

ROLE OF KERALA FINANCE CORPORATION (KSFE) IN MAKING SAVINGS HABIT AMONG ITS CUSTOMERS THROUGH THE CHIT FUNDS

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ABSTRACT-- Chit fund is a mixture of a loan and a recurring deposit. The KSFE is a Functional Non-trading Financing Corporation, is wholly owned by the Government of Kerala. It is one of the States most profitable public **sector** enterprises. The Government of Kerala framed with both the purpose of achieving the private chit promoters with an alternative to the public to introduce social control over. The KSFE has provided the consumers with many more schemes, which are very helpful. They will offer hands-on price money, and it brings our full money securities. The KSFE returns to the customer's perspective very helpful and also established provisions for gold loans. The present study aims to analysis on savings habits among KSFE's customers, especially chit funds

Keywords--Chit, Fund, Loan, Customers, Government

I. INTRODUCTION

It is a special financial instrument, mixing both capital and advance benefits. This is a secure haven risk - free for the public.. All promoters will pay the periodic subscription until the end of the chitty. Now KSFE opens up a new provision to join our chitty for the NRIs. KSFE NRI Chitties are developed specifically for the NRI culture. KSFE was established on 6 November 1969 by the Government of Kerala. The capital paid-up was again Rs . 2 Lakhs. At the beginning the number of employees was 45. The number of locations which began with KSFE was 10. KSFE's headquarters are located in Thrissur, the Kerala hub of Chitty industry.

For many developing countries chit funds are common between households and small companies. It is highly popular among communities which have restricted access to structured finance channels. Chits have many roles, both financial and cultural. Re-search has reported four major reasons behind its high involvement-(a) a mechanism that allows for faster acquisition of costly products (b) a commitment tool for improved savings as it helps mitigate self-control issues (c) a participant risk insurance and (d) a social engagement network.

Chits in India tend to become an important context for re - evaluating its financial rationale. First, the work to date has mostly looked at chit fund in societies with relatively poor exposure to structured finance networks. In our context most participants employ various investment instruments provided by the formal sector. Second, most of the target region's chit funds are institutionalised with standardized products. The formalization contrasts sharply with the theoretical position that the social system plays in regulating members' entry and

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behavior, and it may undermine the position which 'private contracts' played in chits. The participant's access to formal finance, standardized product characteristics, and institutionalized offerings make for a more accurate comparison of its economic position with formal credit default swaps.

II. STATEMENT OF THE PROBLEM

Chit Funds discuss the gap created over by the traditional banking system in several areas of India. They organize vast quantities of real income, or in return, allow people to have direct exposure to a cash payment of money in the form of loans, which they always would not be able to get there from financial institutions. Key aspects of this form of funding are simple availability and versatility. Chit Funds needless paperwork compared to conventional banks are more flexible about collateral, and enable them to decide their rate of interest (inside the constraints of a specified jabber system). In regards, no need to evaluate upfront whether funds were used to save or borrow. So the research was how far the KSFE managed to make earnings habit amongst the customers by ensures of chit funds

III. REVIEW OF LITERATURE

Keynes (2016) stated that men are usually and on average inclined to raise their consumption as their income increases but not as much as their income increases. In other words, a rising income would always be followed at first by increased saving, and a declining salary by decreased savings, on a broader scale than afterward.

V.K.R. V Ra (2018) claimed that the agrarian nature of the system produces a supply curve which is, at best, much more inelastic than that of an industrialized economy such as Keynes had in mind in the first place. Consequently, the savings will not improve equality with spending.

Duesenberry's (2018) Relative richness (R.I.H.) argued that the fraction of a family's income devoted to consumption, and thus investment depends on the scale of its latest current to the income of other households it associates with, instead of the objective level of its revenue.

IV. IMPORTANCE OF THE STUDY

Chits present oneself in India as a fascinating context for analyzing its eco-nomic reasoning for several reasons. Secondly, work to date has focused at the economic rationale for chit fund in societies with relatively limited access to structured finance networks. A large proportion of the households in our context who participate in chits have access with financial services provided by formal sector. This could serve to deepen indication of the functional benefit of chit funds over the products and services offered by the formal finance sector. Second, most of the chit funds that operate in the target region are institutionalized with a large piece in product formalization and standardization. This might cause the acclaimed socializing role of chits to weaken tremendously. This stands in contrast with the presumed role the social process plays in regulating the representatives' entry and actions into the chits.

