

Customer Perception of Chitty Business of Kerala State Financial Enterprises Limited –A Case Study of Thalayolaparambu Branch

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ABSTRACT

Kerala State Financial Enterprises (KSFE) is a Miscellaneous Non-Banking Financial Company(NBFC) and is fully owned by the Government of Kerala. KSFE is the only Chitty Company owned by the Government in the Whole of India.Chitty is the main product of KSFE.It is a unique financial product, which blends the advantages of both investment and advance.It is a risk free safe haven for the public as KSFE conducts onlychitties. It is fully governed by the provisions of Chit Fund Act 1982.The instalment per month for chitties range from Rs 1000 to Rs 500000 and the usual duration of chitties are 30 months,40 months,50 months ,60 months and 100 months.Other schemes include Loans and Advances,Depositschemes,fee based activities and securities.Although Chitty is in essence a loan / advance scheme,forsubscribers whose chitties are not getting prized and at the same time they are in need of money ,relief has been provided by two loan schemes built within the chitty schemeViz .Chitty pass book loan and new chitty loan. KSFE offers other loans /advances schemes,comparable to those given by Banks and other financial institutions, and the same includes –Gold loan scheme,Reliable customer loan,Consumer/Vehicle loan,Special car loan,New housing finance scheme ,Flexy trade loan,Tax planning loan scheme ,fixed deposit loan scheme,Sugama (Akshaya) overdraft scheme,Vidyadhanam education loan scheme and KSFE Haritham loan scheme.Deposit schemes include Fixed Deposit,Short Term Deposit,Sugama Deposit (Which is similar to the savings deposit in banks),Chitty security Deposit –in-Trust and Suguma security account.Fee based activities of KSFE are Western Union Money Transfer and Xpress Money Transfer.From Chitty subscribers and customers who avail loans /advances of KSFE,KSFE accepts various types of securities which include Fixed deposit with KSFE or approved banks,Banksguarantee,NRID deposits,LICPolicies,National saving certificate(NSC),Kisanvikaspatra (KVP),Chitty pass book of Non-prized chitties ,Gold security ,Post –dated cheques,Personal surety and property security.This study is on customer perception of chitty business of KSFE with special reference to Thalayolaparambu branch.

KEY WORDS: Chitty,Sugama,Prized,Subscriber,Foreman.

1. INTRODUCTION

ksfe was created by the Government of Kerala on 6th November 1969.It started functioning with Thrissur city as its headquarters.It started with a capital of Rs 200000,45 employees and 10 branches.It has now 568 branches and eleven Regional offices at Thiruvananthapuram,Kollam,Kottayam,Ernakulam,Thrissur,Kozhikode,Kannur,Attingal,Alappuzha,Kattappana and Malappuram At present,Paid up capital is Rs 1000 Crores.Total number of employees is 6426, branches are 600, number of customers is more than 33 lakhs and annual business is Rs 28,960 Crores.The main product of KSFE is chitty.The word Chit means a written note.ie a small paper with something is written.Chitty or Kury is the oldest of the fund institution in India.It existed in India,especially in Southern Region in the following different forms-simplechits

,pricechitsand business chits.Whatever may be the name,it involves regular periodical subscriptions by a group of persons and arrange merits under which each member of the fund is entitled to the periodical collection.A chit fund is superior to other savings and credit institutions in that it is more than a saving bank to the saver and more than lender to the borrower .While the depositor in a saving institution get back only his total savings at any time, the saver in a chit fund can take the future savings as well in advance .

CHITTY

According the section 2 (2) of the Kerala Chitties Act 1975” ,Chitty means a transaction whether called chitty or kuri by which one or more persons here in after called foreman or foremen enter into an agreement with a number of persons that every one of the contracting parties shall subscribe a certain amount of money or quantity of grain or commodity by periodical instalments for a certain definite period and that each in his turn as determined by lot or auction or by both shall be entitled to the prize amount whether payable in cash , kind or any other article of value or in such other manner as may be provided for in the agreement”

CHIT AGREEMENT

It means that the document containing the articles of agreement between the foreman and the subscribers.

