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Investor Perception Towards Organised and Unorganised Chit Fund

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Abstract- Chit funds are a traditional savings and borrowing system widely used in many countries, particularly in India. They provide members with a convenient way to save money regularly while also offering access to funds when needed. Chit funds are broadly classified into organized and unorganized sectors based on their registration, regulation, and operational practices. Organized chit funds are registered under applicable laws and operate under the supervision of government authorities. They follow transparent procedures, maintain proper financial records, and ensure legal protection for subscribers. These chit funds promote financial discipline, reduce the risk of fraud, and provide greater confidence to participants. In contrast, unorganized chit funds operate without formal registration or regulatory oversight. They are usually managed by individuals or informal groups within local communities. Although they may offer flexibility and quick access to funds, they carry higher risks due to the lack of transparency, legal safeguards, and accountability. Participants in unorganized chit funds are more vulnerable to defaults, mismanagement, and financial losses.

Keywords - Chit Fund, Organized Chit Fund, Unorganized Chit Fund, Savings, Borrowing, Financial Inclusion, Financial Regulation, Subscriber Protection, Risk Management, Informal Finance, Registered Chit Funds, Consumer Protection, Financial Security, Transparency, Investment.

I. INTRODUCTION

Chit funds are one of the oldest and most popular forms of rotating savings and credit systems, especially in India. They serve as an important financial mechanism that enables individuals to save regularly while providing access to lump-sum funds when required. Chit funds are widely used by people from different income groups, particularly those who have limited access to formal banking and credit facilities. By combining the features of savings and borrowing, chit funds help members meet personal, business, educational, and emergency financial needs.

The chit fund system operates by forming a group of subscribers who contribute a fixed amount at regular intervals. At each installment, the collected amount is awarded to one member through an auction or lottery process, depending on the rules of the scheme. This process continues until every member has received the pooled amount once during the tenure of the chit. The simplicity, flexibility, and community-based nature of chit funds have contributed to their long-standing popularity.

Chit funds can be broadly classified into two categories: organized and unorganized. Organized chit funds are registered and regulated under the relevant legal framework and operate with transparency, accountability, and government oversight. They maintain proper records, follow prescribed procedures, and provide greater protection to subscribers.

Statement of the Problem

Chit funds play a significant role in providing savings and credit facilities to individuals, particularly those who have limited access to formal financial institutions. While organized chit funds operate under a regulated legal framework and offer greater transparency and security, unorganized chit funds function without adequate regulatory oversight, increasing the risk of fraud, mismanagement, and financial losses for subscribers.

Despite the availability of regulated chit fund companies, many people continue to participate in unorganized chit funds due to factors such as convenience, familiarity, limited financial awareness, and easier access. This exposes subscribers to financial uncertainty and a lack of legal protection.

At the same time, there is limited awareness among many participants regarding the differences between organized and unorganized chit funds, their legal status, operational procedures, and associated risks.

The problem addressed in this study is to examine the differences between organized and unorganized chit funds, evaluate their advantages and disadvantages, and assess the level of awareness among subscribers regarding the safety, transparency, and regulatory aspects of these financial systems. The study also seeks to identify the factors influencing individuals' preference for organized or unorganized chit funds and to suggest measures that can enhance financial literacy, strengthen consumer protection, and encourage participation in regulated chit fund schemes.

Need for the Study

The study of organized and unorganized chit funds is important because chit funds continue to be a widely used source of savings and credit, particularly among middle-income and lower-income households. Although organized chit funds operate under a regulated framework and provide greater security to subscribers, many people still participate in unorganized chit funds without fully understanding the associated risks. This study is therefore necessary to create awareness about the differences between these two systems and to promote informed financial decision-making.

II. OBJECTIVES OF THE STUDY

- To analyze the perception of investors towards organized and unorganized chit funds.
- To study the factors influencing the preference of investors for organized and unorganized chit funds.
- To compare the perceived benefits and risks of organized and unorganized chit funds.
- To study the level of awareness of investors regarding the regulatory framework and legal protection available to organised chit funds.
- To study the effect of demographic variables like age, sex, income, education and occupation on perception of the investor.

