



ANALYTICAL STUDY OF FACTORS INFLUENCING INVESTORS TO INVEST IN MARGADARSI CHITS

Mrs.V.BHAVANI¹

Assistant Professor, Department of Management Studies,
Geethanjali College of Engineering and Technology,

Mr. M.SHIVA²

Assistant Professor, Department of Management Studies,
Marri Laxman Reddy Institute of Technology and Management,

Abstract: An investment is a financial commitment undertaken with the hope of earning a profit. Investing in chit funds is now an option for those who now invest in stocks, bonds, and mutual funds. The decision to invest in Chit funds is made by an individual investor for a variety of reasons and considerations. Chit Fund is a popular investment option that welcomes investors from all backgrounds. The Salaried Class, Professionals, Businessmen, and Self Employed benefit the most from it. Factor analysis, chi-Square, and mean score are the statistical tools utilised for analysis. Percentage analysis is the mathematical technique employed. According to the mean score study, most investors favour chit funds as their primary investment vehicle, followed by bank deposits and life insurance. The first feature that draws investors to Margadarsi chits is the provision of better service, followed by the chits' contractual ease of saving and provision of future savings in advance. Investors can also learn more about chit funds from friends and family before making a decision, as well as from newspapers and magazines. The key security factors that have inspired investors to invest in Margadarsi chits are Capital growth and meeting future family needs, as well as meeting immediate needs, investing to live a safe and secure life, and meeting emergency needs. According to the results of the chi-square analysis, there is a substantial correlation between the respondents' gender and the amount of money they invested in Margadarsi chits for both emergency requirements and future family needs. It is advised that investors have little knowledge of financial planning so that Margadarsi Chits can take measures to help investors understand financial planning and investors are interested in investing in 3 to 5 year plans so that Margadarsi Chits can introduce more schemes for the investors for their benefit.

Key Words: Awareness, Chit Funds, Features, Investors, Investment options.

1. INTRODUCTION

An investment is a financial commitment undertaken with the hope of earning a profit. Investing in chit funds is now an option for those who now invest in stocks, bonds, and mutual funds. The decision to invest in Chit funds is made by an individual investor for a variety of reasons and considerations. Chit Fund is a popular investment option that welcomes investors from all backgrounds. The Salaried Class, Professionals, Businessmen, and Self Employed benefit the most from it. In addition to other types of savings plans offered by various public and private sector banks, post offices, insurance firms, etc., chit funds are one sort of savings plan that is used in India. Each and every individual can be distinguished specifically based on a variety of factors. Their investing choices are based on a variety of factors. Their financial choices are influenced by a wide range of circumstances. Everyone has different needs. In light of this, they make decisions. Any investment is done with the main goal of generating returns on the initial investment. Returns can differ depending on the type of investment instrument. The amount of information a particular investor has about various investment tools affects their personal investments.

Individuals' investment decisions are influenced by their understanding of the link between risk and return as well as industry sectors, economic indicators, company performance analysis methodologies, portfolio management approaches, etc. The sources of knowledge about possible investment opportunities also influence

the choice of investments. An individual's investment choices are influenced by their awareness of their tax obligations, how taxes are applied to their income from investments, and their tax responsibilities themselves. Security or safety in investing is also crucial. Because anyone investing their hard-earned money will undoubtedly hope for a profit. Any investment should place the security of the invested funds first, with returns that are proportionate to the level of risk assumed for each investment. The availability of spare cash is one of the most crucial elements influencing personal investing. There won't be much money available for investment if the gap between net income and expenses is zero or negative.

OBJECTIVES OF THE STUDY

The objectives of the study are,

1. To determine the elements that motivate investors to buy Margadarsi Chits.
2. To determine the qualities that draw investors to Chit investments.
3. Researching the information sources that investors use to decide whether to invest in Margadarsi Chit funds
4. To determine which savings method investors prefer.

