



A STUDY ON HOUSEHOLDS SAVINGS AWARENESS TOWARDS NBFC WITH SPECIAL REFERENCE TO CHIT FUNDS IN NAGAPATTINAM DISTRICT

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ABSTRACT

India has had a long history with various savings schemes. Amongst all the schemes one of the most popular and widely used savings schemes are chit funds. It is a savings cum borrowing option cum investment. Investment is one of the far most priorities for every individual household. The present study attempts households savings awareness and various investment mode regarding NBFC for chit funds at Nagappattinam District in Tamilnadu. A sample of 186 respondents was selected in 8 blocks in the study area. This study aims that to analysis the awareness level for investments using the SPSS simple percentage, mean, standard deviation and ANOVA. Further to investigating major findings and provides the suitable suggestion for this study.

KEYWORDS: Household savings, Chit Funds, Investment modes, NBFC, Savers Awareness.

INTRODUCTION

Non - Banking Financial Companies are fast emerging as an important segment in heterogeneous group of institutions. A non-banking Financial companies (NBFC) registered under the companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire purchase. Insurance business chit business but does not include insurance business but does not include an institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

Chit Fund

Chit fund is a saving scheme practiced in India originated 1000s of years ago. It was started as informal association of traders and households with in communities. It enables poor people to convert small savings into lump sums. According to the definition given by Chit Funds Act 1982, Chit means a transaction whether called chit, chit fund, chitty, kuri or by any other name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount.

A chit fund is a savings cum borrowings scheme, where in group of individuals contribute pre-determined amount for a pre-determined period. Every month until the end of the tenure collected money

is loaned internally through bidding to a member who deserves. Kitty party, popular among Indian women, is also a variation of chit fund, which uses a raffle-like system to decide to get the money each month.

A chit fund can be either registered or unregistered:

- ❖ Registered chit funds are organized by chit firms/companies and regulated by the chit fund Act.
- ❖ Unregistered chit funds are unorganized and run by friends, relatives or personal group.

Need for investing in chit funds

Bank had restriction on lending to the middle class and governments programs were primarily addressing the poor and industries. The middle class needed money and chit funds emerged as an instrument that encourage savings but also allowed borrowings, without interest.

Advantages of chit funds

- Chit fund gives the flexibility to borrow and save.
- You can get a chance to borrow money (pot) just by paying first monthly installment
- Best for needy people. You can get finance without any documents like IT returns, PAN card etc.
- The non-prized subscriber who is a saving member up to the last installments gets a dividend which is comparatively higher than the interest that are accrued by way of other Deposit Schemes.
- You need not disclose for which purpose you will be using the prize money.

Review of previous study

Stefan Klonner(2003): Pointed that in India, ROSCAs mostly appeared in the southern parts of the country and are identified throughout the country as chit funds or chits. ROSCAs can offer insurance for homogenous. Bidding ROSCA enables participants to obtain funds when they observe a particularly profitable investment project. Homogeneous individuals prefer a bidding ROSCA because it can allocate funds to the participant with most urgent need and facilitates risk sharing among risk adverse individuals.

Silpy Gupta (2003): explained that the Chit Funds Schemes today have become the easiest choice of saving and borrowing technique. Investors are becoming the victims and taking high risks in name of such chit funds. People are notable to identify the difference between a registered chit fund company which are legal and safe than the unregistered chit fund companies. This paper makes an attempt to illustrate the working principle of a recognized chit fund company and their difference between registered and unregistered chit Fund Company and awareness among people before making their choice and decision of selecting a chit fund scheme. This paper is based on the secondary data collected from government websites, interviews given by government officials and other published records.

Preethi Rao (2007): In this paper mainly focus about Chit fund and small business. It is greater financial sources for small business; it has been suffered by the money lenders with their high cost of loans and banks with their strong procedures. They can save the money in chit funds while in any emergency need for money. It also explains chit funds are more suitable financing model for small business mainly because they do not require filing of income tax returns and other accurate certification. The Author has point out that the reasons of failures of chit funds, especially the regulatory problems owing to the stringent rules recommended by the Government and the increased costs of operations for the registered chit fund companies. Since of these reasons, the registered companies are moving their functions towards unregistered companies.