CHIT AMOUNT

It means the sum total of the subscriptions payable by all the subscribers for any instalment of chit without any deduction of discount

DEFAULTING SUBSCRIBER

It means a subscriber who has defaulting in the payment of subscriptions due in accordance with the terms of the chit agreement.

DISCOUNT

It means a sum of money which the prized subscriber is required to forego which is set under the said agreement to the expenses of running the chit or for distribution among the subscribers or for both.

DIVIDEND

It means the shares of the subscriber in the amount of discount available under the chit agreement for rateable distribution among the subscribers at each instalment of the chit.

DRAW: It means the manner specified in the chit agreement for the purpose of ascertaining the prized subscriber at any instalment of the chit.

FOREMAN

It means persons who under the chit agreement are responsible for the conduct of the chit.

PRIZE AMOUNT

It means difference between the chit amount and discount.

PRIZED SUBSCRIBER

It means the subscriber who has either received or entitled to receive the prize amount.

SUBSCRIBER

It includes a people who hold a fraction of a ticket and also a transferee of a ticket or fraction there by assignment is writing or by operation of law.

TICKET

It means the share of a subscriber in a chit

DURATION OF CHIT

Duration of chit shall not extent beyond a period of 5 years from the date of its commencement. But this period may be extended by the State Government to a maximum of

YEARS AFTER CONSIDERING

- Financial conditions of Foreman
- Its method of operation
- The interest of prospective subscriber
- The requirements to security.

DISCOUNT

The amount of discount shall not exceed 30% of the chit amount.

SELECTION OF A PRIZED SUBSCRIBER

Where the prized subscriber at any instalment of chit is required to be determined by auction and more than one person offer the maximum discount, the prized subscriber shall be determined by lot.

FILLING OF CHIT AGREEMENT

Every chit agreement should be filed in duplicate by the foreman with Registrar. The Registrar shall return one copy of the chit agreement and return the duplicate to the foreman with an endorsement that the chit agreement has been registered.

COMMENCEMENT OF CHIT

The Foreman should after all the tickets specified in the chit agreement are fully subscribed, file a declaration to that effect with the Registrar. Receiving and scrutinising the declaration, the Registrar will issue a certificate of commencement which is the official permission to commence auction or the draw of any chit. The foremen should grant to every subscriber a copy of chit agreement certified to be a true copy.

ALTERATION OF CHIT AGREEMENT

A chit agreement shall not be altered, added to or cancelled except with the consent in writing of the Foreman and all the subscribers to the chit.

DATE, TIME AND PLACE OF CONDUCTING CHITS

Every draw in a chit shall be held on the date, at the time and place mentioned in the chit agreement and a notice shall be issued by the foreman to all the subscribers.

SCOPE OF THE STUDY

The present study has been made to identify the customer perception of chitty business of KSFE Ltd in Thalayolaparambu branch.

REVIEW OF LITERATURE

Review of literature related to the topic. A review of various studies on Chit funds is given.

- Preethi Rao¹ suggested that chit funds are good financial resources to small businesses, which have been suffered from the money lenders with their high cost of loans and banks with their stringent procedures. They can save the money with chit funds and when in any emergency need of capital they can take loan out of the money saved. The author has mentioned that the reason of failures of chit funds, like the regulatory hurdles due to the stringent rules proposed by the Government and the increased cost of operations for the registered companies are the setbacks of the industry. Because of these reasons, the registered companies are shifting their operations to unregistered companies.
- The RBI reports in Trend and Progress of Banking in India² “indicates that even after the four decades of banks nationalisation, country’s, 41 percent adult population remained outside banking system but are surmised to be covered by the NBFCs wise Chit Funds.
- According to Y Bala Bharathi and Sanjoy De³- NBFCs are financial entities that provide banking services without meeting the legal definition of a bank. They are typically not allowed to take deposits from general public and hence have to seek other means of funding. These NBFCs have matured a lot and even withstood the recent deadly crisis with a lot of resilience. NBFCs can reach the unorganised segments of society with their ability to provide innovative and financial services. These entities play a critical role in disbursing credit to the rural sector, thus preventing the concentration of credit risks in banks. In urban areas too, NBFCs focus on non – salaried individuals, traders, transporters, and stock brokers who are neglected by banks.
- Dr. Amrit Patel and Dr. Gopal Kalkote⁴ mentioned that according to RBI, the major reason for increase on overall household debt and increase in the share of rural household