SCOPE OF THE STUDY

The present study entitled "A Study on Elements Influencing the Investors to Invest in Chit Funds with Reference to Margadarsi Chits," explores the factors that affect investor decision-making with regard to chit funds. In addition to learning how Chit subscribers use the money, the study aims to identify the factors that contribute to the growing popularity of Chit Funds as a source of savings and borrowing despite the availability of other options.

METHODOLOGY

Type of Research

The type of research used in this project is descriptive in nature. The main goal of this type of research is to describe the data and characteristics about what is being studied.

Sample Size

The population size is 400. The sample size chosen for the study is 100 and the respondents are the investors of Margadarsi Chits.

Sample method

Proportionate Stratified sampling method was used in this project to collect the data from the total 400 subscribers. In this study the subscribers were stratified into a number of subpopulation or strata and sample items were selected from each stratum. The population is divided into 5 strata and 20 units are selected from each stratum.

$$n_i = (N_i / N) n$$

n-Sample size

Ni-Strata size

N-Population

$$n_i = (80/400) * 100 \rightarrow 20 \text{ samples for each strata}$$

No of strata-5

$$\text{Sample size} = 20 * 5 = 100 \text{ samples}$$

Tools for Data Collection

Primary method of data collection is done through questionnaire administered to the respondents. Secondary method of data collection is done through the websites, books, journals etc.

Tools for Analysis

Statistical tools such as percentage analysis, factor analysis and Chi-square are used for the analysis of data. Scoring and Ranking Method has been used to identify the determinants behind the preferences for joining Chit Funds.

THEORETICAL BACKGROUND OF THE STUDY

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. The uniqueness of Chit Fund as a method of Financial Planning stems from the fact that, it is both a tool for saving and borrowing. In other words, it serves the dual purpose of being an investment for your savings and in times of need the Subscriber can bid for the Prize Amount in order to meet any unexpected expenditure.

A study conducted by the Institute for Financial Management and Research (IFMR) in India concluded that over thousands of crores of rupees are circulated through chit fund. Andhra Pradesh topped with 1.4 million

households participating in chit funds circulating \$1.6 billion. Tamil Nadu stood second with participation by 800,000 households circulating \$820 million. The study also found that:

- Around 2.4 per cent of the participants are of households with monthly income less than Rs 10,000. Another 38.4 per cent are households with monthly incomes between Rs 10,000 and Rs 20,000. This means, that a good 70 per cent of the participants belong to low to middle income groups.
- Around 50% of the subscribers are below poverty line

Fig 1.1 Chit funds survey

Chit funds survey						
	Population (million)	Household Population (million)	Unbanked Population (%)	Household Participation	Money circulated thru chit funds (Rs crore)	Money circulated (/household) (Rs)
Tamilnadu	65.26	16.32	25-50	800,000	3,700	46,231
Andhra	60.43	20.11	<25	1,400,000	7,200	52,071
Delhi	16.07	4.02	<25	25,000	271	77,760
Kerala	33.57	8.39	25-50	830,000	188	2,284
Karnataka	56.14	14.03	25-50	NA	NA	NA

Source: IFMR study

REVIEW OF LITERATURE

Dale Adams (2021)¹ Conducted a study on "A study on microfinance" This article examines the historical context of microfinance and its evolution. The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world. Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. One of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over Ireland.

Gaurav kabra (2020)² Conducted a study on "Factors Influencing Investment Decision of Generations in India:" aims to gain knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs are very different. It is by using different age groups along with Gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, the present study is an attempt to find out Factors which affects individual investment decision and Differences in the perception of Investors in the decision of investing on basis of Age and on the basis of Gender. The study concludes that investors' age and gender predominantly decides the risk taking capacity of investors.

Itoop, M.L (2019)³ in his work "Economic Significance of Chit Funds in India" tried to identify the factors leading to the growth of Chit Funds in India especially in the 1980's. He also examined its utility as a saving instrument and supplier of easy credit and thus employment potential. The findings of the research revealed that Kuries help, industry, agriculture and even house construction. The only unproductive expenditure related to the money spent on marriages and on durable consumer goods. The study also found that the cost of credit is cheaper compared to the cost of credit with reference to commercial banks and other financial institutions.

