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## **A STUDY ON CUSTOMERS' PERCEPTION TOWARDS KERALA STATE FINANCIAL ENTERPRISES LTD.(KSFE) AS A CHIT FINANCE IN KERALA, WITH SPECIAL REFERENCE TO CHENGANNUR TALUK**

**Blessy A. Varghese**

Guest Faculty,  
Department of Commerce,  
Christian College,  
Chengannur,  
Kerala

### **ABSTRACT**

*Non-Banking Financial Companies have emerged as an integral part of the Indian financial system. Chit Funds are saving devices through pooling of money by a group of persons by way of periodical instalments of fixed amount paid over a fixed period of time . The scheme involves three functions such as pooling together the scattered savings of a group of individuals, lending out the collected savings to a member of the group and continuing the process of collection and distribution of amounts for a certain period. Kerala State Financial Enterprises (KSFE) is a Government-owned, miscellaneous non banking financial company and a dominant chit's player in the state. Kerala State Financial Enterprises (KSFE) is contributing towards financial inclusion by providing a variety of services to common people in Kerala . It was established for the purpose of conducting Chits, hire purchase and insurance business under Government control. This apart, the Government of Kerala had a progressive vision for generating non-revenue income through such public sector ventures. The present study attempted to explore the awareness and satisfaction level of customers' of KSFE as a chit finance system in Kerala.*

**KEY WORDS:** Non banking financial company, KSFE, Chitty.

### **INTRODUCTION**

Banks and other financial institutions play an important role in mobilising the saving of the people and channelising the amount so available for investment. In India nationalized banks, private banks, rural banks, co-operative banks and new generation banks will come under the banking structure. Non banking finance companies are another group in this sector. 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 Kerala. With a view to ensure safety, security and better service to the Chit subscribers, the State Government established, The Kerala State Financial Enterprises Ltd. (KSFE) in 1969 for conducting Chit business and other financial transactions.s

The KSFE Ltd. is fully owned by the Government of Kerala. The Company, which started in a humble manner with a paid up capital of Rs. 2 Lakhs in 1969, has now grown to Rs.300 Lakhs with a capital structure of 3,00,000 shares of Rs.1 00/- each fully subscribed by the State Government. Beginning with Chits, the Company has over the years introduced several attractive schemes to cater to the needs of different classes of people. It mainly mobilises savings by instruments like Chits and deposit schemes and channelises them to acquire house and household durables, motor vehicles, equipment for self-employment and provides finance for augmenting working capital needs of small traders. KSFE comes under the group of Miscellaneous Non-Banking Financial Intermediaries. KSFE has the unique status of being the only public sector undertaking in India, which

runs Chits and also one of the few profit making companies owned by the Government of Kerala. The major objectives pursued by the Company on its incorporation are: -

- To start, conduct, promote, operate, manage and carry on the business of Chitties in India and elsewhere.
- To promote, undertake, organise, conduct, manage and carry on the business of general and miscellaneous insurance of any kind in India or elsewhere.
- To start, promote, conduct, operate, carry on and manage the business of dealers, agents and traders under the hire purchase system of articles, vehicles, machinery, materials, goods and tools of all capital goods and consumer goods and property of all nature and description for personal, domestic, office, commercial, industrial and community use and consumption as a business of the Company or as agents of the government, state or central or any body or organisation, there-under or of any other Company.
- To start, promote, conduct, operate and carry on the business for providing financial assistance for the construction of new buildings and 96 for repairs, renewals, alterations, additions or modifications of existing buildings and for self-employment schemes.
- To provide financial assistance to the hirers or others for the purpose of running and maintaining articles, equipment and other items acquired under Hire Purchase system of the Company.
- To advance money on the security of gold or other valuable securities.

The main schemes of the Company as of now are:

1. Chit scheme
2. Passbook loan
3. New Chitty loan
4. Hire purchase scheme
5. Hire purchase (House modernisation scheme)
6. Employment oriented hire purchase scheme
7. Gold loan scheme
8. Trade financing scheme
9. Fixed deposit scheme
10. Sugama deposit scheme
11. New fixed deposit loan scheme
12. New housing finance scheme
13. Reliable customer loan

### STATEMENT OF THE PROBLEM

People like small traders, salary earners, petty shopkeepers and the middle classmen of limited means in rural area mainly trust on KSFE for its financial requirements. This is more relevant in the case of villagers who are mainly depends on various services rendered by KSFE. The chit funds in the state which have played an important role in mobilizing the rural savings and also in the capital formation and there by economic development of the state in the state. Hence this study entitled as a study on customers' perception towards Kerala State

Financial Enterprises Ltd. (ksfe) as a chit finance in kerala, with special reference to Chengannur Taluk.