Prof. Mudit Kapoor (2007): opined that the chit funds are an essential for small businesses and low-income households. Registered chit funds are not considered about low value chit schemes due to increased operational costs and stringent rules imposed by Government. Chit funds are very safe method for both financing and saving. They are providing loans at lower interest rates than money lenders and banks. The size of the unregistered chit funds is stated about 67 times of the registered industry in Delhi and 3.2 times in Chennai. On an average 50% of chit fund clients are poor households and most of them save for particular

target events like marriage, education etc., and also they value the flexible provision of credit. Subscribers are feel comfortable with the bidding process and 96% of them perceiving registered chit industry as safe or very safe.

Sankararaman(2012): This paper shows the importance given by the people towards chit funds in Chennai city also said that People have good knowledge and confidence about chit fund. It has reached the people because of the simple method and systems. The statistical tool concluded that income and age is one of the important factors in deciding about the savings in chit fund.

Ramesh Kumar. V (2013): This research focus on the chit fund organization in Tamilnadu. Descriptive research design has been used in this study. Both primary data and secondary data are used for this research. The study period was 2003-2005. Probability sampling technique has been used for the study. It concluded that Even though there are many institutions providing the financial assistance and financial facilities, the chit funds organizations laid down their own path in the NBFC sectors.

Naga SanthiSree.V (2013): The study is contemplated with this in the backdrop and it assumes indisputable significance in the contemporary times of government policy emphasis on financial inclusion and the explosive growth of NBFCs. The study is based on primary and secondary data. The sampling procedure adopted is non probability sampling and the type of sampling followed is convenience sampling. The sample size of the chit operators consists of 228 managerial and operating staff of the select 12 registered chit fund companies in the state of Andhra Pradesh along with branches and 6 unregistered chit fund companies. Hence, it is concluded that though most of them opined that the important reason for the default of the companies is diversion of funds into various other purposes, it is not only the reason but all the other given reasons are also considerably affecting the default of the companies.

Objectives of the study

- To identify the preferred savings objectives of savers awareness in chit funds on the basis of demographic and socio-economic factors and
- To study about the various investments modes and savers preference in the study area.

Hypothesis of the study

H1 – There will be significant differences among demographic variables with awareness of chit funds.

H2 – There will be significant differences among demographic variables with investment preference

H3 – There will be significant differences among households savings and investment preferences

Methodology

This study has been conducted among 186 individual's investors in the Nagapattinam district. The sample investors were by adopting the convenience sampling method. Primary data relating to the study were collected by using a Questionnaire method.

Data collection

The primary data required for this study will be collected by the way of questionnaire and it is depends on the primary data collected from the savers of NBFC of chit fund in Nagapattinam District. Literature for previous study depended on secondary data like books, journals, reports and internet sources.

Sampling design

The researcher circulated 25 questionnaires for each blocks totally 200 questionnaire but using 186 samples only. Because of 14 questionnaires are incomplete and some personal bias.

Table 1
Sample distribution

<i>Blocks / Taluks</i>	<i>Circulated</i>	<i>Received</i>	<i>Rejected</i>	<i>Used</i>
Kivelur	25	25	1	24
Kuthalam	25	23	--	23
Mayiladuthurai	25	24	--	24
Nagappattinam	25	25	1	24
Sirkazhi	25	25	--	25
Tharangambadi	25	21	1	20
Thirukkuvalai	25	22	--	22
Vedaranyam	25	25	1	24
Total	200	190	4	186

Data analysis

Statistical tool SPSS 16.0 will be used to classify the data and analyze the data. For the purpose of analysis to inferential percentage, mean, standard deviation and ANOVA will be applied.

Limitations of the study

The study is limited in time duration and study covered the NBFC in chit fund of Nagappattiam District only.

Demographic variables distribution

The following table 2 shows that demographic variables for individuals and socio-economic background of the study area.