STATEMENT OF THE PROBLEM

Despite the growth of a wide range of savings avenues and the widespread network of banks and other financial institutions, Chit scheme still forms an important part in the asset portfolio of many households and

firms in India. Though there are different avenues of savings and different categories of Chit Funds mobilizing the scattered savings of the people, what motivates the subscribers in preferring Chits and also particular types of Chit institutions has not been examined.

Hence it is worth examining the factors influencing the investors to invest in chit funds. This has motivated the researcher to undertake a study on the topic “A Study on factors influencing the investors to invest in chit funds with reference to Margadarsi Chits”

DATA ANALYSIS AND INTERPRETATION

This analysis and interpretation of data as collected through questionnaire from 100 investors who have invested in Margadarsi chits.

PERCENTAGE ANALYSIS

Distribution of the respondents on the basis of age

Age(In Years)	No. of Respondents	Percentage
<25	11	11
26-35	26	26
36-45	33	33
46-55	22	22
>56	8	8
Total	100	100

Interpretation: The above table shows that, most (33%) of the respondents are in the age group of 36 to 45 years.

Distribution of the respondents on the basis of gender

Gender	No. of Respondents	Percentage
Male	41	41
Female	59	59
Total	100	100

Interpretation: From the above table it can be inferred that, majority (59%) of the respondents are female.

Distribution of the respondents on the basis of occupation

Occupation	No. of Respondents	Percentage
Government Job	20	20
Private Job	46	46
Business	29	29
Others	5	5
Total	100	100

Interpretation: The table shows that, most (46%) of the respondents are going for private job.

Distribution of the respondents on the basis of income

Annual Income	No. of Respondents	Percentage
<1,00,000	7	7
1,00,001-2,00,000	34	34
2,00,001-3,00,000	43	43
>3,00,001	16	16
Total	100	100

Interpretation: From the above table it can be inferred that 43% of the respondents belong to the income group of Rs. 2, 00,001-3, 00,000

Distribution of the respondents according to their attraction towards the features of chit funds

Features of chit funds	No. of Respondents	Percentage
Better return and safety	14	14
Reduction in risk and transaction cost	12	12

Easy access to funds	19	19
Regular saving	21	21
Monthly Installments	29	29
No market fluctuations	5	5
Total	100	100

Interpretation: From the above table it can be inferred that most (29%)of the respondents feel that monthly installments in chit funds is the major feature that has attracted them followed by regular saving and easy access to funds.

Preference level of investors towards Investment Avenue

INVESTMENT AVENUE PREFERRED	MEAN	RANK
Bank Deposit	2.89	2
Life Insurance	3.33	3
Shares and debentures	3.93	5
Post office	3.69	4
Chit Funds	1.97	1
Units of UTI & MF	5.22	6

Interpretation: From the above table it can be inferred that chit fund is the investment avenue preferred by most of the investors followed by bank deposit and life insurance.

Reasons for preferring investment in Margadarsi chits

Features	Mean	Rank
Convenient and contractual way to save	4.33	2
Provides future savings in advance	4.71	3
A source of credit.	4.92	5
Minimum Formalities	4.74	4
Dual option for savings and borrowings	5.29	8
Dividend reduced monthly subscription	5.21	7
Transparency and openness	4.99	6
Better Service	1.81	1

Interpretation: From the above table it can be inferred that providing better service is the first feature that attracts the investors to invest in Margadarsi chits followed by it is convenient and contractual way to save and providing future savings in advance.

