



## **A Study on the General Opinion of the Customers towards the Chit Fund Investment**

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### **ABSTRACT**

Chit fund is an age old unorganized non-banking financial institution over the years both the government and players in this industry have tried to organize this important institution which has been contributing significantly to the economic development of the country. Money is the source of livelihood and is the life line for existence. If money is properly invested it can leads to generation of income, employment, eradication of poverty, stability and inflation control. Investment defines the sacrifice of certain present value for future value. All form of savings cannot be considered as investment. Savings will become investment if a person makes a distinction to forego the use of money saved for a period of time, in the hope of earning a return.

Keywords: Non-banking financial institution, Economic development, Savin

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### **1. INTRODUCTION**

A chit fund is a type of rotating savings and credit association system practiced in India. Chit fund schemes may be organized by financial institutions, or in informal methods among friends, relatives, or neighbors. In some variation of chit funds, the savings are for a specific purpose. Chit funds are often micro finance organizations. As per data there are over 10,000 registered chit fund in India. In many, the new generation does not want to be in the chit business. Risk is an inherent factor because we manage people's money. Chit fund promoters are responsible for the money paid in. Many companies have the need to wind up business; and several other companies faced legal proceedings and a few unscrupulous ones vanished without a trace. The industry history is widespread with stories of chit fund owners misappropriating public money. This particular project study is based on the customers opinion towards chit schemes offered by companies. Benefits in investing in chit funds and an attempt are made to find out the implications of using the chit schemes and other suggestions. Currently there are many investments schemes are available both in private and public such as insurance policies, bank deposits, mutual funds etc have been trending where rarely people prefer chit schemes which is of different return rate and period. Thus through this analysis is made on all common factors to identify what factors influences and impacts of investing in chit schemes. Many finding and research studies have been referred and a questionnaire to obtain the opinion of common public is being derived and out of analysis and interpretation some results have been obtained. Through this study the company could have a clear idea on how to approach the customers and to make improvements in the existing schemes provided by the company.

#### **1.1.1 Chit Industry**

A Chit fund is a kind of savings scheme practiced in India. A chit fund company is a company that conducts, manages or supervises a chit scheme defined in Section of the Chit Funds Act, 1982. The primary necessity of conducting a 'Chitty' is a group needy people called subscribers. The foreman the company or person conducting the chitty brings these people together and conducts the chitty. Most of the top 10 chit funds, almost all are based on family-owned. There are very few first generation-owned chitstraditionally, chit funds are in a tight control structure. Various aspects of business are managed by family members and devolution of power (to employees) is minimal. Most promoters in this industry are hands-on with day-to-day workings. The first and foremost rule of chit fund management is to never divert subscriber funds for other purposes. Chits that have violated the 'no fund-diversion' norm have paid dearly. The new generation is well-educated and they are trying to grow the business now, opening more branches, enrolling agents and digitising their service delivery model. The industry estimates over 90% of family-owned chit funds have repeated and consistent customers. This means not many new subscribers walk in, but people are benefited and they like to invest in these types of investments. Nowadays, a chit fund is seen as a collective savings scheme for the middle class.

The chit fund industry will always be on a precarious perch, given the nature of its fiduciary responsibility towards subscribers. High operating cost and low fund manager commissions do not leave enough margins for owners to plough back and grow the business. The chit industry is facing competition

from other alternative savings/investment products, which are better packaged and marketed more aggressively. The image of chit funds has also taken a beating.

### 1.1.2 CUSTOMER OPINION SURVEY DESIGN

At any Research, the customer opinion survey process begins with the questionnaire. Research makes sure your questionnaire is a highly relevant survey instrument that will yield sound and valid conclusions while achieving a deeper understanding of our customers. Our in-house research shows that customer attitudes are a better predictor of future customer behaviour than past behaviour. Our customer opinion questionnaires are specifically designed to accurately measure attitudes that affect real business metrics, such customer retention rates and turnover. Our standard customer opinion surveys cover nearly every facet of the customer experience, including:

- Previous experience in investing
- Their awareness towards the chit schemes
- Their willingness to invest in chits

### 1.2.3 Chit information

#### Auction Procedure:

Customer can ask for auction amount to their wish and get Benefit Auction Amount.

#### Chit dividend:

Chit Dividend amount should be equally divided and given to all the customer from the second month till the last month of chit period.

#### Security:

Customer has to submit any one of the security proof to get the chit auction amount.

