

**GROWTH CHALLENGES AND OPPURTUNITIES IN CHIT FUNDS
ORGANISATION S WITH REFERENCE TO COIMBATORE.**

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ABSTRACT

The chit fund industry, a traditional savings and investment scheme, has faced a myriad of challenges and opportunities as it adapts to evolving economic and regulatory environments. This study examines the growth challenges and opportunities of chit fund organizations in Coimbatore, a prominent city in Tamil Nadu, India. The research identifies key issues such as regulatory constraints, market competition, technological advancements, and changing consumer preferences that impact the sector's growth trajectory. Additionally, it explores opportunities for innovation, customer engagement, and market expansion. By analyzing these factors, the study provides insights into strategic approaches that chit fund organizations in Coimbatore can adopt to navigate challenges and leverage growth opportunities, contributing to the sector's sustainability and development in a dynamic financial landscape.

KEYWORDS : Chit funds, Ranking, Loan, Borrowings

INTRODUCTION

The Indian version of the well-known Rotating Savings and Credit Associations (ROSCA) is called a chit fund.¹ One way to "save and borrow" simultaneously is using ROSCAs. It is regarded as one of the best tools for meeting the needs of the underprivileged. Chit funds were first conceptualized over a millennium ago. At first, it took the shape of an unofficial group of homes and traders in a community, to whom members gave money in exchange for an accumulation of funds at the conclusion of the group's term. Purchasing property was the primary reason for participating in chit funds. Since the Chit Funds Act was introduced, first in 1961 (the Madras Act) and then revised in 1982 (the Central Act), chit funds have been subject to strict regulations. But there are doubts about the stated Act's intent and how it will help the

chit fund sector. Above all, chit funds provide Small and Medium Enterprises (SMEs) with an easy and profitable way to receive financing

STATEMENT OF PROBLEM

The problem of chit funds in Coimbatore can be articulated through the following statement:

"The proliferation of unregulated chit funds in Coimbatore has led to widespread financial exploitation and fraud, jeopardizing the savings and financial security of countless individuals. Despite their traditional appeal as a means of pooling resources for collective benefit, many chit funds operate outside regulatory oversight, exposing participants to significant risks of loss due to mismanagement, fraud, and outright scams. The lack of stringent enforcement of regulations, coupled with inadequate consumer awareness, exacerbates the vulnerability of citizens, particularly those from lower socio-economic backgrounds, to predatory practices by unscrupulous operators. Consequently, there is an urgent need for comprehensive regulatory reforms, enhanced consumer education, and proactive enforcement measures to curb the rampant abuse within the chit fund industry and safeguard the financial interests of Coimbatore populace."

SCOPE OF THE STUDY

Measure the depth of women entrepreneurs' knowledge about government programs that support the growth of their businesses and personal development. Identify the specific methods that women entrepreneurs are most familiar with, least familiar with, or neither. To support and help these businesses meet the challenges and take advantage of the opportunities to improve their efficiency and competitiveness, the government can use the survey results to research policy and design suitable strategies and measures for raising awareness.

OBJECTIVES OF THE STUDY

1. To study the functions and working of the chit fund organizations in Coimbatore.
2. To examine the legal rules pertaining to the chit fund schemes offered by the Chit fund organizations.
3. To examine the key factors influencing the growth of chit funds business and to find out the problems, if any, faced by the chit fund organizations

LIMITATIONS OF THE STUDY

- The study addresses only the growth, challenges and opportunities prevailing for the chit fund organizations and the subscriber 's views were not included.
- Higher number of samples would have obtained. This would have increased the validity of the study; however, the study results are sensitized to ensure that the present sample size taken is sufficient enough to derive the conclusion.

RESEARCH METHODOLOGY

This study has been conducted among the Chit Funds organizations those who are belong to the Coimbatore District of Tamil Nadu, India. The most important thing has to understand that research methodology is system to solve the related problem.

RESEARCH DESIGN

Research design is said to be the systematic approach of studying a research problem.

SAMPLING TECHNIQUE

Convenient Sampling Method is used in the study.

SAMPLE SIZE

The study was conducted with a sample size of 30 respondents.

AREA OF THE STUDY

Area of the study covers the people related to Chit Funds organizations in Coimbatore.

TOOLS TO ANALYSIS

- Simple Percentage Analysis
- Weighted Average Method
- Ranking Analysis
- Chi Square

SOURCES OF DATA COLLECTION

The data has been collected from both primary and secondary sources.

REVIEW OF LITERATURE

V.Natarajan, O.Chandra Sekhara Reddy and Mrs. Hiwot Bekele (2015) This study was concerned with evaluation of the effectiveness of financial performance of cooperatives: case study of Lume Adama farmers' Cooperative Union in Oromia Regional State at East shoa Zone, Lume district. For this purpose, the data was collected from secondary sources, like financial statements and audit reports of the union. The study was considered five years audited report by- law with regard quantitative data analysis by using the financial analysis tools. Analysis covered a period of 2009 to 2013. The findings from the study revealed that trend of membership of the Union was increasing during the study period but the result of evaluation of the effectiveness of financial performance illustrated.

K.Priya and G.Palaniyammal (2015) This project report on ratio analysis assesses the financial strengths and weakness of Carborundum Universal Ltd, Hosur through financial ratio analysis. To evaluate the performance of the company by using ratios as a yardstick to measure the efficiency. To understand the liquidity, profitability and efficiency positions of the company during the study period. This study has tried to make comparisons between the ratios during different periods. Convenience sampling method was used. Finally, it concludes that financial position of Carborundum Universal Limited Hosur is in progressive satisfactory. The company has every opportunity to get its growth to a good and extent in future.