Table 2
Demographic profile of the respondents

<i>Demographic variables</i>	<i>Classification</i>	<i>No. of respondents</i>	<i>Percent</i>	<i>Mean</i>	<i>Std. Dev.</i>
Gender	Male	109	58.6%	1.41	0.494
	Female	77	41.4%		
Total no. of respondents		186	100%		
Age (in years)	25-30	26	14.0%	2.79	1.582
	31-35	90	48.4%		
	36-40	19	10.2%		
	41-45	25	13.4%		
	46-50	9	4.8%		
	51-55	8	4.3%		
Total no. of respondents		186	100%		
Marital status	Married	102	54.8	1.45	0.499
	Unmarried	84	45.2		
Total no. of respondents		186	100%		
Educational Qualification	School passed	54	29.0%	2.52	1.328
	Diploma	48	25.8%		
	UG	38	20.4%		
	Professional	26	14.0%		

	PG	20	10.8%		
Total no. of respondents		186	100%		
Occupation	Agriculturist	30	16.1%	3.99	2.048
	Labour	27	14.5%		
	Govt. employee	11	5.9%		
	Pvt. Employee	55	29.6%		
	Professional	36	19.4%		
	House wives	27	14.5%		
Total no. of respondents		186	100%		
Monthly income (in Rs.)	Below 10000	43	23.1%	1.89	0.582
	10001-20000	121	65.1%		
	20001-30000	22	11.8%		
Total no. of respondents		186	100%		
Religion	Hindu	138	74.2%	1.26	0.439
	Christian	48	25.8%		
Total no. of respondents		186	100%		
Family type	Joint family	122	65.6%	1.34	0.476
	Nuclear family	64	34.4%		
Total no. of respondents		186	100%		
Place of Residential	Urban	88	47.3%	1.81	0.848
	Semi – urban	46	24.7%		
	Rural	52	28.0%		
Total no. of respondents		186	100%		

Source : Primary data

Interpretation

From the above table 2 reveals that, the most 58.6 percent of respondents are male, 48.4 percent of the respondents are in the age group of 31-35, 54.7 percent of the respondents are married, 29 percent of the respondents are having minimum educational qualification like school level passed, the majority 29.6 percent of the respondents are occupied in private sectors, 65.1 percent of the respondents are earning their monthly income Rs.100001-20000, the majority 74.2 percent of the respondents are Hindu religious, 65.6 percent of the respondents are in joint family and the most 47.3 percent of the respondents are living urban areas.

Table 3
Savers awareness distribution

Awareness level	No. of respondents	Percent	Mean	Std. dev.
Very high	9	4.8%	2.98	0.961
High	49	26.3%		
Moderate	75	40.3%		
Low	42	22.6%		
Very low	11	5.9%		
Total no. of respondents	186	100%		

Source : Primary data

Interpretation

From the above table 3 explain that, the awareness of chit fund savings. The majority 40.3 percent of the respondents having the moderate awareness for the chit fund saving, followed 26.3% of the respondents are having the high awareness, 22.6 percent of the respondents are low awareness, 5.9 percent of the respondents are very low awareness and just 4.8 percent of the respondents are having the very high awareness for the chit fund savings.

It is concluded that majority 40.3 percent of the respondents having the moderate awareness for the chit fund saving and just 4.8 percent of the respondents are having the very high awareness for the chit fund savings.

Table 4
Households Chit Fund Operations Practices

<i>Chit fund operations</i>	<i>Variables</i>	<i>No. of respondents</i>	<i>Percent</i>	<i>Mean</i>	<i>Std. Dev.</i>
Nature of chit fund	Bidding	135	72.6%	1.27	0.447
	Lottery	51	27.4%		
Total no. of respondents		186	100%		
Chit fund holding	NBFC	100	53.8%	1.46	0.500
	URPP	86	46.2%		
Total no. of respondents		186	100%		
No. chit fund holding	One	27	14.5%	2.42	0.957
	Two	88	47.3%		
	Three	36	19.4%		
	Four	35	18.8%		
Total no. of respondents		186	100%		
Period of savings (in years)	Below 5 years	112	60.2%	1.40	0.503
	6 - 7	73	39.2%		
	7 - 8	1	0.6%		
Total no. of respondents		186	100%		
Periodic meeting attend	Yes	79	42.5%	1.58	0.496
	No	107	57.5%		
Total no. of respondents		186	100%		
Value of chit fund (in Rs.)	10000-25000	18	9.7%	2.05	0.491
	25001-50000	141	75.8%		
	50001-75000	27	14.5%		
Total no. of respondents		186	100%		