Proof's Required:

- Pay slip of Employee.
- Taxpaying Business people have to show the bank guarantee proof.
- Submit the Assert value for double the amount of Installment value.
- The security value should be reduced if the customer has paid more than half of his instalment period.
- Company has full rights to accept or reject the security proof of the customer

Chit Value	No. of Person`s for Security
Rs.1,00,000 /-	1
Rs. 2,00,000 /-	2
Rs. 2,50,000 /-	2
Rs. 5,00,000 /-	3
Rs.10,00,000 /-	4

Figure 1.2.3 showing the chit value and number of persons for security

#### Auction Amount

Distribution: According to government rule, the company will distribute auction amount in 30 days. The chit auction amount is given in the form of crossed cheque to the customer.

#### Commission:

Mostly companies receive 5% of commission.

### 1.3 Need

Chit Funds are indigenous financial institutions in India that combines credit and savings in a single scheme. In a chit fund scheme, a group of individuals come together for a predetermined time period and contribute to a common pool at regular intervals.

So this study is to analyze

- That the chit fund industry is really serving the needs of people
- The customers awareness on chit finance
- The profitability in investing in chit funds
- Whether it is safe and providing loans at lower interest rates

### 1.4 Objective

- To measure the general opinion of the customers towards the chit funds
- To interpret the awareness of public in chit investments
- To analyze the type of investment avenues customers are interested to invest in
- To find out the factors influencing customers to choose the type of investment

### 1.5 Scope

- The project report covers the Chit Funds Act 1982, the influencing authorities of chit funds, a company profiles an analysis of the data collected from 50 respondents and their views on chit business and chit funds as source of finance.
- The analysis and evaluation of responses about the risks, advantages of the role of chit funds in the financial development to the people.

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## 2. Review of literature

[Mudit Kapoor \(April 26, 2012\)](#) Chit Funds are indigenous financial institutions in India that combines credit and savings in a single scheme. In a chit fund scheme, a group of individuals come together for a predetermined time period and contribute to a common pool at regular intervals. In order to understand the intricacies of the chit fund model in India, we studied the size of the registered chit fund industry and how it serves the members.

[DR.R.SATHYADEVI& RENJU THOMAS \(July 02, 2018\)](#) 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.

[SankararamanGanapathyraman \(May 2012\)](#) Investment and Savings are influenced by various factors and vary from person to person with respect to selection of alternatives. Particularly people from the low income group may not be in a position to invest in all avenues of investments. They will invest in the areas where the systems and procedures are very easy and investor friendly. Chit fund is one of the avenues which suit the low income and illiterate segment.

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## 3. RESEARCH METHODOLOGY

### 3.1 Introduction

Research methodology is the specific procedures or techniques used to identify, select, process, and analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. This chapter focuses on research methodology that was used in the study. It provides a detailed description of the research approach adopted in this study. Research design, target population, research instruments, data collection and analysis methods used were presented in the subsequent sections.

### 3.2 Methods of data collection:

The source of information is primary. The financial information mentioned was from the many company's profile. The data was collected through questionnaires prepared using different chit fund based company's profile.

Theoretical help was derived from some books, magazines and past reports and records. Support from internet and other journals were also derived. The analysis was reviewed and necessary improvements were made to it in preparing of this project the information collected from the following sources.

### 3.2.1 Primary data

The primary data was collected through questionnaires from common people.

### 3.2.3 Secondary data

The major source of data was collected with the personal interaction with the finance department staffs in the chit fund companies.

### 3.3 Sampling design

- Sampling unit is being collected based on chit schemes
- Sampling size for research is 50 respondents

### 3.4 Tools for analysis

The data was analyzed through SPSS software and MS-Excel to create charts and calculations

### 3.5 Statistical Tools

- Frequency test
- Chi-square
- Independent t test
- ANOVA

## 4. DATA ANALYSIS AND INTERPRETATION

S. No	Factor	Types	Percentage
1.	Gender	Male	48
		Female	52
2.	Annual Income	Below 10,000	34
		10,000-25,000	24
		25,000-50000	18
		50000 and above	16
		Above 50000	8
3.	Age	Below 30	32
		31-40	26
		41-50	36
		above 50	6
4.	Occupation	self employed	38
		Business	18
		Salaried	24
		Profession	8
		Retired	12
5.	Type of Investment available	Chits	20
		bank deposits	22
		life insurance	16
		Shares	4
		Gold	30

		any other	8
6.	Awareness rate in chit funds	Aware	70
		Unaware	30
7.	Source of information	Brokers	36
		Relatives	18
		Ads	14
		Prospects	10
		Newspaper	12
		Magazines	10
8.	Investment Experience	yes many times	34
		one time	42
		No	24
8.	Risk In investing	no risk	32
		Balance risk	28
		very high risk	22
		low risk	18
9.	Problems in investing	lack of info from company authorities	24
		No clear idea about the scheme	20
		Insufficient agent and brokers	34
		Other	22
10.	Preference towards chit funds	Agree	30
		In some cases	38

#### 4.2. Age and their preference towards the type of investment

H<sub>0</sub>= There is no association between the age and their preference towards the type of investment.