V. AIMS OF THE STUDY

1. To study was aimed to analysis how does chit fund work
2. To expose satisfaction rage of the respondents regarding KSFE chitty plans
3. To bring out the chitty analysis and returns weather it is helpful to the customers
4. To analysis the various schemes offering by KSFE

VI. RESEARCH DESIGN

The current study depend on primary as well as secondary data whereas primary data received from the respondents from selected place and secondary date obtained from various journal, magazines, past records and internets. Totally 200 sample was undertaken to measure the succeed of making savings habit among the customers regarding KSFE chit fund. Observation methods used by the study for that purpose to frame the well-structured questionnaire. In this study we followed estimated level of the respondents by used 5-points Linkert scale format to measure satisfaction.

VII. DATA DISCUSSION

Table: 1
Present Scenario of KSFE

<i>S.No.</i>	<i>Scenario</i>	<i>Particulars</i>
01	Paid up capital	Rs. 100 crores
02	No. of branches	600
03	No. of employees	6782
04	No.of customer	33 lakhs
05	progress in June- 2019	40839 Crores

Sources: Secondary data

Table: 2
KSFE Chitty Analysis- Returns

<i>Sources</i>	<i>10TH Chitty</i>	<i>25TH Chitty</i>	<i>50TH Chitty</i>	<i>75TH Chitty</i>	<i>100TH Chitty</i>
Invested amount	419250	463875	573250	682625	796375
Duration in month	100	100	100	100	100
Maturity value	700000	700000	700000	825000	950000
Absolute Return	280750	236125	126750	142375	153625

Absolute returns %	66.96%	50.90%	22.11%	20.86%	19.29%
XIRR	11.23%	8.72%	4.17%	4.18%	4.33%

Sources: Secondary data

Table: 3
Monthly Cash Flows

<i>Round</i>	<i>Saver</i>	<i>Borrower</i>	<i>Round</i>	<i>Saver</i>	<i>Borrower</i>
01	2541	2541	23	2451	2456
02	2541	3256	21	2456	2458
03	3652	2548	23	2145	2547
04	1548	2541	21	2587	2569
05	2541	2365	25	2365	2451
06	3652	2541	24	2458	2546
07	4785	5482	26	2478	2458
08	2451	2635	27	1256	2315
09	2548	2456	26	2568	2126
10	2564	2548	23	2541	2159
11	2547	2563	28	2568	2458
12	2548	2584	29	2365	2654
13	2135	2541	27	2458	2548
14	2456	2365	25	2569	2591
15	1542	2589	24	2458	2458
16	2541	2458	26	2451	2365
17	2354	2365	21	2365	2145
18	2658	2485	31	2165	2584
19	2478	2468	41	2415	2499
20	1596	2451	45	2365	2499
Internal rate of return monthly wise		0.15%			1.43%
Annual rate of return monthly wise		1.82%			18.64%

Sources: Secondary data

Table: 4
Satisfaction Level of the Respondents- KSFE

<i>Sources</i>	<i>Highly satisfied</i>	<i>Satisfied</i>	<i>Neutral</i>	<i>dissatisfied</i>	<i>Highly dissatisfied</i>	<i>Respondents</i>
Safe depository	155	38	2	5	-	200

Money transfer	160	40	3	4	3	200
Deposit short term and FDS	127	58	4	7	4	200
Loans	105	84	3	3	5	200
Withdraw the price money	103	85	4	5	3	200
Deposit the money back into KSFE FD	101	87	6	4	2	200
Providing Safe & security	154	33	7	6	-	200
Returns from chit fund	123	65	5	7	-	200
Online payment	100	84	6	9	1	200
Gold loan facilities	125	61	7	5	2	200

VIII. DISCUSSION AND CONCLUSION

In most Kerala households, Chit Funds are an essential component of savings. Houses in Kerala have significant influence with mutual fund schemes for their saving and borrowing regulations, despite their interaction with primary financial institutions. In average income and involvement with the formal financial sector, investment in chit projects is growing. The findings on chit involvement do not indicate that, as often thought, the legal, industry, and the chit funds are mostly dispensable.

Chit funds are used by families more frequently for their savings than for borrowings. Chit funds are also treated with both the options to borrow as a hybrid vehicle, which adds to its popularity. As a saving tool, most respondents feel which chit funds aid by periodic contributions to achieve higher savings amount. Chit funds may potentially enforce greater dedication to savings, leading to savings. At the same time, chits are not perceived as a commodity designed to maximize the saving return. Chit funds' success despite their relatively lower information leaderboard may be due to their position as an interaction machine that channels voluntary spending into savings. Through chits, borrowers value the versatility to time the lump sum at any time over the fund's tenure. The value of flexibility endorses the economic role chits serve as insurance. Respondents often

value the amortization structure of chit borrowing repayments. Probability of using savings chits increases with household income. Through its borrowing option, socio-economic classes with lower or unstable income families are more likely to regard chits as significant revenues.

Scope for Further Research: A comparative Study of The Working of KSFE with the Leading Private Sector Chit Companies in Kerala.

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