Security Factors

Security Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Meets my family needs in future	56	44	0	0	0
Meets my emergency needs	47	53	0	0	0
Invest to live a safe and secure life	47	53	0	0	0
Capital growth is the reason for investment	33	62	0	5	0

Interpretation: From the above table it can be inferred that majority (56%) of the respondents strongly agree that they invest in chits to meet their family needs in future, majority (53%) of the respondents agree that they invest in chits to meet their emergency needs, majority (53%) of the respondents agree that they invest to live a safe and secure life and majority of the respondents (62%) agree that they invest for the purpose of capital growth.

Awareness Factors

Awareness Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Having good knowledge about chits	45	55	0	0	0
Having good knowledge of financial planning	20	19	0	19	42
Having good knowledge of investment plans	39	57	0	4	0

Interpretation: From the above table it can be inferred that majority (55%) of the respondents agree that they have good knowledge about chits, most (42%) of the respondents strongly disagree that they do not have knowledge about financial planning, majority (57%) of the respondents agree that they have good knowledge about investment plans.

Opinion Factors

Opinion Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Take suggestions from family	56	44	0	0	0
Take suggestions from peers before investment	50	47	0	3	0
Take suggestions from financial expert	53	20	9	0	18

Interpretation: From the above table it can be inferred that majority (56%) of the respondents agree that they take suggestions from family, most (50%) of the respondents strongly agree that they take suggestions from peers before investment, majority (53%) of the respondents agree that they take suggestions from financial expert.

Distribution of the respondents on the basis of the Information sources

Information sources	Mean	Rank
1.Newspaper/Magazine	2.56	2
2.Television	4.29	4
3. Agents/Brokers.	4.65	6
4.Websites/Mail	4.55	5
5.Friends/Relatives	1.01	1
6.Self Decision	3.94	3

Interpretation: It can be inferred from the above table that investors get information about chit funds from friends and relatives before investing in chits followed by newspapers/magazines and self decision.

CHI SQUARE ANALYSIS

This part of the analysis deals with the relationship between the demographic factors like gender and income of the respondents and the security factors and duration factors which influence the investors to invest in Margadarsi chits

H0 : There is no significant relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their family needs in future.

Relationship between the gender and their investment made in Margadarsi chits to meet their family needs in future

Particulars	Significant Value	Result
Relationship between gender of the respondents and their investment made in Margadarsi chits to meet their family needs in future	.042	Reject

Interpretation: The p value is .042. So there is significant relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their family needs in future.

H1 : There is no significant relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their emergency needs.

Relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their emergency needs

Particulars	Significant Value	Result
Relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their emergency needs	.355	Accept

Interpretation: The p value is .355. So there is no significant relationship between the gender of the respondents and their investment made in Margadarsi chits to meet their emergency needs

FINDINGS

PERCENTAGE ANALYSIS

- The majority (33%) of responders are in the 36–45 age range.
- Females make up the majority of replies (59%)
- The majority of responders (46%) are seeking private employment.
- The majority of respondents (43%) come from the Rs. 2,00,001-3,00,000 income bracket.
- According to the majority of respondents (29%) quick access to finances and regular saving are the main features that have drawn them in.
- The majority of respondents (56%) strongly concur that they invest in chits to provide for their families' future needs; the majority of respondents (53%) strongly concur that they invest in chits to provide for their immediate needs; the majority of respondents (53%) strongly concur that they invest to live a safe and secure life; and the majority of respondents (62%) strongly concur that they invest for capital growth.
- The majority of respondents (55%) concur that they have good understanding of chits, while the majority (42%) strongly disagree that they lack knowledge of financial planning and the majority (57%) concur that they have good knowledge of investment plans.
- The majority of respondents (56%) concur that they take advice from family members before making investments, whereas the majority (50%) strongly concur that they take advice from peers before making investments and the majority (53%) concur that they take advice from financial experts.

MEAN SCORE

- The majority of investors favour chit funds as their primary investment vehicle, followed by bank deposits and life insurance.
- The first characteristic that draws investors to Margadarsi chits is the provision of superior service, which is followed by the fact that they are a handy and contractual way to save and that they provide for future savings in advance.
- Before investing in chits, investors learn about chit funds from friends and family. They then read newspapers and periodicals and make their own decisions.