Source : Primary data

Interpretation

From the above table examined that the majority 72.6 percent of the respondents are involves bidding and 27.4 percent of the respondents are involves lottery system. The most 53.8 percent of the respondents are chit fund holding for NBFC and 46.2 percent are chit fund holding for URPP. The most 47.3 percent of the respondents are holding two chit funds, followed by 19.4 percent of the respondents are three holding, 18.8 percent are four holding and 14.5 percent of the respondents are holding only one chit fund. Majority 60.2 percent of the respondents are holding chit fund duration below 5 years, followed 39.2 percent of the respondents are holding chit fund duration 6-7 years and just 0.6 percent of the respondents are holding chit fund duration 7-8 years. 57.5 percent of the respondents are not attend the periodic meeting and 42.5 per of the respondents are attend the periodic meeting. The most 75.8 percent of the respondents are holding the value of chit fund is Rs.25001-50000, 14.5 percent of the respondents are

holding the value of chit fund is Rs.50001-75000 and 9.7 percent of the respondents are holding the value of chit fund is Rs.10000-25000.

Table 5
Saving and Investments owned by respondents

<i>Investment avenues</i>	<i>No. of respondents</i>	<i>Percent</i>	<i>Rank</i>
Savings in Jewellery stores	68	36.6%	1
Land, buildings, real assets	34	18.3%	3
Pension schemes	17	9.1%	5
Life insurance	29	15.6%	4
Mutual funds	37	19.9%	2
Postal savings	1	0.50%	6
Total	186	100%	

Source : Primary data

Interpretation

From the above table 5 reveals that, the most 36.6 percent of the respondents are preferred savings in jewellery stores, followed by 19.9 percent of the respondents are preferred mutual funds, 18.3 percent of the respondents are preferred real assets, 15.6 percent of the respondents are preferred life insurance, 9.1 percent of the respondents are preferred pension schemes and a least 0.5 percent of the respondents are preferred postal savings.

It is concluded that the most 36.6 percent of the respondents are preferred savings in jewellery stores and a least 0.5 percent of the respondents are preferred postal savings.

Table 6
Significant differences among demographic variables with awareness of chit funds
ANOVA – One way

<i>Variables</i>	<i>sources of variance</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Gender	Between Groups	3.450	4	.863	3.746	.006*
	Within Groups	41.673	181	.230		
	Total	45.124	185			
Age	Between Groups	97.836	4	24.459	12.129	.000*
	Within Groups	364.987	181	2.017		
	Total	462.823	185			
Marital status	Between Groups	9.741	4	2.435	12.135	.000*
	Within Groups	36.323	181	.201		
	Total	46.065	185			
Educational status	Between Groups	48.990	4	12.248	7.990	.000*
	Within Groups	277.461	181	1.533		
	Total	326.452	185			
Occupation	Between Groups	70.902	4	17.726	4.550	.002*
	Within Groups	705.076	181	3.895		
	Total	775.978	185			

Monthly income	Between Groups	20.981	4	5.245	22.796	.000*
	Within Groups	41.648	181	.230		
	Total	62.629	185			
Religion	Between Groups	9.655	4	2.414	16.832	.000*
	Within Groups	25.957	181	.143		
	Total	35.613	185			
Family type	Between Groups	13.504	4	3.376	21.459	.000*
	Within Groups	28.475	181	.157		
	Total	41.978	185			
Residential place	Between Groups	23.445	4	5.861	9.681	.000*
	Within Groups	109.588	181	.605		
	Total	133.032	185			

*0.05 significant level

Interpretation

From the above table analysis the significant difference between households savings and investments preference at 5% level of significant. It is inferred that all the demographic variables and awareness of chit funds are not significant.

Table 7
Significant differences among demographic variables with investment preference
ANOVA – One way

<i>Variables</i>	<i>sources of variance</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Gender	Between Groups	2.869	5	.574	2.444	.036*
	Within Groups	42.255	180	.235		
	Total	45.124	185			
Age	Between Groups	231.738	5	46.348	36.102	.000*
	Within Groups	231.084	180	1.284		
	Total	462.823	185			
Marital status	Between Groups		5	2.059	10.364	.000*
	Within Groups	35.767	180	.199		
	Total	46.065	185			
Educational status	Between Groups	50.406	5	10.081	6.574	.000*
	Within Groups	276.046	180	1.534		
	Total	326.452	185			
Occupation	Between Groups	60.697	5	12.139	3.055	.011*
	Within Groups	715.281	180	3.974		
	Total	775.978	185			

