A STUDY OF DIFFERENT SAVINGS SCHEMES OFFERED BY PRIVATE CHIT FUND COMPANIES IN TIRUNELVELI DISTRICT

Dr. P. Kannadas,
MBA., M.Phil., PhD.,
Assistant Professor
Department of Management Studies
Madurai Kamaraj University
Madurai

Mr. R. Ramachandran,
MBA.,
Assistant Professor,
Department of Management Studies,
Einstein College of Engineering,
Tirunelveli

Abstract

Saving is the perfect for people those who don't want to take any risks with their money and most savings accounts have easy access or are for a fixed term. People often save for specific reasons and usually it one of the safest ways to build up a stack of money. It is less risky than investing in any marketability shares or any others forms of investment, but it offers limited growth for the people. The most you will earn on the money saved you gets the additional interest on some of the investment rather than kept it them as a hard cash. There are lots of different ways to save, but whichever way you choose, the general idea is the same: to build up some money - savings - that can used for meeting the future needs.

One of the quickest ways to earn interest with the saved money within a short term is making the money investment in chit funds and it is possible to get the lump sum money as earlier as possible within a year with some additional benefits. This research paper especially focuses on different savings schemes offered by private chit fund companies located at Tirunelveli District.

Keywords: *Savings, Investment, Money, Risks and Marketability*

Introduction

Savings is an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian Financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of the markets in the world, it has reasonable options for an ordinary man to invest in the savings.

One needs to invest and earn return on their idle resources and generate a specified sum of money for a specific goal in his life and makes a provision for an uncertain future. One of the important reasons why one needs to invest wisely is to meet the cost of inflation. Inflation is the rate at which the cost of livings increases. The cost of livings is simply what it cost to buy the goods and services you need to live. Inflation causes money to lose value because it will not buy the same amount of a good or service in the future as it does now or did in the past.

The sooner one starts investing the better. By investing early helps to allow the investment much more time to grow, whereby the concept of compounding increases your income, by accumulating the principal and the interest or dividend earned on it, year after year.

Three Golden Rules for all Investors in Savings or Investment

The three golden rules for all investors are:

- Invest early

- Invest regularly
- Invest for long term and not for short term.

Basic Features Of Savings Schemes In Financial Institutions

The main features of saving schemes in financial institutions are as follows:

1. The main objective of savings account is to promote savings.
2. Withdrawals are allowed subject to certain restrictions.
3. The money can be withdrawn either by cheque or withdrawal slip of the respective bank.
4. The rate of interest payable is very nominal on saving accounts. At present it is between 4% to 6% p.a in India.
5. Savings account is of continuing nature.
6. There is no maximum period of holding.
7. A minimum amount has to be kept on saving account to keep it functioning.
8. No loan facility is provided against saving account.
9. Generally, equated monthly installments (EMI) for housing loan, personal loan, car loan, etc., are paid (routed) through saving bank account.

Savings Vs Investment

Savings	Investment
1. Short-term: Ready to go Saving is typically for smaller and shorter-term goals in the near future (usually 3 years or lesser than years) like going on vacation or having money for any emergency.	**1. Long-term: Achieve major goal** Investment helps the investors to reach bigger long-term goals (at least four to five years away), like saving for a child's college education or some other luxuries.
2. Ready access to cash: A savings account gives you access to ready cash when an investor need it.	**2. Harder to access cash** When the investor invests their money, it's typically not as easy to get the invested money to the investor hands on it quickly as compared to a savings account.
3. Minimal risk: If the investor money is in an FDIC-insured savings account, it's at minimal or no risk, because the investor's funds are insured by the Federal Deposit Insurance Corporation (FDIC). That means that if anything ever happened to the bank, the FDIC insures each person's money to at least Rs. 2,50,000.	**3. Always involves risk** The investor may lose some or all of the money invested in case the marketability of the investment is very low and can't be affordable by the customers among such investment.
4. Earn interest: The investor can earn interest by putting money in a savings account, but savings accounts generally earn a lower return than	**4. Potential for profit** Investments have the potential for higher return than a regular savings account. Investments may appreciate (go up in value)

investments.	over time and also increases the net worth, which is the value of the investor's assets (what you own) minus your liabilities (what you owe). If the investor sells for higher price than they invested initially, then they will make a profit.

Chit Fund Meaning

Chit Funds are indigenous financial institutions in India that cater to the financial needs of the low-income households, which have been excluded from the formal financial system. It is a mechanism that combines credit and savings in a single scheme. In a chit fund scheme, a group of individuals come together for a pre-determined time period and contribute to a common pool at regular intervals. Every month, up until the end of the tenure of the scheme, the collected pool of money is loaned out internally through a bidding mechanism to the most deserving member.