III. LITERATURE REVIEW

1) A. Anto Shaju Sathish (2014) As India is a vast country, the financial field is open to commercial banks, co-operative banks, rural banks and other financial institutions. There is scope also for non-banking financial intermediaries, hire purchase institutions, merchant banks, etc. At the same time, the country cannot afford to have what may be called inflationary conditions by unlimited and unrestricted lending, on the one hand, and institutions accepting deposits with little regards to their safety, on the other.

2) Anjali K P (2023) Kerala is a state with decades of tradition of financial intermediaries either organized or unorganized .The first registered NBFC in Kerala started its business in 2007. This paper aims to examine the perception of services availed by customers of NBFCs (Non-Banking Financial Companies) in Kerala. Primary data are collected using a personal interview method, directly from customers selected using stratified random sampling and convenience sampling methods from three districts of Kerala. Correlation and multiple regression analysis are used to analyse the result. The results imply significance of NBFCs in financial needs among common people is positively correlated to their perception of NBFC as a financial intermediary.

3) Anupam Panigrahi (2015) While registered operators are thought to be secure, there are many instances of unregistered chit operators deceiving investors. Financial markets resist the idea of having a tightly knit, loosely regulated network structure because they are so integrated and intricate. More frequently than we would like to admit, the temptation to make quick money or the need to move up the social ladder by any means is dishonest and disrespectful.

4) CMA Abhijeet S Jain (2022) The Indian financial industry has been expanding quickly in recent years, and regulating it and offering individuals safer, more regulated options for borrowing, investing, and saving. However, there have been a lot of scams in the financial markets,

particularly in the unregulated and semi-regulated markets. These include pyramid and ponzi schemes, which at first promise outrageously high profits before defrauding investors of their money.

5) Dr. B. Johnson (2013) Chit funds are considered as the poor men's banks in India. Individuals who live in rural and semi-urban areas find chit fund as a means of finding solution to their financial problems to great extent. Presently, the chit fund business in India is governed by Indian chit fund Act 1982. Chit funds operate in different forms like private organized institutions, private unregistered institutions, co-operatives and government sector institutions.

6) G. Sankararaman, (2012) investment and Savings are influenced by various factors and vary from person to person with respect to selection of alternatives. Particularly people from invest in all avenues of investments. They will invest in the areas where the systems and procedures are very easy and investor friendly. Chit fund is one of the avenues which suit and illiterate segment. This paper attempted importance and patronage people towards chit funds in Chennai city and came with excellent results.

7) Geetha K M (2022) Individuals or families own unorganized businesses that produce and market goods and services. Unorganized firms main companies that indirectly support the economy by creating jobs, producing one-time consumables, and contributing to gross domestic products..

8) Manalel (2013) Chit funds contribute to the value of financial Chit finances with its unique features are of great significance especially as a savings cum borrowing avenue. entitled "A Study of chit Finance in Kerala with special emphasis on Kerala State Financial Enterprises Ltd." examines the socio-economic aspects of Chit schemes run by the private Chit Funds, KSFE, co-operatives, and informal Chit Funds. The study is growing popularity of Chit Funds as savings cum borrowings avenues borrowings and also to understand how the Chit subscribers utilize the funds.

IV. RESEARCH METHODOLOGY

The Encyclopedia of social sciences defines research as "the manipulation of things, concepts or symbols for the purpose of generalizing to extend, correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art."
Data have been collected from primary and secondary sources.

Primary data: Primary data were collected through observation, discussion with manager and employees.

Secondary data: Secondary data were collected through company's website, records, journal and magazines etc.,

Sampling Method:
Random Sampling.
Sample Size: 100 respondents

Data Collection Tool: Google Forms.
Statistical Tools Used: MS Excel, MS Word, Tables, and Percentage Analysis.