### OBJECTIVES OF THE STUDY

1. To study the financial position and financial performance of KSFE Ltd.
2. To evaluate the performance of KSFE in the Chengannur Taluk.
3. To analyze the operational efficiency of KSFE Ltd. In the Chengannur Taluk.
4. To examine the services offered by KSFE Ltd for its customers.
5. To provide valuable suggestions and recommendations for the improvement of current financial management

### SIGNIFICANCE OF THE STUDY

KSFE is the dominant foremen in the chit business in Kerala, its weaknesses result in the non-attainment of certain objectives. Driven by the growing trend of privatization, KSFE needs to be innovative and competitive. It is also necessary that KSFE continue its leadership role by being more effective in being the harbinger of more efficiency, professionalism and good governance in the Chit Fund Industry. The growth and development of chit business by protecting the interests of both the subscribers and the foremen will therefore be most beneficial for any growing economy. Therefore, this study aims at explore the customers' perception towards KSFE Ltd.

### REVIEW OF LITERATURE

Baburaj (1999) "A Study on the Working, Achievements and Prospects of Kerala State Financial Enterprises Ltd." assessed the progress in the working of KSFE Ltd. and examined how far the company has succeeded in mobilizing the savings and efficiently utilizing it. The study found out the performance of the company in terms of volume of business achieved appeared good and the economic and social impact of various schemes of the company have been positive and significant.

The School of Management Studies, Cochin University of Science and Technology, (1999) "Report of the Study Group to Enquire into the Problems Faced by the Kerala State Financial Enterprises Ltd." , focused its attention on the appropriate strategies for improving the Company's performance after identifying its strength, weakness, opportunities and threats. The study also included an analysis of the working of the company and suggested strategies to overcome the inherent problems.

### DATA ANALYSIS AND INTERPRETATION

#### FINDINGS OF THE STUDY

1. Majority of the customers of KSFE among respondents are female.
2. From the study it is found that most of the respondents are saved their incomes in chitfunds and bank.

3. 12% of the customers invested in sugama deposit, 14% are in sugama security deposit, 8% are deposited in trust scheme, 50% are have short term deposit, 16% in fixed deposit Of KSFE .
4. From the study it is found that 16% respondents are the customers of less than 1 years, 46% respondents are for 1 – 2 years, 26% respondents are of 3 – 4 years, 6% respondents are of 4 – 5 years, 6% respondents are the customers of above 5 years.
5. Majority of the respondents are using chit amount for the purpose of their household purpose.
6. Majority of the respondents gave security for drawing a chit under KSFE .
7. Majority of the respondents felt that savings in KSFE are secured.
8. Most of the respondents felt that chit funds are really beneficial to meet their financial needs.
9. Majority of the respondents felt that the investment in KSFE are profitable.
10. Majority of the respondents are satisfied in services provided by KSFE.

### SUGGESTIONS

- Chit Funds are the core product of KSFE. So measures must be taken to improve chit business through initiating the following programme:
  1. Centralized chitty registration
  2. Online chitty auction
  3. Chitty payments at the door step of subscribers
  4. Spreading weekly chitties to all the KSFE branches
  5. Implementation of core solutions software in the company
- It should give more concentration in providing service to rural people. For this purpose branches in rural area may be opened and all types of its business should be started. Special camps should be conducted in the rural area giving awareness about the different products of the company. In order to have the customership of more low income group people, mini and tiny term personal loan should be given to them. Chitties of very small denominations with attractive sala may also be started. All these will help the rural people to get more out of KSFE.
- Branches may be started in each and every village and panchayaths so that ordinary people can have access to the branches. Branch extension counters should be started

in different parts of town, cities and villages.

- KSFE should focus on communication with customers in closely monitor the SMS services, by follow up the letter services and Chitty installment amount should be informed
- Collection agents should be appointed in all parts of the service area so that chitty installments and loan repayment installments can be easily collected. So the number of defaulters can be minimized.
- The number of agents per branch office should be increased and area wise agents should be appointed to canvass business. Agents should be given commission on the basis of their role in canvassing business.
- Computerization of each and every branch office should be compulsorily made so that all types of unnecessary formalities and procedural bottlenecks can be minimized. Thus defaulters and malpractitioners can be located easily.
- KSFE should start branch offices outside Kerala especially in the metropolitan cities where more Keralites are residing.

### CONCLUSION

KSFE is the Non-Banking Financial Institution undertaken by the Government of Kerala. Since the company has a largest customer base, it was necessary to conduct a customer satisfaction analysis for the company. The survey covered all categories of the company. From the responds taken from peoples in chengannur taluk, The analysis result shows that, the service quality of KSFE is mostly reliable on the assurance scale. The study “Investors attitude towards chit KSFE” is found that the investors have a positive attitude towards their investment made in KSFE. Majority of the investors prefer chit funds for the returns and feel that it is a safe measure of investment. As far as the socio-economic variables are concerned age, gender, qualification, income and occupation have been encouraging the attitude of investors towards chit fund.

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