This way, people who are in need of funds and those who want to save are able to meet their requirements. An interesting aspect of Chit Funds in India is that the industry is highly regulated and institutionalized.

Chit Fund Savings Schemes Offered by Chit Fund Companies in India

A Chit Fund is a kind of savings scheme practiced in India. Such Chit Fund Schemes may be conducted by organized financial institutions or may be unorganized schemes conducted between friends or relatives. There are also variations of chits where the savings are done for a specific purpose. Chit Funds also played an important role in the financial development of people of South India. Some of the Chit fund schemes are:

1. Bhagyalakshmi Scheme (SMALL SAVING SCHEME):

This is a monthly savings plan. Here, the member can start the scheme by paying Rs 500/- monthly for a period of 25 months. Four types of draws are conducted monthly. The draw details are shown below:After 25 months, the members will get one month bonus and they are supposed to buy Jewelleries from their Chit money. The gold rate will be applied during the time of settlement.

2. AdrushtaAparanji Scheme:

- A batch consists of 100 Nos. of Rs.1000/- each for 15 months.
- Gold rate will be blocked at the date of paying the installment.
- Every month 5 lucky draws are conducted and the lucky winners will be credited with Rs 500/- in their account.
- At the end of the scheme, the accumulated pure gold in the members account gets converted into 22KT Gold .The members are supposed to buy jewelleries from their chit money.
- The installments have to pay regularly and in case of default within 10th of every month penalty of Rs 200/- will be levied into the members Account for every delayed installment.

- The members are not eligible to close the Account prior to maturity. In case of Premature closure, the gold accumulations will not be considered and their money accumulations will only be given back after deducting a penalty of Rs 500/-.

3. AdrushtaAbharana Scheme:

1. A batch comprises of 50 members. Period of the scheme is 15months .Investment of Rs 50,000 payable fully during registration. For 15 months totally 50 lucky draws are conducted. The draws are as follows.
   - General Draw: Every month there will be three lucky winners out of 50 members who gets 2,500/- prize.
   - Megha Prize:Rs 9,000/- megha prize for 1 member on the 1st month, 5th month, 10 month and 15th month.
   - Bumper Prize:Rs 50,000/- worth Gold Jewels for 1 member out of 50 members on the 15th month.
2. A member will have chance to win 2,500/- General prize for 2 times throughout the scheme, 9,000/- Megha prize once. Bumper Prize winning chance is given to all 50 members.

Objectives of the Study

Primary Objectives

- To study the performance of different savings schemes with Private Chit fund companies located at Tirunelveli District.

Secondary Objectives

- To estimate the cost and returns on existing savings schemes.
- To examine that existing savings schemes trends and patterns of growth.
- To make suitable suggestions for improving the savings scheme to gain advantage for the investors in Chit Fund Companies in the future based on the interpreted findings.

Scope of the Study

This study entitled "Performance of different savings schemes" has to be conducted among the investors who have invested their money in Private Chit Fund Companies located at Tirunelveli Districts. The study covers only the schemes of savings operated by the Private Chit Fund Companies located at Tirunelveli District. The study also pinpoints the existing savings schemes of like Navarathiri Plan, BharathiAkshaya Savings Scheme, Silver Savings Scheme, Chithirai Special Savings Schemes and also Gold Savings Schemes etc…offered by Private Chit Fund Companies in Tirunelveli District. This study also covers pattern of growth and returns with the help of return on investment ratio and trend analysis.

Need for Study

The present study has been undertaken to find out the performance of different savings schemes and their return patterns offered by private chit fund players inTirunelveli District. The concept of savings is essential in today's world to meet the unexpected risks happened in the human life. The concept of performance is to minimize the risks in the savings and to maximize the returns. Performance of Savings Schemes is needed for any financial institution to ensure the safety, liquidity and hedge against inflation. This study helps the organization to follow up the existing savings schemes or not in the upcoming years. The organization should pinpoints the additional measures adopted for its future development.

Limitations for the Study

- This study has been conducted by considering only past years data and it is not enough to make conclusion on such study.
- The data have been collected only from the annual reports.
- This study covers only the limited scope of area i.e., only the Tirunelveli Districts itself and not consider the other similar areas.
- This study covers only earnings and not considers the returns and risks.

Review of Literature

Bouman (1981),revealed that Chit Funds in the formal sector also conduct money-lending business unauthorised.The Chit Fund offered a fixed quantity of money at a flexible rate of interest - the rate of interest (the discount) on the Chit amount changing according to the demand for money. Thus it allowed freedom to its borrowers in fixing the rate of interest on the loan

PrabhuGhate (1992),indicated that there was no clear dividing line between formal and informal financial markets, the two being closely intertwined. It also demonstrates that linkages seem to develop spontaneously whenever and wherever people perceive such links as advantages.Savings can be induced if financial institutions which, have no widespread rural network, establish rural offices.