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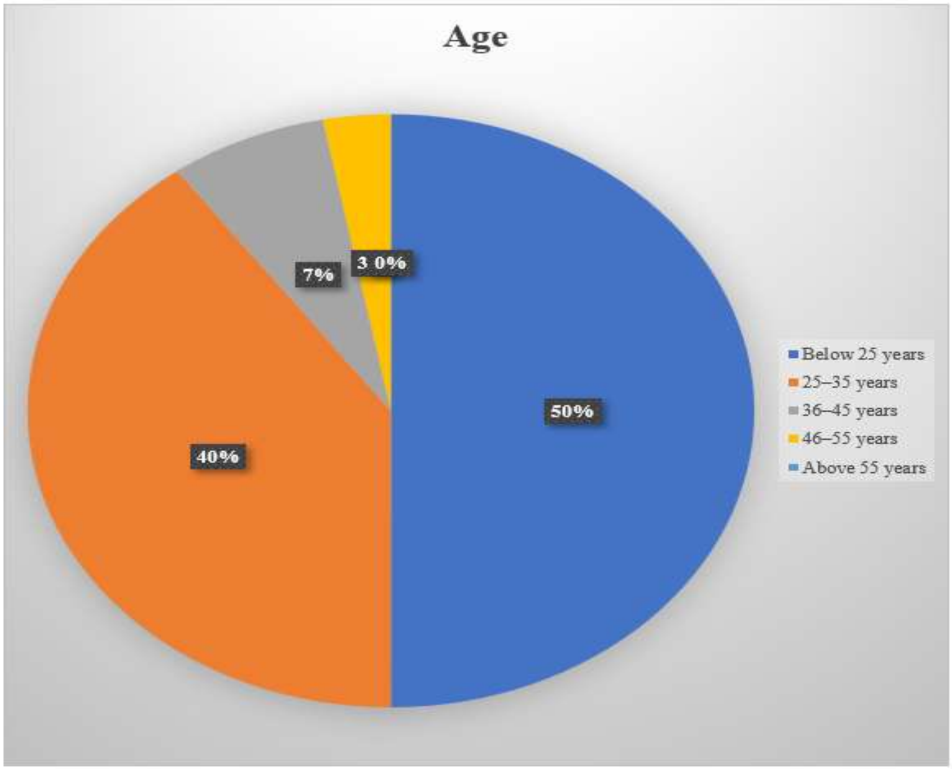
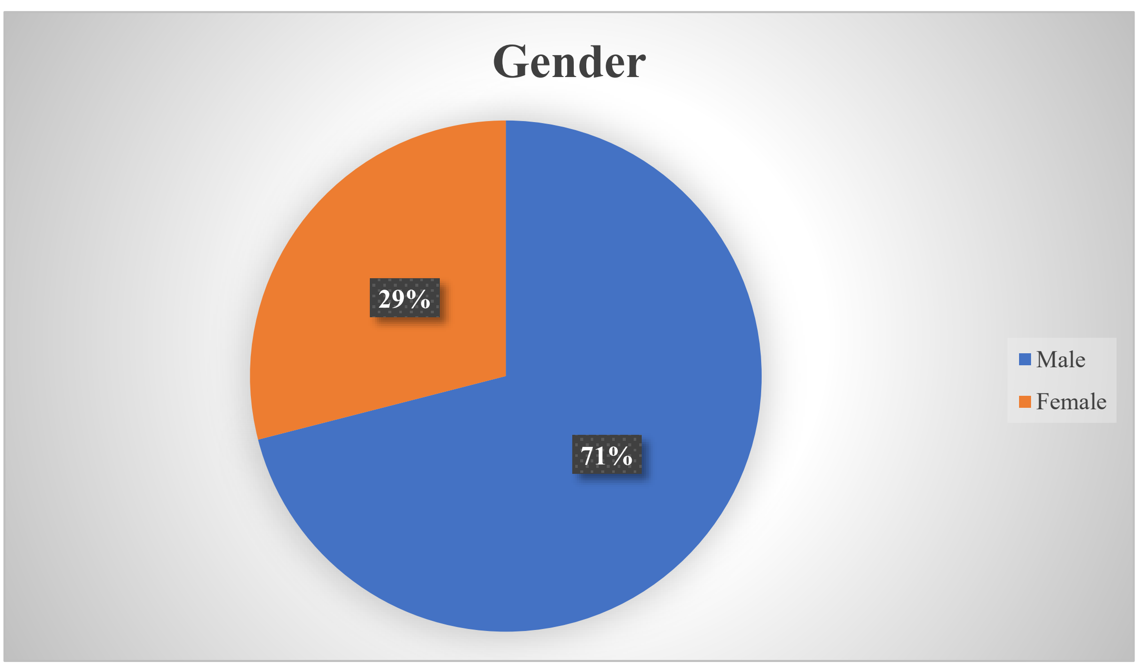