indebtedness to non-institutional sources was a significant increase in the current farm expenditure and household expenditure for which households found it difficult to obtain loans from banks. In addition to that the cumbersome procedure of submitting various documents with loan applications and documentation process led to an average of 33 weeks taken by commercial banks to approve loans. At the scenario is niche for chit fund like entities under the banner of NBFCs.

- Preethi Rao Chit Funds; A boon to small enterprises “Institute for Financial Managements and Research, Chennai, (India) working paper series January (2007)
- Reserve Bank Of India, 2008 Report on Trend and Progress of Banking in India, 2007-08 Mumbai
- Y. Bala Bharathi and Sanjoy De, “NBFCs A Mature Show”, Chartered Financial Analyst, November 2009, PP. 12-14
- Dr. Amrit Patel and Dr. Gopal Kalkote “Rural Credit: How to take forward?”, The Indian Banker Vol V No. 2, February 2010, PP 20-25.

- Namrata Acharya⁵ mentioned that chit funds are looking down in terms of Number and are growing in terms of value. The registered chit funds find it less lucrative to fund poor due to the rising operating costs. According to AIACF running chit funds is no longer viable. Though the money circulated has increased, the number is going down further in the years to come. On the other hand, unregistered Chit funds have found utility in evading tax and access to large deposits. The clout of unregistered Chit funds is tremendous. The number of unregistered companies almost 100 times than the registered companies.

2. OBJECTIVES OF THE STUDY

This study aims at the following objectives

- To evaluate the customer services of KSFE Ltd.
- To find out the extent of subscriber’s satisfaction of chitty business in KSFE Ltd
- To evaluate the services of office staff in KSFE Ltd.

3. METHODOLOGY

Both primary and secondary data were used for the study. The primary data were collected from the sample customers using the structured questionnaire. The secondary data were collected from KSFE reports, records, books, periodicals and the internet. The sample size is 80 respondents. All data collected have been classified, sorted and tabulated for giving more apprehensions. Sample statistical tools like Percentage, Ranking, Chi-square etc are used for analysing the study.

ANALYSIS AND INTERPRETATION

The KSFE emerged as a hope and relief investing public whose main outlook was security coupled with profit. KSFE is the only Govt undertaking which conduct chitty business very efficiently in Kerala. The Respondents were quiet Co-operative with their replies to the various questions. They were strong in their opinion regarding the current services and functioning of

the KSFE Ltd. For the study a sample survey was conducted on 80 chitty subscribers of Thalayolaparambu branch.

From the following table it is found that majority of respondents are middle aged i.e. 65% comes under the age group of 40-60 years. And the balance 25% comes under the age group of 20-40 and 60-80 years

EDUCATIONAL QUALIFICATION

Respondents are classified into four such as under graduates, graduates, post graduates and others. Table 1 shows that 50% of the respondents are graduates, 25% are Post graduates, 15% are under graduates and remaining 10% are in other Professional qualifications.

- Namrata Acharya, “Unregistered Chit Funds having a field day” an article published in Business Standard Kolkata, July 25, (2010)

EDUCATIONAL QUALIFICATION OF RESPONDENTS

Sl No	Particulars	Numbers	Percentage
1	Undergraduates	12	15
2	Graduates	40	50
3	Post-Graduates	20	25
4	Others	08	10
TOTAL		80	100

TABLE NO 1

Source: Primary data

OCCUPATION OF RESPONDENTS

For the purpose of study respondents are classified on the basis of their occupation i.e. Agriculture, Employment, Profession, Business and others. Table 2 reveals that 31% of the respondents are Business, 34% are employed, 10% engaged in Agriculture, 19% engaged in Profession and remaining 6% comes under the group of others.