H<sub>1</sub>= There is association between the age and their preference towards the type of investment.

##### 4.2.1 Chi-Square Test

###### Test Statistics

	Age	currepref
Chi-Square	10.640 <sup>a</sup>	13.600 <sup>b</sup>
Df	3	5
Asymp. Sig.	.014	.018

Table 4.2.1 showing the association between the age and the preference towards the type of investments

*Inference:*

Since the significance value is higher than the probability value 0.05, we accept the null hypothesis, hence there is no association between the age and the preference towards the type of investment.

#### 4.3 Gender and the investment experience

H0= There is no significance difference between the gender and their investment experience.

H1= There is significance difference between the gender and their investment experience.

##### **Inference:**

Since the significance value is higher than the probability value 0.05, we accept the null hypothesis, hence there is no significance difference between the gender and the investment experience.

#### 4.3.2 Occupation and the type of investment preference

H0= There is no significance difference between the occupation and the type of investment option.

H1= There is significance difference between the occupation and the type of investment option.

##### **Inference:**

Since the significance value is higher than the probability value 0.05, we accept the null hypothesis, hence there is no significance difference between the occupation and the type of investment.

#### 4.4 Age and problems with the chit investment schemes

H0= There is no significance difference between the age and the problem with chit investment.

H1= There is no significance difference between the age and the problem with chit investment.

ANOVA					
Problem					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.482	3	.827	.680	.569
Within Groups	55.938	46	1.216		
Total	58.420	49			

Figure 4.4.1 showing the values related to anova

##### **Inference:**

Since the significance value is higher than the probability value 0.05, we accept the null hypothesis, hence there is no significance difference between the age and the problem with investment.

#### 5.1 Findings:

- About 22% of the respondent are male, about 25% of the respondent are female. From the frequency analysis we can infer that there are more number of female respondents than male.
- About 17% of the respondent are having income below 10,000, about 12% of the respondent are having income between 10,000-25,000, about 9% of the respondent are having income between 25,000-50,000, and about 8% of the respondent are above 50,000. From the frequency analysis we can infer that majority of the respondent are having income below 10,000
- About 16% of the respondent are under the age of below 30, about 13% of the respondent are under 31-40, about 18% of the respondent are under 41-50, about 3% of the respondent are above 50. From the frequency analysis we can infer that majority of the respondent are under age group of 41-50
- About 19% of the respondent are self employed and about 9% of the respondent are doing business and 12% of the respondent are salaried, and about 4% of the respondent are in professional job and about 6% people are retired. From the frequency analysis we can infer that majority of the respondent are self employed.
- About 10% of the respondent are interested to invest in chits about 11% of the respondent are interested in investing in bank deposits, about 8% of the respondent are interested to invest in Insurance and about 3% of the respondent are interested to invest in shares and about 15% of

people are interested to invest in gold and other options range up to 4%. From the frequency analysis we can infer that majority of the respondent are interested to invest in gold.

- About 35% of the respondents are aware of the chits and about 15% of the respondent are not aware of the chit schemes. From the frequency analysis inference is that majority of the respondent are aware of the chit funds.
- From frequency analysis we have inferred that the information is mostly spread through brokers
- From this frequency analysis we have inferred that many people consider investing as risk
- From the frequency analysis it is inferred that the problem with investing is insufficient agents and brokers
- Through the frequency analysis it is inferred that the chit does not help the people by giving high benefits.
- Through the chi square analysis it is found that there is no association between the age and the preference towards the type of investment.
- Through the independent sample test it is found that there is no significance difference between the gender and the investment experience.
- Through the independent sample test it is found that there is no significance difference between the occupation and the type of investment.
- By anova test it is found that there is no issues with the age and the type of investment.

### 5.2 Suggestions:

- The investors are mostly women since they form self help groups and involve in chit schemes so the companies could further concentrate on women customers.
- The annual income of people are mostly less so these people in poverty could afford little investments so special schemes for low investments can be introduced
- Most people investment option is other options such as gold and bank deposits so appropriate awareness has to be given about the chit working.
- The perception that public investment firms perform better than private firms is spread among people so in a way to describe the efficiency of private firms they could promote its policies and schemes in a proper way.
- The chit scheme information is not easily available to the common public so the companies should promote the schemes through advertisements, agents and other.

### 5.3 CONCLUSION:

The study is aimed at measuring customer opinion towards investing in chit funds. In this study I have inferred what the customers think on investing in chit funds. It is measured through analysis with various factors which includes age, income, and occupation. Through the suggestion provided to the companies they could gain more customers if they adopt some methodologies. Hence this research study helps to understand the overall opinion of people and these factors helps the firms to concentrate and develop their firm for the future aspects.

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