LigetiSande (2011),presented the position of the foreman as well as the subscriber. The report showed that the Chitty allowed a reasonable rate of interest to the subscribers who joined for investment purposes. The Survey mentioned the average duration of Chits as ranging between 28 and 84 months.

Alvin Prakash (2014), described that there is need to regulate the activities of such firms through appropriate regulatory measures. It also showed that before imposing any regulatory measures, steps should be taken to remove the existing credit restrictions and also to expand credit facilities for business purpose

Research Methodology

Type of Research Design: The type of research design used in this project was the analytical research design because it helps to make a detailed analysis of past years data in the organization.

Sources of Data: The secondary data was collected through company profile, journals, websites and other database of the company. All these data were helpful in carrying out the analysis.

Statistical Tools used for Analysis: The statistical tools, which are used, for the research are: 1) Percentage analysis, 2) Ratio analysis and 3) Trend analysis

Data Analysis and Interpretation

Table 3.1 –return on investment ratio for the Navarathiri Plan Scheme (rs. 1250 * 40 = rs.50000)

S. No	YEAR	PROFIT BEFORE TAX(RS)	NET WORTH (RS)	RATIO
1	2012 – 2013	1,05,000	94,500	1.11
2	2013 – 2014	2,95,200	2,36,160	1.25
3	2014 – 2015	3,06,300	2,29,725	1.33
4	2015 – 2016	2,72,300	2,17,840	1.25

Inference: The above table shows that thereturn on investment ratio for the study period 2012-13 to 2015-16.There was a fluctuating trend in the return on investment ratio. It was 1.11 in the year 2012-13. In 2013-14 it was 1.25, in 2014-15, it was 1.33 and in 2015-16, it was 1.25.

Table 3.2–Return on Investment Ratio for the Bharathi Akshaya Scheme (rs. 2500 * 40 = rs.100000)

S. No	YEAR	PROFIT BEFORE TAX(RS)	NET WORTH (RS)	RATIO
1	2012 – 2013	5,63,250	4,05,540	1.39
2	2013 – 2014	6,66,350	4,66,445	1.43
3	2014 – 2015	6,76,700	4,56,772	1.48
4	2015 – 2016	2,24,500	1,79,600	1.25

Inference: The above table shows that the return on investment ratio for the study period 2012-13 to 2015-16.There was a fluctuating trend in the return on investment ratio. It was 1.39 in the year 2012-13. In 2013-14 it was 1.43, in 2014-15, it was 1.48 and in 2015-16, it was 1.25.

Table 3.3 Return on Investment Ratio for the Silver Chits Scheme (rs. 5000 * 30 = rs.150000)

S. No	YEAR	PROFIT BEFORE TAX(RS)	NET WORTH (RS)	RATIO
1	2013 – 2014	9,52,400	6,66,680	1.43
2	2014 – 2015	10,14,850	6,59,652	1.54
3	2015 – 2016	3,37,750	2,70,200	1.25

Inference: The above table shows that the return on investment ratio for the study period 2013-14 to 2015-16.There was a fluctuating trend in the return on investment ratio. It was 1.43 in the year 2013-14. In 2014-15 it was 1.54 and in 2015-16, it was 1.25.

Table 3.4–Return on Investment Ratio for the Chithitai Special Chits Scheme (rs. 6000 * 50 = rs.300000)

S. No	YEAR	PROFIT BEFORE TAX(RS)	NET WORTH (RS)	RATIO
1	2011 – 2012	17,55,950	10,97,469	1.60
2	2012 – 2013	20,86,200	12,51,720	1.66
3	2013 – 2014	20,96,200	12,57,720	1.66
4	2014 – 2015	21,20,100	12,19,058	1.74
5	2015 – 2016	3,56,100	2,84,880	1.25

Inference: The above table shows that the return on investment ratio for the study period 2011-12 to 2015-16.There was a fluctuating trend in the return on investment ratio. It was 1.60 in the year 2011-12. In 2012-13 - it was 1.66, in 2013-14 - it was 1.66, in 2014-15 - it was 1.74 and in 2015-16 - it was 1.25

Table 3.5 Trend Analysis for the Navarathiri Plan Scheme' S Net Profit

S. No	YEAR	NET PROFIT (RS)	X	X^2	XY	TREND VALUE
1	2012 – 2013	94,500	-2	4	-1,89,000	2, 63,662.91
2	2013 – 2014	2,36,160	-1	1	-2,36,160	2, 29,109.58
3	2014 – 2015	2,29,725	0	0	0	1, 94,556.25
4	2015 – 2016	2,17,840	1	1	2,17,840	1, 60,002.92
TOTAL		7,78,225	-2	6	-2,07,320	-

a = **∑Y N**

= 7, 78,225 4

= 1, 94,556.25

b = ∑XY ∑X2

= -2, 07,320 6

= -34,553.33

Y = a + bx

2012 – 2013= 1, 94,556.25 + (-34,553.33 * -2)

