiating the following programme:
 - Centralized chitty registration
 - Online chitty auction
 - Chitty payments at the door step of subscribers
 - Spreading weekly chitties to all the KSFE branches
 - Implementation of core solutions software in the company
- ✓ Advertisements is the best way of promoting business, the company wants to concentrate more on advertisements for getting more popularity and for finding new prospective investors.

CONCLUSION

The research study "Investors attitude towards chit fund" is found that the investors have a positive attitude towards their investment made in chit funds. Majority of the investors prefer chit funds for the returns and feel that it is a safe measure of investment. As far as the socio economic variables are concerned age, gender, qualification, income and occupation have been encouraging the attitude of investors towards chit fund. Investors saving variables are not influencing the attitude of investors. The study has helped the researcher gain real time knowledge and will help users to analyze the attitude of the investors.

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