Monthly income	Between Groups	11.164	5	2.233	7.809	.000*
	Within Groups	51.465	180	.286		
	Total	62.629	185			
Religion	Between Groups	9.453	5	1.891	13.008	.000*
	Within Groups	26.160	180	.145		
	Total	35.613	185			
Family type	Between Groups	3.703	5	.741	3.482	.005*
	Within Groups	38.276	180	.213		
	Total	41.978	185			
Residential place	Between Groups	42.655	5	8.531	16.991	.000*
	Within Groups	90.377	180	.502		
	Total	133.032	185			

*0.05 significant level

Interpretation

From the above table analysis the significant difference between demographic variables and investments preference at 5% level of significant. It is inferred that all the demographic variables and investment preference are not significant.

Table 8
Significant differences among households savings with investment preference
ANOVA – One way

Variables	sources of variance	Sum of Squares	df	Mean Square	F	Sig.
Nature chit	Between Groups	5.223	5	1.045	5.913	.000*
	Within Groups	31.794	180	.177		
	Total	37.016	185			
Holding chit	Between Groups	10.444	5	2.089	10.505	.000*
	Within Groups	35.792	180	.199		
	Total	46.237	185			
No. of chit holdings	Between Groups	44.177	5	8.835	12.696	.000*
	Within Groups	125.269	180	.696		
	Total	169.446	185			
Duration	Between Groups	12.825	5	2.565	13.606	.000*
	Within Groups	33.933	180	.189		
	Total	46.758	185			
Attend meeting	Between Groups	13.341	5	2.668	14.960	.000*
	Within Groups	32.105	180	.178		
	Total	45.446	185			

Value chit fund	Between Groups	7.188	5	1.438	6.924	.000*
	Within Groups	37.376	180	.208		
	Total	44.565	185			

***0.05 significant level**

Interpretation

From the above table analysis the significant difference between households savings and investments preference at 5% level of significant. It is inferred that all the households saving and investment preference are not significant.

Findings

- The most 58.6 percent of respondents are male, 48.4 percent of the respondents are in the age group of 31-35, 54.7 percent of the respondents are married, 29 percent of the respondents are having minimum educational qualification like school level passed, the majority 29.6 percent of the respondents are occupied in private sectors, 65.1 percent of the respondents are earning their monthly income Rs.100001-20000, the majority 74.2 percent of the respondents are Hindu religious, 65.6 percent of the respondents are in joint family and the most 47.3 percent of the respondents are living urban areas.
- Majority 40.3 percent of the respondents having the moderate awareness for the chit fund saving and just 4.8 percent of the respondents are having the very high awareness for the chit fund savings.
- The majority 72.6 percent of the respondents are involves bidding
- The most 53.8 percent of the respondents are chit fund holding for NBFC
- The most 47.3 percent of the respondents are holding two chit funds
- Majority 60.2 percent of the respondents are holding chit fund duration below 5 years,
- 42.5 per of the respondents are attend the periodic meeting.
- The most 75.8 percent of the respondents are holding the value of chit fund is Rs.25001-50000,
- The most 36.6 percent of the respondents are preferred savings in jewellery stores and a least 0.5 percent of the respondents are preferred postal savings.
- All the demographic variables and awareness of chit funds are not significant.
- All the demographic variables and investment preference are not significant.
- All the households saving and investment preference are not significant.

SUGGESTIONS

The following suggestions are based on above findings. The household saving service providers are must be create the awareness the chit fund savings and conduct the special programs for explained the importance and benefits of household saving for chit funds. A below level number of savers are attend the periodic meeting. So the service providers try to improve the periodic meeting levels.

CONCLUSION

From the study in was found that the chit savers awareness on NBFC's Now a days are higher that other financial institutions. Since all the chit savers needs or wants a fulfilled as convenient basis as per the standard of living by them further the growth of NBFC's in the recent day. The paper highlights chit savers safety and benefits and how should invest chit fund this research paper will be helpful for the future research to go ahead in the field of savers perception and satisfaction towards chit funds.

Abbreviations:

ANOVA –	Analysis of Variance
Govt.	– Government
NBFC	– Non-Banking Financial Companies
PAN	– Permanent Account Number
PG	– Post Graduate
Pvt.	- Private
Std. Dev.	– Standard Deviation
SPSS	– Statistical Package for Social Sciences
UG	– Under Graduate
URPP	– Unregulated Private Persons

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