Interpretation: The majority of respondents are young, with 50% Below 25 years and 40% in the 25–35 years age group. Only 7% fall in the 36–45 years bracket and 3% in the 46–55 years category. No respondents were Above 55 years, showing that investor perception

1. Gender of the respondents

Particular's	No of respondent's	Percentage'
Male	71	71%
Female	29	29%
Total	100	100%



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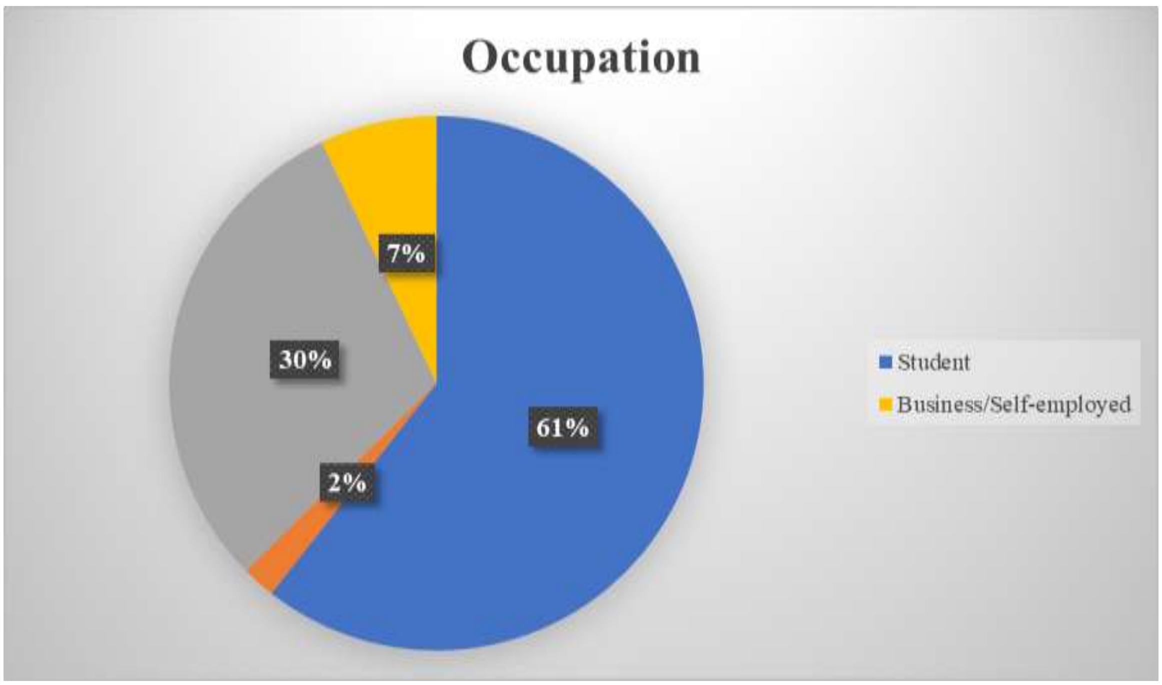
Interpretation: The survey shows a clear male dominance, with 71% of respondents being Male compared to 29% Female.

Occupation of the respondents

Particular's	No of respondent's	Percentage'
Student	60	60%
Government Employee	02	02%
Private Employee	30	30%
Business/Self-employed	07	07%
Total	100	100%



Interpretation: The Students at 60%, followed by Private Employees with 30%, showing that younger and working professionals dominate the sample. Business/Self-employed individuals account for 7%, while Government Employees are the least represented at just 2%.