Andika Priyadi Putra, Laura Lahindah and Bambang Rismadi (2014) The purpose of this study is to contrast the financial performance on oil and gas sector before and after global crisis. On this research the financial performance will examine with three ratio perspectives, profitability ratio, liquidity ratio, and market ratio. Three companies are selected by purposive sampling technique. The data type is secondary data which collected by financial report per quarter. The period was divided to two periods, before global financial (2006-2008) and after global crisis (2009-2011).

DATA ANALYSIS**CHI- SQUARE****RELATIONSHIP BETWEEN AUTHORIZED CAPITAL AND ANNUAL TURNOVER**

| CATEGORY | 25-50 crores | 50-75 crores | less than 25 crores | more than 75 crores | Total |
|-----------------------------|---------------------|---------------------|----------------------------|----------------------------|--------------|
| 25-50 crores | 1 | 2 | 5 | | 8 |
| 50-75 crores | 3 | 3 | | 3 | 9 |
| less than 25 crores | 1 | 1 | 10 | | 12 |
| more than 100 crores | | | 1 | | 1 |
| Total | 5 | 6 | 16 | 3 | 30 |

CHI SQUARE ANALYSIS

| CATEGORY | 25-50 crores | 50-75 crores | less than 25 crores | more than 75 crores | Total |
|-----------------------------|---------------------|---------------------|----------------------------|----------------------------|--------------|
| 25-50 crores | 1.333333333 | 1.6 | 4.266666667 | 0.8 | 8 |
| 50-75 crores | 1.5 | 1.8 | 4.8 | 0.9 | 9 |
| less than 25 crores | 2 | 2.4 | 6.4 | 1.2 | 12 |
| more than 100 crores | 0.166666667 | 0.2 | 0.533333333 | 0.1 | 1 |
| Total | 5 | 6 | 16 | 3 | 30 |

P-VALUE=0.258348292**INTREPRETATION**

The above table reveals that, calculated p-value is 0. 258348292 are not significant. The calculated p-value is more than the 5% (0.05) level of significance. So, the null hypothesis is accepted. Hence, there is no significance relationship between the authorized capital and annual turnover of the company.

WEIGHTED AVERAGE METHOD**LEVEL OF RISK INVOLVED IN THE BUSINESS**

| LEVEL OF RISK | VERY HIGH | HIGH | NEUTRAL | LOW | VERY LOW | TOTAL | MEAN SCORE |
|-------------------------------|------------------|-------------|----------------|------------|-----------------|--------------|-------------------|
| Financial Risk | 9 | 10 | 6 | 3 | 2 | 30 | |
| | 45 | 40 | 18 | 6 | 2 | 111 | 3.7 |
| Political Uncertainty | 0 | 16 | 10 | 4 | 0 | 30 | |
| | 0 | 64 | 30 | 8 | 0 | 102 | 3.4 |
| Competition in the business | 2 | 12 | 13 | 3 | 0 | 30 | |
| | 10 | 26 | 39 | 6 | 0 | 81 | 2.7 |
| Subscribers changing attitude | 2 | 11 | 11 | 6 | 0 | 30 | |
| | 10 | 44 | 33 | 12 | 0 | 99 | 3.3 |
| Changing trend in business | 1 | 10 | 12 | 4 | 3 | 30 | |
| | 5 | 40 | 26 | 8 | 3 | 86 | 2.8 |

INTERPRETATION

The above table shows that the level of risk involved in the business. The highest mean score is for financial risk (3.7)

FINDINGS

- ❖ The study reveals that, calculated p-value is 0. 258348292 are not significant. The calculated p-value is more than the 5% (0.05) level of significance. So, the null hypothesis is accepted. Hence, there is no significance difference between the authorized capital and annual turnover of the company.
- ❖ The study shows that the level of risk involved in the business. The highest mean score is for financial risk (3.7)

SUGGESTIONS

The following are the suggestions given for the chit funds on the basis of study findings.

- The chit promoters must go for increasing the duration of the chit groups further more for the smaller value chit groups, thereby even the small investors can get a lump sum as a chit amount with little affordable subscriptions. This will attract small households towards the chit funds.
- The government is insisting the chit promoters to get the CRISIL (Credit Rating Information Services of India Ltd) certifications and if this has been made mandatory, will increase the trustworthiness of the organization. It is highly recommended for the chit promoters to compulsorily go for CRISIL certification.
- The chit promoters can introduce new innovative schemes to cater the increasing needs of the subscribers. They must strengthen the agent 's network in order to trap the rural subscribers.
- The researcher by conducting this study identified that there is a significant relationship between years of existence and the number of branches operated. Therefore, it is highly recommended for the chit promoters that the optimal period to start new branches is only after 10 years of existence.

The chit promoters at any cause should not assure any false promises to the subscribers which will directly affect the overall reputation of the organization. The chit promoters must verify the guarantors and the sureties through proper channels so as to minimize the financial risk involved and also to identify the reliability of the subscribers. But on the other hand, the chit promoters can also think of reducing the procedural formalities to the loyal subscribers in order to reduce the processing time.

CONCLUSION

In India, the financial Institutions have attained an enormous growth in the recent past. The chit funds come under the category of non-banking financial companies (NBFC). 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.

In my study area it has been conducted mainly for the purpose of identifying the growth challenges and opportunities prevailing for chit fund organizations in Coimbatore District. Three objectives have been set for the study in my conclusion that the chit fund is a complex institution, and unlike a standard financial market, the payoff a participant receives cannot be not directly summarized. Rather, it depends on the endogenous composition of participants in each group.

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