= 1, 94,556.25 + 69,106.66

= 2, 63,662.91

2013 - 2014= 1, 94,556.25 + (-34,553.33 * -1)

= 1, 94,556.25 + 34,553.33

= 2, 29,109.58

2014 – 2015= 1, 94,556.25 + (-34,553.33 * 0)

= 1, 94,556.25 + 0

= 1, 94,556.25

2015 – 2016= 1, 94,556.25 + (-34,553.33 * 1)

= 1, 94,556.25 – 34,553.33

= 1, 60,002.92

Table 3.6 - Return on Investment Ratio by Comparing all the Above Schemes

S. No	SCHEMES	PROFIT BEFORE TAX(RS)	NET WORTH (RS)	RATIO
1	NAVARATHIRI PLAN (Rs. 1250 * 40 = Rs.50000)	9,78,800	7,78,225	1.26
2	BHARATHI AKSHAYA (Rs. 2500 * 40 = Rs.100000)	21,30,800	15,08,357	1.41
3	SILVER CHITS (Rs. 5000 * 30 = Rs.150000)	23,05,000	15,96,532	1.44
4	CHITHIRAI SPECIAL (Rs. 6000 * 50 = Rs.300000)	84,14,550	51,10,847	1.65
5	GOLD CHITS (Rs. 10000 * 50 = Rs.500000)	1,42,75,400	84,22,018	1.70
6	DUAL - GOLD CHITS (Rs. 25000 * 40 = Rs. 1000000)	2,02,77,750	1,14,09,360	1.78
7	PLATINUM CHITS (Rs. 50000 * 40 = Rs.2000000)	4,49,35,100	2,47,57,864	1.81

Inference: The above table shows that the return on investment ratio by comparing all the above schemes namely: Navarathiri Plan, Bharathi Akshaya, Silver Chits, Chithirai Special, Gold Chits, Dual – Gold Chits and Platinum Chits Scheme.There was a fluctuating trend in the return on investment ratio. It was 1.26 for the Navarathiri Plan Scheme, 1.41 for the BharathiAkshaya Scheme, 1.44 for the Silver Chits Scheme, 1.65 for the Chithirai Special Scheme, 1.70 for the Gold Chits Scheme , 1.78 for the Dual – Gold Chits Scheme and 1.81 for the Platinum Chits Scheme.

Findings

There was a fluctuating trend in the return on investment ratio,

- In Navarathiri Plan, 2014 – 2015 have the highest percentage of return on investment with 1.33%.
- In BharathiAkshaya Scheme, 2014– 2015 have the highest percentage of return on investment with 1.48%.
- In Silver Chits Scheme, 2014 - 2015 have the highest percentage of return on investment with 1.54%.
- In Chithirai Special Scheme, 2014- 2015 have the highest percentage of return on investment with 1.74%.
- Navarathiri Plan is in the decreasing trend and the period 2014 – 2015 have the highest trend value with Rs. 2, 63,662.91.

- By comparing all the above schemes, Platinum Scheme has the highest percentage of return with 1.81%.

Suggestions

- Efforts should be taken to increase the overall efficiency in return out of capital employed by making used of the available resource effectively.
- Credit Rating must be made compulsory for all those Chit companies, which accept deposits from the public.
- Chit companies rated with the highest safety could be permitted to conduct 'Corporate Chits' with a ceiling on ChitSala. The Minimum paid up capital for such Chit companies should be enhanced.
- Co-operatives' Chit scheme may be opened to all rather than only to the members, along with the introduction of the Chitty loan scheme of the type offered by ShriRam Chit Funds at reduced interest rate.
- Introduction of salary deduction provision to suit the salaried class and the diversification of Chit schemes like Vehicle Chits, Marriage Chits, Education Chits, House Loan Chits, Land Chits, Consumer Durable Chits, Chit Schemes suited for students etc, could be introduced.

Conclusion

Chit Funds contribute to the value of financial markets in India particularly in Tamilnadu. Chit Finance with its unique features is of great significance especially as a saving cum borrowing avenue. Though Chit as pure saving and borrowing avenues seem less restrictive, people from all walks of life prefer the scheme due to its facility of getting future savings in advance, convenient and contractual way to save and the facility of dual option for saving and borrowing. Chit as an indigenous financial instrument is complementary to modern financial techniques of savings and borrowings. The element of mutual help and co-operation inherent in Chits makes it distinct from other similar savings schemes. It is no wonder, therefore that Chit Funds have survived the test of time and have become an important part of the culture and traditions of the people of Tamilnadu and South India.

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