How long have you been investing in chit funds

Particulars	No of respondents	Percentage
Less than 1 year	60	60%
1-3 years	33	33%
4–6 years	07	07%
More than 6 years	00	00%
Total	100	100%

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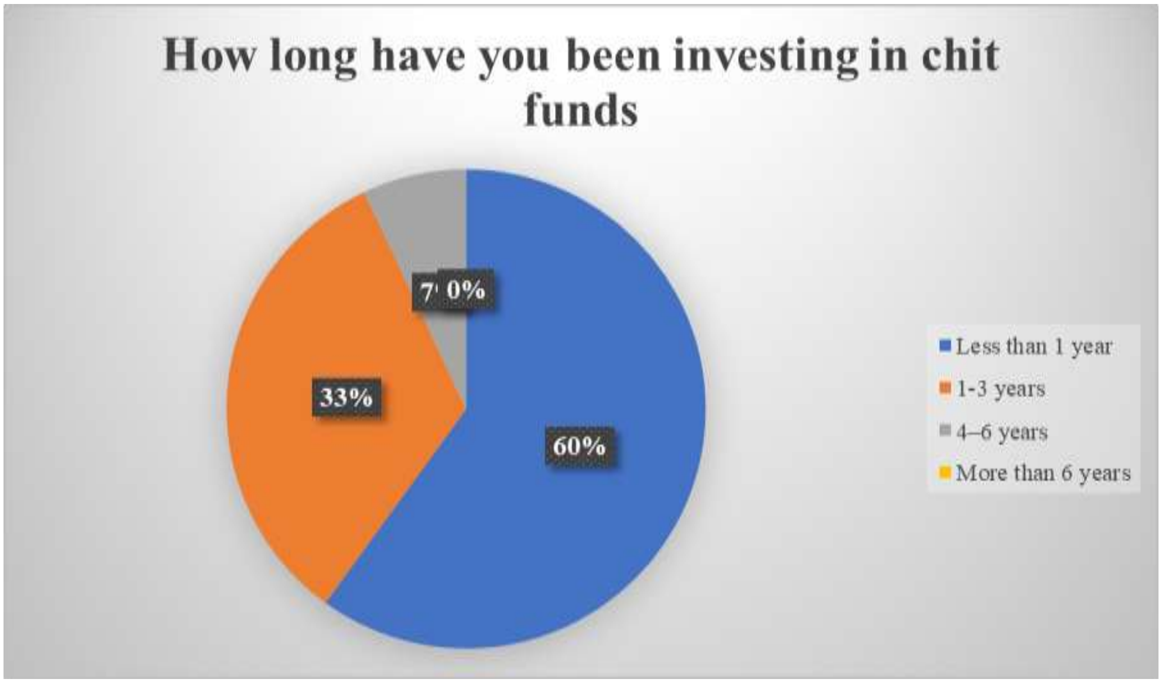

Interpretation: The data shows that most investors are new to chit funds, with 60% having invested for Less than 1 year and 33% for 1–3 years. Only 7% have been investing for 4–6 years, and None have invested for More than 6 years.

V. FINDINGS:

- 50% Below 25 years and 40% in the 25–35 years age group. Only 7% fall in the 36–45 years bracket and 3% in the 46–55 years category. No respondents were Above 55 years, showing that investor perception
- 71% of respondents being Male compared to 29% Female.
- most respondents are highly educated, with 71% being Postgraduates and 6% holding a Professional Degree. Undergraduates make up 19%, while those with PUC/12th and SSLC/10th qualifications are very few at 2% each.
- majority of respondents are Students at 60%, followed by Private Employees with 30%, showing that younger and working professionals dominate the sample. Business/Self-employed individuals account for 7%, while Government Employees are the least represented at just 2%.
- most respondents fall in the lower to middle income range, with 43% earning Below ₹25,000 and 40% earning ₹25,001–₹50,000. Only 10% earn ₹50,001–₹75,000, while 5% are in the ₹75,001–₹1,00,000 bracket and just 2% earn Above ₹1,00,000.
- majority of respondents, 64%, have Yes invested in a chit fund, while 36% have No prior investment experience.

VI. CONCLUSION:

According to this study, chit fund has been found out to be a popular source of money for youths, college students and private employees. Most people get news from relatives/friends so they prefer a chit fund with more security, better services and low risks.
Most people save money, take out a loan easily with high value of creditworthiness, security and government regulations. Generally there is a high level of contentment; most people would suggest that a chit fund should be organized.

However there are also needs for reaching out to seniors; attracting female customers; raising awareness about customers' rights; improving banking services and investors' rights education. These steps might also increase credibility of chit fund usage by people.

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