

CHIT FUND AN OVERVIEW

Authors

N. SUMITHRA,

Assistant Professor,

*Department of Commerce, MIT College of Arts & Science for Women,
Musiri Tk., Tiruchirappalli – 621 211*

(Affiliated to Bharathidasan University, Tiruchirappalli)

&

Dr. JAISANKAR,

Assistant Professor,

*Department of Commerce, Govt. Arts College,
Thuvakudimalai, Tiruchirappalli – 620 022*

(Affiliated to Bharathidasan University, Tiruchirappalli)

Abstract

Chit fund is a popular financial tool for saving as well as borrowings whatever gossips are arises they have still kept their reputation. The chit funds are in a position to get more returns for their survival. The chit companies are always searching of quality customers. Because, the company should stand in long period, they need the wealthy and prompt customer. At the same time the chit fund holders also searching of reputed chit company for their savings. In addition both of them are need security for their funds. For that they are working hard to find out the best one. Mostly group in Chit Company consisting of 50 members. For controlling the fraud and funds it should be followed by the chit company in usual. Nowadays, most of the persons are aware of the fraudulent and mistake company easily. On the whole, chit company is an unavoidable source for middle class people and the people those who are in need of fund.

Keywords: Security, Savings, Quality Customer, Reputed Company, Middle Class People

Introduction

In a chit fund, a group of people contribute periodically towards the chit value for duration equal to the number of investors. The amount collected is given to the person, who is either selected through a lucky draw or an action. Most of the investors are invested in chit funds for their consumption. In emergency period, the chit funds are helping a lot. It is a savings also. The chit funds are act as a micro finance institution. Most of the household things are bought by this scheme. Moreover, middle class persons are investing in chit funds for meeting their emergencies. Mostly their needs are education and marriage oriented. The Registered chit funds are preferred by all the investors than unregistered one. Sometimes, the chit funds are created for special purpose also. It's very easy to join a chit fund scheme, unlike Banks (or) other institutions, the chit funds are given on personal surety.

Even an illiterate person also joined in this scheme easily. So, that chit fund becomes a popular one among the middle class investors. Most of the drawing of chit funds, are used for education marriage, medical, travel, festivals etc., Shriram chits is the biggest chit fund company in India. It is safe and protected and serves various states like Maharashtra, Andhra Pradesh, Tamilnadu and Karnataka. It has about 6,000 chit representatives.

Statement of the problem

Retaining the customers until their dues comes. This is the most common problem faced by the chit funds. Before, becoming the member of the chit funds; their status will be scrutinized in a better way. Otherwise, the employer of chit funds may suffer a lot. Once the customer, got the money on a lot, he may have the chance to escape. So, analysis of customers, get a dominant role in chits. It will be an essential also.

If anything goes in wrong way, the chit funds may get affected on the whole. In addition, the customers are must be in a position, able to pay the dues correctly. Otherwise the survival of chit funds may get affected.

Objectives

This study deals with the growth of chit funds and the most common problems faces by the chit funds.

The following are the objectives:

- To find out the statics followed by the chit funds to retain the investors.
- To discuss the problems faced by them
- To measure the growth level
- To discuss about the strategies of employees retaining also.
- To study about the safety of funds invested in chit funds.
- To discuss about the confident level of investors.

Review of literature

Mudit Kapoor, found in their study titled, “Chit funds as an innovative access to finance for low-income household”, that registered chit funds find it less lucrative to serve the poor due to the increased cost of operating such schemes imposed by the regulations. They find that the chit fund industry addresses the savings need of people, is considered very safe and also offers loan at lower interest rates than money lenders.

Methodology

The study is founded on primary as well as secondary data. The primary data were procured from 100 chit fund employees from various chit funds in Trichy and Karur district via personal interview methods.

The secondary data were collected from some websites those are mentioned in references. At end, the data were analysed using simple percentage.

Scope of the study

The research discussing on the growth level of chit funds during the particular period and the problems faced by the employees of chit funds. The study also focuses on the safety of investors also.