OCCUPATION OF RESPONDENTS

Sl No	Particulars	Numbers	Percentage
1	Agriculture	08	10
2	Profession	15	19
3	Business	25	31
4	Employment	27	34
5	Others	05	06
TOTAL		80	100

TABLE NO 2

Source: Primary data

INCOME WISE CLASSIFICATION OF RESPONDENTS

The income wise classification of respondents reveals that monthly income of 6% of respondents is below Rs 4000/-.The monthly income of 25% respondents is in between Rs 4000-8000 and 50% of respondents is between Rs 8000-12000 per month and 19 % is above Rs 12000.This Table shows that majority of respondents fall under the income group of Rs 8000-12000

MONTHLY INCOME OF RESPONDENTS

SI NO	Particulars	Numbers	Percentage
1	Below Rs 4000	05	06
2	Rs 4000-8000	20	25
3	Rs 8000-12000	40	50
4	Above Rs 12000	15	19
TOTAL		80	100

Source: Primary data

MONTHLY INSTALMENT

The type of chitty is identified by its monthly and duration.This Table shows that 50% of subscribers join chitties of 1000-2000 monthly instalment,25% of chitty subscribe monthly instalment of Rs 2000-3000.15 % prefer chitties having monthly instalment of above Rs 3000 and remaining 10% less than Rs 1000/-

MONTHLY INSTALMENT PREFERRED BY RESPONDENTS

SI No	Particulars	Numbers	Percentage
1	Less than 1000	08	10
2	1000-2000	40	50
3	2000-3000	20	25
4	Above 3000	12	15
TOTAL		80	100

TABLE NO 3

Source: Primary data

DURATION OF CHITTY

There are chitties having different maturity period.The following table shows different maturity and number of subscribers.

SI No	Particulars	Numbers	Percentage
1	Less than 30 months	08	10
2	30-60 months	12	15
3	60-90 months	15	18
4	Above 90 months	45	57
TOTAL		80	100

TABLE NO 4

Source: Primary data

EVERY Subscriber has to furnish security getting Prize money for KSFE Subscribers offer different type of security.Most of the subscribers given personal security.

SECURITY FOR GETTING PRIZE MONEY

SL NO	Particulars	Numbers	Percentage
1	Personal security	45	56
2	FD receipt	17	21
3	Pass book	07	09
4	Property	11	14
TOTAL		80	100

TABLE NO 5

REASONS FOR JOINING KSFE CHITTY

SI No	Particulars	Rank of Respondents						
		No .1	No.2	No.3	No.4	No.5	Total points	Ranks
1	Govt Undertaking	32	13	9	13	13	278	1
2	Chitty Loan Facility	16	24	15	13	12	259	2
3	Small & High Denomination	12	14	27	15	12	239	3
4	Permanency Nature	11	17	16	23	13	230	4
5	Good Customer Service	9	12	13	16	30	194	5
TOTAL		80	80	80	80	80		

TABLE NO 6

FINDINGS

- Around 75% of the respondents are graduates and post graduates.
- It is found that around 65% of subscribers consist of employees and businessmen.
- The income level of majority of respondents is in between 4000 to 12000. Most of the subscribers are middle class people.
- Majority of the subscribers for 50 month chitty having monthly instalment of Rs 2000 then the sale is Rs 100000.
- Around 57% of subscribers furnish personal surety for getting prize money.
- The main reason for joining KSFE chitty is the fact that it is a Govt. undertaking

RECOMMENDATIONS

- KSFE should simplify the excess legal formalities.
- The rigid security for getting prize money is to be normalized.
- KSFE should boost up the services of agents.
- It has to implement measures for providing better customer service.
- It has to reduce the interest for chitty loan to a considerable level.
- KSFE has to open more branches in rural areas and increase propaganda about its dedicated services.

4. CONCLUSION

From the above findings it can be concluded that KSFE Limited is helps to develop saving habits among people. Since the main business of KSFE is Chitty. It must be redesign to attract people from all walks of life. The KSFE with its vast possibilities and expansions has definitely got a brightening future. Being unique venture in India; the KSFE has become one of the few public undertakings in the state which has made profit from the very start.

5. REFERENCES

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