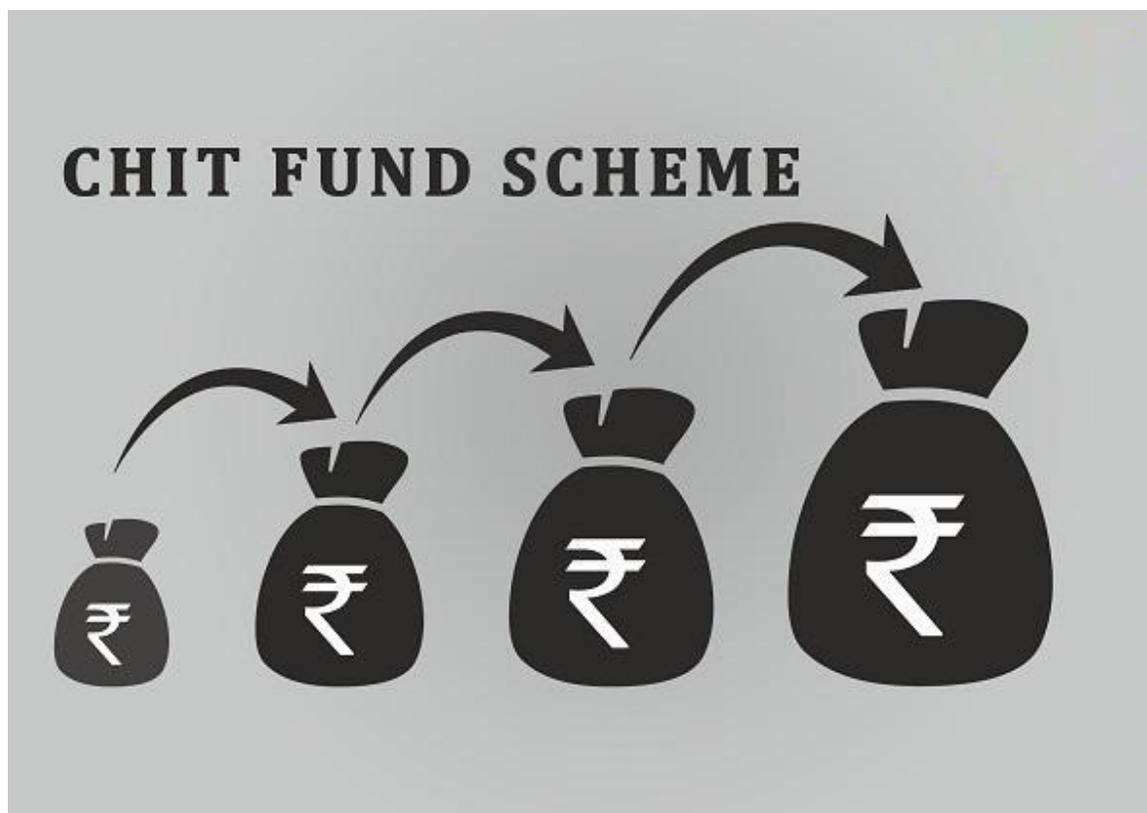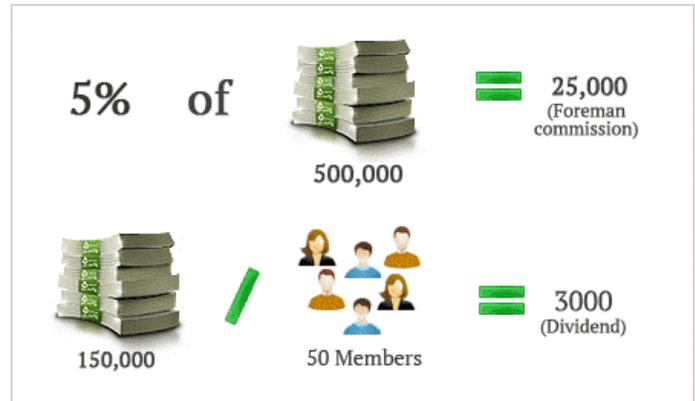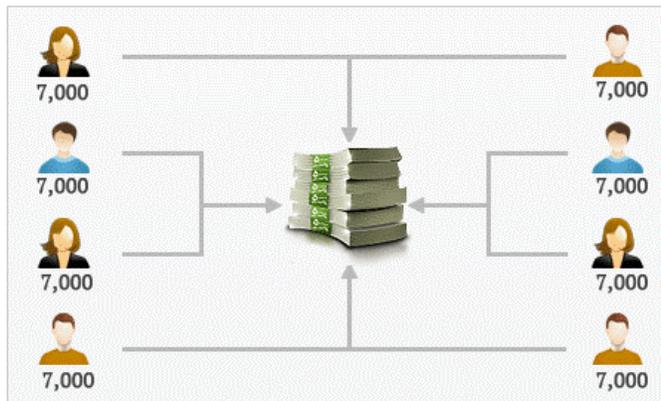# Chitfund Application

Chitfund is web based software application. Purpose of this application/product is to maintain all information of chitfund such as Branch, Group with group information such as group name, chitfund value and collection information with commission and auction information with auction amount and report module with all the reports and expenses module which list out the daily expenses of the chitfund. Chitfund is a means of easy and profitable access to finance for the Small and Medium Enterprises (SMEs). The limited access to funds of SMEs from banks and the formal financial domain had begun to strangle the growth prospects of these enterprises. Thus, the advent of chitfunds is really a boon to these businesses and here we introduce ease of access to manage all things related with chitfund users like Admin, Agent and Members.

How Do Chitfund Work?

Now, let's say there are 10 members, then the chitfund period would have to be for 10 months. Now let's assume that each of the 10 members contributes Rs 1000. If a person is in dire need of money he will bid for the auction amount at a lesser rate. For example, the auction amount would have to be Rs 10,000 in the above case (10 members contributing Rs 1000). Since there may be a need of urgent money the bidder may in the very first month decide to pick the money in the auction at Rs 9000, instead of Rs 10,000.In such a case each member has to only pay Rs 900 and not Rs 1000, since the amount bid was for a lower rate, since the member needed the money urgently. The benefit for not bidding early is the discount one gets in the monthly contribution.

Auction

The chitfund manager auctions out the 'pot' every month on a particular date. The members who wish to participate in the auction assembles at a particular and call out their bids. The auction essentially lasts for five minutes preceded by five minutes of preliminaries and succeeded by five minutes of closing procedure. At the end of the fifth minute of the auction, a bell will ring to indicate the closure. The highest bid at the time of the bell will be recorded as the winning bid. If a member, interested in participating in an auction, is unable to be physically present, then he/she may send a sealed bid to the chit manager/foreman 24 hours prior to the auction. In case there is an equal bid, the decision of who is entitled to the loan is made by means of a lottery. When none of the members require the loan, a lottery is conducted among the non-prized subscribers and the member selected is given the loan amount at the minimum bid of 5%.

Conclusion

Chitfund is a unique financial concept, which has flexibility to borrow or save. By paying one-month installment amount, a person can get to borrow from the chitfund value, by offering a discount not exceeding the maximum limit ascertained in the chit agreement.

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