FACTOR ANALYSIS

Security Aspect

Invest in a safe and secure future for my family, take care of my immediate needs, and The main security aspects that have encouraged investors to invest in Margadarsi chits are capital growth and investment return.

Factor of awareness

The main awareness aspects that have persuaded investors to invest in Margadarsi chits are having good knowledge of chits and having good knowledge of investing strategies.

Opinion component

The main opinion aspects that have motivated investors to invest in Margadarsi chits are to seek advice from peers and financial experts before making an investment.

Duration factor

The main durational variables that have motivated investors to invest in Margadarsi chits are interest in investing for 3 to 5 year plans, interest in investing for less than 1 year plans, and interest in investing for more than 5 year plans.

CHI SQUARE ANALYSIS

- The gender of the interviewees and their investment in Margadarsi chits to support their future family needs are significantly correlated.
- The respondents' investment in Margadarsi chits to cover their emergency requirements is not significantly correlated with their gender.

CONCLUSION

Chit funds are an excellent resource for small business finance. The industry has engaged in certain dishonest practises recently, which has prompted the government to take drastic action. Chit funds occasionally fail, and this is typically related to growing past capacity. Unless the chit manager or business has enough personal resources as a backup for financial contingencies, a chit fund is not a scalable concept. The regulatory obstacles that the chit businesses must overcome as a result of the strict regulations gradually proposed by the Government have hampered the development of the sector. The registered chit companies' increased operating costs have had the consequence of driving these businesses "underground."

In the recent past, many businesses have either shut down or moved their entire operation into the informal sector, creating a "unregistered" chit fund. The unorganised chit fund business is enormous and expanding (out of the 7300 total chit funds, 6000 are not registered in Hyderabad)¹³. Along with the sector and its players, the Government also suffers because of the loss of money, which results in major issues. Therefore, it is crucial that more thorough research be done on the problems they confront in order to promote this idea, which is generally advantageous to all the parties involved.

REFERENCES

- Gnani Dharmaja. V, Ganesh. J, Santhi. V. (2012), "A study on the individual investor behaviour with special reference to Geojit BNP Paribas financial services Ltd, Coimbatore" International Journal of Research in Management & Technology, ISSN:2249-9563 Vol. 2, No. 2.
- Luu Thi Bich Ngoc (2014), "Behaviour pattern of individual investors in stock market", International Journal of Business and Management ISSN: 1833-3850, Vol. 9, No. 1. Hussein A. Hassan Al-Tamimi (Summer 2006), "Factors influencing Individual Investor Behaviour: An empirical study of the UAE Financial Markets", The Business Review, Cambridge; 5, 2 pp. 225-232. Kannadhasan. M., "Risk Appetite and Attitudes of Retail Investors with Special Reference to Capital Market", The Management Accountant, June 2006, pp. 448-453, 2006. Mittal M and Vyas R. K. (2008), "Personality type and investment choice An empirical study", The Icfai University Journal of Behavioral Finance, Vol. V, No. 3, pp. 6-22.
- Parimalakanthi K. and M. Ashok Kumar (2015), "A study on investment preferences and behaviour of individual investors in Coimbatore city", Bonfring International Journal of Industrial Engineering and Management Science, Vol. 5, no. 4.
- Petter Roger Ewing., "Motivating Factors Guiding the Common Stock Investor"; Dissertation Abstracts International Vol 31, No. 5 1970, P. 1975A, 1970.
- Rakesh H M, (2014) "A study on individual investors behaviour in stock markets of India", International Journal in Management and Social Sciences, (IJMSS) ISSN: 2321-1784 Vol.02 Issue-02.
- Shanmugasundaram V. "The impact of behavioural bias of investors in Capital market" South Asia Journal of Socio Political Studies, SAJOSPS, Vol. 10, No. 1, pp. 99-102.