



## RISK AND RETURN OF CHIT FUND INVESTORS IN CUDDALORE DISTRICT

**Mrs. P. Vijayalakshmi**

Ph. D Researcher Scholar, PG & Research Department of Business Administration  
Annamalai University, Chidambaram, Tamil Nadu

**Dr. P. Jayakumar\***

Assistant Professor, PG & Research Department of Business Administration  
Annamalai University, Chidambaram, Tamil Nadu \*Corresponding Author

**ABSTRACT** Chit fund is long term investment promote small savings credit service who is financial weaker section of the people are benefited their society. Chit fund are help of financial assistance for sustainable growth of capital resources contribute the support disadvantaged group of people. Chit funds are working capital of financial fund rotating cycle on collection of money between the group of people and also given credit. Chit fund is mechanism issue credit is expected to overcome such problems with subscribers is more than inclined towards high risk. Chit fund are provides for the subscription of different dimension on financial service obligation the subscription of money. Chit fund financial security that is investors on chosen the prefer of investment both valuable and security of investment. This paper is highlighted on risk and return of chit funds investment in Cuddalore District.

**KEYWORDS :** Chit, Risk, Finance, Assets, Investment

### INTRODUCTION

Chit fund is one of financial instruments dimension of small saving and credit linkage transfer of association or group of people. Private chit funds may be organized large number of person is voluntarily association, financial institutions, friends and relatives etc. A chit fund is formally rotating savings agreement among different group of persons. Chit fund commenced the foreman register the company with the registrar of chits under provision of ACT 1982. Chit is financial arrangement wherein certain number of person/subscribers enter into agreement that subscribers to a certain sum of money by the way of installments over definite periods. Chit funds is mainly consider subscriber be entitled to prize amount as determined by the lot or tender or auction notice in such manner in the chit management. Private chit Funds Company collects the subscriptions of by the way of installments over the definite periods from the certain numbers of investors. Chit fund is critical investment that each members is empowered to bid for agreement between the group of person mutual help of financial rotation.

### Objectives

1. To analyze the risk and return of investing in chit fund among the investors in Cuddalore district.
2. To understood risk in chit fund relating to various information faced by investors.
3. To promote the liquidity management convertible into cash of chit funds.
4. To give more valuable suggestions and conclusion.

### Hypothesis

1. There is no association between prefer of chit fund and return of investing in chit funds with related factors. H1 is accepted.
2. There is no association between level of risk and return of investing in chit fund with related factors. Ho is rejected.
3. There is no association between risks of chit funds and return of investing in chit fund with related factors. H1 is accepted.
4. There is no association uncertainty risk of chit funds and return of investing in chit fund with related factors H1 is accepted.

### Research Methodology

The present study is descriptive in nature using both primary data and secondary data. Primary data were collected through interview schedule from the respondents in the study area. Secondary data were collected from various journals, magazines, newspaper related website and records of etc. The collected primary data were analyzed by using appropriate Statistical tools like Simple percentage and Chi - Square analysis.

### Sampling Techniques

The study is based on simple random sampling technique. The researcher has collected the primary data through survey fact investigation both urban and rural from chit fund holder respondents in

the study areas. The researcher was selected 75 respondents on the basis of convenience sampling techniques. Hence, the total sample size is restricted to 75 respondents for the study.

**Table - Risk of Investing in Chit Fund**

Variables	Respondents	Percent	Chi - Square
<b>Prefer of Chit Funds (More Return)</b>	17	22.67	Chi-Square Value 28.723 DF 2 Table value at 1% 32.312 Not Significant
Liquidity	10	13.33	
Tax benefits	14	18.67	
Safety	11	14.67	
Profitability	8	10.67	
Diversification	15	20	
<b>Total</b>	<b>75</b>	<b>100</b>	
<b>Level of Risk (No Risk)</b>	21	28	Chi-Square Value 29.723 DF 1 Table value at 1% 24.812 Significant
Low risk	13	17.33	
Balanced risk	14	18.67	
High risk	10	13.33	
Very high risk	17	22.37	
<b>Total</b>	<b>75</b>	<b>100</b>	
<b>Risk of chit funds (Agent and brokers)</b>	25	33.33	Chi-Square Value 36.723 DF 3 Table value at 1% 39.335 Not Significant
Lack of information in advertising	12	16	
No clear idea about public issue	11	14.67	
Lack of initiates by the industry	20	26.67	
Others	7	9.33	
<b>Total</b>	<b>75</b>	<b>100</b>	
<b>Uncertainty of Risk (financial)</b>	13	17.33	Chi-Square Value 11.263 DF 3 Table value at 1% 14.223 Not Significant
Political	14	18.67	
Heavy competitor	10	13.33	
Change trends in business	20	26.67	
Power of Acts/legislation	18	24	
<b>Total</b>	<b>75</b>	<b>100</b>	

Sources: Primary Data-2019

The calculated chi square value is (28.732) lower than the table value (32.312) at 1 per cent level of significance. Therefore, there is a significant relationship among prefer of chit fund with the return of investment in chit funds used in Cuddalore Dist. Hence the null

hypothesis (H1) is accepted.

It is found that chi square value is (29.723) greater than the table value (24.812) at 1 per cent level of significance. Therefore, there is a significant relationship among level of risk with the return of investment in chit funds used in Cuddalore Dist. Hence the null hypothesis (H2) is rejected.

It is inferred that chi square value is (36.723) greater than the table value (39.335) at 1 per cent level of significance. Therefore, there is a significant relationship among risk of chit funds with the return of investment in chit funds used in Cuddalore Dist. Hence the null hypothesis (H1) is accepted.