Analysis and discussion

Table No.1 Profile of the respondents

Particulars	Percentage	Particulars	Percentage
Age		Qualification	
18 to 25 years	20%	Diploma	20%
25 to 35 years	40%	Degree	30%
35 to 45 years	25%	Plus two	40%
Above 45 years	15%	SSLC	10%
Marital status		Income	
Married	65%	Below Rs.10000	25%
Unmarried	35%	Rs.10000 to 15000	40%
Two wheeler		Rs.15000 to 20000	20%
Yes	90%	Above Rs.20000	15%
No	10%		
Company			
Rural	60%		
Urban	40%		

From the above tables, majority of the respondents are in the age group of 25 to 35years. Most of the chit funds employees are coming under cater of plus two. The maximum earning the respondents have two-wheelers. They are mostly preferred to work in their areas only. 65% of the chit fund employees are married.

All the chit fund holders are instructed well about the details of how many months of installments, due amount, etc., they group consist mostly 50 members onwards. They first lot going to be a company lot. The other 49 seats are allocated the chit fund holders.

Every chit company is going to be registered is register office. Because they registered chit only get more customers than others. So every chit is to be registered in government registrar office.

The documents are to be needed for registration.

- Surety signature
- Identity card
- Aadhaar

- Pan
Chit fund employees are get the holders from the following ways:

Field Work	80%
Neighbours	2%
Government Employees	8%
Relatives	3%
Others	7%

From the above table we have got a clear idea about the chit fund holders. Most of the chit fund employees are done a heavy field work and canvassing for getting quality chit fund holders. Some of them get from their relatives and friends. Graphical representation of getting chit fund holders.

Findings

- Most of the chit fund holders are come from rural areas and especially middle class people.
- Chit fund employees carrying out the field work for getting chit fund holders.
- For retaining the chit fund holders also a difficult job for them. So, they offer gift, providing after services, priorly inform their chit fund holder about monthly dues.
- Most of the chit fund holders are joining in chit for their children's education, marriage and medical expenses.
- The first chit is taken by company, and others only provided to the chit fund holders.
- Lucky draw Method is to be followed every month for providing fund.
- In the covid-19 period, most of the chit fund companies are provided full salary for their employees.
- Some chit fund holders are save money for purchasing the household. They are not in position to mobilise the amount in bulk.

Recommendations

- The chit company is to be an honoured one in remitting the fund to the chit fund holders.
- The chit companies are in a position to assist their employees in all levels. Then only they survive in a proper manner.
- The chit fund holders are to be scrutinized the details about the chit funds before entering it.
- The chit fund company also verify the documents before making the members entered in.
- The chit company should give the priority in giving fund on the basis of need only. They should be focused only the reason and crisis.
- The chit company do not compelled the holders to pay the dues. They have to give some grace period for them.

Conclusion

This research explores some important things related with chit companies as well as chit fund holders. Chit company is a process where both of them need co-operation. In this manner they face the problem. Then only they achieve the goal.

Most of the chit fund employees are searching of quality customers. Because they are only in a position to repay the loan. The chit fund holders are mainly seeking of valuable securities. Otherwise they do not come forward to provide the fund. So the group of persons are thoroughly checked with their securities and they are allowed to participate in the chits. Because money lending is mainly depend upon the valuable security.

The Government employees are allowed easily on the basis of salary attachment slip. They need not provide any additional security for accompanying with the chits. So, most of the chit fund employees are preferred government employees as of chit fund holders.

Scope for further research

The present study has analysed on problems focused by both the chit company as well as the chit company holders in Musiri Taluk, Thiruchirappalli District. The future study may conduct on problems faced by the private employees.

References

- Chit funds as an innovative access to finance for low income house holds December 2011. Review of market integration 3(3): 287-333.
- A case study of chit fund scam in India by Dr. Saikat Gochhait
- Chit fund as an investment option:
- A study by IJRAR by Dr.R.Sathyadevi, www.wikipedia.com