It is analyzed that chi square value is (11.263) lower than the table value (14.223) at 1 per cent level of significance. Therefore, there is a significant relationship among uncertainty of risk with the return of investment in chit funds used in Cuddalore Dist. Hence the null hypothesis (H1) is accepted.

**Table- 2 Return of Investing in Chit Funds**

Variables	Respondents	Percent
<b>Experience of investment in chit funds (1-3 years)</b>	23	30.67
4-6years	17	22.67
7-10years	15	20
More than 11 years	20	26.67
<b>Total</b>	<b>75</b>	<b>100</b>
<b>Safety/Return of chit funds</b> Fixed deposit	19	25.33
Equity/debentures	24	32
Land / Other physical assets	20	26.67
Gold/silver	12	16
<b>Total</b>	<b>75</b>	<b>100</b>
<b>Information of Subscribers</b> Telephone	12	16
Postal communication	11	14.67
Development officers	16	21.33
Courier services	17	22.67
E-mail	10	13.33
SMS	9	12
<b>Total</b>	<b>75</b>	<b>100</b>

Sources: Primary Data-2019

Table- 2 reveals that return of investing in chit funds 30.67 percent of the respondents are having experience (1-3 years), 26.67 percent of the respondents are having experience more than 11 years, 22.67 percent of the respondents are having experience 4-6years, 20 percent of the respondents are having experience.

32 percent of the respondents are return of chit funds fixed deposit, 26.67 percent of the respondents are return of equity/debentures, 25.33 percent of the respondents are return of land / other physical assets, 16 percent of the respondents are return of Gold/silver It is found that 22.67 percent of the respondents are information sharing through Courier services, 21.33 percent of the respondents are information sharing by development officers, 16 percent of the respondents is communication through telephone, 14.67 percent of the respondents followed the postal communication, 13.33 percent of the respondents are regularly using E-mail and remaining 12 percent of the respondents are networks of SMS.

**Table- 3 Level of Return in Chit Funds**

Variables	SA	A	NO	DA	SDA	Total
<b>Benefit of Small Investors</b>	21	23	10	12	9	<b>75</b>
	28	30.67	13.33	16	12	<b>100</b>
<b>High return low risk</b>	11	20	15	10	19	<b>75</b>
	14.67	26.67	20	13.33	25.33	<b>100</b>
<b>Public chit fund more secured</b>	26	19	13	11	6	<b>75</b>
	34.67	25.33	17.33	14.67	8	<b>100</b>
<b>Private chit fund high return</b>	20	17	10	18	5	<b>75</b>
	26.67	22.67	13.33	24	6.67	<b>100</b>
<b>Chit fund easily collection of liquidity</b>	25	11	9	13	17	<b>75</b>
	33.33	14.67	12	17.33	22.67	<b>100</b>

Collection of due reasonable interest rate	31	20	5	8	11	<b>75</b>
	41.33	26.67	6.67	10.67	14.67	<b>100</b>
Transparency of chit fund operation	21	17	13	10	14	<b>75</b>
	28	22.67	17.33	13.33	18.67	<b>100</b>
ICT on chit funds is available	15	18	12	14	16	<b>75</b>
	20	24	16	18.67	21.33	<b>100</b>

Sources: Primary Data-2019

Table- 3 level of return in chit funds 30.67 percent of the respondents benefit of small investors is agree, 26.67 percent of the respondents said that high return low risk is agree, 34.67 percent of the respondents opinion that public chit fund more secured, 26.67 percent of the investors feel that private chit fund high return, 33.33 percent of the respondents level chit fund easily collection of liquidity is strongly agree, it is highlighted 6.67 percent of the respondents collection of due reasonable interest rate is no opinion, 13.33 percent of the respondents said that transparency of chit fund operation is disagree and remaining 16 percent of the respondents is ICT on chit funds is available.

## SUGGESTIONS

1. Chit funds are help and support the small financial assistance of micro entrepreneurs promotes the economic empowerment. Chit funds are benefiting emergency money supplies for secured of collateral security.
2. Private chit funds number of formalities collected from investors after give guideline repayment of loan. Private chit funds should be reducing collection high interest rate due to more time will be extent the period of closing time. Chit funds are not security of any financial assets is uncertainty of risk in private chit funds.
3. Private chit funds are ICT communication facilities on lacking sharing of information regarding interest rate, period of due repayment of loan and policy settle the credit. Investors have no awareness whatever the benefit are utilizing for future to analysis valuable of credit.
4. Information and communication technology networks are not ensuring sharing technical aspect of regularly information is not updated. Public chit fund create the self confidence, risk and return of chit funds and micro loan benefited small investors.
5. Return of chit funds contribute fixed deposit followed the chit funds agencies. Investors easily convertible into cash debenture and other physical assets. Chit funds given the valuable of security both financial and non financial assets.

## CONCLUSION

Chit funds is one of the financial services of socio-economic backward areas people promote the empowerment in society. Chit funds are emergency help and support financial for security of assets contribute small portion of money through various financial institutions. Chit funds is unorganized sector they can easily commenced minimum number of people joining the group. Chit funds is formation easy to join there is little paperwork to be finished set up based on trust members. Chit fund is indigenous saving and credit service of individuals who bids the early in the chit funds paying effective interest to availability of funds. Chit funds are collection of money rotating between groups of people given financial services throughout areas. Private chit funds collection of high interest for lending and borrowing of money from subscribers. Investors have fixed the determination of quality services on chit funds borrowing the money and investment for specific organization.

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